

CHARITY REGISTRATION NUMBER 1105086

COMPANY REGISTRATION NUMBER 04759091

SERVE AFGHANISTAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

SERVE AFGHANISTAN

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	Mr P J Fitzgerald Mr M Larson Mr P J Vander Meulen Ms J M Collins Dr. S Varughese	(Appointed 27 March 2021)
Secretary	Mr M Larson	
Executive Director	Rev. K Dhanabalan	
Charity number	1105086	
Company number	04759091	
Principal address	PO Box 4015 Karte Char Kabul Afghanistan	
Registered office	c/o UHY Hacker Young 6 Broadfield Court Broadfield Way Sheffield South Yorkshire S8 0XF	
Auditors	UHY Hacker Young 6 Broadfield Court Broadfield Way Sheffield S8 0XF	

SERVE AFGHANISTAN

LEGAL AND ADMINISTRATIVE INFORMATION (CONTINUED)

Bankers

HSBC
2 Queens Road
Aberdeen
AB15 4ZT

Azizi Bank
Zanbaq Square
Kabul City
Afghanistan

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SERVE AFGHANISTAN

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) FOR THE YEAR ENDED 31 DECEMBER 2020

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

The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the charitable company's Memorandum and Articles of Association, the Companies Act 2006 and "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 2019)".

Objectives and activities

The charitable company's objects are:

- a) To relieve poverty, suffering and distress among the sick, the aged, the homeless, the needy and displaced persons in any part of the world.
- b) To promote and provide for the advancement of education and training.

The trustees have referred to the Charity Commission's general guidance on public benefit when reviewing our aims and objectives and planning our future activities. In particular, the trustees consider how planned activities will contribute to the aims and objectives of the charitable company. Serve Afghanistan works with poor and marginalised people in Afghanistan irrespective of their ethnic background, religion, gender or social standing.

The charitable company is dependant on the services of its expatriate staff to carry out its objectives. Most of the expatriates give their time without charge. It is not possible to quantify the value of this benefit to the charitable company. Out of pocket expenses are reimbursed to the staff and are shown under travelling expenses in the financial statements.

Achievements and performance

During the year, the charitable company carried out various activities, mainly in Afghanistan, in pursuit of the aims stated above.

The charitable company's activities have been categorised according to two types:

Community development activities facilitate processes within local communities leading to their ability to develop and access local, provincial and national resources and to strengthen livelihood opportunities of vulnerable groups in the concentration areas where Serve is active. All 3 Serve regions run a Self Help Group Programme. In the Eastern Region there is also a significant focus on minority language development with the Pashai people.

Mainstreaming people with disabilities, to empower and equip institutions and communities towards the integration of people with disabilities (mainly those with visual and hearing impairments) into mainstream life. The particular focus has become inclusive education. For sustainability new work is in Model Schools where the school and community take responsibility and Serve phases out after 3 years.

SERVE AFGHANISTAN

TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT) FOR THE YEAR ENDED 31 DECEMBER 2020

In relation to **Community Development**:

The goal of the **Kandahar Community Development Project** is to contribute to the empowerment of vulnerable communities in the Southern region of Afghanistan, strengthening their ability to identify and address their basic/felt needs. The project aims to do this by strengthening and expanding the community organisational structures in the selected areas, mobilising and encouraging the community to increase the participation of vulnerable people and building the capacity of community members so that they can better obtain the skills and resources needed to meet basic needs.

Achievements in 2020 included:

- A graduation ceremony for 4 female and 2 male groups has been celebrated in Tora Pikhola.
- Each Shura (male & female) was monitored and supervised on a weekly and monthly basis.
- Training for Shuras from Tora Pikhola, Spin Zarayat & Rohani on child protection, leadership, and conflict management, Participatory Learning and Action, Participatory Rural Appraisal and Disaster Risk Reduction.
- Self-help Group (SHG) Baseline conducted for the 6 new SHGs started in 2020
- Stationary (white board, markers, flip charts, notebooks and pens) were purchased and provided for all new SHGs in 2020.
- Cluster level leadership, advocacy, livestock management, conflict and DRR trainings were conducted for all the newly established 6 SHG leaders and deputies.
- Awareness programmes on health issues & specifically on Covid -19 conducted for 13 SHGs.
- WASH and BLISS course were conducted for 6 SHG members.
- 4 Model latrines were designed and constructed.
- 30 SHG members trained on handpump maintenance.
- 8 handpumps were repaired.
- 114 SHG members were trained in small businesses.
- Provided grants to 12 SHG members selected for small business grants by the SHGs members.
- Provided grants for 6 vulnerable SHG members selected by the SHGs members.

