

## INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF SUPERVISORS

We have audited the accompanying financial statements of Bank-e-Millie Afghan ("the Bank"), which comprise the statement of financial position as at 30 Qaws 1392 (December 21, 2013), and the income statement, 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 information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs), the requirements of the Law of Banking in Afghanistan, directives issued by the Central Bank of Afghanistan (DAB), and the Islamic Accounting Standards developed by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI), 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.

### 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 about 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 auditors' judgement, 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.

### Audit Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 30 Qaws 1392 (December 21, 2013), and of its financial performance and its cash flows for the year ended in accordance with the requirements of International Financial Reporting Standards (IFRSs), the Law of Banking in Afghanistan, directives issued by the Central Bank of Afghanistan (DAB), and the Islamic Accounting Standards developed by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

### Emphasis of Matter

Without qualifying our audit opinion, we draw attention to Note 2.1 to the financial statements which describes that Bank-e-Millie Afghan holds two fully owned subsidiaries namely 'Afghan National Credit and Finance Limited' and 'Afghan American Trading Co; Inc'. As per International Financial Reporting Standard (IFRS) 10 'Consolidated Financial Statements', being a parent company Bank-e-Millie Afghan is required to prepare consolidated financial statements. However, Bank's management has opted not to prepare consolidated financial statements in contravention of the said IFRS.



Horwath Mak  
Auditors & Business Advisors  
March 31, 2014  
Kabul





BANK-E-MILLIE AFGHAN  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 QAWS 1392 (21 December 2013)

	Note	30 Qaws 1392 (AFN)	30 Hoot 1391
<b>Assets</b>			
Cash and bank balances	4	19,692,283,052	19,415,064,410
Loans and advances to customers	5	1,523,821,305	2,341,931,539
Investments	6	390,808,807	352,008,037
Property and equipments	7	1,279,465,178	1,294,464,119
Intangible assets	8	3,309,789	5,596,096
Investment property	9	645,683,089	729,065,389
Other assets	10	1,789,884,442	1,898,236,873
<b>Total assets</b>		<b>25,325,255,662</b>	<b>26,036,366,463</b>
<b>Liabilities</b>			
Deposits from banks	11	5,047,535	4,885,636
Deposits from customers	12	17,668,578,394	20,240,847,086
Current tax liabilities	13	101,073,587	98,296,351
Deferred tax liabilities	14	332,998,186	341,914,492
Short term borrowing	15	1,500,000,000	-
Other liabilities	16	302,801,201	223,837,262
<b>Total liabilities</b>		<b>19,910,498,903</b>	<b>20,909,780,827</b>
<b>Equity</b>			
Share capital	17	1,000,000,000	1,000,000,000
Retained earnings		3,544,107,112	3,220,270,765
Surplus on revaluation of property and equipment - net	18	847,572,161	914,278,001
Exchange translation reserve		23,077,486	(7,963,130)
<b>Total equity</b>		<b>5,414,756,759</b>	<b>5,126,585,636</b>
<b>Total liabilities and equity</b>		<b>25,325,255,662</b>	<b>26,036,366,463</b>
<b>Contingencies and Commitments</b>	19		

The annexed notes from 1 to 33 form an integral part of these financial statements.


  
Chief Executive Officer

  
Chief Financial Officer

**BANK-E-MILLIE AFGHAN**  
**INCOME STATEMENT**  
**FOR THE NINE MONTHS ENDED 30 QAWS 1392 (21 DECEMEBR 2013)**

	Note	For the nine months ended 30 Qaws 1392 (AFN)	For the year ended 30 Hoot 1391
Interest income	20	563,512,735	697,619,180
Interest expense	20	(60,604,796)	(125,358,993)
<b>Net interest income</b>		<b>502,907,939</b>	<b>572,260,187</b>
Fee and commission income	21	51,104,509	91,756,051
Fee and commission expense	21	(6,451,871)	(4,238,334)
<b>Net fee and commission income</b>		<b>44,652,638</b>	<b>87,517,717</b>
Net income from trading in foreign currencies		45,923,763	11,412,040
Other operating income	22	141,399,059	182,907,807
		<b>187,322,822</b>	<b>194,319,847</b>
<b>Operating income</b>		<b>734,883,399</b>	<b>854,097,751</b>
Impairment reversal / (loss) on loans and advances to customers	5	35,570,112	(179,558,963)
Impairment loss on other assets	10	(81,482)	(108,206)
Personnel expenses	23	(178,576,116)	(239,205,670) ✓
Depreciation	7	(24,869,562)	(60,213,151) ✓
Amortization	8	(2,330,305)	(9,811,562) ✓
Other expenses	24	(113,079,511)	(143,824,109) ✓
Exchange loss		(46,616,101)	(70,381,273)
<b>Profit before taxation</b>		<b>404,900,434</b>	<b>150,994,817</b>
Taxation	25	(81,064,087)	(30,198,963)
<b>Net profit for the period / year</b>		<b>323,836,347</b>	<b>120,795,854</b>

The annexed notes from 1 to 33 form an integral part of these financial statements.

