

Afghanaid
Company No. 3034888
Charity No. 1045348

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2010

Afghanaid
Reference and Administrative Information
For the year ended 31 March 2010

Company Number	3034888	
Charity Number	1045348	
Governing Document	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.	
Registered Office and Operational Address	Development House 56-64 Leonard Street London EC2A 4LT	
Board of Trustees	David Page Elizabeth Winter Fiona Shickle Gemma Parrott Ian Anderson Barbara Bubb Jonathan Goodhand Tigger Stack Malcolm Harper Martin Greenley Stephen Turner	Chair Vice-chair Treasurer and Company Secretary (resigned 3 Dec 2009) Treasurer (appointed 1 Jan 2010) (resigned 3 Dec 2009) (died 27 Apr 2010) (appointed 19 Nov 2009) (appointed 3 Dec 2009)
Principal Staff - Managing Director	Farhana Faruqi Stocker	
Bankers	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	Habib Bank Limited Kabul Afghanistan
Solicitors	Russell - Cooke 8 Bedford Row London WC1R 4BX	
Auditors	Kingston Smith LLP Chartered Accountants Devonshire House 60 Goswell Road London EC1M 7AD	
Head Office Auditors	Rafaqat Babar and Co Chartered Accountants House No. 54 - 3 Shahr-e-naw Chara-e-shaheed, Nawa-e-Watt Kabul, Afghanistan	

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Report of the Trustees

For the year ended 31 March 2010

The trustees present their report and the audited financial statements for the year ended 31 March 2010.

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 objectives 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.

In order to enable decision-making to be located as close to the field as possible, the head office was transferred in 1996 to Peshawar, Pakistan. It was then relocated to Kabul, Afghanistan, in the summer of 2003. A small registered office is located in London and provides a liaison point with supporters in the UK. Most of the organisation's offices, including its Head Office and senior management, are located inside Afghanistan.

The trustees and directorate continue to keep under review any decisions made in previous years on the governance of the charity. The Board of Trustees reviewed its membership in 2009/10 and appointed new members in areas identified through a skills audit.

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 Afghanaid's Guide for Trustees, 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 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.

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Organisational Background

Afghanaid was established in 1983 to provide humanitarian assistance to Afghan refugees and displaced communities in Afghanistan. The mission of Afghanaid is to assist impoverished rural Afghan communities by helping them to build 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. From 1995, it began implementing a rural development programme with an integrated approach, focusing on strengthening community self-reliance, that combines civil engineering, agriculture and food security, animal husbandry, community infrastructure, vocational training for poor women and men, health education, and child and youth development. Since 2003 Afghanaid has also been working on local governance as well as rural savings, market access and enterprise 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 entitlements and rights through the promotion of responsible local governance. It achieves this by raising awareness of the roles and responsibilities of stakeholder groups and their representatives at various levels of state institutions, informal local governance structures including elected bodies, and of local civil society institutions at grassroots and cluster level.

Organisational 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 21 provincial and district field offices in Afghanistan with a combined total of 406 staff (all Afghan nationals except 4 staff in the UK and 13 international staff working inside Afghanistan). In 2009/10, the MD was assisted by a "Directorate" (comprising Directors of the following departments: Programme Operations, 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 (Programme Operations), 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 and financial 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 who also line manages the MD.

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 its head office 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 Kabul, volunteers work for a period of three to six months and Afghanaid covers their lunch and transportation costs. In the London office, volunteers are typically post-graduate students from reputable universities in the UK, focusing on international development and wishing to gain work

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experience. These volunteers assist with a range of public fundraising activities such as fundraising events and editing documents for promotional purposes or with 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.

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 to reduce the risk of financial dependency on a few donors. 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.

Public Benefit

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, civil society organisations (CSOs) within and outside the country, 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.

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2. THE OPERATIONAL CONTEXT

Afghanistan continues to exhibit one of the highest poverty indicators in the human poverty index at 59.8 and human development index at 0.352, placing it in 181st position out of 182 UN member states assessed¹. It is estimated that over 40.7 percent of the Afghan population will not reach the age of forty and that almost 40% of children under age 5 are underweight². The maternal mortality rate in Afghanistan is the second highest in the world, with approximately 25,000 deaths annually, which would be preventable if pregnant women had access to basic health services.

On the governance scale, Afghanistan tops the list of 48 fragile states and is characterized by '... *poor policy performance or low service delivery capacity with a lack of responsiveness to their citizens...*'³ A study commissioned by the Government of the Islamic Republic of Afghanistan (GIROA) to inform the priorities of the present National Development Strategy (ANDS), identified ineffective institutions, weak regional governance, a disabling economic environment, social inequality, poor service delivery and corruption as key determinants of poverty in the country⁴. A more recent study by the UN Office of the High Commissioner for Human Rights (OHCHR) in Afghanistan identified abuse of power by local power holders, leading to the exclusion and marginalization of the majority of the population, as a key factor contributing to socio-economic impoverishment⁵. According to Integrity Watch (and its Afghanistan's National Corruption Survey 2010), bribery has doubled in the last three years and amounts to close to one billion dollars⁶. Sex-based inequality is considered the most serious and has cultural and structural causes, which are reflected in the statistics pertaining to health and education. .

With more than 75% of the total labour force dependent on agriculture and related activities, including livestock and horticulture⁷, the low productivity of the agriculture sector makes a deep impact on economic livelihoods across the country. Food security remained a critical priority in 2009, particularly affecting the lives of young children and pregnant and lactating women⁸. This grave situation was produced by a combination of escalating insurgencies, which limited access to large parts of the country, three consecutive years of drought (2006/08) and the food price hike of 2007. Wheat prices almost doubled between 2005 and 2008.⁹ Prices have since come down but the price of basic food commodities is still 16% higher than in the pre-crisis period.¹⁰ There has also been a significant increase in the cost of living over the past two years and the GDP per capita in Afghanistan has not increased sufficiently to ensure adequate purchasing power for the average consumer. The GDP per capita in 2008 was USD \$416¹¹ with a slight increase in 2009 at USD \$426¹² - one of the lowest across the world¹³.

