

**Afghanaid**  
Company No. 3034888  
Charity No. 1045348

**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 MARCH 2009**

**Afghanaid**  
**Reference and Administrative Information**  
**For the year ended 31 March 2009**

<b>Company Number</b>	3034888	
<b>Charity Number</b>	1045348	
<b>Governing Document</b>	The charity was established under a Memorandum of Association which established the objects and powers of the charitable company and is governed under its Articles of Association.	
<b>Registered Office and Operational Address</b>	Development House 56-64 Leonard Street London EC2A 4LT	
<b>Board of Trustees</b>	David Page Elizabeth Winter Fiona Shickle Ian Anderson Barbara Bubb Jonathan Goodhand Malcolm Harper Tigger Stack	Chair Vice-chair Treasurer
<b>Principal Staff - Managing Director</b>	Dr. Purna Bahadur Chhetri (outgoing) Farhana Faruqi Stocker (incoming)	
<b>Bankers</b>	Barclays Bank Plc London Corporate Banking Group 54 Lombard Street London EC3X 9EX	CAF Cash Limited Kings Hill West Malling Kent ME19 4TA
	Bank Alfalah Ltd Kabul Branch 410 Charah-e-Sadarat Shehe-e-Now Kabul, Afghanistan	Muslim Commercial Bank University Town Peshawar Pakistan
	National Bank of Pakistan Kabul Afghanistan	
<b>Solicitors</b>	Russell - Cooke 8 Bedford Row London WC1R 4BX	
<b>Auditors</b>	Kingston Smith LLP Chartered Accountants Devonshire House 60 Goswell Road London EC1M 7AD	
<b>Head Office Auditors</b>	Rafaqat Babar and Co Chartered Accountants House No. 54 - 3 Shahr-e-naw Chara-e-shaheed, Nawa-e-Watt Kabul, Afghanistan	

# Afghanaid

## Report of the Trustees

### For the year ended 31 March 2009

## Report of the Trustees

The trustees present their report and the audited financial statements for the year ended 31 March 2009.

The reference and administrative information set out on page 1 forms a part of this report. The financial statements comply with current statutory requirements, the Memorandum and Articles of Association and the Statement of Recommended Practice - Accounting and Reporting by Charities (issued March 2005), the special provisions of Part VII of the Companies Act 1985 relating to small companies and the Financial Reporting Standard for Smaller Entities (effective January 2007).

### 1. STRUCTURE, GOVERNANCE AND MANAGEMENT

Afghanaid was established as a charitable trust in 1981, originally called the Afghanistan Support Committee Charitable Trust. The trust's name was changed to Afghanaid in 1983. In order to clarify the organisation's constitution, Afghanaid was incorporated on 20 March 1995 and all the assets and liabilities of the charitable trust were transferred to the company on 1 April 1996.

The objects of the company are a) to relieve poverty, hardship and distress among the people of Afghanistan and b) to apply the income and assets of the company for such charitable institution or institutions, or towards such charitable purpose or purposes, as the company through its board of trustees may from time to time decide.

We have referred to the Charity Commission's general guidance on Public Benefit when reviewing our aims and objectives and in planning our future activities. In particular, the trustees consider how the planned activities of the company will contribute to achieving the aims and objectives they have set.

Afghanaid works in some of the poorest and most remote parts of Afghanistan. Its special focus is on working with vulnerable, impoverished and marginalised communities, including women, children and youths, to improve their well being. It also advocates for social change with and on behalf of disadvantaged communities and works with them and various levels of government in Afghanistan to ensure that national development efforts are both equitable and sustainable. The organisation regularly evaluates its own work and commissions external evaluations to ensure that it is meeting its objectives and bringing benefit to the targeted communities and groups.

In order to enable decision-making to be located as close to the field as possible, the head office of the charitable company was transferred some years ago to Peshawar, Pakistan. It was then relocated to Kabul, Afghanistan, in the summer of 2003. A small registered office in London supports the Board of Trustees and provides a liaison point with supporters in the UK. Most of the organisation's offices, including its Head Office, are located inside Afghanistan.

The trustees and directorate (based in Kabul, Afghanistan) continue to keep under review any decisions made in previous years on governance of the charity.

The Board of Trustees has recently reviewed its membership and a skills audit has identified areas in which it will seek to appoint new members.

#### **Appointment of Trustees**

Members are elected to the Board of Trustees by existing members. Once elected, members remain in office for three years, unless they resign or are removed. After this time members must retire at the AGM, but are eligible for re-election by the other members.

The Board of Trustees may also appoint individuals to fill vacancies in the membership and may co-opt up to five additional members.

#### **Policies and Procedures on Training of Trustees**

New trustees are provided with copies of the Afghanaid policies and procedures, including its Memorandum and Articles of Association, as well as information on its current strategy, programmes and projects, its annual accounts and minutes of the most recent board meetings. They are also briefed by the Chair and the Managing

# Afghanaid

## Report of the Trustees

### For the year ended 31 March 2009

Director and meetings are arranged for them with key staff. The training requirements of the Board of Trustees are reviewed annually at a special board meeting which is dedicated to board appraisal and a strategy review.

#### **Organisation Structure and Decision Making**

Afghanaid's head office is based in Kabul and is overseen by the Managing Director (MD). The MD supervises the activities of the London office as well as 18 provincial and district field offices in Afghanistan with a combined total of 406 staff (all Afghan nationals except 4 staff in the UK and 6 international staff working inside Afghanistan). In 2008/9, the MD was assisted by a "Directorate" (comprising Directors of the following departments: Programme, Administration and Human Resources, Advocacy and Partnership Development, Finance/Systems/Logistics, and London office) in making key management decisions related to daily operations. District field offices report to Provincial Management Offices, which in turn report to the Deputy Managing Director (Programmes), with input and consultation from support departments on matters relating to their area of expertise. The Board of Trustees meets quarterly with the MD to review strategy, programme performance, security and other risks, funding and income matters, and to discuss significant trends and problems that may affect long-term organisational stability. The MD liaises regularly between board meetings with the Chair of the Board of Trustees.

#### **Risk Review**

The Directorate has conducted a review of the major risks to which the charity is exposed and systems have been established to mitigate these risks. In view of the political and security situation in Afghanistan, particular steps have been taken with regard to staff safety and security. Afghanaid continues to seek to diversify its funding portfolio. Internal risks are minimised by the implementation of procedures for authorisation of all transactions and projects and to ensure consistent quality of delivery for all operational aspects of the charity. These procedures are periodically reviewed to ensure that they still meet the needs of the organisation. An ethical code of conduct is in place for Afghanaid staff as a counter corruption measure. Afghanaid also subscribes to the various codes of conduct agreed at the global level by humanitarian and development organisations, adherence to which helps Afghanaid to mitigate further risks. These include the International Red Cross and Red Crescent, the NGOs' Code of Conduct in Disaster Relief and the People in Aid Code of Good Practice in Management and Support of Aid Personnel.

#### **Use of Volunteers**

Afghanaid is fortunate to have volunteers in both its London and Kabul offices. Volunteering with Afghanaid gives young people valuable work experience in the field of humanitarian action and international development which helps them launch careers in this field. In Kabul, Afghanaid has an average of 8 volunteers annually working in departments ranging from finance, administration, and human resources to information technology (IT) and programmes. In its head office in Kabul, volunteers work for a period of up to three months and Afghanaid covers their lunch and transportation costs. In the London office, volunteers are typically postgraduate students from reputable universities in the UK focusing on the international development and wishing to gain work experience. These volunteers assist with a range of fundraising activities such as fundraising events, editing documents for promotional purposes or web-based research. They typically work one day per week over a term-long internship. In addition, most of Afghanaid's programme work requires a contribution from the rural communities where it works, which is usually a combination of donated space, materials, labour and time spent on projects implemented by Afghanaid.

