

Afghanaid
Company No. 3034888
Charity No. 1045348

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2013

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Afghanaid

Year ended 31 March 2013

Reference and Administrative Information

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

Afghanistan Office House No 94,
Main Road,
Hesa-e-Do,
Karta-e-Parwan,
Kabul Afghanistan

Board of Trustees	David Page	Chair
	Elizabeth Winter	Vice-chair
	Stephen Turner	Company Secretary
	Christopher Kinder	Treasurer
	Jonathan Goodhand	Member
	Tigger Stack	Member
	Martin Greeley	Member
	Shirazuddin Siddiqi	Member
	Malcolm Harper	Retired 25 July 2012
	Charles Davy	Managing Director

Bankers	Barclays Bank Plc London Corporate Banking Group 54 Lombard Street London EC3X 9EX	CAF Cash Limited Kings Hill West Malling Kent ME19 4TA
	New Kabul Bank Ltd Kabul Afghanistan	Da Afghanistan Bank Kabul Afghanistan

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Bankers (cont'd)	Bank Alfalah Ltd Kabul Branch 410 Charah-e-Sadarat Shehe-e-Now Kabul, Afghanistan
Solicitors	Russell - Cooke 8 Bedford Row London WC1R 4BX
Auditors	Crowe Clark Whitehill LLP Chartered Accountants St Bride's House 10 Salisbury Square London, EC4Y 8EH, UK 10 Salisbury Square London, EC4Y 8EH
Head Office Auditors	Zia Masood & Co , Chartered Accountants 1st Floor, Park Plaza, Torabaz Khan Road, Shahr-e-Now, Kabul, Afghanistan

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Report of the Trustees

The trustees present their report and the audited financial statements for the year ended 31 March 2013

The reference and administrative information set out on the previous page 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 15 of the Companies Act 2006 relating to small companies

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 from London, UK in 1996 to Peshawar, Pakistan. It was then relocated to Kabul, Afghanistan, in the summer of 2003. Today, 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 executive and senior management, are located inside Afghanistan.

The Board of 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 2012/13 and has appointed new members in areas identified through a skills audit.

1.1 Appointment and Induction of Trustees

Existing members of the Board of Trustees elect new 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.

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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 bi-annually at a special board meeting dedicated to board appraisal and a strategy review.

1.2 Organisational Background

Afghanaid was established in 1983 to provide humanitarian assistance to Afghan refugees and displaced communities in Afghanistan with special focus on marginalised groups. 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.

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, taking a rights-based approach to place women at the centre of its policy and practice. 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. Afghanaid 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 the grassroots and cluster level.

1.3 Organisational Structure and Decision-Making

Afghanaid's head office is in Kabul and is overseen by the Managing Director (MD). The MD also supervises the activities of the London office as well as the provincial and district field offices in Afghanistan with a combined total of nearly 400 staff (comprising 9 internationally hired personnel employed in Afghanistan and close to 390 local staff). In 2012/13, the MD was assisted by a "Directorate" comprising of Director of Programmes, Deputy Director Humanitarian Programmes and Advocacy, Director and Deputy Director Finance & Programme Support, Director Programme Development & Knowledge Management (PDKM) and Senior Manager, HR and Administration, in making key management decisions related to policy formulation, security management and daily operations. District field offices report to Provincial Management Offices, which in turn report to the Director of Programmes with input and

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consultation from support departments on matters relating to their area of expertise. The MD position remained vacant for half of the financial year and was filled in an acting capacity by the Director of Finance and Programme Support. The newly appointed Managing Director took up his post in May 2013.

The Board of Trustees meets quarterly with the MD and other Directors 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 supervises the MD.

1.4 Use of Volunteers and Interns

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 eight volunteers annually working in departments ranging from finance, administration, and human resources to information technology (IT) and programmes. In Kabul, volunteers work full time 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, focusing on international development and wishing to gain work 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.

1.5 Risk Review

The Board of Trustees conducts a quarterly review of the major risks to which the charity is exposed and systems have been established to mitigate these risks. In 2011, in response to the new UK Bribery Act, a new policy relating to financial malpractices ranging from bribery to theft, corruption, forgery and misappropriation was introduced and the training provided to key staff continued in all locations into 2012.

Afghanaid continuously seeks to diversify its funding portfolio to reduce the risk of financial dependency on a few donors. In 2012-13, new funding was secured from a number of institutional donors, including the European Community Humanitarian Aid Office, Norwegian Royal Embassy, UK Department for International Development, European Commission, United Nations Office for the Coordination of Humanitarian Affairs, Swiss Agency for Development and Cooperation, Food and Agriculture Organization of United Nations, Japanese Embassy, Millennium Development Goals Achievement Fund, Ministry of Rural Rehabilitation and Development, Comprehensive Agriculture and Rural Development Facility and Ministry of Agriculture, Irrigation & Livestock.

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Internal risks were reduced by the introduction of new manuals for logistics and for finance and accounts, and providing specialised training for non-finance managers strengthened compliance. New authorisation levels were also introduced during this financial year.

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 mitigates risks. These include the International Red Cross and Red Crescent Code of Conduct, the NGOs' Code of Conduct in Disaster Relief, and the People in Aid Code of Good Practice in Management and Support of Aid Personnel.

1.6 Institutional Review

In 2011, Afghanaid commissioned external experts to conduct an institutional review and systems audit of the policies and practices of the organisation - its governance, executive leadership, operational management and programme. The institutional review provided a set of useful short-term and medium-term recommendations, most of which were implemented during 2012. Short-term recommendations led to the introduction of a new accounting manual and improved accountancy software, a new inventory and stores management system, and more rigorous procurement systems. Efforts were also made to streamline project planning, implementation and monitoring and to improve the financial skills of managers at provincial and districts levels.

The review encouraged a debate on the core competencies of the organisation in the light of the forthcoming transition to full Afghan Government control in the country, which has resulted in the emergence of a new strategy which focuses on the provision of basic services, the improvement of economic opportunities and humanitarian assistance and disaster risk reduction. Women's empowerment, improved governance and community-driven development are common themes cross-cutting these fields.

Another important outcome of the review was to bring the UK-based Board of Trustees and the Afghanistan-based directors into a closer working relationship. The membership of the board has been broadened and it was decided to hold one board meeting a year in Kabul, beginning in May 2012. Efforts have also been made to integrate the work of the small London office more closely into the communications and fundraising strategy of the wider organisation.

1.7 Public Benefit

The Board of Trustees has complied with the requirements of Sections 17 of the Charities Act 2011 and referred to the Charity Commission's general guidance on Public Benefit when reviewing its aims and objectives and in planning future activities. In particular, the trustees have considered how the planned activities will contribute to 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,

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children and youth, to improve their well-being and opportunities. It also advocates for social change with and on behalf of disadvantaged communities and works with them, civil society organisations (CSOs) and various levels of government in Afghanistan to ensure that national development efforts are both equitable and sustainable. The organisation regularly evaluates its own work and commissions external evaluations to ensure that it is meeting its objectives and bringing benefit to the targeted communities and groups.

In 2012, Afghanaid began the development and rollout of a new Monitoring and Evaluation Framework, incorporating a new Management Information System to improve the tracking of programme implementation and the analysis of impact.

2. THE CONTEXT IN 2012/13: RESTRICTED ACCESS

2.1 Security Context

Intensified Conflict and Its Immediate Effects on Ordinary Afghans

The security context over the past decade has been in flux and has made for a very difficult operational environment for humanitarian and development actors.

