

INDEPENDENT AUDITOR'S REPORT

TO:

Fuel and Liquid Gas Enterprise (FLGE)

We were engaged to audit the accompanying financial statements of **Fuel and Liquid Gas Enterprise** (here-in-after referred to as "**FLGE**"), which comprise the balance sheet as at Hoot 29, 1384 (March 20, 2006) and the related income statement for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs). This responsibility includes: designing, implementing and maintaining internal control relevant to preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Because of the matters described in the Basis for Disclaimer of Opinion Paragraph below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion:

- (1) The accompanying financial statements do not include these components: (a). cash flow statement, (b) statement of changes in equity and (c). Notes, comprising a summary of significant accounting policies and other explanatory information. These components are required by the International Accounting Standard 1 *Presentation of Financial Statements* to enable the readers of the financial statements to understand the cash flows, investment introduced by the owners and its utilization by FLGE and the impact of different financial transactions on the financial statements. Moreover comparative figures for the previous year are not presented in the accompanying financial statements.
- (2) In the consolidated and individual trial balances and in the consolidated ledgers, opening balances for each head of account were not presented separately but were included in

the activity balances for the year. From the trial balances and ledgers we were unable to ascertain opening balances and verify the amount of activity under each head of account during the year under audit.

- (3) According to the management of FLGE, all fixed assets have been included in the accompanying financial statements on the basis of valuation of fixed assets carried out in the year 1376. We have not been provided with a copy of the Valuation Report to ascertain the validity of the balances appearing in the accompanying balance sheet on account of fixed assets.
- (4) Fixed assets register has not been maintained to enable us to ascertain the ownership, custody and control, and existence of the assets appearing in the accompanying financial statements.
- (5) Deletion from fixed assets appearing in the schedule provided by the management of FLGE is Afghanis. 45,745/- while in the ledger it is Afghanis. 984,227/-. No explanation was provided for the said difference.
- (6) Addition in fixed assets appearing in the schedule provided by the management of FLGE is Afghanis. 357,532,401/- while in the ledgers it is Afghanis. 358,470,883/-. No explanation was provided for the said difference.
- (7) In the trial balance of FLGE Head Office some fixed assets were having credit opening balances without any addition or deletion during the year and the same closing balances. Details are given below:

Particulars	Account Code	Amount (Afghanis)
Building	01-1-1	(95,624)
Fixed & Moveable Tanks	01-1-16	(170,000)

We were not provided with any reasonable justification or explanation for the said negative balances in fixed assets.

- (8) As per management assertion, all fixed assets are accounted for on historical cost basis rather than Written Down Value (WDV) but in the trial balance of FLGE Head Office, there were some fixed assets with unusually low balances. We were not provided with any explanation regarding nature of such fixed assets. Details of such assets are given below:

Particulars	Account Code	Amount (Afghanis)
Residential Building	01-1-2	345
Workshop	01-1-4	532

Particulars	Account Code	Amount (Afghanis)
Machinery	01-1-11	2,874

- (9) As per general practice at FLGE, management assertion and from the inclusion of accumulated depreciation in the consolidated balance sheet it was evident that fixed assets were valued at historical cost, while in the trial balance of FLGE Head Office and branch office Kabul, no accumulated depreciation was appearing while there are balances for fixed assets in the same trial balance and in the trial balance of FLGE branch office Kabul, only depreciation for the current year amounting to Afghanis 577,905/- was shown.
- (10) According to FLGE's policy fixed assets were recorded at historical cost, but in the trial balance of FLGE branch office Herat for current year "Office Equipments" with account code 036 and Fixtures with account code: 037 were recorded at net book value.
- (11) According to general rules for all government entities in Afghanistan, an item costing Afghanis. 3,000/- or more and having useful life one year or more should be capitalized. In the following instances at FLGE branch office Herat some capital nature expenditures have been charged out as revenue expenses.

