

REGISTERED NUMBER 05420647

AFGHAN ACTION

(A company limited by guarantee)

TRUSTEES' REPORT AND

FINANCIAL STATEMENTS

FOR THE YEAR TO 30TH APRIL 2014

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AFGHAN ACTION

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FOR THE YEAR TO 30TH APRIL 2014**

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**LEGAL AND ADMINISTRATIVE INFORMATION
FOR THE YEAR TO 30TH APRIL 2014**

TRUSTEES: Ken Bartlett
Sir Antony Baldry
Christopher Beales (appointed 18th March 2014)
Michael McLaren (resigned 31st July 2014)
Bridget Cowper-Coles
Julia Harrington (appointed 18th March 2014)
Horia Mosadiq
Zahra Qadir
Bonnie Mahboubian
Sean Crane (resigned 3rd September 2013)
Sheldon Stout
Samad Samadi
Patrick Vigors (appointed 18th March 2014)

SECRETARY: Lubomir Sparber

CHIEF EXECUTIVE Christopher Beales

REGISTERED OFFICE: 30 Church Road
Woburn Sands
Beds
MK17 8TA

COMPANY NUMBER: 05420647

CHARITY NUMBER 1111897

PRINCIPAL OFFICE: Partsworth House
30 City Road
London
EC1Y 2AY

CHIEF EXECUTIVE'S REPORT FOR THE YEAR TO 30TH APRIL 2014

HISTORY

Against a backdrop of continuing insecurity and change, the past year has seen steady progress towards achieving a self-sustaining social enterprise in Afghanistan. Afghan Action has continued to support our local partner NGO, Afghan Training & Development Organisation, in its employment of 30 staff and recruitment and training of 15 young people (kindly sponsored by the Linda Norgrove Foundation and the Supreme Foundation). Through its growing credibility and expanding contacts and networks, orders for making uniforms for schools, hospitals and companies have increased and an order for 3000 chair covers for a wedding hall obtained. The main emphasis within the Karte Se premises has been on sewing and tailoring, though a network of skilled, trained carpet weavers continues to be drawn on to make special orders for carpets. Education has continued to be provided – basic literacy and numeracy in Dari and English, ICT and business skills training.

In the UK, we held several events during the year at which our carpets were on sale, with two in the House of Lords, in June 2013 and March 2014, both kindly hosted by Baroness Gibson of Market Rasen and attended by the Lord Speaker, Baroness D'Souza and members of the Lords and Commons as well as guests from outside Parliament. During December 2013, we took part in the Christmas Fair of the Temple Church and also in the International Maritime Organisation's Christmas Fair. In the spring of 2014, we sent some carpets for auction at W & H Peacock Auctioneers in Bedford and Leamington Spa and through the year we sold some carpets through personal contacts.

In the winter of 2013/14, as in 2012/13, we produced quilts for distributing to people living in extreme poverty and hardship in Kabul's tent camps. Working with the Supreme Foundation, our aim was to obtain sponsorship (@ £20 each) for 200 quilts. In the event 340 quilts were sponsored, made by our young people in Karte Se and distributed. We are most grateful to all who sponsored the quilts and we hope to repeat this programme in 2014/15.

The new focus is now on sustainability. Our aim is for the Afghan Training & Development Organisation to become the "driver" of development, moving towards obtaining sufficient orders to generate the income needed to run and grow the social enterprise. The importance of education and training remain at the heart of our work but we recognise the necessity of obtaining donations and sponsorships to cover these costs.

Chris Beales
Chief Executive

AFGHAN ACTION

TRUSTEES' REPORT FOR THE YEAR TO 30TH APRIL 2014

The trustees are pleased to present their report together with the financial statements of the charity for the year ending 30th April 2014

Directors and trustees

The directors of the charitable company (the charity) are its trustees for the purpose of charity law and throughout this report are collectively referred to as the trustees

The trustees serving during the year and since the year end were as follows

- ` Ken Bartlett
- ` Sir Antony Baldry
- ` Christopher Beales (appointed 18th March 2013)
Michael McLaren (resigned 31st July 2013)
- ` Bridget Cowper-Coles
- ` Julia Harrington (appointed 18th March 2013)
- ` Horia Mosadiq
- ` Zahra Qadir
- ` Bonnie Mahboubian
Sean Crane (resigned 3rd September 2013)
- ` Sheldon Stoutt
- ` Samad Samadi
Patrick Vigors (appointed 18th March 2014)

Structure, Governance and Management

Governing Document

Afghan Action is a company limited by guarantee governed by its Memorandum and Articles of Association dated 8th April 2005

It is registered as a charity with the Charity Commission

Appointment of trustees

As set out in the Articles of Association the chair of the trustees is nominated by the other trustees. One third of Trustees shall retire from office, but shall be eligible for re-election.