#### **Organizational Background**

Afghanaid is a single country international non-governmental organization (NGO) with its Board of Trustees in the United Kingdom (UK). It is working together with Afghan women, men and children to advocate for and enhance their opportunities and capabilities for sustainable and equitable economic and social development. Afghanaid is committed to gender equality and a rights-based approach, with women at the centre of its work. It supports poor rural communities to improve their well-being and claim their social, economic and political rights through the promotion of more responsible local governance. It achieves this by

# Afghanaid

## Report of the Trustees

### For the year ended 31 March 2009

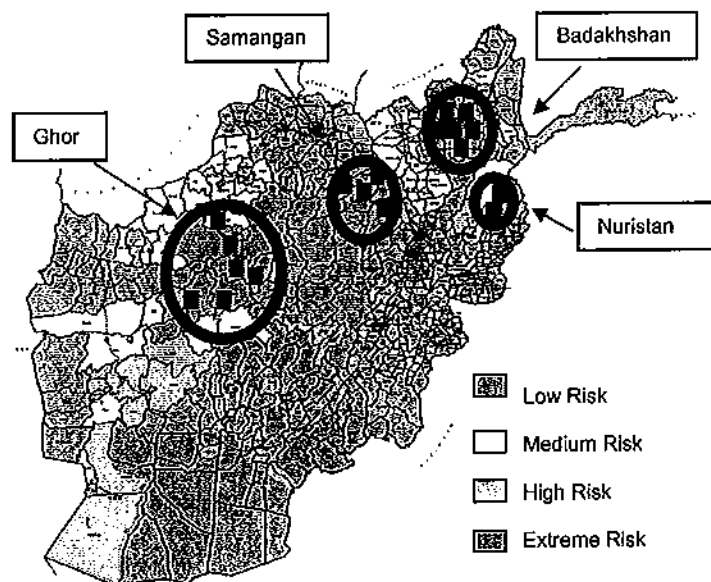
raising awareness of the roles and responsibilities of stakeholder groups and their representatives at various levels of informal local governance structures.

Afghanaid was established in 1983 to provide humanitarian assistance to refugees and displaced communities in Afghanistan. The mission of Afghanaid is to assist impoverished rural Afghan communities by building their capacity to enhance their economic and social development in a sustainable and equitable manner with special focus on marginalised groups. By 1985, Afghanaid was providing emergency relief assistance inside Afghanistan and running a fleet of ambulances across the border between Afghanistan and Pakistan. As fighting became more localised during the early 1990s, Afghanaid began to assist in the rehabilitation and recovery of major physical infrastructure and the re-vitalisation of food production. Since 1995, Afghanaid has been implementing a rural development programme with an integrated approach focusing on strengthening community self-reliance that combines civil engineering, agriculture and food security, local governance, animal husbandry, community infrastructure, vocational training for women, health education, child and youth development, rural enterprise and micro-finance.

## 2. THE OPERATIONAL CONTEXT

Today Afghanaid works in over 2,000 villages in partnership with approximately 1400 grassroots governance and development institutions called *shura* and community development councils (CDCs) across Northern (Samangan), North-eastern (Badakhshan), Eastern (Nuristan) and Western (Ghor) parts of the country. With the exception of Samangan, these provinces are among the most poor, highly food insecure and physically remote parts of the country. The 2009 Humanitarian Action Plan – Afghanistan mid-term review - estimated that 40,000 Afghans are affected by natural and man-made disasters each year, based on average numbers since 2005. Badakhshan, Ghor and Nuristan provinces are mountainous and suffer from harsh and long winters. It is extremely difficult for villagers to have access to basic services, such as health care and education, for almost six months of the year. Further to this, all areas of Afghanaid programming are prone to natural disasters. Local communities are particularly vulnerable to annual cycles of flash floods, prolonged periods of drought and occasional earthquakes. Severe flooding caused by heavy spring rainfall in 2009 resulted in the loss of lives and livelihoods of hundreds of households in the North and North-eastern parts of the country, including three of the four provinces where Afghanaid works (Samangan, Ghor, and Badakhshan).

In Afghanistan, more than 80% of the existing labour force depends on agriculture. Between 2005 and 2008, the devastating effects of the late 2007/08 global food price crisis, coupled with the adverse impact of repeated cycles of drought on agricultural production, the dire state of irrigation systems and the absence of alternative income generating opportunities significantly increased the number of households that do not meet their minimum daily kilocalories intake. According to the preliminary findings of the 2007/08 National Risk and Vulnerability Assessment (NRVA), an estimated 7.1 million persons are food-insecure, of which 5.8 million live in rural areas. Badakhshan, with more than 60% of its population classified as food insecure, is rated the worst food-secured province in the country, followed by Ghor and Daikundi. In Samangan province, the figures are



# Afghanaid

## Report of the Trustees

### For the year ended 31 March 2009

equally alarming – over 65% of the households have low dietary diversity with very poor food consumption and 23% of households have poor food diversity. These statistics indicate a 5% increase in the number of households that do not meet their minimum daily kilocalories intake compared to the findings of the 2005/06 NRVA. Additionally, in 2008, 46% of sampled households were classified as having very poor dietary diversity and very poor food consumption, which constitutes a 20% increase compared to the figures of the 2005/06 NRVA.

The spring floods of 2009 further deepened food insecurity in these areas. According to the findings of Afghanaid's rapid assessment conducted at the time of the floods, which is cited in the Humanitarian Action Plan Mid-Year review published in July, over 150 people lost their lives, over 5,500 hectares of agricultural land were affected, some 22,000 livestock were lost and about 4,200 fruit trees were destroyed in 10 out of the 18 flood-affected districts of Badakhshan, Samangan and Ghor provinces in which Afghanaid works. The floods left over 2000 affected households in the need of immediate humanitarian assistance.

Security conditions affecting Afghanaid's operating environment deteriorated considerably during 2008/09, bringing new risks and threats to aid workers in the delivery of humanitarian and development assistance to Afghans with acute life saving and life sustaining needs. According to independent sources, including the United Nations, credible international media and Security Think Tanks, 2008/09 saw the war waged by the Afghan government and its allied international security forces against the Armed Opposition significantly spread to new geographical locations and an increase in its intensity. The new security risks and threats faced by aid workers in 2008/09 impeded Afghanaid's operations and seriously affected staff security and access to some Afghan communities in dire need of assistance. While the provinces of Samangan and Badakhshan remained relatively stable, the situation in parts of Ghor continued to deteriorate, affecting particularly Afghanaid staff movements. In Shahrak district of Ghor province, Afghanaid had to suspend its operations for nearly two months due to the volatility of the security situation and only resumed its presence on receiving security guarantees from community leaders and district and provincial officials. The security situation in Nuristan, the fourth province where Afghanaid works, changed dramatically for the worse, to the extent that Afghanaid suspended its operation in Kamdesh district and had to significantly reduce its presence in Bargematal district, limiting it to 25 communities, as unimpeded access to communities and staff protection and security became difficult.

As a result of the changing security environment, a high proportion of management time had to be spent in managing the security of Afghanaid staff, programmes, assets and official compounds. Spending increased on additional measures to mitigate security related risks, such as using air travel to locations where previously it was safe to travel by road. Intermittent suspension of work in some areas of Shahrak and Bargematal districts also resulted in higher operational costs as staff and other overhead costs had to be maintained while community work was suspended.

### **3. OBJECTIVES, STRATEGIES, PERFORMANCE AND ACHIEVEMENTS.**

Afghanaid believes that putting people and their livelihoods at the centre of development is pivotal to ensuring long lasting impact and change in the lives of the poor. Improved livelihoods are achieved by developing the physical, financial, natural, social and human resources available to them in a sustainable way. Afghanaid takes primarily a capacity building and facilitation role to enable rural women, men, youth and children to develop their skills, capacities, knowledge, and experience so that they can plan and execute development projects to bring improvements in their lives, livelihoods and well being. Afghanaid also facilitates the creation of economically viable opportunities for rural poor families to earn better incomes through the introduction of alternative livelihoods. This includes, for example, the transfer of agricultural technology and know-how to rural communities so that they are better equipped to manage the natural resources available to them and are skilled in improved farming techniques. Occasionally, Afghanaid provides or arranges provision of improved agricultural inputs to resource-poor farming families to enhance their agricultural production. Afghanaid also promotes inclusive, accountable and responsive grassroots institutions in order to increase equitable participation and ownership in development planning and delivery, particularly by more vulnerable groups such

# Afghanaid

## Report of the Trustees

### For the year ended 31 March 2009

as women and youth, at the grassroots and sub-national levels. 2008/09 saw continued efforts by Afghanaid to strengthen its work in these areas.

