

Afghanaid



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Annual Report 2020

Afghanaid

Company No. 3034888

Charity Nos. 1045348 (England and Wales) and SC044614 (Scotland)

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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REFERENCE AND ADMINISTRATIVE INFORMATION

Company Number	3034888
Charity Numbers	1045348 (England and Wales) SC044614 (Scotland)
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 & Operational Address	Omnibus Business Centre 39-41 North Road London N7 9DP
Board of Trustees	<div> <div> Mr Christopher Kinder (Chair) Ms Elizabeth Winder, OBE (Vice-Chair) Ms Pauline Hayes (Secretary) Ms Mary Mountain, FCA (Treasurer) Dr David Page Mr Mark Bowden, CMG <i>No Trustees resigned or were appointed in 2020.</i> </div> <div> Mr Shirazuddin Siddiqi Dr Orzala Ashraf Nemat Dr Brian Pratt Mr Anthony Fitzherbert, OBE Dr Martin Greeley </div> </div>
Principal Staff	Mr Charles Davy, Managing Director Mr Abdul Rahman Tariq, Director of Programme Quality and Implementation Mr Tonderai Mazingaizo, Director of Operations Ms Zodiac Maslin-Hahn, Director of Programme Development and Resource Mobilisation Mr Mujtaba Nooristani, Deputy Director of HR Mr Ayub Khan Khugyaniwal, Deputy Director of Finance and Administration Mr Guru Naik Charan, ARC Consortium Manager
Bankers	<div> Barclays Bank Plc. London Corporate Banking Group 1 Churchill Place London E14 5HP </div> <div> Bank Alfalah Ltd 410 Charah-e Sadarat Shehr-e Now Kabul, Afghanistan </div> <div> Azizi Bank Kabul Afghanistan </div> <div> New Kabul Bank Ltd Kabul Afghanistan </div>
Solicitors	Russel-Cooke LLP 8 Bedford Row London WC1R 4BX
Auditors	Crowe UK LLP, Chartered Accountants 55 Ludgate Hill, London EC4M 7JW
Auditors – Afghanistan	PKF, Chartered Accountants (Member firm of PKF International) House Number 3, Street 5, Sailoo Road Kabul, Afghanistan

STATEMENT FROM THE MANAGING DIRECTOR

I could not be prouder of our Afghanaid team after the way everyone performed through this exceptionally challenging year, repeatedly demonstrating great courage, resourcefulness and resilience.

In last year's Statement from the Managing Director, I wrote of the hope for peace between the Taliban and the elected Government of Afghanistan, as well as how effectively Afghanaid was working to maintain humanitarian access to remote and hard to reach communities. A year later: I clearly spoke too soon. The Taliban intensified its campaign of violence and the peace process stalled. By year's end, while the USA, the UK and other allies continued plans to draw down military forces, the number of deaths and maimings due to conflict, as well as the hardship and grief brought to Afghan families and communities, spiralled ever upwards. At the same time, across the country, the warring factions created obstructions and threatened aid and development workers, human rights defenders and others with good intentions, and shrank the humanitarian space in which NGOs and UN agencies could deliver assistance safely and efficiently. In several areas where Afghanaid and partners have implemented projects for many years, access to the people we serve had to be renegotiated. Moreover, the Afghan Government pushed a new NGO law, that would place further restrictions on the operations of NGOs.

The intensified conflict and reduced humanitarian space would have been bad enough, but in 2020 the COVID-19 pandemic swept across the world, putting immense pressure on the very best medical services, damaging economies, killing millions worldwide and bringing still greater hardship and grief. The Afghan Government's efforts to inform and educate the populace in advance, as in many countries, were poor, and much of this work had to be done by organisations such as Afghanaid. Yet in the summer, the virus moved rapidly through communities, infecting countless households.

Afghanaid acted early: in the seven weeks to mid-March, we rolled out training for staff, procured personal protective equipment (PPE), reorganised office space, shifted work online, planned for work-from-home, modified policies, worked with our donors to repurpose programme resources and delivered training and protective equipment to well over 1,500 rural villages. Our preparations meant that we were able, though working extra-long days, to continue to implement our projects and deliver essential services during even the worst of the pandemic. Putting the interests of the communities we serve at the heart of our work, we provided basic services, improved livelihoods, helped communities adapt to climate change and reduced their exposure to natural disasters, and responded to humanitarian crises. Through the year we served over one million Afghans across eight provinces, while our partners extended that reach to a further four provinces.

Throughout these challenging times, we were immensely grateful for our continually growing supporter base in the UK and around the world, who by their participation in events, social media engagement and donations, demonstrated solidarity with ordinary Afghans and support for our work. I was also deeply grateful that Afghanaid has such an experienced, well informed and deeply engaged Board of Trustees which played such a central role in overseeing the challenges the organisation confronted. And all things considered, by year's end we had achieved the majority of our 2020 objectives.

Looking ahead to 2021, sadly the conflict looks set to intensify still further, leading to reduced access to remote communities; political instability could increase; further waves of the pandemic are inevitable; and a widespread drought, worse than that of 2018, is looming. Meanwhile, the USA and its allies will withdraw their military support; diplomatic missions are considering departing; and several key donors, with the UK FCDO prominent in this regard, are cutting the funding so critical to the least well-off Afghan families.

However, Afghanaid has continued to support remote rural communities through some very difficult times in the past, and I am confident that we will rise to the challenge again in 2021.

REPORT OF THE TRUSTEES

The trustees present their report and audited financial statements for the year ended 31 December 2020.

The reference and administrative information set out on page 4 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).

GOVERNANCE AND MANAGEMENT

Appointment of Trustees

In advance of trustees leaving, the existing board members canvas for new appointments, vet and select, then vote on 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.

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

Policies and Procedures on Training of Trustees

New trustees are provided with Afghanaid's Guide for Trustees, its Memorandum and Articles of Association, as well as information on its current strategy, programmes and projects, its annual accounts and minutes of the most recent board meetings. The Chair and the Managing Director also brief new members, and meetings are arranged for them with key staff. The training requirements of the Board of Trustees are reviewed every two years at a special board meeting dedicated to board appraisal and a strategy review.

Organisational Decision-Making

Afghanaid's Board of Trustees meet quarterly throughout the year with the Managing Director and other Directors to review strategy, programme and financial performance, security, safeguarding and other risks, funding and income matters, and to discuss significant trends and problems that might affect long-term organisational stability. The Board Security Committee also meets quarterly with the Security Team Leader and the Managing Director. Moreover, the Managing Director liaises bi-weekly with the Chair of the Board of Trustees to consult and receive support and guidance, and the Director of Finance and Operations meets monthly with the Treasurer, also to consult and receive support and guidance.

Trustees are required to disclose all relevant interests and to register them with the Chair and withdraw from a decision where a conflict of interest arises.

Pay and Remuneration

As a matter of course the trustees are not remunerated. However, trustees are normally recruited for their expertise and if a project requires a significant amount of time from a particular trustee, then the trustee could be contracted to do the work.

All related party transactions are disclosed under Note 19 in the financial statements.

The Directors of Afghanaid are employed according to approved terms, conditions and pay scale applicable to all staff. To better attract and retain the qualified, motivated directors required to work in Afghanistan's challenging environment, Afghanaid aims to offer remuneration competitive with other similar NGOs, to recognise tenure and to reward good performance. Salary increments are proposed to and reviewed by the Board of Trustees. Afghanaid aims to adjust directors' salaries in line with inflation, to retain purchasing power year on year. A 'cost of living adjustment' is also applied annually, as affordable, using the UK inflation rate published by the Bank of England. Afghanaid rewards tenure by applying a 2.5% annual increase on directors' salaries, and increments between 0% and 5% are applied, based on directors' performance. Afghanaid conducts benchmarking exercises every two years to assess the competitiveness of remuneration compared to peer organisations.

Public Benefit

The Board of Trustees of Afghanaid complies with the requirements of Section 17 of the Charities Act 2011 and refers 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 most remote and impoverished parts of Afghanistan. Its special focus is on working with marginalised communities in urgent need of support, including women and children, so they can improve their well-being and opportunities. We also advocate for social change with, and on behalf of, disadvantaged communities and work with them, civil society organisations and various levels of government in Afghanistan to ensure that national development efforts are both equitable and sustainable. We regularly evaluate our own work and commission external evaluations to ensure that we are meeting our objectives and bringing benefit to the targeted communities and groups.

Safeguarding

Afghanaid has in place key policies to protect its beneficiaries and staff from sexual exploitation, abuse and harassment, and provides continual training to staff across its offices to ensure safeguarding policies are adhered to. Afghanaid aims to adhere to best-practice standards and has again reviewed these practices over the past year.

Grant Making and Subcontracting Arrangements

Grant Making: As a rule, Afghanaid does not typically make grants to individuals or other organisations.

Subcontracting: In order to more effectively achieve its objectives, attain greater geographical reach, access targeted populations and draw on technical expertise, Afghanaid identifies suitable implementing partners from amongst other NGOs and Civil Society Organisations. Afghanaid vets and conducts due diligence exercises, including the gathering of references from other donors and partners, and engages with these organisations throughout the project design, proposal development and subcontracting phases, requires quarterly reporting, and monitors and evaluates their performance.

Fundraising

The Board of Trustees oversees all fundraising activities and ensures that the reputation of and public trust in Afghanaid is protected throughout. Afghanaid conducts its fundraising efforts in full compliance with applicable laws and regulations, and continually evaluates its fundraising practices on the basis of the principles provided by the Charity Commission in its guidance on charity fundraising (CC20) published in November 2016. Afghanaid does not use any professional fundraisers or commercial organisations in carrying out its activities. Every care is taken to protect vulnerable people and other members of the public from behaviour which is unreasonable or places an individual under undue pressure. Afghanaid received no complaint from supporters or potential supporters during 2020, under GDPR or otherwise.

STRATEGIC REPORT

HISTORY

Established in Britain in 1983 to serve the needs of Afghans fleeing war in Afghanistan, following the invasion by the Soviet Union, Afghanaid has since become one of the longest serving, most widely respected non-governmental organisations (NGOs) in the country. Today, Afghanaid's dedicated personnel work in some of the most remote and inaccessible areas of Afghanistan, serving tens of thousands of families at risk of exclusion and poverty.

