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Afghanistan Skateboarding Training Organisation (ASTO)

Audited Financial Statements

For the year ended 31 December 2013

Ernst & Young Ford Rhodes Sidat Hyder
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Independent auditor's report to the shareholders

We have audited the accompanying financial statements of Afghanistan Skateboarding Training Organization (the Entity), which comprise statement of financial position as at 31 December 2013, and the statement of income and expenditure, 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 ("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 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 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 the 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.



Opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly in all material respects, the financial position of the Entity as at 31 December 2013, and of its financial performance and its cash flows for the year then ended 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

Ernst and Young Ford Rhodes Sidat Hyder

Chartered Accountants

Date: 27 March 2014

Kabul, Afghanistan

Name of the engagement partner: Muhammad Basheer Juma

AFGHANISTAN SKATEBOARDING TRAINING ORGANIZATION
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	2013 US \$	2012 US \$
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	4	626,112	667,568
Related party receivables	11	256,775	442,418
		<u>882,887</u>	<u>1,109,986</u>
CURRENT ASSETS			
Cash and bank balances	5	94,712	15,264
Inventory		907	679
Advances and prepayments		1,200	362
		<u>96,819</u>	<u>16,305</u>
TOTAL ASSETS		<u>979,706</u>	<u>1,126,291</u>
EQUITY AND LIABILITIES			
EQUITY			
Accumulated surplus		407,315	508,312
NON-CURRENT LIABILITIES			
Deferred grant	6	565,000	600,000
CURRENT LIABILITIES			
Accounts payable		7,391	17,979
TOTAL EQUITY AND LIABILITIES		<u>979,706</u>	<u>1,126,291</u>
CONTINGENCIES AND COMMITMENTS	7		

The annexed notes 1 to 13 form an integral part of these financial statements.


Executive Director


Finance Director

AFGHANISTAN SKATEBOARDING TRAINING ORGANIZATION
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 US \$	2012 US \$
INCOME			
Grants	8	527,806	462,953
Deferred grant income	6	60,000	-
General donations		3,974	5,098
Royalty income		11,941	-
Income from sale of branded items	9	3,573	5,793
Other income		9,400	3,814
		<u>616,694</u>	<u>477,658</u>
EXPENSES			
Salaries and other benefits		396,646	254,158
Travelling and visa cost		67,792	55,168
Learning material		4,806	4,636
Utilities		42,565	30,595
Vehicle fuel		13,291	10,859
Printing and stationery		3,817	11,362
Rent		41,278	26,265
Repairs and maintenance		16,130	59,177
Office equipment		11,059	2,712
Audit and consulting fees	10	12,751	15,851
Bank charges		6,016	5,436
Cost associated with the preparation of Skateistan book		-	(1,551)
Depreciation	4	86,210	22,270
Exchange gain/(loss)		101	(1,457)
Other		15,229	12,950
		<u>717,691</u>	<u>508,431</u>
Deficit for the year		<u>(100,997)</u>	<u>(30,773)</u>

The annexed notes 1 to 13 form an integral part of these financial statements.

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Executive Director


Finance Director

AFGHANISTAN SKATEBOARDING TRAINING ORGANIZATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 Accumulated surplus US \$
Balance as at 1 January 2012	539,085
Deficit for the year	(30,773)
Balance as at 31 December 2012	<u>508,312</u>
Deficit for the year	(100,997)
Balance as at 31 December 2013	<u><u>407,315</u></u>

The annexed notes 1 to 13 form an integral part of these financial statements.