In 2012, security responsibilities were partially transferred to the Afghan National Security Forces (ANSF), and the International Military Forces (IMF) withdrew from significant parts of the country. Attacks by various armed opposition groups (AOGs) continued, however, and in comparison to previous years, when most attacks were concentrated in the south and east of the country, AOGs successfully pursued a strategy of widening the conflict across other areas of the country, including in Badakhshan and Ghor where Afghanaid implements many of its programmes. Many have questioned the ANSF's capacity to contain the broadening conflict and secure peace for ordinary Afghans¹, though they have grown in confidence and effectiveness during this period.

Between 1 July and 30 September 2012, the United Nations Assistance Mission in Afghanistan (UNAMA) documented a 24% increase in civilian casualties compared with the same period in 2012². Women and children killed or injured due to conflict-related violence represented 30% of all civilian casualties.

As for NGOs, according to the Afghanistan NGO Safety Office (ANSO), incidents related to NGO security increased substantially towards the end of the reporting period after a lull in 2012. The NGO casualty rate declined by 43% in 2012 but increased again by 63% in the first 3 months of 2013, signalling a return to the levels of insecurity recorded for the equivalent periods in 2009 and 2011³.

¹ U.S. Department of Defence "Report on Progress toward Security and Stability in Afghanistan: United States Plan for Sustaining the Afghanistan National Security Forces", April 2012.

² UNAMA Mid-Year Report 2012: Protection of Civilians in Armed Conflict, Kabul, Afghanistan, July 2012.

³ ANSO Quarterly Report, Q 4, 2012 and ANSO Quarterly Report, Q 1, 2013.

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ii Detrimental Impact on Afghanaid's Programming

In 2012, the geographical widening of the conflict had a significant impact on Afghanaid's programme implementation and its operations

Growing insecurity - particularly along major roads that link Afghanaid's provincial offices with the remote districts and most vulnerable communities - meant that access to some beneficiary communities was restricted at times, provinces witnessed an increased number of armed attacks and clashes between the law enforcement agencies and AOGs. Afghanaid continued to benefit from its strong relations with communities and there was no direct threat to our personnel. However, the volatile environment did create a sense of fear among staff and restricted their movements, contributing to the challenge of retaining competent staff at the province level. Regrettably, after 15 years of successful operation in Nuristan, in 2012, Afghanaid had to wind up its projects there and completely withdrew from the province. Similarly, in the last quarter of 2012 and early 2013, for periods of variable durations, Afghanaid was forced to temporarily close operations in Warduj district of Badakhshan as well as in Shahrak, Charsada, Dolaina, Dawlatyar and some pockets of Cheghcheran districts of Ghor, due to attacks and threats initiated by various AOGs.

The increased insecurity (and media coverage of it) has made it more challenging to recruit and retain staff at all levels and the organisation had to adopt innovative recruitment strategies to ensure that the work was carried out on time by those with the required expertise and competence.

iii Higher Costs

The deteriorating security environment has resulted in higher costs for NGOs. Additional security measures have had to be taken, including the purchase of additional communication equipment and flying staff to programme areas instead of sending them by road. As a result, Afghanaid's security related costs have increased, though donors have been slow to recognise the changing situation.

2.2 Political Context

International Summits and Agreements

In the reporting period, some important steps were taken to secure Afghanistan's long-term stability, including international summits and multiple strategic partnership agreements entered into by Afghanistan with various foreign allies.

A long-term Strategic Partnership Agreement was signed by President Karzai of Afghanistan and President Obama of the USA on May 1, 2012 to provide the framework for a future cooperative relationship between Afghanistan and the USA after 2014.

At the Chicago Summit, held on May 20-21, 2012, NATO Allies and Coalition partners reaffirmed the Lisbon framework for Transition and endorsed a NATO Strategic Plan for Afghanistan (NSPA). Donors at the summit, pledged to contribute approximately \$3.6 billion.

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annually for three years, beginning in 2015, towards development of a sustainable Afghan National Security Force (ANSF). The Afghan government agreed to provide at least \$500 million per year during the same period, bringing the total to \$4.1 billion for the ANSF.

In July 2012, the Afghan Government and the international donor community met in Tokyo to discuss the future development of Afghanistan over the Transformation Decade (2015-2025) and agreed to provide \$16 billion in foreign development aid for Afghanistan through 2017. They also established a Mutual Accountability Framework (MAF), setting specific measurable reform goals to improve Afghan governance, rule of law, anti-corruption efforts and development performance. Regrettably, the inclusion of other reform goals, pressed for by civil society organisations, to address the rights of disabled, women and children as well as disaster risk reduction and education, were not included.

2.3 Humanitarian and Development Situation

Taken together, the cumulative impact of decades of natural disasters, armed conflict and limited investment have left a legacy of precarious human development which reveals the true scale of humanitarian need that remains in Afghanistan. The 2012 UN Consolidated Appeal, which provided a narrative on the humanitarian context and needs in Afghanistan, requested \$437 million to meet the needs of over 600,000 internally displaced persons (IDPs), reflecting an alarming increase in the number of conflict-induced IDPs⁴, over 3 million natural disaster-affected individuals, including 2.8 million affected by recurrent drought, 162,000 projected refugee returnees, and 5.4 million conflict-affected people with limited access to basic services.

Humanitarian response quality and capacity in Afghanistan remains severely limited. For many years, a politicised donor environment and the linkage of aid to military activities eroded humanitarian principles and downgraded humanitarian needs. More recently, there has been a marked change in the international climate and a more concerted approach to humanitarian aid is being developed. However, reliable evidenced-based primary data remains difficult to obtain, challenging quality coordination efforts and resulting in less efficient and effective coverage of needs.

Humanitarian advocacy, during and outside of emergencies, has become integral to Afghanaid's representation work. The organisation is working closely with government and other international humanitarian organizations through forums like the Afghanistan Humanitarian Forums (AHF), the UN Humanitarian Country Team (HCT) (to which Afghanaid is one of 4 NGO elected representatives), and the Cluster Coordination mechanisms, to strengthen and facilitate effective, well-coordinated and accountable humanitarian assistance.

Afghanaid works to build the resilience of rural communities vulnerable to external shocks. Through Emergency Food Security and Livelihood recovery activities, Afghanaid seeks to ensure that the most severely affected and vulnerable households in its target areas are able to access enough food and can regain their livelihoods in the long-term.

⁴ 448,000 people remained internally displaced by armed conflict, human rights abuses and other generalized violence as of the end of 2011. The number of conflict-induced IDPs has been rising steadily since 2007, increasing by 27 per cent in 2011 and almost doubling since 2008. More than a quarter – or 117,000 people – fled prior to 2003, and some have been displaced for decades (UNHCR/MoRR IDP data 2012).

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3. OBJECTIVES, STRATEGIES AND ACHIEVEMENTS: INTEGRATION AND COHERENCE

During the reporting period, Afghanaid worked with over 1.1 million men, women and children in over 3,200 rural villages across 26 districts in Badakhshan, Ghor, Samangan, Kandahar, Uruzgan and Ghazni provinces. These provinces are among the poorest, most food-insecure, water-deprived, and most remote parts of the country.

Our Vision: *is an Afghanistan that is peaceful, politically and economically independent; a just society where there is no poverty.*

Our Mission: *is to work alongside Afghan people who live in poverty to enhance their opportunities and capabilities to achieve economic and social development that is both sustainable and equitable.*

In 2012, Afghanaid developed a new strategy framework for the period of 2012-2015, with input from trustees, all categories of staff, as well as members of the communities served. The changing dynamics of the operating environment and of funding, access and security scenarios were taken into consideration.