¹ UNDP. (2009) Human Development Report, Overcoming barriers: Human Mobility and Development

² *Ibid.*

³ World Bank. (2010) Harmonized list of Fragile Situation FY 2010. Available on siteresources.worldbank.org/EXTLICUS/Resources/511777-1247506883703/Fragile_Situations_List_FY10_Nov_17_2009_EXT.pdf

⁴ ACBAR. (2008) Afghanistan Pilot Participatory Assessment (APPA)

⁵ UN OHCHR. (2010) Human Rights Dimension of Poverty in Afghanistan.

⁶ IWA (2010) Afghan Perceptions and Experiences of Corruption

⁷ Agriculture is the main economy of Afghanistan, contributing to 52 per cent of the GDP and nearly 60 per cent of the export earnings in 2002. Data retrieved from www.reliefweb.int/rw/rwb.snif/db900sid/evod-cDFTDj

⁸ UNICEF. (2009) Nutrition Rapid Assessment cited in Humanitarian Action Plan Mid Year Review 2009.

⁹ MAIL. (2009) Agriculture Commodity Price Bulletin. November Issue.

¹⁰ WFP. (2010) Afghanistan Market Price Bulletin. June Issue. Kabul

¹¹ Data retrieved from World Economic Outlook Database-October 2009, International Monetary Fund. Accessed on the 1st of October, 2009.

¹² Data gathered from the meeting with the official from the GIROA.

¹³ The recently published (2009) HDI report by UNDP manifests the GDP per capita in 2007 was slightly over USD 1,000.

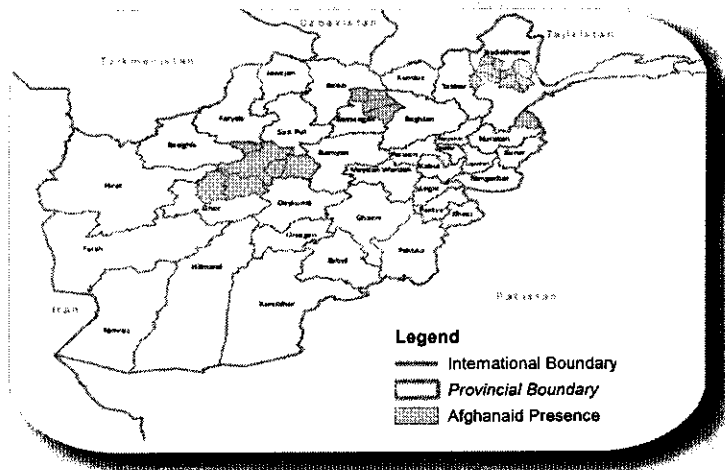
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The historically large 2009 harvest provided above average incomes and food stocks for Afghan farmers. As a result, the 2009/2010 lean season was better than normal. Nevertheless, this one exceptional crop yield only restricted the negative effects of several years of poor crop yields due to repeated droughts and flooding, lack of irrigation, high unemployment or under-employment and lack of income diversity. Many farmers are dependent on one major crop per year and do not have alternative income opportunities to supplement their income in poor yield years. The global food price crisis has also decreased the purchasing power of rural communities. In 2009, households in Ghor province spent more than 75% of their incomes on food (compared to a national average of 67%) and the number of households that did not meet their minimum daily kilocalories intake increased¹⁴, particularly in the rural regions. According to the 2009 Afghanistan Food Security Monitoring Bulletin (AFSMB), on average 35% of Afghan households, or 3.8 million women, men and children, eat below their daily requirement. This is a 4% increase from the 2007 NVRA national survey. Badakhshan Province is rated as the least food-secure province in Afghanistan, with 65% of the population food-insecure; followed by Paktia, Laghman, Daikundi, Ghor (43%), Samangan (35%) and Nuristan (28%).¹⁵

Farmers depend on the winter wet season (from December to April) for sowing and irrigation. But because of poor rains and limited snowfall this year, with the exception of Samangan, all Afghanaid's provinces of operation (i.e. Ghor, Badakhshan and Nuristan) will have a deficit in production in the 2010 harvest varying between 10,000 to 20,000 MT.¹⁶ These three 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.



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. During late 2009 and early 2010, the humanitarian situation in Afghanistan continued deteriorating as a result of the spread in insecurity and the occurrence of natural disasters. During 2009/10, extensive floods and landslides took a heavy toll, destroying thousands of *jeribs* of agricultural land across the country. In Samangan, over 3,500 families were severely affected by an earthquake.

The deterioration of the security situation has also influenced the already very low development indicators. The World Health Organization (WHO) estimates that half a million Afghans have lost

which, if accurate, illustrates a dramatic decrease compared with IMF figures of 2008 and GfRoa figures for 2009.

¹⁴ WFP. (2008) Afghanistan Food Security Monitoring Bulletin. May Issue. Kabul

¹⁵ MRRD. (2009) NRVA 2007/08.

¹⁶ *ibid.*

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access to basic health services, while the closure of at least 700 schools has forced 340,000 children out of education.¹⁷

The average number of security incidents in the last quarter of 2009/10 was 52 percent higher than a year earlier.¹⁸ There has been a significant spike in the activities of armed opposition groups (AOGs) in Afghanistan's areas of operation, which has particularly affected staff movements between the provinces. Despite this deterioration, our access to communities in Samangan, Ghor and Badakhshan has not been seriously affected and we have continued our operations in most districts of these provinces. However, in Nuristan, the fourth province where Afghanistan works, the security situation changed dramatically for the worse and Afghanistan had to reduce its presence in Bargematal district and suspend operations in Kamdesh district.

In 2009/10, the international military force (IMF) conducted counterinsurgency operations in a number of Afghanistan areas of work, resulting in an escalation of violence. Districts particularly affected were Shaharak/Kaminj in Ghor and Bargematal district in Nuristan. Bargematal experienced intensive fighting by the US Coalition Forces and Afghan National Army (ANA) against the Armed Opposition (AO) between July and August 2009, forcing over 600 families to move to safer areas, losing their access to basic services and assistance. These families later returned to their destroyed homes but with very limited means to rebuild their livelihoods. A few months later, the IMF in Nuristan, led by US troops, closed down their bases and withdrew their forces from the province, ceding control to the AOGs. Afghanistan assessed the risks and threats posed by this new situation for the security of its staff and beneficiaries and its operations. After negotiating security guarantees from local community elders, Afghanistan decided to continue its NSP work in Bargematal but suspended its work in Kamdesh and later fully withdrew from that district.

