

**THE SHAREHOLDERS OF KATHMANDU INSTITUTE OF CHILD HEALTH**

**INDEPENDENT AUDITOR'S REPORT**

**Report on the financial statements**

We have audited the accompanying financial statements of Kathmandu Institute of Child Health ("the Company"), which comprise the balance sheet as of 32<sup>nd</sup> Ashadh 2075, and the related statements of income, changes in stakeholders' equity, and cash flows for the year then ended, and related notes to the financial statements.

***Management's Responsibility to the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles (GAAP); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation of and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by the management, as well as evaluating the overall of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

As per the requirement of Company's Act, 2063 we also report that:

- a) We have obtained the information and explanations, which, to best of our knowledge and belief, were necessary for the purpose of our audit;



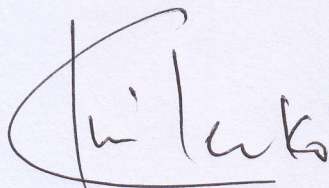


- b) In our opinion, proper books of account as required by the law have been kept by company so far appears from our examination of such books;
- c) In our opinion, the Balance Sheet, Income Statement and the Cash Flow Statement dealt with by this report are in agreement with the books of account maintained by the Company;
- d) In our opinion, so far as appeared from our examination of the books, the business of the company has been conducted satisfactorily; and
- e) To the best of our knowledge and in accordance with explanations given to us and from our examination of the books of account of the Company necessary for the purpose of our audit, we have not come across cases where the Board of Directors or any employees of the Company have acted contrary to the provisions of law, or committed any misappropriation or caused loss or damage to the Company.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all materials respects the financial position of the company as of 32<sup>nd</sup> Ashadh 2075, and the results of its operations and its cash flows for the year then ended in accordance with Nepal Accounting Standards, Generally Accepted Accounting Principles (GAAP) with the provision of the Companies Act, 2063.

For and on behalf of  
S. Devkota & Company  
Chartered Accountants



CA Sunil Devkota  
Partner



Date: 20<sup>th</sup> March 2019


Place: Kathmandu

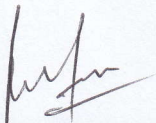


# Kathmandu Institute of Child Health

## Balance Sheet As at Ashad 32, 2075 (July 16, 2018)

Particulars	Schedule	As at 16-Jul-17 NPR	As at 16-Jul-18 NPR
<b>EQUITY &amp; LIABILITIES</b>			
<b>Equity</b>			
Share Capital	1	-	
Reserve Fund & Accumulated Profit	2	1,953,500	(10,000)
<b>Total Equity</b>		<b>1,953,500</b>	<b>(10,000)</b>
<b>Non Current Liabilities</b>			
Medium and Long Term Loan	3	-	-
<b>Total Non Current Liabilities</b>		<b>-</b>	<b>-</b>
<b>Current Liabilities</b>			
Trade & Other Payables	4	55,606	45,000
Short Term Loans	5	-	
Provisions	6	-	
<b>Total Current Liabilities</b>		<b>55,606</b>	<b>45,000</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>2,009,106</b>	<b>35,000</b>
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property Plant & Equipment		-	-
<b>Total Non Current Assets</b>		<b>-</b>	<b>-</b>
<b>Current Assets</b>			
Inventories	7	-	
Cash & Bank Balances	8	1,989,906	11,000
Prepayments, Loans, Advances & Deposits	9		
<b>Total Current Assets</b>		<b>1,989,906</b>	<b>11,000</b>
Preoperating Expenses	10	19,200	24,000
<b>TOTAL ASSETS</b>		<b>2,009,106</b>	<b>35,000</b>
Significant Accounting Policies & Notes to the Accounts	15	As per our attached report on even date For: S. Devkota & Company Chartered Accountants	

