د افغانستان اســــــلامی امارت
د امارتی شرکتونو لــوی ریاست

امارت اســــــــلامی افغانستان
ریاست عمومی شرکت های امارتی

د افغان تیلي کام مخابراتي امارتی شرکت لوی ریاست
د مالـــــــــی او اداری مـــــعاونیـــــــت
د تـــــدارکــــــــــاتـــــو ریاســــــت
د پــــــیـــــــرودلـــــو آمریـــــــت
د اجناسو او خدماتو پیرودلو مدیریت

(موضوع :ترجمه 54 ورق راپور تفتیش بین المللی سال 1400 به یکی از لسانهای ملی)

شماره درخواست نرخدهی: {1609}

تاریخ صدور درخواست نرخدهی به قمری: {1446/5/12 }

تاریخ صدور درخواست نرخدهی به شمسی: {1403/8/ 24}

جنس فوق ضرورت : ریاست مالی

تاریخ ترتیب استعلام : (12 / 5 / 1446)

(1) اداره {نام اداره تدارکاتی را درج کنید} تخصیص بودجه لازم برای تدارک اجناس/ خدمات غیر مشورتی مندرج این درخواست را دارد.

(2) آفر سربسته شما الی {تاریخ و وقت را درج کنید} یا قبل ازآن به دفتر {مدیریت خريداري امريت تهیه و تدارکات شرکت افغان تیلیکام } تسلیم داده شود.

(3) آفر ها ئیکه بعد از میعاد تسلیمی ارائه گردند، بدون اینکه بازشود مسترد می گردد. پاکت حاوی آفر باید به صورت واضح عبارت نرخ برای {نام اجناس /خدمات غیر مشورتی را درج کنید} نشانی شده باشد.

(4) آفر ارائه شده در آفرها باید الی مدت (30) روز تقویمی سر از تاریخ ختم میعاد تسلیمی آفرها اعتبار داشته باشد.

(5) در صورت تغیر در مقدار نیازمندی، اداره می تواند مقدار نیازمندی تقاضا شده را الی (25) فیصد زیاد و یا کم نماید، مشروط به اینکه قیمت مجموعی آن از حدود صلاحیت پولی برای درخواست نرخ گیری تجاوز ننماید.

(6) ترجیح داخلی مطابق حکم چهارم طرزالعمل تدارکات قابل اجرا است. {مورد ترجیح داخلی و فیصدی آنرا درج نمائید}.

(7) آفر گشائی در محضر عام حتمی نبوده و فرمایش دهنده مکلف به قبول نازلترین نرخ نمی باشد. در صورت رد هر یک یا تمام آفرها فرمایش دهنده کدام مسؤلیت در قبال داوطلب تهیه/ارائه کننده ندارد.

(8) آفر دهنده اسناد ذیل را با آفر خویش ضمیمه می نماید:

1- جواز تجارتی/ فعالیت/کار قابل اعتبار؛
2- نمبرتشخیصیه مالیه؛
3- اجازه نامه تولید کننده (درصورت لزوم).
4-

(9) سند نرخ گیری تکمیل و توسط شخص با صلاحیت یا نماینده تهیه/ ارائه کننده در هر صفحه مهر امضاء شده باشد.

نام کارمند صادر کننده درخواست نرخ گیری:

امضاء هیت امضاء هیت امضاء هیت

جدول اقلام و قیمت ها

شماره	اسم و تشریح با مشخصات تخنیکی اقلام	واحد	مقدار	قیمت فی واحد به افغانی	قیمت مجموعی به افغانی
1	**د کال ۱۴۰۰ مالي کال Audit Report ژباړه پښتو یا دری ژبی ته**		۱		
2	**د کال ۱۴۰۰ مالی کال Management Report ژباړه پښتو یا دری ژبی ته**		۱		
3	**د کال ۱۴۰۰ مالی کال Board Letter ژباړه پښتو یا دری ژبی ته**		۱		

نوت:

- ✓ **په هره تدارکاتی پروسه کی چی یو شرکت د اړونده نرخ اخیستنی استعلام مطابق د اجناسو، خدماتو او ساختمانی چارو د تهیه او ترسره کولو لپاره ګټونکی وبلل شی او قیمت یی له (100000) سل زره افغانیوڅخه لوړ وی مخکی له دی چی د برنده کی اطلاعیه ترلاسه کړی باید له مجموعی قیمت څخه ٪10 لس فیصده د تضمین په ډول د افغان ټیلی کام مخابراتی امارتی شرکت بانکی حساب ته جمع او اصلی اویز یی د مالی محترم ریاست له تصدیق څخه وروسته د تهیه او تدارکاتو ریاست پیرودلو آمریت ته تسلیم کړی.**
- ✓ **که چیرته کوم ګټونکی شرکت دلس فیصده تضمین له ورکولو څخه انکار وکړی شرکت به یی د افغان ټیلی کام مخابراتی امارتی شرکت په تورلیست کی ثبت کیږی او د یوکال لپاره به د افغان ټیلی کام مخابراتی امارتی شرکت دخوش خرید له لاری په تدارکاتی پروسوکی ګډون نه شی کولای.**
- ✓ **که چیرته د ګټونکی شرکت لخوا غوښتل شوی اجناس/خدمات په وخت سره تهیه او اماده نه شی یعنی شرکت ونه توانیږی چی اجناس/خدمات/ساختمانی چاری تهیه او ترسره کړی دنه تهیه کولو په صورت کی به د شرکت تضمین دیوکال په پار افغان ټیلی کام مخابراتی امارتی شرکت سره پاتی وی او شرکت به یی په تورلیست کی شاملیږی یوکال وروسته به یی بیرته تضمین شرکت ته سپارل کیږی.**
- ✓ **پورته ذکرشوی پریکړی د ښاروالی جوازلرونکو لپاره د تطبیق وړ نه دی.**

مجموع قیمت به ارقام بشمول مالیات :عدد
مجموع قیمت به حروف بشمول مالیات:
مجموع مبلغ مالیات به ارقام و حروف:
مجموع قیمت به ارقام بدون مالیات:عدد (قابل پرداخت)
مجموع قیمت به حروف بدون مالیات (قابل پرداخت)
مدت ضمانت (ورانتی/ گرنتی) بعد از تاریخ اکمال:
مشخصات ضم پیشنهاد می باشد:

مشخصات تخنیکی اجناس

شماره	اقلام	مشخصات
آدرس مشخص شرکت: **ایمیل آدرس شـــــرکت:**		

شماره	اقلام	مشخصات
	اسم تهیه/ ارائه کننده: اسم شخص یا نماینده با صلاحیت تهیه/ارائه کننده: امضای شخص یا نماینده تهیه/ارائه کننده: تاریخ: **شماره تیلفون حتمی:**	مهر تهیه/ارائه کننده

یادداشت: فرمایش گیرنده کاپی رهنمود، ساخت و مودل، بروشور و یا فهرست تجهیزات یا خدماتی را که اکمال می نماید ضمیمه نماید. معلومات فوق جهت ارزیابی مؤثر آفرها استفاده می گردد.

شرایط تدارک و پرداخت

شرایط ذیل صرف با موافقه تحریری فرمایش دهنده قابل تغییر می باشد.

(1) تهیه کننده مکلف به پرداخت تأمینات و تضمینات می باشد ، تامینات از سر جمع پول 5 الی 15 فیصد اخذ میگردد و بعد از تکمیل ورانتی به اکانت شرکت انتقال میگردد.

(2) بعد از اکمال خدمات غیر مشورتی/ تهیه اجناس، تهیه/ارائه کننده باید نسخه اصلی و (2) کاپی بل (Invoice) را به فرمایش دهنده تسلیم نماید؛

(3) پرداخت توسط فرمایش دهنده، طی مدت (30) روز کاری درمقابل مقدار واقعی اجناس/خدمات غیر مشورتی تهیه شده صورت می گیرد.

(4) فرمایش دهنده میتواند در حالات ذیل با ارسال اطلاعیه کتبی به تهیه/ارائه کننده، امرخریداری را کاملاً یا قسماً فسخ نماید:

1- تهیه/ارائه کننده موفق به تحویل بخش یا تمام اجناس درظرف مدت معینه در امرخریداری نشود؛

2- تهیه /ارائه کننده موفق به اجرای مکلفیت های دیگر تحت امر خریداری نشود.

3- هرگاه در اجناس اکمال شده یا خدمات ارائه شده نواقص و یا کاستی ها مشاهده گردد، تهیه/ارائه کننده مکلف به رفع نواقص و کاستی ها در مدت (3) روز کاری بعد از دریافت اطلاعیه در مورد می باشد، در غیر آن فرمایش دهنده می تواند امر خریداری را فسخ نماید.

4- هرگاه تهیه/ارائه کننده، در جریان داوطلبی و یا حین اجرای وظایف محوله تحت امر خریداری اقدام به فساد و تقلب نموده باشد.

(5) هرگاه در درخواست نرخ گیری میعاد ضمانت (وارنتی/ گرنتی) تصریح گردیده باشد، تهیه/ارائه کننده مکلف به تعویض در طول مدت معینه می باشد.

اصلاح اشتباهات محاسبوی

(1) اشتباهات محاسبوی طور ذیل تصحیح می گردد:

1- درصورت تفاوت میان مبلغ به ارقام و حروف، مبلغ به حروف قابل اعتبار می باشد؛

2- درصورتیکه تفاوت میان قیمت فی واحد و قیمت مجموعی وجود داشته باشد، قیمت فی واحد برای ارزیابی قیمت ها و ترتیب امر خریداری قابل اعتبار می باشد؛

3- درصورت موجودیت تفاوت میان نرخ فی واحد و قیمت مجموعی (حاصل ضرب مقدار در نرخ فی واحد)، نرخ فی واحد قابل اعتبار می باشد، هرگاه از نظر فرمایش دهنده اشتباه در نقاط اعشاری در قیمت فی واحد برجسته باشد، دراین صورت قیمت مجموعی اقلام طوریکه نرخ داده شده است قابل اعتبار بوده و قیمت فی واحد باید اصلاح شود.

4- فرمایش دهنده مطابق مندرجات فوق اشتباهات محاسبوی را اصلاح و بعد از اخذ موافقه کتبی داوطلب در قیمت مجموعی آفر محاسبه می نماید.

5- داوطلب مکلف به پذیرش اشتباهات محاسبوی در آفر خویش می باشد. در صورت عدم پذیرش اشتباهات محاسبوی توسط داوطلب، آفر وی رد می گردد.

AFGHAN TELECOM

AUDIT REPORT
AND
AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 21, 2021 (30 QAWS 1400)

Report Submitted by

PKF F.R.A.N.T.S.
CHARTERED ACCOUNTANTS

An Independent Member firm of

PKF Global

[illegible]
[illegible]
[illegible]

Independent Auditors' Report

To: The shareholders of Afghan Telecom

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Afghan Telecom (herein after referred to as 'the organization'), which comprise the statement of financial position as at December 21, 2021 (30 Qaws 1400), statement of profit or loss and other comprehensive income, statement of changes in equity and 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 matters described in the basis of qualified opinion section of our audit report, the accompanying financial statements presents fairly in all material respects, the financial position of Organization as of December 21, 2021 (30 Qaws 1400), and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

a) The operating fixed assets in financial statements note 7.1 are presented at their written down value (WDV) of AFN 2.95 billion at Dec 21, 2021 (2020: 2.76 billion). The WDV of the operating assets is 15 % of the total cost of operating assets (Cost AFN 19.26 billion) whereas the depreciation cost (AFN 748.61 million) of the current year is 31% of the WDV of assets. The cost, accumulated depreciation and written down value in the financial statements have been overstated with respect to their corresponding figures recorded in the fixed assets register. The assets in the financial statements have been depreciated at an accelerated pace causing most of its core assets being presented at zero value whereas the assets are in working conditions having potential to generate future economic inflows as well.

b) The capital work in progress is presented in the financial statements at note 7.2 amounting to AFN 1.82 billion for which the location, project wise breakup and information regarding the stage of completion is not available with management, there has been no adjustments to it in the current period. We could not satisfy ourselves whether this presents a capital work in progress and a portion of it has been completed and requires for capitalization or a portion of it has been obsolete / suspended and requires for impairment adjustments. Some of the payments made to suppliers and recorded in the capital work in progress are long outstanding and ranges back to 2017.