3. OBJECTIVES, STRATEGIES AND ACHIEVEMENTS

Today, Afghanistan works with over 1 million men, women and children in over 2,000 rural villages in partnership with approximately 1400 grassroots civil society institutions called *shura* and community development councils (CDCs). It also works with their federated bodies at cluster level, that play a critical role in strengthening local governance and socio-economic development across Northern (Samangan), North-eastern (Badakhshan), Eastern (Nuristan) and Western (Ghor) parts of the country. These provinces are among the poorest, most food-insecure, water-deprived and physically remote parts of the country.

Afghanistan is mandated to facilitate and support Afghan women, men and children in their fight against poverty, inequality and vulnerability through a range of interventions. It supports grassroots and local level civil society institution building and capacity development, facilitating local development processes and local governance. This entails working in partnership with resource-poor producers and with farmers' associations and cooperatives, women's groups, youth and child peer groups. It also works with a variety of local governance institutions (such as Community Development Councils (CDCs), Cluster Level Development Councils (CLDCs), District Development Assemblies (DDAs)) as well as with Micro Finance Institutions (MFIs), Afghanistan's National Seed Organization (ANSOR) and 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

¹⁷ Ministry of Education, June 2009.

¹⁸ OCHA. (2010) Humanitarian Action Plan: Mid-Year Review.

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(MoWA), Ministry of Education (MoE), Ministry of Economy (MoEc), both at the national and sub-national levels. The aim 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 Afghans and to empower grassroots civil society and local governance institutions to play an active role in shaping the development agenda of the government through a constructive dialogue, partnership and engagement.

Afghanaid's Vision and Mission

Our Vision is an Afghanistan that is peaceful, where human security is assured, and where Afghans exercise their rights to political freedom and economic opportunity in a country where institutions are accountable and the fight against poverty is flourishing in all sections of the society.

Our Mission is to work alongside poor and marginalised Afghan people to enhance their opportunities and capabilities to achieve economic and social development that is both sustainable and equitable.

Programme Strategies and Priorities

Afghanaid's programme strategies and core organizational competencies have enabled us to win the trust of the communities with whom we work and to establish good working relationships with the government of Afghanistan and with the donor community. We currently work in six priority programme areas:

- i. Food Security and Sustainable Livelihoods. We work at household and community level to enhance agricultural and horticultural production and improve farming, livestock and natural resource management.
- ii. Rural Savings, Market Access and Enterprise Development. We promote a culture of savings by women's and men's groups and the diversification of their household productive asset base. We encourage the development of small businesses by capacity building of women and men in vocational, trading and entrepreneurship skills and by linking rural producers and entrepreneurs with micro-finance institutions (MFIs) and markets.
- iii. Promotion of Good Governance and Community Development. We focus on the capacity building of local civil society and local governance institutions within the regulatory framework established by the Government of Afghanistan. Our aim is to foster linkages between duty bearers and rights holders, and to create an enabling environment for local civil society and governance institutions to become strong agents of change and development.
- iv. Physical Community Infrastructure (PCIs) development. We work to enhance agricultural productivity, linking remote communities with basic facilities and markets, and repairing and constructing physical productive assets, such as micro-hydro power plants, irrigation structures, schools, and bridges.
- v. Disaster Risk Reduction. We aim to mitigate and reduce risks and vulnerability to life and livelihoods associated with repeated cycles of natural disasters. This includes actions such as community-based structural mitigation measures and efforts to develop the

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preparedness capacity of disaster-prone communities and relevant government departments at district and provincial level.

- vi. Humanitarian and Development Policy Influencing and Advocacy. We advocate for greater capacity to respond to humanitarian emergencies as part of medium to long term development plans in the food security and water and sanitation sectors. We are also engaged at a policy level in the fields of local governance and agriculture.

These programme priorities are reinforced by cross cutting commitments to gender equality and child/youth rights.

Key Components of the Programme Portfolio and Results

Food Security and Sustainable Livelihoods

Approximately 74% of the Afghan population lives in rural areas¹⁹, making large parts of the national economy dependent on agriculture and allied sub-sectors such as livestock. Despite the 2009 bumper crop, food security was a critical need in 2009 and is forecast to remain so in the years to come, particularly for children under five and pregnant and lactating women²⁰. The impact of the repeated cycle of drought and flooding on agricultural production, the dire state of irrigation systems and extension services and the absence of employment and alternative income-generating opportunities have increased the number of households that do not meet their minimum daily kilocalories' intake by 5% between 2005 and 2008²¹. The northern and north-eastern regions of Afghanistan did not benefit from the better than average rainfall of October and November 2009.²² Inadequate winter snowfall also impacted severely on river and stream-fed irrigation critical to the second cropping cycle, which further exacerbated the food security situation of those who rely on irrigated crops for their livelihoods.²³

To meet these challenges, Afghanaid continues to provide much-needed agricultural inputs, coupled with capacity-building initiatives to farmers' groups, to improve, diversify and add value to their productivity and production. Afghanaid encourages the sustainable use of common property resources such as irrigation systems, forests and pastures. The methods include the trialling and dissemination of improved varieties of cereals, vegetables and fruit; bee keeping; kitchen gardening; food processing; the replanting of pasture lands and the use of drought-resistant fast-growing trees to revitalise degraded lands. Through such interventions, Afghanaid continues to empower communities to increase their resilience and improve their livelihoods and household food security strategies.

The animal health component of the programme focuses on the treatment and the vaccination of livestock by Basic Veterinary Workers (BVWs), with follow-up visits conducted by Paravets, who have obtained technical support and received medicines, vaccines and kits from Afghanaid. Afghanaid is also in the process of launching an Artificial Insemination programme with support from the Ministry of Agriculture. The aim is to improve the quality of local breeds of cows in order to increase the local production of milk. Afghanaid is providing this service 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.

