

Afghanaid
Company No. 3034888
Charity No. 1045348

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2008

TUESDAY



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Afghanaid

Reference and Administrative Information

For the year ended 31 March 2008

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 Ian Anderson Barbara Bubb Jonathan Goodhand Denise Meredith Tigger Stack Malcolm Harper	Chair Vice-chair Treasurer
Principal Staff - Managing Director	Anne Randall Johnson (outgoing) Dr. Purna Bahadar Chettri	
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	
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	

Afghanaid

Report of the Trustees

For the year ended 31 March 2008

Report of the Trustees

The trustees present their report and the audited financial statements for the year ended 31 March 2008.

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).

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.

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, and 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 and there are also programme offices in our working areas within Afghanistan.

The trustees and directorate continue to keep under review and decisions made in previous years on governance of the charity.

The Board of trustees has 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 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.

Afghanaid

Report of the Trustees

For the year ended 31 March 2008

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 477 employees who are mainly Afghan. The MD is assisted by a "Directorate" (comprising Directors of the following departments: Programme, Administration and Human Resources, UK office and Finance) in making key management decisions related to daily operations. District field offices report to a provincial field office which in turn report to the Programme Department and Programme Director; 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 and programme performance 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 board of Trustees has conducted its own review of the major risks to which the charity is exposed and systems have been established to mitigate these risks. With regard to the political and security situation in Afghanistan particular steps have been taken with regard to staff safety and security. We continue to seek to diversify our funding sources. 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 policy is in place for Afghanaid staff as a counter corruption measure.

Use of Volunteers

Afghanaid is fortunate to have volunteers in both their London and Kabul office. Volunteering with Afghanaid gives young people valuable work experience in the field of international development that helps them launch careers in this field. In Kabul, Afghanaid has an average of 8 volunteers most of the year working in departments ranging from finance and administration/ human resources to information technology (IT). Volunteers usually work for a period of three months and Afghanaid pays for only their lunch and transportation. In the London office, volunteers are typically students of international and development studies wishing to gain practical work experience. These volunteers help out with a range of activities such as assisting with fundraising events, editing documents for publication, web-based research, etc. They typically work one day per week with Afghanaid over a term-long internship. In addition, many of our projects include a community contribution, which is usually a combination of donated space, materials, labour and time spent on projects.

Objectives, achievements and performance

Afghanaid works alongside poor and marginalised Afghan women and men to enhance their opportunities and capabilities to achieve economic and social development that is both sustainable and equitable.

Afghanaid

Report of the Trustees

For the year ended 31 March 2008

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 ambulance across the border between Afghanistan and Pakistan. As fighting became more localised during the early 1990s, Afghanaid began assisting in the rehabilitation of major infrastructure and the re-vitalisation of food production. Since 1995, Afghanaid has been implementing a development programme focusing on strengthening community self-reliance that combines engineering, agriculture, animal husbandry, community infrastructure, vocational training for women, health education, child development and micro-finance in an integrated community development programme.

A three-year strategy was developed in 1997/98 and subsequently refined in 2001 and 2004. Afghanaid is currently in the process of developing its next three years strategy. The preparations leading to finalization of the 2009 – 2012 strategy commenced with round table discussions with key staff and stakeholders at the grassroots, district, provincial and national levels. During the consultations, Afghanaid's commitment to working alongside vulnerable groups in remote rural villages to improve basic living conditions in an equitable fashion was reconfirmed. It is expected that the consolidation of inputs and formulation of the Afghanaid's next strategy will be completed in early 2009.

Today Afghanaid works in over 1,100 communities across four provinces that are remote and inaccessible and more vulnerable than others. Badakhshan and Ghor provinces are mountainous and suffer from long winters when it is extremely difficult for villagers to access even essential services such as health care due to heavy snow. Nuristan suffers from annual flooding problems and from extreme insecurity due to an escalation of insurgent activities in the region. Samangan is more fortunate than the other provinces where Afghanaid works from the viewpoint of being accessible from a major road for most of the year, yet it has high poverty indicators as well as frequent water shortages. The situation in all aforementioned provinces has been further exacerbated by the severe drought that affected thousands of farmers .