The Three pillars of Afghanaid's work were defined as follows:

- 1 Basic Services for All: Water, Sanitation and Hygiene, Education and Community Infrastructure
- 2 Economic Opportunities, Sustainable Livelihoods and Food Security
- 3 Humanitarian Emergencies, Disaster Preparedness and Risk Reduction

Local Governance and Gender Equality are cross-cutting themes for all programmes.

3.1 Pillar one. Basic Services for All: WASH, Education and Community Infrastructure

1 Rural Water, Sanitation and Hygiene (WASH)

UNICEF estimates that diarrhoea, caused mainly by lack of safe drinking water, sanitation and hygiene, is the second largest cause of under-5 mortality in the country. It is a major factor in poor health among all other demographics and significantly contributes to poverty across the country. The Millennium Development Goals (MDGs) sets a target of halving the proportion of people without access to safe drinking water and basic sanitation by 2015.

Afghanaid's WASH work is focused on reducing the risk of disease and mortality associated with lack of safe drinking water, poor sanitation and hygiene practices among poor and vulnerable Afghans. Afghanaid provides community-managed potable water infrastructure and facilities, it promotes improved sanitation, through the construction of sanitary latrines, and

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improves hygiene through awareness raising and training. For example, during the reporting period, with the financial support from the Royal Norwegian Embassy (NRE), Afghanaid provided 54 villages across 5 districts of Ghor, Samangan and Badakhshan with safe sanitation facilities and hygiene education. Further, Afghanaid provided WASH assistance to 3,366 households of drought-affected communities in Samangan. The intervention included Hygiene Promotion (HP) awareness-raising sessions as well as construction and rehabilitation of water reservoirs and demo latrines as well as distribution of hygiene kits (HKs).

Afghanaid implemented the National Solidarity Programme (NSP) project across Firouz Nakhchir district of Samangan Province and in one village bore eight deep wells giving the entire village ready access to clean water. Nargis, a mother of five said "My children used to vomit frequently, get high temperatures, had watery stools and were generally weak signs of water borne diseases. Now the water in the new wells is safe and my children are happy and healthy. We have also been taught how to conserve and treat water to prevent contamination.

Also as result of Afghanaid's assistance, my expenses are less, I used to have to hire someone to fetch water for me and pay for the children's treatment. Now, I can use the savings to buy food and clothes and I have more time to do domestic chores, cultivate my land and take care of my animals.



We used to have conflicts in the community over sharing water points but now all 30 families in the village have equal access to water so our conflicts have stopped and we live in harmony."

II Community Infrastructure

Since 2003, Afghanaid has worked with the Ministry of Rural Reconstruction, Rehabilitation and Development (MRRD), as a Facilitating Partner (FP) of its World Bank-funded, flagship National Solidarity Programme (NSP). The programme has twin objectives of strengthening grassroots democratic norms and local

governance and improving socio-economic conditions through community-based physical infrastructure development. In 2012-13, Afghanaid implemented the programme in Samangan, Badakhshan and Ghor provinces. It continued to facilitate the election and training of Community Development Councils (CDCs) in 22 districts of the three provinces to partner with CDCs to design and implement community infrastructure initiatives under the 'New Roll-Out' and Repeater Block Grants I & II phases of the programme.

The table below illustrates community-based infrastructure work planned and undertaken by Afghanaid for 2012 - 13 and planned for the remaining 9 months of calendar year 2013.

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Projective Community Infrastructure	2011/12 Planned	2012/13 Actual	2013 Planned*
Water Supply Systems	10	28	30
Sanitation Demo Latrine	15	18	8
Water Reservoir	5	10	18
Irrigation	8	8	24
Transport/Road	15	27	18
Power Supply	10	34	20
Bridges And Culverts	12	17	16
Community Centres	4	21	14
Retaining Wall /Protection Walls	16	12	10

* Work planned for 2013 is subject to change as new projects and works are secured and confirmed through the year

3.2 Pillar two Economic Opportunities, Sustainable Livelihoods and Food Security

1 Sustainable Livelihoods and Food Security

Approximately 74% of the Afghan population lives in rural areas⁵ and large parts of the national economy are dependent on agriculture and related sub-sectors such as livestock. However, many parts of the country, especially the provinces of Badakhshan, Samangan and Ghor, where Afghanaid works, are susceptible to cyclical drought and floods, exposing people to grave food insecurity and poverty. Afghanaid has been helping people to mitigate these shocks by, for example, constructing reservoirs and improving irrigation, replenishing valuable agricultural inputs (e.g. seeds and feed) lost through flooding and failed harvests and other interventions crucial to household food security.

Afghanaid's on-going agriculture, livelihoods and natural resource management (NRM) projects in Badakhshan, Ghor and Samangan are implemented in close collaboration with the Water Management Department (WMD), Ministry of Energy and Water (MEW) and Ministry of Agriculture, Irrigation and Livestock (MAIL).

During the reporting period, the institutional donors funding Afghanaid's livelihoods, food security and NRM work included the European Commission (EC), ECHO, the Swiss Agency for Cooperation and Development (SDC), the Food and Agriculture Organisation of the United Nations (FAO), the Millennium Development Goals (MDGs) Fund of the United Nations and the Ministry of Agriculture, Irrigation and Livestock (MAIL) of the Government of Afghanistan.

Afghanaid's mid-term external project review of "Improving Food Security through Integrated Livelihoods Development Programme (LRRD-II)" implemented in Badakhshan and Ghor, found that 63% of the population are food insecure or highly food insecure for more than six months of the year. The end of year evaluation of the same project showed that households were cultivating 5-8 Afghanaid-introduced varieties of vegetables in the target areas of each of the

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provinces. Further, the same evaluation showed that the average income of livestock farmers supported by the project, when adjusted for inflation, increased by 13.2%.



(£1.30) a day

Under Afghanaid's Alleviating Poverty through Sustainable and Inclusive Livelihoods Development (APSILD) project in Samangan, funded by the Swiss Agency for Development and Cooperation (SDC), poor farmers in 4 districts were supported through construction of greenhouses, enabling them to grow an increased variety of vegetables. One such greenhouse was built for Mohammad in the Hazrat-e-Sultan district in Samangan.

"Before there was no vegetable farming in my village, we purchased vegetables in the market at exorbitant prices. Now I can supply the community with fresh vegetables all the year round."

Mohammad's greenhouse has enabled him to improve his income by an average of 120 Afs

To further improve the situation, under its Natural Resource Management (NRM) programme in Badakhshan, Afghanaid supports communities to organise themselves into users associations (e.g. water users, rangeland users and forest management associations) and strengthened their capacities to plan and implement interventions for sustainable use. During the reporting period, Afghanaid continued to support 52 users' associations previously formed and established a further 19 associations.

Under the same programme, Afghanaid also supported communities to protect rain-fed agricultural land from soil erosion with measures such as terracing 96 hectares, dam constructions and planting 34 hectares with hedgerows and other vegetative ground cover. A third component of the project continued to rehabilitate forest and rangelands through planting 74,000 seedlings and saplings and an additional 19,000 fruit trees saplings in 8 districts of Badakhshan province. To improve crop production, Afghanaid enhanced and rehabilitated irrigation management systems constructing 32 retaining walls, aqueducts, irrigation canals and other essential water management infrastructure.