In the early years, from our initial base in Peshawar, we delivered humanitarian relief to Afghan refugees and, braving conflict in Afghanistan, provided essential services such as delivering food, medical supplies and agricultural and livelihoods assistance.

From the early 1990s, Afghanaid shifted the focus of its work in Afghanistan from humanitarian relief to community focused development to help rural people claim their rights and strengthen community self-reliance. At that time, we became renowned for our community-driven construction and repair of major infrastructure, such as bridges and roads, as well as our assistance in improving local capacities for food production.

Moving the head office from Peshawar to Kabul in 2003 enabled Afghanaid to work more closely with the Afghan Government and with local stakeholders, strengthen the network of offices across the country, and even more effectively meet the needs of families facing the greatest hardships.

This past year, Afghanaid marked its 37th year of working with rural Afghan men, women, girls and boys to improve their lives.

PRESENT DAY

Afghanaid's head office is located in Kabul. In 2020 we maintained another 16 offices across the provinces of Badakhshan, Takhar, Samangan, Ghor, Herat, Nangarhar, Logar and Daykundi, and a small fundraising office in London. At the end of 2020, Afghanaid employed 267 full-time and 190 part-time staff, 96% of whom were Afghans and 56% were women.

Over time Afghanaid's work has evolved to address four main pillars: providing basic services; improving livelihoods and food security; supporting communities to adapt to the ravages of climate change and reducing their exposure to disasters; and providing assistance in humanitarian crises. Through all our projects we pay special attention to gender rights and good governance.

Basic Services includes constructing community infrastructure such as wells, reservoirs and pipe systems that provide clean drinking water; constructing latrines and raising communities' awareness of good hygiene practices; installing micro-hydro power plants to bring electrical power to villages for the first time; constructing roads that give remote villages access to medical services, schools and markets; and building and equipping schools, making it possible for boys and girls to receive an education in a safe environment.

Improved Livelihoods includes providing resources and creating associations for communities to more effectively protect and manage their natural resources such as water, forests and rangelands, thereby preventing overgrazing and erosion and improving productivity. Improving livelihoods also entails working with farmers and their families to improve agricultural and animal husbandry techniques and productivity; providing vocational training and support for small enterprise development, especially among women; and introducing innovations that add value for farmers and entrepreneurs, as well as improving access to markets.

Disaster Risk Reduction and Climate Resilience involves working with communities to assess hazards and providing them with the training and support they need to take pre-emptive actions to mitigate the impact of climate change and disasters. This

Our vision is for a peaceful and thriving Afghanistan.

Our mission is to work alongside Afghans, providing the skills, training and tools they need to help themselves, their families and their communities.

area of our work also strengthens communities' capacities to effectively respond to, and manage, disasters when they do occur.

Emergency Humanitarian Assistance involves the provision of urgent food, clean water, shelter and sanitation in the aftermath of a disaster. Following a disaster, we assist communities so that they can rebuild their homes, renovate productive land and community infrastructure and revitalise livelihoods.

Gender Rights and Good Governance are so central to the sustainability and impact of Afghanaid's work that we incorporate these two cross-cutting themes into each and every one of our projects. These themes occasionally also form the basis of stand-alone projects. Afghanaid believes that working with both men and women is necessary in order for Afghanistan to achieve political and economic stability. We work with both sexes in all of our projects and ensure that men and women are consulted at every stage of project intervention – from design and implementation to monitoring and evaluation. We also work to improve local governance, to ensure that services and development are in line with the needs and priorities of under-represented communities.

Afghanaid's success is founded on our community-focused approach through which we work with people to identify their most pressing needs and support them to solve their problems. This grassroots approach, coupled with years of experience – including an understanding of local cultural and tribal issues – has earned Afghanaid's staff great trust and respect, which in turn has afforded access to some of the most remote areas of Afghanistan.



We work with communities to restore harmonious local ecosystems, reversing climate degradation and strengthening the resilience of rural Afghans.

Statement on COVID-19

2020 was a year defined by one inescapable phenomenon: the outbreak of the COVID-19 pandemic, bringing untold damage to countries, economies, and organisations across the world. Afghanistan was sadly no exception. With fragile healthcare systems and infrastructure, Afghanistan was acutely ill-equipped to deal with the impacts of the virus. Since accurate figures are unavailable, the true number of cases and deaths are undoubtedly much higher than the officially confirmed figures, which stood at 56,103 and 2,463 respectively in March 2021.¹

Furthermore, lockdown measures, which came into force from March 2020, placed enormous pressure on already precarious livelihoods. Millions of people were forced to choose between exposing themselves to the virus, or going without the income needed to put food on the table. The impact on the economy threatens to be disastrous, debilitating national economic output and exacerbating already rampant poverty.² Despite the arrival of 500,000 COVID vaccines in Kabul in February 2021, the recovery process looks set to be slow.

In many respects, Afghanaid was able to adjust well to the demands of the pandemic. From April 2020, all Kabul and London-based staff transitioned to working remotely until August, with international staff returning to their home countries during this period and returning to Afghanistan in the autumn. Nonetheless, almost all projects continued to run smoothly - although literacy and vocational training sessions in two projects were suspended in line with government guidelines, restarting only towards the end of 2020.

In our programming and organisational management, we responded proactively to the new realities, including funding uncertainties, taking steps including:

- Providing PPE for front-line staff, and insisting on social distancing measures and other best practices to minimise the spread of COVID-19 during implementation.
- Executing a comprehensive engagement plan with all institutional and major donors. This has included 'repurposing' some of our grants and contracts to support COVID-19 response activities in Afghanistan, including awareness-raising activities and cash-for-work schemes to supplement the loss in income during the pandemic.
- Enhancing our abilities to work remotely, with amended business processes and improved software and technology to support remote communication.
- Keeping a close eye on core costs, deferring some staff recruitment and suspending discretionary spending in 2020 to the extent possible. We have maintained a key focus on liquidity, monitoring our cash flow on a continuous basis, and performed regular organisation-wide financial reforecasting in order to adapt to the situation as it developed during 2020.
- With rates of COVID-19 again rising alarmingly across the country in 2021, Afghanaid is remaining vigilant in upholding our safety precautions, and endeavouring to ensure comprehensive vaccination among all our staff.

¹ <https://www.who.int/countries/afg/>

² <https://reliefweb.int/report/afghanistan/afghanistan-covid-19-impact-short-term-disruptions-and-policy-considerations>

Combatting COVID-19

Looking back to the time when news of the COVID-19 pandemic first arrived in her village, 50-year-old Ozran recalls vividly the feelings of panic and uncertainty that swept through the community. In the remote village in Lal wa Sarjangan district in Ghor province, there is no access to the internet or any official information, and Ozran had no way of accessing advice or of separating fact from rumour. "It was very scary," she remembers. "We did not know how to keep ourselves safe and protected from the virus."

Her fears increased when a neighbour returned from Iran, where the number of COVID-19 cases was very high. "I told my children not to leave the house, because I was afraid that they would catch the virus. Everyone in our village was panicking - we did not know what to do." Without money to buy soap and other supplies to keep their families safe, it was a terrifying time for the villagers.

"Then the Afghanistan team came to our village," Ozran recalled. "They provided us with information about the Coronavirus, and advice about the precautions and protective measures we should take." She received a hygiene kit for her family, enabling them to keep clean and help prevent the spread of the virus. "Our children use the masks and gloves provided by Afghanistan, and when they leave the house, they follow the advice that Afghanistan gave us. When they return, they wash their hands thoroughly using the soap and hand washing liquid that came in the kit."

With these measures in place, Ozran felt much more at ease, and none of her family has been infected by COVID-19. "We are safe now, thankfully. We don't need to panic anymore because now we know what we do. These kits have helped to protect us from catching and spreading the virus." Ozran intends to continue following the advice she received, and will save money to purchase similar essential hygiene items in the future to keep her family safe and healthy. "I am very grateful to Afghanistan," she said, "for reaching vulnerable people like us, even in this difficult situation."



We helped Ozran and her family feel confident that they knew how to protect themselves from COVID-19.

PROGRAMMES

Basic Services for All:

For millions living in rural communities across Afghanistan, the provision of essential basic services remains extremely limited. Families living in isolated villages, cut off by difficult terrain, harsh weather and inadequate roads, struggle to access health and education facilities and local markets. Crucial infrastructure such as electricity and sanitation facilities are often lacking or in poor repair – a situation exacerbated by ongoing insecurity and political uncertainty. The blow dealt to the economy by the COVID-19 crisis will only make matters worse. In these circumstances, many people, especially those who were already facing many challenges, are left without the fundamental services they need to sustain their family's livelihood and break the cycle of poverty.

Between May 2017 and December 2020, Afghanaid implemented the Citizens' Charter National Priority Programme (CCNPP), in partnership with the Afghan Government. The CCNPP aimed to improve the delivery of core infrastructure and social services to participating communities through strengthened Community Development Councils (CDCs). We supported communities to analyse their development needs, decision-making structures, and distribution of economic and social resources, and to make inclusive community development plans.

In 2020, Afghanaid and its partners facilitated the development of 1,431 CDCs, with a 50% female membership, helping to strengthen their linkages to the local government and their feeling of shared responsibility towards their communities' development. Special sub-committees focused on issues affecting their communities, including education, health, agriculture, and youth engagement. We trained committee members in a wide range of skills and processes, ensuring they had the capacity to carry out their responsibilities successfully, so that local people can be at the forefront of decisions affecting their lives.

CDCs implemented a total of 2,122 sub-projects to address these needs, such as building roads and canals and developing solar and hydro power generation. These projects strengthened communities and made them more inclusive places to live, as well as creating short-term employment for local workers. At the end of 2020, all CDCs and sub-committees were handed over to the Ministry of Rural Rehabilitation and Development.

The story of Safid Dewar village

In the highland countryside of Lal-wa-Sarjangal District of Ghor province in Central Afghanistan, 38 households make up the small community of Safid Dewar village. Most of the villagers live in extreme poverty, facing serious challenges on a daily basis. Until recently, the most urgent issue was the lack of safe, clean drinking water. With only three wells serving the village, many residents were forced to walk long distances to retrieve water. One female community member recalled: "It was dangerous for us to collect water by ourselves, and it was frustrating for the men in our families that we always had to ask them to get it." Water was not only scarce, but also unclean, meaning that diarrhoea was commonplace, which was especially dangerous for our small children – and could even be fatal.