Afghanaid works with community-level groups to improve their livelihoods and to assist them to mitigate some of the disadvantages they face. Improved livelihoods are achieved by developing the physical, financial, natural, social and human resources available to them in a sustainable way. Afghanaid staff members take a primarily capacity building and facilitation role with their community-level partners to build their skills for infrastructure construction, income generation, crop cultivation, livestock production education and local governance. In all our work, we aim to increase equitable participation in development planning and delivery, particularly by more vulnerable groups such as women and youth. Afghanaid is an implementing partner for the government's National Solidarity Programme and facilitates the election capacity development and training of Community Development Councils (CDCs) to represent their constituencies in an 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, women's CDC sub-committees have been established wherever possible to ensu

Afghanaid facilitates income-generation, micro-credit, agricultural and animal husbandry extension and other types of development opportunities that contribute to increased food security and household income and encourage rural communities to choose alternatives to poppy cultivation.

Afghanaid

Report of the Trustees

For the year ended 31 March 2008

Because limited access to land and credit are often factors contributing to farmers' decisions to cultivate poppy, to internal displacements and to the growth of militant and criminal groups, with funding from the Ministry of Rural Rehabilitation and Development (MRRD), European Commission (EC), Swiss Development Agency for Cooperation (SDC), the Brooke Partnership Network (BPN), Comic Relief, the UN Food and Agriculture Organization (FAO), and other donors, Afghanaid tailors development activities to respond to those factors. Afghanaid provides rural credit, technical assistance for high value horticulture, plus training in value-adding processing of agricultural production and off-farm vocational skills. More recently, Afghanaid has utilised a value-chain approach to help rural groups better understand opportunities to access markets.

How Afghanaid works with Vulnerable Groups:

Women: Because of the gender segregation that has long been a feature of traditional culture in many parts of Afghanistan, women have had inadequate access to educational opportunities and other services. To address that lack of access, twelve years ago, Afghanaid began establishing women's resource centres (WRC). These centres have provided an opportunity for village women to meet, and to engage in skill training for income generation, basic health and literacy education at a time when few other options for women were available. Because women are often constrained by the cultural constraints on their mobility outside their communities that is allowable, 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. Additionally, in order to improve access of the marginalized strata of Afghan society – women, Afghanaid has la

Youth: With funding from Comic Relief, Afghanaid implements an innovative programme which focuses on educating children and other community members about children's fundamental rights as set out in the UN Convention on the Rights of the Child. Working through a variety of activities such as story and poem telling, drama and art, this programme also builds knowledge, skills and confidence of children and young adults to participate in solving problems they face in their communities.

AFGHANAID PROGRAMME COMPONENTS:

A Management of Natural Resources for Improved Productivity

Afghanaid trains farmers groups to improve, diversify, and add value to their production. This in turn helps them increase their income and reduce periods during the year when they are food insecure. Afghanaid also 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, home gardens, food processing and promotion of drought resistant fast-growing trees for construction and fuel, thereby revitalising degraded lands.

Afghanaid

Report of the Trustees

For the year ended 31 March 2008

The animal health component focuses on the treatment and the vaccination of livestock by Basic Veterinary Workers (BVWs) and Paravets through established Veterinary Field Units (VFUs). The BVWs are farmers trained by the veterinary doctor and paravets. They operate in their respective villages and charge farmers or livestock owners for the services they provide. Besides training, Afghanaid initially provides them with medicines, vaccines and kits at subsidised rates or free of charge but the long term aim is that they should become self-financing in line with the government's own strategy for the sector.

The following chart gives some indicators of recent achievements of our agricultural programme:

Activity	2007-2008 Planned	2007-2008 Actual	2008-2009 Planned
Number of animals vaccinated	209,000	339,615	300,000
Number of farmers received livestock extension	15,560	33,199	40,000
Number of animals treated	130,000	175,186	200,000
Number of farmers received technical assistance	7,000	20,240	30,000
Number of orchard established/rehabilitated	80	91	90
Number of saplings distributed	8,000	6,000	2,000[1]
Number of farmers trained in bee-keeping	160	531	200
Number of farmers trained in vegetable production	3,000	3,500	2000[2]

[1] Over the course of 2007 - 2008 fiscal year, the targets of the EC funded PHDP Accelerating Horticulture Market project on the establishment of nurseries, which would have supplied farmers with saplings, under this initiative has been abandoned. Thus, greater emphasis has been made on the institutionalization of established farmer groups/associations in order to provide the required technical inputs around the three champion products: apricots in Ghor, almonds in Samangan, and apples in Badakhshan.

[2] With the completion of the PADCO funded ALP/N Agronomy and Vegetable Production Programme in Badakhshan in 2008, the target for 2008 – 2009 in relations to the number of farmers received training in vegetable production will accordingly reduce.

Nonetheless, Afghanaid is in the process of raising funds for its vegetable production initiatives.