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 Executive Director



 Finance Director

AFGHANISTAN SKATEBOARDING TRAINING ORGANIZATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 US \$	2012 US \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Deficit for the year		(100,997)	(30,893)
Adjustments for non-cash items:			
Depreciation	4	86,210	22,390
Deferred grant income		(60,000)	-
Gain on sale of property and equipment		(2,235)	-
Surplus before working capital changes		(77,022)	(8,503)
Changes in working capital			
Decrease / (increase) in related party receivables		185,643	(442,418)
(Increase) in inventories		(228)	(119)
(Increase) in prepayments		(838)	-
(Decrease) / increase in accounts payable		(10,588)	8,279
Increase / (decrease) in tax payable		-	(19,424)
Net cash generated from operating activities		96,967	(462,185)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of operating assets	4	(44,754)	(60,422)
Payment for capital work in progress		-	(180,000)
Proceed from sale of operating assets		2,235	-
Net cash used in investing activities		(42,519)	(240,422)
CASH FLOWS FROM FINANCING ACTIVITIES			
Grants received during the year	6	25,000	180,000
Net cash generated from financing activities		25,000	180,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		79,448	(522,607)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		15,264	537,871
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		94,712	15,264

The annexed notes 1 to 13 form an integral part of these financial statements.


Executive Director


Finance Director

AFGHANISTAN SKATEBOARDING TRAINING ORGANIZATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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 and basic education to children, and sells sports equipment and clothing under brand name of "Skateistan". The registered office of the Entity is situated at Skateistan Park, behind Ghazi 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 a 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 organization's functional currency as well as presentation currency. Transactions in currencies other than US \$ are converted into US \$ at the official spot rate prevailing on the date of the transaction. 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 remeasurement of monetary assets and liabilities, is recognised in 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 depreciation is charged on additions while no depreciation is charged on disposals.

<u>Category</u>	<u>Rate</u>
Building	10%
Leasehold improvements	10%
Vehicles	50%
IT and multi-media 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 items that are not ordinarily interchangeable is recognised using specific identification of individual costs. For other items that 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 of completion and the estimated costs necessary to make the sale.

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3.3 Revenue**Grant income**

Grant income is recognised in the period in which the performance conditions imposed by the grant are met.

Donations

Donations are recognized on receipt basis.

Revenue from sale of branded items

Revenue from sale of branded items is recognized on the delivery of these to customers and proceeds from sale are realized.

3.4 Taxation

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

3.5 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 are 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.

	Note	2013 US \$	2012 US \$
4. PROPERTY AND EQUIPMENT			
Operating assets	4.1	626,112	67,568
Capital work in progress - building	4.2	-	600,000
		<u>626,112</u>	<u>667,568</u>

4.1 Operating assets

	Building	Lease hold improve- ments	Vehicles	IT and multimedia equipment	Sports equipment	Furniture and fixture	Total
	US \$						
Cost							
As at 1 January 2012	23,535	1,161	15,955	11,270	1,363	5,807	59,091
Additions	16,707	-	-	6,987	3,430	32,936	60,060
As at 31 December 2012	40,242	1,161	15,955	18,257	4,793	38,743	119,151
Additions	627,337	1,202	5,500	2,639	-	8,076	644,754
Disposals	-	-	(15,950)	-	-	-	(15,950)
As at 31 December 2013	667,579	2,363	5,505	20,896	4,793	46,819	747,955
Accumulated Depreciation							
As at 1 January 2012	4,696	232	15,955	6,296	687	1,447	29,313
For the year	4,010	116	-	6,083	2,390	9,671	22,270
As at 31 December 2012	8,706	348	15,955	12,379	3,077	11,118	51,583
For the year	66,758	236	1,375	4,436	1,715	11,690	86,210
On disposals	-	-	(15,950)	-	-	-	(15,950)
As at 31 December 2013	75,464	584	1,380	16,815	4,792	22,808	121,843
Carrying amount							
As at 31 December 2012	31,536	813	-	5,878	1,716	27,625	67,568
As at 31 December 2013	592,115	1,779	4,125	4,081	1	24,011	626,112
Annual rate of depreciation (%)	10	10	50	33.33	50	25	