Two years ago, Afghanaid began implementing the Citizen's Charter National Priority Programme in Safid Dewar. Safe, easily accessible water for drinking and for irrigation was quickly identified as the community's most pressing need. They submitted a proposal to the local government department, who worked with them to build a new clean water system in the village.

The community is delighted with the new system. Hundreds of community members are now able to access drinking water 24 hours a day. Instances of water-related diseases have dropped dramatically – meaning that this year, no children were lost to disease. Every Thursday evening, in their speeches in the mosque, religious leaders encourage the community to manage and take care of their new water facility. A female CDC member expressed her gratitude to Afghanaid for the water system, saying "Now we have access to drinking water by ourselves, which really decreased our level of stress. Thank you, Afghanaid".



Safe, clean water, identified as the community's most urgent need, is now available 24 hours a day.

Economic Opportunities, Sustainable Livelihoods and Food Security

In the rural areas of Afghanistan where we work, most people rely on agriculture and animal husbandry as their primary source of income. For decades, Afghanaid has worked to strengthen and diversify rural livelihoods. This year, in addition to ongoing insecurity and low precipitation, the COVID-19 pandemic further threatened families' economic situation. We continued to support communities to manage natural resources, maintain irrigation systems, and improve farming techniques.

In 2020, in partnership with the United Nations Office on Drugs and Crime, we supported 5,246 farming families in two remote north-western provinces to find viable licit alternatives to opium poppy cultivation. The farmers' incomes increased by 50%, enabling them to meet household expenses and provide for their families. In central and north-eastern provinces we helped thousands of at-risk households access better seeds, techniques, and irrigation systems, boosting productivity and strengthening resilience.

Literacy, numeracy and vocational skills training are central to our livelihoods programming. This year, we supported returning refugees and internally displaced families in the eastern regions bordering Pakistan, delivering this training to women uprooted by conflict, as well as host community members. Through community dialogues women identified potential sources of tension with host communities and worked to mitigate these. In two central provinces, we provided women with literacy and vocational training in skills ranging from food processing, handicrafts and tailoring to poultry rearing and dairy processing. We reinforced this with enterprise development

and financial management training for 10,320 women, and seed grants for savings groups, to help the women use their new skills in viable business initiatives and create sustainable income sources. We combined this income generation support with promoting women's engagement in community governance, and raising awareness of women's rights. In partnership with the Brooke Hospital for Animals, we provided animal health and welfare training and veterinary services to thousands of livestock owners in central Afghanistan, supporting farmers in remote areas to continue using livestock for transportation, winter clothes and dairy products.

Throughout our livelihoods programming, we are acutely conscious of the need to conserve the precious natural resources necessary for communities' livelihoods. In 2020, Afghanaid promoted water preservation techniques, protected and restored forests and rangelands, and supported communities to reduce environmental degradation. With generous funding from the Swiss Agency for Development and Cooperation (SDC), we established Rangeland Management Associations, who planned and implemented activities to control run-off, conserve water and reduce soil erosion. We constructed 50 irrigation structures to bolster agricultural productivity. As a result, vegetation coverage is increased, groundwater levels are raised, and farmers are more resilient to natural disasters and assured of sustainable livelihoods for years ahead. Such activities provided crucial short-term employment for 4,280 community members during the pandemic.

Salma's story

57-year-old Salma knows what it is to be blessed with a large family. She and her husband live with their daughter-in-law, their eleven children and grandchildren in Behsud district in Nangarhar. But while abundant families can be a source of joy, Salma knows all too well the difficulties that poverty brings.

Life had always been hard. Salma's husband, a taxi driver, was the household's main provider – but he didn't own the taxi, and received just £2.75 a day from the vehicle's owner. The family struggled to make ends meet, with so many mouths to feed. Eventually, Salma's son was forced to send his wife and child to her father's house. Several months later, tragedy struck the family, when he decided to take his own life.

Salma could not bear to think that financial hardship would lead to any more deaths in her family. One year later, she enrolled in one of Afghanaid's training courses, and was soon learning how to cook, market and sell different kinds of biscuits and other delicious treats as part of the confectionary-making course.



After Afghanaid's confectionary-making course, Salma sells biscuits to bring in income for her family.

Salma's ambitions did not stop there. A member of a savings group, she borrowed £460 to buy a cow. She uses the milk to feed her family, and to produce cakes, sweets and other products to sell in local markets. With the money she makes, she has managed to pay her husband's debts, buy food and medications, and even save some money.

The impact of the project has been life changing. "Afghanaid helped me improve my family's food security, and saved my children's lives," Salma said. It has also helped transform gender relations in the family: "when my husband saw how powerful I became with the skills I learned, he let my daughter and granddaughter attend school." With a steady income source and the next generation of girls getting an education, Salma feels positive about her family's future.

Climate Change Adaptation and Disaster Risk Reduction

Climate change and natural disasters are a persistent and increasing threat in Afghanistan. The communities we work with are menaced by extreme weather and inhospitable climates, which pose severe challenges to agriculture and food security. Afghanistan is highly vulnerable to the effects of global warming: even small changes in temperatures and rainfall patterns can leave land unusable and devastate harvests. In Afghanistan's delicate ecosystems, agricultural practices and overuse can leave natural resources badly depleted, and environments unable to sustain future usage. Careful conservation practices are required to restore ecosystems, prevent water run-off and soil erosion, and to thereby mitigate the risk of disasters and their effects on people and livelihoods.

Since 2014, Afghanaid has taken the lead in the Afghanistan Resilience Consortium (ARC), comprising four international NGOs and supported over the past two years with funding from the Swedish International Development Cooperation Agency (Sida). In 2020, the ARC worked with 245 communities in six of Afghanistan's most disaster-prone provinces, strengthening resilience to natural disasters and climate change through an integrated community-based approach, which combines climate change adaptation with disaster risk reduction and response, to better equip communities to withstand and recover from emergencies.

Despite severe operational challenges arising from the COVID-19 pandemic, the ARC continued all aspects of this work in 2020. To reduce soil erosion and mitigate the risks of flash flooding, while enhancing livelihoods, the ARC planted almost half a million trees, and constructed 14 flood protection walls. The ARC built mitigation structures including 61,316 metres of canals, 141,088 ridge terraces and 445 check dams, helping reduce water run-off and soil erosion, conserving precious water resources to be used for irrigation. An incredible 99.5% of beneficiaries experienced lower losses to their agriculture and livestock. The consortium trained 1,823 people in Community Based Eco-DRR, and gave men and women cash for work opportunities for their labour. Moreover, we helped villages establish early warning systems and built their emergency response capacities, bolstering their preparedness for disasters.

Abdullah's story

In 2005, disaster struck in the village of Kangorchi in Badakhshan, where 54-year-old Abdullah lives with his family. The village was overwhelmed by a powerful flood, which claimed several lives and swept trees, stones and mud down into the village. Abdullah's own ten jeribs (4.94 acres) of irrigated land were destroyed. The village became inaccessible, making it difficult for district and municipal authorities to bring help. Ever since, Abdullah's village has fallen victim to regular floods and a landslide, which have caused serious destruction to farmland, orchards, a canal and thousands of trees.



Abdullah stands in his fields, which natural disasters no longer threaten.

Abdullah recalled that at the time, hope was in short supply in his village. "We farmers were just praying that God would help us. He was our only hope. Thankfully, he sent Afghanaid to us." Afghanaid began implementing our Community-Based Eco-DRR project in Kangorchi, carrying out a wide range of measures to help ensure that floods never brought such damage and loss again. The team built ridge and bench terraces, planted thousands of fruit and non-fruit trees, constructed several dams and a reservoir to capture and store water, as well as supporting the community to cultivate drought-resistant seeds. Afghanaid also built the capacity of the village residents to mitigate the risks of future disasters, training them in hazard vulnerability capacity assessment, community-based disaster planning, first aid, conflict analysis, and climate change awareness.

In total, our activities allowed us to protect around 2,200 jeribs (1,087 acres) of irrigated land, and thousands of trees and livestock. Abdullah noted the transformative effects for his farming: "This year, our village was protected from floods, so I was able to cultivate my land." As a result, having obtained only limited yield in recent years, Abdullah can now support his family with the significant profits from his rice, wheat and onions crops.

Abdullah said that he is deeply grateful for Afghanaid's contribution: "Thank you, Afghanaid, and all other donors who supported us and saved our lives and those of our children. We wish you all the best in your work."

Emergency Humanitarian Assistance

For decades, Afghanistan has been beset by persistent disasters, both natural and man-made, with devastating consequences for millions of ordinary people in communities across the country. Mired in conflict and grappling with political instability, the country has seen tragically high death tolls and ongoing waves of displacement, both within and beyond Afghanistan's borders, as thousands have been forced to flee their homes. Displacement, and the difficult process of return and reintegration into former or new communities, generate new demands for services, infrastructure and livelihood for both displaced and host communities. The Afghan government, weakened by decades of war and political instability, has only a limited capacity to provide assistance and relief when disasters occur.

On top of the long-standing conflict, Afghanistan is highly vulnerable to natural disasters and extreme weather. Heavy winter snowfall in remote mountainous regions leaves communities isolated and at risk, while crucial crop yields depend on precipitation levels, and can be jeopardised by both excess rainfall and by drought. As the effects of climate change intensify, extreme weather events such as flooding and droughts will increase, heightening the pressure on Afghanistan's economy, stability and food security. Rural communities are faced with the constant threat of drought, which brings adverse impacts not only at the household and community level, compromising food and livelihood security and coping capacities, but on whole ecosystems, as well as macro-level effects in terms of drought-induced displacements, conflicts over depleted resources and strained fiscal and policy space.