Afghanaid believes that inclusive and democratic institutions are pivotal in ensuring the success and sustainability of development interventions. Afghanaid strives to work with every strata of society through institutions at the grassroots and higher levels. These include farmers' associations and cooperatives, women's groups, youth and child peer groups; local governance institutions outside formal governance structures, such as Community Development Councils (CDCs), Cluster Level Development Councils (CLDCs), District Development Assemblies (DDAs) and Provincial Development Assemblies (PDAs); as well as with relevant government line ministries, such as the Ministry of Rural Rehabilitation and Development (MRRD), Ministry of Agriculture, Irrigation and Livestock (MAIL), Ministry of Energy and Water (MEW), Ministry of Women Affairs (MoWA), Ministry of Education (MoE), Ministry of Economy (MoEc) both at the national and sub-national levels. The aim of all this work is to create an environment which allows the individual to lead a life with dignity and free from fear and want. This is achieved through a set of interventions which promote the holistic development of the individual, the family and the community. At the centre of Afghanaid's development strategy lies the notion of good governance and gender equality. The objective is to develop the capacity of inclusive local governance institutions and to empower communities, interest groups and associations to play an active role in shaping the development agenda of the government through a constructive policy dialogue. At the Millennium Summit organised by the General Assembly of the United Nations in September 2000, world leaders committed to the Millennium Declaration that outlines a common vision of peace and security, development and poverty eradication, and lastly human rights through a set of development benchmarks manifested in the Millennium Development Goals (MDGs). Good governance has been underscored as a pre-requisite and a decisive factor in achieving the key development priorities set out in the Declaration.

Afghanaid is an implementing partner for the Government of Afghanistan's flagship National Solidarity Programme (NSP) and in 2008/9 worked with communities in over 2000 villages. Its role is to facilitate the election and capacity development of Community Development Councils (CDCs), equipping the CDCs with the necessary skills and competencies to represent effectively their respective constituencies in an inclusive, accountable and transparent fashion. This entails ensuring that women and men have equal access to project resources and capacity development opportunities. To further that goal, Afghanaid facilitates the setting up of women's CDC sub-committees, wherever the social and cultural conditions allow it, to ensure that women receive the same leadership and management training as male CDC members. To date, Afghanaid has facilitated the election of over 1,800 CDCs.

In addition to the strengthening of representative institutions at village level, in 2008/09, Afghanaid played an important role in the formation and capacity development of clusters of grassroots citizens' institutions, which it calls Cluster Level Development Councils (CLDCs). Over the last year, Afghanaid has facilitated the establishment of 40 CLDCs. These clusters have become distinct development actors in their own right, drawing their strength and power from the collective force of grassroots institutions. They are driven by their common purpose of bringing positive change for all groups of local communities in their area and they work to influence policy formulation and decision-making in district and provincial development forums, in addition to resolving conflict and building a culture of harmony, tolerance and co-existence.

Afghanaid's longer term aim is to facilitate the emergence of a new leadership within these grassroots development and informal governance institutions and to make them more democratic and inclusive. It seeks to link local representative institutions to the state institutions and ensure that the needs and concerns of the rural poor, in particular those marginalized and excluded from mainstream political and development processes, are communicated and incorporated in development policy making, planning, and resource allocation.

In 2008-09, Afghanaid's work as an implementing partner for the Afghan government's National Solidarity Programme (NSP) was impeded by long delays in the approval of project proposals and the distribution of block grants to village communities by the relevant government departments. Because of these difficulties, Afghanaid was obliged to make 97 of its NSP staff redundant in the summer of 2008. It subsequently took a

# Afghanaid

## Report of the Trustees

### For the year ended 31 March 2009

decision to scale down NSP activities in 15 of the 18 NSP districts where it works during the winter months from December 2008 to April 2009, when many areas were inaccessible due to extreme weather conditions. 89 NSP staff were sent on annual leave, followed by unpaid leave, and only resumed work in the spring once funding for projects had been secured. The above challenges affected the timely completion of the NSP targets, in particular infrastructure sub-projects.

During the winter months of 2008, Afghanaid and other NSP implementing partners successfully advocated with the NSP and the World Bank for amendments to NSP payment protocols to take account of the financial pressures on NGOs caused by funding delays. As a result, implementing partners were able to invoice for partial payments against work substantially completed in some provinces in 2008-09. However, the investment of Afghanaid's own resources in the maintenance of staff commitments to the programme has been a drain on reserves and the recuperation of this investment is anticipated only in the winter of 2010

In Nuristan, the implementation of the NSP was suspended in Kamdesh in September 2007. This decision was made after the security situation in the district deteriorated significantly, posing great personal security threats to Afghanaid national staff. In Bargematal district, where we continued our work in 2008/09, NSP activities faced intermittent periods of suspension for the last three months of 2008/09 for security reasons. As a result of growing insurgency in Nuristan, Afghanaid is relying entirely on local staff to maintain a skeleton operation, pending an improvement in conditions.

Despite all these challenges, the impact of the NSP implementation on the lives of the rural communities has been immense. The establishment of elected village councils, the provision of women's committees and the availability of government funds for community prioritised and managed development actions, have provided tangible means of empowering local communities and improving their lives.

#### ***Bringing Change to the Lives of Vulnerable Groups***

**Women:** Rural women in Afghanistan lead a secluded life and do not have roles in the public sphere. Due to cultural and social values, boys and men receive preferential treatment and accompanying status in the society, whereas girls and women are often subjected to discrimination and segregation. The present situation of Afghan women is extremely challenging in terms of their restricted access to basic services to live a life of dignity and fulfilment. Equally difficult is their access to opportunities of personal growth and development to acquire economically viable skills and to earn incomes –an important pre-requisite to change Afghan women's current conditions and to ensure their social protection and improved status in Afghan society. Afghanaid's work shows that in response to the deterioration of the food security situation, rural families have increasingly adopted coping strategies which also entail forced early marriages of their daughters or sisters to settle debts or improve their livelihoods.

Twelve years ago, to address women's lack of access to resources, Afghanaid began establishing women's resource centres (WRCs). These centres have provided an opportunity for village women to meet and to receive training in income generation, basic health and literacy at a time when few other options for women were available. Because women often experience cultural constraints on their mobility outside their communities, Afghanaid has organized a system of mobile WRCs that move from community to community for six months at a time. Afghanaid also works with more informal women's groups that are interested in gaining skills to become health educators, literacy instructors or other types of trainers. WRCs continue to be very popular today and the Afghanaid model has been adopted by many new communities in their choice of priority projects under the NSP.

In 2008/9, under its good governance initiative, Afghanaid continued to help women to play an instrumental role in decision making in local governance. Afghanaid's work has successfully mobilised families and communities to create socially protective spaces for Afghan women to engage in community development processes. Today, many are members of development institutions, such as CDCs, CLDCs and DDAs. In 2008/9, hundreds of women benefited from capacity development initiatives, equipping themselves with skills to contribute to decision making on matters concerning the development of the community as a whole.

# Afghanaid

## Report of the Trustees

### For the year ended 31 March 2009

Afghanaid also strengthened its work on economic empowerment initiatives for women. It piloted an innovative method to help poor rural women to earn income through the establishment of 30 women-run public call offices in remote rural areas. It also facilitated the setting up of women's saving and lending groups to diversify their income sources by starting economically viable businesses. There are currently 44 women's Self Help Groups (SHGs) and 39 women's Common Interest Groups (CIGs) in Samangan, Badakhshan and Ghor, out of a total of 143 existing groups (68 SHG and 75 CIGs).

**Children:** In 2008-09, Afghanaid implemented the last year of a five year innovative project with funding from Comic Relief, which focuses on educating children, youth, parents and other community members about children's fundamental rights as set out in the UN Convention on the Rights of the Child. The advocacy, awareness raising and capacity development interventions under Afghanaid's Child Development Programme have contributed to:

- a. the reduction of early child marriages (138 cases of early child marriages were prevented);
- b. the return of 628 children to school: 303 boys and 325 girls
- c. the empowerment of over 4700 boys and girls - 2297 girls and 2470 boys - to articulate and advocate for their fundamental rights for a life free from want and fear.

Afghanaid's 255 peer groups (132 boys' and 123 girls' groups) received capacity development training at 16 child development centres established under the project. These events helped to protect children's rights and meeting their basic needs, expanding their opportunities to reach their full potential and to create awareness of the importance of health and hygiene education for the wellbeing of the growing generation.

#### *Key Components of the Programme Portfolio*

##### **A. Management of Natural Resources for Improved Productivity**

An estimated 31% of the Afghan population do not meet their minimum daily kilocalories intake, which makes improving food security a critical priority. Below-average levels of rain and snow during the 2007/08 wet season, high food prices, and low regional cereal supplies led to increased levels of food insecurity for small-scale farmers, rain-fed agriculturalists, and pastoralists in 2008/09 and remain a serious concern. Limited rainfall caused poor crop and cereal production and pasture development, decreased prices for animals, and increased competition over available grazing land. Small-scale farmers, including rain-fed agriculturalists, who do not normally produce enough to eat and rely on markets to source their food needs once they have depleted their stocks, have become more vulnerable to food insecurity. Below-normal grain production has caused these households to run out of stocks earlier and reduced their resilience, forcing them to engage in coping strategies such as de-stocking and borrowing money to generate the income needed to buy cereals at high and rising market prices.