¹⁹ MRRD (2009), The National Risk and Vulnerability Assessment (NRVA) 2007/08

²⁰ UNICEF. Nutrition rapid Assessment. cited in Humanitarian Action Plan Mid Year Review 2009.

²¹ MRRD. (2005 and 2009) NRVA 2005 and 2008.

²² FEWSNET.(December 2009 to April 2010) Precipitation Reports. Available on <http://earlywarning.usgs.gov/afghan/>

²³ European Union Country Strategy Paper 2007-13

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The table below outlines recent achievements by Afghanaid's agricultural programme:

Activity	2009-2010 Planned	2009-2010 Actual	2010-2011 Planned
Number of animals vaccinated	200,000	236,581	30,000
Number of farmers received livestock extension services	20,000	13,337	12,000
Number of animals treated	80,000	134,246	15,000
Number of farmers received technical assistance	25,000	10,309	11,175
Number of saplings distributed	40,000	27,911	19,000
Number of farmers trained in bee-keeping	220	153	0
Number of farmers trained in vegetable production	4,500	3,134	5,220

A shortage of donor funding is affecting Afghanaid's agricultural and veterinary extension services and targets have had to be cut back in 2010/11. However, in 2009/10, when some of the project areas experienced widespread animal diseases, the Ministry of Agriculture, Irrigation and Livestock (MAIL) requested the support of Afghanaid and provided vaccines and other medicines to control the epidemic-like situation.

Rural Savings, Market Access and Enterprise Development

In 2009/10 Afghanaid continued to provide rural communities with opportunities to generate better incomes and employment through rural enterprise and market access programming with a focus on poor rural producers and small landholders. Rural communities often engage in a variety of micro-enterprise activities, e.g. vegetable production, dairy or livestock rearing, and off-farm enterprises. However, these micro-enterprises rarely expand and become truly profitable due to a lack of collaboration and knowledge, shortage of credit, absence of producers' organisations and lack of access to information regarding markets. When producers and entrepreneurs' associations are facilitated to access markets and information, credit and services, poor households generally opt to expand their existing micro businesses or engage in a new area of entrepreneurship, whereas more resourceful members create employment opportunities for others in their village or develop a value chain with micro-entrepreneurs.

While men engage in a variety of businesses to improve their household economic situation, such as vegetable and orchard production, dairy or livestock rearing, petty trade and the like, women often engage in traditional handicrafts. However, poor rural women's labour rarely becomes economically viable due to: a) lack of access to capital, technology, information and other related resources/materials; b) lack of understanding of market dynamics and enterprise development; c) lack of collaboration, networking and organisation among the women producers; d) lack of affordable financial services in rural areas; and e) lack of business skills including understanding of market demands and standards.

For rural communities, particularly the poorer sections, which often include households headed or managed by women as well as landless or resource-poor farming families, collaboration for micro-enterprise development builds and strengthens their household and collective economy. It also provides an opportunity to develop their personal confidence, capabilities and abilities, enhancing their skills in business and social networking. This is particularly important for women who experience increased mobility as well as more say in decisions affecting their personal lives and the future of their households. Women realize their own strengths and potential when they

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understand that they can operate as a group and can maximize their resources to generate sustainable means of income and attain certain degree of economic empowerment.

The following table provides some indicators of types of capacity development initiatives and numbers of enterprises established in 2009/10:

Activity	2009-2010 Planned	2009-2010 Actual	2010-2011 Planned
Number of men received book keeping training	1000	480	780
Number of women received book keeping training	1500	832	812
Number of men received Business Development Skills training	500	480	690
Number of women received Business Development Skills training	910	848	753
Number of male trainees helped to set up enterprises	100	110	263
Number of female trainees assisted to set up enterprises	200	41	321

The delayed recruitment of professional expertise in this field held up the programme in the early part of the year. The mobilization of women for small business development also took longer than expected but the enhanced targets for 2010/11 reflect steady progress in the second half of the year.

The pilot programme that was commenced in 2006 is now reaching approximately 5,000 rural producers - women and men - through over 250 organised village saving and enterprise groups, producers' and farmers' associations and a variety of interest based enterprise groups. We are in the process of linking these groups to external financial services and markets and traders in Badakhshan and Samangan provinces.

Promotion of Good Governance and Community Development

Afghanaid works with multiple stakeholders to improve local governance and to build and strengthen local civil society institutions. We foster linkages and partnerships amongst grassroots civil society institutions, elected representatives, government authorities and state institutions, to work jointly to reduce chronic poverty, vulnerability and inequalities, through the promotion of transparent, accountable and inclusive local governance practices. We work with women, men, young people and professional groups to increase their awareness of their constitutional rights and their capabilities to claim their legal entitlements. We also work closely with elected representatives to Community Development Councils (CDCs), District Councils, Provincial Councils and District Development Assemblies(DDAs) to strengthen their capacity in people-centred development policy, planning and delivery.

In 2009/10 Afghanaid worked with 2000 rural communities across 18 districts of Badakhshan, Ghor, Samangan and Nuristan provinces, implementing the Government of Afghanistan's flagship National Solidarity Programme (NSP). Financed by the World Bank and managed by the Ministry of Rural Reconstruction and Development (MRRD, the NSP's development objective is to build, strengthen and maintain Community Development Councils (CDCs) as effective institutions for local governance and socio-economic development. Independent evaluations confirm that the impact of the NSP on the lives of the rural communities has been immense, developing rural

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women and men's skills and organisational capacities to manage their own affairs and to improve the economic well being of rural communities.

In order to narrow the gap between rural communities and their elected bodies at village level and the state institutions and authorities at sub-national level, Afghanaid is one of 5 development organizations in the country which have piloted the development of federated bodies at cluster level. The cluster level development councils (CLDCs), which represent 5-8 CDCs, have become a critical interface between rural communities and political and state institutions and the private sector. They provide a platform for the inclusion of people's voices and priorities in setting district and provincial development plans; for the protection of the interests and rights of poor women and farmers; for resource mobilization from government and non-governmental sources for cluster level development projects; for conflict resolution and consensus building; and for initiating collective action. Afghanaid has also made a conscious effort to expand the knowledge of the members of CDCs beyond project cycle management and to focus on issues of conflict resolution, consensus building, planning and budgeting, social audit and advocacy.

