



# Audited Financial Statements

*for Bank-e-Millie Afghan*

*(For the year ended December 21, 2019)*

**MGI ILYAS SAEED CHARTERED ACCOUNTANTS**

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Date: March 18, 2020

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bank-e-Millie Afghan

### Qualified Opinion

We have audited the financial statements of the **Bank-e-Millie Afghan** (the bank), which comprise the statement of financial position as at December 21, 2019, and the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly in all material respects, the financial position of the Bank as at December 21, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and the requirements of the Banking Law of Afghanistan and Laws and Regulations issued by Da Afghanistan Bank (DAB).

### Basis for Qualified Opinion

1. The bank had invested in a wholly owned subsidiary "Afghan American Trading Co. Inc. (AATC) which has been carried at a cost of USD 2.2 million (AFN 172.480 million). Further the bank has an outstanding current account balance of USD 2.2 Million (AFN 172.480 million) with AATC at year end. The bank has not prepared consolidated financial statements in respect of its above subsidiary as required under IFRS -10 'Consolidated Financial Statements' due to lack of financial information relating to its subsidiary. For the reason as disclosed in note 8.1.1 to the financial statements, we have not been able obtain sufficient and appropriate audit evidence regarding the existence and recoverability of the above referred investments and the current account balance.

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 the bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Afghanistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### Emphasis of Matter Paragraph

We draw attention to note 11 to the Financial Statements, which explains that the Bank has revalued its Islamic Banking Window related investment properties at fair value as per "IAS - 40 Investment Properties"

and realized gain in profit and loss. Bank has adopted equity method of accounting for Afghan National Insurance Company and Ariana Afghan Airlines as per International Accounting Standards – 28 “Investments in associate and joint venture”. Our opinion is not modified in respect of the said matter.

#### **Other Matter**

The Financial Statements of the bank for the year ended December 21, 2018 audited by another auditor who expressed qualified opinion on the financial statements on March 30, 2019.

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

Management is responsible for the preparation of the financial statements in accordance with the basis of accounting as described in Note 2 to the financial statements 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.

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

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

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

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 bank'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 bank'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 bank 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.

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**Muhammad Abdul Basit – ACA, CIA, CISA & APRM**

Engagement Partner  
Ilyas Saeed Chartered Accountants  
KABUL, AFGHANISTAN.  
Dated:



# Bank-e-Millie Afghan

Statement of Financial Position

As at 21 December 2019 (30-Qaws-1398)

Amounts in AFN


	Note	2019 30 Qaws 1398	2018 30 Qaws 1397
<b>Assets</b>			
Cash and bank balances	5	15,455,529,761	9,819,433,696
Short-term investments	6	15,175,779,235	22,385,379,971
Loans and advances to customers - net	7	4,038,539,141	3,875,153,242
Long term investments	8	1,069,857,056	932,570,468
Property and equipment	9	1,204,258,141	1,190,608,751
Intangible assets	10	6,317,321	15,354,066
Investment properties	11	3,359,281,174	3,050,513,275
Non-current assets Held for Sale		7,017,349	7,017,349
Other assets	12	1,444,690,496	603,320,856
<b>Total assets</b>		<b>41,761,269,674</b>	<b>41,879,351,674</b>
<b>Liabilities</b>			
Deposits from bank and customers	13	32,337,422,738	33,341,120,487
Current tax liability	14	95,240,230	98,540,238
Deferred tax liability - net	15	690,060,025	644,220,670
Other liabilities	16	526,947,472	539,097,111
<b>Total liabilities</b>		<b>33,649,670,465</b>	<b>34,622,978,506</b>
<b>Equity</b>			
Share capital	17	1,000,000,000	1,000,000,000
Retained earnings		6,277,097,432	5,421,871,391
Surplus on revaluations - net	18	792,247,503	792,247,503
Exchange translation reserves	19	34,313,024	34,313,024
General reserve		7,941,250	7,941,250
<b>Total equity</b>		<b>8,111,599,209</b>	<b>7,256,373,168</b>
<b>Total liabilities and equity</b>		<b>41,761,269,674</b>	<b>41,879,351,674</b>
<b>Contingencies and Commitments</b>	20		

The annexed notes from 1 to 34 form an integral parts of these financial statements.