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 Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements, 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

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Other Matter
The financial statements of the Organization for the year ended December 20, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on May 21, 2022.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Organization 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 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 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 Organization'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 Organization'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 Organization to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate those charged with governance regarding, among other matters, the plan scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PKF F.R.A.N.T.S.
Chartered Accountants

Engagement Partner: Qamar Ali Mumtaz, FCA
Kabul, Afghanistan

Date: 18 SEP 2024

AFGHAN TELECOM AFGHANISTAN
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 21, 2021

	Notes	2021 AFN	2020 AFN Re-stated	2019 AFN
ASSETS				
Non-current Assets				
Property, plant and equipment	7	4,788,003,769	5,076,487,669	5,992,365,794
Intangible Assets	8	2,049,685,905	816,763,459	952,736,311
		6,837,689,673	**5,893,251,128**	**6,945,102,105**
Current Assets				
Inventories	9	36,759,972	47,238,285	56,379,617
Trade and other receivable	10	5,036,033,245	4,712,539,033	4,282,687,418
Grant receivable	11	192,995,475	-	48,155,413
Advances, deposits and prepayment	12	1,954,279,337	3,978,354,168	3,675,103,025
Cash and bank balances	13	11,792,186,438	7,256,495,434	7,131,329,163
		19,012,254,467	**15,994,626,920**	**15,193,654,636**
TOTAL ASSETS		**25,849,944,140**	**21,887,878,048**	**22,138,756,741**
LIABILITIES AND NET ASSETS				
LIABILITIES				
Non-current Liabilities				
Deferred government Grant	14	963,444,853	1,021,535,088	1,251,268,142
Deferred Taxation	15	134,541,859	134,541,858	204,488,652
		1,097,986,712	**1,156,076,946**	**1,455,756,794**
Current Liabilities				
Trade and other payables	16	1,951,716,540	1,601,094,879	3,427,657,092
Accrued and other Liabilities	17	1,682,974,559	431,998,505	530,918,008
Tax and duties payables	18	47,721,638	288,913,178	466,477,507
Security deposits	19	52,354,491	32,852,783	3,867,452
Contract liabilities	20	423,811,152	653,320,576	2,583,344,302
		4,158,578,380	**3,008,179,921**	**7,012,264,361**
TOTAL LIABILITIES		**5,256,565,091**	**4,164,256,867**	**8,468,021,155**
NET ASSETS				
Equity				
Capital contributed by Ministry of Communication and Information Technology		11,760,607,959	11,760,607,959	11,760,607,959
Retained Earning		8,832,771,088	5,963,013,222	1,910,127,627
TOTAL NET ASSETS		**20,593,379,047**	**17,723,621,181**	**13,670,735,586**
TOTAL LIABILITIES AND NET ASSETS		**25,849,944,140**	**21,887,878,048**	**22,138,756,741**

Auditor's report annexed

The annexed notes from 1 to 30 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

AFGHAN TELECOM AFGHANISTAN
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 21, 2021

	Notes	2021 AFN	2020 AFN Re-stated
INCOME			
Revenue	22	7,661,667,455	9,203,621,430
Cost of services	23	(3,763,827,886)	(4,696,060,936)
Gross profit		**3,897,839,568**	**4,507,560,494**
EXPENDITURE			
Selling marketing and administrative expenses	24	(2,648,557,850)	(1,432,096,610)
Business Receipt tax	25	(763,285,551)	(938,722,566)
Other Income	26	2,854,808,441	780,973,482
Profit before taxation		**3,340,804,607**	**2,917,714,800**
Taxation	27	(375,766,602)	(467,174,341)
Profit for the year		**2,965,038,005**	**2,450,540,459**
Other comprehensive income		-	-
Total Comprehensive income		**2,965,038,005**	**2,450,540,459**

The annexed notes from 1 to 30 form an integral part of these financial statements.

Chief Executive Officer

Chief Financial Officer

AFGHAN TELECOM AFGHANISTAN
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 21, 2021

	Notes	Capital Contributed by MCIT	Retained Earning	Total
		AFN	AFN	AFN
At 1 Jadi 1399 (Before re-statements)		11,760,607,959	1,910,127,627	13,670,735,586
Contract Liabilities	6.1		1,650,500,549	1,650,500,549
Grant receivable	6.3		(48,155,413)	(48,155,413)
At 1 Jadi 1399 (After re-statements)		**11,760,607,959**	**3,512,472,763**	**3,512,472,763**
Profit for the year		-	2,450,540,459	2,450,540,459
		11,760,607,959	5,963,013,222	5,963,013,222
Other comprehensive income		-	-	-
Total comprehensive income		11,760,607,959	5,963,013,222	5,963,013,222
At Qaws 1399		**11,760,607,959**	**5,963,013,222**	**5,963,013,222**
At 1 Jadi 1399		11,760,607,959	5,963,013,222	5,963,013,222
Assets transferred by Ministry of Communication and information Technology (MCIT) during the year		-	-	-
Profit for the year		-	2,965,038,005	2,965,038,005
		11,760,607,959	8,928,051,227	8,928,051,227
Other comprehensive income		-	-	-
Total comprehensive income		11,760,607,959	8,928,051,227	20,688,659,186
Opening adjustment		-	(95,280,139)	(95,280,139)
At Qaws 1400		11,760,607,959	8,832,771,088	20,593,379,047

The notes from 1 to 30 form an integral part of these financial statements

Chief Executive Officer

Chief Financial Officer

AFGHAN TELECOM AFGHANISTAN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 21, 2021

	Note	2021 AFN	2020 AFN Re-stated
Cash flows from operating activities:			
Profit for the year		3,340,804,607	2,917,714,800
Non-cash adjustments:			
Depreciation	7.1	748,615,496	1,338,654,278
Amortization	8.1	155,794,971	146,279,478
Opening adjustment		(95,280,139)	-
Provision for doubtful debts	24	1,223,179,527	119,290,950
Slow moving stock (write down)		18,521,376	-
Amortization of deferred government grants	26	(251,085,710)	(229,733,054)
		5,140,550,128	**4,292,206,452**
Working capital changes			
(Increase)/Decrease in Inventories		(8,043,063)	9,141,332
(Increase)/Decrease in trade and other receivable		(1,546,673,738)	(1,636,122,326)
(Increase)/Decrease in advances, deposits and prepayments		2,024,074,831	(303,251,143)
(Decrease)/Increase in trade and other payables		350,621,661	(739,582,452)
(Decrease)/Increase in accrued and other liabilities		(105,587,946)	(98,919,503)
(Decrease)/Increase in tax and duties payable		(241,191,540)	(169,246,614)
(Decrease)/Increase in Security deposits		19,501,708	28,985,331
(Decrease)/Increase in contract liabilities		(229,509,423)	(279,523,177)
		263,192,489	**(3,188,518,552)**
Income tax for the period		(375,766,602)	(545,438,850)
Net cash generated from operating activities		**5,027,976,015**	**558,249,050**
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment		(460,131,596)	(422,776,153)
Additions to intangible assets	8	(32,153,417)	(10,306,626)
Net cash used in investing activities		**(492,285,012)**	**(433,082,779)**
CASH FLOWS FROM FINANCING ACTIVITIES		-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,535,691,002	125,166,271
CASH AND CASH EQUIVALENTS AS AT 01 JADI		7,256,495,434	7,131,329,163
CASH AND CASH EQUIVALENTS AS AT 30 QAWS	13	11,792,186,437	7,256,495,434

The annexed notes from 1 to 30 form an integral part of these statements.

Chief Executive Officer

Chief Financial Officer

1. THR COMPANY AND ITS OPERATIONS

Afghan Telecom was registered with Afghanistan investment Support Agency (AISA) is a telecommunication company being licensed No: D-22427 dated 6 June (16 Jawza 1384). The company was established to undertake the telecommunication business formally carried on by telecommunication Department of Ministry of communication and information technology (MCIT) of the Islamic Republic of Afghanistan the company is fully owned by Ministry of communication and information technology (MCIT). The registered Office of the company is located at 4th floor Post parcel building, Ministry of communication and information technology, Muhammad John Khan Watt, Kabul, Afghanistan, Having its branches offices in all 34 provinces of Islamic Republic of Afghanistan.

The company provides the telecommunication services within Afghanistan. It owns and operates telecommunication facilities and provides domestic and international telephone services and other communication facilities throughout of Afghanistan.

2. STATEMENT OF COMPLIANCE

This financial statements have been prepared in accordance with International financial reporting standards (IFRSs) issued by the International Accounting standard Board (IASB).

2.1 Amendments to IFRSs that are mandatorily effective for the current year

The company has adopted the following accounting standards and interpretations, and amendments to my IFRS which became effective for the current year.

2.2 Standards not yet effective

The following are the standards, interpretations and amendments which have been issued but are not yet effective. These standards, interpretations and the amendments are either not relevant to the company's operations or are not expected to have significant impact on the company's financial statements other than certain additional disclosures.

Standard or interpretation	**Effective date(Annual periods beginning or after)**
sales or contribution of Assets between an investor and its associate or joint venture (Amendments to IFRS 10 & IAS 28)	Not finalized yet
Definition of a Business (Amendments to IFRS 3)	01-Jan-20
Amendments to References to the Conceptual Framework in IFRS Standards	01-Jan-20
Definition of material (Amendments to ias 1 and IAS 8)	01-Jan-20
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS	01-Jan-20
Covid-19- RELATED Rent Concessions (Amendments to IFRS 16)	01-Jan-20
Interest rate Benchmark Reform- phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	01-Jan-21
Reference to the Conceptual Framework (Amendments to IFRS 3)	01-Jan-22
Onerous contracts - Cost of Fulfilling a contract (Amendments to IAS 37)	01-Jan-22
Annual improvements to IFSRS Standards 2018-2020	01-Jan-22
Property, plant and Equipment- Proceeds before intended use (Amendments to IAS 16)	01-Jan-22

The adaptation of above standards and amendments are not expected to have a material impact on the financial statements of the company in the year adaptation.

3. BASIS FOR PREPARATION

These financial statements have been prepared under the historical cost convention.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in Conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies, estimates and judgments are continually evaluated and are based on historic experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are as follows:

a) Useful life and residual value of property and equipment (note 7)

The company reviews the useful lives and residual life of fixed assets and intangible assets on regular basis. Any changes in estimates may affect the carrying amounts of the respective items of property and equipment and intangible assets for the corresponding effect on the related depreciation/ amortization

b) Provision for doubtful receivables (note 10)

Provision against overdue receivable balances is recognized after considering the pattern of receipts from, and the future Financial outlook of, the concerned receivable party. It is reviewed by the management on a regular basis, IFRS 9 introduces new impairment requirements based on forward-looking **Expected Credit Loss model (ECL model).** The measurement of expected loss is based on reasonable and supporting information that is available without undue effort and cost which include information on past events, current enforceable future conditions and circumstances. When estimating the expected credit loss, historical probabilities of non-collection and usually used complemented with future parameters relevant to the credit risk. IFRS 9 proposes three approaches towards applying impairment requirements and these include:

-General approach
-Simplified approach
-Purchased or originated credit-impaired approach

Simplified approach which applies to trade receivable does not require the tracking of changes in the credit risk. but instead requires the requisition of Lifetime expected losses at all times.

c) Provisions and contingent liabilities

The management exercises judgment admiring pain recognizing provisions and exposures to contingent liabilities related to pending litigations are other outstanding claims. Judgment is necessary in assisting the likelihood that a pending claim will succeed, are liability even arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process. Actual losses maybe different from the originally estimated provision.

5.0 SUMMERY OF THE SIGNIFICANT ACCOUNTING POLICES

The significant Accounting policies adopted in the preparation of these Financial statements are set up below. These policies have been constantly applied to all the periods for which financial information is presented in these financial statements, unless otherwise stated.

5.1 Functional and presentation currency

Items included in these financial statements of the companies are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These financial

5.2 Foreign currency transaction and translations

Foreign currency transactions are translated into functional currency. Using the exchange rates prevailing on the date of the transaction. Monetary assets in liabilities denominated in foreign currencies are translated into the functional currencies using the exchange rate prevailing on the date of the statement of financial position. Foreign exchange gain and losses resulting from the settlement of such transactions and from the translation of monetary items at period -end exchange rates are charged to income for the period. (exchange rate at Dec 21, 2021 = 103.74 | Dec 20, 2020 = 77.05)

5.3 LEASED ASSETS

a) The company as a Lessee

For any new contracts entered into on or after 1st January 2019, the company considers whether a contract is or contains a lease. A lease is defined as a contract or part of contract that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition the company assesses with the contract meets three key evaluations which are whether:

The contract contains an identified asset which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available the company. The company has the right to obtain substantially all of the economic benefits from use of the identified asset thought the period o fuse, considering its rights within the defined scope of the contract and

The company has the right to direct the use of the identified asset throughout the period of use. The company asses weather it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

b) Measurement and recognition of leases as a lessee

At lease commencement date, the company recognizes right-of-use and at lease liability on the balance sheet. The right-of-use is measured at cost which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the company, an estimate of any cost to dismantle and remove the asset at the end of the lease and any lease payments made in advance of the lease commencement date(net of any incentives received).

The company depreciates the right of use asset on a straight line basis from the least commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The company also assesses the right-of-use for impairment when such indicators exist. At the commencement date the company measures the lease liabilities if the present value of these payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed). Variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substances fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right of use asset is already reduced to zero. The company has elected to account for short term leases and leases of low value assets using the practical expedients. Instead of recognising a right of use asset and lease liability, the payments in relation to these are recognised as an expense in profit and loss on a straight-line basis over the lease term.

