

AFGHANISTAN SKATEBOARDING TRAINING ORGANIZATION (SKATEISTAN)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

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## Independent auditors' report to the Executive Director

We have audited the accompanying financial statements of Afghanistan Skateboarding Training Organization ("the Entity"), which comprise of statement of financial position as at 31 December 2012, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year ended 31 December 2012, and a summary of significant accounting policies and other explanatory information ("the financial statements").

#### 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 for Small and Medium-sized Entities (IFRSs for SMEs) as issued by the International Accounting Standards Board (IASB), 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.

# Auditors' 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 statement, 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 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 qualified audit opinion.

#### Basis of qualified opinion

Similar to various other organizations in Afghanistan, the Entity also derives its income from voluntary contributions. Such income cannot be recognized unless it is entered into the books of accounts. Accordingly our verification was limited to the income recognized in the books of accounts.

#### Qualified opinion

In our opinion, except for the effect of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly in all material respects, the financial position of Afghanistan Skateboarding Training Organization as at 31 December 2012, and of its financial performance and its cash flows for the year ended 31 December 2012 in accordance with International Financial Reporting Standards for Small and Medium-sized Entities as issued by the International Accounting Standards Board (IASB).

Ernst & Young Ford Rhodes Sidat Hyder

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Chartered Accountants

Audit Engagement Partner: Muhammad Basheer Juma

Date: 28 March 2013 Place: Kabul, Afghanistan

# STATEMENT OF FINANCIAL POSITION As at 31 December 2012

ASSETS	Note	2012 US \$	2011 US \$
NON-CURRENT ASSETS Property and equipment	4	667,810	449,778
CURRENT ASSETS Inventory Loan to a related party Related party receivables Cash and bank balances	5 6 7	679 33,050 409,368 15,264 458,361	560 - 537,871 538,431
TOTAL ASSETS		1,126,171	988,209
EQUITY AND LIABILITIES			
EQUITY Accumulated surplus		508,192	539,085
NON CURRENT LIABIITIES Deferred grant		600,000	420,000
CURRENT LIABILITIES Accounts payable Tax payable	,, [	17,979 - 17,979	9,700 19,424 29,124
CONTINGENCIES AND COMMITMENTS	8		
TOTAL EQUITY AND LIABILITIES		1,126,171	988,209

Executive Director

# STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2012

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	Note	2012 US \$	2011 US \$
INCOME			
Grants income	9	462,953	862,488
General donations		5,098	4,502
Income from sale of branded items	10	5,793	5,017
Other income		3,814	1,800
		477,658	873,807
EXPENSES			
Salaries and other benefits		254,158	182,558
Travelling and visa cost		55,168	47,692
Utilities		30,595	37,061
Rent		26,265	27,751
/ehicle fuel		10,759	12,500
Printing and stationery		11,362	5,210
Cost associated with the preparation of Skateistan book - net		(1,551)	6,250
Depreciation	4	22,390	16,021
Repairs and maintenance		59,177	7,831
Office equipments		2,712	3,176
earning material		4,636	5,236
Audit fee		15,851	9,700
Bank charges		5,436	1,755
Exchange gain		(1,457)	(2,940)
Other		11,109	1,988
	.0	508,551	361,789
(Definit) / ournly of far the year		(20.902)	610.040
(Deficit) / surplus for the year		(30,893)	512,018
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			10
			0

# STATEMENT OF CASH FLOWS For the year ended 31 December 2012

	Note	2012 US \$	2011 US \$
CASH FLOWS FROM OPERATING ACTIVITIES			
(Deficit) / surplus for the year		(30,893)	512,018
Adjustments for non-cash item: - Depreciation -	4	22,390	16,021
(Deficit) / surplus before working capital changes	-	(8,503)	518,353
Changes in working capital (Increase) in inventories (Increase) in loan to related party (Increase) in related party receivables Decrease in accounts payable (Increase) / decrease in tax payable Net cash (used in) / generated from operating activities		(119) (33,050) (409,368) 8,279 (19,424) (453,682)	(560) - - 9,700 9,738 546,917
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of operating assets Payment for capital work in progress Net cash used in investing activities	4	(60,422) (180,000) (240,422)	(9,646) (420,000) (429,646)
CASH FLOWS FROM FINANCING ACTIVITIES			
Deferred grant Net cash generated from financing activities		180,000 180,000	420,000 420,000
Net (decrease) / increase in cash and cash equivalents		(522,607)	537,271
Cash and cash equivalents at beginning of the year		537,871	600
Cash and cash equivalents at end of the year	-	15,264	537,871
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# STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2012