  
 Chief Executive Officer

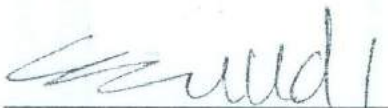
  
 CHIEF FINANCE  
 Chief Financial Officer


**BANK-E-MILLIE AFGHAN**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE NINE MONTHS ENDED 30 QAWS 1392 (21 DECEMEBR 2013)**


	For the nine months ended 30 Qaws 1392	For the year ended 30 Hoot 1391
	----- (AFN) -----	
Exchange gain arising on translation of investments	38,800,770	17,191,392
Deferred tax attributable to exchange gain on translation of investments	(7,760,154)	(3,438,278)
	31,040,616	13,753,114
Revaluation surplus adjusted during the period	(83,382,300)	-
Deferred tax attributable to revaluation surplus adjusted during the year	16,676,460	-
	(66,705,840)	-
Net profit for the period / year	323,836,347	120,795,854
☛ Total comprehensive income for the period / year	<u>288,171,123</u>	<u>134,548,968</u>

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The annexed notes from 1 to 33 form an integral part of these financial statements.

  
 Chief Executive Officer

  
 Chief Financial Officer





BANK-E-MILLIE AFGHAN  
STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS ENDED 30 QAWS 1392 (21 DECEMEBR 2013)

	Share Capital	Retained earnings	Surplus on revaluation of property and equipment - net (Note 18)	Exchange translation reserve	Total
Balance at 30 Hoot 1391 (20 March 2013)	1,000,000,000	3,220,270,765	914,278,001	(7,963,130)	5,126,585,636
Comprehensive income for the period:					
Profit for the period	-	323,836,347	-	-	323,836,347
Other comprehensive income	-	-	(66,705,840)	-	(66,705,840)
Exchange gain on translation of investments - net	-	-	-	31,040,616	31,040,616
Total comprehensive income for the period	-	323,836,347	(66,705,840)	31,040,616	288,171,123
For the Nine Months ended 30 Qaws 1392 (21 December 2013)	1,000,000,000	3,544,107,112	847,572,161	23,077,486	5,414,756,759
Balance at 29 Hoot 1390 (19 March 2012)	250,000,000	3,849,474,911	914,278,001	(21,716,243)	4,992,036,669
Comprehensive income for the year:					
Profit for the year	-	120,795,854	-	-	120,795,854
Capital Introduced during the year	750,000,000	(750,000,000)	-	-	-
Exchange gain on translation of investments - net	-	-	-	13,753,113	13,753,113
Total comprehensive income for the year	750,000,000	(629,204,146)	-	13,753,113	134,548,967
Balance at 30 Hoot 1391 (20 March 2013)	1,000,000,000	3,220,270,765	914,278,001	(7,963,130)	5,126,585,636

The annexed notes from 1 to 33 form an integral part of these financial statements.



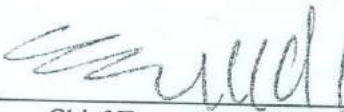
*[Signature]*  
Chief Executive Officer

Chief Financial Officer

**BANK-E-MILLIE AFGHAN**  
**STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED 30 QAWS 1392 (21 DECEMEBR 2013)**

	Note	For the nine months ended 30 Qaws 1392	For the year ended 30 Hoot 1391
(AFN)			
<b>Cash flows from operating activities</b>			
Profit before taxation		404,900,434	150,994,817
<i>Adjustments for:</i>			
Depreciation	7	24,869,562	60,213,151
Amortization	8	2,330,305	9,811,562
Impairment reversal / (loss) on loans and advances to customers	5	(35,570,112)	179,558,963
Impairment loss on other assets		81,482	108,206
Provision for staff pension		4,697,165	1,243,339
Interest income		(563,512,735)	(697,619,180)
Interest expense		60,604,796	125,358,993
Reversal of impairment allowance recognized as other income		(2,252,416)	(2,023,082)
Reversal of excess depreciation charged as other income		933,040	-
Loss on disposal/ write off/ adjustments of property and equipment		91,703	81,997
		<u>(102,826,776)</u>	<u>(172,271,234)</u>
<b>Working capital changes</b>			
Decrease / (Increase) in loans and advances to customers		860,692,525	(445,965,349)
Decrease / (Increase) in other assets		109,476,780	(1,690,005,524)
(Decrease) / Increase in deposits from banks		161,899	(265,953,370)
(Decrease) / Increase in deposits from customers		(2,572,268,692)	4,636,340,155
Increase in other liabilities		74,266,774	46,410,331
		<u>(1,527,670,714)</u>	<u>2,280,826,243</u>
Cash generated from operations		(1,630,497,490)	2,108,555,009
Interest received		562,388,386	689,847,516
Interest paid		(21,852,083)	(86,681,066)
Tax paid		(78,202,851)	(75,805,227)
<b>Net cash (used in) / generated from operating activities</b>		<u>(1,168,164,038)</u>	<u>2,635,916,232</u>
<b>Cash flows from investing activities</b>			
Acquisition of placements		(3,205,144,245)	3,209,705,263
Proceeds from sale of investment property		62,510,899	-
Purchase of property and equipment		(9,006,981)	(85,307,914)
Acquisition of intangible asset		(44,000)	(8,976,394)
<b>Net cash (used in) / generated from investing activities</b>		<u>(3,151,684,327)</u>	<u>3,115,420,955</u>
<b>Cash flows from financing activities</b>			
Short term borrowings		1,500,000,000	-
<b>Net cash generated from financing activities</b>		<u>1,500,000,000</u>	<u>-</u>
Net increase in cash and cash equivalents		(2,819,848,365)	5,751,337,187
Cash and cash equivalents at beginning of period / year		15,474,385,516	9,723,048,329
Cash and cash equivalents at end of period / year	26	<u>12,654,537,151</u>	<u>15,474,385,516</u>

The annexed notes from 1 to 33 form an integral part of these financial statements.

  
Chief Executive Officer

EMA  
1392/11/11  
CHIEF FINANCE  
Chief Financial Officer

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