

AFGHAN CONNECTION

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

AFGHAN CONNECTION

CONTENTS

	Page
Reference and administrative details of the charity, its trustees and advisers	1
Trustees' report	2 - 13
Independent auditor's report	14 - 16
Statement of financial activities	17
Balance sheet	18
Statement of cash flows	19
Notes to the financial statements	20 - 33

AFGHAN CONNECTION

REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISERS FOR THE YEAR ENDED 31 DECEMBER 2017

Trustees

Sir Richard Stagg KCMG, Chairman
Mr Peter Buckley
Mr Varun Chandra
Mrs Rebecca Constable
Mr Michael Keating
Ms Leslie Knott
Mr Anthony Little
Mr William Reeve
Mr Shirazuddin Siddiqi (appointed 31 January 2017)

Charity registered number

1092134

Principal office

PO Box 4296
Reading
RG81BJ

Chief Executive Officer

Dr Sarah Fane OBE

Statutory auditor

James Cowper Kreston
Chartered Accountants and Statutory Auditor
Reading Bridge House
George Street
Reading
Berkshire
RG1 8LS

Bankers

HSBC
26 Broad Street
Reading
Berkshire
RG1 2BU

AFGHAN CONNECTION

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The Trustees present their annual report together with the audited financial statements of Afghan Connection (AC/The charity) for the year ended 31 December 2017. The Trustees confirm that the Annual report and financial statements of the charity comply with the current statutory requirements, the requirements of the charity's governing document and the provisions of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)).

POLICIES AND OBJECTIVES

The Trustees shall hold the trust fund and its income upon trust and apply them for the following objectives:

- To advance the education of young people in Afghan Schools and colleges by the provision of scholastic materials and improvement of the learning environment;
- The promotion of any charitable purpose and, in particular, the advancement of education and the preservation and protection of health.

The objectives above, revised to more accurately reflect the activities of the charity, have been submitted for approval to the Charity Commission for England and Wales.

ACTIVITIES

Vision: Equal access to quality educational and sporting opportunities for all children in Afghanistan

AC has been operating in Afghanistan since 2002. Its aim is to bring hope and opportunity to young people in Afghanistan through education and sports projects.

AC supports education in rural areas, where girls in particular miss out, by funding initiatives designed to maximise the opportunity to access and complete a quality education. The Charity has funded 46 school constructions serving some 75,000 children. In 2017 more than 2700 children attended its community based classes in Takhar Province and since 2011, 1000 teachers have received training there.

AC helped the Afghan National Cricket Team with the delivery of much needed kit in 2008, when they were in the bottom world rankings and had little support. Back then cricket was played little in Afghanistan. Alongside the meteoric rise of the National Team, recently granted Test Status and now numbered amongst the top 10 teams in the world, cricket has become the fastest growing sport in the country.

AC runs cricket projects which have been backed by the Marylebone Cricket Club (MCC) and more recently, by the UK Government. These projects have benefited more than 100,000 children in 22 provinces of Afghanistan. AC has built 100 pitches and provided kit in schools, coached 4,500 young Afghans (girls and boys) and held 9 regional tournaments. Its sports projects are inclusive and children with disabilities and with visual impairment have benefited from coaching, tournaments and infrastructure.

By responding directly to Afghan needs and operating in a culturally sensitive manner, AC's work helps to strengthen communities, create dignity and reduce intolerance.

AFGHAN CONNECTION

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

ACHIEVEMENTS AND PERFORMANCE 2017

Takhar Education Initiative

Since 2011, AC, together with its local delivery partner, SCA, has focused its educational efforts on Takhar Province in Northern Afghanistan. The initial priority was to support education for local communities in the remote district of Worsaj, where barely a single adult woman can read or write. Now, through AC's work, nearly 90% of children here have access to education. In 2015, AC was asked to support replication of this project in Rustaq district. Rustaq is a large, impoverished district, also in Takhar, with a population of 270,000. The need for education is great and teaching standards are low, just as they were when AC started work in Worsaj District in 2011.

Afghanistan Now	AC Objectives	AC Achievements in 2017	2002-17
<p>Demand for education is high. Only 21% of rural population literate. Only 7% of rural women literate.</p>	<p>To work in remote and underserved districts in Takhar Province, creating access to and completion of quality education for all children.</p> <p>To use this model in the future as a template for delivery of education in other areas of Afghanistan.</p>	<p>Continued to focus in Worsaj and Rustaq Districts to create a successful template for delivery of education which can be replicated in other areas of Afghanistan.</p> <p>Initiated a survey to be rolled out in 2018 formally evaluating impact of education projects in Worsaj.</p>	
<p>50% of schools in Afghanistan have no buildings.</p>	<p>Construction of schools is a key pillar of AC's education program.</p> <p>Safe, separate schools for girls and boys help to make this project acceptable to the conservative elements of society, and mean that girls, in particular, have more opportunity to both access and complete an education.</p>	<p>Rustaq:</p> <ul style="list-style-type: none"> • Yakatoot School (459 girls): School complete and handed over to Government. • Kezer School (289 boys and girls): Construction complete, painting and final works to be carried out Summer 2018. • Siaab School (352 girls): Construction complete, painting and final works to be carried out Summer 2018. 	<p>AC 2002-17: 44 school constructions- 19 in Takhar Province Worsaj District: 12 Farkhar District: 3 Rustaq District: 4</p>

