
M/S Tarhe Naw Food Industries Company

Audited Financial Statements

For the period from January 01, 2019 to May 31, 2019

**Auditors:
Avais Hyder Liaquat Nauman;
Chartered Accountants**

A Member Firm of RSM International

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Independent Auditor's Report To M/S Tarhe Naw Food Industries Company

We have audited the accompanying financial statements of **M/S Tarhe Naw Food Industries Company** (here-in-after referred to as "**the company**") which comprise the balance sheet as at May 31, 2019 and income statement, statement of changes in equity and statement of cash flows for the period from January 01, 2019 to May 31, 2019 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards (IFRSs) for Small and Medium-Sized Entities (SMEs). This responsibility includes: designing, implementing and maintaining internal control relevant to 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. We conducted our audit in accordance with International 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.

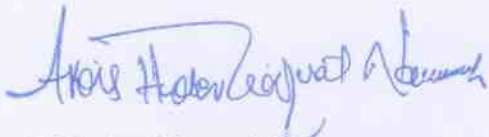
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Basis for Qualification

We are unable to satisfy ourselves as to the existence and valuation of Stock/Inventory of US \$ 9,882,115 as at May 31, 2019, through our audit procedures, due to non-availability of sufficient and reasonable record and information. However, as per management, they will resolve inventory related problems in near future.

Opinion

In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements give a true and fair view of the financial position of company as of May 31, 2019, and of its financial performance, its cash flows and changes in equity for the period from January 01, 2019 to May 31, 2019 in accordance with International Financial Reporting Standards (IFRSs) for Small and Medium-Sized Entities (SMEs).



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Avais Hyder Liaquat Nauman;
Chartered Accountants

Muhammad Arif Saeed, FCA
Engagement Partner

Kabul:

Date:

July 27, 2019



M/S Tarhe Naw Food Industries Company

Balance Sheet

As at May 31, 2019

	Note	Five (5) Months 1-Jan-19 to 31-May-19 US Dollar	One (1) Year 1-Jan-18 to 31-Dec-18 US Dollar
NON-CURRENT ASSETS			
Fixed assets at cost less accumulated depreciation	4	6,586,126	6,674,834
Capital asset in progress		144,520	122,071
CURRENT ASSETS			
Stock in trade	5	9,882,115	9,640,236
Trade debtors	6	652,799	1,091,121
Cash and bank balances	7	1,198,580	2,256,188
		11,733,494	12,987,545
TOTAL ASSETS		18,464,140	19,784,450
EQUITY AND LIABILITIES			
Equity			
Partner's capital	8	12,988,138	13,822,766
Retained earnings	9	4,513,374	4,229,086
		17,501,512	18,051,852
Payables	1000	962,628	1,732,598
TOTAL CAPITAL AND LIABILITIES		18,464,140	19,784,450

Auditors' Report annexed.

The annexed notes form an integral part of these financial statements.


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M/S Tarhe Naw Food Industries Company

Income Statement

For the period from January 01, 2019 to May 31, 2019

	Note	Five (5) Months 1-Jan-19 to 31-May-19 US Dollar	One (1) Year 1-Jan-18 to 31-Dec-18 US Dollar
Sales	10	1,996,565	6,439,602
Cost of sales	11	(1,598,783)	(4,465,185)
Gross profit/(Loss)		397,782	1,974,417
General and administrative expenses	12	(139,778)	(344,432)
Other Income		26,283	35,667
Profit / (Loss) before taxation		284,288	1,665,652
Provision for tax		-	-
Net profit / (Loss)		284,288	1,665,652

The annexed notes form an integral part of these financial statements.