The table below illustrates some recent achievements by Afghanaid's NRM programme and some of the targets planned for the next 9 months of 2013.

⁵ MRRD (2009), The National Risk and Vulnerability Assessment (NRVA) 2007/08

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Activity	2012/2013 Planned	2012/2013 Actual	2013/2014 planned
Formation, Strengthening of different user associations (CFA, CRA, CMA & WUA)	22	19	7
Number of seed/sapling planted in community forest and agro forestry	75,000	73,963	50,000
Number of community forests established	8	7	5
Number of agro-forests established	7	8	2
Number of community rangelands established	10	10	2
Number of home gardens established	250	232	250
Number of home nursery established	150	109	100
Number of fruit saplings distributed to farmers	20,000	19,039	3,000
Construction of irrigation infrastructure	35	20	50
Hectares of rain-fed land converted into terraces	100	96	150

Afghanaid strives to ensure that development is equitable. During the reporting period, several interventions included components designed to target households headed by women, to improve their opportunities for sustainable livelihoods. Interventions included training and provision of the requisite materials in food processing, poultry farming and vegetable gardening, all specifically aimed at women.

Typical animal health components of Afghanaid's programmes focus on the treatment and vaccination of livestock. Afghanaid has trained networks of paravets and basic veterinary workers (BVWs) and equipped them with medicines, vaccines and other equipment. During the year, Afghanaid BVWs vaccinated 88,763 animals and provided treatment to 41,685 animals. In addition, the organisation has trained women poultry farmers to administer vaccinations themselves, resulting in improved health and productivity of their birds.

II Rural Savings, Market Access and Enterprise Development

Afghanaid strives to create circumstances for rural Afghan women and men to attain equitable economic opportunities and increase access and control over productive assets so that they may lift themselves out of the cycle of poverty and food insecurity, including improved agriculture and livestock production and increased access to markets.

Rural communities often engage in a variety of micro-enterprise activities, such as vegetable production, dairy or livestock rearing and other on and off-farm enterprises. However, without support, these micro-enterprises rarely expand and become truly profitable. Afghanaid's interventions facilitate the creation of producer and entrepreneur groups, build their capacity to represent their interests to external stakeholders and improve their access to information, services, credit and markets essential to sustainable growth. The endeavours of the most resourceful group members benefit whole communities by creating employment or developing value chains between small producers and micro-entrepreneurs.

A baseline sampling carried out for Afghanaid's Alleviating Poverty through Sustainable and Inclusive Livelihoods Development (APSILD) project in 2010 showed none of the targeted households in four districts of Samangan Province generated disposable incomes from their earnings. From 2010 to 2012 Afghanaid established 215 microenterprises (50% of which were

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owned by women) and supported the creation of saving groups. As a result, a subsequent study undertaken in 2012 demonstrated that 48% of the targeted households now have savings accounts with rural financial institutions of which 79% were held by women.

3.3 Pillar 3: Humanitarian Emergencies, Disaster Preparedness and Risks Reduction

Afghanistan is located in a zone of high-seismic activity, prone to flash floods, landslides, avalanches and repeated cycles of droughts and floods, causing widespread death and destruction, setting back development gains and holding communities in the grip of poverty. Recognising the national susceptibility to disasters and their role in hindering national development, the Government of Afghanistan has made Disaster Risk Reduction (DRR) a priority. It has established a disaster management legal framework and formed the Afghanistan National Disaster Management Authority (ANDMA) and National Disaster Management Committee, the latter chaired by the country's Vice President with membership drawn from key line ministries.

Afghanaid believes that in a country where life, productive assets and livelihoods of 60% of the population are highly vulnerable to repeated disasters, it is a pre-requisite to have a direct focus on disaster risk reduction and management as a driver of change - to mitigate the impact of disasters before, during and after an emergency.

Between 2009 and 2012 Afghanaid implemented direct DRR programming in 62 communities in Samangan and 15 villages in Yaftal district of Badakhshan, through the Community Based Disaster Risk Management (CBDRM) and School Safety Programmes (SSP). It enabled men, women and youth to form disaster response teams, build linkages to district and provincial disaster management and education authorities, and through a multi-hazard disaster risk reduction framework, to identify and advocate for measures that mitigate risks. Several of these same teams have taken the initiative to provide training to other vulnerable communities.

Afghanaid is also working to mainstream DRR into all its grassroots programming and national and global advocacy work. DRR has recently been incorporated into the NSP nationally as a result of this kind of advocacy.

The table below provides some of the details of DRR Programme coverage by Afghanaid in 2012-2013 and work planned for the remaining 9 months of 2013.

Disaster Risk Reduction Activities	2012-13 Planned	2012-13 Achieved	2013 Planned
Number of village rescue committees established	0	102	20
Village rescue committee members-men	0	510	100
Village rescue committee members-women	0	510	100
Number of village women trained on DRR	200	510	100
Number of village men trained on DRR	200	510	100
Number of village women trained in hazard, vulnerability and capacity assessment	200	510	100
Number of village men trained in hazard, vulnerability and capacity assessment	200	510	100

Afghanaid

Year ended 31 March 2013

Disaster Risk Reduction Activities	2012-13 Planned	2012-13 Achieved	2013 Planned
Number of village women trained in first aid and emergency response	290	120	100
Number of village men trained in first aid and emergency response	290	120	100
Number of village rescue committees received disaster preparedness tool kits	53	102	20
Number of girls' school rescue teams established	10	10	10
Number of boys' school rescue teams established	10	10	10
Number of school girls trained in DRR	450	450	100
Number of school boys trained in DRR	450	450	100
Number of school disaster preparedness, mitigation and response plans developed	45	62	20
Number of small-scale disaster mitigation structures constructed	57	65	15
DDMC workshop on DRR and emergency response	3	0	1
Number of community disaster management plans developed	6	162	15
Number of district disaster contingency response plans developed	1	162	2
Number of schools with increased DRR awareness	14	40	20
IEC materials & project leaflets developed and printed	6,000	6,000	0
School rescue committees that received preparedness tool kit	20	40	20

Note: Projections for FY2013 are based on secured projects at the start of the year. Additional targets will be added as new funding secured.

The Afghanistan Emergency Food Security Assessment Report of September 2011 indicated that the lack of rainfall before and during the growing season led to an 80% to 100% loss of harvest in rain-fed agricultural land, affecting the majority of the population. In response, in early 2012, with support from DFID and in two consortia with other NGOs, Afghanaid began providing cash for work and livelihood recovery assistance to the most severely affected households, ensuring they had enough food and supporting their long-term recovery.

Over the reporting period Afghanaid provided financial and technical assistance to national NGOs operating in insecure areas across Kandahar, Uruzgan and Ghazni provinces in the South of Afghanistan and supported 4,000 families with emergency food, water, and hygiene assistance.

Local, national and international NGOs working in Afghanistan face challenges of accessing conflict-affected communities in order to deliver humanitarian assistance or development support. In 2012, Afghanaid developed a Humanitarian Access Toolkit that provides guidance to humanitarian actors to securely access communities in need of assistance. This toolkit has been uploaded to our website and presented to the Humanitarian Country Team and NGO umbrella bodies to be further shared with their local and international members.

During 2012-13 Afghanaid also provided humanitarian assistance in the WASH and food security and livelihood sectors. WASH activities focused on flood-affected areas, where access to safe drinking water and sanitation facilities was interrupted, placing communities at risk of water-borne diseases. As part of our overall strategy to dovetail our humanitarian work with long-term development work, Afghanaid made public health and hygiene promotion a regular part of all its WASH programmes, which has proved one of the most effective ways of building resilience in a post-disaster situation.