With our strong roots in humanitarian programming, Afghanaid has always been ready to offer urgent assistance to people in crisis situations. In 2020, as part of our Emergency Humanitarian Assistance programme, we helped over 10,030 of the most at-risk disaster-affected households in the northern and central parts of the country, amounting to 70,210 individuals. We provided non-food items such as cooking sets, hygiene kits and female sanitary kits, and as the cold Afghan winter set in, we provided cash assistance, allowing families to pay for food, rent shelter and buy heating fuel. These interventions ensured that crisis-affected people were able to pass through the winter months with a greater degree of comfort and dignity, and with a reduced risk of illness, food insecurity, or need to resort to negative coping mechanisms.

In addition, 2020 witnessed the unprecedented global emergency of the COVID-19 pandemic, the impacts of which fell heavily on those people who were already excluded or at risk of being left behind. Healthcare systems struggled to cope with the sudden burdens placed on them, while those already living in poverty and often working informally were dealt a devastating blow by national lockdown measures and their impact on livelihoods. Afghanaid responded quickly, delivering awareness and information sessions to help prevent the spread of the virus, and offering cash for work opportunities in several projects, which served as a vital lifeline to families struggling to make ends meet.

Cross-cutting themes

Gender and Inclusion

Ranking 157 in UNDP's 2020 Gender Inequality Index³, Afghanistan is one of the most challenging places in the world in which to be female, with women and girls continuing to face widespread discrimination and rights abuses. Gender equality and women's rights are pivotal to Afghanaid's mission, reflecting the inclusivity enshrined in our core values, and recognising the importance of gender equality for reducing poverty.

We strive always to create an environment in which women can become active citizens and leaders, negotiating their social and economic rights and driving progress in their communities. In 2020, Afghanaid demonstrated this by working with communities to elect women leaders to Community Development Councils (CDCs), centring women's perspectives in their work. Likewise, we built women's capacity in DRR activities, including conducting hazard risk assessments from women's perspectives, planning disaster mitigation measures, planting trees and nurturing their growth, weaving gabion baskets for the construction of gabion walls, and training them as first responders in search and rescue and first aid. Our work supported women to gain financial autonomy and reflected our conviction that women must share in any socio-economic benefits achieved in society, while economic independence elevates their status in their family and community.



Our experience has shown that working with men and women together can more effectively change beliefs and behaviours than working with women alone. This year, we provided gender and inclusion awareness training to 665,338 women and 839,888 men. We worked with religious leaders to organise workshops and campaigns promoting women's rights, and spread positive messages through theatre, radio, and print and visual media. All our work on gender accords with Afghan culture and Islamic teaching, and encourages behavioural change: women's involvement in family decision-making has improved, and they encounter greater respect for their rights.

Good Governance and Community Development

Afghanaid recognises the necessity of a viable, effective and legitimate state for ending the cycle of fragility and enabling sustainable development. All too often, development efforts in Afghanistan have been hampered by poor governance practices including rampant corruption and the diversion of resources. We strive to support good governance in all our projects, strengthening relationships between citizens and local authorities, in furtherance of our goal to broaden inclusion in governance and decision-making. We work in close coordination with key ministries at the national and provincial levels, and aim to build the capacity of government staff in departments and ministries linked to our work. Our good governance work centres on the core tenets of transparency, accountability, inclusivity, rule of law, integrity, participation, effectiveness and efficiency.

³ United Nations Development Programme (2020). *Human Development Report 2020: The Next Frontier: Human Development and the Anthropocene*. <http://hdr.undp.org/sites/default/files/hdr2020.pdf> p. 363

At the civil society level, we work with a wide range of community-based organisations (CBOs), building on our commitment to put communities at the centre of all we do. This year we established and offered capacity-building and support to members of groups including savings groups, agricultural cooperatives, livestock owners groups, community development councils, and district development assemblies in villages across Afghanistan, ensuring that a wide range of men and women have the skills and confidence to play a role in tackling key issues in their community.

Conflict Mitigation and Peacebuilding

Whether the peace process currently underway results in a lasting peace or not, conflict mitigation and peacebuilding are growing more significant across all our programmes. All four pillars of our programming intersect with ensuring a sustainable transition from conflict to peace, making it a key cross-cutting theme for Afghanistan. In 2020, we trained 585 men and 544 women from different communities in conflict mitigation and resolution, fostering a more cooperative and harmonious community life.

Reza's Story

26-year-old Reza is a teacher, living in Garmab Sofla village, in Lal wa Sarjangan district of Ghor province. Living with his wife, mother, and two sisters, aged 19 and 22, Reza is the only man and therefore the traditional head of his household – and the decisions he has made for his sisters haven't always been to their benefit. Looking back, Reza said "I did not behave properly with them. I thought of them as a burden, and wanted to find husbands for them as soon as possible, so that I would not need to pay for their food and clothing." Neither sister finished their high school education.



After taking Afghanistan's confectionary-making course, Salma sells biscuits to help bring in money for her

However, Reza's mind was changed when he attended Afghanaid's human rights training, learning about women's financial, educational, and employment rights. After the training, Reza allowed his sisters to attend sewing and embroidery courses. Equipped with these skills, they now earn their own income. Reza said proudly: "My sisters are responsible for buying and selling their products, and deal independently with their customers. Now they can help with household expenses. The atmosphere at home has become very positive – we are all happy together."

The changes stemming from his new attitude didn't stop there. Reza wanted his sisters to continue their formal education too. One sister has now enrolled in a Teachers' Training Centre, and the other has registered for the entrance exam for Kabul University, Afghanistan's top university. "I want them to be highly educated," Reza said. "Not educating girls was a tradition in our community, so I did the same. Fortunately, Afghanaid's training changed my mind."

Reza's sisters are delighted to have these opportunities now. "Three years after we stopped school, our brother has given us the opportunity to continue our education – even up to university level. Now we dream about becoming a teacher and a doctor." They are now free to marry whoever they want.

His mother has also noticed the improvements. "I am happy that Reza now treats me and his sisters better," she said. "He respects our opinions, and we are now a very happy family."

2021 PROGRAMME PLANS

In the coming year, we will strive to improve rural livelihoods by providing agricultural and livestock assistance, delivering technical training and material inputs for poultry rearing, orchard and rangeland management, vegetable and dairy processing and business development.



We also plan to expand our work in community-based Eco-DRR, building on the successes achieved in recent years. We will train farmers in climate-smart agricultural techniques, integrated watershed and natural resource management, and disaster risk reduction and response, to boost the resilience of rural communities to climate-induced disasters. A key element of this will be through strengthening climate-resilient livelihoods, ensuring sustainable income sources that are able to withstand the threats of a changing climate.

However, there are clear signs that the country will experience a severe drought in 2021, compounded by intensification of the conflict and continuation of the COVID-19 pandemic, all pointing to a very difficult year ahead for rural communities. We will closely monitor the situation and provide life-saving relief, recovery and rehabilitation assistance to affected communities. We will especially support displaced families, distributing essential cash and in-kind support to help families in urgent need to provide food for their families and keep warm and safe during the cold winter.

In 2021, we will continue to promote the rights of women, disabled people and minorities, and actively include them in all our projects. We will strive to facilitate their inclusion in community decision-making

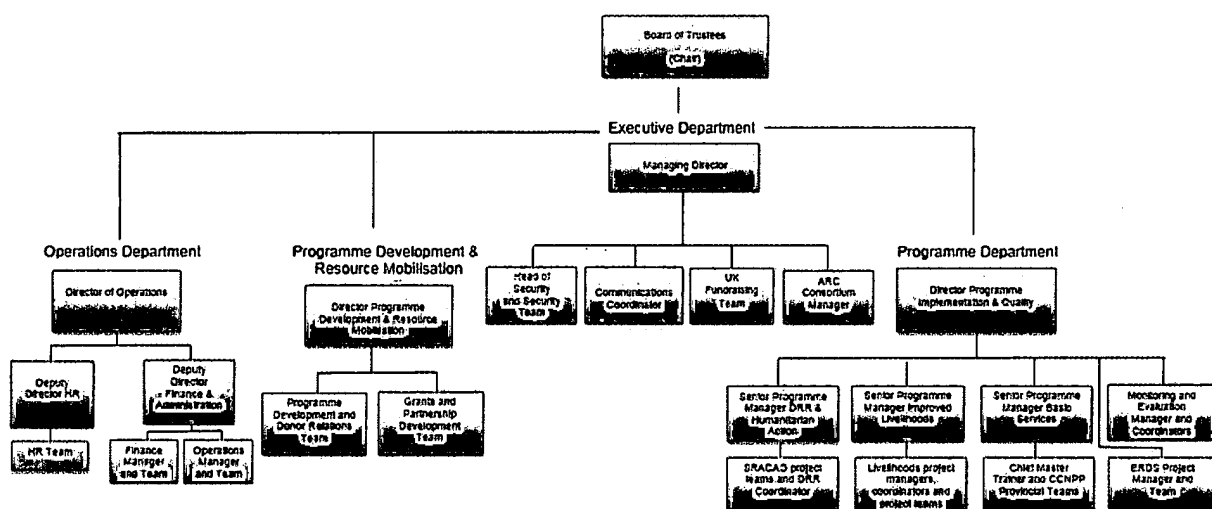
processes and provide assistance that directly serves their interests and helps them claim their rights. We will continue to focus specifically on women's financial autonomy, and the promotion of women's rights through an Islamic lens - both powerful tools in effecting the inclusivity we wish to see.

We will continue to support and capacitate community-based leadership groups, creating platforms for all elements of communities to be represented and have their voices heard. We will continue to influence the choices and actions of the government and donors, to hold them to account and speak truth to power. In particular, we will advocate for better management of national initiatives, and will promote sustainable watershed and natural resource management to support adaptation to climate change.

In 2021, we also plan to develop and strengthen our experience with conflict mitigation and peacebuilding, building on our rich experience and exploring new possibilities to incorporate this into our programming. We will work with other organisations seeking synergies and partnerships to implement effective peacebuilding projects in our areas of operation.

AFGHANAID PEOPLE

To maintain Afghanaid's reputation as an impactful and professional organisation, among the most respected NGOs in Afghanistan, we always endeavour to attract and retain the most technically competent, innovative and driven personnel, who actively contribute to achieving Afghanaid's mission and vision. The organisation is structured according to the following organogram:



During the year, a total of 253 staff received training on one or more of the following: Safeguarding, Whistleblowing, Security Management, Fire Safety, Monitoring and Evaluation, Effective Leadership, Social Inclusion and Nutrition, Project Cycle Management, Watershed Management Planning, and Rainwater Harvesting. Fourteen staff attended training on Community Based Watershed and Rangeland Management in Nepal, and 22 female staff received Management and Leadership training in Dubai.