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[Signature]



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M/S Tarhe Naw Food Industries Company

Cash Flow Statement

For the period from January 01, 2019 to May 31, 2019

	Note	Five (5) Months 1-Jan-19 to 31-May-19 US Dollar	One (1) Year 1-Jan-18 to 31-Dec-18 US Dollar
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit/(Loss) before taxation		284,288	1,665,652
Adjustments for:			
Depreciation	4	94,557	240,455
Operating cash flows before working capital changes		378,845	1,906,107
(Increase)/ decrease in current assets:			
Stock in trade		(241,879)	(1,475,816)
Trade debtors		438,323	(238,455)
Increase/(decrease) in current Liabilities:		(769,970)	153,604
Cash generated from operations			
Net cash generated from/(used in) operating activities		(194,681)	345,442
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Purchase of fixed assets		(5,850)	(2,657)
Capital Asset in progress		(22,449)	(122,071)
Net cash used in investing activities		(28,299)	(124,728)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Capital introduced during the year		-	1,169,620
Drawings		(834,627)	(741,201)
Net cash flow from financing activities		(834,627)	428,419
Net increase/ (decrease) in cash and cash equivalents		(1,057,608)	649,133
Cash and cash equivalents at the beginning of Year/Period		2,256,188	1,607,055
Cash and cash equivalents at the end of Year/ Period		1,198,580	2,256,188

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Statement of Changes in Equity

For the period from January 01, 2019 to May 31, 2019

	Capital	Accumulated Profit	Total Owner's Equity
Balance as at January 01, 2018	13,394,347	2,563,434	15,957,781
Capital introduced	1,169,620	-	1,169,620
Drawings	(741,201)	-	(741,201)
Profit for the year	-	1,665,652	1,665,652
Balance as at December 31, 2018	13,822,766	4,229,086	18,051,852
Balance as at January 01, 2019	13,822,766	4,229,086	18,051,852
Capital introduced	-	-	-
Drawings	(834,627)	-	(834,627)
Profit for the year	-	284,288	284,288
Balance as at May 31, 2019	12,988,138	4,513,374	17,501,512

-----USD-----


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M/S Tarhe Naw Food Industries Company

Notes to the Financial Statements

For the period from January 01, 2019 to May 31, 2019

1 Legal status and operations

M/S Tarhe Naw Food Industries Company is registered with Afghanistan Investment Support Agency (AISA), as a Company bearing License No. D-03-922. Its registered Office is situated in Herat city of Afghanistan. The company is engaged in the business of Production of Flour and its sales in all major cities of Afghanistan.

The company is owned by two partners; Mr. Ahmed Sohail and Mr. Ahmed Zubair (Vice President). Both the Partners have equal shares in the company.

2 Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted for Small and Medium-Sized Entities (SMEs).

3 Summary of significant accounting policies

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention.

3.2 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The depreciation is calculated by using reducing balance method.

Full month depreciation is charged in the month of purchase and no depreciation in the month of disposal.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and replacements are capitalized.

Gains or losses on disposal of fixed assets are recognized as income or expense in the year of disposal.

3.3 Inventories

Inventories are stated at the lower of average cost and net realizable value. Net realizable value represents the estimated selling price in the ordinary course of business less necessary cost to make the sale.

3.4 Cash and cash equivalents

For the purpose of cash flow, cash and cash equivalents includes cash in hand and balances with banks.

3.5 Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

3.6 Trade debts

Sales made on credit are included in trade debts and are carried at cost which is the fair value of the consideration to be received in the future for the goods delivered whether or not billed by the company.

3.7 Revenue recognition

Revenue is recognized on accrual basis and measured at the fair value of consideration received or receivable. It is recorded at the times of dispatch of goods to customers.

3.8 Foreign currency transactions

Foreign currency transactions are recorded at rates in effect at the date of transactions.