B Financial Resources – Access to credit and savings facilities

Inadequate access to credit or savings facilities is a key contributing factor for continued poverty in rural communities, and it often pushes farmers to grow poppy. In response, Afghanaid has established three innovative approaches to micro-finance: 1) wheat banks (or *gudams*), 2) self-help groups (SHG), and 3) credit offered through village organizations and CDCs.

- **Wheat banks:** Wheat banks were established to further a number of objectives. One was to provide improved seed on credit to small farmers. Another objective was to serve as an institution for the transfer of improved agricultural technology to increase food production. Finally, the wheat banks encourage savings for capital accumulation and provide loans to poor farmers to enable them to invest in agriculture and diversify their income base

Afghanaid

Report of the Trustees

For the year ended 31 March 2008

- **Self Help Groups (SHG) and Common Interest Groups (CIGs):** Afghanaid's SHG/CIG programme helps small groups of men and women to accumulate savings and build confidence to undertake income-generating enterprises. SHG/CIG members develop the discipline, trust and experience of saving, borrowing and repaying reliably within a group setting and, through their group, to eventually access finance from micro-finance institutions as they become available. SHG/CIGs also provide a vehicle for skills training to group members and enable women particularly to meet together outside their homes, thereby increasing their access to information and awareness of community issues.

The following chart gives some indicators for enterprise development and SHG and CIG projects facilitated by Afghanaid

Activity	2007-08 planned	2007-08 actual	2008-09 planned
Number of men received book keeping training	470	1,050	2,000
Number of women received book keeping training	470	1,050	2,000
Number of men received Business Development training	0	247	750
Number of women received Business Development training	610	676	2,000
Number of male trainees helped to set up enterprises	260	340	500
Number of female trainees assisted to set up enterprises	160	209	350

C Physical Resources – Infrastructure

Afghanaid has facilitated the construction of many productive community infrastructure projects to improve economic development at the grassroots level under the National Solidarity Programme (NSP). Afghanaid engineers assist communities in rehabilitation and construction of community facilities such as irrigation systems, flood protection walls, drinking water supply, and link 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. Nonetheless, Afghanaid engineers continue to provide crucial technical and monitoring assistance during all phases of the construction work.

The following chart gives a breakdown of types of projects facilitated by Afghanaid.

Activity	2007-08 Planned	2007-08 Actual	2008-09 Planned
Water supply and sanitation	283	190	100
Irrigation	245	90	155
Education	135	269	100
Transport	436	285	151
Power	253	139	120

Afghanaid

Report of the Trustees

For the year ended 31 March 2008

D Human Resources – Skill Building

Skill building training is one of the primary roles that Afghanaid staff members play in all our activities, but we also help community groups organise their own educational programmes in order to build the range of human resources in the community. Illiteracy is a huge problem in Afghanistan, and the national average is 70%. This percentage is even higher in the remote areas where Afghanaid works. Knowledge of disease prevention and preventive health care is also very low. Women in Afghanistan have been disproportionately deprived of training and education opportunities so Afghanaid has focused on increasing women's access to training.

E Social Resources - Local Governance Skills Training

Under the umbrella of the National Solidarity Programme (NSP), Afghanaid organises elections in rural communities for Community Development Councils (CDCs). The CDCs serve as a consultative decision-making body that includes men, women, and traditionally marginalized members of the community. Afghanaid trains CDCs to facilitate participative planning processes with community members, then to implement and manage priority development projects. CDCs are also trained in how to report to and represent community members in a transparent, accountable fashion. The following chart gives some indicators of Afghanaid activities with CDCs

Activity	2007-08 Planned	2007-08 Actual	2008-09 Planned
Number of Community Development Plans completed	270	184	95
Number of CDC members receiving training in project management	1,620	3,312	1,200

Financial review

The overall income received by Afghanaid in 2007-08 was £2.67 million compared with £3.39 million of 2006-07. The decrease of 22% reflects a decrease in grants received from the National Solidarity Programme (NSP) and legacies income. A major part of Afghanaid's restricted income during the year came from grants from NSP. During 2007-08 NSP altered their systems of payment, increasing the proportion of grants paid on completion of projects. During the year the defined targets were only partially met which resulted in decreased income for the year. One of the main reasons for this was bottlenecks in the delivery of funds to communities from government sources, without which work on projects could not proceed smoothly. Furthermore, we continued experiencing a policy change by donors away from supporting NGOs by direct grants towards routing funds to the Afghan Government (usually through various World Bank and UN mechanisms) as a part of the political process of supporting the Government of Afghanistan.