Afghanaid

Year ended 31 March 2013

At the end of 2012-13, Afghanaid entered into a country level agreement with the World Food Programme (WFP) as a foundation for funding and cooperation in the event of humanitarian crises. This represents a departure from past practice of the WFP where they had endeavoured to provide food aid through the Afghan Government.

The table below provides details of some humanitarian initiatives implemented by Afghanaid in 2012/13.



Humanitarian Activities	2012-13 Planned	2012-13 Achieved
Metric tonnes of wheat seed distributed	125	174
Number of families receiving wheat seeds	2,500	3,480
Number of families receiving emergency animal feeds	0	1,057
Number of goats distributed to poor female headed households	784	1,984
Number farming families benefitting from restocking	784	1,984
Number of poultry rearing kits distributed	1,062	1,254
Number of women benefitting from poultry distribution	354	900
Kilograms of vegetable seeds distributed	244	544
Vegetable garden kits distributed	244	544
Number of women receiving kitchen vegetable garden kits and seeds	244	544
Number households benefitting from cash for work and unconditional grants	6,573	6,427
Number of households benefitting from CFW tools and materials	3,958	4,040
Number of households provided access to emergency safe drinking water	450	2,350
Number of households receiving basic hygiene kits	2,450	12,363

Note: Discrepancies between planned and achieved figures result from Afghanaid increasing the scale of response to on-going emergencies and responding to new emergencies occurring during the year.

Chunargai Village is located in a dry valley in Ferouz Nakhchir district of Samangan Province. The village was once much larger, but now the surrounding area is littered with ruins – homes that have been deserted over the years after being destroyed by floods, their inhabitants relocating to other nearby villages. Access to water was extremely limited, and villagers had to pay for the use of a generator to pump water from a well a few kilometres away, which they did once a month. The water flowed through canals and pipes to fill Chunargai's village reservoir and irrigate their fields. Because the pipes were

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Year ended 31 March 2013

without support, they sagged and leaked and they were too narrow to easily remove blockages of debris. If the monthly ration ran out, water had to be purchased in jerry cans from people who had transported it to the village by vehicle or donkey.

Under Afghanaid's Cash for Work project, the villagers decided to build a new pipe scheme, with wider pipes supported by concrete pillars. The structure has already been tested: there was a flash flood the day after the construction was completed and it survived intact. The new system provides a regular and adequate water supply to the village and the people of Chunargai are delighted.

3.4 Cross Cutting Themes

I Gender Equality

Afghanaid recognises that gender equality is an essential driver in reducing poverty, deprivation, exclusion and vulnerability. During the reporting period it placed gender equality at the heart of all its work, with the explicit aim of creating an enabling environment and empowering women to exercise their rights as citizens and leaders. Afghanaid consulted with women and girls at all stages of programme design, implementation, monitoring and evaluation, while adhering to the principles of equality, sustainability, transparency and “do not harm”.

II Local Governance

During the reporting period, Afghanaid worked with many stakeholders to improve local governance and build and strengthen local civil society institutions. It worked closely with elected representatives to Community Development Councils (CDCs), District Councils, District Development Assemblies (DDAs) and Provincial Councils to strengthen their capacity in people-centred development policy, planning and delivery. These efforts resulted in more responsive and representative local governance in the areas where Afghanaid works. A number of the more mature CDCs were also successful in independently securing funds from state and non-state actors.

4. FINANCIAL REVIEW

4.1 Income and Expenditure

In 2012-13, Afghanaid continued to focus on strengthening its contacts and relations with institutional donors and to proactively identify funding opportunities consistent with the organisation's strategy.

Grant applications to the European Commission – to the European Initiative for Democracy and Human Rights (EIDHR) budget line, the EC Non-State Actors (NSA) budget line, UN Food and Agriculture Organisation (FAO), the Afghan Ministry for Agriculture, Irrigation and Livestock

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Year ended 31 March 2013

MAIL (EDP/05) and the Swiss Agency for Development (SDC) (APSIL one-year extension) were all approved during the reporting period, resulting in a total of £2,073,211 in new grant funding. In addition, some significant grant agreements were in the final stages of negotiation at year's end, most notably, two agreements with the UK Department for International Development (DFID) Global Poverty Action Fund with total value of £3,682,545 over three years. These grants have since been signed.

Income for the year was £5,049,749, a reduction from the high level of income achieved in 2011/12 of £8,011,758. Total charitable expenditure in 2012/13 was £6,419,855, an increase in expenditure from the £5,236,633 recorded in 2011/12. This reflects the high level of activity required in 2012/13 to complete work on grants awarded in prior years.

Afghanaid also received £106,137 in donations from generous individual supporters in the UK and elsewhere, though this income stream was down from £166,857 in 2011-12, reflecting the generally difficult economic environment experienced by many UK charities. However, increasing the level of unrestricted funding is a priority for management and the trustees.

During the year the management and the trustees reviewed and updated Afghanaid's reserves policy. This is set out in more detail in Note 14 to the financial statements. The total level of restricted reserves at 31 March 2013 is £698,636, a reduction from the £971,322 held at 31 March 2012. The reduction arises principally from exchange losses on a number of historic contracts all of which are now closed. The Trustees believe that the current balance of restricted reserves is appropriate for the organisation taking account of the scale of our operations and the uncertainties and risks of operating in Afghanistan.

5. FUTURE PLANS

5.1 Afghanaid's 30th Anniversary and Communications:

In late 2013 Afghanaid will celebrate the 30th anniversary of its founding and the tremendous impact it has had on the lives of people in Afghanistan. Afghanaid is planning to mark the anniversary with the production of a fundraising video, publication of a book of 30 stories featuring Afghanaid's staff and beneficiaries, whose lives our work has changed, and a timeline, illustrating the organisation's accomplishments through the last thirty years. These communication materials will be utilised in celebratory events in the UK and Afghanistan, beginning in late 2013. A newly revised Afghanaid website went live at the start of April 2013 and these communications materials will be adapted and made available on the site.

5.2 M&E and Project Management and Information System (MIS)

In early 2013, Afghanaid began deployment of a new project management information system (MIS), conducting training at the field level and beginning the uploading of all baseline data. The

Afghanaid

Year ended 31 March 2013

aim was to have ready access to key output, outcome and result data on all projects by the end of 2013

5.3 Due Diligence Exercises

During FY 2012, Afghanaid underwent a due diligence exercise as part of the process of negotiating and securing the two above referenced 3-year DFID Global Poverty Action Fund projects that commenced in May 2013. This due diligence exercise committed Afghanaid to meet certain conditions by the end of October 2013. These included the development of a new M and E strategy, the recruitment of an internal auditor, the revision of the Afghanaid accounting manual and the development of a disaster risk recovery plan.

5.4 Strengthening HR Policy and Remuneration

In 2012/13, the turnover among local personnel increased and staff repeatedly raised the issue of the declining competitiveness of their salary and benefit package. In 2013, Afghanaid plans to contract an external HR consultant to review and revise HR policies and procedure manuals and ensure they are well understood. Afghanaid's salary and benefit package will be assessed against other similar organisations to ensure Afghanaid is a fair and competitive employer, able to attract and retain the necessary talent for its operations.