On the statement of financial position, right of use assets have been included in property and equipment within operating fixed assets and lease liabilities have been disclosed on the face of the statement of financial position.

c) **Extension options for leases**

When the company has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken to help them determine the lease term.

5.4 Government Grants

Government grants are recognised at their fair value as deferred income. When there is reasonable assurance that the grant will be received and the company will comply with conditions associated with the grant.

Grants that compensate the company for expenses incurred, are recognized on a systematic basis in the income for the period in which the related expenses are recognized. Grants that compensate the company for the cost of an asset are recognized in income on a systematic basis over the expected useful life of the related asset.

5.5 Trade and other Payables

Liabilities for creditors and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for the goods and or services received. Whether or not billed to the

5.6 Provision

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimate.

5.7 Contingent Liabilities

A contingent liability is disclosed when the Company has a possible obligation as a result of past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Company; or when the Company has a present legal or constructive obligation, that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

5.8 Operating fixed assets

a) **Property and equipment**

Property and equipment, except freehold land and capital work-in-progress, is stated at cost less accumulated depreciation and any identified impairment losses. Freehold land is stated at cost Capital work-in-progress is stated at cost less impairment value, if any. It consists of expenditure incurred and advances made in respect of tangible and intangible fixed assets in the course of their construction and installation. Cost includes expenditure, related overheads, mark up and borrowing costs that are directly attributable to the acquisition of the asset.

b) **Intangible assets**

I) **Licenses**

These are carried at cost less accumulated amortization and any identified impairment losses. Amortization is calculated using the straight-line method, to allocate the cost of the license over its estimated useful life specified in note 7 and is charged to income for the period.

The amortization on licenses acquired during the period, is charged from the date in which a license is acquired / capitalized, while no amortization is charged in the month of expiry / disposal of the license.

ii) Gain or loss policy on disposal License & Computer software

These are carried at cost less accumulated amortization and any identified impairment losses. Amortization is calculated, using the straight-line method, to allocate the cost of software over their estimated useful lives, at the rates specified in note 7, and is charged to income for the period. Costs associated with maintaining computer software, are recognized as an expense and when incurred.

Amortization on additions to computer software, is charged from the date in which the software is acquired or capitalized, while no amortization is charged for the month in which the software is disposed off.

5.9 Impairment of non-financial assets

Assets that have an indefinite useful life, for example freehold land, are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment on the date of the statement of financial position, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized, equal to the amount by which the assets carrying amount exceeds its recoverable amount. An assets recoverable amount is the higher of its fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non financial assets that suffered an impairment, are reviewed for possible reversal of the impairment at each statement of financial position date. Reversals of the impairment loss are restricted to the extent that assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss has been recognized. An impairment loss, or the reversal of an impairment loss, are both recognized in the income for the period.

5.10 Inventories

Theses are stated at the lower of cost and (NRV) after net realizable value. Cost is determined using FIFO method. Items in transit are valued at cost, comprising invoice values and other related charged incurred up to the date of the statement of financial position.

NRV is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

5.11 Trade and other receivables

Trade receivables consists of amounts owed by customers for services provided and goods sold. This represents money to be recovered in the normal course of business. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less the expected credit loss (ECL) allowance.

The carrying amount of the trade receivables is reduced through the use of an allowances account, and the amount of the loss is recognized in profit or loss. When a receivables is uncollectible, it is written of against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics. The measurement of ECL is based on reasonable and supporting information that is available without undue cost and effort and includes information on past events, current and foreseeable future conditions and circumstances. When estimating the ECL, historical probabilities of non-collection are used, complemented with future parameters relevant to the credit risk. The Company applies the simplified approach permitted by IFRS 9 that requires ECL allowance to be determined upon initial recognition and throughout the life of the receivables using a lifetime ECL and as practical expedient, a provision matrix is utilized in determining the lifetime ECL for trade receivables. Revision to credit risk percentages as per provision matrix is done once a year.

5.12 Financial Instruments

Financial assets and liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instruments.

All financial assets and liabilities are initially measured at fair value, including transaction costs except for those classified as at fair value through profit or loss which are initially measured at fair value. excluding transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss Financial assets are recognized (derecognized) on the date the company commits to purchase (sell) the instruments (trade date accounting) Trade receivables without a significant financing component are initially measured at the transaction price.

Financial assets and liabilities are classified as current if they are expected to be realized or settled within twelve (12) months, if not, they are classified as non-current.

b) Classification and subsequent measurement

On initial recognition a financial assets is classified to measured at

I) amortized cost

ii)Fair value through OCI- debt instrument,

iii) Fair value through OCI-equity investment or

iv) Fair value through profit or loss

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model

Financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:- is held within a business model whose objective is to hold assets to collect contractual cash - its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL.

- it is hold within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- its contractual terms give nse on specified dates to cash flows that are solely payments of On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis

Financial assets not classified or measured at amortized cost or FVOCI as described above, are measured at FVTPL. This includes all derivative financial assets On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

c) Financial Asset-Business Model Assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes the stated policies and objectives for the portfolio and the operation of those policies in practice.

These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets:
- how the performance of the portfolio is evaluated and reported to the Company's management -the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected, and - the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.
Financial assets that are held for trading or are managed and whose performance is evaluated on a fair

d) **Financial assets-Assessment whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial

e) **Financial assets**

Subsequent measurement and gains and losses **Financial assets at FVTPL**
These assets are subsequently measured at fair value Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at amortized cost
These assets are subsequently measured at amortized cost using the effective interest method. The

Debt instruments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On Derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses
Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on Derecognition is also recognized in profit or loss
The classification is dependent on the purpose for which the financial instruments were acquired. Management determines the classification of financial instruments at initial recognition. Financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

9) **Offsetting financial instruments**
Offsetting of financial assets and liabilities is applied when there is a legally enforceable right to offset the

h) **De-recognition**

I) **Financial Assets**
The company derecognizes a financial asset when the contractual rights to the cash flows from the financial

ii) Financial Liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled,

1) Impairment

The company recognizes loss allowances for Expected Credit Loss (ECL) on:
-financial assets measured at amortized cost,
- debt investments measured at FVOCI; and - contract assets

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the assets falling under the stage 01 and are measured at 12-month ECLs on general or simplified impairment model, by assessing the credit risk and grading for policy option approach ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive) ECLs are discounted at the effective interest rate of the financial asset.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

Trade receivables not having a significant financing component in accordance with IFRS 15, loss allowance for such trade receivables is measured at an amount equal to life time expected credit losses. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Hence the provision matrix should be adopted based on the historical observed default rates over the expected life of the trade receivables and is adjusted for forward looking information. At every reporting date the historical observed default rates are updated and changes in forward looking estimates are analysed.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI For all other assets classified at FVTPL the impairment amount is charged to profit and loss account.

j) Write-offs

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof For individual customers, the Company has a policy of Writing off the gross carrying amount when the financial asset is 360 days past due, based on historical experience of recoveries of similar assets, For corporate customers, the company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the company's procedures for recovery of amounts due.

5.1 Cash and cash equivalent

Cash and cash equivalents are carried at cost For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand and short-term highly liquid investments with original maturities of three months or less, and that are readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value.

5.1 Revenue Recognition

Revenue is measured at an amount which reflects the consideration to which the Company expects to be entitled in exchange for transfer of goods or services to the customers and revenue is recognized upon the transfer to control of goods or services to the customers. Control of goods (e.g. sale of equipment) is transferred when goods are delivered to customer, the customer has full discretion over goods and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Control of good is usually transferred at point in time. Control of services transfers over time or at a point in time, which affects when revenue is recorded. Revenue from providing services is recognized in the accounting period in which the services are rendered. If service realization extends to more than one accounting period output method is used to measure progress towards completion.

a) **Telecom Services**

Revenue from provision of telecom services including voice, SMS, data and value-added services (VAS) is

b) **Internet, leased lines, interconnect and colocation**

Revenue from these services is recognized at the end of the month in which the related services are

c) **SIM sales**

SIM sales is recognized at the point in time when SIM cards are sold as right of return does not exist

d) **Handset and devices revenue**

Revenue on account of sale of handsets and devices is recognized at the point in time when these are delivered to the retailers or end customers.

e) **Income on bank deposits**

Return on bank deposits is recognized by applying effective interest rate method.

5.2 Taxation

The tax expense for the period comprises of current and deferred income tax, and is recognized in income for the period, except to the extent that it relates to items recognized directly in other comprehensive income, in which case the related tax is also recognized in other comprehensive income.

i) **Current**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position. Management periodically evaluates positions taken in tax returns. with respect to situations in which applicable tax regulation is subject to interpretation, and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

ii) **Deferred**

Deferred income tax is accounted for using the balance sheet method, in respect of all temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred income tax is calculated at the rates that are expected to apply to the period when the differences reverse, and the tax rates that have been enacted, or substantively enacted, by the date of the statement of financial position.

5.2 Employee benefits

i) Provident fund (known as pension fund)

The Company operates a defined contribution plan for its all permanent employees. According to this plan, a separate bank account, non interest bearing, has been established for this plan. An amount equal to 8% is deducted from basic salary of an employee, and equal contribution is made by the Company and then total amount is deposited into the dedicated bank account.

This deduction is treated as pension fund payable in the books of accounts.

ii) Funeral allowances

At the time of retirement, each employee receives allowance amounting to Afghanis 200,000 in addition to their pension fund.

iii) Medical allowances

Employees are eligible for disbursement as per policy of the Company, which is charged as expense books of accounts.

6 RECTIFICATION OF PRIOR YEAR ERRORS

During the previous financial years, Certain adjustments were erroneously not made in the books of accounts and the financial statements. The said adjustments are rectified in the current year, the effects of the re-statements are summarized as:

6.1 Telecom service fee (TSF) accumulated in the balance of Contract liabilities

The telecom service fee is collected on behalf of Ministry of Information and Communication Technology (MCIT) in advance on the sale of scratch cards and MTU. The total amount including the TSF when collected from sale distributors is recorded in the contract liability, During the previous years, as the balance of a scratch card / M2U was transferred to the end customer, the relevant portion of TSF collected was paid or recorded as payable to MCIT against advances or payables while ignoring to gave the impact to the balance of contract liabilities by reducing the balance. During the current year, the fact was identified and rectified, the impact of rectification is as follows:

	As at Dec 20, 2020			
	Note	Previously stated	Correction of error	Restated amount
Effect on the statement of financial position				
Current Liabilities				
Contract liabilities	20	2,303,821,125	1,650,500,549	653,320,576

6.2 Salam income and expenditure

The books of accounts maintains separate accounts for its operation Salam and records the expenses and income pertaining to this operation for management decision purpose. the said income and expenses were also recorded in the overall income and expenses of afghan telecom, during the previous year, the said income and expenses were erroneously not excluded during the preparation of consolidated financial statements resulting in the overstatement of both income and expenditure. The error has been identified and corrected in the current year. The impact is as follows:

	As at Dec 20, 2020			
	Note	Previously stated	Correction of error	Restated amount
Effect on the statement of income and expenditure				
Revenue				
Optical Fibre cable	22	4,309,282,244	(552,773,252)	3,756,508,992
Cost of services				
Lease line charges	23	1,543,461,541	(552,773,252)	990,688,289

The aforementioned adjustments has resulted in the reduction of BRT.

Advance to Mof	12	2,969,544,862	55,277,325	3,024,822,187
Business Receipt tax	25	993,999,891	(55,277,325)	938,722,566

6.3 Grant receivable and deferred government grant

Grant receivable amounting to AFN 48,155,413 was leftover balance from the grants receivable from Afghanistan telecommunication regulatory Authority (ATRA) under Telecom Development fund (TDF) (A government fund agency) as an assistance towards the development of telecommunication infrastructure in rural areas. No amount was received against this balance after December 20, 2018. The scrutiny of subsidiary records also reveals that all the grants invoiced as receivable from ATRA have been received in the previous years and no further amount was receivable against the aforementioned balance. The error have been rectified in the current year and the impact is as follows:

	As at Dec 20, 2020			
	Note	Previously stated	Correction of error	Restated amount
Effect on the statement of financial position				
Grant receivable	11	48,155,413	(48,155,413)	-
Effect on the statement of changes in equ		-	-	-

6.4 Same parties receivables and payables net off

There have been same parties whom have balances both in the receivables and payables, amongst the other conditions for net off, the intent to settle them on net basis also exists. These balances have not been net off in the previous years. The following balances have been net off and the comparative figures re-stated. the impact of re-statement is as follows:

	As at Dec 20, 2020			
	Note	Previously stated	Correction of error	Restated amount
Trade and other receivables				
Corporate customers	10.1	3,847,305,876	725,953,152	3,121,352,724
Telecommunication operators/c		710,156,588	361,026,609	349,129,979
			1,086,979,761	
Trade and other payables				
others		1,258,403,269	405,581,732	852,821,537
International- interconnect	16	544,653,423	544,653,423	-
Domestic-interconnect		258,818,126	136,744,606	122,073,520
			1,086,979,761	

6.5 Unrecorded receivables and exchange rate retranslation at reporting period date

The foreign currency bank accounts of AFTEL were overstated in books with respect to the balances in bank accounts, the entries pertaining to difference were identified during the current year and certain entries re-classified to AFN accounts with certain entries temporarily recorded in suspense account. The objective of temporarily recording in suspense account is that these shall be re-classified to the respective customers accounts in the following year.