AFGHAN CONNECTION

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

<p>Many children in remote areas of Afghanistan are denied an education because they cannot reach the nearest government-run school.</p>	<p>Access to Education for all children.</p> <p>Delivery of Community Based Education (CBE) CBE is a simple and effective method to provide schooling for children who live in isolated, rural areas with limited or no access to government schools. The establishment of CBE classes gives children the chance to both access and complete a basic education. Without this, girls in particular, could be denied an education.</p> <p>Sustainability of projects through gradual handover of CBE classes to Afghan Ministry of Education (MoE).</p> <p>Community involvement</p>	<p>Support to existing CBE classes is ongoing:</p> <p>1556 (809 girls and 747 boys) students in AC's CBE classes in Worsaj. 1168 (654 girls and 514 boys) students in AC's CBE in Rustaq. Students who passed their exams graduated to higher classes and were provided with textbooks, stationery and equipment. School age children were identified and registered in the newly established Grade 1 classes in both Worsaj and Rustaq.</p> <p>5 classes in Worsaj with a total of 101 students (49 girls and 52 boys) were handed over to MoE.</p> <p>New CBE schools were established in 5 villages in Worsaj and Rustaq. These are schools where there has been no previous access to education.</p> <p>Health committees were established in each CBE school. A group of volunteers were identified to support personal hygiene and care of the environment and first aid for emergency incidents. Communities were mobilized to build schoolrooms. Communities in two locations in Rustaq allocated land for schools and used locally sourced materials to build school rooms.</p>	
--	--	--	--

AFGHAN CONNECTION

**TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017**

<p>Standards of teaching across Afghanistan, particularly in rural areas, are very poor. There are very few female teachers, particularly in rural areas. Parents are reluctant for their daughters to be educated by men once they reach puberty. Consequently, many girls can be denied an education.</p>	<p>Delivery of Teacher Training to improve quality and increase number of female teachers. Many of AC's CBE teachers are graduates from schools built by AC. They receive teacher training and bespoke support. They are known and trusted by communities and are energized to teach and pleased to be employed locally. Some teacher training is also offered to teachers in government-run schools.</p>	<p>68 teachers (65 women and 3 men) were trained in subject knowledge and teaching competencies.</p>	<p>AC 2011-17: 1000 Teachers given training in Worsaj and Rustaq</p>
---	--	--	---

AFGHAN CONNECTION

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

Education and Cricket projects outside of Takhar Education Initiative

In 2017 AC was awarded a grant from UK Government's Global Britain Fund (GBF): Community Building through Education and Sports Projects for Afghan Youth. AC designed a project which would combine education and sport and reach children in many of Afghanistan's provinces. This project will complete in 2018.

There are 21,440 beneficiaries.

Afghanistan Now	AC Objectives	AC in 2017	2002-17
<p>Education Many schools have poor infrastructure and are in great need of repair. Roofs can become unsafe and classrooms cannot be used.</p>	<p>Allocation of resources to upgrade schools. Beneficiaries prioritise needs of the school for renovation and refurbishment projects. Many facilities previously in disrepair can be used to full capacity again.</p>	<p>GBF: 4 schools renovated.</p>	<p>2008-17: 83 schools renovated</p>
<p>Some classrooms out of use and/or dangerous due to disrepair.</p>	<p>Repairs to roofs to maximise use of facilities.</p>	<p>2 new roofs for schools in Kunar. 1 new roof for school in Takhar.</p>	
<p>In some schools there are no latrines or running water. Particularly for girls this can mean no education or real difficulty in attending school.</p>	<p>Construction of latrines, wells, water systems to promote hygiene and support girls' attendance in school.</p>	<p>4 schools benefited from latrine construction in Balkh.</p>	
<p>A wall around a girls' school can make all the difference, with some parents only allowing daughters to attend school if the school has a protective/surrounding wall for privacy.</p>	<p>Construction of walls for privacy to increase attendance of female students.</p>	<p>3 schools had wall constructions in Ghazni and Balkh.</p>	
<p>Many schools lack furniture.</p>	<p>Provision of desks and benches to enhance the learning environment.</p>	<p>Desks and benches purchased and delivered to 22 classrooms at 3 schools in Takhar and Ghazni.</p>	

AFGHAN CONNECTION

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

<p>Cricket Cricket is the fastest growing sport in Afghanistan. The successful completion of the first-ever First Class tournament inside the country took place in Oct 2017. The matches were played at 3 venues in Kabul, Khost and Nangarhar and the tournament continued for a period of over two months. The U16, U19 and National Team are all enjoying success on the international stage and Test status was granted in June 2017 to the National Team, which is now in the top 10 teams in the ICC World Cricket rankings.</p>	<p>To support grassroots cricket, particularly in schools, to feed in to the provincial and regional structure provided by Afghan Cricket Board.</p> <p>To use cricket to unify people, to bring children of different ethnic groups together, to bring joy and skills to young people and to contribute to peace in Afghanistan.</p>	<p>Pitch construction: (funded by private donors, not GBF) 2 pitches, Nangahar and Kunduz. Equipment: cricket equipment and clothing for 22 players at 2 schools where pitches built.</p>	<p>2009-17: 100 pitches constructed, 4500 children coached, 60 teachers coached, 9 regional tournaments held. Projects have reached 22 provinces.</p>
<p>Many children with disabilities are excluded from sport and stay confined to their homes.</p>	<p>Inclusion for all children in sport. Create equal opportunities for playing cricket.</p>	<p>1 x 3-day tournament and coaching camp for 3 teams from Mazar, Kabul and Nangahar - 36 visually impaired players.</p> <p>1 x 2-day coaching camp and provision of kit for 24 for young Afghans with disabilities in Khost</p>	

Raising Awareness on Afghanistan

Dr Sarah Fane gives regular presentations in schools, at universities, to corporate organisations, charities and to groups e.g. WI/Rotary/U3A. The aim is to challenge perspectives and to keep the spotlight on Afghanistan and encourage ongoing support and commitment for the country. Links with schools are particularly encouraged and focus is on the value of education, cultural understanding and young philanthropy. Sir Richard Stagg, AC Chairman has written a document for donors and potential donors about the importance of continued support for Afghanistan following 15 years of international community commitment (see www.afghanconnection.org) and AC has adopted the call to action #dontstopnow.

