Aga Khan Foundation Afghanistan
Grant for Afghan Women's
Economic Empowerment Project
Financial statement for the period
August 7, 2017 to December 31, 2018
Aga Khan Foundation (AKF), Afghanistan
Ghyasuddin Khan Wat
Shar-e-Naw, PD 10, Kabul
Afghanistan

Dear Sirs

Grant for Afghan Women’s Economic Empowerment
Financial Statement for the Period August 7, 2017 to December 31, 2018

We enclose three copies of the above referred financial statement with our audit report thereon.

We wish to place on record our appreciation of the cooperation and courtesy extended to us by all concerned during the course of the audit.

Yours truly

encl
INDEPENDENT AUDITOR'S REPORT
TO THE AGA KHAN FOUNDATION (AKF), AFGHANISTAN

Opinion

We have audited the financial statement of the grant for Afghan Women’s Economic Empowerment Project under the Grant Agreement between the World Bank acting through the International Development Association (IDA) and AKF, Afghanistan funded by Japan Social Development Fund (the Project) which comprise the statement of income and expenditure for the period August 7, 2017 to December 31, 2018, including a summary of significant accounting policies and other explanatory information (together “the financial statement”).

In our opinion the accompanying financial statement is prepared, in all material respects, in accordance with the financial reporting provisions of the Grant Agreement between IDA and AKF, Afghanistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statement section of our report. We are independent of AKF, Afghanistan in accordance with the ethical requirements that are relevant to our audit of the financial statement 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.

Emphasis of Matter – Basis of Accounting

We draw attention to note 2 to the financial statement, which describes the basis of accounting. The financial statement is prepared to assist AKF, Afghanistan to meet the reporting requirements of the Grant Agreement between IDA and AKF Afghanistan and as a result, the financial statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statement

Management is responsible for the preparation of the financial statement in accordance with the financial reporting provision of the Grant Agreement between IDA and AKF, Afghanistan, and for such internal control as management determines is necessary to enable the preparation of financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is responsible for assessing the Project’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 management either intends to terminate the Project or to cease, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the AKF, Afghanistan’s financial reporting process.

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
PIA Building, 3rd Floor, 49 Blue Area, Fazl-ul-Haq Road, P.O. Box 3021, Islamabad-44000, Pakistan
Tel: +92 (51) 2273457-60/2604934-37; Fax: +92 (51) 2277924, 2206473; <www.pwc.com/pk>
Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that include our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 this financial statement.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the AKF, Afghanistan's internal control.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Project to cease to continue as a going concern.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered accountants
Islamabad
Date: September 2, 2019

Engagement partner: M Imtiaz Aslam
Aga Khan Foundation, Afghanistan
African Women's Economic Empowerment Project under the Grant Agreement between the World Bank acting through the International Development Association (IDA) and AKF, Afghanistan funded by Japan Social Development Fund
Statement of Income and Expenditure
For the Period August 7, 2017 to December 31, 2018

<table>
<thead>
<tr>
<th>Note</th>
<th>Income</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Grant received during the period</td>
<td>979,153</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>427,576</td>
</tr>
<tr>
<td></td>
<td>Excess of income over expenditure</td>
<td>551,577</td>
</tr>
</tbody>
</table>

The annexed notes 1-4 are an integral part of this financial statement.
Aga Khan Foundation, Afghanistan  
Afghan Women's Economic Empowerment Project under the Grant Agreement between the World Bank acting through the International Development Association (IDA) and AKF, Afghanistan funded by Japan Social Development Fund  
Notes to and Forming Part of the Statement of Income and Expenditure  
For the period August 7, 2017 to December 31, 2018

3. Expenditure

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US Dollar</td>
<td>US Dollar</td>
<td>US Dollar</td>
</tr>
<tr>
<td>Goods and trainings</td>
<td>1,664,085</td>
<td>182,348</td>
<td>1,481,737</td>
</tr>
<tr>
<td>Non-consulting services, consulting services and operating costs</td>
<td>862,400</td>
<td>245,228</td>
<td>617,172</td>
</tr>
<tr>
<td>Sub-grants</td>
<td>213,200</td>
<td>-</td>
<td>213,200</td>
</tr>
<tr>
<td>Total</td>
<td>2,739,685</td>
<td>427,576</td>
<td>2,312,109</td>
</tr>
</tbody>
</table>

4. Date of authorisation for issue

This statement was authorised by the management of AKF, Afghanistan on 02 SEP 2019.

[Signature]

Chief Executive

[Signature]

Finance Director
Aga Khan Foundation, Afghanistan
Afghan Women's Economic Empowerment Project under the Grant Agreement between the World Bank acting through the International Development Association (IDA) and AKF, Afghanistan funded by Japan Social Development Fund
Notes to and Forming Part of the Statement of Income and Expenditure
For the period August 7, 2017 to December 31, 2018

1. Project description

The Aga Khan Foundation (AKF), Afghanistan and World Bank acting through the International Development Association (IDA) entered into a grant agreement dated August 7, 2017 to finance the implementation of the programme for Afghan Women's Economic Empowerment Project funded by Japan Social Development Fund.

The ultimate objective of the project is to increase and enhance the participation of women, who are organised in community based saving groups, in business support services and income generating activities in pilot areas of Afghanistan. Project supports the new Women's Economic Empowerment - National Priority Program (WEE-NPP). The project design aims to establish sustainable economic institutions that prioritize the needs of the poor and vulnerable in each community. Through these community-owned and managed institutions, clusters are expected to not only support women's economic empowerment, but also play an important advocacy role in support of women's voice and representation within their communities. Activities will improve women's access to economic opportunities, inputs, and support services, improve their income through skills enhancement and business development support, and create an enabling environment at the community level for women's economic empowerment through increased community support for women's engagement in the economy.

The period of the project is from August 7, 2017 to April 1, 2020 and total amount obligated under the grant agreement is US Dollar 2,739,685.

2. Basis of accounting

2.1 Statement of compliance

This financial statement has been prepared in accordance with the financial reporting provisions of the Grant Agreement between International Development Association (IDA) and AKF, Afghanistan.

2.2 Income

Income is recognised when received.

2.3 Expenditure

Expenditure is recognised on accrual basis.

2.4 Foreign currency translations

US Dollars is the functional currency of AKF, Afghanistan. Transactions in currencies other than US Dollars are converted into US Dollars at the rate of exchange prevailing on the date of transaction. All exchange differences are dealt with through the statement of income and expenditure.