We continued to provide induction and refresher training sessions on Afghanaid's policies to new and existing staff members. Eighty-eight new staff attended orientation sessions and 120 attended policy refresher training.

In 2020, we continued to support the higher education of eight members of staff; of these, two completed their MBA. Afghanaid also supported 16 staff members to study English language courses.

OUR DONORS AND SUPPORTERS

Afghanaid's ability to serve communities across Afghanistan is thanks to the generosity of our donors and supporters, who enable us to continue addressing the survival and development needs of these communities. We would like to recognise and thank them here.

In 2020, Afghanaid received humanitarian and development funding from:

- Italian Agency for Development Cooperation, Embassy of Italy, Kabul (AICS)
- Ministry of Rural Rehabilitation and Development of the Islamic Republic of Afghanistan (MRRD)
- Norwegian Agency for Development Cooperation (Norad)
- Swedish International Development Cooperation Agency (Sida)
- Swiss Agency for Development and Cooperation (SDC)
- UK Foreign, Commonwealth, and Development Office (FCDO)
- United Nations Food and Agriculture Organization (FAO)
- United Nations Office for the Coordination of Humanitarian Affairs (OCHA)
- United Nations Office on Drugs and Crime (UNODC)
- United Nations World Food Programme (WFP)
- US Department of State Bureau for Population, Refugees, and Migration (BPRM)

We also received generous support from the following trusts and foundations:

- Ajahma Charitable Trust
- The Brooke Hospital for Animals
- Swedish Postcode Foundation
- Islamic Aid
- Arghosha Association
- Allan & Nesta Ferguson Charitable Trust
- Give2Asia
- Khaled Hosseini Foundation
- The Linda Norgrove Foundation
- The Coles-Medlock Foundation

We would like to express our sincerest thanks to all of our individual donors - in particular David Jones, Jo Nicholson, Jerome O'Hea, Chris Brewer, Angela Morrison, Sir Nicholas Barrington, Kalpna Saksena, Lesley Scoular, Matin Behzad, Nigel Poole, James Sinclair-Taylor, Michael Maude, Don Elwick, Paul Hughes-Smith, Alun Ellis, Francoise Findlay and Brandan Hawthorne - whose continued support enables us to reach people in some of the most underserved regions of the country and create a brighter future for the people of Afghanistan. Special thanks go also to the Ajahma Charitable Trust, whose generous working capital grant in 2020 gave an invaluable boost to all our work in Afghanistan. We are extremely grateful for their support.

Afghanaid also extends our heartfelt thanks to members of our brilliant 2020 London Marathon Team, and all those who took part in other challenge events, who despite the postponements, cancellations and other uncertainties of this tumultuous year, remained determined in their support and fundraising. We would also like to extend a special thanks to all our fantastic fundraisers who dedicated their time and energy to support our work, including everyone who organised and attended a variety of community and student events. Special thanks go to the Adstock Singers, the Adstock Orchard, All Saints West Dulwich, and Brunel and Westminster Afghan Societies. Similarly, we have been extremely grateful for the enduring support of our corporate supporters, The Afghan Rug Shop, Pretty Little Afghan, Charitable Travel, and Wild Frontiers. Despite the challenges of this year for businesses, our corporate sponsors have donated vital funds and helped us speak louder about our campaigns. We would also like to extend

our thanks to all our fantastic 'Conversations with Afghanaid' panelists, who have helped make the launch of the virtual series such a success.

COMMUNICATIONS

This past year the communications team maintained engagement and income during the pandemic, focusing on keeping supporters updated and engaged. During lockdown, the team implemented new strategies to reach supporters, including online activities like our *Conversations with Afghanaid* series and the *At Home Heroes* initiative. We tested and analysed social content and utilised video clips and short films across digital channels; worked to improve Search Engine Optimisation, built new relationships, and provided opportunities for user generated content, further expanding our reach into new networks. We ran a successful emergency COVID-19 appeal, as well as taking part in the Big Give Christmas Challenge for the first time.

We launched our LinkedIn account and continued to use social media to engage with existing supporters and attract new ones, which was reflected in a continued increase in followers and traffic. We increased our international reach, with more users and donors from countries outside of the UK. And we have begun a strategy to refresh aspects of the site, so that the user experience reflects our evolving audience.

Brand awareness has seen a huge improvement in 2020, with traffic onto the site via organic search (people finding us via Google search, not paid-for Google ads), increasing by 227%; referral traffic (from any other online sources that are not our own channels or links) has increased by 71%.



In Daykundi province, we are supporting livestock-owning families to improve the health and productivity of their animals, helping strengthen their own livelihoods.

FINANCIAL REVIEW

Income of more than £10.8 million was recognised in the 2020 financial year, which represents a decrease from the income of £12 million in 2019. The decrease in income was influenced by the slow-down in implementation of projects due to the COVID-19 pandemic. Of the £10.8 million income recognised, £4.45 million relates to the SIDA Community-Based Eco-Disaster Risk Reduction programme, implemented by Afghanistan and the three other partners of the Afghanistan Resilience Consortium: Save the Children Afghanistan, Concern Worldwide Afghanistan and ActionAid Afghanistan. A total of £2.425 million in income is attributable to these consortium partners, the balance of £2.025 million representing Afghanistan direct implementation. Other significant income was recognised from the following awards: UK Aid Direct Families Empowerment (FEM) Programme (£822k), Government of Afghanistan MRRD funded Citizens' Charter National Priority Programme (£1.440 million), SDC funded RAMA programme (£1.156k), United Nations Coordination of Humanitarian Affairs-UNOCHA (£445k), UNODC funded BADILL programme (£436k), BPRM funded FLIP programme (£293k), World Food Programme-WFP (£264k), United Nations Food and Agriculture Organisation-FAO (£257k), Norwegian Agency for Development Cooperation-NORAD (£252k), and The Swedish Postcode Foundation (£249k). Afghanistan implemented other programmes focusing on emergency humanitarian assistance, women's financial autonomy and women's rights, and cash assistance for internally displaced people. The other smaller programmes contributed the remaining income recognised.

Cashflow improved in 2020 as implementation of the Citizens' Charter National Priority Programme, which is funded in arrears, came to an end. Invoicing for the outstanding milestones will continue in 2021 with the expectation that a majority of organisational reserves will be supported by cash by the end of the 2021 financial year.

Afghanistan has continued to take a prudent approach to cash management in the light of the operational uncertainties encountered in 2020. The majority of Afghanistan contracts are funded in advance and management proactively manages cash receipts and cash outlays for all projects.

Reserves

At 31 December 2020, Afghanistan had total funds of £1.535m, made up of an expendable endowment fund of £150k and £1.385m unrestricted funds. This is an increase from the total funds of £1.313m as at 31 December 2019.

The total of unrestricted reserves is made up as follows:

General reserve: an amount that allows Afghanistan to pursue its agreed purpose and strategy, specifically to meet short term funding gaps and thereby maintain capacity, to cover short-term working capital needs and potential co-financing requirements. At the end of 2019 this reserve was £1,056k and increased to £1,319k at the end of 2020.

Fixed asset reserve: an amount to cover funds invested in tangible and intangible fixed assets, totalling £66k at the end of 2020 (£107k at the end of 2019).

The trustees review the reserves policy annually and have decided that a range of £1 million to £1.5 million is appropriate for the charity. The reserves are primarily used as working capital, to meet the cost of unanticipated severe curtailment of programmes or to clear the liabilities linked with closing part of or, in extreme but unlikely circumstances, the whole organisation, and pay off the accumulated liabilities not recoverable from any unrestricted funding sources. The trustees believe the costs of winding down the organisation are £400k and this amounts to the minimum reserves level.

Going Concern

The trustees are required to consider whether it is appropriate for Afghanistan's accounts to be prepared on a 'going concern' basis. The going concern assumption is a fundamental principle in the preparation of financial statements, under which an entity is ordinarily viewed as continuing in business for the foreseeable future. The accounts have been prepared on a going concern basis, the assumption underpinning this being that Afghanistan will continue in operational existence for the foreseeable future and has neither the intention nor need to significantly curtail the scale of its operations. In an assessment to support going concern for the 2020 Financial Statements, a detailed review of income and expenditure for 2021 and 2022 was conducted. The assessment and forecasting indicates that the finances of Afghanistan remain resilient to the uncertainties in income and the Afghanistan operating environment. Regular reassessments will be carried out. The charity has the ability to

adjust operating expenditure in the event that programs are curtailed but still maintain core operating capabilities and, if necessary, draw down on reserves. For this reason, the trustees continue to adopt the going concern basis in preparing the financial statements.

Factors which support this assumption include the following:

- Further awards from a range of donors have been agreed in the 2021 financial year along with a viable pipeline of future multi-year funding.
- Core operating expenses are closely aligned to income for the year.
- The expectation is that we will be able to deliver our programmes. We will adjust core operating costs should our programme activities be severely impacted by either increased levels of violence and insecurity or further waves of COVID-19. The said risks, insecurity and the COVID19 pandemic, have potential significant impact to the operations of the charity. They are however not considered material uncertainties in relation to Afghanaid's ability to continue as a going concern.
- We are seeing continued settlement of the remaining Citizens Charter National Priority Programme invoices.

Key Risks and Uncertainties

Afghanaid's Executive Team is responsible for ensuring that risk management processes are embedded in day-to-day operations through effective implementation of policies and procedures. Risk assessment is conducted comprehensively every two years and risk registers are developed at an organisational and project level. The Executive Team reviews the organisational risk register on a quarterly basis and provides updates to the trustees twice a year. The trustees are ultimately responsible for risk management and the effectiveness of Afghanaid's internal control systems. They have assessed major risks to which the charity is exposed and have put in place controls, systems and procedures to manage those risks. It is not possible to eliminate all risk. It is fundamental that the risks are continuously monitored so as to assess the effectiveness of control/mitigating procedures to ensure acceptable residual/retained risk.