All members are invited to nominate trustees prior to the AGM.

Organisation

The board of trustees, which must have a minimum of three members with no maximum, administers the charity. The board meets quarterly. A Chief Executive is appointed by the trustees to manage the day to day operations of the charity. To facilitate effective operations, the Chief Executive has delegated authority, within terms of delegation approved by the trustees, for operational matters.

AFGHAN ACTION

TRUSTEES' REPORT FOR THE YEAR TO 30TH APRIL 2014

Objectives and activities

The objects of the charity are

- to advance the education and training of the public, in particular amongst persons resident within Afghanistan by the provision of educational and vocational training facilities to improve their condition of life and
- to relieve poverty and sickness by the provision of humanitarian assistance to persons who are sick or in need and by enabling such persons to learn skills and be trained to support their own needs

In setting out our revised programme this year, we have regard to both the Charity Commissioner's general guidance on public benefit and the relief of poverty for the public benefit. The trustees always ensure that the programmes we undertake are in line with our charitable objectives and aims. Our ambition is to create self-sustaining operations and opportunities in the areas where we work.

Achievements and performance

The review of the activities of the charity is included in the chief executive's report.

Financial Review

The consolidated results show for the year ended April 2014, that resources expended exceeded incoming resources by £8,779. The prior year 2012/13, resources expended exceeded incoming resources by £2,228. The UK trading subsidiary, Afghan Trading Ltd made a profit of £Nil, (last year a profit of £441 was made).

Investment powers and policy

Under the Memorandum and Articles of Association, the charity has the power to invest in any suitable way that the trustees consider appropriate.

Risk management

The trustees have a risk management strategy which comprises

- An annual review of the risks the charity and its subsidiary may face
- The establishment of systems and procedures to mitigate those risks identified and the implementation of procedures designed to minimize any potential impact on the charity should those risks materialise

This work has identified that financial sustainability is the major financial risk for both the charity and its subsidiary.

Reserves policy

The trustees' objective is to build a level of reserves to make the charity self-sufficient.

AFGHAN ACTION

TRUSTEES' REPORT FOR THE YEAR TO 30TH APRIL 2014

Plans for future periods

The Trustees have agreed to give urgent consideration to the future viability of Afghan Action

STATEMENT OF TRUSTEES' RESPONSIBILITIES

- Select suitable accounting policies and apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- State whether applicable accounting standards and statements of recommended practice have been followed subject to any departures disclosed and explained in the financial statements,
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the charity will continue in business

This report was approved by the Trustees' on the 24th September 2014 and signed on its behalf by



Samad Samadi

AFGHAN ACTION

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR TO 30TH APRIL 2014

	Notes	Unrestricted Funds £	Restricted Funds £	2014 Total £	2013 Total £
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income					
Grants & Donations	6	0	0	0	106,128
Activities for generating funds					
Trading operations	5	21,230	0	21,230	25,828
Other income		1,850	-	1,850	2,806
Total incoming resources		23,080	0	23,080	130,011
RESOURCES EXPENDED					
Cost of generating funds					
Trading activities		1,633	-	1,633	7,837
Charitable activities					
Afghan welfare & training	7	22,500	-	22,500	51,800
UK fundraising & admin	7	7,726	-	7,726	12,210
UK Outreach	7	-	-	-	60,392
Total resources expended		31,859	-	31,864	132,239
Net incoming / (outgoing) resources		(8,779)	-	(8,779)	(2,228)
Gross transfers between funds	9	-	-	-	-
Net movement of funds in year		(8,779)	-	(8,779)	(2,228)
Reconciliation of funds					
Total funds brought forward		20,434	-	20,434	22,622
Total funds carried forward		11,655	-	11,655	20,434

The notes form part of these financial statements

AFGHAN ACTION

CONSOLIDATED BALANCE SHEET AS AT 30TH APRIL 2014

	Notes	Group 2014 £	Group 2013 £	Charity 2014 £	Charity 2013 £
FIXED ASSETS					
Tangible assets	11	-	-	-	-
Investments	12	-	-	100	100
CURRENT ASSETS					
Stock	13	5,581	5,989	-	-
Debtors	14	110	0	8,608	13,212
Cash at bank		5,964	15,787	2,407	5,515
		11,655	21,776	11,115	18,727
CREDITORS					
Amounts falling due within one year	15	-	(1,342)	(2,409)	(1,342)
NET CURRENT ASSETS / LIABILITIES					
		11,655	20,434	8,706	17,385
NET ASSETS					
		11,655	20,434	8,706	17,485
FUNDS OF THE CHARITY					
Restricted funds		-	-	-	-
Unrestricted funds	17	8,699	17,485	8,706	17,485
Trading profits / losses		2,956	2,949	-	-
TOTAL CHARITY FUNDS					
		11,655	20,434	8,706	17,485

Trustees' statements required by Section 475(2) of the Companies Act 2006 for the year ended 30th April 2014.

