

**M/S Tarhe Naw Food Industries Company  
Audited Financial Statements**

**For the Year Ended February 28, 2021**

## 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 balance sheet as at February 28, 2021 and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

### Basis for Qualification

We did not observe the counting of physical inventories amounting to US \$ 10,696,879 as at February 28, 2021 since the date was prior to our appointment as auditor of the company.

### 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 at February 28, 2021, and of its financial performance, and statement of changes in equity & its cash flows for the year ended February 28, 2021 in accordance with International Financial Reporting Standards (IFRSs) for Small and Medium-Sized Entities (SMEs).

### Basis for Opinion

We conducted our audit in accordance with the 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 the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) 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**

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

In preparing the financial statements, the management is responsible for assessing the company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 ISAs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statement, 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 control 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 Entity'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 the 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 Entity'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 Entity 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.



**Avais Hyder Liaquat Nauman;**  
**Chartered Accountants**  
**Muhammad Arif Saeed, FCA**  
**Engagement Partner**  
**Kabul**

**Date:** 3 April, 2021

M/S Tarhe Naw Food Industries Company  
Statement of Financial Position  
As at February 28, 2021

	Note	Twelve (12) Months 1-Mar-20 to 28-Feb-21 US Dollar	Nine (9) Months 1-Jun-19 to 28-Feb-20 US Dollar
<b>Non-Current Assets:</b>			
Fixed assets	4	7,059,743	6,465,206
Capital asset in progress		190,660	154,961
<b>Current Assets</b>		<b>7,250,403</b>	<b>6,620,167</b>
Stock in trade	5	10,696,879	9,892,849
Trade debtors	6	54,545	515,439
Cash and bank balances	7	2,474,353	3,106,569
		<b>13,225,777</b>	<b>13,514,857</b>
<b>Total Assets</b>		<b>20,476,180</b>	<b>20,135,024</b>
<b>Equity &amp; Liabilities:</b>			
<b>Equity</b>			
Partner's capital	8	13,321,320	13,408,567
Retained earnings	9	5,229,600	4,837,753
		<b>18,550,920</b>	<b>18,246,320</b>
Payables		1,925,259	1,888,704
<b>Total Capital And Liabilities</b>		<b>20,476,180</b>	<b>20,135,024</b>

Auditors' Report annexed.

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

  
President



  
Finance Officer

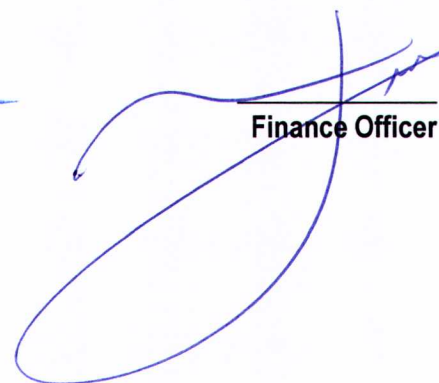
**M/S Tarhe Naw Food Industries Company**  
**Statement of Comprehensive Income**  
**For the Year Ended 28 February, 2021**

	Note	Twelve (12) Months 1-Mar-20 to 28-Feb-21 US Dollar	Nine (9) Months 1-Jun-19 to 28-Feb-20 US Dollar
Sales	10	4,414,765	3,972,260
Cost of sales	11	<u>(3,676,645)</u>	<u>(3,384,305)</u>
<b>Gross profit/(Loss)</b>		<b>738,120</b>	<b>587,955</b>
General and administrative expenses	12	(393,436)	(272,615)
Other Income		47,164	9,038
<b>Profit / (Loss) before taxation</b>		<b>391,847</b>	<b>324,378</b>
Provision for tax		-	-
<b>Net profit / (Loss)</b>		<b>391,847</b>	<b>324,378</b>

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**President**



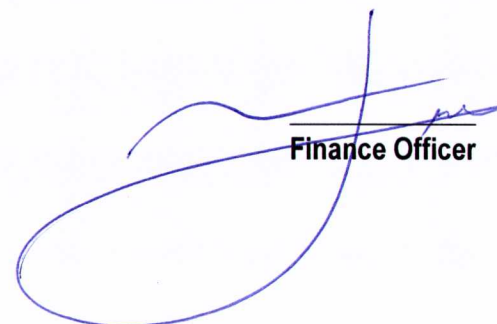
  
**Finance Officer**

**M/S Tarhe Naw Food Industries Company**  
**Statement of Changes in Equity**  
**For the Year Ended 28 February, 2021**