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Notes to the financial statements - continued

4 Fixed Assets Schedule

Description	Cost		Rate %	Accumulated Depreciation		W.D.V. As at 31-05-2019
	As at 1-01-2019	Addition/ (Deletion)		As at 31-05-2019	For the year	
Land	1,858,801	-	-	-	-	1,858,801
Building	1,713,500	-	3	17,574	325,186	1,388,314
Plant and Machinery	4,572,416	5,404	5	68,386	1,363,672	3,214,148
Furniture and fixtures	14,054	446	10	444	4,278	10,222
Laboratory equipments	132,000	-	15	2,878	88,828	43,172
Office equipments	149,994	-	15	3,361	99,577	50,417
Vehicles	78,502	-	20	1,914	57,450	21,052
2019	8,519,267	5,850		94,557	1,938,991	6,586,126
2018	8,516,610	2,657		240,455	1,844,433	6,674,834

4.1 The depreciation charged for the year has been allocated as follows:

Cost of sales	2018
General and administrative expenses	192,364.33
	48,091.08
	240,455
	May-19
	75,645.78
	18,911.45
	94,557

Notes to the financial statements - Continued

	Note	Five (5) Months 1-Jan-19 to 31-May-19 US Dollar	One (1) Year 1-Jan-18 to 31-Dec-18 US Dollar
5 Stock in trade			
Stock in trade		9,882,115	9,640,236
		<u>9,882,115</u>	<u>9,640,236</u>
6 Trade debtors		652,799	1,091,121
		<u>652,799</u>	<u>1,091,121</u>
7 Cash and bank balances			
Cash in hand	7.1	568,288	1,054,090
Cash at bank	7.2	168,985	543,776
Cash with Sarafi		461,307	658,323
		<u>1,198,580</u>	<u>2,256,188</u>
7.1 Cash in hand			
Cash in hand -USD		282,141	677,342
Cash in hand -Afghani		286,147	376,748
		<u>568,288</u>	<u>1,054,090</u>
7.2 Cash at bank			
Afghanistan International bank (USD)		167,278	538,082
Afghanistan International bank (Afghani)		1,707	5,693
		<u>168,985</u>	<u>543,776</u>
8 Partners Capital			
Opening balance		13,822,766	13,394,347
Capital introduced during the year		-	1,169,620
Less: Drawings		(834,627)	(741,201)
		<u>12,988,138</u>	<u>13,822,766</u>
9 Retained earnings			
Opening balance		4,229,086	2,563,434
Profit / (Loss) during the year		284,288	1,665,652
		<u>4,513,374</u>	<u>4,229,086</u>

Notes to the financial statements - Continued

	Note	Five (5) Months 1-Jan-19 to 31-May-19 US Dollar	One (1) Year 1-Jan-18 to 31-Dec-18 US Dollar
10 Sales			
Flour		1,871,545	5,942,942
Wheat		-	10,808
Bran		120,683	454,148
Other Sales		4,594	33,259
		<u>1,996,822</u>	<u>6,441,156</u>
Less: Sales Discount		(257)	(1,554)
		<u>1,996,565</u>	<u>6,439,602</u>
11 Cost of sales			
Raw materials (Wheat)			
Opening stock		8,999,435	8,000,095
Purchases		1,635,379	5,384,101
Less: Closing Stock		(8,992,108)	(8,999,435)
Materials Consumed		<u>1,642,706</u>	<u>4,384,761</u>
Wages		28,107	47,854
Other operational expenses		101,531	316,681
Depreciation	4.1	75,646	192,364
		<u>205,284</u>	<u>556,899</u>
Cost of goods manufactured		<u>1,847,990</u>	<u>4,941,661</u>
Finished goods (Flour)			
Opening stock	160	640,800	164,325
Closing stock		(890,007)	(640,800)
Cost of sales		<u>1,598,783</u>	<u>4,465,185</u>

Notes to the financial statements - Continued

		Five (5) Months 1-Jan-19 to 31-May-19 US Dollar	One (1) Year 1-Jan-18 to 31-Dec-18 US Dollar
12 General and administrative expenses			
Salaries		50,160	72,128
General expenses employees		11,728	51,564
Depreciation	4.1	18,911	48,091
Municipality tax		48,000	80,232
Income Tax		335	71,459
Marketing expense		9,850	17,449
Admin expenses		521	1,959
Miscellaneous expense		271	1,549
		139,778	344,432

13 General

... Figures have been rounded off to the nearest US Dollar. *see*


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