4.2 Movement during the year

	Note	2013 US \$	2012 US \$
Balance as at 1 January		600,000	420,000
Additions during the year		-	180,000
Transfers during the year		600,000	-
Balance as at 31 December		-	600,000

5. CASH AND BANK BALANCES

Cash in hand	3,345	2,591
Cash at bank	91,367	12,673
	<u>94,712</u>	<u>15,264</u>

6. DEFERRED GRANT

Opening balance		
- Grant from German Embassy	600,000	600,000
Receipts during the year		
- Grant from Blossom Hill Foundation	6.1 25,000	-
Amortization for the year		
- Grant from German Embassy	(60,000)	-
Closing balance	<u>565,000</u>	<u>600,000</u>

6.1 This represents the grant from Blossom Hill Foundation received for 2014 leadership program in Kabul.

7. CONTINGENCIES AND COMMITMENTS

There were no contingencies or commitments at year end.

	Note	2013 US \$	2012 US \$
8. GRANTS			
<i>Grants received from:</i>			
Blossom Hill Foundation		25,000	25,000
Danish Embassy		349,039	153,647
DHSA		-	1,560
Foundation De France		10,146	-
German Embassy	6	-	178,208
Kindle Foundation		-	30,000
Norwegian Embassy		168,621	206,938
		<u>552,806</u>	<u>595,353</u>
<i>Grants received from related parties</i>			
Skateistan Denmark		-	44,116
Skateistan USA		-	3,484
		<u>552,806</u>	<u>642,953</u>
Less: Grant from German Embassy deferred in respect of acquisition and construction of operating assets	6	-	180,000
Less: Grant from Blossom Hill Foundation		<u>25,000</u>	
		<u>527,806</u>	<u>462,953</u>
9. INCOME FROM SALE OF BRANDED ITEMS			
Sale of branded items		3,345	5,735
Less: cost of sales	9.1	<u>228</u>	<u>58</u>
Income from sale of branded items		<u>3,573</u>	<u>5,793</u>
9.1 Cost of sales			
Opening inventory		679	560
Purchases		-	61
Closing inventory		<u>(907)</u>	<u>(679)</u>
		<u>(228)</u>	<u>3,306</u>
10. AUDIT AND CONSULTING FEES			
Audit fee		6,500	6,000
Other consulting fees		<u>6,251</u>	<u>9,851</u>
		<u>12,751</u>	<u>15,851</u>
11. TRANSACTIONS WITH RELATED PARTIES			
Related parties include Skateistan gGmbH, Skateistan International UG and Oliver Percovich by virtue of common directorship.			
		2013 US \$	2012 US \$
12. RELATED PARTY RECEIVABLES			
Oliver Percovich – Executive Director	12.1	33,050	33,050
Skateistan gGmbH	12.2	153,776	348,687
Skateistan International UG	12.3	<u>69,949</u>	<u>60,681</u>
		<u>256,775</u>	<u>442,418</u>
12.1	The loan to Oliver Percovich was issued on 11 April 2012, for the purposes of founding the international head quarters. Skateistan gGmbH is a non-profit, registered company in Germany. The loan is interest free and repayable on demand.		

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12.2 The related party receivable balance with Skateistan gGmbH represents funds held by the Skateistan headquarter on behalf of the Entity and various expenses paid for on behalf of the Entity. Funds are transferred to the Entity as needed to cover costs of operations.

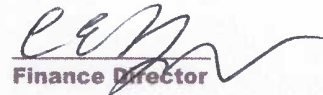
12.3 The related party receivable balance with Skateistan International UG represents the production costs of the Skateistan book and royalties received from co-branded products. Skateistan International UG is a registered company in Germany. Ownership of the Skateistan books was transferred to Skateistan International UG in June 2012 for sale. In 2013 Skateistan International UG received royalties on behalf of the Entity.

13. DATE OF AUTHORIZATION FOR ISSUE

These financial statements are authorized for issue by Executive Director as of 27 March, 2014

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Executive Director


Finance Director