More over, In the previous years, the foreign currency re-translation at the year-end using the prevailing Central bank's rate prescribed for the respective foreign currencies was not made in previous years resulting in understated balances of foreign currency accounts. The foreign currency balances have been re-translated in current year and the comparatives restated. the impact of both adjustments on comparative re-statement is as follows:

	As at Dec 20, 2020			
	Note	Previously stated	Correction of error	Restated amount
Cash at Bank	13	7,266,881,367	(10,385,933)	7,256,495,434
Trade and other receivables	10.1	-	474,733,259	474,733,259
Exchange gain	26	(15,781,898)	(464,347,326)	448,565,428
			-	

Effect of above errors on equity

	As at Dec 20, 2020			
	Note	Previously stated	Correction of error	Restated amount
At 1 Jaddi 1399 (Before re-statements)				
Retained earnings		1,910,127,627	-	1,910,127,627
Contract Liabilities	6.1	-	1,650,500,549	1,650,500,549
Grant receivable	6.3	-	(48,155,413)	(48,155,413)
At 1 Jaddi 1399 (after re-statements)				3,512,472,763

7. property, plant and Equipment

	Note	2021	2020
		AFN	AFN
Operating fixed assets	7.1	2,958,758,213	2,760,597,512
capital work in progress	7.2	1,829,245,556	2,315,890,157
		4,788,003,769	5,076,487,669

7.1 Operating fixed assets

	Freehold land	Building	Network equipment	Computer Equipment	Furniture and fixtures	Vehicles	Office Equipment	Total
				AFN				
Cost								
At 1 Jaddi 1399	4,711,000	174,681,975	17,431,585,785	149,002,476	50,014,243	137,109,364	130,810,229	18,077,915,072
Additions during the year	-	14,217,978	213,365,106	2,451,589	3,496,152	-	7,860,791	241,391,616
At 30 Qaws 1399	4,711,000	188,899,953	17,644,950,891	151,454,065	53,510,395	137,109,364	138,671,020	18,319,306,688
Additions during the year	-	14,511,580	878,292,257	13,468,970	24,388,259	-	16,115,131	946,776,197
At Qaws 1400	4,711,000	203,411,533	18,523,243,148	164,923,035	77,898,654	137,109,364	154,786,151	19,266,082,885
Accumulated Depreciation								
At 1 Jaddi 1399	-	79,356,163	13,745,375,751	146,460,646	38,094,928	125,980,388	84,787,022	14,220,054,898
Dep for the year	-	18,267,389	1,284,124,965	4,933,235	6,654,187	5,414,772	19,259,730	1,338,654,278
At 30 Qaws 1399	-	97,623,552	15,029,500,716	151,393,881	44,749,115	131,395,160	104,046,752	15,558,709,176
Dep for the year	-	6,844,157	717,394,379	5,756,924	6,639,112	5,714,204	6,266,720	748,615,496
At Qaws 1400	-	104,467,709	15,746,895,095	157,150,805	51,388,227	137,109,364	110,313,472	16,307,324,672
Net Book Value								
At 30 Qaws 1400	4,711,000	98,943,824	2,776,348,053	7,772,230	26,510,427	-	44,472,679	2,958,758,213
At 30 Qaws 1399	4,711,000	91,276,401	2,615,450,175	60,184	8,761,280	5,714,204	34,624,268	2,760,597,512
Rate of Depreciation		10%	10%	33%	33%	20%-33%	25%-33%	

	Notes	2021 AFN	2020 AFN Re-stated
7.1.1 Depreciation charge has been allocated as follows:			
cost of services	23	718,670,876	1,284,124,965
selling, marketing and administrative expenses	24	29,944,620	54,529,313
		748,615,496	1,338,654,278

7.2. Capital work in progress

	Notes	2021	2020
opening balance		2,684,443,999	2,503,059,462
Add: additions during the year	7.2.1	-	235,628,171
Less: transferred during the year	7.2.2	(486,644,601)	(54,243,634)
		2,197,799,398	2,684,443,999
Less: Impairment for long-outstanding projects	7.2.3	(275,916,289)	(275,916,289)
Less: provision for obsolete items	7.2.4	(92,637,553)	(92,637,553)
		1,829,245,556	2,315,890,157

7.2.1 This represents capital expenditure for expansion and up gradation of telecommunication network throughout Afghanistan.

7.2.2 This represents transfer from capital work in progress to property and equipment as addition during the year.

7.2.3 In the prior year, the company has recognised impairment loss after evaluation of expenditure incurred on long outstanding uncompleted capital projects.

7.2.4 This represents specific provision against obsolete items of network equipment.

8. Intangible assets

	License	software	Total
cost		AFN	
At 1 jaddi 1399	2,019,612,572	620,650,852	2,640,263,424
additions during the year	810,000	9,496,626	10,306,626
at 30 Qaws 1399	**2,020,422,572**	**630,147,478**	**2,650,570,050**
additions during the year	1,383,717,917	4,999,500	1,388,717,417
At 30 Qaws 1400	**3,404,140,489**	**635,146,978**	**4,039,287,467**
Accumulated amortization			
At 1 jaddi 1399	1,568,087,458	119,439,655	1,687,527,113
amortization during the year (note 8.1)	139,978,003	6,301,475	146,279,478
at 30 Qaws 1399	**1,708,065,461**	**125,741,130**	**1,833,806,591**
amortization during the year (note 8.1)	144,639,838	11,155,133	155,794,971
at Qaws 1400	1,852,705,299	136,896,263	1,989,601,562
Net book value			
At 30 Qaws 1400	1,551,435,190	498,250,715	2,049,685,905
At 30 Qaws 1399	312,357,111	504,406,348	816,763,459

Rate of Amortization (varies depends upon the useful life of intangible asset)

	Note	2021 AFN	2020 AFN Re-stated
8.1. Amortization charged has been allocated as follows:			
cost of services	23	149,563,172	139,978,003
selling, marketing and administrative expenses	24	6,231,799	6,301,475
		155,794,971	146,279,478

		Note	2021 AFN	2020 AFN Re-stated
9.	**Inventories**			
	Telephone and handsets		3,881,540	5,187,220
	scratch cards and sim cards		32,578,945	43,226,845
	Accessories		58,036,267	38,039,624
		9.1	94,496,752	86,453,690
	provision for slow moving stock		(57,736,780)	(39,215,404)
			36,759,972	47,238,286
9.1.	**Movement during the year**			
	Opening balance		86,453,690	95,595,021
	Purchasing during the year		34,429,748	58,851,421
	sold during the year		(26,386,686)	(67,992,752)
	closing balance		94,496,752	86,453,690
9.2.	Movement in the provision of slow moving stock			
	Opening balance		39,215,404	39,215,404
	Further provision recognised		18,521,376	-
	Inventory written off		-	-
	closing balance		57,736,780	39,215,404
10.	TRADE AND OTHER RECEIVABLES			
	considered good-unsecured		4,904,148,831	4,712,539,033
	considered undoubtful		3,014,824,433	1,659,760,492
			7,918,973,264	6,372,299,525
	Less: Provision for doubtful debts		(2,882,940,019)	(1,659,760,492)
			5,036,033,245	4,712,539,033
10.1.	**Considered good-unsecured**			
	Government			
	Government institutes		237,283,311	103,345,046
	Telecommunication Development Fund		206,311,444	118,161,715
	Others / ministries		940,105,963	545,816,310
			1,383,700,718	767,323,071
	Cooperate and other customers			
	Corporate customers		2,378,111,005	3,121,352,724
	Telecommunication operators/other district communication net	6.4	510,332,662	349,129,979
	Others - Unclassified (Comparative re-stated)	6.5	632,004,446	474,733,259
			3,520,448,113	3,945,215,962
10.2	**Allowance for credit losses on receivables:**			
	Opening balance		1,659,760,492	1,540,469,542
	add: Further allowances created for the period	23	1,223,179,527	119,290,950
	Allowances written off during the period			
			2,882,940,019	1,659,760,492
11.	**Grant Receivables**	11.1	192,995,475	-

11.1 This represents grant receivable balance from Afghanistan telecommunication regulatory Authority (ATRA) under Telecom Development fund (TDF) (A government fund agency) as an assistance towards the development of telecommunication infrastructure in rural areas which comprises of telecom infrastructure projects for basic telecom access, transmission and individual voice Telephony services spread over the country. The comparative figures have been re-stated (Note 6.3).

	Note	2021 AFN	2020 AFN Re-stated
12. Advances, Deposits and prepayments			
Advances-withholding tax		89,315,666	35,829,717
Advance- Atra fee		-	370,613,701
Advance- MCIT-10% TSF		-	60,549,485
Advances against purchases		51,858,671	57,102,354
Advance to Mof (Re-stated)	6.2	1,412,119,185	3,024,822,187
Advance to Vendors		272,420,397	310,971,330
Advance against salaries		7,055,609	3,441,760
		1,832,769,527	3,863,330,534
provision against advance		(2,523,127)	(2,523,127)
		1,830,246,400	3,860,807,407
Deposits		114,713,364	113,838,635
Undeposited funds		3,438,053	-
Prepayments		5,881,520	3,708,126
		124,032,937	117,546,761
		1,954,279,337	3,978,354,168
13. Cash and bank balances			
cash at bank			
Current accounts			
Afghanis		1,608,464,527	1,230,833,201
US dollar		1,258,136,852	857,706,466
		2,866,601,379	2,088,539,667
Saving account			
Afghanis		1,708,254,426	962,815,001
US dollar		7,204,087,795	4,203,747,223
		8,912,342,221	5,166,562,225
Cash in hand			
Head Office			
Afghanis		2,065,249	949,745
US dollar		394,902	285,242.20
		2,460,151	1,234,987
Regions			
Afghanis		10,782,687	158,555
(Comparative re-stated)	6.5	11,792,186,438	7,256,495,434
14. Deferred Government Grants			
Opening balances		1,021,535,088	1,251,268,142
Additions during the year		192,995,475	-
adjustment- Realized Government Grant		-	-
Amortization	26	(251,085,710)	(229,733,054)
Closing balance		963,444,853	1,021,535,088

This represents grant balance from Afghanistan telecommunication regulatory Authority (ATRA) under Telecom Development fund (TDF) (A government fund agency) as an assistance towards the development of telecommunication infrastructure in rural areas which comprises of telecom infrastructure projects for basic telecom access, transmission and individual voice Telephony services spread over the country.

		Note	2021 AFN	2020 AFN Re-stated
15.	**DEFERRED TAXATION**			
15.1.	Deferred tax asset arising from provision		(339,795,179.00)	(339,795,179.00)
15.2.	Deferred tax liability arising from			
	Property and equipment		417,163,596	417,163,596
	Intangible		57,173,442	57,173,442
	Closing balance		134,541,859	134,541,859
15.3.	**Movement during the year**			
	Opening balance		134,541,859	204,488,652
	property and equipment		-	(36,570,504.00)
	Intangible asset		-	(9,518,100,00)
	provision		-	(23,858,190.00)
	Closing balance		134,541,859	134,541,859
16.	**TRADE AND OTHER PAYABLES**			
	Creditors- capital expenditure		103,670,135	170,142,856
	leased line charges		1,000,517,584	456,056,966
	others	6.4	694,975,058	852,821,537
	Interconnect payables		152,553,763	122,073,520
			1,951,716,540	1,601,094,879
16.1.	International / interconnect	6.4	-	-
	Domestic-interconnect	6.4	152,553,763	122,073,520
			152,553,763	122,073,520
17.	**ACCRUED AND OTHER LIABILITIES**			
	ATRA & MCIT charges		171,122,470	59,886,187
	4G licence payable		966,319,492	-
	Salaries payable		526,998,351	372,112,318
	BTS rent payable		18,534,246	-
			1,682,974,559	431,998,505
18.	**TAXES AND DUTIES PAYABLE**			
	Withholding taxes		701,694.13	7,368,642
	10% TSF payable to MCIT		47,019,943.40	-
	income tax payable		-	186,144,880
	Business receipt tax		-	95,399,656
			47,721,638	288,913,178

19. This represents security deposits of vendors

20. This represents advance received against sale of scratch cards and MTUs. The prior year figures have been re-stated. (note 6.1)

21. CONTINGENCIES AND COMMITMENTS

21.1. Contingencies

There are no contingencies is at the statement of financial position date

21.2. Commitments

The company contracts mainly with Telecom Vendors ZTE and Hawaiifor expansion and upgradation of its telecommunication Network throughout Afghanistan.