The trustees also monitor the effectiveness of risk management processes through assurance mechanisms including project audits and in-house compliance functions. As a result of the risk assessment exercise, as is common with similar organisations operating in our sector in Afghanistan, insecurity, a lack of long-term funding and insufficient income emerge as the most significant ongoing risks, in addition to potential successive waves of the COVID-19 pandemic in 2021. The risks have a likelihood of occurring given the volatile situation in Afghanistan, but they do not amount to material uncertainties in relation to Afghanaid's ability to continue as a going concern.

- **Security:** Insecurity remains a significant threat to Afghanaid's staff, communities and operations. This may hamper our ability to operate effectively and safely and to deliver our programmes within the funds available. Our approach remains very much to work with the consent and cooperation of local communities and to ensure that we maintain our reputation for impartiality and independence. The withdrawal of American troops in Afghanistan by 11 September 2021, as announced by President Biden, has the potential to cause unrest, insurgency, and civil war, which could significantly alter organisational operations.
- **COVID-19 Pandemic:** Possible successive waves of the pandemic in 2021 have the potential to cause movement restrictions, thereby affecting the smooth implementation of projects. Afghanaid has focused on protecting frontline staff, with provision of PPE and training, to minimise the spread of infection to staff, communities and stakeholders. Vaccination programmes have been launched in Afghanistan with significant uptake by staff and beneficiaries. Reforecasting will be conducted to assess the ability of the organisation to meet core operating costs given potential spending reductions.
- **Long term funding and insufficient income:** Shifting funding priorities, political instability in Afghanistan especially with the looming withdrawal of American troops, and the COVID-19 crisis, have created some uncertainty around funding commitments for Afghanistan beyond the 2020 financial year. The decline in Gross National Income (GNI) from donor countries has reduced the overall pool of funding available for development aid. The termination of the UK Aid Direct FEM grant in May 2021 as part of the FCDO spending cuts is a particularly unwelcome development. Afghanaid continues to build relationships with key donors and implementing partners, to position itself for future funding opportunities. Some opportunities for peace building, sustainable forestry management, and climate change, are being explored as part of the organisational mandate to provide assistance to those most in need of support.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

Company law requires the trustees to prepare financial statements for each financial year. Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

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

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions, disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the trustees is aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- each of the trustees has 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 fully subscribe to the tenets of Charity Governance Code which is anchored on seven principles, namely organisational purpose; leadership; integrity; decision-making, risk and control; board effectiveness; diversity; and openness and accountability. The trustees are aware that the Charity Governance Code is not a regulatory requirement but recommends best practice and assists in making well considered decisions, which are in the best interest of the charity.

Auditors

Crowe UK 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.

The Trustees' Report, incorporating the Strategic and Directors' Report, was approved by the trustees on

8 July 2021 and signed on their behalf by:



Christopher Kinder
Chairman Board of Trustees

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES AND MEMBERS OF AFGHANAID

Opinion

We have audited the financial statements of Afghanaid ('the charitable company') for the year ended 31 December 2020 which comprise Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2020 and of 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 prepared in accordance with the requirements of the Companies Act 2006, and the Charities and Trustee Investment (Scotland) Act 2005 and Regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent

- with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 requires us to report to you if, in our opinion:

- adequate and proper 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

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 27, the trustees (who are also the 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, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members including significant component audit teams. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charitable company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, the Charities Act 2011 and The Charities and Trustee Investment (Scotland) Act 2005, together with the Charities SORP (FRS 102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial

statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charitable company's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charitable company for fraud. The laws and regulations we considered in this context for the UK operations were General Data Protection Regulation (GDPR), Anti-fraud, bribery and corruption legislation, Taxation legislation, and Employment legislation. We also considered compliance with local legislation for the group's overseas operating segments.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of income, and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, and the Board of Trustees about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission, and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's trustees, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Tim Redwood
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor

London

Date 3 August 2021

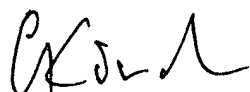
STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 DECEMBER 2020

Note	Unrestricted Funds	Restricted Funds	Endowment Funds	2020 Total Funds	2019 Total Funds
	£	£	£	£	£
Income and endowments from:					
Donation and Legacies	104,438	-	-	104,438	71,745
Grants & Contracts	4 1,706,757	8,946,077	-	10,652,834	11,876,942
Other trading activities	35,473	-	-	35,473	40,822
Investments	4,146	-	-	4,146	5,937
Other	52,620	-	-	52,620	6,060
Total	1,903,434	8,946,077	-	10,849,511	12,001,506
Expenditure on:					
Raising funds	141,254	-	-	141,254	106,871
Rural Rehabilitations & Emergencies	1,534,839	8,946,077	-	10,480,916	11,566,799
Total	5 1,676,093	8,946,077	-	10,622,170	11,673,670
Net income/(expenditure)	227,341	-	-	227,341	327,836
Other recognised gains:					
Gains/ (losses) on foreign exchange retranslation	(5,526)	-	-	(5,526)	99,696
Net Movement in Funds	16 221,815	-	-	221,815	427,532
Reconciliation of funds:					
Total funds brought forward	1,162,932	-	150,000	1,312,932	885,400
Total funds carried forward	16 1,384,747	-	150,000	1,534,747	1,312,932

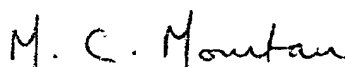
COMPANY NUMBER: 3034888
BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	As at <u>31 December 2020</u> £	As at <u>31 December 2019</u> £
Fixed Assets:			
Intangible assets	9	4,213	13,225
Tangible assets	10	62,220	94,028
Total fixed assets		66,433	107,253
Current Assets:			
Debtors	11	1,838,073	1,708,494
Cash at bank and in hand	12	3,561,750	6,180,841
Total current assets		5,399,823	7,889,335
Creditors: Amounts falling due within one year	13	3,931,509	6,683,656
Net Current Assets		1,468,314	1,205,679
Total Net Assets		1,534,747	1,312,932
The funds of the charity:			
Endowment Fund		150,000	150,000
Unrestricted Funds		1,384,747	1,162,932
Total charity funds	16	1,534,747	1,312,932

Approved by the trustees, and authorised for distribution, on 8 July 2021 signed on their behalf by:



Christopher Kinder
Chairman



Mary Mountain
Treasurer

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Cash flows from operating activities:		
Net cash provided by operating activities	(2,617,711)	949,863
Cash flows from investing activities:		
Interest received	4,146	5,937
Purchase of tangible fixed assets	-	(100,516)
Net cash used by / (provided by) financing activities	4,146	(94,579)
Change in cash and cash equivalents during the reporting period	(2,613,565)	855,284
Cash and cash equivalents at the beginning of the reporting period	6,180,841	5,226,484
Change in cash and cash equivalents due to exchange rate movements	(5,526)	99,073
Cash and cash equivalents at the end of the reporting period	3,561,750	6,180,841

Table A

Net income/(expenditure) for the reporting period:	227,341	328,459
Adjustments for:		
Returns on investment	(4,146)	(5,937)
Depreciation and amortisation of fixed assets	37,524	33,150
Revaluation of tangible fixed assets	3,295	2,838
(Increase) / decrease in debtors	(129,578)	377,856
Increase / (decrease) in creditors	(2,752,147)	213,497
Net cash flow from operating activities	(2,617,711)	949,863

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

NOTE 1: CHARITY INFORMATION

Afghanaid is a company limited by guarantee, which is incorporated in England and Wales. Afghanaid is a registered charity in England and Wales, and Scotland, and is a public benefit entity.

The address of the registered office is Omnibus Business Centre, 39-41 North Road, London N7 9DP.

Company Name: Afghanaid, LBG

Company No. 3034888

Charity Nos. 1045348 (England and Wales)
SC044614 (Scotland)

NOTE 2: CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of Afghanaid's accounting policies, which are described in note 3, trustees are required to make judgements, estimates, assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects the current and future periods.

In the view of the trustees and management, the following are the critical accounting estimates and areas of judgement:

- The treatment of deferred income balances related to restricted contracts as monetary liabilities.
- The judgement that expenditure incurred on performance related grants is a reliable basis for estimating the right to receive payment for the work received.
- The judgement that, subject to evidence to the contrary, all expenditure incurred under a signed funding agreement is recoverable from funders.
- The judgement that there is no provision required for disallowed expenditure under donor funding agreements.
- Estimating the useful economic life of tangible fixed assets.
- The full impact of the COVID-19 pandemic and the security situation in Afghanistan remains unknown at the date of signing these accounts. The experience of 2020 and part of 2021 has been that the charity's activities have continued, despite changes to programme delivery and priorities. The situation in Afghanistan remains unpredictable and as such estimates used in the accounts are subject to a greater degree of uncertainty and volatility.

NOTE 3: ACCOUNTING POLICIES

The principal accounting policies which have been adopted have been set out below:

a) Accounting Convention

The accounts (financial statements) have been prepared under the historical cost convention and in accordance with the Charities SORP (FRS102) applicable to charities preparing their accounts in accordance with FRS102 the Financial Reporting Standard applicable in the UK and Republic of Ireland and UK Generally Accepted Practice as it applies from 1 January 2015.

b) Branch accounting

Operations in Afghanistan are, in accordance with SORP 2015, treated as a branch of Afghanaid and their results are included herein.

c) Preparation of the accounts on a going concern basis

The going concern assumption is a fundamental principle in the preparation of financial statements, under which an entity is ordinarily viewed as continuing in business for the foreseeable future. The accounts have been prepared on a going concern basis, the assumption underpinning this being that Afghanaid will continue in operational existence for the foreseeable future and has neither the intention nor need to significantly curtail the scale of its operations. In an assessment to support going concern for the 2020 Financial Statements, a detailed review of income and expenditure for 2021 and 2022 was conducted. The assessment and reforecasting indicates that the finances of Afghanaid remain resilient to the uncertainties in income and the Afghanistan operating environment. Regular reassessments will be carried out. The charity has the ability to adjust operating expenditure in the event that programs are curtailed but still maintain core operating capabilities and, if necessary, draw down on reserves. For this reason, the trustees continue to adopt the going concern basis in preparing the financial statements.