  
**Prakash GC**  
Accountant

  
**Prof. Dr. Bhagwan Koirala**  
Director

  
**Sunil Devkota**  
Partner

Kathmandu  
Date : 20 March 2019



# Kathmandu Institute of Child Health

## Income Statement

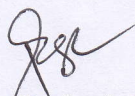
For the year ended Ashad 32, 2075 (July 16, 2018)

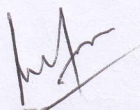
Particulars	Schedule	Current Year (NPR)	Previous Year (NPR)
<b>Income</b>			
Hospital Income	11	-	-
<b>Direct Expenses</b>			
Hospital Expenditure	12	(60,606)	-
<b>Gross Profit</b>		<u>(60,606)</u>	<u>-</u>
Other Business Income	13	-	-
Administrative Expenses	14	(246,223)	(10,000)
Depreciation		-	-
<b>Operating Profit</b>		<u>(306,829)</u>	<u>(10,000)</u>
<b>Profit Before Tax</b>		<u>(306,829)</u>	<u>(10,000)</u>
Provision for Staff Bonus		-	-
<b>Profit Before Tax</b>		<u>(306,829)</u>	<u>(10,000)</u>
Provision for Income Tax		-	-
<b>Profit for the year</b>		<u>(306,829)</u>	<u>(10,000)</u>
Opening Reserve and Surplus		<u>(10,000)</u>	<u>-</u>
<b>Profit/Loss transferred to BS</b>		<u>(316,829)</u>	<u>(10,000)</u>
Significant Accounting Policies & Notes to the Accounts	15		

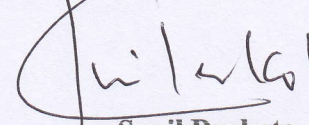
As per our attached report on even date

**For: S. Devkota & Company**

Chartered Accountants

  
**Prakash GC**  
Accountant

  
**Prof. Dr. Bhagwan Koirala**  
Director

  
**Sunil Devkota**  
Partner



Kathmandu  
Date : 20 March 2019

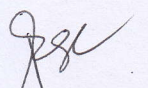


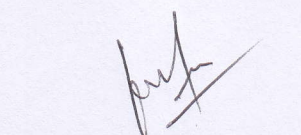
**Kathmandu Institute of Child Health**  
**Cash Flow Statement**  
**For the year ended Ashad 32, 2075 (July 16, 2018)**

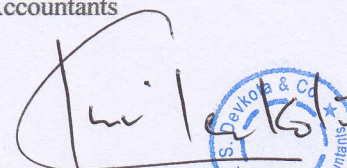
Particulars	Current Year (NPR)	Previous Year (NPR)
<b><u>Cash Flow form Operating Activities</u></b>		
Net Profit Before Tax	(306,829)	(10,000)
Adjustments		
Depreciation	-	-
Amortization of Preoperating Expenses	4,800	-
<b>Cash Flow before change in Working Capital</b>	<b>(302,029)</b>	<b>(10,000)</b>
<b><u>Changes in Working Capital</u></b>		
Decrease / (Increase) in Current Assets	-	-
Decrease / (Increase) in Current Liabilities	10,606	45,000
Decrease / (Increase) in Preoperating Expenses	-	(24,000)
<b>Net Cash from Operative Activities (A)</b>	<b>(291,423)</b>	<b>11,000</b>
<b><u>Cash Flow from Investing Activities</u></b>		
Increase in Share Investment	-	-
Sale of Fixed Assets	-	-
Purchase of Fixed Assets	-	-
<b>Net Cash Used in Investing Activities (B)</b>	<b>-</b>	<b>-</b>
<b><u>Cash Flow from Financial Activities</u></b>		
Increase / (Decrease) in Reserve & Surplus	2,270,329	-
Increase / (Decrease) in Share Capital	-	-
Increase / (Decrease) in Secured Loan	-	-
<b>Net Cash used in Financial Activities (C)</b>	<b>2,270,329</b>	<b>-</b>
<b>Net Cash Increase / (Decrease) (A+B+C)</b>	<b>1,978,906</b>	<b>11,000</b>
Cash and Cash Equivalent at the beginning of the year	11,000	-
<b>Cash and Cash Equivalent at the end of the year</b>	<b>1,989,906</b>	<b>11,000</b>
Significant Accounting Policies & Notes to the Accounts		