The following table details some indicators of Afghanaid training activities with CDCs last year:

Activity	2009-10 Planned	2009-10 Actual	2010-2011 Planned
Number of Community Development Plans completed	40	95	438
Number of CDC members receiving training in project management	1000	1386	1752

Physical Community Infrastructure (PCI) Development including Disaster Risk Reduction

Since 1979, agricultural production has declined by more than 50 percent leading to persistent food shortages²⁴. 80 percent of wheat (a major dietary staple) and 85 percent of all crops come from irrigated lands, although the area under irrigation has declined by about 60 percent in the last ten years²⁵, which is primarily attributed to shortage of water and the dire state of irrigation systems across the country. Further to this, three decades of conflict have resulted in the destruction of physical infrastructure, such as access roads and bridges, with serious consequences for communications and economic development.

Rehabilitation and re-construction is an integral component of Afghanaid's programme strategy, which goes hand in hand with its capacity development interventions. Under the NSP and other livelihood programmes, Afghanaid has facilitated the construction of many productive community infrastructure (PCI) projects to improve economic development at the grassroots level. It is also working to reduce the risks of natural disasters, which severely affect household survival and incomes, by a programme of capacity development and the construction of disaster mitigation structures. Over 60 community-based infrastructure projects were affected by severe flooding as a result of heavy rains during the winter and spring of 2009/10 in Ghor, Samangan and Badakhshan provinces. In response, Afghanaid engineers assisted communities affected by flash floods in the rehabilitation and construction of community facilities such as irrigation systems, flood protection walls, drinking water supply, and access roads.

²⁴ Saba, Daud. (2003) Afghanistan's Natural Heritage, Problems and Perspectives.

²⁵ Asian Development Bank. Retrieved from www.adb.org/documents/reports/Afghanistan/pnarr09.pdf

AFGHANAID

Report of the Trustees

For the year ended 31 March 2010

Humanitarian and Development Policy - Influencing and Advocacy

In 2009/10, Afghanaid, working with other civil society organisations, contributed to a number of advocacy initiatives in connection with the policies of the international assistance community in Afghanistan:

- In the production of a briefing paper entitled *Quick Impact, Quick Collapse*. This highlighted significant negative effects of using military structures for the implementation of development assistance and helped to influence institutional donors' funding decisions.
- In its role as co-chair of the Food Security and Agriculture Cluster (FSAC), and as one of the five elected NGO members on the Humanitarian Country Team (HCT), Afghanaid successfully contributed to advocacy initiatives with policy makers, donor governments and the Government of Afghanistan to address the food rights of over 8 million Afghans affected by food insecurity.
- Working with other Facilitating Partners of the NSP, Afghanaid helped to influence the design of NSP Phase III, particularly on gender mainstreaming, scaling up the clustering approach and the expansion of the programme to cover 100% rural communities on the principle of equity;
- Working with other CSOs, Afghanaid helped to influence the Government of Afghanistan and donor governments to continue with Community Development Councils rather than replacing them by Village Councils in 2011 under the Sub-National Governance Policy.

4. FINANCIAL REVIEW

2009-10 saw a renewed and dedicated investment in raising restricted income from institutional donors and unrestricted income in the UK. Afghanaid 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 2009-10 was £3.4 million compared with £3.1 million in 2008-09. The increase of 10% reflects an increase in grants secured from the European Commission (EC), German Development Cooperation (GTZ) and the Swiss Agency for Development and Cooperation (SDC). A major part of Afghanaid's restricted income during the year came from grants from SDC. During 2007-08, NSP changed its payment criteria by increasing the proportion of grants paid on completion of community projects. During 2009/10, the defined targets were only partially met which resulted in a deficit in funds in this grant at the year end, mainly due to 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 and the Swiss Agency for Development and Cooperation continued. During the year DFID provided £400,000 to support Afghanaid's programme activities. We received generous donations from individual supporters in the UK and elsewhere, which resulted in a 17% increase in voluntary income compared to the previous year. However, legacy income dropped by 86%.

The overall expenditure in 2009-10 was £3.04 million compared with £3.08 million in 2008-09. The 1% decrease in overall expenditure was mainly due to a decrease in the cost of generating voluntary income in the UK and a decrease in the cost of salaries. However, the direct project input cost increased by 130% due to the expansion of programme activities.

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Report of the Trustees

For the year ended 31 March 2010

Fixed assets were up by 101% due to the procurement of new assets with SDC, DFID and EC funds.

Debtors increased by 116% which was mainly due to funding receivable from DFID, EC and NSP donors at the year end. The outstanding funds receivable at the year end also resulted in a 78% decrease in cash and bank balances.

Creditors decreased by £79,000 (2008/9: increased by £249,000) which was due to payment of accrued staff costs and payment of withholding taxes to the Government of Afghanistan.

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 necessitate 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 31st March 2010 the reserve was £266,238. 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. It 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 31st March 2010 was £315,823. In 2009/10, the reserves suffered a loss of £92,918 as a result of the strengthening of the Afghan currency against the pound. The successful completion of work under the first two phases of the National Solidarity Programme later in 2010 will bring an injection of funds into the reserves, though demands continue to rise to pay for essentials such as professional training and security preparedness. Despite these challenges, the trustees regard it as a priority to increase the general reserve as soon as possible. This is now the main focus of the fundraising strategy of Afghanaid's London Office, whose progress is monitored on a regular basis.

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Report of the Trustees

For the year ended 31 March 2010

Future Plans

By the end of 2010/11, Afghanaid plans to complete a significant part of its work under the National Solidarity Programme Phase I and II. It will continue to work on the NSP programme under the New Roll Out contract that aims to cover the remaining 10,300 communities nationwide, which were missed out from earlier contracts. It is expected that NSP Phase III will be rolled out in late 2010/early 2011.

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. Additionally, Afghanaid plans to explore funding opportunities from Trusts and Foundations and to seek core funding to cover its UK and Afghanistan operations. .