Factors which support this assumption include the following:

- Further awards from a range of donors have been agreed in the 2021 financial year along with a viable pipeline of future multi-year funding.
- Core operating expenses are closely aligned to income for the year.
- The expectation is that we will be able to deliver our programmes. We will adjust core operating costs should our programme activities be severely impacted by either increased levels of violence and insecurity or further waves of COVID-19. The said risks, insecurity and the COVID19 pandemic, have potential significant impact to the operations of the charity. They are however not considered material uncertainties in relation to Afghanaid's ability to continue as a going concern.
- We are seeing continued settlement of the remaining Citizens Charter National Priority Programme invoices.

d) Functional/Presentation Currency

The functional currency of Afghanaid and its branches is considered to be in Afghanis because that is the currency of the primary economic environment in which the charity operates i.e. Afghanistan. The financial statements are presented in pounds sterling.

e) Income

All incoming resources are included in the Statement of Financial Activities (SOFA) when Afghanaid is entitled to the income, when it is probable that the incoming resource will be received and the amount can be quantified with reasonable accuracy.

The following specific policies apply to categories of income:

Performance based contracts: where Afghanaid provides goods and/or services in return for a fee as part of its charitable activities such contractual income is recognised as income in the SOFA to the extent that Afghanaid has provided the goods and/or services thereby earning the right to consideration by its performance.

Grants from governments, institutional donors and trusts & foundations: those related to specific conditions are recognised as income in the SOFA when the conditions have been substantially met and the associated expenditure is incurred. Grants that are not subject to specific performance deliverables or conditions are recognised in full in the SOFA when they become receivable. Where income is received in advance of its recognition in the SOFA it is deferred as a liability until certainty exists that the conditions imposed can be met. Where entitlement occurs before incoming resources are received the income is accrued. Investment income is recognised when receivable.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

NOTE 3: ACCOUNTING POLICIES (CONTINUED)

Donated goods, services and facilities represent the value of the contribution made by benefactors. An equivalent amount is included in resources expended in accordance with the recommendation of the SORP.

Other income, including proceeds from the sale of assets, is recognised in the period it is receivable and to the extent that Afghanistanid has provided the goods or services.

f) Expenditure

Resources expended are accounted for on an accruals basis and have been classified under headings that aggregate all costs related to the category. Cost of raising funds relates 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.

Support costs comprise all administrative services supplied centrally, identifiable as wholly or mainly in support of the emergency and rural rehabilitation programmes as well as governance costs related to the management of Afghanistanid's assets, organizational management and compliance with constitutional and statutory requirements. These have been apportioned to the charitable activities and costs of raising funds on the basis of staff time spent on each area.

g) Intangible Fixed Assets

Software and website development costs are capitalised within intangible assets as they can be identified with a specific project anticipated to produce future benefits. Once brought into use they will be amortised on the straight-line basis over the anticipated life of the benefits arising from the completed project.

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	4 years
Office equipment	4 years
Plant and machinery	5 years

Items of equipment are capitalised where the purchase price exceeds £3,682 (US\$ 5,000). Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities.

h) Financial Instruments

Afghanistanid has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at fair value at the Balance Sheet date, with gains and losses being recognised within income and expenditure. Financial assets held at fair value at the Balance Sheet date comprise cash and bank and in hand, together with trade and other debtors. Financial liabilities held at amortised cost comprise bank loans and overdrafts, trade and other creditors.

i) Fund Accounting

Restricted funds are donations and grants for which the donor has specified an intention to support a particular aspect of Afghanistanid's charitable activities, together with investment income accruing directly to those restricted

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

NOTE 3: ACCOUNTING POLICIES (CONTINUED)

funds. Only expenditure which meets the criteria agreed by the donor is charged against each fund. 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.

Restricted funds may be either endowment (capital) or restricted income funds, depending on the nature of the restriction. Endowment funds are resources held by Afghanaid on trust, comprising monetary and other assets which represent capital.

Endowment funds are expendable, the purpose of which is specified by the donor. Restricted income funds are resources held on trust for spending on specific purposes.

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

General reserve: an amount that allows Afghanaid to pursue its agreed purpose and strategy, specifically to meet short term funding gaps and thereby maintain capacity, to cover short term cash flow needs and potential co-financing requirements.

Designated funds are amounts set aside from the general fund which are being held at the discretion of the Afghanaid Board of Trustees. The charity has not set any funds as designated. However, the trustees believe the costs of winding down the organisation are £400k, and this amounts to the minimum reserves level.

j) Foreign Currency Transactions

Transactions in foreign currencies are recorded using the monthly average 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.

k) 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 lease term.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 4: GRANTS & CONTRACTS FOR RURAL REHABILITATION & EMERGENCIES

	Unrestricted Funds £	Restricted Funds £	Endowment Fund £	Year ended 12/31/2020 £	Unrestricted Funds £	Restricted Funds £	Endowment Fund £	Year ended 12/31/2019 £
Government Grants & Contracts (Note 4.1&4.2)								
UK Department for International Development (UK DFID)	-	822,028	-	822,028	-	2,286,775	-	2,286,775
Government of the Islamic Republic of Afghanistan (GoIRA) - Package 4 & 12.	1,440,532	-	-	1,440,532	1,329,066	-	-	1,329,066
US Government – BPRM	-	292,961	-	292,961	-	594,711	-	594,711
The Swedish Postcode Foundation	-	249,486	-	249,486	-	-	-	-
Swiss Development Cooperation (SDC)	-	1,156,819	-	1,156,819	-	953,722	-	953,722
Norwegian Agency for Development Cooperation	-	252,991	-	252,991	-	212,254	-	212,254
SIDA-Afghanistan Resilience Consortium (ARC)	-	4,425,114	-	4,425,114	-	4,440,609	-	4,440,609
Brooke Animal Hospital	-	208,924	-	208,924	-	159,066	-	159,066
Sub total	1,440,532	7,408,323	-	8,848,855	1,329,066	8,647,137	-	9,976,203
Multilateral Grants & Contracts								
World Food Programme (WFP)	-	263,964	-	263,964	-	-	-	-
United Nations Office for Coordination of Humanitarian Affairs (UNOCHA)	-	444,969	-	444,969	-	244,669	-	244,669
Food and Agriculture Organization of UN (FAO)	-	257,444	-	257,444	-	-	-	-
United Nations Office on Drugs and Crime (UNODC)	-	436,288	-	436,288	-	690,514	-	690,514
Sub total	-	1,402,665	-	1,402,665	-	935,183	-	935,183
Trusts & Foundations Grants	-	68,950	-	68,950	-	63,928	50,000	113,928
Other Grants & Contracts	266,225	66,139	-	332,364	185,335	666,293	-	851,628
Sub total	266,225	135,089	-	401,314	185,335	730,221	50,000	965,556
TOTAL	1,706,757	8,946,077	-	10,652,834	1,514,401	10,312,541	50,000	11,876,942

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

NOTE 4.1: INCOME FROM GOVERNMENT GRANTS & CONTRACTS (2020)

Income from governments during the reporting period include:

<u>Government/Agency</u>	<u>Nature</u>	<u>Amount</u> £	<u>Unfulfilled conditions</u>
UK Department for International Development (UK DFID/FCDO)	Grants for provision of disaster risk reduction; water, sanitation and hygiene services; and economic empowerment for women	822,028	None
Government of the Islamic Republic of Afghanistan (GoIRA)	Contracts for provision of basic services and agriculture value chain interventions	1,440,532	None
US Government – BPRM	Grants for Building Women's Livelihoods and Reintegrating Refugees.	292,961	None
The Swedish Postcode Foundation	Grants for Rangeland Management Project	249,486	None
Swiss Development Cooperation (SDC)	Grants for Promoting Gender Equality and Women's Rights	1,156,819	None
Norwegian Agency for Development Cooperation	Grants for Community Based-Eco-Disaster risk reduction	252,991	None
SIDA-Afghanistan Resilience Consortium (ARC)	Grants for Community Based-Eco-Disaster Risk Reduction	4,425,114	None
Brooke Animal Hospital	Animal health care	208,924	None
TOTAL		8,848,855	

NOTE 4.2: INCOME FROM GOVERNMENT GRANTS & CONTRACTS (2019)

Income from governments during the reporting period include:

<u>Government/Agency</u>	<u>Nature</u>	<u>Amount</u> £	<u>Unfulfilled conditions</u>
UK Department for International Development (UK DFID)	Grants for provision of disaster risk reduction; water, sanitation and hygiene services; and economic empowerment for women	2,286,775	None
Government of the Islamic Republic of Afghanistan (GoIRA)	Contracts for provision of basic services and agriculture value chain interventions	1,329,066	None
US Government	Grants for Building Women's Livelihoods and Reintegrating Refugees.	594,711	None
Swiss Development Cooperation (SDC)	Grants for Rangeland Management Project	953,722	None
Norwegian Agency for Development Cooperation	Grants for Promoting Gender Equality and Women's Rights	212,254	None
SIDA-Afghanistan Resilience Consortium (ARC)	Grants for Community Based-Eco-Disaster risk reduction	4,440,609	None
Brooke Animal Hospital	Animal health care	159,066	None
TOTAL		9,976,203	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

NOTE 5: EXPENDITURE (2020)

	Raising funds £	Rural Rehabilitations & Emergencies £	2020 Total £	2019 Total £
Staff costs	80,804	2,719,631	2,800,435	2,795,605
Sub-Grants/Sub-Contracts to Implementing Partners (note 5.1 & 5.2)	-	3,487,713	3,487,713	4,180,804
Direct costs	47,538	3,838,987	3,886,525	4,241,158
Support costs (note 5.3)	12,912	434,585	447,497	456,103
	141,254	10,480,916	10,622,170	11,673,670

NOTE 5.1: EXPENDITURE

	Grants to Institutions £	Support Costs £	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Basic Services	784,304	-	784,304	599,765
Improved Livelihoods	69,845	-	69,845	59,352
Emergency Humanitarian Assistance and DRR	2,633,564	-	2,633,564	3,521,687
Common Costs, Cross-cutting Themes & Other Unallocated	-	434,585	434,585	456,103
Total	3,487,713	434,585	3,922,298	4,636,907

NOTE 5.2: SUB GRANTS PER PARTNER (excluding support costs)