To meet this challenge, Afghanaid continues to provide much needed agricultural inputs, coupled with capacity-building initiatives to farmers' groups to improve, diversify, and add value to their production. Afghanaid encourages the sustainable use of common property resources such as irrigation systems, forests and pastures. The methods include the trialling and disseminating of improved varieties of cereals, vegetables and fruit; bee keeping; kitchen gardens; food processing; the replanting of pasture lands and the use of drought resistant fast-growing trees to revitalise degraded lands.

The animal health component focused on the treatment and the vaccination of livestock by Basic Veterinary Workers (BVWs) and Paravets, with follow up visits conducted by animal health workers, who had obtained technical support and received medicines, vaccines and kits from Afghanaid. Afghanaid is in the process of launching an Artificial Insemination programme. The aim is to improve the quality of local livestock in order to increase the production of dairy products. Afghanaid provides these services to farmers at subsidised rates but in the long term it aims to convert this initiative into a private business for which farmers will be required to pay in line with the government's own strategy for the privatisation of the sector.

## Afghanaid Report of the Trustees For the year ended 31 March 2009

The following chart gives some indicators of recent achievements of Afghanaid's agricultural programme. Owing to a shortage of institutional funding, agricultural and veterinary extension services were curtailed in 2008/9 and have had to be cut back further in 2009/10.

Activity	2008-2009 Planned	2008-2009 Actual	2009-2010 Planned
Number of animals vaccinated	300,000	364,556	200,000
Number of farmers received livestock extension services	40,000	10,895	20,000
Number of animals treated	200,000	216,571	80,000
Number of farmers received technical assistance	30,000	20,000	25,000
Number of orchard established/rehabilitated	90	148	140
Number of saplings distributed	2,000	2971	40,000
Number of farmers trained in bee-keeping	200	249	220
Number of farmers trained in vegetable production	2000	2270	4,500

The animal husbandry targets for the fiscal year 2009/10 have been reduced due to a shortage of funding for Ghor and Badakhshan provinces. In Samangan, the livestock component of our work is funded by the Swiss Development Cooperation (SDC), and continues to build on the results of Phase I of the SDC-funded Rights Based Approach to Livelihoods Security (RBLs), which came to an end in May 2009. In Ghor we continued our work in animal health with funds from the Government of Lithuania. Over 4,500 farmers in Badakhshan and Ghor continue to benefit from various technical assistance programmes provided by Afghanaid with support from the German Development Cooperation (GTZ) as well as through an EC funded programme 'Linking Relief and Rehabilitation to Sustained Food Security' in Lal wa Sarjantal district of Ghor province. The launch of the EC funded Upper Catchment and Rehabilitation project in Badakhshan in 2008-09 resulted in a significant increase in the planting of saplings.

### **B. Rural Enterprise Development and Access to Credit and Savings Facilities**

Urgent economic needs in Afghanistan have motivated Afghanaid to strengthen its focus on income generation and sustainable economic development with special emphasis on rural poor producers and small landholders. Rural communities often engage in a variety of micro-enterprise activities, e.g. vegetable production, dairy or livestock rearing, non-agro-based enterprises. However, these micro-enterprises rarely expand and become truly profitable due to a lack of collaboration, available cash for investment, and knowledge regarding micro-enterprise development and markets. When community groups can access credit, poor households generally opt to either expand their existing micro-enterprise operation or engage in a new area of entrepreneurship. For rural communities, particularly the poorer sections, which often include women-headed households, collaboration in micro-enterprise projects builds and strengthens their household and collective economy. It also provides an opportunity to develop their personal confidence, capabilities and abilities, enhance their skills in business and social networking, and enables women particularly to increase their say in decisions affecting their personal lives and future. Women realise their own strengths and potentials when they understand that they can operate as a group and can consolidate their resources to generate sustainable means of income and economic empowerment.

In 2005, Afghanaid piloted the formation of Self Help Groups (SHGs) as an innovative method of improving access to rural finance and facilitating the creation of rural micro enterprises. With the launch of the Afghanistan Government's Rural Enterprise Development programme (AREDP), Afghanaid piloted a new Common Interest Group (CIG) methodology in four districts of Badakhshan and later in Ghor and Samangan. Today, Afghanaid supports 72 SHGs and 75 CIGs across Badakhshan (Argu, Baharak, Shuhada and Keshim districts) – primary pilot areas - as well as in Samangan (Hazarat-i-Sultan, Ayback, Firuz Nakhchir and Khuram wa Sarbagh districts), and Ghor (Chegcharan, Dawlatyar and with the process just initiated in Lal wa Sarjangle).

## Afghanaid Report of the Trustees For the year ended 31 March 2009

The main difference between the CIG and SHG, with members of 15 to 20 people, is that the former is an asset based group whereas the latter is affinity based. The CIGs come together with the aim of creating micro enterprises and these institutions benefit from similar capacity building initiatives to those undertaken with SHGs. The CIGs are more advanced in identifying an income generating activity and developing a clear business vision, which is translated into viable income generating initiatives either for the group or individual group members. These goes hand in hand with savings credibility and internal group lending to match external financial injections. For internal lending, the Islamic principles of '*muzareba*' and '*murabaha*' are used (equal sharing in loss and profit) whereas for external credit, the rules and regulations of the lending financial institutions are applied.

The following chart gives some indicators of types of capacity development initiatives and numbers of enterprises established over the past year:

Activity	2008-09 planned	2008-09 Actual	2009-2010 planned
Number of men receiving book keeping training	2,000	800	1000
Number of women receiving book keeping training	2,000	630	1500
Number of men receiving Business Development Skills training	750	607	500
Number of women receiving Business Development Skills training	2,000	788	910
Number of male trainees helped to set up enterprises	500	110	100
Number of female trainees assisted to set up enterprises	350	275	200

In 2008/9, Afghanaid continued to provide support to over 140 groups, though the number of capacity development initiatives had to be significantly reduced owing to a reduction in funding. To date, six mature groups have been linked to external financial services. The credit was provided in February/March 2009 by the Afghanistan Rural Microfinance Programme (ARMP), which has now merged with the First Micro Finance Bank (FMFB)).

### C. Physical Resources – Productive Community Infrastructure

Afghanaid has facilitated the construction of many productive community infrastructure projects to improve economic development at the grassroots level under the NSP and other integrated livelihood development programmes. Afghanaid engineers assisted communities in rehabilitation and construction of community facilities such as irrigation systems, flood protection walls, drinking water supply, and access roads. Delay in disbursement of sub-project block grant allocations to the communities by the NSP, as well as long and harsh winter conditions, have held back the completion of many sub-projects by CDCs. 30 infrastructure sub-projects were also affected by severe flooding as a result of heavy rains during winter/spring of 2009 in Ghor and Samangan provinces.

The following table gives a breakdown of types of projects facilitated by Afghanaid:

Activity	2008-09 Planned	2008-09 Actual	2009-2010 Planned
Water supply and sanitation	100	120	154
Irrigation	155	125	55
Education	100	84	98
Transport	151	107	108
Power	120	110	92

# Afghanaid

## Report of the Trustees

### For the year ended 31 March 2009

#### D. Social Resources - Local Governance Skills Training

Under the umbrella of the NSP, Afghanaid organises elections of CDCs in rural village communities. The CDC serves as a consultative decision-making body that includes men, women and traditionally marginalised members of the community. Afghanaid trains CDCs to facilitate participative planning processes with community members, resulting in Community Development Plans (CDPs), which highlight community development priorities. The next stage is to implement and manage the priority development projects. For the latter to happen, CDC members undergo training in project cycle management. During 2008/09, Afghanaid trained over 1,400 members of CDCs. CDCs are also trained in how to represent and report to community members in a transparent, accountable fashion. The following chart gives some indicators of Afghanaid training activities with CDCs:

Activity	2008-09 Planned	2008-09 Actual	2009-2010 Planned
Number of Community Development Plans completed	95	95	40
Number of CDC members receiving training in project management	1,200	1,450	1000

#### 4. FINANCIAL REVIEW

2008-09 saw a renewed and dedicated investment in raising restricted income from institutional donors. Afghanaid head office took a pro-active approach in identifying funding opportunities by strengthening its contacts and relations with the donor community. The overall income received by Afghanaid in 2008-09 was £3.13 million compared with £2.66 million in 2007-08. The increase of 18% reflects an increase in grants secured from the National Solidarity Programme (NSP), the European Commission (EC), German Development Cooperation (GTZ), Catholic Relief Services (CRS), and the Swiss Agency for Development and Cooperation (SDC). A major part of Afghanaid's restricted income during the year came from grants from NSP. During 2007-08, NSP changed its payment criteria by increasing the proportion of grants paid on completion of community projects. During 2008/9, the defined targets were only partially met, for the reasons explained earlier in this report, which resulted in a deficit in funds in this grant at the year end. One of the main reasons was bottlenecks in the delivery of funds to communities from government sources, without which work on projects could not proceed smoothly.

