

**INDEPENDENT AUDITORS' REPORT
ON
FINANCIAL STATEMENTS**

Financial Statements and Management's Responsibility

We have audited the accompanying financial statements of Kathmandu University (KU) which comprise the balance sheet as at 31st Ashadh 2066 (Corresponding to July 15, 2009), and the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit in accordance with Nepal Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

With regards to the **Kathmandu University Act, 2048** and all others relevant laws of Nepal, we report that:

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief are necessary for the purposes of our audit;
- ii. In our opinion, proper books of account as required by law have been kept by the University so far as appears from our examination of those books;



- iii. In our opinion the Balance Sheet, Income Statement and Cash Flow Statement dealt with by this report have been prepared in accordance with Nepal Accounting Standard (NAS) except NAS 07 "Property, Plant & Equipment" and NAS 10 "Accounting for Government Grant and Discloser of Government Assistance" and are in agreement with the books of account maintained by the University.
- iv. In our opinion, the business of the University has been conducted within its authority;
- v. In our opinion and to the best of our information and according to the explanations given to us and from our examination of the books of account of the University, we have not come across cases where the Executive Committee or any member thereof or any employee of the University has acted contrary to the provisions of law or caused loss or damage to the University or committed any misappropriation or acted in a way to jeopardize the interest and security of the University, its stakeholder;
- vi.
- a) The university has not followed NAS 07 "Property, Plant & Equipment" and NAS 10 "Accounting for Government Grant and Discloser of Government Assistance" while preparation of financial statements.
- b) Fee incomes from Kathmandu University School of Medical Science (KUSMS) and Affiliation Fee NRs. 154,543,000.00 and expenditure of KUSMS NRs.133,144,366.94 have been incorporated in the financial statement of KU as part of the income and expenditure of University. Separate books of accounts of the KUSMS program have not been kept. Thus, income & expenditure of KUSMS that incorporated in Financial Statement of KU as part of the expenditure of University have not been verified by us during the audit.

Auditor's Opinion

Except point number vi, the financial statements read together with the notes appended in schedule present fairly, in all material respects the financial position of the University as of Ashadh 31, 2066 (corresponding to July 15, 2009) the results of operations and its cash flows for the year then ended in accordance with generally accepted accounting principles, comply with the provisions of Kathmandu University Act, 2048 and comply with all relevant laws.

Date: 2nd July, 2010
Place : Kathmandu, Nepal

Anup K. Shrestha
Anup K. Shrestha, FCA




Kathmandu University
Balance Sheet
As at 31 Ashadh 2066 (15 July, 2009)

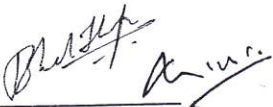
Capital & Liabilities	Schedule	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
Fund			
Capital Fund	1	351,812,015.20	317,194,569.98
Land Re-evaluation Reserve		40,530,379.09	40,530,379.09
General Reserve	2	292,440,682.57	282,440,682.57
Reserve Fund (KUSMS)		17,098,633.06	-
Building Construction Fund	3	213,500,000.00	213,500,000.00
Building Construction Fund (KUSMS)	3	40,000,000.00	-
Corpus Fund		20,000,000.00	-
Corpus Fund (KUSMS)		4,300,000.00	-
Human Resources Development Fund		4,000,000.00	4,000,000.00
Ford Foundation Endowment Fund	4	32,525,435.36	30,973,001.58
Scholarship Fund	5	12,784,932.57	11,877,612.01
Medal Fund	6	829,327.28	820,206.88
Income Over Expenses (Surplus)		15,487,363.43	11,551,079.97
Total		1,045,308,768.56	912,887,532.08
Fixed Assets	7	699,177,428.19	680,088,925.66
Fixed Assets (KUSMS)		5,692,000.00	-
Investment	8	150,739,477.28	148,648,964.28
Current Assets			
Cash & Bank Balance		225,386,926.96	123,602,778.69
Cash & Bank Balance (KUSMS)		55,706,633.06	-
Advance & Deposit	9	30,915,240.70	26,455,375.20
Inventory Stock		1,123,092.60	1,246,082.41
Prepaid Expenses		127,125.00	33,900.00
L/C Margin		1,134,635.59	4,245.00
Receivable		2,384,629.55	1,688,068.00
Total Current Assets (A)		316,778,283.46	153,030,449.30
Less: Current Liabilities & Provision			
Payable & Deposit	10	77,018,119.10	46,179,365.33
Research & Development program(Balance amount)	15	50,060,301.27	22,701,441.83
Total Current Liabilities & Provision (B)		127,078,420.37	68,880,807.16
Net Current Assets C (A - B)		189,699,863.09	84,149,642.14
Notes to Account			
Total		1,045,308,768.56	912,887,532.08


Significant Accounting Policies and Notes to Accounts
Schedule 1 to 17 are integral parts of the financial statements.