Particulars	Details	Account code	Vr. #	Amount (Afghanis)
Repair Buildings	Construction of Wall	486	11363	400,000
Repair Buildings	Construction of Wall	486	11880	2,083,800
Repair Buildings	Construction of Wall	486	11604	450,000
Tools	Electric equipments	487	4291	1,571,227

- (12) As per the requirements of International Accounting Standard (IAS) 16 (Property, Plant and Equipment), depreciation should be provided on consistent basis from year to year so as to spread the cost of assets over its useful life and the benefits derived. We were not provided with the policy and the working of opening balance of Accumulated depreciation amounting to Afghanis. 88,735,160/-.
- (13) Opening balance of accumulated depreciation for the year 1384, which is closing balance for the year 1383, is amounting to Afghanis 50,383,622/- while by subtracting depreciation expense for the year from closing balance of accumulated depreciation for the year 1384 we arrived at opening balance for the current year at Afghanis 69,478,193/-. We were not provided with any explanation or details for these differences.

(14) In the consolidated ledger, for the following provincial offices, Accumulated depreciation was not available while in the schedules provided by the management of FLGE, there were balances for fixed assets in these provinces.

- a) FLGE Bandar Akeena
- b) FLGE Paktia
- c) FLGE Paktika
- d) FLGE Head Office Gas
- e) FLGE Nangarhar
- f) FLGE Khost
- g) FLGE Farah
- h) FLGE Badakhshan
- i) FLGE Head Office
- j) FLGE Mazar-e-Sharif
- k) FLGE Pul-e-khumri
- l) FLGE Heiratan
- m) FLGE Takhar
- n) FLGE Parwan
- o) FLGE Herat

Furthermore, depreciation expense for the year 1384 was available only for the following provinces while in the schedule for fixed assets provided by management there are Nineteen (19) provincial and other offices having movement and balances for fixed assets:

- (a).** FLGE Ghazni
- (b).** FLGE Sher Khan Bandar
- (c).** FLGE Herat
- (d).** FLGE Kabul Branch

Moreover, depreciation expense as per consolidated ledger was different from that calculated from individual trial balances. Details are given below:

Sr. #	Name of Province	Depreciation Expense as per Ledger (Afghanis)	Depreciation Expense as per Individual Trial Balances (Afghanis)
1.	FLGE Sher Khan Bandar	343,006	343,006
2.	FLGE Herat	18,154,676	18,154,676
3.	FLGE Ghazni	181,380	181,380
4.	FLGE Kabul Branch	577,905	577,905
5.	FLGE Heirathan	-	9,370,303
6.	FLGE Parwan	-	111,436
Total		19,256,967	28,738,706

- (15) In the trial balance of FLGE Kabul branch office, depreciation amounting to Afghanis 29/- has been charged on freehold land, the cost of which is amounting to Afghanis 1,459/-
- (16) In the trial balance of FLGE branch office Heiratan, under account head of “Accumulated Depreciation” with account code 0-2-1, there was a debit balance amounting to Afghanis 3,371,146/- and the same amount was then credited under account head “Deduction of Depreciation Against Tankers” with account code 01-1-19/1 for which we were not provided any reasonable explanations or justifications.
- (17) We were not provided with the stock register. Furthermore, we were not provided with physical stock take report as at Hoot 29, 1384. In the absence of stock register showing balances as at Hamal 01, 1384, stock received and issued during the year and balance as at Hoot 29, 1384, we were unable to verify stock balance amounting to Afghanis. 266,967,119/- appearing in the accompanying financial statements.

As per stock schedule provided by management at FLGE Head Office total stock received or addition in stocks during the year was amounting to Afghanis 1,905,970,306/- while in the consolidated trial balance it was amounting to Afghanis 970,508,220/-. We were not provided with any explanation for these differences.

Moreover, as per stock schedule provided by management at FLGE Head Office total stock issued or reduction in stocks during the year was amounting to Afghanis 1,768,187,908/- while in the consolidated trial balance it was amounting to Afghanis 1,802,712,036/-. We were not provided with any explanation for these differences.

- (18) In the accompanying balance sheet, balance for Stock in trade is amounting to Afghanis. 266,967,119/- while in the ledger it is Afghanis. 266,441,483/-. We were not provided with any explanation for this difference.
- (19) In case of FLGE Heiratan, stock appearing in the trial balance is held for third parties and FLGE has no ownership of that stock. This stock is valued at Afghani 1/kg and a liability has been created equal to the stock held. This practice has inflated assets and liabilities.

Furthermore, the liability created against this stock is not equal to the stock held for third parties. Details are given below:

Stock Balance as per Trial Balance (Afghanis)	Liability Against this Stock as per Trial Balance (Afghanis)	Difference (Afghanis)
18,115,089	21,090,265	2,975,176

Moreover we were not provided with any documentary evidence to support the basis for valuation of stock at Afghani 1/Kg.