Fundraising and Events

The focus of 2017 was on AC's 15th anniversary and on thanking our supporters and encouraging new donors to support. There was a donor event, an opera and a cricket match- **Afghanistan V MCC** -the first time Afghanistan had played at Lord's. 6000 Afghans turned up and the event generated a lot of publicity, media interest and support for AC.

AC ran a very successful Christmas Campaign raising £81,929 (target £50,000). 49% of donors online were new to AC. The charity was awarded the International Charity Winner of the Big Give Christmas Challenge 2017.

UK Government's Global Britain Fund awarded a grant of USD 386,143 for Community Building through Education and Disability Projects for Afghan Youth 2017/18 (see achievements for 2017).

AFGHAN CONNECTION

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

Travel

The CEO and Chairman of Trustees visited Afghanistan in July 2017. They visited schools in the Takhar Education initiative in Worsaj and Rustaq and the CEO held meetings with AC's implementing partner SCA, in Kabul. A separate trip report is available on www.afghanconnection.org and the CEO writes a blog on all visits to Afghanistan.

www.sarahfaneblogspot.co.uk

Plans for the future

For AC'S **Strategic plan 2018-22** please see www.afghanconnection.org.

TEI: Projects will continue in Worsaj with CBE, teacher training and construction, with the aim to get all children there attending school (currently 89%). 2018 projects will include a school construction for 192 children at Wereof School. CBE numbers will expand from 1556 to 1650.

In Rustaq, Bakhmal Basi School for 175 children will be built. The school is in a drought area and AC is investigating the possibility of supporting this area with a water project in partnership with SCA.

Numbers of children in CBE are set to rise from 1168 to 1540 due to the massive demand for education.

Survey

AC aims to use its TEI template as a model for implementing education in other areas of Afghanistan. AC knows from its visits to projects and from feedback from SCA that the charity is making a real difference. However, it is keen to do all it reasonably can to measure impact and where appropriate, learn how to increase this.

Cricket

AC aims to continue its support for cricket for young Afghans and to focus on inclusion and equal rights where participation is concerned. It will align closely with the Afghan National Cricket Board strategy.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Trustees

The charity is constituted under a trust deed dated 20 March 2002. The Trustees have initiated a Statement of Policy with regard to the recruitment, induction and training of new Trustees. New Trustees of Afghan Connection are proposed by the CEO and Chairman and approved by the Board of Trustees. They are appointed for three years (renewable) for their specific expertise in areas relevant to the charity, including **Afghanistan, education, cricket, business, financial, media or fundraising matters.**

The Trustees normally meet 4 times a year at formal meetings and at any other time of the year if judged necessary. There is a Finance and Governance Committee led by two Trustees, Peter Buckley (Finance) and Rebecca Constable (Governance) and attended by them and the Head of Finance and the CEO, which meets four times a year, generally just prior to Trustee meetings, and reports to Trustees.

AFGHAN CONNECTION

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

Management

The day to day management of Afghan Connection is delegated to the Chief Executive Officer, Dr Sarah Fane. She is supported by Max Carter, Head of Fundraising; Olivia Coghlan, Fundraising Assistant; Suse Harrison, Head of Finance and Tara Perry, Office Manager.

Arrangements for setting pay and remuneration of key management personnel, including benchmarking against the approach of similar charities, are in place.

Operations

For the last six years, AC's focus has been on education in Takhar Province (including Community Based Education); on school renovation in a range of provinces and on supporting sport, particularly cricket, at the grassroots level. In all our work we put a special emphasis on the disadvantaged- above all, girls.

AC's main implementing partner in Afghanistan is the Swedish Committee for Afghanistan (SCA), a non-government organisation that has been working in Afghanistan for over thirty five years.

AC also partners with the Afghan Youth Cricket Support Organisation (AYCSO) for cricket coaching and tournaments. This is run by Raees Ahmadzai, former Captain of Afghanistan, well known to AC since 2009.

Dr Sarah Fane, CEO, visits Afghanistan on a periodic basis, and policies are directed by:

- The educational needs of the population in districts of Takhar Province as agreed upon by the community, by the charity and by their partner, SCA.
- The renovation requirements in schools across Afghanistan's provinces as agreed between AC, SCA, District Education Departments, school administrations and communities.
- The sporting requirements, in particular for cricket, for schools and provinces across Afghanistan.

The Trustees confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the charity's aims and objectives and in planning future activities.

AFGHAN CONNECTION

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

Risk Management

The Trustees have examined the major strategic business and operational risks that the charity faces and confirm that the established systems and procedures enable regular reporting, and the information received allows Trustees to assess and manage risks prudently.

Risk Identified	Action to mitigate risk
Fundraising target is not reached.	<p>AC has a strict reserves policy in place-see p12 Community Based Education (CBE), Takhar Province: AC has an ongoing annual commitment to the running of this project. These funds are therefore prioritised over all other project costs and largely raised in advance of the year.</p> <p>School Construction is only commenced once all funds are in place. If funds have not been raised by commencement date, the construction will be delayed until 100% funds are in place. Cricket Projects are planned in advance and only commenced once all funds are secured.</p>
The Quality of activities delivered is not up to AC's normal standards.	<p>AC has worked closely with SCA for 15 years. SCA works to strict standard of quality, including appropriate earthquake resistant construction in relevant areas. AC's CEO and SCA personnel visit construction sites regularly. SCA monitors standards of education in community based schools and supports teachers to ensure high standards of teaching.</p> <p>AC has partnered with AYCSO for delivery of coaching, tournaments and kit since 2009. AYCSO is run by the former Captain of Afghanistan and coaching standards are high. AC's reporting demands are rigorous. All funding to AYCSO is directed through SCA and only handed over on delivery of receipts for work carried out.</p>