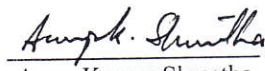
17

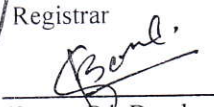
As per our report of even date


Dr. Bhadra Man Tuladhar
Registrar


Members
Executive


Dr. Suresh Raj Sharma
Vice-Chancellor


Anup Kumar Shrestha
A.K. Shrestha & Co.
Chartered Accountants


Kumar Pd. Baral
Manager, Finance

Date: July 2, 2010
Place: Kathmandu, Nepal



Kathmandu University

From 1 Shrawan 2065 to 31 Ashadh 2066 (16 July, 2008 to 15 July, 2009)

Income Statement

Income	Schedule	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
Students Fee	11	229,913,147.92	188,926,708.68
Students Fee (KUSMS)		138,426,000.00	80,626,052.03
Affiliation Fee		8,452,000.00	4,268,700.00
Affiliation Fee (KUSMS)		16,117,000.00	19,146,000.00
Research & Development Income	15	38,912,377.60	31,820,592.26
Miscellaneous Income	12	13,505,537.97	14,194,777.64
Exchange Gain		4,180,838.17	3,179,239.92
Total Income (A)		449,506,901.66	342,162,070.53
Expenditure			
Staff Expenses	13	118,210,991.69	93,502,346.94
Administrative Expenses	14	64,554,096.91	57,251,961.70
Research & Development Expenses	15	38,912,377.60	31,820,592.26
Medical Program Expenses	16	133,144,366.94	104,572,052.03
Write Off Expenses		-	3,006,474.99
Depreciation Expenses	7	34,909,994.00	34,242,834.52
Amortization of Leasehold Property	7	440,158.00	440,157.96
Total Expenses (B)		390,171,985.14	324,836,420.40
Income Over Expenses (Surplus) C = (A - B)		37,936,283.46	17,325,650.13
Surplus (KUSMS)		21,398,633.06	-
Appropriation Account	Total	449,506,901.66	342,162,070.53
Opening Balance B/D		11,551,079.97	6,800,929.84
Surplus of during the Year		59,334,916.52	17,325,650.13
Transfer to Reserve Fund (KUSMS)		(17,098,633.06)	-
Transfer to Corpus Fund (KUSMS)		(4,300,000.00)	-
Transfer to Corpus Fund		(20,000,000.00)	-
Transfer to General Reserve		(10,000,000.00)	(10,000,000.00)
Transfer to Scholarship Fund		(4,000,000.00)	(1,800,000.00)
Transfer to Medal Fund		-	(275,500.00)
Transfer to Human Resources Development Fund		-	(500,000.00)
Net Surplus transfer to Balance Sheet		15,487,363.43	11,551,079.97

Schedule 1 to 17 are integral parts of the financial statements.

As per our report of even date

Dr. Bhadra Man Tuladhar
Registrar

Members
Executive

Dr. Suresh Raj Sharma
Vice-Chancellor

Anup Kumar Shrestha
A.K. Shrestha & Co.
Chartered Accountants

Kumar Pd. Baral
Manager, Finance

Date: July 2, 2010
Place: Kathmandu, Nepal



Kathmandu University


Cash Flow Statement

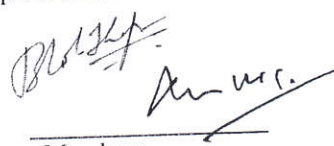
From 1 Shrawan 2065 to 31 Ashadh 2066 (16 July, 2008 to 15 July, 2009)

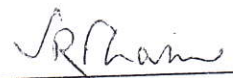
S.No	Particulars	Current Year Amount (Rs.)	Previous Year Amount (Rs.)
A	<u>Cash Flow from Operating Activities</u>		
	Net Surplus of this year	3,936,283.46	4,750,150.13
	<u>Add :</u>		
	Depreciation	34,909,994.00	34,242,834.52
	Write Off Expenses	-	3,006,474.99
	Amortization of Leasehold Property	440,158.00	440,157.96
	Cash Flow before Change in Working capital	39,286,435.46	42,439,617.60
1	Increase/Decrease in Current Assets	(6,257,052.83)	(2,302,013.72)
2	Increase/Decrease in Current Liabilities	58,197,613.21	22,472,276.13
	Net Cash Flow from Operating Activities	91,226,995.84	62,609,880.01
B	<u>Cash flow from Investing Activities</u>		
1	Purchase/Sale of Fixed Assets	(60,130,654.53)	(98,027,082.98)
2	Increase/Decrease in Investment	(2,090,513.00)	(23,853,356.16)
	Net Cash Flow from Investing Activities	(62,221,167.53)	(121,880,439.14)
C	<u>Cash flow from Financial Activities</u>		
1	Increase/Decrease in Long Term Loan	-	-
2	Increase /Decrease in Capital Fund	128,484,953.02	56,295,989.44
	Net Cash Flow from Financial activities	128,484,953.02	56,295,989.44
	Net Cash Flow During the Year (A+B+C)	157,490,781.33	(2,974,569.69)
	Cash & Bank Balance at Beginning of the Year	123,602,778.69	126,577,348.38
	Cash & Bank Balance at the End of the Year	281,093,560.02	123,602,778.69

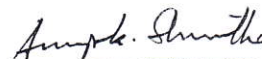
Schedule 1 to 17 are integral parts of the financial statements.


As per our report of even date


Dr. Bhadra Man Tuladhar
Registrar


Members
Executive


Dr. Suresh Raj Sharma
Vice-Chancellor


Anup Kumar Shrestha
A.K. Shrestha & Co.
Chartered Accountants


Kumar Pd. Baral
Manager, Finance

Date: July 2, 2010
Place: Kathmandu, Nepal