Funds will be mobilised under donor contracts to further strengthen the monitoring, evaluation and knowledge management capacity of the organisation. The aim is to learn lessons from our work, replicate best practices and document measurable evidence of change achieved and poverty and vulnerability reduced in the lives of millions of Afghans in areas where Afghanaid works.

Recruiting and retaining professional staff remains a major challenge. In 2009/10, Afghanaid was only partially successful in attracting subject specialists in local governance, community development, gender equality, education, emergency response and disaster management. Obstacles to success included growing insecurity, a highly competitive job market in which many UN agencies and institutional donors offer much higher salaries and greater entitlements than NGOs. Afghanaid will continue to make concerted efforts to recruit competent staff which it believes to be a key asset in bringing lasting change.

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. However, raising funds to meet this important priority remains challenging as most institutional donors allow only limited budgets for overheads, including security.

Afghanaid will continue to advocate in the UK and Afghanistan for greater donor attention to the long term needs of communities in the north and western regions of the country, which have been relatively neglected owing to greater concentration on the militarily-sensitive southern and eastern provinces. The communities living in these regions rightly complain of enduring a 'peace penalty' for the relative stability in their communities.

Statement of Trustees' 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;

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Report of the Trustees
For the year ended 31 March 2010

- 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 2010 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.

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.

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Report of the Trustees
For the year ended 31 March 2010

Small Company Rules


The accounts have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and in accordance with Financial Reporting Standard for Smaller Entities (effective April 2008).

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



Gemma Parrott, Treasurer

23.11.10



David Page, Chair

23.11.10

Independent Auditors' Report to the Members of Afghanaid

We have audited the financial statements of Afghanaid for the year ended 31st March 2010 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 in accordance with the Financial Reporting Standards for Smaller Entities (effective April 2008).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the 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 trustees' (who are also the directors of the charitable company for the purposes of company law) responsibilities 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) and for being satisfied that the financial statements give a true and fair view 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, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006. We also report to you whether, in our opinion, the information given in the Trustees' Annual Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the charitable company has not kept adequate accounting records, if the charitable company's financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosures of trustees' remuneration specified by law are not made.

We read the Trustees' Annual Report and consider the implication 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.

Independent Auditors' Report to the Members of Afghanaid (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the charitable company's affairs as at 31st March 2010 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 United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the Companies Act 2006; and
- the information provided in the Trustees' Annual Report is consistent with the financial statements.

Neil Finlayson
.....
Neil Finlayson, Senior Statutory Auditor
for and on behalf of Kingston Smith LLP, Statutory Auditor

Devonshire House
60 Goswell Road
London EC1M 7AD
Date: 23/11/2010

Afghanaid
Notes to the Financial Statements (Continued)
For the year ended 31 March 2010

	Note	Unrestricted Funds £	Restricted Funds £	2010 Total £	2009 Total £
Incoming Resources					
Incoming resources from generated funds					
Voluntary income	2	228,615	15,585	244,200	208,891
Investment income		310	-	310	9,968
Incoming resources from charitable activities					
Grants for rural rehabilitation and emergencies	3	2,765	3,165,074	3,167,839	2,870,469
Other incoming resources		<u>4,243</u>	<u>3,497</u>	<u>7,740</u>	<u>40,945</u>
Total Incoming Resources		<u>235,933</u>	<u>3,184,156</u>	<u>3,420,089</u>	<u>3,130,273</u>
Resources Expended					
Cost of generating funds					
Cost of generating voluntary income		-	155,882	155,882	297,724
Charitable activities					
Rural rehabilitation and emergencies		32,061	2,804,245	2,836,306	2,737,237
Advocacy		-	15,033	15,033	19,708
Governance		<u>7,450</u>	<u>23,246</u>	<u>30,696</u>	<u>25,477</u>
Total charitable expenditure		<u>39,511</u>	<u>2,842,524</u>	<u>2,882,035</u>	<u>2,782,422</u>
Total Resources Expended		<u>39,511</u>	<u>2,998,406</u>	<u>3,037,917</u>	<u>3,080,146</u>
Net (Outgoing)/Incoming Resources before Transfers	5	196,422	185,750	382,172	50,127
Transfers between funds	15	<u>(22,768)</u>	<u>22,768</u>	-	-
Net Incoming/(Outgoing) Resources before Exchange Gains and Losses		<u>173,654</u>	<u>208,518</u>	<u>382,172</u>	<u>50,127</u>
Net unrealised exchange rate (losses)/gains		(5,967)	(48,034)	(54,001)	68,897
Exchange gains/(losses) on consolidation		<u>(96,414)</u>	<u>3,496</u>	<u>(92,918)</u>	<u>17,510</u>
Net Movement in Funds		71,273	163,980	235,253	136,534
Funds at 1 April 2009		<u>746,123</u>	<u>1,114,696</u>	<u>1,860,819</u>	<u>1,724,285</u>
Funds at 31 March 2010	14	<u>817,396</u>	<u>1,278,676</u>	<u>2,096,072</u>	<u>1,860,819</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.

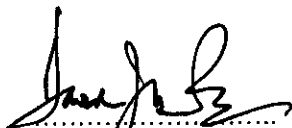
The notes on pages 21 to 31 form a part of these financial statements.

Afghanaid
Notes to the Financial Statements (Continued)
For the year ended 31 March 2010

	Note	2010 £	2010 £	2009 £	2009 £
Tangible Fixed Assets	8		232,401		115,814
Current Assets					
Debtors	9	1,881,286		870,788	
Cash at bank and in hand	10	<u>277,500</u>		<u>1,247,930</u>	
		2,158,786		2,118,718	
Less: Creditors					
Amounts due within one year	11		<u>295,115</u>	<u>373,713</u>	
Net Current Assets			<u>1,863,671</u>		<u>1,745,005</u>
Net Assets			<u><u>2,096,072</u></u>		<u><u>1,860,819</u></u>
 Funds					
Restricted funds					
In surplus			1,656,635		1,292,952
In deficit			(377,959)		(178,256)
Unrestricted funds					
Designated funds			501,573		539,471
General funds			<u>315,823</u>		<u>206,652</u>
Total Funds	14		<u><u>2,096,072</u></u>		<u><u>1,860,819</u></u>

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities

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



David Page
Chair

23.11.10.