AFGHAN CONNECTION

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

<p>Deteriorating security situation affects delivery of projects.</p>	<p>AC takes particular care over security. Along with our partner, SCA, AC enjoys acceptance in communities through our impartial and transparent approach. AC /SCA always engage the community and negotiate access before any activity begins. Because of acceptance by communities, we have been able to work in areas where few other NGOs can operate.</p> <p>If the security situation were to deteriorate in areas where AC operates, the charity would work with SCA and the local community to minimise the impact on our schools. We would engage with the local School Management Committee, SMC, (which plays a critical role in both the construction and running of the schools) to get the support of local elders, parents and others who are committed to improving education in their communities.</p> <p>SCA, as our implementing partner has a protocol for operating under different security situations.</p> <p>4 levels of security:</p> <p>Level 1: No security problem: All staff can travel and work in these areas- Foreign staff/field staff/engineers. Construction, Teacher Training (TT) and Community Based Education (CBE) projects and all other projects can take place.</p> <p>Level 2: Low scale security problems: Field staff and engineers can visit. Construction, Teacher Training (TT) and Community Based Education (CBE) projects and all other projects can take place.</p> <p>Level 3: Insecure areas: Areas where field staff and field officers can go but foreign staff, senior staff, project managers and engineers cannot travel. Level 3 might mean suspension of projects, which could be restarted if security improves. TT and CBE should be able to continue.</p> <p>Level 4: Extremely insecure: Nobody can go. They cannot use at least 2 means of monitoring projects out of third party monitoring, Kabul main office monitoring or field staff monitoring. Here they phase out projects and close them. In the case of school construction, funding would be directed to an alternative school. This has not happened thus far with AC school constructions.</p>
---	--

AFGHAN CONNECTION

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

Corruption.	<p>AC partnerships are vital. SCA policy on corruption is zero tolerance. Please see SCA annual accounts for details. In the short term, this may cause delays as they refuse to pay bribes to get things done. However, by being impartial, transparent and having good relationships with communities, in the long term, they get more done and avoid corruption. SCA operates under a strict purchasing policy.</p> <p>AC has partnered with AYCSO for delivery of coaching, tournaments and kit since 2009 and AYCSO works to our strict narrative and financial reporting structure. All funding to AYCSO is directed through SCA and only handed over on delivery of receipts for work carried out.</p>
Data Breach.	<p>AC is committed to compliance with GDPR and is putting in place a framework for obtaining consent and the protection of personal data.</p>

Going Concern

After making appropriate enquires, the Trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. In particular, the Trustees are satisfied that the current level of designated funds and free reserves will be sufficient to enable the charity to continue its planned activities even if the fundraising environment becomes more challenging. For this reason they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Accounting Policies.

Financial review including reserves policy

The statement of financial activities on page 17 sets out all incoming resources and resources expended by the charity during the period. These are allocated between restricted and unrestricted funds. Restricted funds are those held by the trust for purpose specified by the original donor. Unrestricted funds are those which are expendable at the discretion of the Trustees in furtherance of the objects of the charity.

The statement of financial activities shows a deficit for the year of £109,370 (2016 surplus of £128,012). This is largely due to having raised funds for Siaab School in 2016 and spent those funds in 2017. It also includes the impact of foreign exchange loss for the year of £11,010 (2016: £66,160 gain) due to the movement of the US dollar relative to the UK pound sterling. This is included within support costs in Note 8 and has the effect of increasing costs of charitable activities relative to last year in a manner the Trustees believe should be highlighted, as it potentially distorts the comparison of expenditure figures year on year.

A total of £891,364 (2016: £876,873) was received by way of donations and grants, this figure being made up of restricted funds of £764,900 (2016: £645,452) and unrestricted funds of £126,464 (2016: £225,331).

Total funds at the end of the year were £355,931 (2016: £465,301), a decrease of £109,370. This is made up of restricted donations of £120,765 (2016: £118,019) and unrestricted donations of £235,166 (2016: £347,282).

The unrestricted funds are all designated, and include £60,000 of contingency reserves designed to support the charity in a wind down situation. The Trustees are satisfied that this level of reserves is adequate for the purpose.

AFGHAN CONNECTION

**TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Investment Policy and Performance

The Trustees have the power to invest in such assets as they see fit. As the charity currently has no endowment fund, all surplus monies are placed in an interest earning account; and where possible kept in the foreign reserves account as payments are made in dollars. This also minimises the risk of impact from any exchange rate fluctuations.

TRUSTEES' RESPONSIBILITIES STATEMENT

The Trustees are responsible for preparing the Trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England & Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity 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 judgments and accounting estimates that are reasonable and prudent;

state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustees are responsible for keeping proper accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. 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.

The Trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

This report was approved by the Trustees, on _____ and signed on their behalf by:

.....
Sir Richard Stagg KCMG, Chairman

AFGHAN CONNECTION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF AFGHAN CONNECTION

OPINION

We have audited the financial statements of Afghan Connection (the 'charity') for the year ended 31 December 2017 which comprise the Statement of financial activities, the Balance sheet, the Statement of cash flows and the related notes, including a summary of 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).

The financial statements have been prepared in accordance with Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS 102) in preference to the Accounting and Reporting by Charities: Statement of Recommended Practice issued on 1 April 2005 which is referred to in the extant regulations but has been withdrawn.

This has been done in order for the accounts to provide a true and fair view in accordance with the Generally Accepted Accounting Practice effective for reporting periods beginning on or after 1 January 2015.

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2017 and of its incoming resources and application of resources 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 Charities Act 2011.