Our long term relations with EC, Swiss Agency for Development and Cooperation and Comic Relief continued. During the year, we also secured funding from the UN Food and Agriculture Organisation (FAO), the UN World Food Programme (WFP) and Afghanistan's Ministry of Agriculture, Irrigation and Livestock (MAIL). We received generous donations from individual supporters in the UK and elsewhere. However, a drop in legacy income contributed to a 40% reduction in voluntary income during 2008/09.

The overall expenditure in 2008-09 was £3.08 million compared with £2.91 million in 2007-08. The 6% increase in overall expenditure was mainly due to an increase in the cost of generating voluntary income in the UK and the devaluation of the pound against the Afghani. Expenditure in local currency was less than the previous year but due to the reduction in the value of the pound the translated expenditure increased by 6%.

Included in debtors is an amount of £46K owed to Afghanaid by a consortium partner against an old contract. The total amount owed by the consortium partner was £74K, out of which an amount of £46k has been recovered in 2009/10 in final settlement of the claim.

In the last quarter of the financial year, outstanding grants from NSP were received which resulted in a 40% increase in cash and bank balances at the year end.

Creditors increased by £249K (2007/8: by £48K) which was due to accrued staff costs and the withholding of taxes payable to the Government of Afghanistan at the year end. Afghanaid had applied to the Government of Afghanistan for an income tax exemption on expatriate staff salaries, which was later turned down. According

# Afghanaid

## Report of the Trustees

### For the year ended 31 March 2009

to the income tax law of Afghanistan, if any payments of tax are made to Government the amount cannot be reclaimed even if the exemptions are granted. Afghanaid therefore decided to withhold the payments until a decision is made on income tax exemption by the Government authorities.

#### **Reserves Policy**

##### **Contingency Reserve**

Afghanaid considers it prudent and necessary to hold in reserve for the future some of its unrestricted funds. The purpose of the reserve is to cover the risk of having to cancel or seriously curtail planned programmes if there is a delay in receiving approved grants from donors. The need for this type of short-term, cash-flow funding arises from the seasonal nature of much of Afghanaid's work which makes it imperative to start projects at particular times or risk losing the whole season's work; the long decision-making cycles of major institutional donors and the delays experienced in actually receiving grants from them; and, finally, the volatile political conditions in Afghanistan which can require swift changes in plans.

The main use of Afghanaid's reserve is to cover the risks relating to cash-flow. Afghanaid will however only use its reserve for short-term, stop-gap, cash-flow funding of projects which have already been approved by the donor. Afghanaid ensures approval of full funding before starting a project and does not risk the reserve on projects not approved by the donors. The reserve is not consumed on project expenditure and is expected to be replaced when the relevant donor funds are received.

In the unlikely event that the organisation has to shut down, the reserve is also to be used to fund Afghanaid's liabilities on closure. These liabilities are calculated annually and the reserve is adjusted accordingly. At 31<sup>st</sup> March 2009 the reserve was £225,164. This is considered by the trustees to be adequate.

##### **General Reserve**

Afghanaid aims to have a surplus of unrestricted funds after a contingency reserve has been set aside from those funds. Since it is hard to raise unrestricted funds for projects in Afghanistan, Afghanaid takes care only to spend these surplus funds on activities which are not covered by donor grants and which are necessary to achieve Afghanaid's agreed purposes and strategy.

The value of the general reserve at 31<sup>st</sup> March 2009 was £206,652. It is the view of the trustees that efforts should be made to increase the general reserve. Though this is likely to be challenging in the short term, it is now the main focus of the fundraising strategy of Afghanaid's London Office, whose progress is monitored on a regular basis.

##### **Future Plans**

In 2009/10, Afghanaid plans to complete a significant part of its work under the National Solidarity Programme. The remainder of the work will be completed by September 2010.

Another priority is to develop new proposals and to diversify sources of funding. A specific priority is to raise substantial funds to meet the humanitarian challenges facing the communities with whom we work.

Afghanaid's work with children and youth will be evaluated at the end of the current programme cycle (in 2009-10) and new proposals developed to meet the growing needs of this sector. A similar evaluation is planned for its Women Resource Centres Programme.

Funds will be mobilised under donor contracts to strengthen the monitoring and evaluation capacity of the organisation by recruiting senior level staff at Head Office and provincial level.

To further improve programme quality, Afghanaid also plans to recruit subject specialists in local governance, community development, disaster management, micro-finance and rural enterprise development.

# Afghanaid

## Report of the Trustees

### For the year ended 31 March 2009

With security in Afghanistan deteriorating, Afghanaid staff face increased risks in carrying out their work. The organisation plans to increase resources devoted to security and to risk management.

Afghanaid will continue to advocate in the UK and Afghanistan for greater donor attention to the long term needs of communities in the north of the country, which have been relatively neglected owing to greater concentration on the militarily-sensitive southern and eastern provinces.

#### Statement of Trustee's Responsibilities

The trustees (who are also directors of Afghanaid for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice.)

Company law requires trustees to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up. The total number of such guarantees at 31 March 2009 was 8. The trustees are members of the charity but this entitles them only to voting rights. The trustees have no beneficial interest in the charity and are not remunerated. No political or charitable donations have been made.

**Afghanaid**  
**Report of the Trustees**  
**For the year ended 31 March 2009**

**Auditors**

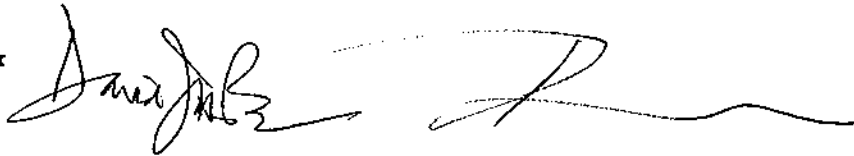
Kingston Smith LLP were appointed auditors in the year and have indicated their willingness to continue in office. In accordance with the provisions of the Companies Act it is proposed that they be re-appointed auditors for the ensuing year.

**Small Company Rules**

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with Financial Reporting Standard for Smaller Entities (effective January 2007).

Approved by the trustees on  
and signed on their behalf by:

Fiona Shickle, Treasurer  
David Page, Chair

Two handwritten signatures in black ink. The first signature is on the left and the second is on the right, both appearing to be cursive and somewhat stylized.

**Company Number: 3034888**

# Afghanaid

## Independent Auditors' Report to the Members of Afghanaid

We have audited the financial statements of Afghanaid for the year ended 31 March 2009 which comprise the Statement of Financial Activities [Incorporating the Summary Income and Expenditure Account], the Balance Sheet and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2007)

This report is made solely to the charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken for no purpose other than to draw to the attention of the charitable company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charitable company and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective Responsibilities of Trustees and Auditors

The responsibilities of the trustees' (who are also the directors of Afghanaid for the purposes of company law) for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Trustees' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and other transactions is not disclosed.

We read the Trustees' Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with the United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the charitable company's affairs as at 31 March 2009 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information provided in the Trustees' Annual Report is consistent with the financial statements.