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 30th April 2014. The members have not required the company to obtain an audit of its financial statements for the period ended 30th April 2014 in accordance with section 476 of the Companies Act 2006.

The trustees acknowledge their responsibilities for

- ensuring that the company keeps accounting records which comply with Section 386 of the Companies Act 2006 and
- preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit and loss for each financial year in accordance with the requirements of Section 396 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company

The financial statements were approved by the Board on the 24th September 2014 and signed on its behalf



Samad Samadi, Trustee

The notes form part of the financial statements

AFGHAN ACTION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 30TH APRIL 2014

1. ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared under the historic cost convention. The financial statements have been prepared in accordance with the Statement of Recommended Practice - Accounting and Reporting by Charities (SORP 2005) issued in March 2005, applicable UK Accounting Standards and the Companies Act 2006. The principal accounting policies adopted in the preparation of the financial statements are set out below.

b) Group financial statements

These financial statements consolidate the results of the charity and its wholly owned subsidiary Afghan Trading Ltd on a line by line basis. A separate statement of financial activities and income and expenditure account are not presented for the charity itself following the exemptions afforded by section 408 of the Companies Act 2006 and paragraph 397 of the SORP.

c) Incoming resources

Voluntary income including donations, gifts and grants that provide core funding or are of general nature are recognised where there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability. Such income is only deferred when

- The donor specifies that the grant or donation must only be used in future accounting periods, or
- The donor has imposed conditions which must be met before the charity has unconditional entitlement.

Income from commercial trading activities is recognised as earned (as the related goods and services are provided).

Income from charitable activities includes income received under contract or where entitlement to grant funding is subject to specific performance conditions is recognised as earned (as the related goods or services are provided). Grant income included in this category provides funding to support activities and is recognised where there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability. Income is deferred when grants are received in advance of the event or activity to which they relate.

d) Volunteers and donated services and facilities

The value of services provided by volunteers is not incorporated into these financial statements. Further details of the contribution made by volunteers can be found in the Chief Executive's report.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 30TH APRIL 2014

Where services are provided to the charity as a donation that would normally be purchased from our suppliers, this contribution is included in the financial statements at an estimate based on the value of the contribution to the charity

e) Resources expended

Expenditure is recognised when a liability is incurred. Contractual arrangements and related grants are recognised as goods or services supplied. Other grant payments are recognised when a constructive obligation arises, resulting in the payment being unavoidable.

- Costs of generating funds are those costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds
- Charitable activities include expenditure associated with the training of weavers/tailors and educational programmes and include both the direct costs and support costs relating to these activities
- Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements
- Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources by the time spent

f) Irrecoverable VAT

All resources expended are classified under activity headings that aggregate all costs related to the category. Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

g) Tangible fixed assets

Tangible fixed assets are depreciated on a straight line basis over their estimated useful lives as follows:

- Factory assets – over two years
- Computer and other equipment – over two years

h) Stock

Stock is included at the lower of cost or net realisable value.

i) Funds structure

The charity had until 2013 a number of restricted income funds to account for situations where a donor requires that a donation must be spent on a particular purpose or where funds have been raised for a specific purpose.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 30TH APRIL 2014

All other funds are unrestricted income funds. The funds held in each of these categories are disclosed in note 17.

2 Legal status of the charity

The charity is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £5.

3 Related party transactions

There were no outstanding balances with related parties as at 30th April 2014 (2013 £nil). The trustees were not paid or reimbursed expenses during the year and no trustee received any emolument or payment for professional or other services.

4 Financial activities of the charity

The financial activities shown in the consolidated statement include those of the charity's wholly owned subsidiary, Afghan Trading Ltd.

A summary of the financial activities undertaken by the charity is set out below.