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 charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

USE OF OUR REPORT

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity's trustees 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 charity and its trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

AFGHAN CONNECTION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF AFGHAN CONNECTION

OTHER INFORMATION

The Trustees are responsible for the other information. 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 we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the Trustees' report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF TRUSTEES

As explained more fully in the Trustees' responsibilities statement, the Trustees are responsible for the preparation of financial statements which 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 charity'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 charity or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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.

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.

AFGHAN CONNECTION

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF AFGHAN CONNECTION

James Cowper Kreston

Chartered Accountants and Statutory Auditor

Reading Bridge House
George Street
Reading
Berkshire
RG1 8LS

Date:

James Cowper Kreston is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

AFGHAN CONNECTION

**STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	Reserve funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
INCOME FROM:					
Donations, grants and legacies	2	126,464	764,900	891,364	876,783
Other trading activities (fundraising events)	3	360	-	360	60,652
Investments	4	849	-	849	481
TOTAL INCOME		127,673	764,900	892,573	937,916
EXPENDITURE ON:					
Raising funds		1,945	-	1,945	24,649
Charitable activity	5,6,7	236,059	752,929	988,988	851,415
Foreign exchange (gain) / loss		11,010	-	11,010	(66,160)
TOTAL EXPENDITURE	8	249,014	752,929	1,001,943	809,904
NET INCOME / (EXPENDITURE) BEFORE TRANSFERS					
Transfers between Funds	16	(121,341) (1,713)	11,971 1,713	(109,370) -	128,012 -
NET INCOME / (EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES					
		(123,054)	13,684	(109,370)	128,012
NET MOVEMENT IN FUNDS					
		(123,054)	13,684	(109,370)	128,012
RECONCILIATION OF FUNDS:					
Total funds brought forward		347,282	118,019	465,301	337,289
TOTAL FUNDS CARRIED FORWARD		224,228	131,703	355,931	465,301

The notes on pages 20 to 33 form part of these financial statements.

AFGHAN CONNECTION

**BALANCE SHEET
AS AT 31 DECEMBER 2017**

	Note	£	2017 £	£	2016 £
FIXED ASSETS					
Tangible assets	13		1,389		2,291
CURRENT ASSETS					
Debtors	14	319,397		75,392	
Cash at bank and in hand		243,432		521,683	
		<u>562,829</u>		<u>597,075</u>	
CREDITORS: amounts falling due within one year	15	(208,287)		(134,065)	
NET CURRENT ASSETS			<u>354,542</u>		<u>463,010</u>
NET ASSETS			<u>355,931</u>		<u>465,301</u>
CHARITY FUNDS					
Restricted funds	16		131,703		118,019
Reserve funds	16		224,228		347,282
TOTAL FUNDS			<u>355,931</u>		<u>465,301</u>

Included within Reserve funds are Designated funds of £137,565 (2016: £166,278).

The financial statements were approved by the Trustees on _____ and signed on their behalf, by:

The notes on pages 20 to 33 form part of these financial statements.

AFGHAN CONNECTION

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £	2016 £
Cash flows from operating activities			
Net cash (used in)/provided by operating activities	18	<u>(277,822)</u>	<u>252,094</u>
Cash flows from investing activities:			
Purchase of tangible fixed assets		<u>(429)</u>	<u>(2,091)</u>
Net cash used in investing activities		<u>(429)</u>	<u>(2,091)</u>
Change in cash and cash equivalents in the year			
Cash and cash equivalents brought forward		<u>521,683</u>	<u>271,680</u>
Cash and cash equivalents carried forward	19	<u><u>243,432</u></u>	<u><u>521,683</u></u>

The notes on pages 20 to 33 form part of these financial statements.

AFGHAN CONNECTION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair' view. This departure has involved following the Charities SORP (FRS 102) published on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant notes to these accounts. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and Charities Act 2011.

Afghan Connection constitutes a public benefit entity as defined by FRS 102.

1.2 Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

1.3 Income

All income is recognised once the charity has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Donated services or facilities are recognised when the charity has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use of the charity of the item is probable and that economic benefit can be measured reliably.

On receipt, donated professional services and donated facilities are recognised on the basis of the value of the gift to the charity which is the amount the charity would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Income tax recoverable in relation to investment income is recognised at the time the investment income is receivable.

AFGHAN CONNECTION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (continued)

1.4 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Depreciation charges are allocated on the portion of the asset's use.

Fundraising costs are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities. Support costs are those costs incurred directly in support of expenditure on the objects of the charity and include project management carried out at Headquarters. Governance costs are those incurred in connection with administration of the charity and compliance with constitutional and statutory requirements.

Costs of generating funds are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

Charitable activities and Governance costs are costs incurred on the charity's educational operations, including support costs and costs relating to the governance of the charity apportioned to charitable activities.

1.5 Going concern

The Trustees have considered the financial position of the charity and are satisfied that it has sufficient funds to enable it to continue its activities on a going concern basis for a period of at least 12 months from the date of approval of these accounts.

1.6 Intangible fixed assets and amortisation

Intangible assets costing £100 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably. Intangible assets are initially recognised at cost and are subsequently measured at cost net of amortisation and any provision for impairment

1.7 Tangible fixed assets and depreciation

All assets costing more than £100 are capitalised.

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Fixtures, fittings and equipment - 3 - 5 years straight-line

1.8 Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the Bank.

AFGHAN CONNECTION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (continued)

1.9 Debtors

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

1.10 Cash at Bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

1.11 Liabilities and provisions

Liabilities are recognised when there is an obligation at the Balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the charity anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.12 Financial instruments

The charity only 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 their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

1.13 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Statement of financial activities.

1.14 Government grants

Government grants are credited to the Statement of financial activities as the related expenditure is incurred.

1.15 Pensions

The charity operates a defined contribution pension scheme and the pension charge represents the amounts payable by the charity to the fund in respect of the year.