Our long term relations with EC, Diana fund, the Swiss Agency for Development and Cooperation and Comic Relief continued. During the year, we received an important new grant from the EC for work in horticulture across three provinces. We won a new EC contract to work on the rehabilitation of the upper catchments of the Kokcha river in Badakhshan. We also secured funding from PADCO, Brooke, UNICEF, FAO, Roshan and the Lithuanian government.. We continued receiving generous donations from individual supporters in the UK and elsewhere.

Afghanaid

Report of the Trustees

For the year ended 31 March 2008

The overall expenditure in 2007-08 was £2.91 million compared with £2.73 million in 2006-07. The 7% increase in overall expenditure was mainly due to an increase in staff costs, increased security provision and vehicle operating expenses. We experienced a significant increase in vehicle operating expenses due to higher fuel prices and increased use of rented vehicles for NSP programme.

Debtors decreased by £89k. Included in debtors is an amount of £54k owed to Afghanaid by a consortium partner against an old contract. Negotiations are currently taking place and it is not clear at this stage that if the full amount is recoverable.

Creditors increased by £48k, which was mainly due to withholding tax payable to Government of Afghanistan at the year end.

Reserves Policy

In determining a reserve policy the Board of Trustees have had regard to both the external and internal political context of Afghanistan and also to the consequences of natural disaster affecting the country. The trustees do not consider it prudent to place a financial cap on the level of reserves 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, in addition to designated reserves. This policy is reviewed annually having regard to the situation prevailing at the time.

Statement of Trustee's Responsibilities

The trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss 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;
- 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 and the Charities Act 1993. 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.

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.

Afghanaid
Report of the Trustees
For the year ended 31 March 2008

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 2008 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.

Audit Information

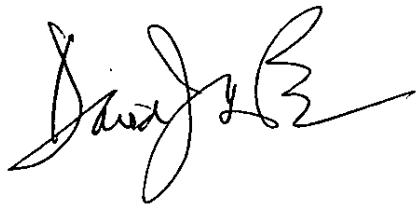
In accordance with company law, as the company's directors, we certify that:

- so far as we are aware, there is no relevant audit information of which the company's auditors are unaware; and
- as the directors of the company we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

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.

Approved by the trustees on 10/12/08
and signed on their behalf by:



Afghanaid

Independent Auditors' Report to the Members of Afghanaid

We have audited the financial statements of Afghanaid for the year ended 31 March 2008 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 charity'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 charity'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 charity and charity'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 Afghanaid 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) 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 & 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 if, in our opinion, the Trustees' Annual Report is not consistent with the financial statements, if the charity 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 transactions with the charity is not disclosed.

We read other information contained in the Trustees' Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK & 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 charity'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 United Kingdom Generally Accepted Accounting Practice of the charitable company's state of affairs as at 31 March 2008 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the report of the trustees is consistent with the financial statements.

Devonshire House
60 Goswell Road
London EC1M 7AD

Date: 16 / 12 / 2008


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 2008

	Note	Unrestricted Funds £	Restricted Funds £	2008 Total £	2007 Total £
Incoming Resources					
Incoming resources from generated funds					
Voluntary income	2	312,442	-	312,442	872,106
Investment income		17,245	726	17,971	20,731
Incoming resources from charitable activities					
Grants for rural rehabilitation and emergencies	3	-	2,311,113	2,311,113	2,473,292
Other incoming resources		<u>19,627</u>	<u>-</u>	<u>19,627</u>	<u>20,014</u>
Total Incoming Resources		<u>349,314</u>	<u>2,311,839</u>	<u>2,661,153</u>	<u>3,386,143</u>
Resources Expended					
Cost of generating funds					
Cost of generating voluntary income		<u>179,408</u>	<u>-</u>	<u>179,408</u>	<u>131,784</u>
Charitable activities					
Rural rehabilitation and emergencies		216,694	2,459,545	2,676,239	2,553,345
Advocacy		15,543	-	15,543	8,869
Governance		<u>22,819</u>	<u>13,368</u>	<u>36,187</u>	<u>36,305</u>
Total charitable expenditure		<u>255,056</u>	<u>2,472,913</u>	<u>2,727,969</u>	<u>2,598,519</u>
Total Resources Expended		<u>434,464</u>	<u>2,472,913</u>	<u>2,907,377</u>	<u>2,730,303</u>
Net (Outgoing)/Incoming Resources before Transfers	5	(85,150)	(161,074)	(246,224)	655,840
Transfers between funds		<u>14,695</u>	<u>(14,695)</u>	<u>-</u>	<u>-</u>
Net Incoming/(Outgoing) Resources before Exchange Gains and Losses		(70,455)	(175,769)	(246,224)	655,840
Net unrealised exchange rate (losses)/gains		(1,556)	17,494	15,938	2,648
Exchange gains/(losses) on consolidation		<u>18,550</u>	<u>-</u>	<u>18,550</u>	<u>(81,194)</u>
Net Movement in Funds		(53,461)	(158,275)	(211,736)	577,294
Funds at 1 April 2007		<u>1,163,076</u>	<u>772,945</u>	<u>1,936,021</u>	<u>1,358,727</u>
Funds at 31 March 2008	15	<u>1,109,615</u>	<u>614,670</u>	<u>1,724,285</u>	<u>1,936,021</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 15 to 24 form a part of these financial statements.


