

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF STAR HOSPITAL LIMITED**

**Report on the Audit of the Consolidated Financial Statements**

**Qualified Opinion**

We have audited the accompanying consolidated financial statements of **STAR HOSPITAL LIMITED and its subsidiaries (together referred to as "the Group")**, which comprise the Consolidated Statement of Financial Position as at Ashad 32, 2079, (July 16, 2022), Consolidated Statement of Profit or Loss and other comprehensive income, the Consolidated Statement of Change in Equity and the Consolidated Statement of Cash Flows for the year then ended on that date, and a summary of the significant accounting policies and other explanatory information (hereafter referred to as "Consolidated financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the *Basis for Qualified Opinion* of our report, the accompanying consolidated financial statements presents fairly, in all material respects, the consolidated financial position of the Group, as at Ashad 32, 2079 (July 16, 2022), and its financial performance, changes in equity, cash flows for the year then ended in accordance with Nepal Financial Reporting Standards and comply with Company Act, 2063, and other prevailing laws.

**Basis for Qualified Opinion**

- a) Star Hospital Limited has purchased Lab Consumables of Rs. 172,381,512, Store Consumables of Rs. 13,303,023 and Pharmaceuticals of Rs. 84,993,825 during the year. Consumable Stock, Lab/PCR Stock and Pharmacy Stock shows balance of Rs. 6,954,122, Rs. 26,966,278 and Rs. 23,802,148 respectively for the Financial Year 2078-79. However, actual consumption and closing position of these stocks was not verifiable due to unavailability of requisite details related to flow of such items in and out of the company. In the absence of such details, the impact, if any, on the financial statements is currently not ascertainable.

We conducted our audit of the consolidated financial statements in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Handbook of The Code of Ethics for Professional Accountants issued by The Institute of Chartered Accountants of Nepal (ICAN), and we have fulfilled our other ethical responsibilities in accordance with the ICAN's Handbook of The Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on the consolidated financial statements.

**OTHER MATTERS**

We did not audit the financial statement of subsidiary namely Star Nuwakot Aspatal Private Limited. The financial statements and other financial information have been audited by other auditor whose report has been furnished to us by the management. Our opinion on the financial statements so far as it relates to the accounts and disclosures included in respect of the subsidiary is based solely on the report of other auditor.

**Key audit matters: Our assessment of risks of material misstatement**

Key audit matters are those matters that in our professional judgement, were of most significance in the audit of the financial statement and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified, including those which had the greatest effect



on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We have nothing to report in this regard.

### **Information Other than the Consolidated Financial Statements and Auditor's Report Thereon**

The Holding Company's Management is responsible for the preparation of the other information. The other information comprises the information included in the Management report, Report of the Board of Directors and Chairman's statement but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibility of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial Statements in accordance with Nepal Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud and error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.





- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Report on Other Legal and Regulatory Requirements**

*Except for the matters described in Basis of Qualified Opinion Paragraph*, we have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit. In our opinion, *Except for the effects described in Basis of Qualified Opinion Paragraph*, Consolidated Statement of Financial Position, Consolidated Statement of Profit or Loss and other comprehensive income, the Consolidated Statement of Change in Equity and the Consolidated Statement of Cash Flows have been prepared in accordance with the provisions of Companies Act 2063, and conform to the books of accounts and such books of accounts and records are properly maintained in accordance with prevailing laws.

During the course of our audit, we did not come across the cases where the board of directors, or the representative or any employee of the group, has acted deliberately contrary to the provisions of the law or caused loss or damage to the group or misappropriated funds of the Group, nor we have been informed of any such case by the management,

For SMC Associates.  
Chartered Accountants

  
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Ashes Aryal, CA  
Partner



Place: Kathmandu  
Date: 2080/1/22  
UDIN No. 230508CA01519z1MRG