	Accumulated surplus / (deficit) US \$
Balance as at 1 January 2011	27,067
6urplus for the year	512,018
Balance as at 31 December 2011	539,085
Deficit for the year	(30,893)
Balance as at 31 December 2012	508,192
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Chief Financial Officer

Executive Director

NOTES TO THE FINANCIAL STATEMENTS At 31 December 2012

#### 1 INFORMATION ABOUT THE ENTITY

Afghanistan Skateboarding Training Organization ("the Entity") is a non-government organization registered with the Ministry of Economy of Islamic Republic of Afghanistan as of 02 July 2009, under license no. 1442. The Entity provides the skateboarding training to children, basic education to young kids and also sells the sports equipment under brand name of "Skateistan". The registered office of the Entity is situated at Skateistan Park, behind Ghazni Stadium, District 16 Kabul, Afghanistan.

#### 2 BASIS OF PREPARATION

#### 2.1 Statement of Compliance

The financial statements of the Entity have been prepared in accordance with "International Financial Reporting Standards (IFRS) for Small and Medium-sized Entities" as issued by the International Accounting Standards Board (IASB). The Entity qualifies as Small and Medium-sized Entity due to relatively small size and less complex nature of operations.

#### 2.2 Basis of preparation

The financial statements have been prepared on a historical cost basis.

#### 2.3 Functional and presentation currency

The financial statements are presented in US \$ which is also the organizations' functional currency as well as presentation currency. Transactions in currencies other than US \$ are converted into US \$ at the official exchange rate prevailing on the first day of month and used as base for the transactions of whole month. Monetary assets and liabilities denominated in currencies other than US \$ are remeasured at the exchange rate prevailing at the statement of financial position date. Exchange gain or loss if any arising from the re-measurement of monetary assets and liabilities is dealt within the statement of income and expenditure.

#### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight line basis in accordance with depreciation rates specified below. Full year's depreciation is charged on additions while no depreciation is charged on disposals.

Category	Rate
Metal and wooden structure	10%
Leasehold improvements	10%
Vehicles	50%
IT and multimedia equipment	33.33%
Sports equipment	50%
Furniture and fixture	25%

#### 3.2 Inventory

Inventories are valued at the lower of cost and net realisable value. The cost of inventory of items that are not ordinarily interchangeable is recognised using specific identification of individual costs. For other items those are interchangeable, cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS (continued) At 31 December 2012

#### 3.3 Revenue

#### Grant Income

Grants received for operational expenses are recognised on receipt basis. .

#### Donations

Donations are recognized on receipt basis.

#### Sale of branded items

Revenue from sale of branded items is recognized when the delivery of these to customers takes place.

#### 3.4 Deferred grant

Deferred grant represents the grant received from the German Embassy and is utilized for making the payment in respect of a construction of office and Skate Park in Mazar-e-Sharif as referred to in Note 4.2 of the financial statements.

#### 3.5 Foreign currency translation

These financial statements have been prepared in US \$ which is the reporting currency of the Entity and these financial statements are used for reporting to international donors. The functional currency of the Entity is Afghani (AFN). Transactions in AFN are translated to US \$ at the average exchange rate of the year. Monetary assets and liabilities in currencies other than US \$ are translated into the reporting currency at the exchange rate prevailing at the balance sheet date.

#### 3.6 Taxation

The Entity is exempt from income tax as per Article 10 of the Income Tax Law of Afghanistan accordingly no provision for income tax has been made in these financial statements.

#### 3.7 Financial instruments - initial recognition and subsequent measurement

#### i) Financial assets

#### Initial recognition and measurement

All financial assets are recognised initially at fair value. The Entity's financial assets include bank balances.

#### ii) Financial liabilities

#### Initial recognition and measurement

All financial liabilities are recognised initially at fair value. There were no financial liabilities of the Entity as at year end.

#### iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### iv) Fair value of financial instruments

Carrying amounts of financial assets approximate their fair values

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NOTES TO THE FINANCIAL STATEMENTS (continued) At 31 December 2012

# 4 Property and equipment

		2012	2011
		US \$	US\$
Operating assets	4.1	67,810	29,778
Capital work in progress – building	4.2	600,000	420,000
		667,810	449,778

### 4.1 Operating assets

	Building	Lease hold improveme nts	Vehicles	IT and multimedia equipment	Sports equipment	Furnitu re and fixture	Total
Cost				US\$			
Cost							
As at 1 January 2011 Additions	23,429 106	1,161	15,953	7,589	10	1,303	49,445
As at 31 December 2011	**	4 404	2	3,681	1,353	4,504	9,646
Additions	23,535 16,707	1,161	15,955	11,270	1,363	5,807	59,091
As at 31 December 2012	40,242	1 101	45.055	7,349	3,430	32,936	60.422
As at 51 December 2012	40,242	1,161	15,955	18,619	4,793	38,743	119,513
Accumulated Depreciation	n						
As at 1 January 2011	2,343	116	7,978	2,536	10	309	13,292
For the year	2,353	116	7,977	3,760	677	1,138	16,021
As at 1 January 2012	4,696	232	15,955	6,296	687	1,447	29,313
for the year	4,010	116		6,203	2,390	9,671	22.390
As at 31 December 2012	8,706	348	15,955	12,499	3,077	11,118	51,703
Carrying amount							
As at 31 December 2011	18,839	929		4,974	676	4,360	29,778
As at 31 December 2012	31,536	813		6,120	1,716	27,625	67,810

# 4.2 Movement in capital work in progress - building 2012 2011 US \$ US \$ Advances to contractor US \$ US \$ Opening balance 420,000 - 180,000 420,000

4.2.1 This represents the payment made to ACCL International on account of construction of office and Skate Park in Mazar-e-Sharif.

4.2.1

600,000

420,000

## 5. Loan to a related party

Closing balance

This represents loan to Executive Director (Oliver Percovich). This loan was issued on 11 April 2012, for the purposes of founding the international head quarter, Skateistan GmbH, a non-profit, registered company in Germany. The loan is interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (continued) At 31 December 2012

6 Related parties receivables		2012 US \$	2011 US \$
Skateistan GmbH Skateistan International UG	6.1 6.2	348,687 60,681	
		409,368	-

- 6.1 The related party receivable balance with Skateistan GmbH represents funds held by the Skateistan lead quarters on behalf of the Entity. Funds are transferred to the Entity as needed to cover costs of operations.
- 6.2 The related party receivable balance with Skateistan International UG represents the production costs of the Skateistan book. Skateistan International UG is a registered company in Germany. Ownership of the Skateistan books was transferred to Skateistan International UG in June 2012 for sale.

7 Cash and bank balances	2012 US \$	2011 US \$
Cash in hand Cash at bank	2,591	1,758
Odsii di Ddilk	12,673	536,113
	15,264	537,871

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#### 8 Contingencies and commitments

here are no contingencies and commitments as at the balance sheet date.

## 9 Grant income

Grant received from:				
Danish Embassy			153.647	560,158
German Embassy			178,208	421,792
Norwegian Embassy .			206,938	173,336
UNAMA				16,850
Blossom Hill Foundation	1.4		25,000	
DHSA			1,560	-
Kindle Foundation			30,000	
			595,353	1,172,136
Grant received from related parties				
Skateistan Denmark			44,116	100,506
Skateistan USA			3,484	9,846
			642,953	1,282,788
Less: Grant from German Embassy deferred in respect of				
acquisition and construction of operating assets	4		(180,000)	(420,000)
			462,953	862,488
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10 This represents income from sale of Skateistan branded items like shoes, T-shirts, hoodies, books etc.

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JOTES TO THE FINANCIAL STATEMENTS (continued) at 31 December 2012

# 11 Audit and consulting fees

	US\$	US \$
Audit fee	6,000	9,700
Consulting fees	9,851	-
	15,851	9,700

# 12 Transactions and balances with related parties

Related parties include Skateistan GmbH, Skateistan Denmark and Skateistan USA by the virtue of common directorship and balances and transactions with related parties are disclosed in Notes 5 and 6 of the financial statements.

# 3 Date of authorization for issue

'hese financial statements are authorized for issue by Executive Director as of

#### 4 General

Figures have been rounded off to the nearest US \$.

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2011

2012

Executive Director