

**LILONGWE INSTITUTE OF ORTHOPAEDICS AND NEUROSURGERY (LION)**

**FINANCIAL STATEMENTS  
For The Year Ended  
30 June 2020**

**LILONGWE INSTITUTE OF ORTHOPAEDICS AND NEUROSURGERY (LION)**

**FINANCIAL STATEMENTS  
For The Year Ended 30 June 2020**

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# LILONGWE INSTITUTE OF ORTHOPAEDICS AND NEUROSURGERY (LION)

## TRUSTEES REPORT

For The Year Ended 30 June 2020

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### Nature of business

Lilongwe Institute of Orthopaedics and Neurosurgery (LION) is a trust incorporated under Trustees Incorporation Act of Malawi on 12 April 2017. The Ministry of Health of Malawi is collaborating with Haukeland University Hospital of Norway and LION to establish USD40million Orthopaedic and Neurosurgery Institute at Kamuzu Central Hospital in Lilongwe. LION's objectives are:

- a) To provide state of the art musculoskeletal and neurosurgical care to the people of Malawi;
- b) To be a centre of excellence for high quality training of orthopaedic and neuro-surgeons for Malawi and to teach other health care workers orthopaedic, neurosurgical and trauma care;
- c) To conduct quality research in the areas of musculoskeletal, neurosurgical and trauma services;
- d) To establish and construct a modern orthopaedic and neurosurgery facility on the grounds of Kamuzu Central Hospital;
- e) To properly perform such conditional tasks or duties complementary or necessary to the performance of its objects;

### Financial performance

The results and state of affairs of LION are set out in the accompanying statement of financial position, statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements.

### Registered office

The registered office is at Kamuzu Central Hospital, Lilongwe and P.O Box 31653 Lilongwe 3.

### Trustees

List of Trustees who held office during the year are:

1.	Mrs Grace Mkupu	Independent	Board Chairperson
2.	Dr Charles Mwansambo	Ministry of Health	
3.	Mr Isaac Chiundira	Ministry of Justice	
4.	Dr Jonathan Ngoma	Kamuzu Central Hospital	
5.	Dr Carlos G Valera	Kamuzu Central Hospital	
6.	Prof Nyengo Mkandawire	College of Medicine	
7.	Mr Charles Khaula	FEDOMA	
8.	Dr Boston Munthali	Malawi Orthopaedic Association	
9.	Mr Morgan Tembo	Independent	
10.	Mr Jon W Dahl	Haukeland University Hospital	
11.	Dr Uma Grob	AO Alliance Foundation	
12.	Dr Sven Young	CEO LION	Secretary

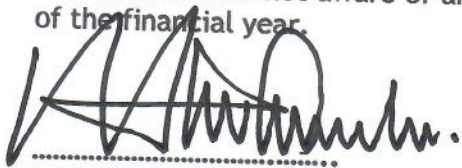
LILONGWE INSTITUTE OF ORTHOPAEDICS AND NEUROSURGERY (LION)

TRUSTEES REPORT  
For The Year Ended 30 June 2020

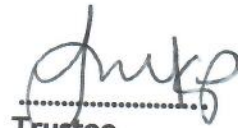
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**Events After the Reporting Period**

The Trustees are not aware of any other matter or circumstances arising since the end of the financial year.



Trustee



Trustee

Date:

**LILONGWE INSTITUTE OF ORTHOPAEDICS AND NEUROSURGERY (LION)**

**STATEMENT OF TRUSTEES RESPONSIBILITIES  
For The Year Ended 30 June 2020**

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The Trustees are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Trust as at the end of the particular year and of the operating results for that year.

The Trustees are also required to ensure that the Trust keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and enable them to ensure that the financial statements comply with the Trustees Incorporation Act and other related regulatory requirements.

In preparing these financial statements, the Trustees accept responsibility for the following:

- Maintenance of proper accounting records;
- Selection of suitable accounting policies and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Compliance with applicable accounting standards, when preparing financial statements, subject to any material departures being disclosed and explained in the financial statements; and
- Preparation of financial statements on a going concern basis unless it is inappropriate to presume that the Trust will continue in business for the foreseeable future.

The Trustees also accept responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Trust and to maintain adequate systems of internal controls to prevent and detect fraud and other irregularities.

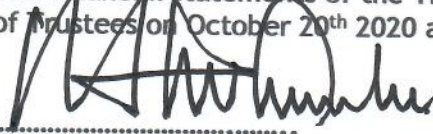
**Going Concern**

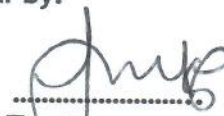
The financial statements have been prepared on the basis of accounting policies applicable to a going concern. The basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

**Approval of the Financial Statements**

The Trustees are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Trust and of their operating results.

The financial statements of the Trust, as indicated above, were approved by the Board of Trustees on October 20<sup>th</sup> 2020 and were signed on its behalf by:

  
.....  
Trustee

  
.....  
Trustee



# Aleksandr Consulting

Certified Public Accountants and Business Advisors

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## INDEPENDENT AUDITOR'S REPORT

### TO THE TRUSTEES OF LILONGWE INSTITUTE OF ORTHOPAEDICS AND NEUROSURGERY (LION)

#### Opinion

We have audited the financial statements of Lilongwe Institute Of Orthopaedics And Neurosurgery (LION) which comprise the statement of financial position as at 30 June 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as per pages 10 to 23.