AFGHAN CONNECTION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (continued)

1.16 Critical accounting estimates and areas of judgment

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of the estimation means that actual outcomes could differ from those estimates.

Critical accounting estimates and assumptions are as follows:

Asset useful life and depreciation

Tangible fixed assets are depreciated over their useful life on a straight line basis using a zero residual value and standard asset lives based on category.

Accruals

Accruals are calculated based on amounts that are expected to be received post year end relating to the current year.

Revenue recognition

Revenue is recognised as restricted based on the terms stipulated in the source of income. Other income is designated to specific funds based on the expected income and expenditure required for particular projects.

2. INCOME FROM DONATIONS AND LEGACIES

	Reserve funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Donations	110,305	362,267	472,572	356,063
Donations in kind	-	29,922	29,922	-
Grants (FCO government grant)	-	372,711	372,711	487,932
Gift Aid Reclaims	16,159	-	16,159	32,788
	<u>126,464</u>	<u>764,900</u>	<u>891,364</u>	<u>876,783</u>
Total donations and legacies				
	<u>343,748</u>	<u>533,035</u>	<u>876,783</u>	
Total 2016				

3. ACTIVITIES FOR GENERATING FUNDS

	Reserve funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Functions & events income	360	-	360	60,652
	<u>60,652</u>	<u>-</u>	<u>60,652</u>	
Total 2016				

AFGHAN CONNECTION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

4. INVESTMENT INCOME

	Reserve funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Bank interest	849	-	849	481
Total 2016	481	-	481	

5. COSTS OF CHARITABLE ACTIVITY: advancing the education of young people in Afghanistan

	Activities £	Total 2017 £	Total 2016 £
School building, refurbishment & equipping, cricket pitch construction, teacher training and community-based education.	787,704	787,704	639,176
Cricket Camps	9,062	9,062	36,720
	796,766	796,766	675,896
Total 2016	675,896	675,896	

AFGHAN CONNECTION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

6. SUPPORT COSTS

	Activities £	Total 2017 £	Total 2016 £
Bank charges	123	123	194
Depreciation	1,331	1,331	1,468
Subscriptions	607	607	368
Premises overheads	7,823	7,823	7,230
Office expenses	16,189	16,189	16,322
Insurance	635	635	3,970
Staff entertainment	309	309	-
PR costs	400	400	751
Payroll costs	696	696	2,239
Website costs	360	360	10,154
JustGiving costs	1,592	1,592	2,953
Repairs and renewals	79	79	87
UK travel	2,911	2,911	3,183
Afghanistan travel	4,940	4,940	1,571
Pro bono legal advice	6,000	6,000	-
Pro bono support with entertainment	23,922	23,922	-
Other travel	2,191	2,191	1,408
Wages and salaries	107,386	107,386	107,732
National insurance	7,695	7,695	7,043
Pension cost	3,268	3,268	1,975
	<u>188,457</u>	<u>188,457</u>	<u>168,648</u>
Total 2016	<u>168,648</u>	<u>168,648</u>	

During the year the charity received Pro Bono legal advice. The estimated monetary value of this donation in kind is £6,000.

During the year the charity received Pro Bono support with entertainment. The estimated monetary value of this donation in kind is £23,922.

7. GOVERNANCE COSTS

	Reserve funds 2017 £	Restricted funds 2017 £	Total funds 2017 £	Total funds 2016 £
Auditors' remuneration	3,520	-	3,520	6,600
Trustees' Indemnity Insurance	245	-	245	271
	<u>3,765</u>	<u>-</u>	<u>3,765</u>	<u>6,871</u>

AFGHAN CONNECTION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

8. ANALYSIS OF EXPENDITURE BY EXPENDITURE TYPE

	Staff costs 2017 £	Other costs 2017 £	Total 2017 £	Total 2016 £
Expenditure on fundraising events	-	1,945	1,945	24,649
Costs of raising funds	-	1,945	1,945	24,649
Costs of charitable activity:				
Direct and support costs	118,349	866,874	985,223	844,544
Expenditure on governance	-	3,765	3,765	6,871
Foreign exchange (gain) / loss	-	11,010	11,010	(66,160)
	<u>118,349</u>	<u>883,594</u>	<u>1,001,943</u>	<u>809,904</u>
Total 2016	<u>116,750</u>	<u>693,154</u>	<u>809,904</u>	

9. NET INCOME/(EXPENDITURE)

This is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets: - owned by the charity	1,331	1,468
Auditor's remuneration	3,520	6,600
	<u>4,851</u>	<u>8,068</u>

During the year, no Trustees received any remuneration (2016 - £NIL).

During the year, no Trustees received any benefits in kind (2016 - £NIL).

1 Trustee received reimbursement of expenses amounting to £332 in the current year, (2016 - 1 Trustee - £235).

10. AUDITORS' REMUNERATION

The Auditor's remuneration amounts to an audit fee of £5,500 (2016 - £6,600).

AFGHAN CONNECTION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

11. STAFF COSTS

Staff costs were as follows:

	2017 £	2016 £
Wages and salaries	107,386	107,732
Social security costs	7,695	7,043
Other pension costs	3,268	1,975
	118,349	116,750
	118,349	116,750

The average number of persons employed by the charity during the year was as follows:

	2017 No.	2016 No.
Average number of employees	4	4

No employee received remuneration amounting to more than £60,000 in either year.

The total remuneration of key management personnel was £48,198 (2016:£43,564).