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Afghan Education Production Organization - AEPO	69,845	49,065
Concern Worldwide - Afghanistan	675,848	699,099
Action Aid - Afghanistan	719,202	725,656
United Nations Environment Programme - UNEP	-	171,284
Save the Children - Afghanistan	1,238,513	1,935,936
Oxfam Novib	246,962	245,708
Coordination of Humanitarian Assistance - CHA	537,343	354,056
	3,487,713	4,180,804

100% of grants are to institutions; no grants are paid to individuals (2019: £ nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

NOTE 5.3: ANALYSIS OF SUPPORT COSTS

	Raising funds	Rural Rehabilitations & Emergencies	Year ended 31-Dec-20 Total	Year ended 31-Dec-19 Total
	£	£	£	£
Staff costs	7,441	250,446	257,887	226,000
Governance	884	29,756	30,640	61,289
Administrative costs	4,587	154,383	158,970	168,814
TOTAL	12,912	434,585	447,497	456,103

NOTE 6: NET EXPENDITURE FOR THE YEAR IS STATED AFTER CHARGING:

	Year ended 31 December 2020	Year ended 31 December 2019
	£	£
- Amortisation and depreciation	37,524	33,150
- Trustees' travel expenses	76	1,276
- Auditors' remuneration:		
Afghanistan	5,983	6,194
United Kingdom	21,250	18,500
Operating lease payments:		
- Land and buildings	177,944	216,944
- Other assets	3,716	5,902

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

NOTE 7: STAFF COSTS

	Year ended 31 December 2020 £	Year ended 31 December 2019 £
Staff costs were as follows:		
Gross salaries - Afghanistan	2,432,294	2,385,890
Gross salaries – UK	190,944	186,605
Social security costs	191,807	192,477
	2,815,045	2,764,972
Leave Cost	243,276	256,633
Total	3,058,321	3,021,605

No trustee received any remuneration for their services in 2020 (nil in 2019).

Number of employees who earned more than £60,000 during the period:

£60,000- £69,999	1	-
£70,000- £79,999	-	1
£80,000- £89,999	1	-
£90,000- £99,999	1	1
£110,000- £119,999	-	1
£130,000- £139,999	1	-
	£	£
Key Management Personnel Remuneration	441,912	417,628

In addition to the amounts disclosed above, Afghanaid have incurred costs of £82,248 (2019: £84,814) for security costs related to the service of the Key Management Personnel.

Key management personnel costs include salaries as well as all associated benefits such as paid absences, medical and life insurance, rest and relaxation allowances, and pension contributions for the following key management positions:

- Managing Director
- Operations Director
- Programme Implementation & Quality Director
- Programme Development & Resource Mobilisation Director
- Consortium Manager

Staff Numbers

Staff numbers indicate the average head count during the reporting period.

United Kingdom	No.	No.
- National Staff	6	5
Afghanistan		
- International Staff	8	8
- National Staff	331	384
Total	345	397

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

NOTE 8: TAXATION

As a charity, Afghanaid is exempt from tax on income and gains under sections 466 to 493 of the Corporation Tax Act 2010, to the extent that all income is applied for charitable purposes. No tax charges have arisen in the charity in the current or prior year.

NOTE 9: INTANGIBLE FIXED ASSETS

Cost	Software £
At 31 December 2020	76,232
Additions in the year	-
Disposals in the year	-
Forex Movement during the year	(2,342)
At 31 December 2020	73,890
Amortisation	
At 01 January 2019	63,008
Charge for the year	8,605
Disposals in the year	-
Forex movement during the year	(1,936)
At 31 December 2020	69,677
Net Book Value	
At 31 December 2020	4,213
At 31 December 2019	13,225

NOTE 10: TANGIBLE FIXED ASSETS

	Motor Vehicles	Office Equipment	Total
	£	£	£
Forex Movement During the year			
Cost			
At 01 January 2020	499,181	161,823	661,004
Additions in the year	-	-	-
Forex movement during the year	(15,335)	(4,971)	(20,306)
At 31 December 2020	483,846	156,852	640,698
Depreciation			
At 01 January 2020	419,789	147,187	566,976
Charge for the year	22,486	6,433	28,919
Forex movement during the year	(12,896)	(4,521)	(17,417)
At 31 December 2020	429,379	149,099	578,478
Net Book Value			
At 31 December 2020	54,467	7,753	62,220
At 31 December 2019	79,392	14,636	94,028

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

NOTE 11: DEBTORS

	2020	2019
	£	£
Prepayments	113,079	54,843
Grants receivable	1,238,595	520,653
Accrued income	472,737	1,116,973
Other debtors	13,662	16,025
Total Debtors	1,838,073	1,708,494

NOTE 12: CASH & CASH EQUIVALENTS

	2020	2019
	£	£
Cash at bank	3,553,323	6,171,214
Cash in hand	8,427	9,627
Total Cash & Cash Equivalents	3,561,750	6,180,841

NOTE 13: CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Trade creditors	269,138	837,582
Deferred income (Note 13.1)	1,668,973	3,260,388
Grants payable	1,459,086	1,766,721
Accruals	335,272	546,441
Taxation and social security	71,470	82,308
Other creditors	127,570	190,216
Total Creditors	3,931,509	6,683,656

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

NOTE 13.1: DEFERRED INCOME

Award Name	Balance at 01 January 2020	Receipts	Released to SOFA	Balance at 31 December 2020
	£	£	£	£
Citizens' Charter Afghanistan Project- Package 4	-	1,199,988	1,159,622	40,366
FLIP - Families' Livelihoods & Integration Project	-	315,333	282,759	32,574
Families' Empowerment Project (FEM)	-	882,827	793,401	89,426
Rangeland Management Project	81,623	1,034,911	1,116,534	-
Promoting Gender Equality Women's Rights	181,029	124,252	244,180	61,101
Community Based Eco-DRR (CBED)	2,780,780	2,157,416	4,271,011	667,185
Hubert de Pelet (FEM Match Fund)	136	(136)	-	-
Women's Entrepreneurship in Lal	1,085	19,577	20,662	-
Provision of Winterization Support to IDPs	89,904	(2,081)	87,823	-
Improving Agricultural Resilience	125,831	114,967	240,798	-
Provision of Winterization Assistance-AHF 5	-	312,742	301,680	11,062
Literacy Training Project-FEM Match Fund	-	8,179	3,053	5,126
Winterization Assistance in Daikundi & Samangan	-	413,055	30,510	382,545
Food Assistance in Daikundi	-	389,050	9,462	379,588
	-	-	-	-
Total Deferred Income	3,260,388	6,970,080	8,561,495	1,668,973

NOTE 14: OPERATING LEASE COMMITMENTS

Afghanaid has total commitments under non-cancellable operating leases as follows

	As at 31 December 2020	As at 31 December 2019
Land and Buildings	£	£
Within one year	16,799	18,488
Other assets		
Within one year	286	286
Total Operating Lease Commitments	17,085	18,774

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

NOTE 15: ANALYSIS OF NET ASSETS BETWEEN FUNDS (2020)

	Expendable Endowment Funds	Unrestricted Funds	Total Funds 2020
	£	£	£
Total fixed assets	-	66,433	66,433
Current assets	150,000	5,249,823	5,399,823
Current liabilities	-	(3,931,509)	(3,931,509)
Net assets at 31 December 2020	150,000	1,384,747	1,534,747

NOTE 15.1: ANALYSIS OF NET ASSETS BETWEEN FUNDS (2019)

	Expendable Endowment Funds	Unrestricted Funds	Total Funds 2019
	£	£	£
Tangible fixed assets	-	107,253	107,253
Current assets	150,000	7,739,335	7,889,335
Current liabilities	-	(6,683,656)	(6,683,656)
Net assets at 31 December 2019	150,000	1,162,932	1,312,932

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

NOTE 16: FUNDS MOVEMENT (2020)

	At 1 January 2020	Income	Expenditure	Gains, (Losses)	Transfers	At 31 December 2020
	£	£	£	£	£	£
Endowment Funds:	150,000	-	-	-	-	150,000
Total Restricted Funds	-	8,946,077	8,946,077	-	-	-
Total Unrestricted Funds	1,162,932	1,903,434	£1,676,093	(5,526)	-	£1,384,747
Total Fund	1,312,932	10,849,511	10,622,170	(5,526)	-	1,534,747

NOTE 16.1: FUNDS MOVEMENT (2019)

	At 1 January 2019	Income	Expenditure	Gains, (Losses)	Transfers	At 31 December 2019
	£	£	£	£	£	£
Endowment Funds:	100,000	50,000	-	-	-	150,000
Total Restricted Funds	-	10,312,541	10,312,541	-	-	-
Total Unrestricted Funds	785,400	1,638,965	1,361,129	99,696	-	1,162,932
Total Fund	885,400	12,001,506	11,673,670	99,696	-	1,312,932

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

NOTE 17: FUND CLASSIFICATIONS

a) Expendable Endowment Funds

Expendable endowment funds are held for the purpose specified by the donor. The balance of expendable endowment funds is maintained to provide working capital for the charity.

b) Restricted Funds

Restricted funds are unspent balances on donations and grants for which the donor has specified a purpose.

c) Unrestricted Funds

Afghanaid trustees conduct a regular review of organisational reserves to assess if the levels are adequate to meet current cash flow and organisational sustainability requirements. The trustees are satisfied with the steady growth in reserves. In order to be more financially resilient, the trustees consider reserves of between £1 million to £1.5 million as adequate given the medium-term financial outlook of the charity. The trustees believe the costs of winding down the organisation are £400k, and this amounts to the minimum reserves level.

The total of unrestricted reserves is made up as follows:

General reserve: an amount that allows Afghanaid to pursue its agreed purpose and strategy, specifically to meet short term funding gaps and thereby maintain capacity, to cover short term cash flow needs and potential co-financing requirements. At the end of 2019 this reserve was £1,056k and was increased to £1,319k at the end of 2020.

Fixed asset reserve: an amount to cover funds invested in tangible and intangible fixed assets totalling £66k at the end of 2020 (£107k at end of 2019).

NOTE 18: TRANSFERS BETWEEN FUNDS

No funds have been transferred from restricted to unrestricted funds. (nil 2019).

NOTE 19: RELATED PARTIES

There were no related party transactions in 2020 (nil 2019).

END