- (20) Bank balance appearing in the accompanying financial statements is amounting to Afghanis 684,678,233/- while in the schedule provided it is amounting to Afghanis 684,146,283/- for which we have not been provided any explanation. Details are as given below:

Sr. #	Name of FLGE Office	Bank Balance as per Schedule provided (Afghanis)
1	Paktia	764,359
2	Takhar	268,980
3	Balkh	3,371,542
4	Herat	28,791,864
5	Heiratan	12,782,650
6	Parwan	9,374
7	Sher Khan Bander	1,538,888
8	Pul-e-Khumre	1,044,523
9	Liquid Gas Head Office	14,250,005
10	Nangarhar	14,348,207
11	Khost	2,200,308
12	Ghazni	219,014
13	Farah	635,059
14	Badakhshan	176,857
15	Kandahar	60,681,115
16	Kabul Branch	122,239,755
17	Bandar Akeena	953,412
18	Head Office	419,870,371
Total		684,146,283

- (21) Bank balance as per schedule provided by management is different from that of balances as per individual trial balances. Details are as given below:

Sr. #	Name of FLGE Office	Bank Balance as per Schedule provided (Afghanis) (1)	Bank Balance as per Trial Balances (Afghanis) (2)	Difference (Afghanis) (2) – (1)
1	Nangarhar	14,348,207	15,575,258	1,227,051
2	Kabul Branch	122,239,755	124,078,403	1,838,648
3	Head Office	419,870,371	Not Provided	(419,146,283)

- (22) In FLGE branch office Herat there were negative bank balances in two bank accounts, as per schedule provided by management, for which we were not provided any explanation. Details are given below:

Bank Name	Account #	Location	Balance as at Hamal 01, 1384 (Afghanis)
Da Afghanistan Bank (DAB)	200073	Herat	(15,297,543)
Da Afghanistan Bank (DAB)	201001	Herat	(16,311,359)

- (23) Confirmation letters were circulated to all banks as per list provided by management at FLGE Head Office. We have received response from some banks amounting to Afghanis 62,875,371/- which is 9.18% of total bank balance of Afghanis 684,678,233/-.
- (24) We were not provided with documents or other details of balance appearing in the trial balance of FLGE Head Office amounting to Afghanis 65,232,500/- under account head "Letter of Credit" with account code 44-1-0-1. Moreover an amount of Afghanis 184,767,500/- has been credited from this balance for which no details were provided.
- (25) In FLGE branch office Heiratan, we were not provided with bank statements for bank account # 177901, Da Afghanistan Bank (DAB), Mazar-e-Sharif, and bank account # 111007, Da Afghanistan Bank (DAB), Samangan so as to verify bank balances appearing in the trial balance. Moreover bank reconciliation statements for all the bank accounts were also not provided to justify differences between bank balances as per bank books and bank statements. Relevant details of the differences are given below:

Bank Detail	Bank Balance as per Ledger (Afghanis) (1)	Bank Balance as per Bank Confirmation (Afghanis) (2)	Difference (Afghanis) (1)-(2)
Da Afghanistan Bank (DAB) A/C # 96055 (Heiratan)	8,249,199	9,962,290	(1,713,091)
Da Afghanistan Bank (DAB) AC # 96056 (Heiratan)	432,581	55,614	376,967
Da Afghanistan Bank (DAB) A/C # 177901 (Mazar Sharif)	2,689,406	67,651	2,621,755
Da Afghanistan Bank (DAB) A/C # 111007 (Samangan)	24,500	137,429	112,929

- (26) In FLGE Head Office, we were not provided with any bank reconciliation statement to justify difference amounting to USD 51,770/- between bank statement and ledger for US Dollar account 13780 maintained at Da Afghanistan Bank, main branch Kabul. Relevant details are given below:

Balance as per bank statement	Balance as per confirmation letter	Balance as per ledger	Difference
USD 11,396	USD 11,396	USD 63,166	USD 51,770

- (27) In FLGE branch office Herat, we were not provided with any bank reconciliation statement to justify differences between bank statements and bank books. Relevant details are given below:

Bank Detail	Bank Balance as per Ledger (Afghanis) (1)	Bank Balance as per Bank Confirmation (Afghanis) (2)	Difference (Afghanis) (1)-(2)
Da Afghanistan Bank (DAB) A/C # 200072 (Herat)	18,375,194	94,392	18,280,802
Da Afghanistan Bank (DAB) AC # 200073 (Herat)	(38,235)	50,575	(88,810)
Pashtani Bank USD A/C # 300 (Herat)	Nil	454,631	(454,631)

Moreover, no reasonable explanation was provided for the unusual negative bank balances.