	Capital	Accumulated Profit	Total Owner's Equity
	-----USD-----		
<b>Balance as at June 01, 2019</b>	<b>12,988,139</b>	<b>4,513,374</b>	<b>17,501,513</b>
Capital introduced	576,000	-	576,000
Drawings	(155,571)	-	(155,571)
Profit for the year	-	324,378	324,378
<b>Balance as at February 28, 2020</b>	<b>13,408,568</b>	<b>4,837,752</b>	<b>18,246,320</b>
<b>Balance as at March 01, 2020</b>	<b>13,408,568</b>	<b>4,837,752</b>	<b>18,246,320</b>
Capital introduced	-	-	-
Drawings	87,247	-	87,247
Profit for the year	-	391,847	391,847
<b>Balance as at February 28, 2021</b>	<b>13,495,815</b>	<b>5,229,600</b>	<b>18,725,415</b>

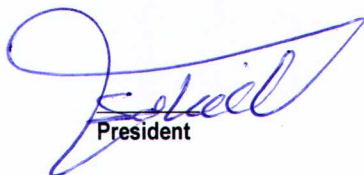
  
**President**



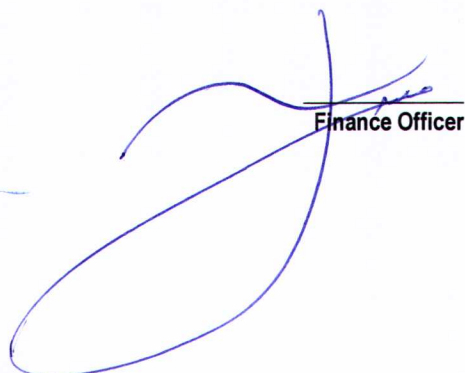
  
**Finance Officer**

M/S Tarhe Naw Food Industries Company  
Cash Flow Statement  
For the Year Ended 28 February, 2021

		Twelve (12) Months 1-Mar-20 to 28-Feb-21 US Dollar	Nine (9) Months 1-Jun-19 to 28-Feb-20 US Dollar
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit/(Loss) before taxation		391,847	324,378
Adjustments for:			
Depreciation	4	257,792	168,054
<b>Operating cash flows before working capital changes</b>		<b>649,639</b>	<b>492,432</b>
<b>(Increase)/ decrease in current assets:</b>			
Stock in trade		(804,030)	(10,734)
Trade debtors		460,894	137,360
<b>Increase/(decrease) in current Liabilities:</b>		<b>36,555</b>	<b>926,074</b>
<b>Cash generated from operations</b>		<b>(306,581)</b>	<b>1,052,700</b>
<b>Net cash generated from/(used in) operating activities</b>		<b>343,058</b>	<b>1,545,132</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Purchase of fixed assets		(852,328)	(47,134)
Capital Asset in progress		(35,699)	(10,441)
<b>Net cash used in investing activates</b>		<b>(888,027)</b>	<b>(57,575)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Capital introduced during the year		-	576,001
Drawings		(87,247)	(155,571)
<b>Net cash flow from financing activates</b>		<b>(87,247)</b>	<b>420,430</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>(632,216)</b>	<b>1,907,987</b>
<b>Cash and cash equivalents at the beginning of Year/Period (Unaudited)</b>		<b>3,106,568</b>	<b>1,198,581</b>
<b>Cash and cash equivalents at the end of Year/ Period</b>		<b>2,474,353</b>	<b>3,106,568</b>

  
President



  
Finance Officer



**M/S Tarhe Naw Food Industries Company**  
**Notes to the Financial Statements**  
**For the Year Ended 28 February, 2021**

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**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 01-03-2020	Addition/ (Deletion)	As at 28-02-2021		As at 01-03-2020	For the year	As at 28-02-2021	As at 28-02-2021
	-----USD-----				-----USD-----			
Land	1,858,801	-	1,858,801	-	-	-	-	1,858,801
Building	1,713,500	-	1,713,500	3	356,423	40,712	397,135	1,316,365
Plant and Machinery	4,623,214	843,267	5,466,481	5	1,485,905	199,029	1,684,934	3,781,547
Furniture and fixtures	16,240	9,061	25,301	10	5,176	2,013	7,188	18,113
Laboratory equipments	132,000	-	132,000	15	93,685	5,747	99,432	32,568
Office equipments	149,994	-	149,994	15	105,249	6,712	111,961	38,033
Vehicles	78,502	-	78,502	20	60,608	3,579	64,187	14,315
	<b>2021</b>	<b>852,328</b>	<b>9,424,579</b>		<b>2,107,045</b>	<b>257,792</b>	<b>2,364,836</b>	<b>7,059,743</b>
	<b>2020</b>	<b>47,134</b>	<b>8,572,251</b>		<b>1,938,991</b>	<b>168,054</b>	<b>2,107,045</b>	<b>6,465,206</b>