		Note	2021	2020
22.	**REVENUE**			
	Fixed line services		244,349,095	212,031,405
	Optical Fiber cable (Comparative re-stated)	6.2	2,924,241,436	3,756,508,992
	GSM services		2,550,888,181	3,454,061,215
	Internet services		1,441,839,240	1,400,295,824
	Sales of equipment		132,401,752	36,242,966
	Interconnection services		232,040,419	187,041,142
	Co-location services		135,907,332	157,439,886
			7,661,667,455	9,203,621,430

	Note	2021 AFN	2020 AFN Re-stated
23. Cost of services			
Depreciation	7.1.1	718,670,876	1,284,124,965
Amortization	8.1	149,563,172	139,978,003
Lease line charges (Comparative re-stated)	6.2	1,069,471,368	990,688,289
C0-location cost		512,711,803	364,549,441
Lease rental		63,365,575	63,165,398
Fuel and electricity		565,051,343	667,193,017
Taxes, ATRA levies & MCIT charges		182,816,654	219,084,537
Interconnect cost		349,778,760	430,256,218
Scratch cards SIM cards and hand sets		26,386,527	32,218,627
Slow moving stock (write-down)		18,521,376	-
OFC maintenance charges		69,219,886	199,287,391
Other cost		38,270,545	305,515,050
		3,763,827,886	4,696,060,936
24. Selling marketing and administrative expenses			
Salaries allowances in other benefits		915,103,728	776,719,501
Depreciation	7.1.1	29,944,620	54,529,313
Amortization	8.2	6,231,799	6,301,475
Allowance for credit losses	10.2	1,223,179,527	119,290,950
Utilities		542,422	4,230,560
Advertising		27,323,280	6,084,107
Traveling expenses		6,444,995	46,208,949
Office supplies		11,616,200	9,451,786
Commission allowed		277,676,399	357,930,050
Transportation charges		1,906,095	1,860,328
Repairs and maintenance		92,311,086	20,744,154
Printing in stationery		25,497,464	3,631,448
Auditor's remuneration		3,080,000	6,402,525
Legal and professionals		8,576,195	2,672,349
Other expenses		19,124,040	16,039,115
		2,648,557,850	1,432,096,610
25. BUSINESS RECEIPT TAX			
In respect of current year			
Optical Fiber cable / Voice and data services 10%		752,926,570	937,272,847
Sale of equipment 4%		10,358,981	1,449,719
(Comparative re-stated)	6.2	763,285,551	938,722,566
26. OTHER INCOME	Note		
Amortization of deferred grants	14	251,085,710	229,733,054
Foreign exchange gain/(loss)	6.5	2,452,586,789	448,565,428
Other income		39,347,691	-
interest income on bank account		111,788,250	102,675,000
		2,854,808,441	780,973,482
27. TAXATION			
Current			
for the year		375,766,602	537,121,134
Deferred			
for the year	15.3	-	(69,946,793.00)
		375,766,602	467,174,341

28. **RELATED PARTIES TRANSACTION**

Related parties of the company comprised of the parent company entities under common control are influence entities with common directors and Key Management personal. Balance with related parties are disclosed and respective notes to the financial statements.

Afghan Telecom being the holy and control by Ministry of communication and information technology of government of Afghanistan, the other government departments and agencies are not necessary the related parties of Afghan Telecom under paragraph 11 of IAS 24 related parties disclosures.

28.1. **Remuneration of Chief Executive Officer director and executives**

The aggregate amount charged in these financial statements for the year as remuneration and benefits to the chief executive officer chief of operations and directors of the company are as follows:

	Chief executive officer	chiefs of operations	Directors	Total
1,400		AFN		
short term benefit	4,780,000	18,600,000	21,780,000	45,160,000
Number of persons	1	11	21	33
1,399				
short term benefits	5,517,540	24,259,333	20,966,838	50,743,711
Number of persons	1	10	12	23

29. **Financial Risk Management**

The company does not issue financial instruments presently to finance its operations. Other financial instruments such as trade receivable increases arise directly from companies operations. Foreign currency risk arises when Foundation instruments are receivable or payables in foreign currency. Carrying amount of the financial assets as disclosed in statement of financial position reflect the maximum exposure to credit risk before collateral held or other credit enhancements Concentration of risks of financial assets with credit risk exposure.

a) **Geographical Sectors**

Trade and other receivable mainly comprise receivables from customers located in Afghanistan.

b) **Industry sectors**

Following table Brick stone the company's main credit exposure of financial assets at their caring commands is categorized by the industry sectors of counterparties.

29.1. **Credit Risk**

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation credit risk arises mainly from accounts receivable from customers. In management credit risk the company reviews the edging of the accounts receivable and reviews other positions.

The maximum exposure to credit risk at the reporting date is as follows.

	Note	2021	2020
		AFN	AFN
Deposits		114,713,364	113,838,635
Bank Balance		11,778,943,600	7,265,406,738
Trade and other receivable		5,036,033,245	5,324,785,535
		16,929,690,208	12,704,030,908

Credit risk exposure relating to assets are as follows.

	Corporate	Individual	Other	Total
		AFN		
1,400				
Trade and other receivable	4,272,144,385	-	-	4,272,144,385
cash and bank balances	11,792,186,438	-	-	11,792,186,438
advances, deposited and prepayment	-	7,055,609	448,312,005	455,367,614
As at 30 Qaws 1400	16,064,330,823	7,055,609	448,312,005	16,519,698,436

	Corporate	Individual	Other	Total
		AFN		
1,399				
Trade and other receivable	2,439,372,659	56,290,311	1,787,024,448	4,282,687,418
cash and bank balances	7,131,329,163	-	-	7,131,329,163
advances, deposited and prepayment	-	665,469	173,783,828	174,449,297
As at 30 Qaws 1399	9,570,701,822	56,955,780	1,960,808,276	11,588,465,878

The company's exposure and the credit ratings of its counted parties are continuously monitored and the aggregate values of transactions concluded are split amongst approved financial institutions. The company actively seeks to limit the amount of the credit exposure to any one financial institution in credit exposure is controlled by counterparty limits state are reviewed and approved by the credit risk department.
Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

29.2. **Market Risk**

a) **Foreign currency Risk**

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises mainly from future commercial transitions are receivable and payables that exist due to transition and foreign currencies. The company takes on exposure to the effect of fluctuations in the prevailing foreign currency exchange rate on its financial position in cash flows. The company is exposed to foreign exchanges on its own Currency Bank and other balances.

US Dollar	2021	2020
	AFN	AFN
Trade and other payables	3,556,759,062	973,614,405
Trade and other receivable	8,831,955,781	783,949,705
Balances with bank	8,462,224,647	4,515,852,908
	20,850,939,489	6,273,417,018

b) **Interest rate risk**

Since the company does not avail long term borrowing, short term borrowing or finance lease, so no interest rate risk exists.

29.3. **Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company manages its liquidity Risk by maintaining in liquid cash Reserves, monitery cash flows requirements with cash flow budgeting in continued financial support from the ministry of communication information technology. The table below summarizes companies financial liabilities.

	Interest/mark up bearing			Non-interest bearing	
	Over one month up to one year	Over one year up to five years	Over five years	Over one month up to one year	Total
1400					
Trade and other payable	-	-	-	1,951,716,540	1,951,716,540
contract liabilities	-	-	-	423,811,152	423,811,152
Accrued and other liabilities	-	-	-	1,682,974,559	1,682,974,559
Security deposits	-	-	-	52,354,491	52,354,491
				4,110,856,742	4,110,856,742
1399					
Trade and other payable	-	-	-	2,688,074,640	2,688,074,640
contract liabilities	-	-	-	2,303,821,125	2,303,821,125
Accrued and other liabilities	-	-	-	431,998,505	431,998,505
Security deposits	-	-	-	32,852,783	32,852,783
				5,456,747,053	5,456,747,053

30. **Capital Management Policies**

The company's objective when managing capital is to ensure the company's ability to continue is a going concern and to maintain a capital base to support the sustained development of its business. The company does not have any policy to require short-term or Long Term Loan. The share capital of the company belongs to all the assets and liabilities transferred by the ministry of communication and information technology (MCIT) at the time of its Incorporation, is increased by subsequent contributions.

The company had significant accumulated losses is at the end of 1397 amounting to afghanis 1,238,133,149 and accumulated profit (retained earnings) and current year 1398 a mountain to afghani's 1,910,127,629. Since the company is fully owned by Ministry of communication information technology government of Islamic Republic of Afghanistan.
Management does not foresee any conditions which would cause significant doubt on the company's ability to continue is a going concern. The management of the company has strong ongoing support from MCIT. Capital significance Equity is shown in the statement of financial position.

	2021	2020
	AFN	AFN
Share capital	11,760,607,959	11,760,607,959
Accumulated Profit	8,832,771,088	3,841,043,435
	20,593,379,047	15,601,651,394

30. **Date Authorization for Issue**

This Financial statements have been addressed for issue by the board on September 17, 2024.

31. **General**

- Figures in these financial statements have been rounded off to the nearest Afghanis.
- Figures of the previous year have been regrouped and re-arranged wherever necessary for better presentation.

Chief Executive Officer

Chief Financial Officer

AFGHAN TELECOM

BOARD LETTER

FOR THE YEAR ENDED
DECEMBER 21, 2021 (30 QAWS 1400)

Report Submitted by

PKF F.R.A.N.T.S.
CHARTERED ACCOUNTANTS

An Independent Member firm of

PKF Global

Ref: AFTEL/K-1535/2024

The Board of Directors
Afghan Telecom

Dear All,

AUDIT OF THE FINANCIAL STATEMENTS OF AFGHAN TELECOM FOR THE YEAR ENDED DECEMBER 21, 2021 (30 QAWS 1400)

We are pleased to enclose six (6) copies of the draft financial statements of Afghan Telecom for the year mentioned above, together with our audit report thereon duly signed by us.

1. **Responsibilities of the Auditors and Management in Relation to the Financial Statements**

The responsibilities of the independent auditors in a usual examination of financial statements are stipulated in International Standards on Auditing (ISAs).

While the auditors are responsible for forming and expressing their opinion on the financial statements, the responsibility for the preparation of such statements is primarily that of management of the Company. Management's responsibilities include the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, safeguarding of the assets of the Company and prevention and detection of frauds and irregularities. The audit of the financial statements does not relieve management of its responsibilities. Accordingly, our examination of books of account and records should not be relied upon to disclose all errors or irregularities.

2. **Significant matters for board, attention**

We have also included in this letter our observations and comments on the Afghan Telecom financial statements, underlying accounting records, controls and related matters, which we believe require your attention.

2.1 Accounting and Financial Reporting

Afghan Telecom has been maintaining its General Ledger (GL) in QuickBooks centrally in its head office. A standardized chart of accounts is used to record the transactions on a daily and monthly basis. However, certain entries (including transactions in banks in respect of revenue received from customers and transfers made) were not prompt.

The preparation of bank reconciliations and reconciliations with field offices for the advances and liquidations are not in practice, which may risk the organization of undetected omissions or errors for a longer period. Moreover, the organization may opt for a comprehensive enterprise resource solution to record transactions at various levels to ensure economies of work.

The initial ledgers provided to us were not reconciled with their corresponding opening balances of the previous year's audited financial statements. It was noted that Journal entries were used to record unusual transactions using suspense accounts. Management needs to formulate a mechanism for the creation and approval of these Journal entries to strengthen its internal controls regarding recording unusual/ special transactions.

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The opening balances of foreign currency bank accounts of the organization were overstated by USD 5.78 million (equivalent to AFN 445.97 million translated on the rate 77.11) in the ledgers with respect to their corresponding balances in the bank statements. During the current year, the accounts/finance department has traced those transactions that caused the difference and has updated their bank balances with the corresponding effect temporarily recorded in a suspense account. The intention of the accounts/finance department is to transfer the suspense account balance to the respective account balances after a thorough review of the transactions in a later year.

The current year's exchange gain amounting to AFN 2.45 billion is due to re-translating the foreign currency account balances at the year-end date. The exchange rate significantly increased during the current year and has observed a significant decrease in the later years as well. The exchange rate at the current year-end (Dec 21, 2021) was AFN 103.74 and the comparative year end (Dec 21, 2020) was AFN 77.05.