- (28) In the trial balance of FLGE Head Office, there was a balance amounting to Afghanis 247,680,823/- under account head "Open Dollar Rate" with account code 44-1-01 for which no documents were provided to us for verification purposes.
- (29) We were not provided with the detailed calculation of balance amounting to Afghanis. 247,680,823/- appearing in the accompanying financial statements on account of exchange differences.
- (30) We were not provided with the list of debtors along with opening balances, activities during the year under audit and the closing balances amounting to Afghanis. 739,825,994/- appearing on the face of the accompanying balance sheet.
- (31) As per general practice at FLGE, loss of stock during carriage should be accounted for as receivable from drivers. While loss of stock, with account code 61-1, during carriage amounting to Afghanis 2,325,513/- was shown in the ledger of FLGE Head Office, as liability instead of receivables from drivers.
- (32) In the trial balance of FLGE branch office Heiratan for the year 1383, there was a closing balance amounting to Afghanis 5,795,292/- under account head named "Unascertained Receivables from staff" with account code 50-2-167, while in the trial balance for 1384 there was no mention of this balance and only activity during the year i.e. Afghanis 3,921,053/- (Debit Balance) and Afghanis 3,921,053/- (Credit Balance) were shown with Nil closing balance under the same account head and account code.
- (33) As per monthly salary sheets at FLGE branch office Heiratan, total deductions for the year from employees on account of "Advances against salaries" were amounting to Afghanis 1,365,099/- while as per schedule provided by management this was Afghanis 4,554,338/- giving a difference of Afghanis 3,189,239/- between the two financial records. We were not provided with any explanation for the said difference.
- (34) We were not provided with the details of doubtful receivables amounting to Afghanis 190,932/- appearing in the trial balance of FLGE Head Office.
- (35) We were not provided with any documentary evidence from management for the issue of stock laying since more than prescribed time in stores of FLGE branch office Heiratan to other distributors, who need stock but cannot import due to shortage of store space, against which receivables amounting to Afghanis 21,090,265/- have been accounted for under account head "Receivables against stock" under account codes 55-2-1 to 55-2-140.
- (36) After consolidation inter-office balances should be netted off and the resultant balance should be Nil, while in the accompanying balance sheet there is a balance of Afghanis. 416,037,352/- under the head of inter office accounts. We were not provided with any explanation by the management to justify this inter-office balance. Furthermore, we were

not provided with any calculation or other details regarding opening balances and activities during the year under audit.

- (37) In the inter office balances, debit balance of one office should be equal to credit balance of other office. In case of FLGE Kabul branch office, in the following instances there were differences in the inter office balances and no inter office reconciliation was prepared and provided. Details are:

Particulars	Kabul Branch Office		Other Offices	
	Debit (Afghanis)	Credit (Afghanis)	Debit (Afghanis)	Credit (Afghanis)
Balance of Kabul branch and Head Office	49,778,306	169,794,460	1,676,157,618	1,192,131,347
Balance of Kabul branch and Kandahar	331,954	331,954	14,692,056	-
Balance of Kabul branch and Herat	3,557,573	3,557,573	Not Provided	Not Provided
Balance of Kabul branch and Sher Khan Bandar	17,755	17,755	Not Provided	Not Provided
Balance of Kabul branch and Parwan	12,230	12,230	555,658	555,658
Balance of Kabul branch and Tankari	3,572,458	3,572,458	Not Provided	Not Provided
Balance of Kabul branch and Pul-e- Khumre	2,000	2,000	Not Provided	Not Provided
Balance of Kabul branch and Liquid Gas	159,151	159,151	159,151	159,151

In case of FLGE branch office Heiratan, in the following instances there were differences in the inter office balances and no inter office reconciliation was prepared and provided. Details are:

Particulars	Heiratan Branch Office		Other Offices	
	Debit (Afghanis)	Credit (Afghanis)	Debit (Afghanis)	Credit (Afghanis)
Balance of Heiratan branch and Head Office	28,697,7791	96,426,036	116,936,091	327,447,089
Balance of Heiratan branch and Kabul Branch Office	64,849,965	117,973	65,390,623	65,390,623
Balance of Heiratan branch and Parwan	-	5,000	5,000	5,000