Afghanaid

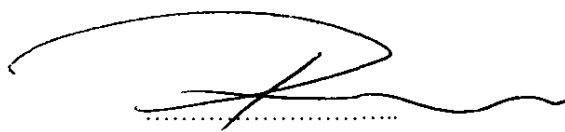
Balance Sheet as at 31 March 2008

	Note	2008 £	2008 £	2007 £	2007 £
Tangible Fixed Assets	8		146,882		136,523
Current Assets					
Stocks	9	4,471		7,305	
Debtors	10	809,284		898,017	
Cash at bank and in hand	11	<u>888,391</u>		<u>970,614</u>	
		1,702,146		1,875,936	
Less: Creditors					
Amounts due within one year	12	<u>124,743</u>		<u>76,438</u>	
Net Current Assets			<u>1,577,403</u>		<u>1,799,498</u>
Net Assets			<u><u>1,724,285</u></u>		<u><u>1,936,021</u></u>
Funds					
Restricted funds					
In surplus			1,007,582		782,379
In deficit			(392,912)		(9,434)
Unrestricted funds					
Designated funds			691,287		673,764
General funds			<u>418,328</u>		<u>489,312</u>
Total Funds	15		<u><u>1,724,285</u></u>		<u><u>1,936,021</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 trustees on 10/12/08
and signed on their behalf by:


David Page
Chair


Fiona Shickle
Treasurer

The notes on pages 15 to 24 form a part of these financial statements.

Afghanaid

Notes to the Financial Statements

For the year ended 31 March 2008

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 2008

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 2008

2 Voluntary Income

	Unrestricted	Restricted	2008	2007
	£	£	£	£
Donations	93,201	-	93,201	103,419
Legacies	207,148	-	207,148	698,350
Donated goods, services and facilities	12,093	-	12,093	70,337
	<u>312,442</u>	<u>-</u>	<u>312,442</u>	<u>872,106</u>

3 Grants for Rural Rehabilitation and Emergencies

	Unrestricted	Restricted	2008	2007
	£	£	Total	Total
	£	£	£	£
Commission of the European Communities	-	465,292	465,292	206,542
National Solidarity Programme	-	915,211	915,211	1,670,182
Department for International Development (DFID)	-	-	-	109,977
International Organisation of Migration	-	3,046	3,046	17,099
Diana Fund	-	51,586	51,586	28,000
Swiss Development Corporation	-	268,681	268,681	268,817
United Nations Office for Project Services	-	(198)	(198)	-
Comic Relief	-	62,500	62,500	62,500
Planning and Development Collaborative International	-	158,352	158,352	-
Counterpart International	-	815	815	3,171
Ministry of Rural Rehabilitation & Development	-	87,020	87,020	-
Lithuanian Government	-	50,368	50,368	36,081
German Agro Action	-	41,554	41,554	29,186
Catholic Relief Services	-	40,698	40,698	41,737
Food and Agriculture Organisation	-	8,491	8,491	-
Chave Collisson	-	5,000	5,000	-
Brooke	-	31,147	31,147	-
Still Waters	-	20,000	20,000	-
UNICEF	-	3,741	3,741	-
ARD, Inc.	-	2,945	2,945	-
Hand in Hand	-	25,064	25,064	-
Roshan	-	18,437	18,437	-
Education Development Center	-	6,363	6,363	-
The London Bombings Relief Charitable Fund	-	45,000	45,000	-
	<u>-</u>	<u>2,311,113</u>	<u>2,311,113</u>	<u>2,473,292</u>

Afghanaid
Notes to the Financial Statements (Continued)
For the year ended 31 March 2008