Gemma Parrott
Treasurer

23.11.10

The notes on pages 21 to 31 form a part of these financial statements.

Afghanaid
Notes to the Financial Statements (Continued)
For the year ended 31 March 2010

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 April 2008).

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.

Gift Aid Claims are recognised in the statements of financial activities in the year in which they are received.

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

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 2010

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) 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

g) 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.

h) 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 2010

2 Voluntary Income

	Unrestricted	Restricted	2010	2009
	£	£	£	£
Donations	213,309	15,585	228,894	149,439
Samangan literacy fund donations	-	-	-	22,477
Legacies	1,799	-	1,799	13,000
Donated goods, services and facilities	13,507	-	13,507	23,975
	<u>228,615</u>	<u>15,585</u>	<u>244,200</u>	<u>208,891</u>

3 Grants for Rural Rehabilitation and Emergencies

	Unrestricted	Restricted	2010	2009
	£	£	Total	Total
	£	£	£	£
Commission of the European Communities	-	825,968	825,968	281,754
National Solidarity Programme	-	526,883	526,883	1,343,469
Department for International Development (DFID)	-	399,247	399,247	-
Swiss Development Corporation	-	1,248,258	1,248,258	573,677
Comic Relief	-	33,313	33,313	60,437
Planning and Development Collaborative International	-	-	-	179,663
Lithuanian Government	-	-	-	54,131
Catholic Relief Services	-	74,631	74,631	127,763
Food and Agriculture Organisation	-	12,351	12,351	10,876
Brooke	-	-	-	(4,809)
UNICEF	-	-	-	168,900
Hand in Hand	-	-	-	29,393
Roshan	-	2,968	2,968	11,063
Ministry of Agriculture and Labour	-	9,355	9,355	16,800
GTZ	-	32,100	32,100	-
General funds	2,765	-	2,765	2,582
World Food Programme	-	-	-	14,770
	<u>2,765</u>	<u>3,165,074</u>	<u>3,167,839</u>	<u>2,870,469</u>

Afghanaid
Notes to the Financial Statements (Continued)
For the year ended 31 March 2010

4 Total Resources Expended	Cost of		Rural		Support	Governance	2010	2009
	Generating	Voluntary	Rehabilitations	and				
	Income	Income	Emergencies	Advocacy	Costs	£	£	£
	£	£	£	£	£	£	£	£
Staff costs (note 6)	75,165	1,214,388	10,265	-	367,146	-	1,666,964	2,026,776
Labour (note 6)	-	151,582	-	-	-	-	151,582	4,279
Consultancy	-	15,204	-	-	-	-	15,204	23,090
Transportation and storage	-	16,513	-	-	-	-	16,513	3,885
Agricultural and engineering inputs	-	283,942	-	-	-	-	283,942	123,616
Travel and per-diem allowances	-	35,349	-	-	13,445	6,407	55,201	70,623
Vehicle operating	-	203,625	-	-	10,977	-	214,602	240,074
Communications	41,824	35,700	-	-	15,402	1,043	93,969	182,353
Cash grants to beneficiaries	-	40,551	-	-	-	-	40,551	-
Utilities and premises	-	46,992	-	-	29,374	-	76,366	91,218
Depreciation	-	-	-	-	83,599	-	83,599	49,824
Repairs and maintenance	-	42,044	-	-	30,847	-	72,891	22,325
Training	-	43,627	-	-	1,988	-	45,615	16,194
Printing and stationery	-	19,515	-	-	6,497	-	26,012	22,371
Miscellaneous	-	5,537	-	-	3,464	-	9,001	12,695
Rental of offices	-	60,169	-	-	26,517	-	86,686	74,049
Audit and accountancy fees	-	-	-	-	-	22,306	22,306	16,831
Board of Trustees expenses	-	-	-	-	-	503	503	2,085
Tools and equipment	-	950	-	-	-	-	950	1,224
Office support	3,977	-	-	-	7,354	-	11,331	13,859
Fareshta Fund	-	-	-	-	-	-	-	27,437
Newspaper and books	-	104	-	-	45	-	149	-
Legal and professional fees	-	-	-	-	-	437	437	-
Beneficiary training	-	52,664	-	-	-	-	52,664	37,506
Loss on disposal of fixed assets	-	(52)	-	-	-	-	(52)	(1,135)
Loss by theft	-	-	-	-	-	-	-	12,412
Equipment insurance	-	371	-	-	-	-	371	439
Membership fee	-	-	-	-	3,956	-	3,956	2,960
Bank charges	-	3,413	-	-	3,191	-	6,604	3,156
Support costs	120,966	2,272,188	10,265	-	603,802	30,696	3,037,917	3,080,146
Total resources expended	34,916	564,118	4,768	-	(603,802)	-	-	-
	155,882	2,836,306	15,033	-	-	30,696	3,037,917	3,080,146

Afghanaid
Notes to the Financial Statements (Continued)
For the year ended 31 March 2010

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

	2010 £	2009 £
This is stated after charging:		
Depreciation	83,599	49,824
Net loss on disposal of fixed assets	(52)	(1,135)
Trustees' expenses (travel costs: 2 trustees)	2,085	2,085
Auditors' remuneration:		
Audit - Afghanistan	4,233	2,149
- UK	7,500	7,250
- UK: in respect of non audit services	5,280	1,950
- UK: in respect of prior years	5,293	5,482
Operating lease payments:		
Land and buildings	14,836	11,749
Other assets	1,578	3,156
	14,836	14,905

No trustees received any remuneration for their services (2009 - £nil).