Devonshire House  
60 Goswell Road  
London EC1M 7AD

Date: 3/12/2009

*K.S. SA LLP*

Kingston Smith LLP  
Chartered Accountants  
and Registered Auditors

**Afghanaid**  
**Statement of Financial Activities**  
**(Incorporating the Summary Income and Expenditure Account)**  
**For the year ended 31 March 2009**

	Note	Unrestricted Funds £	Restricted Funds £	2009 Total £	2008 Total £
<b>Incoming Resources</b>					
<b>Incoming resources from generated funds</b>					
Voluntary income	2	186,414	22,477	208,891	312,442
Investment income		9,968	-	9,968	17,971
<b>Incoming resources from charitable activities</b>					
Grants for rural rehabilitation and emergencies	3	2,582	2,867,887	2,870,469	2,311,113
<b>Other incoming resources</b>		<u>40,945</u>	<u>-</u>	<u>40,945</u>	<u>19,627</u>
<b>Total Incoming Resources</b>		<u>239,909</u>	<u>2,890,364</u>	<u>3,130,273</u>	<u>2,661,153</u>
<b>Resources Expended</b>					
<b>Cost of generating funds</b>					
Cost of generating voluntary income		<u>297,724</u>	<u>-</u>	<u>297,724</u>	<u>179,408</u>
<b>Charitable activities</b>					
Rural rehabilitation and emergencies		380,475	2,356,762	2,737,237	2,676,239
Advocacy		19,708	-	19,708	15,543
<b>Governance</b>		<u>9,725</u>	<u>15,752</u>	<u>25,477</u>	<u>36,187</u>
<b>Total charitable expenditure</b>		<u>409,908</u>	<u>2,372,514</u>	<u>2,782,422</u>	<u>2,727,969</u>
<b>Total Resources Expended</b>		<u>707,632</u>	<u>2,372,514</u>	<u>3,080,146</u>	<u>2,907,377</u>
<b>Net Incoming/(Outgoing) Resources before Transfers</b>	5	(467,723)	517,850	50,127	(246,224)
Transfers between funds	18	<u>33,843</u>	<u>(33,843)</u>	<u>-</u>	<u>-</u>
<b>Net Incoming/(Outgoing) Resources before Exchange Gains and Losses</b>		(433,880)	484,007	50,127	(246,224)
Net unrealised exchange rate (losses)/gains		68,897	-	68,897	15,938
Exchange gains/(losses) on consolidation		<u>1,491</u>	<u>16,019</u>	<u>17,510</u>	<u>18,550</u>
<b>Net Movement in Funds</b>		(363,492)	500,026	136,534	(211,736)
Funds at 1 April 2008		<u>1,109,615</u>	<u>614,670</u>	<u>1,724,285</u>	<u>1,936,021</u>
<b>Funds at 31 March 2009</b>	15	<u><u>746,123</u></u>	<u><u>1,114,696</u></u>	<u><u>1,860,819</u></u>	<u><u>1,724,285</u></u>

All of the above results are derived from continuing activities. There were no recognised gains or losses other than those stated above. Movements in funds are disclosed in note 15 to the financial statements.

The notes on pages 18 to 28 form a part of these financial statements.

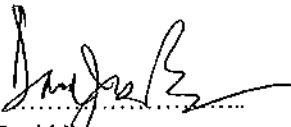
# Afghanaid

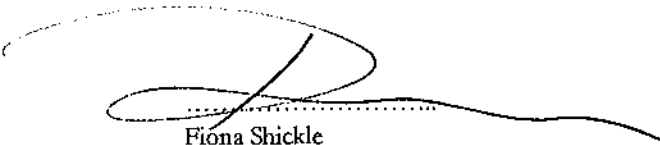
## Balance Sheet as at 31 March 2009

	Note	2009 £	2009 £	2008 £	2008 £
<b>Tangible Fixed Assets</b>	8		115,814		146,882
<b>Current Assets</b>					
Stocks	9	-		4,471	
Debtors	10	870,788		809,284	
Cash at bank and in hand	11	<u>1,247,930</u>		<u>888,391</u>	
		2,118,718		1,702,146	
<b>Less: Creditors</b>					
Amounts due within one year	12		<u>373,713</u>	<u>124,743</u>	
<b>Net Current Assets</b>			<u>1,745,005</u>		<u>1,577,403</u>
<b>Net Assets</b>			<u><u>1,860,819</u></u>		<u><u>1,724,285</u></u>
 <b>Funds</b>					
Restricted funds					
In surplus			1,292,952		1,007,582
In deficit			(178,256)		(392,912)
Unrestricted funds					
Designated funds			539,471		691,287
General funds			<u>206,652</u>		<u>418,328</u>
<b>Total Funds</b>	15		<u><u>1,860,819</u></u>		<u><u>1,724,285</u></u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2007).

Approved by the Board, authorised for distribution, on ..... 31.12.09 .....  
and signed on their behalf by:

  
.....  
David Page  
Chair

  
.....  
Fiona Shickle  
Treasurer

The notes on pages 18 to 28 form a part of these financial statements.

# Afghanaid

## Notes to the Financial Statements

### For the year ended 31 March 2009

#### 1 Accounting Policies

##### a) Accounting Convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and follow the recommendations in the Statement of Recommended Practice - Accounting and Reporting by Charities (March 2005) and the Financial Reporting Standard for Smaller Entities (effective January 2007).

##### b) Basis of consolidation

The financial statements incorporate both the London and Afghanistan branches. Inter-branch transactions are eliminated on consolidation.

##### c) Incoming Resources

Donations are recognised on a cash received basis.

Legacies are recognised in the statement of financial activities when there is adequate certainty and reliability of receipt, and their value can be accurately measured.

Donated goods, services and facilities represent the value of the contribution made by beneficiaries. This arises where beneficiary communities provide labour and materials whilst Afghanaid provides engineering advice. Donated goods, services and facilities are recognised at a financial cost to third party only when the third party is bearing the cost of services supplied. An equivalent amount is included in resources expended in accordance with the recommendation of SORP.

Investment income is recognised on a receivable basis.

Grants including grants for the purchase of fixed assets are recognised in full in the statement of financial activities in the year in which they are received or receivable.

##### d) Resources Expended

Resources expended are accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Resources expended include attributable VAT which cannot be recovered.

Costs of generating voluntary income relate to direct costs incurred in obtaining future funding, including an allocation of salaries and resources used.

Direct charitable expenditure comprises all expenditure directly relating to the objects of the charitable company.

Governance costs include the management of the charity's assets, organisational management and compliance with constitutional and statutory requirements. Only direct costs are attributed to governance.

Support costs comprise all services supplied centrally, identifiable as wholly or mainly in support of the emergency and rural rehabilitation programmes. These have been apportioned to the charitable activities and costs of generating voluntary income on the basis of staff time spent on each area.

**Afghanaid**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 31 March 2009**

**1 Accounting Policies (Continued)**

**e) Tangible Fixed Assets**

Depreciation is provided on a straight line basis on all tangible fixed assets at rates calculated to write off the cost of each asset over its expected useful life as follows:

Motor vehicles - Afghanistan	4 years
Office equipment	4 years
Plant and machinery	5 years

Items of equipment are capitalised where the purchase price exceeds £100. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities.

**f) Stocks**

Stock is stated at the lower of cost and net realisable value. Valuation of wheat, seeds and fertiliser stock is calculated on a weighted average basis.

**g) Fund Accounting**

Restricted funds are donations and grants for which the donor has specified an intention to support a particular aspect of Afghanaid's charitable activities, together with investment income accruing directly to those restricted funds. Only expenditure which meets the criteria agreed by the donor is charged against each fund. The aim and use of each restricted fund is set out in note 15 to the financial statements. Surpluses are held until they can be fully expended on the activity to which the restriction applies. In the case of grant funds, unspent balances are usually returnable at the end of the grant period. Where unspent grant balances are repaid, these are shown as part of incoming resources from the same funder.

All other funds are unrestricted income funds and may be used for any of the organisation's charitable purposes.

Designated funds are amounts set aside from the general fund which are being held at the discretion of the Afghanaid Board of Trustees

**h) Foreign Currency Transactions**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are not retranslated. Gains or losses on transactions are included in the statement of financial activities. Where exchange differences are directly attributable to a particular fund, they have been included in the movements against that fund.

**i) Leases**

Rentals payable under operating leases, where substantially all the risks and rewards of ownership remain with the lessor, are charged to the Statement of Financial Activities on a straight line basis over the minimum lease term.