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

	<u>Feb-21</u>	<u>Feb-20</u>
<b>Cost of sales</b>	206,233	134,443
<b>General and administrative expenses</b>	51,558	33,611
	<u><b>257,792</b></u>	<u><b>168,054</b></u>

Notes to the financial statements - Continued

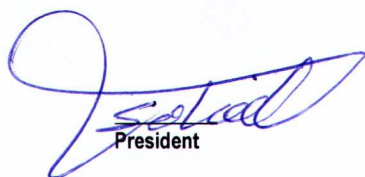
		Twelve (12) Months 1-Mar-20 to 28-Feb-21 US Dollar	Nine (9) Months 1-Jun-19 to 28-Feb-20 US Dollar
<b>5 Stock in trade</b>			
5.1 Wheat in stock		10,349,770	9,490,834
5.2 Flour in stock		347,109	402,015
		<u>10,696,879</u>	<u>9,892,849</u>
<b>6 Trade debtors</b>		54,545	515,439
<b>7 Cash and bank balances</b>			
Cash in hand	7.1	797,859	1,178,837
Cash at bank	7.2	222,052	600,882
Cash with Sarafi		1,454,442	1,326,850
		<u>2,474,353</u>	<u>3,106,569</u>
<b>7.1 Cash in hand</b>			
Cash in hand -USD		532,157	715,478
Cash in hand -Afghani		265,702	463,359
		<u>797,859</u>	<u>1,178,837</u>
<b>7.2 Cash at bank</b>			
Afghanistan International bank (USD)		212,436	600,882
Afghanistan International bank (Afghani)		9,616	-
		<u>222,052</u>	<u>600,882</u>
<b>8 Partners Capital</b>			
Opening balance		13,408,567	12,988,138
Capital introduced during the year		-	576,000
Less: Drawings		(87,247)	(155,571)
		<u>13,321,320</u>	<u>13,408,567</u>
<b>9 Retained earnings</b>			
Opening balance		4,837,753	4,513,374
Profit / (Loss) during the year		391,847	324,379
		<u>5,229,600</u>	<u>4,837,753</u>

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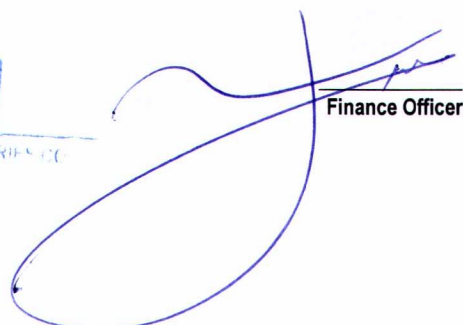
Notes to the financial statements - Continued

	Note	Twelve (12) Months 1-Mar-20 to 28-Feb-21 US Dollar	Nine (9) Months 1-Jun-19 to 28-Feb-20 US Dollar
<b>10 Sales</b>			
Flour		4,145,835	3,653,015
Wheat		54,906	12
Bran		210,646	315,263
Other Sales		4,498	5,223
		<u>4,415,885</u>	<u>3,973,513</u>
Less: Sales Discount		(1,120)	(1,253)
		<u><b>4,414,765</b></u>	<u><b>3,972,260</b></u>
<b>11 Cost of sales</b>			
<b>Raw materials</b>			
Opening stock		9,490,834	8,992,108
Purchases		4,010,639	3,071,927
Less: Closing Stock		(10,349,770)	(9,490,834)
		<u><b>3,151,703</b></u>	<u><b>2,573,201</b></u>
<b>Materials Consumed</b>			
Wages		51,933	35,434
Other operational expenses		211,870	153,235
Depreciation	4.1	206,233	134,443
		<u><b>470,036</b></u>	<u><b>323,112</b></u>
<b>Cost of goods manufactured</b>		<u><b>3,621,739</b></u>	<u><b>2,896,313</b></u>
<b>Finished goods</b>			
Opening stock		402,015	890,007
Closing stock		(347,109)	(402,015)
		<u><b>54,906</b></u>	<u><b>487,992</b></u>
<b>Cost of sales</b>		<u><u><b>3,676,645</b></u></u>	<u><u><b>3,384,305</b></u></u>
<b>12 General and administrative expenses</b>			
Salaries		79,156	56,679
General expenses employees		50,250	28,306
Depreciation	4.1	51,558	33,611
Municipality tax		23,509	20,429
Income Tax		149,948	93,152
Marketing expenses		36,766	38,400
Admin expenses		1,130	553
Miscellaneous expenses		1,119	1,485
		<u><u><b>393,436</b></u></u>	<u><u><b>272,615</b></u></u>
<b>13 General</b>			

Figures have been rounded off to the nearest US Dollar.

  
President



  
Finance Officer