5.5 Improving Security

In view of the withdrawal of international security forces, the transition to full Afghan Government control and the presidential elections, all to take place in 2014, Afghanaid has taken steps to review its security arrangements and its services to stakeholders while managing emerging risks.

5.6 Change of Financial Year

The coming reporting year will only be nine months from 1st April 2013 until 31st December 2013 in order to bring the organisational financial and reporting year into alignment with Afghanistan's financial year. Future financial years will run from 1st January to 31st December.

6. 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).

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Year ended 31 March 2013

Company law requires trustees to prepare financial statements for each financial year giving a true and fair view of the state of the affairs of Afghanaid's income and expenditure and the efficacy of the application of its resource for the period. In preparing these financial statements, the trustees have

- selected suitable accounting policies and applied them consistently,
- observed the methods and principles in the Charities SORP,
- made judgments and estimates that are reasonable and prudent,
- assessed whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepared the financial statements on the going concern basis unless it was inappropriate to presume that the charitable company will continue in business

The trustees have ensured that proper accounting records were kept, that the financial position of the charitable company was disclosed with reasonable accuracy and that the financial statements comply with the Companies Act 2006. The Trustees have also exercised their responsibility for safeguarding the assets of the charitable company and 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 2013 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.

6.1 Auditors

Crowe Clark Whitehill LLP was appointed auditor for the year. In accordance with the provisions of the Companies Act, it is proposed that it be re-appointed auditor for the ensuing year.

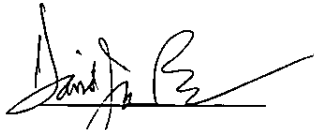
Afghanaid

Year ended 31 March 2013

6.2 Small Company Rules

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 (effective April 2008)

Approved by the trustees on 10 June and signed on their behalf by



David Page

Chair of Trustees

Independent Auditors' Report to the Members of Afghanaid

We have audited the financial statements of Afghanaid for the year ended 31 March 2013 which comprise the Statement of Financial Activities, the Balance Sheet, the Cashflow Statement and the related notes numbered 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 Part 16 of the Companies Act 2006. Our audit work has been undertaken for no purpose other than to draw to the attention of the charitable company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charitable company and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and Auditor

As explained more fully in the Trustees' Responsibilities Statement, the trustees (who are directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the trustees, and the overall presentation of the financial statements.

In addition we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2013 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of trustees' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the trustees' report

N. Hashemi

Naziar Hashemi
Senior Statutory Auditor

For and on behalf of Crowe Clark Whitehill LLP
Statutory Auditor
London

Date 10/10/13

Afghanaid

Year ended 31 March 2013

Statement of Financial Activities (incorporating an income and expenditure account)

	Note	Unrestricted Funds £	Restricted Funds £	2013 Total £	2012 Total £
Incoming Resources					
Incoming resources from generated funds					
Voluntary income	2	106,137	5,250	111,387	165,857
Investment income		266	-	266	327
Donated goods, services & facilities		10,975	-	10,975	343,443
Incoming resources from charitable activities					
Grants for rural rehabilitation and emergencies	3	-	4,895,274	4,895,274	7,353,140
Other incoming resources		<u>31,847</u>	<u>-</u>	<u>31,847</u>	<u>148,991</u>
Total Incoming Resources		<u>149,225</u>	<u>4,900,524</u>	<u>5,049,749</u>	<u>8,011,758</u>
Resources Expended					
Cost of generating funds					
Cost of generating voluntary income		<u>84,103</u>	<u>-</u>	<u>84,103</u>	<u>126,074</u>
Charitable activities					
Rural rehabilitation and emergencies		44,209	6,334,926	6,379,135	5,187,830
Advocacy		7,692	1,498	9,190	11,644
Governance		<u>545</u>	<u>30,985</u>	<u>31,530</u>	<u>37,159</u>
Total charitable expenditure		<u>52,446</u>	<u>6,367,409</u>	<u>6,419,855</u>	<u>5,236,633</u>
Total Resources Expended	4	<u>136,549</u>	<u>6,367,409</u>	<u>6,503,958</u>	<u>5,362,707</u>
Net (Outgoing)/Incoming Resources before Transfers	5	12,676	(1,466,885)	(1,454,209)	2,649,051
Transfers between funds	15	<u>120,728</u>	<u>(120,728)</u>	<u>-</u>	<u>-</u>
Net Incoming/(Outgoing) Resources before Exchange Gains and Losses		<u>133,404</u>	<u>(1,587,613)</u>	<u>(1,454,209)</u>	<u>2,649,051</u>
Net unrealised exchange rate gains		(406,090)	409,358	3,268	55,560
Exchange (losses)/gains on consolidation		<u>-</u>	<u>(75,699)</u>	<u>(75,699)</u>	<u>(390,343)</u>
Net Movement in Funds		<u>(272,686)</u>	<u>(1,253,954)</u>	<u>(1,526,640)</u>	<u>2,314,268</u>
Funds at 1 April		<u>971,322</u>	<u>2,840,758</u>	<u>3,812,080</u>	<u>1,497,812</u>
Funds at 31 March	14	<u>698,636</u>	<u>1,586,804</u>	<u>2,285,440</u>	<u>3,812,080</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 14 to the financial statements. Exchange losses arising on consolidation reflect the depreciation of the Afghani against sterling during the year.

The notes on pages 28 to 38 form part of these financial statements.

Afghanaid
Year ended 31 March 2013

Balance sheet

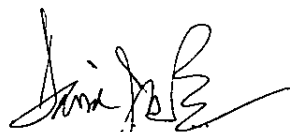
	Note	2013 £	2013 £	2012 £	2012 £
Tangible Fixed Assets	8		121,410		193,601
Current Assets					
Debtors	9	725,456		719,888	
Cash at bank and in hand	10	<u>1,924,115</u>		<u>3,097,153</u>	
		2,649,571		3,817,041	
Less Creditors					
Amounts due within one year	11	<u>485,541</u>		<u>198,562</u>	
Net Current Assets			<u>2,164,030</u>		<u>3,618,479</u>
Net Assets			<u>2,285,440</u>		<u>3,812,080</u>
Funds					
Restricted funds					
In surplus			1,586,804		2,840,758
In deficit			-		-
Unrestricted funds					
Designated funds			400,000		415,229
General funds			<u>298,636</u>		<u>556,093</u>
Total Funds	14		<u>2,285,440</u>		<u>3,812,080</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 (effective April 2008)

The notes on pages 28 to 38 form a part of these financial statements

Approved by the trustees, and authorised for distribution, on
and signed on their behalf by

10 October 2013



David Page
Chair



Christopher Kinder
Treasurer

COMPANY NUMBER 3034888

Afghanaid
Year ended 31 March 2013

Cashflow Statement

	2013	2012
	£	£
Net cash flow from operating activities	(1,149,990)	2,155,286
Returns on investment and servicing of finance	266	327
Capital expenditure and financial investment	(23,314)	(72,559)
Increase/decrease in cash in the year	<u>(1,173,038)</u>	<u>2,083,054</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

Increase/(decrease) in cash in the year	(1,173,038)	2,083,054
Cash outflow from decrease in debt and lease financing	-	-
MOVEMENT IN NET FUNDS IN THE YEAR	<u>(1,173,038)</u>	<u>2,083,054</u>
Net funds at 1 April 2012	3,097,153	1,014,426
NET FUNDS AT 31 MARCH , 2013	<u>1,924,115</u>	<u>3,097,480</u>