We have observed certain matters that could be attributable to lack of timely and effective coordination between the various departments and impacts the maintenance of accurate and consolidated financial information. The details of resulting issues are provided as follows.

a. The logistic/inventory department handles the records of assets and inventory and engages in handling the custody and tracking of physical assets and inventory management. The revenue, accounts and finance department handle the recording of entries in QuickBooks and classify the transactions in assets or movement in inventory at the time when sales or a payment voucher is processed by them. Although the organization has policies in place for the periodic inventory counts, these have not been complied consistently, which may result in late reporting of damaged/ expired assets to the concerned departments. QuickBooks ledger pertaining to fixed assets and the fixed assets register are not reconciled with each other in respect of the cost, depreciation, accumulated depreciation and written down value.

b. Sale of scratch cards and Me2U (easy load) are recorded initially at 100% of the value of Me2U/ scratch cards in 'un-earned revenue' (contract liabilities), the 100% value also includes the TSF portion @ 10% collected on behalf MCIT, and commission allowed to distributors ranging between 10% to 14%. Instead of realizing the revenue at the time of transferring the credit to end consumer, the revenue is recognized based on monthly usage reports. The followed practice lead to accumulation of balance in the 'un-earned revenue' ledger and recognizing the revenue at gross amount including the allowed commission. In our opinion, the amount net of commission and TSF shall be recorded in un-earned revenue initially, the commission shall not be recorded (as it constitutes the nature of trade discount) and the TSF portion shall be separately recorded as liability until paid to MCIT.

c. The Organization charges fee to one of its operations 'Salam' for internet and satellite bandwidth services. The fee was simultaneously charged to both income and expense; however, the fee was not removed from the revenue and expense while calculation of the BRT which has led to calculation of inflated tax expense pertaining to the BRT. The BRT is calculated on gross revenue. (Salam Fee in 1400 amounts to AFN 564,321,650 and related BRT @10% amounts to AFN 56,432,165: Salam Fee in 1399 amounts to AFN 552,773,252 and related BRT @10% amounts to AFN 55,277,325). The impact of the said matter has been rectified for current and previous year, however, management shall rectify the matter for later years as well.

d. The Tax department calculates the taxes based on transactions recorded in the ledgers and pay/ adjust the respective tax liabilities with the tax department. The transactions recorded in revenue ledgers also include the commission as explained in sub-section 'b' and Salam fee as explained in subsection 'c' above. The revenues ledgers shall be net-off with the Salam fee and commission for the purpose of calculation of BRT tax expense. The Tax department maintains records of tax liabilities and payments/adjustments in excel spreadsheets and subsequently records them in QuickBooks. However, the Excel spreadsheets and QuickBooks are not reconciled with each other. The tax returns need to be revised in the light of approved financial statements to account for the credits of tax expense (BRT) after the adjustment of duplicated Salam's income and expenses.

e. AFTEL interacts in its business and services with other telecom sector organizations and acquire/provide service from/to them simultaneously. The reconciliation with some of these organizations regarding receivables and payables is long outstanding resulting in inflated balances of both receivables and payables in records.

f. Capital work in progress is recorded by the accounts/finance department while making the payment to the respective supplier undertaking the capital work in progress. The organization should ensure that the status of all assets classified as work in progress is updated on a timely basis and necessary entries can be passed in the books and records. We further suggest that a detailed reconciliation should be carried out by the accounting/finance department with admin/logistic/inventory and other departments to update the fixed assets and capital work in progress.

g. The accounts/finance and revenue departments were directly engaged with auditors during the execution of the annual audit, however, the auditors needed to interact with officials of various departments for their verification and validation purposes, due to limited engagement, the auditors had to refer to account/finance department for the acquisition of data/information/access to subsidiary and other relevant records underlying the ledgers and financial statements held by other departments (i.e. HR, IT, procurement, billing treasury, inventory and legal etc.). These departments share the data with the accounts/finance department which subsequently shared it with the auditors. The single point contact often lacks coordination and delay in decision making which also impacts the efficiency and effectiveness of overall performance of audit.

   We recommend the board to advise management to initiate the process of detailed review of accounting and financial reporting activities to integrate key functions for financial reporting, take steps towards implementation of Internal Control over Financial Reporting (ICFR) framework and seek assistance to automate GL accounting along with integration with various systems (billing, Inventory, fixed assets) and more frequent interaction of accounting / finance department with various reporting units should be advised.

2.2 Matters pertaining to the audit report

We have rendered qualified opinion on the financial statements. Information necessary for further understanding of the audit qualification matters has been presented below:

a. Operating Fixed Assets

The operating fixed assets in financial statements note 7.1 are presented at their written down value (WDV) of AFN 2.95 billion at Dec 21, 2021 (2020: 2.76 billion). The WDV of the operating assets is 15 % of the total cost of operating assets (Cost AFN 19.26 billion) whereas the depreciation cost (AFN 748.6 million) of current year is 31% of the WDV of assets. The cost, accumulated depreciation and written down value in the financial statements have been overstated with respect to their corresponding figures recorded in the fixed assets. The assets in the financial statements have depreciated at an accelerated pace causing most of its core assets to be presented at zero value whereas the assets are in working condition having potential to generate future economic inflows as well.

b. Capital Work in progress

The capital work in progress is presented in the financial statements at note 7.2 amounting to AFN 1.82 billion for which the location, project-wise breakup, and information regarding the stage of completion are not available to the management. No adjustments have been made to the account during the year under review. Accordingly, we remain unable to ascertain that the balance presented as capital work in progress is fairly stated. Moreover, few transactions relating to the payments made to suppliers and recorded in the capital work in progress have been appearing since 2017.

3. No instances of fraud or Irregularities

We have been informed by management that to the best of their knowledge, there have been no instances of fraud or irregularities and non-compliance with laws and regulations that could have a material effect on the financial statements.

4. Related party transaction

We have been informed by the management that to the best of their knowledge, there were no other related parties and /or transactions with related parties other than those disclosed in the financial statements.

5. Independence

We confirm that we are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Afghanistan.

Finally, we would like to thank the management and staff of the Company for the courtesy and cooperation extended to us during our audit.

PKF F.R.A.N.T.S.
Chartered Accountants

KABUL
PKF F.R.A.N.T.S. Chartered Accountants

Engagement Partner: Qamar Ali Mumtaz, FCA
Kabul, Afghanistan

Date: 18 SEP 2024

AFGHAN TELECOM

MANAGEMENT LETTER

FOR THE YEAR ENDED
DECEMBER 21, 2021 (30 QAWS 1400)

Report Submitted by

PKF F.R.A.N.T.S.
CHARTERED ACCOUNTANTS

An Independent Member firm of

PKF Global

Contents

AFTEL/K- 1534/2024
September 18, 2024

Mr. Zabihullah Totakhil
Acting Chief Financial Officer (CFO),
Afghan Telecom
Kabul Afghanistan

Dear Sir,

MANAGEMENT LETTER
ANNUAL AUDIT OF AFGHAN TELECOM
FOR THE YEAR ENDED DECEMBER 21, 2021

1. INTRODUCTION

We are pleased to inform you that we have completed the annual audit of **"Afghan Telecom"** for the year ended December 21, 2021. We have examined the books of accounts, records and the principal internal controls, which the organization has established to ensure, the accuracy and reliability of the organization's records; to safeguard its assets, to guarantee effective utilization and disbursement of funds and compliance with the requirements of the International financial reporting standards and local laws.

2. **SCOPE OF WORK**

We intend to highlight some of the significant issues faced by the organization in its operations and not the entire set of observations and outstanding issues, which came to our notice during the course of our audit. We also wish to recommend the ways, in which the system may be improved, and necessary controls can be established.

3. **INHERENT LIMITATION**

Because of the test nature and inherent limitations of an audit, together with the inherent limitations of an accounting and internal control system, there is an unavoidable risk that even some material weaknesses or misstatements may remain undiscovered. The accounting and internal control system were considered only to the extent necessary to determine the auditing procedures to report on the financial statements and not to determine adequacy of internal controls for management purposes or to provide assurance on the accounting and internal control system.

4. **FACTUAL FINDINGS**

Our findings/ observations are summarized in the ensuing paragraphs:

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4.1. PROPERTY, PLANT AND EQUIPMENT

4.1.1. Operating Fixed Assets.

The operating fixed assets in financial statements note 6.1 stood at their written down value (WDV) of AFN 2.95 billion on Dec 21, 2021. The WDV of the operating assets is a mere 15 % of the total cost of operating assets.

During the detail verification of the operating fixed assets, we found that:

a) The balances as recorded in the ledgers / financial statements and in the fixed assets register in respect of their cost, depreciation, accumulated depreciation and WDV are not matching with each other.

b) Management is using high rate of depreciation for most of its assets resulting in the high charge of depreciation expense in the previous and current years. Management has not updated their initial estimates annually in the past to respond to the circumstances and conditions of these assets and their expectation to provide economic benefits for years more then as anticipated initially. A few examples of assets depreciated using the higher rates resulting in the high depreciation charge are tabulated in **Appendix A.**

c) The higher depreciation rates as mentioned above have resulted in assets being fully depreciated in terms of their cost in the previous years. The FAR could not identify the assets being fully depreciated as being held for sale or scrapped or still in use. These depreciated assets also include:

- The optic fiber cables (OFC) ring spread across the whole of Afghanistan, which is fully depreciated over the previous 10 years, however normally OFCs are useful for minimum 20 to 25 years. The OFC ring in Afghanistan is still working and producing good results across Afghanistan.
- The substantial portion of GSM 3G networks depreciated over the previous 9 years with one year spared for the next year. GSM technology is currently in use with potential to be used in future years unless replaced by a more advance technology.

Moreover, most of the above-mentioned assets have been recorded in the FAR at lump sum amounts without having any breakup to facilitate their effective periodic physical verification and testing for impairment if any. Such assets cover a substantial portion of the organization's assets, and few major examples can be observed at **Appendix B.**

d) Assets pertaining to CDMA (code-division multiple access) which were replaced by GSM and were disposed of in previous years have also been appearing in the fixed assets register. The details of such assets are in **Appendix C.**

e) Management has also sold a substantial amount of scrap that includes batteries, computers and generators etc., however there is not any adjustment made in the FAR or ledgers for items being scrapped and sold.

f) During the past and current year, several Salam sites have been destroyed / burnt in the conflict areas, some of these sites have been repaired while some of these sites are still offline. The FAR or ledger does not show any adjustments relating to them. The record of burnt / destroyed sites provided to us by the technical department for the period subject to audit shows that there are 985 Salam owned sites out of which 222 were inactive due to reasons being burnt or destroyed.

g) During the analysis of FAR, we found that same class assets in FAR have been classified under different categories or in category to which the asset does not belong. e.g.

- Generators have mainly classified under plant in machinery whereas generators also appear under OFC equipment in the FAR.
- The billing system "Posheesh" having cost of AFN 13.9 million appears under OFC equipment in the FAR instead of intangibles.

Probable impact

a) The true and fair view of the assets owned by Afghan Telecom and its potential to be utilized in generating the future economic inflows is impaired by depreciating them at higher rates.
b) The current and previous years' expenses have been overstated due to depreciation calculated at higher rates and no regard made to depreciation calculated in the FAR.
c) The FAR being drawn up with limited information and not updated for the disposals/ impairments loosens the control of organization to effectively track, verify and safeguard its assets.

Recommendation

We recommend that:

a) Adequate itemized record of fixed assets be maintained which in addition to the information already recorded in the FAR, shall also include the detailed description of each item, original cost of the item, date of its acquisition, classification of the item, the location and/or the custodian of the item.
b) The disposals be appropriately reflected in ledgers, financial statements and FAR,
c) The depreciation be accurately calculated keeping in view the useful life, impairment and disposal exclusions,
d) The estimates shall be reviewed annually and updated for any indications that may cause an increase /decrease of inflow of economic benefits associated with the assets.

Management Response

- *The AFTEL management is actively working on the fixed asset assignment, and we expect to commence this assignment as soon as possible. This will involve adjusting all mentioned items under the fixed assets.*

- *The project includes the preparation of a standard Fixed Asset Register (FAR) along with listing, revaluation, tagging, and allocation of revised useful lives to the assets. Once this project is completed, all the aforementioned issues will be resolved.*

4.1.2. Impairment test

According to policy note 5.9 to the financial statements and paragraph 9 of "IAS 36-Impairment of Assets". Management is required to assess at the end of each reporting period whether there is any indication that an asset might have been impaired.

However, we observed that management has not made any such assessment, the impact of which could have been incorporated in the books and accounts.

The indication that certain assets are impaired is evident from comparing the assets with other information such as number of telecom sites have been destroyed/ burnt, scrap has been sold after the reporting period that includes generators, batteries, computer equipment etc. for which no information/ adjustment to the above effect has been provided in the books and financial statements. Moreover, one of the main revenue generating units of AFTEL is SALAM GSM 3-G, for which the books and records show that assets pertaining to SALAM are 3-G oriented whereas other competitors in the market have upgraded to 4-G. A more efficient service in the market and the tendency of customers towards a more efficient option available in the market impacts the future economic inflows pertaining to a generating unit thus providing indications of impairment.

Similarly, the fixed line revenues are on declining pattern, the stock pertaining to scratch card of fixed line service have very slow movement observed. Most of the fixed line assets appear as clubbed with the CDMA (disposed in previous years) in Fixed assets register; the CDMA is not written off from the FAR while no impairment assessment has been made for the fixed line assets.

Probable impact
By not conducting the annual impairment tests in accordance with aforementioned policy and standard requirement, the true and fair view of assets as owned and presented in the financial statement is impaired.

Moreover, as stated above, AFTEL being a business enterprise is competing with other counterparts in the market must be proactive in assessing whether its technical and allied assets are responsive to a competitive market and any indication to the above if not timely addressed might result in the satisfaction of its customers and thus will impact the future economic inflows.