15

As per our attached report on even date  
**For: S Devkota & Company**  
Chartered Accountants

  
Prakash GC  
Accountant

  
Prof. Dr. Bhagwan Koirala  
Director

  
**Sunil Devkota**  
Partner

Kathmandu  
Date : 20 March 2019



**Kathmandu Institute of Child Health**  
**Statement of Changes in Equity**  
**For the year ended Ashad 32, 2075 (July 16, 2018)**

Particulars	Share Capital NPR	Retained Earnings NPR	Total NPR
Opening Balance	-	(10,000)	(10,000)
<b>Balance as at 16 July 2017</b>	<b>-</b>	<b>(10,000)</b>	<b>(10,000)</b>
Additions during the year	-	1,953,500	1,953,500
<b>Closing Balance</b>	<b>-</b>	<b>1,943,500</b>	<b>1,943,500</b>





# Kathmandu Institute of Child Health

Schedules forming part of the Accounts for the year ended Ashad 32, 2075

## Schedule: 1

### Share Capital

Particulars	As at 16 July 2018 (NPR)	As at 16 July 2017 (NPR)
Authorised Capital	-	-
Issued Capital	-	-
<b>Total</b>	-	-

## Schedule: 2

### Reserve & Surplus

Particulars	As at 16 July 2018 (NPR)	As at 16 July 2017 (NPR)
Opening Balance	(10,000)	
Add: During the Year	(306,829)	(10,000)
Total Retained earning	(316,829)	
Other Reserve & Surplus		
Grant Income	(2,240,329)	
Membership fee	(30,00)	
	2,270,329	
<b>Total</b>	<b>1,953,500</b>	<b>(10,000)</b>

## Schedule: 3

### Non Current Liabilities

Particulars	As at 16 July 2018 (NPR)	As at 16 July 2017 (NPR)
Loan from financial institutions	-	-
<b>Total</b>	-	-

## Schedule: 4

### Trade & Other Payables

Particulars	As at 16 July 2018 (NPR)	As at 16 July 2017 (NPR)
Sundry Creditors	35,000	35,000
Audit Fee Payable	19,734	9,867
TDS Payable	266	133
SST Payable	606	-
<b>Total</b>	<b>55,606</b>	<b>45,000</b>

## Schedule: 5

### Short Term Loans

Particulars	As at 16 July 2018 (NPR)	As at 16 July 2017 (NPR)
Secured Loans From Bank	-	-
<b>Total</b>	-	-





**Kathmandu Institute of Child Health**  
**Statement of Changes in Equity**  
For the year ended Ashad 32, 2075 (July 16, 2018)

Particulars	Share Capital NPR	Retained Earnings NPR	Total NPR
Opening Balance	-	(10,000)	(10,000)
Balance as at 16 July 2017	-	(10,000)	(10,000)
Additions during the year	-	1,953,500	1,953,500
Closing Balance	-	1,943,500	1,943,500





## Kathmandu Institute of Child Health

Schedules forming part of the Accounts for the year ended Ashad 32, 2075

### Schedule: 6

#### Provisions

	As at 16 July 2018 (NPR)	As at 16 July 2017 (NPR)
<b>Particulars</b>		
Provision for Income Tax	-	-
<b>Total</b>	-	-

### Schedule: 7

#### Inventories

	As at 16 July 2018 (NPR)	As at 16 July 2017 (NPR)
<b>Particulars</b>		
Stock in Hand	-	-
<b>Total</b>	-	-