NET CASH FLOW FROM OPERATING ACTIVITIES

Net incoming resources before exchange gains/(losses)	(1,454,209)	2,649,051
Returns on investments and servicing of finance	(266)	(327)
Exchange rate translation gains/(losses)	(72,431)	(334,783)
Depreciation of tangible fixed assets	95,505	96,497
Decrease/increase in debtors	(5,568)	(79,752)
Increase/decrease in creditors	286,979	(175,727)
	<u>(1,149,990)</u>	<u>2,154,959</u>

RETURNS ON INVESTMENT AND SERVICING OF FINANCE

Interest received	266	327
	<u>266</u>	<u>327</u>

CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

Purchase of tangible fixed assets	(23,314)	(72,559)
	<u>(23,314)</u>	<u>(72,559)</u>

Afghanaid

Year ended 31 March 2013

Notes to the financial statements

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

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 have been classified under headings that aggregate all costs related to the category and 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

Year ended 31 March 2013

Notes to the financial statements (continued)

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 £329 (US\$ 500). 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 14 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

Year ended 31 March 2013

Notes to the financial statements (continued)

2 Voluntary Income

	Unrestricted	Restricted	2013	2012
	£	£	£	£
Donations	104,989	5,250	110,239	158,025
Legacies	1,148	-	1,148	7,832
	<u>106,137</u>	<u>5,250</u>	<u>111,387</u>	<u>165,857</u>

3 Grants for Rural Rehabilitation and Emergencies

	Unrestricted	Restricted	2013	2012
	£	£	Total	Total
	£	£	£	£
Commission of the European Communities	-	1,586,560	1,586,560	2,482,596
National Solidarity Programme	-	1,109,759	1,109,759	763,342
Department for International Development (DFID)	-	826,248	826,248	805,305
Swiss Agency for Development and Cooperation (SADC)	-	770,510	770,510	656,488
ECHO	-	195,089	195,089	185,919
Food and Agriculture Organisation	-	201,465	201,465	83,265
UNOCHA	-	61,205	61,205	513,775
HLP	-	-	-	96,229
Card-f	-	69,596	69,596	115,543
Embassy of Norway	-	74,842	74,842	1,239,871
Embassy of Japan	-	-	-	410,807
	<u>-</u>	<u>4,895,274</u>	<u>4,895,274</u>	<u>7,353,140</u>

Afghanistan

Year ended 31 March 2013

Notes to the financial statements (continued)

4 Total Resources Expended	Cost of Generating Voluntary Income	Rural Rehabilitations and Emergencies	Advocacy	Support Costs	Governance	2013 Total	2012 Total
	£	£	£	£	£	£	£
Staff costs (note 6)	53,847	1,927,815	7,692	147,417	-	2,136,771	2,119,152
Labour (note 6)	-	53,862	-	-	-	53,862	567
Consultancy	-	65,453	-	-	-	65,453	43,562
Transportation and storage	-	-	-	-	-	-	6,258
Agricultural and engineering inputs	-	2,179,120	-	-	-	2,179,120	1,656,286
Travel and per-diem allowances	-	85,696	-	14,822	3,203	103,721	106,787
Vehicle operating	-	435,546	-	5,428	-	440,974	348,586
Communications	17,750	12,843	-	14,104	-	44,697	94,670
Cash grants to beneficiaries	-	676,512	-	-	-	676,512	283,724
Utilities and premises	-	19,115	-	29,297	-	48,412	99,060
Depreciation	-	-	-	95,506	-	95,506	96,136
Repairs and maintenance	-	99,257	-	3,628	-	102,885	19,311
Training	-	47,939	-	814	-	48,753	48,731
Printing and stationery	-	34,158	-	4,452	-	38,610	24,811
Miscellaneous	-	71,334	-	7,537	-	78,871	45,048
Rental of offices	-	120,200	-	-	-	120,200	100,381
Audit and accountancy fees	-	-	-	-	27,782	27,782	19,921
Board of Trustees expenses	-	-	-	-	545	545	1,924
Office support	2,021	-	-	4,477	-	6,498	9,224
Legal and professional fees	-	-	-	-	-	-	1,826
Beneficiary training	-	177,056	-	-	-	177,056	215,943
Loss by theft	-	-	-	-	-	-	16
Equipment insurance	-	-	-	25,597	-	25,597	-
Membership fee	-	-	-	3,283	-	3,283	7,586
Bank charges	-	-	-	28,850	-	28,850	13,197
Support costs	73,618	6,005,906	7,692	385,212	31,530	6,503,958	5,362,707
	10,485	373,229	1,498	(385,212)	-	-	-
Total resources expended	84,103	6,379,135	9,190	-	31,530	6,503,958	5,362,707

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Year ended 31 March 2013

Notes to the financial statements (continued)

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

	2013 £	2012 £
This is stated after charging		
Depreciation	95,506	96,136
Net loss on disposal of fixed assets	-	-
Trustees' expenses (travel costs 1 trustee)	545	1,924
Auditors' remuneration		
Audit - Afghanistan	12,782	2,588
- UK	15,000	8,400
- UK in respect of non audit services	-	1,600
- UK in respect of prior years	-	7,333
Operating lease payments		
Land and buildings	14,277	15,321
Other assets	2,580	2,256

No trustees received any remuneration for their services (2011- £nil)

6 Staff costs and numbers

	2013 £	2012 £
Staff costs were as follows		
Gross salaries - London	34,663	71,192
Gross salaries in Afghanistan	2,071,949	2,020,036
Social security costs	4,811	5,545
	2,111,423	2,096,773
Recruitment costs	3,275	90
Redundancy costs	-	19,692
Other staff costs	11,099	2,597
	2,136,771	2,119,152

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

	2013 £	2012 £
London	3	3
Afghanistan	393	367
	396	370

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Year ended 31 March 2013

Notes to the financial statements (continued)

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 2012	569,293	577,482	108,487	1,255,262
Additions in the year	-	23,314	-	23,314
Disposals in the year	(30,369)	(41,271)	(10,192)	(81,832)
At 31 March 2013	538,924	559,525	98,295	1,196,744
Depreciation				
At 1 April 2012	437,716	515,458	108,487	1,061,661
Charge for the year	55,352	40,153	-	95,505
Disposals in the year	(30,369)	(41,271)	(10,192)	(81,832)
At 31 March 2013	462,699	514,340	98,295	1,075,334
Net Book Value				
At 31 March 2013	76,225	45,185	-	121,410
At 31 March 2012	131,577	62,024	-	193,601

9 Debtors

	2013 £	2012 £
Prepayments	54,557	14,040
Grants receivable	653,496	697,732
Other debtors	17,403	8,116
	725,456	719,888

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Year ended 31 March 2013

Notes to the financial statements (continued)

10 Cash at Bank and in Hand	2013 £	2012 £
Cash at bank	1,909,951	3,087,588
Cash in hand	14,164	9,565
	<u>1,924,115</u>	<u>3,097,153</u>

11 Creditors Amounts falling due within one year	2013 £	2012 £
Trade creditors	29,457	138,586
Taxation and social security	-	-
Accruals	456,084	59,976
	<u>485,541</u>	<u>198,562</u>

12 Operating Lease Commitments

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

	Land and Buildings		Other assets	
	2013 £	2012 £	2013 £	2012 £
Within one year	14,277	15,321	-	-
Two to five years	-	-	2,580	2,256
	<u>14,277</u>	<u>15,321</u>	<u>2,580</u>	<u>2,256</u>