12. INTANGIBLE FIXED ASSETS

	Website £
Cost	
At 1 January 2017 and 31 December 2017	5,611
Amortisation	
At 1 January 2017 and 31 December 2017	5,611
Carrying amount	
At 31 December 2017	-
At 31 December 2016	-

AFGHAN CONNECTION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

13. TANGIBLE FIXED ASSETS

	Fixtures and fittings £
Cost	
At 1 January 2017	13,101
Additions	429
	13,530
Depreciation	
At 1 January 2017	10,810
Charge for the year	1,331
	12,141
Net book value	
At 31 December 2017	1,389
At 31 December 2016	2,291

14. DEBTORS

	2017 £	2016 £
Amounts owed by FCO	243,969	74,841
Amounts owed by Afghan Connection US	73,525	-
Prepayments	1,903	551
	319,397	75,392
	319,397	75,392

Amounts owed by FCO relate to project income that is committed to be received after the year end from the Foreign and Commonwealth Office.

15. CREDITORS: Amounts falling due within one year

	2017 £	2016 £
Amount owed to Swedish Committee for Project Implementation	201,723	122,173
Other taxation and social security	-	2,374
Other creditors	1,064	2,018
Accruals and deferred income	5,500	7,500
	208,287	134,065
	208,287	134,065

Amounts owed to Swedish committee for Project Implementation relate to project expenditure that is committed to be paid after the year end. In 2017, this balance included amounts due relating to the Cricket and Schools Upgrade Project funded by a grant from the Foreign and Commonwealth Office.

AFGHAN CONNECTION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

16. STATEMENT OF FUNDS

STATEMENT OF FUNDS - CURRENT YEAR

	Balance at 1 Jan 2016 £	Income £	Expenditure £	Transfers in/out £	Balance at 31 Dec 2017 £
Designated funds					
Construction Siaab School	101,567	-	(137,536)	35,969	-
Community Based Education	50,082	11,029	(46,859)	-	14,252
Construction Yakatoot School	-	-	(6,109)	6,109	-
General Educational Project Funds	29,355	43,329	(359)	13,423	85,748
Construction Bakhmal Basi School	-	26,202	-	-	26,202
Cricket	-	1,629	-	-	1,629
Ghulam Rasool School Resource Centre	-	9,282	-	-	9,282
Teacher Training	-	180	-	-	180
Construction Wereof School	-	272	-	-	272
	<u>181,004</u>	<u>91,923</u>	<u>(190,863)</u>	<u>55,501</u>	<u>137,565</u>
General funds					
Other Project Funds	57,214	-	-	(57,214)	-
Reserve Funds	109,064	35,750	(58,151)	-	86,663
	<u>166,278</u>	<u>35,750</u>	<u>(58,151)</u>	<u>(57,214)</u>	<u>86,663</u>
Total Unrestricted funds	<u>347,282</u>	<u>127,673</u>	<u>(249,014)</u>	<u>(1,713)</u>	<u>224,228</u>
Restricted funds					
	Balance at 1 Jan 2016 £	Income £	Expenditure £	Transfers in/out £	Balance at 31 Dec 2017 £
Core Cost Funds	3,500	114,658	(118,158)	-	-
Cricket	5,012	649	(5,156)	-	505
Construction Kezer School	10,992	97,148	(105,127)	1,150	4,163
Construction Siaab School	74,841	11,187	(86,028)	-	-
Cricket and Schools Upgrade Project 2016/17	23,674	-	(22,841)	(833)	-
Bakhmal Basi School	-	82,097	-	-	82,097
Community Based Education	-	52,249	(45,474)	-	6,775
Cricket and Schools Upgrade Project 2017/18	-	338,827	(340,223)	1,396	-
Ghulam Rasool School Resource Centre	-	37,263	-	-	37,263
Construction Wereof School	-	900	-	-	900
Pro bono legal advice	-	6,000	(6,000)	-	-
Pro bono support with entertainment	-	23,922	(23,922)	-	-
Total restricted funds	<u>118,019</u>	<u>764,900</u>	<u>(752,929)</u>	<u>1,713</u>	<u>131,703</u>
Total of funds	<u>465,301</u>	<u>892,573</u>	<u>(1,001,943)</u>	<u>-</u>	<u>355,931</u>

AFGHAN CONNECTION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

16. STATEMENT OF FUNDS (continued)

STATEMENT OF FUNDS - PRIOR YEAR

	Balance at 1 Jan 2016 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 Dec 2016 £
Designated funds						
Construction Siaab School	-	101,567	-	-	-	101,567
Soft projects 2016	40,000	18,462	(8,380)	-	-	50,082
Yakatoot School	18,000	20,000	(38,000)	-	-	-
General Educational Project Funds	-	-	-	29,355	-	29,355
	<u>58,000</u>	<u>140,029</u>	<u>(46,380)</u>	<u>29,355</u>	<u>-</u>	<u>181,004</u>
General funds						
Other Project Funds	87,936	65,318	(6,685)	(89,355)	-	57,214
Reserve Funds	15,000	61,465	(27,401)	60,000	-	109,064
	<u>102,936</u>	<u>126,783</u>	<u>(34,086)</u>	<u>(29,355)</u>	<u>-</u>	<u>166,278</u>
Total Unrestricted funds	<u>160,936</u>	<u>266,812</u>	<u>(80,466)</u>	<u>-</u>	<u>-</u>	<u>347,282</u>
Restricted funds						
	Balance at 1 Jan 2016 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 Dec 2016 £
Administration Support	-	53,095	(49,595)	-	-	3,500
Cricket	15,189	9,455	(19,632)	-	-	5,012
Construction Kezer School	-	10,992	-	-	-	10,992
Construction Siaab School	-	74,841	-	-	-	74,841
Cricket and Schools Upgrade Project 2015/16	20,212	-	(20,212)	-	-	-
Cricket and Schools Upgrade Project 2016/17	-	487,932	(464,258)	-	-	23,674
Construction Yakatoot School	122,222	-	(122,222)	-	-	-
Total restricted funds	<u>157,623</u>	<u>636,315</u>	<u>(675,919)</u>	<u>-</u>	<u>-</u>	<u>118,019</u>
Total of funds	<u>318,559</u>	<u>903,127</u>	<u>(756,385)</u>	<u>-</u>	<u>-</u>	<u>465,301</u>