In our opinion, the Trust's financial statements present fairly, in all material respects, the financial position of the Trust as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities and the requirements of the Trustees Incorporation Act and other Laws and Regulations.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of LION Trust in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Malawi, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards for Small and Medium-sized Entities and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.





# Aleksandr Consulting

Certified Public Accountants and Business Advisors

- 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 Trust'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 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 Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity's or business activities to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Trust's audit. We remain solely responsible for our audit opinion.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public internal benefits of such communication.





# Aleksandr Consulting

Certified Public Accountants and Business Advisors

The engagement partner on the audit resulting in this independent Accountant's report is Jimmy Gondwe - Malawi Accountants Board Registration # CA/RP/014

*Aleksandr*

**Aleksandr Consulting**  
Certified Public Accountants and Business Advisors  
Lilongwe (Malawi)

Signature : .....

*Jimmy Gondwe*

Signed By : Jimmy Gondwe

Date

: *20<sup>th</sup> October 2020*



LILONGWE INSTITUTE OF ORTHOPAEDICS AND NEUROSURGERY (LION)

STATEMENT OF PROFIT OR LOSS  
For The Year Ended 30 June 2020  
*In Thousand Malawi Kwacha*

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	Note	<u>2020</u>	<u>2019</u>
<b>INCOME</b>			
Income	1	46,235	42,574
Other income		11	0
		-----	-----
<b>Total Income</b>		<b>46,246</b>	<b>42,574</b>
		-----	-----
<b>EXPENDITURE</b>			
Administration expenses	2	19,677	18,430
Program expenses	3	26,558	24,144
		-----	-----
<b>Total Expenditure</b>		<b>46,235</b>	<b>42,574</b>
		-----	-----
<b>Surplus For The Year</b>		<b>11</b>	<b>0</b>
		=====	=====

LILONGWE INSTITUTE OF ORTHOPAEDICS AND NEUROSURGERY (LION)

STATEMENT OF CHANGES IN EQUITY

For The Year Ended 30 June 2020

*In Thousand Malawi Kwacha*

	General Funds	Capital Fund	Total
As at 1 Jan 2018	0	4,907	4,907
Addition	0	1,013,148	1,013,148
Amortisation of capital grant	0	0	0
Surplus for the year	0	0	0
	-----	-----	-----
<b>As at 30 June 2019</b>	<b>0</b>	<b>1,018,055</b>	<b>1,018,055</b>
	=====	=====	=====
As at 1 July 2019	0	1,018,055	1,018,055
Addition	0	1,063,620	1,063,620
Amortisation of capital grant	0	0	0
Surplus for the year	11	0	11
	-----	-----	-----
<b>As at 30 June 2020</b>	<b>11</b>	<b>2,081,675</b>	<b>2,081,686</b>
	=====	=====	=====

Capital grant represents net book value of the donated assets. The transfer to General fund from Capital fund represents amortization of assets funded by the capital grants.

# LILONGWE INSTITUTE OF ORTHOPAEDICS AND NEUROSURGERY (LION)

## ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS For The Year Ended 30 June 2020

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### 1. GENERAL INFORMATION

Lilongwe Institute of Orthopaedics and Neurosurgery (LION) is a Trust incorporated under Trustees Incorporation Act of Malawi on 12 April 2017. The Ministry of Health of Malawi is collaborating with Haukeland University Hospital of Norway and LION to establish USD40million Orthopaedic and Neurosurgery Institute at Kamuzu Central Hospital in Lilongwe.

The registered office is at Kamuzu Central Hospital, Lilongwe and P.O Box 31653 Lilongwe 3.

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### a) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) for Small and Medium Entities (SMEs) issued by the International Accounting Standards Board (IASB). They are presented in Malawi Kwacha.

#### b) Revenue Grants recognition

Income for the project (revenue grants) is recognized in the Statement of financial position initially as deferred income when there is reasonable assurance that it will comply with the conditions attached to it. Income that compensates for expenses incurred is recognized as revenue in the Statement of profit or loss on a systematic basis in the same period in which the expenses are incurred. Grants that compensate for the cost of an asset are recognized in the Statement of profit or loss as revenue on a systematic basis over the useful life of the asset and the unamortized grants are carried forward as capital grants.

#### c) Capital Grants

Capital grants represent the Net Book Value of the assets purchased using donor funds and funds for such purchases are credited to Capital Fund and amortized over the estimated useful lives of the assets. On the disposal, the unamortized balance is transferred to general fund.

#### d) Other Income

Revenue is recognized in the statement of profit or loss on a receipt basis except for interest and rental income which are accounted for on accrual basis.

ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS  
For The Year Ended 30 June 2020

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**(g) Trade and other receivables**

Trade and other receivables are stated at their cost less impairment losses (refer accounting policy h). Known bad debts are written off and specific provisions made for those considered to be doubtful.