Chairman BOS

Chief Executive Officer

Chief Financial Officer


# Bank-e-Millie Afghan

Statement of Profit or Loss

For the year ended 21 December 2019 (30-Qaws-1398)

Amounts in AFN

	Note	2019 30 Qaws 1398	2018 30 Qaws 1397
<b>Interest income and expenses</b>			
Interest income	22	1,005,133,271	806,164,053
Interest expense	22	(92,017,894)	(111,055,517)
Net interest income		913,115,377	695,108,536
<b>Commission income and expenses</b>			
Commission income	23	175,996,112	220,264,886
Commission expense	23	(3,932,929)	(10,178,189)
Net commission income		172,063,183	210,086,697
<b>Other income</b>			
Realized exchange gain		46,470,145	123,282,587
Unrealized exchange gain / (loss)		94,374,542	36,855,156
Gain on revaluation of investment properties		302,579,899	-
Other operating income	24	197,152,156	324,212,444
Total other income		640,576,743	484,350,187
Total operating income		1,725,755,303	1,389,545,420
<b>Operating expenses</b>			
Impairment (gain)/ loss on loans - net	7.3	198,681,549	42,810,088
Provision / (reversal) on off balance sheet items		(601,200)	1,184,400
Provision / (reversal) on other assets		(581,293)	11,008,206
Personnel expenses	25	280,316,799	264,043,629
Depreciation	9	20,619,315	18,348,789
Amortization	10	9,144,350	8,918,519
Other expenses	26	263,641,989	287,030,810
Total operating expenses		771,221,509	633,344,441
Total operating profit		954,533,794	756,200,979
Impairment (loss) on investment		(74,885,984)	(55,084,315)
Share in profit of associate		129,696,588	63,635,136
		54,810,604	8,550,821
Profit before taxation		1,009,344,398	764,751,800
Taxation	27	(154,118,357)	(81,547,435)
<b>Profit for the year</b>		<b>855,226,041</b>	<b>683,204,365</b>

The annexed notes from 1 to 34 form an integral parts of these financial statements.

Chairman BOS

Chief Executive Officer

Chief Financial Officer

A. Aziz Babal

# Bank-e-Millie Afghan

Statement of Comprehensive Income

For the year ended 21 December 2019 (30-Qaws-1398)

	<i>Amounts in AFN</i>	
	Note	
	2019	2018
	30 Qaws 1398	30 Qaws 1397
<b>Net Profit</b>	<b>855,226,041</b>	<b>683,204,365</b>
<b>Items that are or may be reclassified to profit or loss:</b>		
Exchange gain / (loss) arising on translation of net investment	-	27,897,832
Deferred tax attributable to exchange gain / (loss)	-	(5,579,566)
	-	22,318,266
<b>Items that will never be reclassified to profit or loss:</b>		
Share in associate's reserves	-	(8,455,873)
Deferred tax on share in associate's reserves	-	1,691,175
	-	(6,764,698)
Re-measurement gain / (loss) on pension plan	-	(23,445,981)
Deferred tax on re-measurement gain / (loss)	-	4,689,196
	-	(18,756,785)
Total Other comprehensive loss	-	(3,203,217)
<b>Total comprehensive income</b>	<b>855,226,041</b>	<b>680,001,148</b>

The annexed notes from 1 to 34 form an integral parts of these financial statements.