Recommendation
We recommend:

a) To conduct the annual impairment tests to identify the assets that might have been impaired are accounted for in the books and financial statements, and
b) To timely consider the corrective actions for the impairment.

Management Response
Impairment testing is conducted when we adjust our fixed assets, and we will be starting this assignment soon.

4.2. INTANGIBLE ASSETS

During the audit, we observed that:

a) The significant part of cost and amortization recorded in the intangible register is in respect of the Afghan Telecom license (AFN 2.005 billion). The Intangible register shows that the license was obtained from ATRA in April 2010 for a period of 15 years set to expire in April 2022. However, till the date of this report, the license has not been renewed. Moreover, the license document shows that the license was awarded on April 19, 2006, the amount of AFN 2,005 billion could not be confirmed from any clause of the license document.

b) In the intangibles register, intangible having useful life of 1 year were also recorded. The descriptions recorded in the register in respect of certain intangibles are general in nature and causing failure to trace the intangible. Upon our inquiry into whether these intangibles are still in use or have been replaced by other intangibles for ensuring the consistent operations, management could not provide us with any information relating to this. Few major examples of one year life intangibles are as:

S#	Description	Date of purchase	Cost	Useful life	GCV
1	Purchased Cyber roam license	27-Jul-17	499,000	1	-
2	Being the amount adjusted to Spacecom against iDirect TAC Support Annual License fee from 17-11-2018 till 16-11-2019	17-Nov-18	2,084,265	1	-
3	Being the amount transferred from azizi acc 1113 to Amiri tech LTD acc 003668218 against 2 pcs Licenses Syberroam	21-Nov-18	1,348,049	1	-
4	Being the amount transferred to Smart Telecom against Licenses fee	24-Apr-19	6,717,440	1	-
5	Being the amount adjusted to smart telecom against license.	20-Jun-19	940,100	1	-
6	Purchasing License for GSM network device	20-Oct-19	2,837,252	1	-
7	amount adjusted to New Asmayi for supply of Cisco Aironet 1852i Access point and License	1-Aug-20	810,000	1	-
8	supply of 2pcs cyber room license	13-Apr-21	2,999,000	1	899,700
9	Kabul, Main office, IT Department	18-Feb-14	337,404	1	-
	Total		**18,572,509**		

Probable impact
The completeness and trues fair view of intangibles are impaired.

Recommendation
We recommend that:

a) All the intangibles be properly shall be recorded in the register with clarity along the department / users of the intangible,
b) The amortization shall be accurately calculated with regard to the useful life / term of license.
c) The replacement / renewal shall be properly followed and timely replaced / renewed.

Management Response
We would consider this for future improvement.

4.3. CASH AND BANK BALANCES

4.3.1. Monthly / Annual Bank reconciliation have not been prepared

A bank reconciliation statement is a report or statement prepared by an organization to match the bank transactions recorded in the books of accounts with the bank statement. The bank reconciliation statement is an important control and is used to check the correctness of the entries recorded in the books of accounts and identification of any omitted entries or duplications and thereby, ensures the accuracy of bank balances. However, we observed that management is not in practice of preparing the bank reconciliation statements. We have not been provided with opening, monthly and year-end bank reconciliation statements.

Probable Impact

The financial statement will not present complete information i.e. as a result of unrecorded outflows from bank, the corresponding expense or assets will be understated, similarly the unrecorded inflows will result in the understatement of corresponding revenue or liability. Timely measures to identify and rectify these omissions could not be possible.

Recommendation

We recommend that the bank reconciliation statements should be prepared by the finance department on a monthly basis to ensure accuracy and to timely resolve the differences.

Management Response

We would consider this for future improvement.

4.3.2. Fixed deposit accounts not presented separately in the ledgers

We observed that the opening balance in Afghan United Bank (AUB) USD Account 1187378 was less by USD 10 million from the balance as presented in its corresponding bank ledger. During the current year an additional amount USD 15 million was transferred from this account. Upon our inquiry from management, we were informed that the total outflow of 25 million (10 million during last year and 15 million in current year) presents balance transferred to fixed deposit account. However:

a) In the bank confirmation there were 5 additional accounts with USD 5 million in each account whereas the ledger only shows one account having USD 15 million and a 10 million difference in AUB 1187378 account. The details of accounts confirmed in the bank confirmation are as:

Account Title	Account number	Currency	Figure
Afghan telecom wireless network provider	00177USD1326878	USD	5,000,000
Afghan telecom wireless network provider	00177USD1329346	USD	5,000,000
Afghan telecom wireless network provider	00177USD1331767	USD	5,000,000
Afghan telecom wireless network provider	00177USD1333707	USD	5,000,000
Afghan telecom wireless network provider	00177USD1346480	USD	5,000,000
Total		**USD**	**25,000,000**

b) Management did not provide us the approval under which the transfer to the deposit accounts were initiated nor the investment certificates / documents agreed with the bank through factors such as term of deposit, restrictions if any on withdrawal form deposit, rate of return and profit or loss based return or fixed return based could be established

Probable Impact

a) The ledgers present incomplete information in terms of bank accounts;
b) Absence of investment documents impairs the organization's control over the safeguarding of important documents.

c) In the absence of investment document, the presentation of investment as being short term or long term could not be ascertained in the financial statement nor could the essential disclosures have required for the investments are made in the financial statements.

Recommendation
We recommend that:

a) Management shall create new ledgers for the deposit accounts in QuickBooks and classify the balances in the respective accounts.
b) The investment document should be searched in the archives and based on the documents; the accounts shall be appropriately classified, and the required disclosers be disclosed in the financial statements.

Management Response
Noted for future compliance.

Auditor's further comments:
The observation is maintained for the reason of approvals still not provided and the future outcome of the deposit accounts as no markup has been credited for these investments due to markup been barred in the country. Management shall consider the actions required to re-invest these deposits in profitable alternatives.

4.3.3. Difference between the cash in hand balances as per ledgers and the cash in hand certificates.

During the audit, we observed that there has been a difference between the cash in hand balances as per the cash ledgers and cash in hand certificates. The details of the few cash in hands and their differences with the cash in hand certificates are **tabulated in Appendix D.**

Probable Impact

a) There may have been unrecorded expenses or advances.
b) The organization's money could have been used for unauthorized personal purposes by the custodians.
c) The differences could have been misappropriated/ lost/ theft and the matter may not be addressed in real time.

Recommendation
We recommend that:

a) The cash counts shall be made on a monthly basis instead of annual basis.
b) The difference shall be investigated and addressed.
c) The differences if could have been used for unauthorized /personal purposes, be recovered from the respective custodians.

Management Response
NIL

Auditor's further comments:
The observation is maintained for the reason that no explanations are provided.

4.4. DEFERRED TAXATION

IAS 12 requires an entity to recognize a deferred tax liability or (subject to specified conditions) a deferred tax asset for all temporary differences, with some exceptions. Temporary differences are differences between the tax base of an asset or liability and it's carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

A deferred tax liability arises if an entity will pay tax if it recovers the carrying amount of another asset or liability. A deferred tax asset arises if an entity:

- will pay less tax if it recovers the carrying amount of another asset or liability; or
- has unused tax losses or unused tax credits.

The financial statements at note 14 present the net deferred tax liability amounting to AFN 134.5 million (2020: AFN 134.5 as well) arrived after deducting the deducting the deferred tax asset amounting to AFN 339.8 million (2021: AFN 339.8 as well).

We have not provided with the schedules on the basis of which the aforementioned assets and liabilities have arisen. No calculations for the current period have been made by the management.

Moreover, the financial statement does not contain the disclosures requirements of IAS 12, paragraphs 12.80 and 12.81 nor present the taxes in the statement of financial position into current and deferred in accordance with IAS 1, paragraph 54 (n) and (o) and in the statement of profit or loss in accordance with paragraph 82(d).

Probable Impact
The organization's rights towards the tax assets and obligations towards the tax liabilities could not be ascertained. The current year taxes could have been overstated in the absence of incorporating the impact of deferred taxation in them.

Recommendation
We recommend that workings shall be regarding the basis of deferred taxations shall be searched and retrieved to justify the organization's rights and obligations towards the deferred taxes and the calculations of accurate tax expenses / assets.

Management Response
Deferred Tax: *No calculation is done.*

Auditor's further comments:
The observation is maintained for management to find out the tax base of assets. Management is the prime custodian of all records underlying the financial statements. In the absence of tax base, the relevant deferred tax asset / liability could not be adjusted for the current year.

4.5. TRADE AND OTHER PAYABLES

4.5.1. Operational Disruptions impacting Call Minute Recording

During the audit, it was communicated to us that between August 2020 and April 06, 2021, the Kandahar Mobile Switching Center (MSC), responsible for recording incoming and outgoing call minutes from telecommunication providers, experienced technical faults. A similar issue occurred with the Mazar MSC from January 1st, 2021, to approximately March 02, 2021, which also led to inaccuracies in call minute recording. Moreover, starting from September 26th, 2021, the MSCs in Kabul, Kandahar, Herat, and Kunduz were affected by technical faults. Kunduz and Herat became operational again on October 27th, while the probable operational date for Kabul was November 22nd. Additionally, it's noteworthy that Kandahar's traffic was temporarily rerouted to the Kabul MSC during the period of the Kandahar MSC's malfunction.

As a consequence of these malfunctions, the telecom management had to resort to estimating the incoming and outgoing call minutes for the affected regions. This estimation process resulted in Afghan Telecom to rely on figures provided by other telecommunication providers. This reliance on estimates could have resulted in instances of overpayment during certain months.

The following instances were specifically noted through analyzing January CDRs.

AWCC, Total fixed-line outgoing call Minutes recorded by system related to AWCC for the month of January 2021 was 1,024,834 minutes as the domestic call rates set by ATRA is one AFN per minute, in which case AFTEL shall be payable 1,024,834 AFN while in GL it is recorded as 1,262,120 AFN the difference of 237,285 AFN is attributed to reliance on AWCC's invoice.

Etisalat, Total GSM outgoing call Minutes recorded by system related to Etisalat for the month of January 2021 was 5,798,944 minutes, the domestic outgoing and incoming call rates set by ATRA is one Afghani per minute, in which case AFTEL shall be payable 5,798,944 AFN while in GL it is recorded as 6,581,556 AFN the difference of 782,611 AFN could be attributed to reliance on Etisalat's invoice.

MTN, Total GSM outgoing call Minutes recorded by system related to MTN for the month of January 2021 was 5,663,398 minutes, the domestic outgoing and incoming call rates set by ATRA is one Afghani per minute, in which case AFTEL shall be payable 5,663,398 AFN while in GL it is recorded as 6,501,617 AFN the difference of 838,218 AFN was attributed to reliance on MTN's invoice.

Roshan, Total GSM outgoing call Minutes recorded by system related to Roshan for the month of January 2021 was 4,324,886 minutes, the domestic outgoing and incoming call rates set by ATRA is one Afghani per minute, in which case AFTEL shall be payable 4,324,886 AFN while in GL it is recorded as 5,820,051 AFN the difference of 1,495,164 AFN was attributed to reliance on Roshan's invoice.

Furthermore, the Receivables related to domestic incoming calls from domestic telecommunication providers are also based on estimated figures as faulty MSCs have also been unable to accurately record incoming call minutes.

In summary, it is evident that the Kandahar, Mazar, Herat, Kunduz and Kabul MSCs faced operational disruptions from August 2020 to April 6th, from January 1st to around March 2nd and from 26th Oct to 22nd Nov 2021 respectively. These disruptions led to inaccuracies in recording incoming and outgoing call minutes, necessitating the use of estimated data from other providers and resulting in potential overpayments during the affected months.

Probable impact
The reliance on estimated figures for incoming and outgoing call minutes during these disruptions might have led to potential overcharging by the telecommunication providers. This financial impact could result in higher operational costs and reduced profitability for the affected months.

The technical faults and disruptions in MSCs have affected the telecom's ability to accurately record call minutes, leading to inaccuracies in billing and operational data. This not only affects financial operations but also hampers the company's ability to efficiently manage its network resources.

Recommendations
We recommend that management should take necessary steps to keep the MSCs operational to have an internal accurate control and management of call records and their corresponding financial impact.

Moreover, conduct a thorough reconciliation of call minutes and billing records for the affected months to identify and rectify overpayments. Implement measures to verify billing accuracy in the future, even during operational disruptions, to prevent similar issues.

Management Response
The data from our Finance and Billing Departments has been shared with the auditors. Any remaining discrepancies will be addressed in the future through a party-wise reconciliation process.

4.6. GENERAL

4.6.1. Supplier paid for consultancy services without the services being fully performed

During the audit, we noted that an amount of AFN 3,809,895 was paid vide voucher # 72 dated January 10, 2021, to M/S Ilyas Saeed Chartered Accountants against provision of services for the application and implementing of two International Financial Reporting Standards (IFRS) namely:

- IFRS 15, which focuses on revenue recognition from contracts with customers, and
- IFRS 9, which addresses financial instrument reporting.