**(h) Impairment**

The carrying amounts of the Trust's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss in respect of revalued assets is recognized in the same way as a revaluation decrease. All other impairment losses are recognized in the statement of profit or loss.

**(i) Employee service benefits**

The Trust does not operate a defined contribution staff retirement benefit scheme for its permanent and pensionable employees. The Trust has less the required number of employees to set up a pension fund.

**(j) Provisions**

A provision is recognized in the statement of financial position when the Trust has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**(k) Trade and other payables**

Trade and other payables are stated at their cost. Accruals and other payables are obligations on the basis of normal credit terms and do not bear interest.

**(l) Financial instruments**

**Financial assets**

The Trust classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The accounting policy for each category is as follows:

**Amortized cost**

These assets arise principally from the provision of goods and services to customers (e.g account receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS  
For The Year Ended 30 June 2020

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residual values of the assets have been determined by the directors based on their knowledge of the industry.

**(b) Estimated impairment of property, plant and equipment**

The Trust tests annually whether property, plant and equipment have suffered any impairment in accordance with the accounting policy stated in note h. These calculations require the use of estimates.

**(c) Estimated impairment loss on receivables**

The Trust reviews its trade receivables to assess impairment on an annual basis. In determining whether an impairment loss should be recorded in statement of comprehensive income, the Trust makes judgements as to whether there is any observation data indicating that there is a measurement decrease in estimated cash flows from a portfolio of trade receivables. Directors use estimates based on historical loss experience of assets. The assumptions used for estimating the amount and timing of cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

**4. FINANCIAL RISK MANAGEMENT**

Exposure to credit, interest rate and currency risk arises in the normal course of the trust's business. The trust attempts to keep such risks to the minimum.

**a. Foreign currency risk**

The Trust is exposed to foreign currency risk on grants and other donations received that are denominated in a currency other than the Malawi Kwacha. The currencies giving rise to this risk are primarily US Dollar and NOK.

In respect of other monetary assets and liabilities held in currencies other than the Malawi Kwacha, the Trust ensures that the net exposure is kept to an acceptable level, by operating the foreign currency denominated bank account and drawing out funds when needed at the rate ruling on the day of transactions to address short term imbalances.

**b. Credit risk**

The Trust does not require collateral in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

LILONGWE INSTITUTE OF ORTHOPAEDICS AND NEUROSURGERY (LION)

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2020

*In Thousand Malawi Kwacha*

	<u>2020</u>	<u>2019</u>
<b>1. GRANTS INCOME</b>		
Opening balance	3,183	813
Haukeland University Hospital	56,830	44,944
	-----	-----
<b>Total available funds</b>	<b>60,013</b>	<b>45,757</b>
Deferred grants income	-13,778	-3,183
	-----	-----
<b>Donor Income</b>	<b>46,235</b>	<b>42,574</b>
	=====	=====
<b>2. ADMINISTRATION EXPENSES</b>		
Accountancy fees	976	956
Bank service fees	136	71
Board of Directors	789	1,073
Dues and subscriptions	545	0
Fuel	384	283
Office	61	61
Printing and stationary	602	117
Rent	13,140	13,140
Travel	303	270
Water and electricity	2,200	2,400
Workshop	541	59
	-----	-----
<b>Total Administration Expenses</b>	<b>19,677</b>	<b>18,430</b>
	=====	=====

LILONGWE INSTITUTE OF ORTHOPAEDICS AND NEUROSURGERY (LION)

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2020

In Thousand Malawi Kwacha

	<u>2020</u>	<u>2019</u>
<b>6. CASH AND CASH EQUIVALENTS</b>		
Cash at bank MWK	592	321
Cash at bank USD	13,197	2,862
Cash in hand	0	0
	-----	-----
<b>Total Cash balance</b>	<b>13,789</b>	<b>3,183</b>
<b>Overdraft</b>		
Overdraft balance	0	0
	-----	-----
<b>Total bank overdraft</b>	<b>0</b>	<b>0</b>
	=====	=====
<b>Total Net Cash and Cash Equivalents</b>	<b>13,789</b>	<b>3,183</b>
	=====	=====
<b>7. DEFERRED INCOME</b>		
Opening balance	3,183	813
Adjustment	0	2,862
Haukeland University Hospital	56,830	42,082
	-----	-----
<b>Total grants</b>	<b>60,013</b>	<b>45,757</b>
<b>Total payments</b>	<b>-46,235</b>	<b>-42,574</b>
	-----	-----
<b>Deferred Income</b>	<b>13,778</b>	<b>3,183</b>
	=====	=====

Haukeland University Hospital paid K43 million (K41million in 2019) for LION expenses through its account with Kamuzu Central Hospital. The amount has been included as grant income for LION.

<b>8. ACCOUNT AND OTHER PAYABLES</b>		
Account payables	0	0
Accruals and provisions	0	0
	-----	-----
<b>Total Account and Other Payables</b>	<b>0</b>	<b>0</b>
	=====	=====

**9. CONTINGENCIES**

There were no contingent items at the end of the year