Particulars	Heiratan Branch Office		Other Offices	
	Debit (Afghanis)	Credit (Afghanis)	Debit (Afghanis)	Credit (Afghanis)
Balance of Heiratan branch and Mazar-e-Sharif	500,000	-	-	500,000
Balance of Heiratan branch and Tankari	21,031,143	224,751,217	Not provided	Not provided
Balance of Heiratan branch and Head Office in \$	59,890	-	-	47,096,600

- (38) We were not provided with the basis on which provision for Obsolete assets amounting to Afghanis. 44,499,813/- has been created.
- (39) We were not provided with the nature, breakup, calculation and other details of Accumulated Loss amounting to Afghanis. 147,149,415/- appearing in the accompanying balance sheet.
- (40) Capital Fund amounting to Afghanis. 567,117,010/- is net effect of fixed assets amounting to Afghanis 655,852,170/- and accumulated depreciation amounting to Afghanis 88,735,160/-. In the absence of fixed assets valuation report, we were unable to verify amounts for fixed assets, accumulated depreciation and the resulting capital fund. Moreover accumulated depreciation and depreciation expense for the year have not been calculated on the basis of uniform rates and for all the provinces.
- (41) As per management's assertion Capital account appearing in the trial balance of FLGE branch office Heiratan, amounting to Afghanis 187,026,680/- was on the basis of fixed assets valuation carried out in the year 1381 but we were not provided with a copy of the said report and details of the movement during the year amounting to Afghanis 33,711,458/-.
- (42) We were not provided with the details in respect of Working Capital amounting to Afghanis.7,880,791/- with respect to its opening balance, addition/deletion during the year under audit and closing balance and basis used in valuation and other documentary evidences.
- (43) We have not been provided with the list of persons/parties from whom securities have been kept along with opening balances, activities during the year under review and closing balances amounting to Afghanis. 27,355,505/- appearing on the face of the accompanying balance sheet.
- (44) In FLGE branch office Kabul, containers rented out were of varying capacities and of different nature but we were not provided with the basis on which securities against

different containers were kept. Moreover, we were not provided with list of containers rented out and the copies of rent agreements.

- (45)** In FLGE branch office Heiratan, petrol pumps rented out were on different locations and of different nature but we were not provided with the basis on which securities against different petrol pumps were kept. Moreover, we were not provided with list of petrol pumps rented out and the copies of rent agreements.
- (46)** We were unable to verify Afghanis. 19,818,641/- appearing on the face of the accompanying balance sheet on account of Accounts in Transit as no details were provided.
- (47)** No details regarding imposition of income and other taxes on periodical basis, their payment to government treasury and their closing balances payable (if any) are provided. Similarly No details in respect of deduction of withholding taxes from salaries, contractors etc, their payment into government treasury and their balances payable (if any) are provided.
- (48)** We were not provided with employee wise details of total deduction of Pension for the year, amount transferred to Pension fund, payments to employees and balance payable at the end of the year.
- (49)** We were not provided with the list of contractors, creditors and other third parties along with their opening balances, activities during the year under audit and their closing balances amounting to Afghanis.454,825,635/- appearing on the face of the accompanying balance sheet.
- (50)** In trial balance of FLGE branch office Heiratan, there was a credit balance amounting to Afghanis 1,416,040/- under account head "Unascertained Liabilities" for which we were not provided reasonable explanation and justification.
- (51)** We were not provided with the details of doubtful payables amounting to Afghanis 42,036,671/- appearing in consolidated trial balance. Moreover doubtful payables appearing in the trial balance of FLGE branch office, Herat amounting to Afghanis 40,432,528/-.
- (52)** We were not provided with the details and breakup of Fund payable along with their opening balances, activities during the year under audit and closing balances amounting to Afghanis.200,361,075/-.
- (53)** We were not been provided with rate, nature, calculation, breakup, details along with opening balances, activities during the year and closing balances of Payable to Government amounting to Afghanis.712,227,781/-.