(The primary objective of IFRS 15 is to establish principles for reporting comprehensive information to financial statement users regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts.

Similarly, IFRS 9 aims to lay down principles for the financial reporting of financial assets and financial liabilities, intending to provide users of financial statements with relevant and useful information for assessing an entity's future cash flows, including their amounts, timing, and associated uncertainties.)

As per the Request for Proposal (RFP) provided to the service providers for their quotes, the service providers under the assignment were obligated to provide:

- Report on the Application and determination of IFRS 15 and IFRS 9's and impact on AFTEL:
- Proposed Adjustments in the Financial Statements:
- Posting Entries in the System in Line with IFRS Requirements:

However, during the audit we were not provided with the above report, nor we were provided with any proposed adjustments and the adjusted entries made in system as a result of the above exercise. Moreover, when analyzing the relevant account heads to which IFRS 15 and IFRS 9 should have applied, we could not identify any change that could have effect the recognition of revenue or the fair presentation of financial instruments to provide relevant and useful information to users of AFTEL's financial statements during the fiscal year ending December 21, 2021. i.e. no changes have been brought to contract liabilities, no change brought to trade and other receivables and revenue.

Probable Impact:
This instance puts into question the effectiveness and accuracy of internal controls implemented for ensuring that contractors to carry-out their obligations according to the terms of the contract and to the satisfactory standard. The financial resources have been out flown from the organization without catching the benefits that were intended as a result of the service assignment.

Recommendation:
We recommend processing the payments to suppliers once the obligations of their contracts have been discharged in their true spirits.

Management Response
The payment was made after completion of assignment, all the necessary documents are available with finance.

Auditor's further comments:
The observation is maintained as no documents were provided to us nor any adjustments were made in the books in light of the assignment. Most of the tasks required under the assignment were proposed and rectified / adjusted during the course of current year audit.

4.6.2. Limitation observed in the operation of QuickBooks.

No involvement of the approval process in recording of adjustment entries and the posting of entries in ledgers pertaining to previous the year Audited financial statements.

a) We have noticed that the finance team has procured 30 users of QuickBooks, and more than one user has the right to edit and delete the transactions recorded in QuickBooks without any proper documentation.
b) We have noted adjusting entries in the opening balances of various accounts and upon inquiries from the management we came to know that the previous auditor had recorded these entries.
c) The database of the QuickBooks was not designed to report itemized profitability, i.e., item wise income and expenditure report could not be generated by the software, however, the software is capable of such reporting in case the management redesign the database accordingly.

Probable impact
This could result in continuous changes in the monthly and quarterly reports generated by the software and the reconciliation of previous period expenditure will be difficult. All changes should be made through the proper channel and proper documentation.

The finance team making / editing entries with such large volume and frequency without any approvals puts their accountability and integrity under question. The misstatements explained in the audit report, the board letter and this letter are to a larger extent being a result of the aforementioned practice followed by the finance team involved in the posting of such entries.

Recommendation
We recommend that no adjustment should be made to the financial statements without any written documented approval from the competent authority.

The financial records shall be locked once the relevant financial statements are approved by the management and signed by auditors.

Management Response
We will consider future improvement.

4.6.3. Absence of Internal Audit role in the financial reporting process.

Financial statements present amongst other factors the financial performance of the organization for a period of time and the financial position at a point in time. To meet the financial information needs of users of the financial statements, the financial statements must be free from material misstatements whether due to fraud or errors. To achieve fair presentation, information/ transaction must be reviewed with due care and be classified and recorded in the subsidiary records backing the financial statements. We note that the internal audit department does not have any role in reviewing the recording of transactions in the QuickBooks, and later on, reporting of same in the Financial Statements.

Probable impact
The majority of the misstatements reported in the audit report and observations communicated herein this letter are triggered by the lack of a review exercise along the process of recording the transactions/ information.

Recommendation
We recommend that the role of the internal audit to review transactions/ information should be incorporated in the process of recording the transactions / information.

Management Response
We would consider it for future improvement.

4.6.4. Lack of Penalty clause in the site sharing agreements

During the audit, we observed that the penalty calculation clause is not explicitly specified in the site sharing agreements. We observed the same clause in one site sharing agreement entered into with M/S Nayab Sadat.

Probable impact
The absence of clear penalty calculations in the site sharing agreements poses a potential risk for AFTEL. Without defined penalties, there may be uncertainty and disputes in the event of site outages, which could impact the organization's service accessibility in those areas and impact the satisfaction of its customers.

Recommendation
We recommend that Afghan Telecom shall conducts a thorough review of all sites sharing agreements and consider the inclusion of penalty clauses across contracts to ensure consistency and clarity.

Management Response
Considered for future improvement.

At the end, we wish to place on record our gratitude for the courtesy and cooperation extended to us by the management during the course of this audit

Yours' faithfully

PKF F.R.A.N.T.S
Chartered Accountants

Kabul, Afghanistan

Appendix A

Assets depreciated at high rates resulting in high depreciation expense

Asset Name	Description	Date of purchase	Purchase Cost AFN	Depreciation for the period	Useful Life
GSM-3G Net work	Complete GSM-3G Net work	10-Nov-12	1,641,206,893	164,570,436	10
GSM Core & VAS Expansion	Purchased and completion	26-Mar-15	248,811,620	24,813,152	10
BTS	Purchased 440 BTS sites Projects	31-Mar-18	150,617,944	15,020,460	10
GSM Solar Panel for the sites	GSM-3G Solar Panel for sites	29-Aug-16	185,956,532	18,802,272	10
Network Equipment	Thaimany 8500 switch Fixed line project	02-Dec-12	113,333,347	11,364,300	10
Electricity Equipment	Solar with installation	2-Sep-13	195,403,308	19,974,560	10
Network Expansion	Network equipment	2-Sep-13	108,761,207	10,906,068	10
Network Expansion -1395Year	Cisco parts	09-May-16	142,470,723	14,286,078	10
Network Expansion -1393 Year	Some hardware items for CBS for Billing System	22-Sep-14	219,026,787	14,845,149	15
Network Expansion -1393 Year	Some hardware items for CBS for Billing System	11-Oct-14	227,763,072	15,437,275	15
Fixed line Expansion	Expansions of 12000 Fixed line in Jibreel Herat Province	06-Mar-14	345,420,000	35,117,700	10
Fixed line Expansion	Fixed line expansion 6000 cone Omid Sabz City	14-Jan-16	214,531,250	21,810,677	10
Fixed line Expansion	Fixed line 18000 connections Ahmad Shan Baba	15-Jan-16	651,656,250	66,251,719	10
Fixed line Expansion	Fixed line 5000 connection Lashkargah	01-May-16	192,994,200	19,621,077	10
Fixed line Expansion	Fixed line 5000 switch connection in Shindand District, Herat province	07-May-17	195,566,300	19,882,574	10
OFC transmission, HDPE cable	Supply of OFC transmission, HDPE cable	21-Feb-21	133,898,928	11,269,826	10
Total			4,967,418,361	483,973,323	

Appendix B

Assets recorded at lump sum values, depreciated substantially / fully, however, still having economic utility.

Asset Name	Description	Date of purchase	Purchase Cost AFN	Useful Life	WDV at Dec 21, 2021
GSM-3G Net work	Complete GSM-3G Net work	10-Nov-12	1,641,206,893	10	131,428,874
OFC Ring	From Kabul, MZR, Heratan, PKR, Sherkhan	11-Mar-12	1,172,491,523	10	0
Switch For Heart	Sarfaraz Khurasan	11-Mar-12	875,000,000	7	1
Khair Khana Switch (17000 Lines)	Khair Khana Kabul	11-Mar-12	226,666,100	10	0
Mazar Switch (15000 Lines)	Mazar Sharif Region	11-Mar-12	200,000,000	10	0
Karte Chare Kabul 2witch (15000 Lines)	Karte Chare Kabul	11-Mar-12	200,000,000	10	0
Kandahar Switch (13000 Lines)	Kanadahar Region	11-Mar-12	173,333,355	10	(0)
Macroryan Switch (11500 Lines)	Macroryan Kabul	11-Mar-12	153,333,355	10	(0)
Khoshal Khan Switch (10500 Lines)	Khoshal Khan Kabul	11-Mar-12	140,000,020	10	0
Shahre Naw Switch (10500 Lines)	Shahre Naw Kabul	11-Mar-12	140,000,020	10	0
Jalalabad Switch (10000 Lines)	Nangrahar Jalalabad	11-Mar-12	133,333,000	10	0
Kundoz Switch (8000 Lines)	Kondoz Region	11-Mar-12	106,666,680	10	0
service contract for AFTEL Managed Service	2-Mar-00	14-Aug-12	104,727,123	6	0
Mehtab Qala Switch (5000 Lines)	Mehtab Qala Kabul	11-Mar-12	66,666,675	10	(0)
Darulaman Switch Kabul (4000 Lines)	Darul Aman Kabul	11-Mar-12	53,333,340	10	0
Poly Charkhe Switch (2000 Lines)	Poly CharKhe Kabul	11-Mar-12	26,666,670	10	1
Network Equipment	Network Equipments	19-Mar-12	9,908,557	7	(4,144)
Network Equipment	Network Equipments	19-Mar-12	902,990	7	(1,428)
Total			**5,424,236,301**		

Appendix C

Assets pertaining to the disposed Unit CDMA still appearing in FAR

Asset Name	Description	Date of purchase	Purchase Cost AFN	Useful Life	WDV at Dec 21, 2021
CDMA equips to AFTEL	Supply of CDMA equipment to AFTEL	6-Feb-21	2,376,350	7	2,066,660
Fixed line and CDMA Network	Fixed line and CDMA Network expansion	13-Jul-10	4,079,813	10	-
Network Equipment	CDMA and Fixed line network spare parts	03-Apr-12	6,309,750	10	175,258
Network Equipment	CDMA and fixed line network New seven cities	06-May-12	73,196,400	10	2,706,590
CDMA & Fixed line network Spare Parts	Some Network items	25-Nov-14	55,107,623	10	16,154,783
CDMA & Fixed line network Spare Parts	some network items for fixed line	07-Jan-15	68,155,824	10	20,763,750
CDMA & Fixed line network Spare Parts	some network items for fixed line	20-Jan-15	58,298,719	10	17,408,645
CDMA-Shelter, Towers _Huawei	CDMA-Shelter, Towers _Huawei	31-Aug-05	129,695,400	10	1
CDMA- Shelters, Towers-ZTE	CDMA- Shelters, Towers-ZTE	31-Aug-05	113,175,600	10	1
ZTE- equipment for CDMA sites	CDMA Switches sites	31-Aug-05	550,400,682	10	1
CDMA Switches-TCIL India	CDMA Switches-TCIL India	31-Mar-06	670,000,000	10	1
CDMA & Switch equipment-Huawei	CDMA & Switch equipment-Huawei	31-Dec-06	242,255,400	10	1
A/C for CDMA Switches-ASTER India	A/C for CDMA Switches-ASTER India	31-Dec-06	4,017,400	3	1
Diesel Genets for CDMA switches-ASTER India	Diesel Genets for CDMA switches-ASTER India	31-Dec-06	49,847,850	3	1
DSE & CDMA WLL Equipment-ZTE	DSE & CDMA WLL Equipment-ZTE	31-Dec-06	144,698,850	10	1
Shelters for CDMA switches-ASTER India	Shelters for CDMA switches-ASTER India	31-Dec-06	25,331,800	10	1
Towers for CDMA Switches-ASTER India	Towers for CDMA Switches-ASTER India	31-Dec-06	43,083,750	10	1
Total			**2,240,031,211**		**59,275,696**

Appendix D

Difference between the Cash in hand balances as per ledger and as per cash count certificates

Province	Closing as per Ledgers	As per closing cash count forms	Difference
Total 12211 · Petty Cash AFN	470,049	76,300	393,749
Total 12212 · Cash at Arzan Qimat T.S	61,210	42,530	18,680
Total 12213 · Cash at Karte Naw T.S	37,970	54,510	(16,540)
Total 12214 · Cash at Karte Seh T.S	305,750	121,750	184,000
Total 12215 · Cash at Khairkhana T.S	203,950	134,350	69,600
Total 12216 · Cash at Macroyan T.S	79,820	34,500	45,320
Total 12217 · Cash at Mehtab Qala	52,550	71,600	(19,050)
Total 12218 · Cash at MOC T.S	320,401	-	320,401
Total 12219 · Cash at PTT T.S	12,150	138,347	(126,197)
Total 12220 · Cash at Qallah Fathullah T.S	217,249	76,050	141,199
Total 12221 · Bamyan Cash Receivable	79,440	-	79,440
Total 12222 · Dai Kundi Cash Receivable	19,100	-	19,100
Total 12223 · Ghazni Cash Receivable	131,460	-	131,460
Total 12225 · Kapisa Cash Receivable	213,085	-	213,085