AFGHAN CONNECTION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

SUMMARY OF FUNDS - CURRENT YEAR

	Balance at 1 Jan 2016 £	Income £	Expenditure £	Transfers in/out £	Balance at 31 Dec 2017 £
Designated funds	181,004	91,923	(190,863)	55,501	137,565
General funds	166,278	35,750	(58,151)	(57,214)	86,663
	<u>347,282</u>	<u>127,673</u>	<u>(249,014)</u>	<u>(1,713)</u>	<u>224,228</u>
Restricted funds	118,019	764,900	(752,929)	1,713	131,703
	<u>465,301</u>	<u>892,573</u>	<u>(1,001,943)</u>	<u>-</u>	<u>355,931</u>

SUMMARY OF FUNDS - PRIOR YEAR

	Balance at 1 Jan 2016 £	Income £	Expenditure £	Transfers in/out £	Balance at 31 Dec 2016 £
Designated funds	58,000	140,029	(46,380)	29,355	181,004
General funds	102,936	126,783	(34,086)	(29,355)	166,278
	<u>160,936</u>	<u>266,812</u>	<u>(80,466)</u>	<u>-</u>	<u>347,282</u>
Restricted funds	157,623	636,315	(675,919)	-	118,019
	<u>318,559</u>	<u>903,127</u>	<u>(756,385)</u>	<u>-</u>	<u>465,301</u>

General funds represent the free reserves of the charity, which are not designated for particular purposes.

Reserve Funds

This represents unrestricted donations that are to be used to cover the administration costs of the charity.

Designated funds represent the free reserves of the charity, which are designated for particular purposes at the discretion of the charity. This includes a £60,000 contingency reserve held to support the charity in a wind down situation. Also included are the main funds which are:

General Education Project Funds

This represents unrestricted donations that are to be used for general educational projects.

Bakhmal Basi School

This represents unrestricted donations that are to be used to cover the cost of building a school in Bakhmal Basi.

Restricted funds arise as a result of conditions imposed by donors. Such funds are expended in accordance with their conditions and the specific projects as noted above. The main such funds are:

Bakhmal Bali School

This represents restricted donations that are to be used to cover the cost of building a school in Bakhmal Bali.

Ghulam Rasool School Resource Centre

This represents restricted donations that are to be used to cover the cost of building a resource centre at the Ghulam Rasool school.

AFGHAN CONNECTION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

17. ANALYSIS OF NET ASSETS BETWEEN FUNDS

ANALYSIS OF NET ASSETS BETWEEN FUNDS - CURRENT YEAR

	Reserve funds 2017 £	Restricted funds 2017 £	Total funds 2017 £
Tangible fixed assets	1,388	-	1,388
Current assets	229,404	333,426	562,830
Creditors due within one year	(6,564)	(201,723)	(208,287)
	224,228	131,703	355,931
	224,228	131,703	355,931

Reserve funds carried forward are £86,663 for administrative costs this includes £60,000 of contingency reserves designed to support the charity in a wind down situation.

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

	Reserve funds 2016 £	Restricted funds 2016 £	Total funds 2016 £
Tangible fixed assets	2,290	-	2,290
Current assets	356,883	240,192	597,075
Creditors due within one year	(11,891)	(122,173)	(134,064)
	347,282	118,019	465,301
	347,282	118,019	465,301

18. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2017 £	2016 £
Net (expenditure)/income for the year (as per Statement of Financial Activities)	(109,370)	128,012
Adjustment for:		
Depreciation charges	1,331	1,467
(Increase)/decrease in debtors	(244,005)	138,317
Increase/(decrease) in creditors	74,222	(15,702)
Net cash (used in)/provided by operating activities	(277,822)	252,094

19. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2017 £	2016 £
Cash in hand	243,432	521,683
Total	243,432	521,683

AFGHAN CONNECTION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

20. FINANCIAL INSTRUMENTS

	2017 £	2016 £
Financial assets measured at amortised cost	<u>483,902</u>	<u>573,304</u>
Financial liabilities measured at amortised cost	<u>207,223</u>	<u>129,673</u>

Financial assets measured at amortised cost comprise cash at bank, trade and other debtors and prepayments

Financial liabilities measured at amortised cost comprise trade creditors and accruals.

21. PENSION COMMITMENTS

The charity operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund. The pension cost charge represents contributions payable by the charity to the fund and amounted to £3,268 (2016 - £1,975). Contributions totalling £1,064 (2016 - £2,018) were payable to the fund at the balance sheet date and are included in creditors

22. OPERATING LEASE COMMITMENTS

At 31 December 2017 the total of the Charity's future minimum lease payments under non-cancellable operating leases was:

	2017 £	2016 £
Amounts payable:		
Within 1 year	<u>3,000</u>	<u>-</u>

23. RELATED PARTY TRANSACTIONS

The total donations received from trustees amounted to £480 (2016: £4,480) in total.

During the current year £400 (2016: £329) was paid to Tiger Nest Films for film editing. A Trustee of Afghan Connection is also a director of Tiger Nest Films. As at the year end there were no amounts due to this Company.

As at 31 December 2017, no balances were due to Afghan Connection from Afghan Connection (US) (2016: £nil). Afghan Connection (US) is an affiliated charity operating autonomously in the United States which acts as a conduit for donations and grants from US sources. Two trustees are Trustees of both charities, but the charities are not under common control.

24. CONTROLLING PARTY

The charity is under joint control of the trustees, who oversee all administration and operations that the charity undertakes.