Chairman BOS

Chief Executive Officer

A. Aziz Bahalo

Chief Financial Officer

# Bank-e-Millie Afghan

## Statement of Cash Flows

For the year ended 21 December 2019 (30-Qaws-1398)

Amounts in AFD

	Note	2019 30 Qaws 1398	2018 30 Qaws 1397
<b>Cash flows from operating activities</b>			
Profit before taxation		1,009,344,398	764,751,800
<i>Adjustments for:</i>			
Depreciation	9	20,619,315	18,348,789
Amortization	10	9,144,350	8,918,519
Associates profit / (Loss)	8.4	(129,696,588)	(63,635,136)
Impairment of investments	12.5	74,885,984	55,084,315
Net impairment loss on loans and advances	7.3	198,681,549	42,810,088
Unrealized gain / (loss)		(94,374,542)	(36,855,156)
Provision for other assets	12.4	1,182,493	12,192,606
Gain on investment property		(308,767,899)	-
Provision for retirement benefit		10,381,070	4,101,200
		(217,944,269)	40,965,225
		791,400,129	805,717,025
<i>(Increase)/ decrease in operating assets and liabilities:</i>			
Loans and advances to customers		(362,067,449)	(985,999,492)
Other assets		(842,552,133)	471,992,836
Deposits from banks and customers		(1,003,697,749)	(2,541,683,893)
Other liabilities		(16,539,368)	(14,029,766)
		(2,224,856,699)	(3,069,720,315)
Tax Paid		(111,579,010)	(353,483,260)
Retirement benefit paid		(5,991,341)	(19,644,703)
		(117,570,351)	(373,127,963)
Net cash flows from operating activities		(1,551,026,921)	(2,637,131,252)
<b>Cash flows from investing activities</b>			
Placements	6	(7,590,000)	1,732,336,926
Placements with Banks		(865,897,177)	(1,804,217,889)
Purchase of intangible assets	10	(107,605)	(1,379,300)
Capital expenditure in investment properties	11	-	(3,235,585)
Purchase of property and equipment	9	(34,268,705)	(19,112,129)
Net cash flows from investing activities		(907,863,486)	(95,607,977)
<b>Cash flows from financing activities</b>			
Dividend paid/ Declared		-	(1,594,353,862)
Net cash flows from financing activities		-	(1,594,353,862)
<b>Net increase in cash and cash equivalents</b>		(2,458,890,407)	(4,327,093,091)
Cash and cash equivalents at beginning of year		17,820,045,626	22,147,138,718
Unrealized exchange gain / loss		94,374,542	-
<b>Cash and cash equivalents at end of year</b>	21	15,455,529,761	17,820,045,627

The annexed notes from 1 to 34 form an integral parts of these financial statements.

Chairman BOS

Chief Executive Officer

Chief Financial Officer







# Bank-e-Millie Afghan

## Statement of Changes in Equity

For the year ended 21 December 2019 (30-Qaws-1398)

Amounts in AFN

	Share capital	Retained earnings	Revaluation surplus	Exchange translation reserve	General reserve	Total
Balance as at 30 Qaws 1396 (21 December 2017)	1,000,000,000	7,466,751,061	792,247,503	47,375,730	7,941,250	9,314,315,544
Profit for the year	-	683,204,365	-	-	-	683,204,365
Transfer to Profit and Loss	-	-	-	(35,380,972)	-	(35,380,972)
Other comprehensive income	-	(25,521,483)	-	22,318,266	-	(3,203,217)
Dividend paid:						
Transfer of investment property to Ministry of finance (MoF)	-	(1,108,208,690)	-	-	-	(1,108,208,690)
In cash	-	(1,594,353,862)	-	-	-	(1,594,353,862)
Balance as at 30 Qaws 1397 (21 December 2018)	1,000,000,000	5,421,871,391	792,247,503	34,313,024	7,941,250	7,256,373,168
Balance as at 30 Qaws 1397 (21 December 2018)	1,000,000,000	5,421,871,391	792,247,503	34,313,024	7,941,250	7,256,373,168
Profit for the year	-	855,226,041	-	-	-	855,226,041
Transfer to Profit and Loss	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-
Balance as at 30 Qaws 1398 (21 December 2019)	1,000,000,000	6,277,097,432	792,247,503	34,313,024	7,941,250	8,111,599,209

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Chairman BOS

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