**Afghanaid**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 31 March 2009**

**2 Voluntary Income**

	Unrestricted	Restricted	2009	2008
	£	£	£	£
Donations	149,439	-	149,439	93,201
Samangan literacy fund donations	-	22,477	22,477	-
Legacies	13,000	-	13,000	207,148
Donated goods, services and facilities	23,975	-	23,975	12,093
	<u>186,414</u>	<u>22,477</u>	<u>208,891</u>	<u>312,442</u>

**3 Grants for Rural Rehabilitation and Emergencies**

	Unrestricted	Restricted	2009	2008
	£	£	Total	Total
	£	£	£	£
Commission of the European Communities	-	281,754	281,754	465,292
National Solidarity Programme	-	1,343,469	1,343,469	915,211
International Organisation of Migration	-	-	-	3,046
Diana Fund	-	-	-	51,586
Swiss Development Corporation	-	573,677	573,677	268,681
United Nations Office for Project Services	-	-	-	(198)
Comic Relief	-	60,437	60,437	62,500
Planning and Development Collaborative International	-	179,663	179,663	158,352
Counterpart International	-	-	-	815
Ministry of Rural Rehabilitation & Development	-	-	-	87,020
Lithuanian Government	-	54,131	54,131	50,368
German Agro Action	-	-	-	41,554
Catholic Relief Services	-	127,763	127,763	40,698
Food and Agriculture Organisation	-	10,876	10,876	8,491
Chave Collisson	-	-	-	5,000
Brooke	-	(4,809)	(4,809)	31,147
Still Waters	-	-	-	20,000
GTZ	-	168,900	168,900	3,741
ARD, Inc.	-	-	-	2,945
Hand in Hand	-	29,393	29,393	25,064
Roshan	-	11,063	11,063	18,437
Education Development Center	-	-	-	6,363
The London Bombings Relief Charitable Fund	-	-	-	45,000
Ministry of Agriculture and Labour	-	16,800	16,800	-
General funds	2,582	-	2,582	-
World food programme	-	14,770	14,770	-
	<u>2,582</u>	<u>2,867,887</u>	<u>2,870,469</u>	<u>2,311,113</u>

**Afghanaid**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 31 March 2009**

4 Total Resources Expended	Cost of Rural			Support Costs	Governance	2009 Total	2008 Total
	Generating Voluntary Income	Rehabilitations and Emergencies	Advocacy				
	£	£	£	£	£	£	£
Staff costs (note 6)	99,240	1,519,058	14,291	394,207	-	2,026,776	1,893,439
Labour (note 6)	-	4,279	-	-	-	4,279	20,043
Consultancy	-	23,090	-	-	-	23,090	4,752
Transportation and storage	-	3,885	-	-	-	3,885	4,175
Agricultural and engineering inputs	-	123,616	-	-	-	123,616	99,754
Travel and per-diem allowances	3,560	39,953	-	21,955	5,155	70,623	122,972
Vehicle operating	-	230,138	-	9,936	-	240,074	235,557
Communications	150,635	18,054	-	13,030	634	182,353	87,978
Grants from LBRCF Afghan Fund	-	-	-	-	-	-	505
Utilities and premises	-	57,629	-	33,589	-	91,218	85,474
Depreciation	-	-	-	49,824	-	49,824	50,405
Repairs and maintenance	-	18,392	-	3,933	-	22,325	41,083
Training	-	8,561	-	7,633	-	16,194	32,028
Printing and stationery	-	16,184	-	6,187	-	22,371	31,176
Miscellaneous	-	6,190	-	5,733	772	12,695	20,975
Rental of offices	-	42,394	-	31,655	-	74,049	70,617
Audit and accountancy fees	-	-	-	-	16,831	16,831	9,148
Board of Trustees expenses	-	-	-	-	2,085	2,085	3,276
Tools and equipment	-	1,211	-	13	-	1,224	2,071
Office support	6,669	-	-	7,190	-	13,859	4,089
Fareshta Fund	-	-	-	27,437	-	27,437	-
Newspaper and books	-	-	-	-	-	-	45
Publicity	-	-	-	-	-	-	5,430
Legal and professional fees	-	-	-	-	-	-	14,246
Beneficiary training	-	37,506	-	-	-	37,506	59,801
Loss on disposal of fixed assets	-	(1,135)	-	-	-	(1,135)	358
Loss by theft	-	12,412	-	-	-	12,412	3,679
Equipment insurance	-	-	-	439	-	439	410
Membership fee	-	-	-	2,960	-	2,960	2,047
Bank charges	-	-	-	3,156	-	3,156	1,844
Support costs	260,104	2,161,397	14,291	618,877	25,477	3,080,146	2,907,377
Total resources expended	37,620	575,840	5,417	(618,877)	-	-	-
	297,724	2,737,237	19,708	-	25,477	3,080,146	2,907,377

**Afghanaid**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 31 March 2009**

**5 Net Incoming Resources for the Year before Transfers and Gains/(Losses)**

	2009	2008
	£	£
This is stated after charging:		
Depreciation	49,824	50,405
Net loss on disposal of fixed assets	(1,135)	358
Trustees' expenses (travel costs: 2 trustees)	2,085	3,276
Auditors' remuneration:		
Audit - Afghanistan	2,149	1,311
- UK	7,250	6,950
- UK: in respect of non audit services	1,950	-
- UK: in respect of prior years	5,482	887
Operating lease payments:		
Land and buildings	11,093	11,093
Other assets	5,124	5,124
	11,093	11,093

No trustees received any remuneration for their services (2008 - £nil).

**6 Staff costs and numbers**

	2009	2008
	£	£
Staff costs were as follows:		
Gross salaries - London	119,445	82,990
Gross salaries in Afghanistan	1,883,865	1,790,678
Social security costs	12,754	8,225
	2,016,064	1,881,893
Recruitment costs	445	4,492
Redundancy costs	-	5,514
Temporary staff costs	10,267	1,540
	2,026,776	1,893,439

Additional labour costs of £4,279 (2008 - £20,043) relate to Afghanistan labours that have been paid in cash.

No employees earned more than £60,000 during the year.

The average weekly number of employees (full-time equivalent) during the year was as follows:

	2009	2008
	£	£
London	3	3
Afghanistan	403	474
	406	477

**Afghanaid**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 31 March 2009**

**7 Taxation**

The charitable company is exempt from corporation tax as all its income is charitable and is applied for charitable purposes.

**8 Tangible Fixed Assets**

	Motor Vehicles	Office Equipment	Plant and Machinery	Total
Cost	£	£	£	£
At 1 April 2008	341,974	438,853	111,509	892,336
Additions in the year	4,092	15,608	-	19,700
Disposals in the year	(4,987)	(7,227)	(3,022)	(15,236)
At 31 March 2009	<u>341,079</u>	<u>447,234</u>	<u>108,487</u>	<u>896,800</u>
<b>Depreciation</b>				
At 1 April 2008	301,977	331,968	111,509	745,454
Charge for the year	7,186	42,579	59	49,824
Disposals in the year	(4,499)	(6,712)	(3,081)	(14,292)
At 31 March 2009	<u>304,664</u>	<u>367,835</u>	<u>108,487</u>	<u>780,986</u>
<b>Net Book Value</b>				
At 31 March 2009	<u>36,415</u>	<u>79,399</u>	<u>-</u>	<u>115,814</u>
At 31 March 2008	<u>39,997</u>	<u>106,885</u>	<u>-</u>	<u>146,882</u>

**9 Stock**

	2009 £	2008 £
Construction material stock	-	4,447
Wheat, seeds and fertilisers stock	-	24
	<u>-</u>	<u>4,471</u>

**10 Debtors**

	2009 £	2008 £
Prepayments	23,326	12,204
Grants receivable	691,668	746,773
Legacy receivable	-	30,000
Other accrued income	-	6,281
Other debtors	155,794	14,026
	<u>870,788</u>	<u>809,284</u>

**Afghanaid**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 31 March 2009**

<b>11 Cash at Bank and in Hand</b>	2009	2008
	£	£
Cash at bank	1,213,953	848,635
Cash in hand	33,977	39,756
	<u>1,247,930</u>	<u>888,391</u>

<b>12 Creditors: Amounts falling due within one year</b>	2009	2008
	£	£
Other creditors	215,257	89,042
Taxation and social security	3,255	3,705
Accruals	155,201	31,996
	<u>373,713</u>	<u>124,743</u>

**13 Operating Lease Commitments**

The charitable company had annual commitments under operating leases expiring as follows:

	Land and Buildings		Other assets	
	2009	2008	2009	2008
	£	£	£	£
Two to five years	<u>11,749</u>	<u>11,749</u>	<u>3,156</u>	<u>3,156</u>
	<u>11,749</u>	<u>11,749</u>	<u>3,156</u>	<u>3,156</u>

**14 Analysis of Net Assets between Funds**

	Restricted Funds	Designated Funds	General Funds	Total Funds
	£	£	£	£
Tangible fixed assets	114,897	-	917	115,814
Current assets	1,222,019	539,471	357,228	2,118,718
Current liabilities	<u>(222,220)</u>	<u>-</u>	<u>(151,493)</u>	<u>(373,713)</u>
Net assets at 31 March 2009	<u>1,114,696</u>	<u>539,471</u>	<u>206,652</u>	<u>1,860,819</u>