4 Total Resources Expended	Cost of Generating Voluntary Income £	Rural Rehabilitations and Emergencies £	Advocacy £	Support Costs £	Governance £	2008 Total £	2007 Total £
Staff costs (note 6)	68,447	1,478,304	7,605	339,083	-	1,893,439	1,615,924
Labour (note 6)	-	20,043	-	-	-	20,043	113,804
Consultancy	-	1,804	-	2,948	-	4,752	50,908
Transportation and storage	-	4,175	-	-	-	4,175	19,501
Agricultural and engineering inputs	-	99,754	-	-	-	99,754	237,359
Travel and per-diem allowances	31,069	58,728	-	25,686	7,489	122,972	76,022
Vehicle operating	-	229,596	-	5,961	-	235,557	183,814
Communications	56,631	18,839	-	11,883	625	87,978	73,489
Grants to Village Organisations	-	-	-	-	-	-	12,355
Grants from LBRCF Afghan Fund	-	505	-	-	-	505	-
Utilities and premises	-	53,971	-	31,503	-	85,474	62,787
Depreciation	-	-	-	50,405	-	50,405	53,793
Repairs and maintenance	-	35,501	-	5,582	-	41,083	33,586
Training	-	27,775	-	4,253	-	32,028	27,911
Printing and stationery	-	23,254	-	7,922	-	31,176	28,918
Miscellaneous	-	18,794	-	778	1,403	20,975	12,978
Rental of offices	-	52,966	-	17,651	-	70,617	84,234
Audit and accountancy fees	-	-	-	-	9,148	9,148	9,959
Board of Trustees expenses	-	-	-	-	3,276	3,276	4,343
Tools and equipment	-	855	-	1,216	-	2,071	2,488
Office support	691	-	-	3,398	-	4,089	2,341
Newspaper and books	-	-	-	45	-	45	227
Publicity	-	-	5,430	-	-	5,430	455
Legal and professional fees	-	-	-	-	14,246	14,246	11,253
Beneficiary training	-	59,801	-	-	-	59,801	2,758
Loss on disposal of fixed assets	-	358	-	-	-	358	3,975
Loss by theft	-	3,679	-	-	-	3,679	15
Equipment insurance	-	-	-	410	-	410	422
Membership fee	-	-	-	2,047	-	2,047	-
Bank charges	-	83	-	1,761	-	1,844	4,684
Support costs	156,838	2,188,785	13,035	512,532	36,187	2,907,377	2,730,303
	22,570	487,454	2,508	(512,532)	-	-	-
Total resources expended	179,408	2,676,239	15,543	-	36,187	2,907,377	2,730,303

Afghanaid
Notes to the Financial Statements (Continued)
For the year ended 31 March 2008

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

	2008 £	2007 £
This is stated after charging:		
Depreciation	50,405	54,190
Net loss on disposal of fixed assets	358	3,975
Trustees' expenses (travel costs: 2 trustees)	3,276	4,343
Auditors' remuneration:		
Audit - Afghanistan	1,311	2,082
- UK	7,837	7,876
Operating lease payments:		
Land and buildings	11,093	13,687
Other assets	5,124	-
	<u>5,124</u>	<u>-</u>

No trustees received any remuneration for their services (2007 - £nil).

6 Staff costs and numbers

	2008 £	2007 £
Staff costs were as follows:		
Gross salaries - London	82,990	68,485
Gross salaries in Afghanistan	1,790,678	1,540,819
Social security costs	8,225	6,620
	<u>1,881,893</u>	<u>1,615,924</u>
Recruitment costs	4,492	-
Redundancy costs	5,514	-
Other staff costs	1,540	-
	<u>1,893,439</u>	<u>1,615,924</u>

Additional labour costs of £20,043 (2007 - £113,804) relate to Afghanistan employees 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:

	2008 £	2007 £
London	3	3
Afghanistan	474	448
	<u>477</u>	<u>451</u>

Afghanaid
Notes to the Financial Statements (Continued)
For the year ended 31 March 2008

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 2007	385,461	394,326	120,000	899,787
Additions in the year	-	57,513	1,790	59,303
Disposals in the year	(43,487)	(12,986)	(10,281)	(66,754)
At 31 March 2008	341,974	438,853	111,509	892,336
Depreciation				
At 1 April 2007	329,557	307,229	126,478	763,264
Charge for the year	12,129	37,361	915	50,405
Disposals in the year	(39,709)	(12,622)	(15,884)	(68,215)
At 31 March 2008	301,977	331,968	111,509	745,454
Net Book Value				
At 31 March 2008	39,997	106,885	-	146,882
At 31 March 2007	55,904	87,097	(6,478)	136,523

9 Stock

	2008	2007
	£	£
Construction material stock	4,447	7,281
Wheat, seeds and fertilisers stock	24	24
	4,471	7,305