6 Staff costs and numbers

	2010 £	2009 £
Staff costs were as follows:		
Gross salaries - London	84,927	119,445
Gross salaries in Afghanistan	1,504,150	1,883,865
Social security costs	7,688	12,754
	1,596,765	2,016,064
Recruitment costs	24	445
Redundancy costs	9,355	-
Temporary staff		10,267
Other staff costs	654	
	1,666,964	2,026,776

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:

	2010 £	2009 £
London	4	3
Afghanistan	304	403
	308	406

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Notes to the Financial Statements (Continued)
For the year ended 31 March 2010

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 2009	341,079	447,234	108,487	896,800
Additions in the year	145,834	54,391	-	200,225
Disposals in the year	-	(221)	-	(221)
	<u>486,913</u>	<u>501,404</u>	<u>108,487</u>	<u>1,096,804</u>
At 31 March 2010				
Depreciation				
At 1 April 2009	304,664	367,835	108,487	780,986
Charge for the year	37,508	46,066	-	83,574
Disposals in the year	-	(157)	-	(157)
	<u>342,172</u>	<u>413,744</u>	<u>108,487</u>	<u>864,403</u>
At 31 March 2010				
Net Book Value				
At 31 March 2010	<u>144,741</u>	<u>87,660</u>	<u>-</u>	<u>232,401</u>
At 31 March 2009	<u>36,415</u>	<u>79,399</u>	<u>-</u>	<u>115,814</u>

9 Debtors

	2010	2009
	£	£
Prepayments	29,496	23,326
Grants receivable	1,821,166	691,668
Legacy receivable	-	-
Other accrued income	-	-
Other debtors	30,624	155,794
	<u>1,881,286</u>	<u>870,788</u>

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Notes to the Financial Statements (Continued)
For the year ended 31 March 2010

10 Cash at Bank and in Hand	2010	2009
	£	£
Cash at bank	240,536	1,213,953
Cash in hand	36,964	33,977
	<u>277,500</u>	<u>1,247,930</u>

11 Creditors: Amounts falling due within one year	2010	2009
	£	£
Trade creditors	187,234	215,257
Taxation and social security	1,927	3,255
Deferred Income	18,579	-
Accruals	87,375	155,201
	<u>295,115</u>	<u>373,713</u>

12 Operating Lease Commitments

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

	Land and Buildings		Other assets	
	2010	2009	2010	2009
	£	£	£	£
Within one year	14,836	-	1,578	-
Two to five years	-	11,749	-	3,156
	<u>14,836</u>	<u>11,749</u>	<u>1,578</u>	<u>3,156</u>

13 Analysis of Net Assets between Funds

	Restricted Funds	Designated Funds	General Funds	Total Funds
	£	£	£	£
Tangible fixed assets	231,996	-	405	232,401
Current assets	1,204,440	501,573	452,773	2,158,786
Current liabilities	(157,760)	-	(137,355)	(295,115)
Net assets at 31 March 2010	<u>1,278,676</u>	<u>501,573</u>	<u>315,823</u>	<u>2,096,072</u>

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Notes to the Financial Statements (Continued)
For the year ended 31 March 2010

14 Movement in Funds

	At 1 April 2009 £	Incoming Resources £	Outgoing Resources incl. gains/ losses on foreign exchange £	Transfer between Funds £	At 31 March 2010 £	
Restricted Funds:						
a	European Community	555,459	825,968	(800,329)	-	581,098
b	WFP Emergency Programme	1,917	-	-	-	1,917
c	DFID	67,275	399,247	(380,443)	-	86,079
d	DFA (Government of Ireland)	4,897	-	-	-	4,897
e	Food and Agriculture Organisation	7,058	12,351	(12,534)	-	6,875
f	Comic Relief	4,692	33,313	(42,053)	4,048	-
g	National Solidarity Programme	(178,256)	526,883	(726,586)	-	(377,959)
h	Chave Collisson	5,416	-	(33)	-	5,383
i	Samangan Literacy Fund	22,477	-	(19,322)	-	3,155
j	SADC	309,330	1,248,258	(663,251)	-	894,337
k	Government of Lithuania	3,392	-	-	-	3,392
l	Catholic Relief Services	104,426	74,631	(192,138)	13,081	-
m	Still Waters	13,989	-	-	-	13,989
n	PADCO	6,246	-	(3,082)	-	3,164
o	GTZ	140,583	32,100	(172,350)	-	333
p	Hand in Hand	2,057	-	(6,799)	4,742	-
q	Ministry of Agriculture & Livestock	16,800	9,355	(12,331)	-	13,824
r	Roshan	6,744	2,968	(10,609)	897	-
s	The LBRCF Afghan Fund	16,975	-	(999)	-	15,976
t	Other Funds	3,219	19,082	(85)	-	22,216
	Total Restricted Funds	1,114,696	3,184,156	(3,042,944)	22,768	1,278,676
Unrestricted Funds:						
<i>Designated Funds (Note 15ii)</i>						
	Terminal benefits reserve	314,307	-	(140,435)	61,463	235,335
	Contingency reserve	225,164	-	41,074	-	266,238
	Total designated funds	539,471	-	(99,361)	61,463	501,573
	<i>General Fund</i>	206,652	235,933	(42,531)	(84,231)	315,823
	Total Unrestricted Funds	746,123	235,933	(141,892)	(22,768)	817,396
	Total Funds	1,860,819	3,420,089	(3,184,836)	-	2,096,072

(Note 16)

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Notes to the Financial Statements (Continued)
For the year ended 31 March 2010

14 Movement in Funds (Continued)

(i) Purpose of Restricted Funds

- a European Community** - funding has been given to improve the quality of life of target communities in Badakhshan, Samangan and Ghor 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. During the year 2009-10, DFID provided funds to support Afghanaid's programme activities.
- 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.
- 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 are made by Afghanistan Govt on the achievement of certain targets. During the year Afghanaid 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 completely 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 SADC (Swiss Agency for Development and Cooperation)** - 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 Still Waters** - This funding was provided to support capacity building activities in Ghor and Samangan province.

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Notes to the Financial Statements (Continued)
For the year ended 31 March 2010

14i Movement in Funds (Continued)

- n 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).
- o GTZ** - This funding supports Agriculture production with specific reference to vegetable promotion in two districts of Badakhshan.
- p 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.
- q Ministry of Agriculture & Livestock**- This funding support 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.
- r 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 Samangn.
- s 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.
- t Other funds**- It represents the funding received from Hampted trust to support the literacy activities in Samangan province

(ii) Purposes of Designatd 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.

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Notes to the Financial Statements (Continued)
For the year ended 31 March 2010

15 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.