(54) Revenues appearing on the face of the accompanying Profit and Loss Account was amounting to Afghanis. 448,526,043/- while sum of the individual trial balances on account of revenue was amounting to Afghanis 1,118,071,820/- Details are given below:

Sr. #	Name of FLGE Office	Debit Balance as per Trial Balances (Afghanis) (1)	Credit Balance as per Trial Balances (Afghanis) (2)	Net Balance as per Trial Balances (Afghanis) (2)– (1)
1	Takhar	-	1,034,082	1,034,082
2	Balkh	-	6,774,927	6,774,927
3	Herat	25,366,923	763,755,106	738,388,183
4	Heiratan	45,779,885	122,032,326	76,252,441
5	Parwan	38,546	2,565,270	2,526,724
6	Sher Khan Bander	21,396,629	27,860,512	6,463,883
7	Pul-e-Khumre	1,940,125	7,695,150	5,755,025
8	Liquid Gas H.O.	747,948	110,240,625	109,492,677
9	Nangarhar	-	10,090,553	10,090,553
10	Khost	-	2,038,178	2,038,178
11	Paktika	-	1,312,768	1,312,768
12	Kandahar	-	9,613,844	9,613,844
13	Paktia	-	2,031,613	2,031,613
14	Farah	-	2,030,922	2,030,922
15	Bandar Akeena	-	3,833,950	3,833,950
16	Ghazni	-	4,610,620	4,610,620
17	Head Office	-	135,821,430	135,821,430
Total		95,270,056	1,213,341,876	1,118,071,820

No explanation regarding debit balance amounting to Afghanis 95,270,056/- as per individual trial balances and Afghanis 133,024,125/- as per consolidated ledger which is 22.87% of credit balance was provided.

(55) We were not provided with the detailed calculation of revenue amounting to Afghanis. 135,821,430/- related to FLGE Head Office appearing in the ledger.

(56) As per management assertion, FLGE Heiratan has charged 18% commission on all stock held for third parties. We found that during the year 1384 total stocks received were 397,984,161 Kgs giving a commission income amounting to Afghanis 71,637,149/-

while commission income from stock appearing in the trial balance is amounting to Afghani 45,867,483/- showing unfavorable difference of Afghani 25,769,666/-.

- (57) In FLGE Kabul branch office, stocks issued from stores as per details given by stores department were different from those of details given by sales department after considering wastage/ evaporation loss. Quantitative details and financial impact of this practice are given below.

Sr. #	Stock	Stock issued as per Store Deptt. (Liters) (1)	Stock issued as per Sales Deptt. (Liters) (2)	Wastage (Liters) (3)	Difference (Liters) (1)-(2)-(3)
1	Petrol	1,597,675	1,544,157	154,991	(101,473)
2	Diesel	1,399,880	1,274,976	13,207	111,697
3	Kerosene Oil	368,852	231,877	1,654	135,321

Financial impact:

Sr. #	Stock	Difference in Stock (Liters)	Average Rate Per liter (Afghani)	Amount (Afghani)
1	Petrol	(101,473)	21.809	(2,213,025)
2	Diesel	111,697	27.387	3,059,046
3	Kerosene Oil	135,321	27.25	3,687,497

- (58) Sales figures provided by sales department at, FLGE branch office Kabul, were different from those arrived at by using average sale rates [calculated by approved rate list (except rates of Super Benzene Oil and Lubricants) given by management]. Details are given below:

Sr. #	Particulars	Stock (Liters)	Sales Deptt.		Rate List		Difference (Afghani) (1)-(2)
			Av. Rate	Sales (Afghani) (1)	Av. Rate	Sales (Afghani) (2)	
	Petrol	1,544,157	21.809	33,676,520	27.64	42,680,499	9,003,979
	Diesel	1,274,976	27.387	34,917,768	30.33	38,670,022	3,752,254
	Kerosene Oil	231,877	33.619	7,795,473	27.25	6,318,648	(1,476,825)

- (59) Commission Income is the main source of income at FLGE branch office Herat. FLGE Herat Office took this percentage in kind @ 3% on all imports of all kinds of Fuel in the year 1384. But it has not been treated as income and is appearing as payables in trial

balance and also not taken as income in Profit & Loss Account. Moreover this account has opening and closing balances. We were not provided with any reasonable justification for this accounting treatment. Details are as under.