10 Debtors

	2008	2007
	£	£
Prepayments	12,204	20,330
Grants receivable	746,773	850,683
Legacy receivable	30,000	-
Other accrued income	6,281	10,964
Other debtors	14,026	16,040
	809,284	898,017

Afghanaid
Notes to the Financial Statements (Continued)
For the year ended 31 March 2008

11 Cash at Bank and in Hand	2008	2007
	£	£
Cash at bank	848,635	938,720
Cash in hand	39,756	31,894
	<u>888,391</u>	<u>970,614</u>

12 Creditors: Amounts falling due within one year	2008	2007
	£	£
Trade creditors	89,042	43,833
Taxation and social security	3,705	2,259
Accruals	31,996	30,346
	<u>124,743</u>	<u>76,438</u>

13 Operating Lease Commitments

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

	Land and Buildings		Other assets	
	2008	2007	2008	2007
	£	£	£	£
Within one year	-	2,281	-	-
Two to five years	11,749	-	3,156	-
	<u>11,749</u>	<u>2,281</u>	<u>3,156</u>	<u>-</u>

14 Analysis of Net Assets between Funds

	Restricted Funds	Designated Funds	General Funds	Total Funds
	£	£	£	£
Tangible fixed assets	146,072	-	810	146,882
Current assets	468,598	691,287	542,261	1,702,146
Current liabilities	-	-	(124,743)	(124,743)
Net assets at 31 March 2008	<u>614,670</u>	<u>691,287</u>	<u>418,328</u>	<u>1,724,285</u>

Afghanaid
Notes to the Financial Statements (Continued)
For the year ended 31 March 2008

15 Movement in Funds

	At 1 April 2007 £	Incoming Resources £	Outgoing Resources incl. gains/ losses on foreign exchange £	Transfer between Funds £	At 31 March 2008 £
Restricted Funds:					
a European Community	213,653	465,305	(123,443)	-	555,515
b WFP Emergency Programme	1,917	-	-	-	1,917
c DFID	82,837	-	(7,771)	-	75,066
d DFID Emergencies	746	-	(736)	(10)	-
e DFA (Government of Ireland)	4,897	-	-	-	4,897
f States of Jersey	840	-	(830)	(10)	-
g Food and Agriculture Organisation	5,361	8,491	(7,927)	-	5,925
h Comic Relief	56,550	62,500	(54,588)	-	64,462
i Diana, Princess of Wales Memorial Fund	10,342	52,301	(34,514)	(28,129)	-
j National Solidarity Programme	229,916	915,211	(1,538,039)	-	(392,912)
k UNOPS	-	(198)	-	198	-
l IOM	(2,149)	3,046	(2)	(895)	-
m Counterpart International	(166)	815	(219)	(430)	-
n Just a Drop (Nuristan)	-	-	-	-	-
o Chave Collisson	5,143	5,000	(4,727)	-	5,416
p German Agro Action	16,444	41,554	(58,155)	157	-
q Swiss Development Corp'n	144,761	268,681	(217,482)	-	195,960
r Government of Lithuania	(2,566)	50,368	(51,169)	3,367	-
s Catholic Relief Services	(4,553)	40,698	(38,062)	1,917	-
t Brooke	-	31,147	(19,078)	-	12,069
u Still Waters	-	20,000	(6,011)	-	13,989
v PADCO	-	158,352	(151,255)	-	7,097
w UNICEF	-	3,741	(3,758)	17	-
x ARD	-	2,945	(2,966)	21	-
y Hand in Hand	-	25,064	(16,050)	-	9,014
z MRRD	-	87,020	(86,628)	(392)	-
aa Roshan	-	18,437	(9,825)	-	8,612
ab EDC	-	6,363	(6,310)	(53)	-
ac Euroaid	-	-	(19)	19	-
ad Private donor for WRC	-	-	(9,528)	9,528	-
ae The LBRCF Afghan Fund	-	45,000	(588)	-	44,412
af Other Funds	8,972	(2)	(5,739)	-	3,231
Total Restricted Funds	772,945	2,311,839	(2,455,419)	(14,695)	614,670
Unrestricted Funds:					
<i>Designated Funds</i>					
Terminal benefits reserve	148,706	-	(46,976)	101,761	203,491
Contingency reserve	192,928	-	-	27,381	220,309
Project maintenance reserve	10,000	-	(5,557)	(4,443)	-
Development reserve	322,130	-	(54,643)	-	267,487
Total designated funds	673,764	-	(107,176)	124,699	691,287
<i>General Fund</i>	489,312	349,314	(310,294)	(110,004)	418,328
Total Unrestricted Funds	1,163,076	349,314	(417,470)	14,695	1,109,615
Total Funds	1,936,021	2,661,153	(2,872,889)	-	1,724,285