	2014 £	2013 £
Gross incoming resources	19,749	121,733
Total expenditure on charitable activities	(28,528)	(124,403)
Net incoming resources	(8,779)	(2,670)
Total funds brought forward	17,485	20,155
Total funds carried forward	8,706	17,485
Represented by		
Restricted income funds	-	-
Unrestricted income funds	8,706	17,485

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 30TH APRIL 2014

5 Incoming resources from activities for generating funds

The charity has a wholly owned trading subsidiary, Afghan Trading Ltd, which is incorporated in the United Kingdom. The charity has a local partner in the Afghan Training & Development Organisation (ATDO) that operates a training and business incubation centre in Kabul, Afghanistan. The output is donated to Afghan Action, which sells it through Afghan Trading Ltd in the UK. In prior years the ATDO was treated as a wholly owned subsidiary, this has been revised following a review of the legal ownership, and better reflects its status as an independent company supported by donations from Afghan Action in the UK.

A summary of the trading results of Afghan Trading Ltd is shown below.

	2014 £	2013 £
Turnover	21,230	21,077
Grants & donations	-	635
Cost of sales, welfare & administration costs	(21,230)	(21,271)
Interest received	-	-
Interest paid	-	-
Net profit / (loss)	-	441
The assets & liabilities of the subsidiary were		
Fixed assets	0	0
Current assets	11,655	16,261
Current liabilities	(8,606)	(13,212)
Net assets / (deficiency)	3,049	3,049
Aggregate share capital & reserves	3,049	3,049

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 30TH APRIL 2014

6 Voluntary income

The income was primarily grants and donations from corporate & charitable trusts, individual donations and sponsorships

	2014 £	2013 £
Awards for all	-	7,500
DFID - Development awareness funding	-	52,252
Donations	1,850	24,416
Sponsorships	-	960
Linda Norgrove Foundation	-	10,000
Clothworkers	-	11,000
Total	1,850	106,128

Income received and treated as restricted funds are the following

Restricted expenditure of Nil (£60,392) was funded by the above grants

7 Analysis of charitable expenditure

The charity undertakes direct charitable activities only and does not make grant payments

The three main charitable activities are

Afghan welfare – is the cost of providing a free daily meal to trainees and staff at the factory in Kabul and the provision for health cover

Afghan training – comprises the cost of paying trainees wages whilst they undergo the training programme

UK outreach (2013 only) – comprises wages paid to outreach officers, travel expenses, holding events around the UK promoting development awareness in the UK

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 30TH APRIL 2014

8 Movement in total funds for the year

	2014	2013
	£	£
This is stated after charging		
Depreciation	-	-

9 Transfers between funds

Nothing (2013 £640) was transferred from the unrestricted fund to restricted funds to pay for the shortfall in training and outreach activities

10 Taxation

The company is a registered charity and no provision is considered necessary for taxation
The trading subsidiary has made a profit, this financial year No provision for corporation taxes is required as the company has brought forward tax losses to offset any charge to taxation

11 Tangible fixed assets –group only

	Factory Assets £	Computers & Other £	Total £
COST			
At 1 st May 2013	6,338	4,780	11,118
Additions	0	0	0
At 30 th April 2014	6,338	4,780	11,118
DEPRECIATION			
At 1 st May 2013	6,338	4,780	10,618
Charge for the year	0	0	0
At 30 th April 2014	6,338	4,780	11,118
NET BOOK VALUE			
At 30 th April 2013	0	0	0
At 30 th April 2014	0	0	0

The charity has an investment in Afghan Trading Ltd of £100 It has no fixed assets

12 Trading subsidiary

The trading subsidiary is wholly owned by the charity and operates a sales organisation in the UK

The subsidiary has operated at a profit in this financial year The subsidiary has been valued in the accounts at the original nominal cost - £100

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 30TH APRIL 2014

13 Stock

	Group 2014 £	Group 2013 £	Charity 2014 £	Charity 2013 £
Raw materials	0	0	-	-
Carpet stock	5,581	5,989	-	-
Total	5,581	5,989	-	-

14 Debtors

	Group 2014 £	Group 2013 £	Charity 2014 £	Charity 2013 £
Trade debtors	0	0	110	13,212
Other debtors	0	0	0	0
Total	0	0	110	13,212

15 Creditors: amounts falling due within one year

	Group 2014 £	Group 2013 £	Charity 2014 £	Charity 2013 £
Trade creditors	0	0	0	0
Other taxes and social security costs	0	0	0	0
Other creditors and accruals	0	0	0	0
Deferred income	0	0	0	0
Total	0	0	0	0

16 Deferred income

Nil

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 30TH APRIL 2014

17 Analysis of group net assets between funds

	General Fund £	Designated Fund £	Restricted Fund £	Total £
Stock	5,581	-	-	5,989
Cash at bank	5,964	-	-	5,964
Other net current assets	110	-	-	110
Total	11,655	-	-	11,655