**Afghanaid**  
**Notes to the Financial Statements (Continued)**  
**For the year ended 31 March 2009**

15 Movement in Funds

	At 1 April 2008 £	Incoming Resources £	Outgoing Resources incl. gains/ losses on foreign exchange £	Transfer between Funds £	At 31 March 2009 £
<b>Restricted Funds:</b>					
a	555,515	281,754	(281,810)	-	555,459
b	1,917	-	-	-	1,917
c	75,066	-	(7,791)	-	67,275
d	4,897	-	-	-	4,897
e	Food and Agriculture Organisation				
	5,925	10,876	(9,743)	-	7,058
f	64,462	60,437	(85,664)	(34,543)	4,692
g	(392,912)	1,343,469	(1,128,813)	-	(178,256)
h	5,416	-	-	-	5,416
i	-	22,477	-	-	22,477
j	195,960	573,677	(460,307)	-	309,330
k	-	54,131	(50,739)	-	3,392
l	-	127,763	(23,337)	-	104,426
m	12,069	(4,809)	(7,707)	447	-
n	13,989	-	-	-	13,989
o	7,097	179,663	(180,514)	-	6,246
p	-	168,900	(28,317)	-	140,583
q	9,014	29,393	(36,350)	-	2,057
r	-	16,800	-	-	16,800
s	8,612	11,063	(12,931)	-	6,744
t	-	14,770	(15,023)	253	-
u	44,412	-	(27,437)	-	16,975
v	3,231	-	(12)	-	3,219
	<b>614,670</b>	<b>2,890,364</b>	<b>(2,356,495)</b>	<b>(33,843)</b>	<b>1,114,696</b>
<b>Unrestricted Funds:</b>					
<i>Designated Funds</i> (Note 16)					
	203,491	-	(127,602)	238,418	314,307
	220,309	-	4,855	-	225,164
	267,487	-	-	(267,487)	-
	<b>691,287</b>	<b>-</b>	<b>(122,747)</b>	<b>(29,069)</b>	<b>539,471</b>
<i>General Fund</i> (Note 17)					
	418,328	239,909	(514,497)	62,912	206,652
	<b>1,109,615</b>	<b>239,909</b>	<b>(637,244)</b>	<b>33,843</b>	<b>746,123</b>
<b>Total Funds</b>	<b>1,724,285</b>	<b>3,130,273</b>	<b>(2,993,739)</b>	<b>-</b>	<b>1,860,819</b>

(Note 18)

**Afghanaid**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2009 (Continued)**

**15 Movement in Funds (Continued)**

**Purpose of Restricted Funds**

- a **European Community** - funding has been given to improve the quality of life of target communities in Badakhshan, Samangan, Ghor and Nuristan province to enhance local ability to solve problems and to become more self sufficient in meeting their basic needs through projects to, for example, increase access to safe drinking water, eliminate food deficits, develop income generation schemes and basic health education.
- b **WFP Emergency Programme** - This grant supported work in the drought stricken areas of Afghanistan and with internally displaced peoples during the winter of 2001/02.
- c **DFID** - These funds are used to promote rural development and diversified livelihoods in Badakhshan province in Afghanistan, and to support target communities to obtain equitable access to the skills, methods and inputs needed for sustainable livelihood.
- d **DFA (Government of Ireland)** - This grant supported work in the drought stricken areas of Ghor province.
- e **Food and Agriculture Organisation** - This grant supported our work in rural development in target provinces of Afghanistan.
- f **Comic Relief** - Funding from this donor has been used to offer educational activities to youth groups (boys and girls peer groups) in the provinces of Badakhshan, Ghor and Samangan. Classes cover drama, arts and crafts, sports as well as the UN Convention on the Rights of the Child. The transfers from this fund to general reserve is due to rectification of accounting errors in the previous financial years.
- g **National Solidarity Programme** - The National Solidarity Programme (NSP) is the national flagship programme in Afghanistan for rural development. The grant that Afghanaid receives primarily supports the strengthening of community governance through establishment of community development councils. According to the terms of the contract, payment is made by Afghanistan Govt on the achievement of certain targets. During the year we have prefinanced a substantial amount of expenditure while income will be received in next financial year after completion of certain projects. The difference has caused an adverse funding balance which is recoverable in the next financial year.
- h **Chave Collisson** - This grant is for the support of literacy activities in Samangan province.
- i **Samangan Literacy Fund** - This grant is for the support of literacy activities in Samangan province.
- j **Swiss Development Corporation** - This grant supports the clustering of CDCs in order to prioritise and implement livelihoods projects needed by each cluster of CDCs. The title of this project is "Rights Based Livelihoods Security" which refers to the training Afghanaid gives to increase community members' advocacy skills for better representation with local government and the training of CDCs to deliver services in an accountable, inclusive and transparent manner.
- k **Government of Lithuania** - This grant funded two Micro Hydro power projects in Chagcharan district of Ghor.
- l **Catholic Relief Services (CRS)** - This funding was provided by CRS with the aim of assisting villages to better withstand harsh winter conditions of food insecurity and inaccessibility due to heavy snow. Afghanaid worked in partnership with CDCs to identify essential road clearing and repair work which provided sources of income to workers in shahrak district of Ghor province.
- m **Brooke** - This funding supported the Animal Health programme in Badkhshan province.
- n **Still Waters** - This funding was provided to support capacity building activities in Ghor and Samangan province.

**Afghanaid**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2009 (Continued)**

**15 Movement in Funds (Continued)**

**Purpose of Restricted Funds**

- o PADCO** - This funding aims to consolidate/support farmers' cooperatives through facilitating regular meetings, and facilitating access to key inputs; to produce appropriate training manuals including how to run vegetable plots and to facilitate access to technical assistance through establishing/managing Technology Transfer Centres (TTCs).
- p GTZ** - This funding supports Agriculture production with specific reference to vegetable promotion in two districts of Badakhshan
- q Hand in Hand** - Afghanaid in partnership with Hand in Hand Organisation Afghanistan has launched Facilitating Rural enterprise Development through Capacity building of existing self help groups in Badakhshan project which aims to establish and consolidate 100 Self Help Groups /Common Interest Groups and facilitate creation of over 700 employment opportunities through introduction of micro enterprises across Argu, Shuhada, Keshim and Baharak districts.
- r Ministry of Agriculture & Labour**- This funding supports the piloting of 40 farmers groups (25 male and 15 female) in enhancing their capacity as a group to access support of the Horticulture and Livestock Project extension services to increase their Agriculture productivity.
- s Roshan**- Afghanaid in partnership with Roshan Telecom Development company Afghanistan Ltd is working to implement the Women's Public Call Office (WPCO) project in three remote and predominantly rural provinces of Badakhshan, Ghor and Samangan.
- t World Food Programme** - This project supported literacy and vocational training activities for womens in Lal-wa-Sarjantal district of Ghor province.
- u The LBRCF Afghan Fund** - This funding was provided by The London Bombings Relief Charitable Fund (LBRCF) which was set up on 8 July 2005 in response to the four bombs that were set off on 7 July 2005 by terrorists on the London Transport system. The grant is for the benefit of the nearest relative of one of the victims of the bombings, currently residing in Afghanistan, including but not limited to furthering her education in the UK or elsewhere.
- v Other funds**- It represents the funding received from Hampstead trust to support the literacy activities in Samangan province

**16 Purposes of Designated Funds**

**Terminal Benefits Reserve** - This provides a basic safety net for Afghanaid staff leaving Afghanaid's employment.

**Contingency Reserve** - Working in a complex emergency situation such as Afghanistan makes it important for us to ensure that we have adequate reserves to meet liabilities in the event of our being forced to cease working. This reserve is calculated annually.

**Development Reserve** - This reserve is used to improve long term performance and fundraising potential and rationalise overheads to eliminate routine draw down on reserves in future periods. These funds have been transferred to general reserve to allow greater flexibility in dealing with fluctuations in funding.

**17 General Funds**

The general funds are used to respond to emergencies and to fund projects while matching or replacement funding is sought. As indicated in the report of the Board of Trustees, they do not consider it prudent to place a financial cap on this reserve at the present time and consider a minimum of three months average operating expenditure to be a reasonable target reserve to hold in the current circumstances. It is reviewed annually.

**Afghanaid**  
**Notes to the Financial Statements**  
**For the year ended 31 March 2009 (Continued)**

**18 Transfers between Funds**

Funds have been transferred into restricted funds at the year end, if the fund is in deficit and no future funding is expected to be received against these accounts.