Afghanaid
Notes to the Financial Statements (Continued)
For the year ended 31 March 2008

Afghanaid

Notes to the Financial Statements

For the year ended 31 March 2008 (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 **DFID Emergencies** - This grant supported work in the drought stricken areas of Afghanistan and with IDPs.
- e **DFA (Government of Ireland)** - This grant supported work in the drought stricken areas of Ghor province.
- f **State of Jersey** - This grant supported work in the drought stricken areas of Ghor province.
- g **Food and Agriculture Organisation** - This grant supported our work in rural development in target provinces of Afghanistan.
- h **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.
- i **Diana, Princess of Wales Memorial Fund** - Funding from this source was used to complement and extend the alternative livelihoods project funded by DFID in Badakhshan. The transfer to unrestricted funds reflects rectification of an error in the prior years financial statement.
- j **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 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 completely recoverable in next financial year.
- k **United Nations Office for Project Services (UNOPS)** - UNOPS awarded three contracts to Afghanaid to build two bridges in Badakhshan and one bridge in Takhar.
- l **IOM** - This grant supported the construction of productive community infrastructure projects in Badakhshan province.
- m **Counterpart International** - This grant supports literacy activities in Samangan province of Afghanistan.
- n **Just a Drop** - This grant is for the construction of a productive community infrastructure project in Nuristan province.
- o **Chave Collisson** - This grant is for the support of literacy activities in Samangan province.
- p **German Agro Action** - This grant is for increasing livelihoods opportunities, especially for women through CDCs that have completed their basic training. Afghanaid implements this project in the district of Haxrati Sultan in the province of Samangan.

Afghanaid

Notes to the Financial Statements

For the year ended 31 March 2008 (Continued)

15 Movement in Funds (Continued)

Purpose of Restricted Funds

- q **Swiss Development Corporation** - This grant supports the clustering of CDCs in order to prioritise and implement livelihoods projects needed by each cluster of CDC. The title of this project is "Right 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.
- r **Government of Lithuania** - This grant funded two Micro Hydro power projects in Chagcharan district of Ghor.
- s **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 prided sources of income to workers.
- t **Brooke**- This funding supported the Animal Health programme in Badkhshan province
- u **Still Waters** - This funding was provided to support capiciaty building activities in Ghor and Samangan province
- v **PADCO** - This funding aims to consolidate/support farmers' cooperatives through facilitating regular meetings, and facilitating access to key inputs;to produce of appropriate training manuals including how to run vegetable plots; and packing, storing and marketing; and to facilitate access to technical assistance through establishing/managing Technology Transfer Centres (ITCs) with key services delivered, providing access to extension and training lead farmers as 'Outreach agents"
- w **UNICEF** - This funding supported the construction of a playground in Samangan province.
- x **ARD**- This funding was provided to conduct community consultation and participatory project development process survey in Ghor province.
- y **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 SHGs/CIGs and facilitate creation of over 700 employment opportunities through introduction of micro enterprises across Argu, Shuhada, Keshim and Baharak districts.
- z **MRRD** - This project was aiming to undertake priority subsector analysis in the North/Nort east region of Afghanistan (with focus on Balkh). The project identified three subsectors (almond, melon, carpet/wool) through comprehensive analysis of such sectors in Balkh, which resulted in development of three sector specific business plans.
- aa **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.
- ab **EDC**- This funding supported the literacy activities in Samangan province.
- ac **Euronaid**- This grant suported the purchase of whet and fertilisers in Badakhshan, Ghor and Samangan provinces to enhabce food security.
- ad **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.
- ae. **Private donor for WRC**- This funding supported the WRC activities in Samangan.
- af **Other funds**- It represents the funding received from Hampted trust to support the literacy activities in Samangan province

Afghanaid
Notes to the Financial Statements
For the year ended 31 March 2008 (Continued)
Purposes of Designated Funds

Terminal Benefits Reserve - This provides a basic safety net for field staff from Afghanistan retiring.

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.

Project Maintenance Reserve - Our programme includes various engineering works which are of a high standard. This reserve will enable us to take action to remedy a problem should one arise. Since Afghanaid is not involved in major infrastructure projects any more and have no liability against any previous engineering works, the trustees have decided to abolish this reserve.

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.

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.

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.

The transfers from restricted funds represents the provisions for terminal benefit expenses relating to the restricted funds which have been transferred to the Terminal Benefit Reserve.