13 Analysis of Net Assets between Funds

	Restricted Funds £	Designated Funds £	General Funds £	Total Funds £
Tangible fixed assets	119,283	-	2,127	121,410
Current assets	1,754,721	400,000	494,850	2,649,571
Current liabilities	(287,200)	-	(198,341)	(485,541)
Net assets at 31 March 2013	<u>1,586,804</u>	<u>400,000</u>	<u>298,636</u>	<u>2,285,440</u>

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Year ended 31 March 2013

Notes to the financial statements (continued)

14 Movement in Funds

	At 1 April 2012 £	Incoming Resources £	Outgoing Resources incl gains/ losses on foreign exchange £	Transfer between Funds £	At 31 March 2013 £
Restricted Funds.					
a European Community	608,360	1,586,560	(1,218,087)	-	976,833
b DFID	741,315	826,248	(1,518,179)	(49,384)	-
c Food and Agriculture Organisation	-	201,465	(106,307)	-	95,158
d National Solidarity Programme	415,921	1,109,759	(1,026,750)	-	498,930
e SDC	-	770,510	(770,510)	-	-
f Card-f	-	69,596	(58,963)	-	10,633
g Embassy of Norway	638,707	74,842	(671,001)	(42,548)	-
h Embassy of Japan	12,916	-	(12,056)	(860)	-
i ECHO	46,228	195,089	(238,516)	(2,801)	-
j UNOCHA	377,311	61,205	(413,381)	(25,135)	-
k Other Funds	-	5,250	-	-	5,250
Total Restricted Funds	<u>2,840,758</u>	<u>4,900,524</u>	<u>(6,033,750)</u>	<u>(120,728)</u>	<u>1,586,804 -</u>
Unrestricted Funds					
Designated Funds (Note 14ii)					
Community and Programme Innovation Fund	148,991	31,847	-	(130,838)	50,000
Contingency reserve	<u>266,238</u>	<u>-</u>	<u>-</u>	<u>83,762</u>	<u>350,000</u>
Total designated funds	415,229	31,847	-	(47,076)	400,000
Development Reserve	<u>556,093</u>	<u>117,378</u>	<u>(542,639)</u>	<u>167,804</u>	<u>298,636</u>
Total Unrestricted Funds	<u>971,322</u>	<u>149,225</u>	<u>(542,639)</u>	<u>120,728</u>	<u>698,636</u>
Total Funds	<u><u>3,812,080</u></u>	<u><u>5,049,749</u></u>	<u><u>(6,576,389)</u></u>	<u><u>-</u></u>	<u><u>2,285,440</u></u>
				(Note 15)	

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Year ended 31 March 2013

Notes to the financial statements (continued)

Note 14 (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, improve local livelihoods, reduce food deficits, develop income generation schemes and build disaster mitigation structures

b- 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

c- Food and Agriculture Organisation - The primary goal of the project is to strengthen household food security through the distribution of agricultural inputs To provide chronically vulnerable households with certified wheat seed and technical assistance to support their livelihoods and improve their food security & to promote effective natural resource management and resilience through community projects, using co-payment funding

d- National Solidarity Programme - The National Solidarity Programme (NSP) is the national flagship programme in Afghanistan for rural development The grant that Afghanaid receives is in our role as an Implementation Partner It primarily supports the strengthening of community governance through the establishment of community development councils and various infrastructure and livelihood projects which are initiated according to priorities determined in each village

e-SDC (Swiss Agency for Development and Cooperation) - This grant supports the clustering and capacity building of Community Development Councils (CDCs) in order to prioritise and implement livelihood projects agreed by each cluster of CDCs The title of this project is "Alleviating Poverty through Sustainable and Inclusive Livelihoods" CDCs and their federated clusters are provided capacity development through a range of methods (training, exposure visits, mentoring, etc) to increase community members' advocacy skills for better representation and negotiation with local government to gain resources to deliver services in an accountable, inclusive and transparent manner

f-CARD-F -Ministry of Agriculture, Irrigation, and Livestock (MAIL) through the Comprehensive Agriculture & Rural Development Facility (CARD-F) has signed an agreement with Afghanaid, as Consultant for the Economic Development Package (EDP-05A) titled "Development of High Value Horticulture, Bioclimatic stores, Apiculture and Vet Clinic" in the Khash district of Badakhshan Province The goal of the EDP-05A is to attain sustainable growth in legal rural incomes and employment in Khash This will be achieved through enhancing the capacity of existing subsistence farming and supporting the development of agri-business through rural infrastructure development and market facilitation

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Year ended 31 March 2013

Notes to the financial statements (continued)

g- Embassy of Norway - Two separate project contracts were received in 2011/12 and completed in 2012/13. One assisted Afghanaid to provide water and sanitation services and facilities to rural communities in Ghor, Badakhshan and Samangan province. The second grant assisted Afghanaid to provide small-scale grants to national partner NGOs to provide essential life saving services to communities affected by humanitarian emergencies. Part of the second grant has assisted Afghanaid to develop a Humanitarian NGOs Access Toolkit. This contains guidelines, best practices and a framework to make informed judgments and decisions on access arrangements and will serve as a common shared resource for all organisations working in Afghanistan.

h- Embassy of Japan - This grant has assisted Afghanaid to provide education services to children living in remote districts of Ghor provinces and has facilitated increased enrollment. The grant has covered the costs of construction of new school buildings, repairs and provision of missing facilities in schools (e.g. provision of water and sanitation, play grounds, boundary walls, etc.) as well as costs related to the provision of a child-friendly learning environment, setting up and making functional School Management Committees, consisting of parents, teachers, community leaders and students' representatives.

i- ECHO - This grant has assisted Afghanaid to support disaster prone communities and schools in Badakhshan that are highly vulnerable to the annual cycle of natural hazards such as floods, landslides and droughts. Through this work, communities and schools are supported to develop disaster risk awareness culture, build early warning systems, and develop disaster preparedness and response capacities within communities and schools to reduce the impact of future disasters on human life, livelihoods and productive assets.

j- UNOCHA - Through UNOCHA Afghanistan several grants were secured from the Emergency Response Fund (ERF), a multi-donor pool fund set up to respond to the life saving needs of communities faced with humanitarian crisis situations. UNOCHA/ERF funds assisted Afghanaid to meet water and sanitation needs of the communities in Samangan province.

k- Other funds- These funds, most of which were received from the Collisson Charitable trust, will support the improvement of education and income opportunities for vulnerable Afghan women in Chaghcheran district of Ghor province.

(ii) Purpose of designated funds

a) Community and Programme Innovation Fund - This represents funds from the cost recovery of Afghanaid official services and facilities and the disposal of old equipment. Afghanaid is committed to spending these funds in ways that benefit the communities with which it works, either directly or indirectly.

b) Contingency Reserve - Working in a complex and insecure environment such as Afghanistan makes it important for us to cover the liquidity needs which might arise from the risk of having to cancel or seriously curtail planned programmes, or the cost arising from closing and/or

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Notes to the financial statements (continued)

relocating all or parts of our operations to the extent that these costs cannot be recovered from donor contracted funding. This reserve is calculated annually.

c) Development Reserve- Afghanaid aims to have surplus unrestricted funds after the contingency reserve has been set aside. Those funds which provide opportunities for Afghanaid to invest in areas the Trustees feel are important for furthering the strategic objectives of the organisation.

15 Transfers between Funds

The balances show the exchange rate differences arising on the translation of donor funds into local Afghan currency. These are closed projects and hence the balances are transferred to the General Reserve.