Sr. #	Particulars	Account Code	Amount (Afghanis)
1	Diesel	14128	1,769,143
2	Diesel	14126	51,713,294
3	Petrol	14127	77,155,095
4	Kerosene	14136	12,820,472
5	Lubricants	14135	56,626
6	Liquid Gas	14137	24,236,727
Total			167,751,357

- (60) In FLGE branch office Herat, on voucher # 12843, dated Nil, account head "Commission Income" has been debited and account head "Income from price variations" has been credited while in the ledger no credit effect was given to account head "Income from price variations". We were not provided any reasonable explanation for this accounting treatment. Details are as under:

Sr. #	Particulars	Account Code	Voucher #	Amount (Afghanis)
1	Diesel	14128	12843	5,000,000
2	Petrol	14127	12843	49,912,147
3	Kerosene	14136	12843	12,712,240
4	Lubricants	14135	12843	56,626
5	Liquid Gas	14137	12843	23,914,977
Total				91,595,990

- (61) At FLGE branch office Heiratan, some amounts posted in the ledger with voucher # 160419 were not found on the original voucher. Details are as follow:

Sr. #	Voucher #	Account Head	Amount as on ledger (Afghanis)
1	160419	Sale of liquid gas	7,323,245 (Credit)
2	160419	Sale of liquid gas	156,000 (Debit)

- (62) In FLGE branch office Heiratan, we were not provided with list of importers with total imports made by each of them and calculation of percentage on these imports.

(63) In the trial balance of Head Office no depreciation expense was provided while there are balances for fixed assets in the same trial balance.

(64) Salaries, wages, overtime and food expenses calculated from monthly salary sheets were different from balances appearing in the ledgers. Relevant details of such differences are as under:

Sr. #	Expense Head	Account Code	Balance as per Ledger (Afghanis) (1)	Balance as per Salary Sheet (Afghanis) (2)	Difference (Afghanis) (1)-(2)
1.	Salaries	32-1-007	10,235,696	2,274,412	7,961,284
2.	Wages	32-1-007-1	5,163,411	2,456,245	2,707,166
3.	Overtime	32-1-008	16,662,286	442,700	16,219,586
4.	Food	32-1-011	23,867,549	8,927,720	14,939,829
Total			55,928,942	14,101,077	41,827,865

(65) We were not provided with any reasonable justification for differences in Salaries, Remote station allowance (Akleeme), Wages, Food allowance and Relocation allowance calculated from monthly salary sheets and balances appearing in the trial balance of FLGE branch office Heiratan. Relevant details of such differences are as under:

Sr. #	Particulars	Balance as per Trial Balance (Afghanis) (1)	Balance as per Salary Sheets (Afghanis) (2)	Difference (Afghanis) (1)-(2)
1	Salary	1,136,876	999,039	137,837
2	Remote station allowance	1,217,978	978,799	239,179
3	Wages	1,358,353	960,772	397,581
4	Food allowance	4,490,035	4,269,734	220,301
5	Relocation	4,972,997	680,344	4,292,653
Total		13,176,239	7,888,688	5,287,551

(66) In FLGE branch office Heiratan, the following vouchers required by us were not provided. Details of those vouchers are given below:

Sr. #	Voucher #	Head of Account	Amount (Afghanis)
1	160449	Vehicles	33,180,700

Sr. #	Voucher #	Head of Account	Amount (Afghanis)
2	160419	Government grants	238,909
3	160449	Spare parts	123,105
4	160419	Asski tankaree	139,960
5	160367	Rental income of vehicles	12,000
6	160367	Rental income of vehicles	10,000
7	160367	Rental income of vehicles	11,000
8	160367	Rental income of vehicles	16,111
9	160420	Revenue from Akeena port	779,087
10	160424	Sale of diesel	23,424,357

(67) During our audit it was observed that in current year's ledger some vouchers were posted with dates of later years. Instance in the ledger of FLGE head office are as under:

Sr. #	Voucher No	Account Code	Amount (Afghanis)	Date As per Ledger
1.	02	32-1-008	296,756	12/09/1387
2.	722	32-1-007-1	229,496	11/6/1385

Disclaimer of Opinion

Because of the significance of matters described in Basis for Disclaimer of Opinion Paragraph above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements for the year ended Hoot 29, 1384 (March 20, 2006).

KABUL

AVAIS HYDER LIAQUAT NAUMAN

DATE:

CHARTERED ACCOUNTANTS

ENGAGEMENT PARTNER:

AMJAD JAVED TAJIK, FCA

Please refer Balance Sheet as a separate file

Please refer Income Statement as a separate file