### Schedule: 8

#### Cash & Bank Balances

	As at 16 July 2018 (NPR)	As at 16 July 2017 (NPR)
<b>Particulars</b>		
Cash balances	11,000	11,000
Bank Balances	1,978,906	-
<b>Total</b>	1,989,906	11,000

### Schedule: 9

#### Prepayments, Loans, Advances & Deposits

	As at 16 July 2018 (NPR)	As at 16 July 2017 (NPR)
<b>Particulars</b>		
Advance to Suppliers & Others	-	-
Deposits	-	-
Prepaid Expenses	-	-
Staff Advance	-	-
Other Receivable	-	-
<b>Total</b>	-	-

### Schedule: 10

#### Preoperating Expenses

	As at 16 July 2018 (NPR)	As at 16 July 2017 (NPR)
<b>Particulars</b>		
Rental Expenses	7,200	9,000
Registration Expenses	12,000	15,000
<b>Total</b>	19,200	24,000





# Kathmandu Institute of Child Health

Schedules forming part of the Accounts for the year ended Ashad 32, 2075

## Schedule: 11

### Income

Particulars	Current Year (NPR)	Previous Year (NPR)
Hospital Income	-	-
<b>Total</b>	-	-

## Schedule: 12

### Direct Expenses

Particulars	Current Year (NPR)	Previous Year (NPR)
Salary & Allowance	60,606.06	-
Other Direct Hospital Expenses	-	-
<b>Total</b>	60,606.06	-

## Schedule: 13

### Other Business Income

Particulars	Current Year (NPR)	Previous Year (NPR)
Hospital Other Income	-	-
<b>Total</b>	-	-

## Schedule: 14

### Administrative Expenses

Particulars	Current Year (NPR)	Previous Year (NPR)
Meeting Expenses	53,240.70	-
Bank Charges	90.00	-
Workshop Expenses	118,092.01	-
Transportation Expenses	32,959.00	-
Office utilities	27,041.00	-
Amortization of Preoperating Expenses	4,800.00	-
Audit Fees	10,000.00	10,000.00
<b>Total</b>	246,222.71	10,000.00





## **Schedule 15: Significant Accounting Policies & Notes to Accounts**

The financial statements are prepared and presented in accordance with Generally Accepted Accounting Policies for not for profit organization based on Nepal Accounting Standards. Major policies are described as follows:

### **1. Significant Accounting Policies**

#### **a) Basis of Accounting:**

The financial Statements are prepared under the historical cost convention on an accrual basis except as stated in the related notes.

#### **b) Revenue Recognition:**

The sales income recognized immediately on raising of the invoices after the customers have availed the services.

#### **c) Property Plant and Equipment:**

The value of fixed assets is capitalized on the basis of the cost of acquisition less depreciation for the period used in the various projects. The cost of acquisition is composed of invoice price plus duties and other capital costs.

Depreciation is charged on written value method based on the estimated useful life of the assets. No depreciation is charged in the year when the assets are disposed or written off.

#### **d) Income Tax:**

The Kathmandu Institute of Child Health "KICH" is a not for profit organization. Hence no provision for tax has been created.

#### **e) Pre-operating Expenses**

Pre-operating expenses totaling OF Rs. 4,800 has been amortized in this year 2074/75. The remaining balance of Rs. 19,200 shall be amortized in four subsequent years.

#### **f) Comparative Figures:**

Previous year's figures are recognized whenever required.

### **2. Notes To Account**

#### **a) Reserve Fund**

Grant received from individual, entities for hospital operation has been categorized as Other Reserve and disclosed under Schedule 2 of the financial statement as required by clause 5(kha) of the Memorandum of Association "MOA" which stipulates that:

"Initial Capital Fund, Donation and the membership fee received under clause 6 and 7(2) respectively shall be constructed as other reserve"

During the year Rs 22,40,329 and Rs 30,000 was respectively received and accounted for Grant Income and Membership Fee which shall be used for hospital operation in the Subsequent period.