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TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT) FOR THE YEAR ENDED 31 DECEMBER 2020

The **Central Region Community Development Project (CRCDP)** aims to help vulnerable Afghan communities build up strong social structures to address local problems by developing and mobilising local capacities. By altering counterproductive attitudes and behaviour, that inhibit development and to empower individuals, families and communities are able to change their lives in a sustainable way. Through groups, the members are supported with an essential empowerment package such as a savings scheme and loan programme (expertise brought in by Serve and savings and loans developed without Serve capital input), and a capacity building programme containing lessons regarding public health, BLiSS (Birth Life Saving Skills), literacy, advocacy, business development, kitchen gardening, disaster mitigation, livestock keeping, gender equality, leadership, etc.

Achievements in 2020 included:

- 20 village shuras actively involved in project implementation. (10F & 10M).
- SHG baseline survey was conducted.
- Management and leadership trainings conducted for 120 SHG members.
- Training on WASH and BLiSS conducted for 125 SHG members.
- 6 water handpumps maintained and repaired.
- 2 wells were dug.
- 1 bridge and 1 sub-street cemented.
- 3 solar water supplies done.
- 117 people were trained on disaster mitigation.
- 10 people received handpump maintenance training.
- Grant distributed to 10 SHGs formed in 2020 for disaster management projects, water solar system, infrastructure projects etc.
- 27 women trained on business development.
- 27 women trained on small business and vocation.
- 27 women received 27 sewing machines under the vocational program.
- 10 heifers were distributed to SHG.
- 680 poultry distributed to 40 SHG women.
- Vaccination and medication were provided for 20 heifers (10 heifers distributed in 2019 and 10 heifers distributed in 2020).
- Vaccination & medication were provided to 1480 poultries. (783 distributed in 2019 and 680 distributed in 2020).
- Provided materials to make poultries coops and food supplement for poultries (40 SHG members) and heifers (10 SHG Members).
- Distribution of compost tools for 15 SHG members.
- Training of food supplement and compost for 115 community people.

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TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT) FOR THE YEAR ENDED 31 DECEMBER 2020

The **Eastern Region Community Development Project (ERCDP)** is primarily aimed at addressing the issues of multi-dimensional poverty and the marginalisation of people with disabilities (PwDs), minority language, women, poor and other groups.

- Development of a sustainable animal husbandry system by providing 1.5 year-old heifers and 1 year-old goats to poor and vulnerable families as a means of income generation, improvement of dairy farming, and broader development.
- Establishment of literacy courses for adults in Pashto, one of the two official languages in the country, and in Pashai, the mother tongue of the Pashai people.
- Development of the Pashai language through Pashai primer classes, a pilot Multilingual Education (MLE) programme for Pashai children, and the publishing of Pashai books and reading materials.
- Establishment of male and female Self Help Groups (SHGs) with a group savings and loan system for small businesses. Members discuss and prioritise community needs and receive training as appropriate.

Achievements in 2020 included:

- 30 Shuras trained in 30 villages.
- Conducted capacity building trainings for 228 people in different locations – Dara-I-Noor, Shewa, Gambiri and Laghman areas.
- 18 SHGs (8M-10F) established in 2019 with a total member of 360 (160 M-200 F) are functioning well and graduated in Dec 2020.
- 12 SHGs were established in Jan 2020 (7 Male-5 Female) with a total member of 240 (140 Male – 100 Female) and will graduate in Dec. 2021.
- Organized basic training for all 600 SHG members.
- Purchased and provided stationaries to the SHGs.
- Training of 600 SHG members on WASH and BLiSS from 30 SHGs.
- The project constructed 4 model latrines.
- Conducted Preschool programme for 200 children and Afterschool programme for 400 Pashai children.
- Training conducted for 30 Pashai Pre-school and Afterschool Teachers.
- The project has repaired 6 hand pumps and water well.
- The project conducted practical training to 6 persons on maintenance and repair of the handpumps.
- Vocational training conducted for 135 people.
- 50 heifers were distributed to marginalized families through SHGs.
- The project distributed 2500 KG of cotton cake meals for cows and heifers as feed supplements for the winter season.
- The project team demonstrated methods of urea treatment and animal feed for 240 male farmers in Qarghai, Dara-I-Noor, and Laghman province.
- The project team conducted livestock relevant training (Zoonosis diseases, personal and environmental sanitation, urea treatment, feed, and feeding) for 30 farmers in Laghman province.
- 120 farmers were trained by the project on the designing of feeding places and the farmers are adopting it and doing it by themselves.

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TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT) FOR THE YEAR ENDED 31 DECEMBER 2020

During 2020, the charity undertook the **Covid-19 emergency relief programme** in 3 regions of the country in response to effects of the Covid-19 pandemic in Afghanistan. Achievements included:

- Conducted need assessment in the three regions.
- Purchase and payment of relief materials from selected shops.
- Distribution of Food package consisting of Wheat Flour-50kgs, Rice-24.5Kgs, Red Beans-7Kgs, Cooking Oil-5 litres, Salt- 4 Kgs to 2800 families.
- Distribution of Hygiene package consisting of Hand Washing Soaps- 4 Cakes, Laundry Soaps -5 Cakes, Toothpaste- 2 Tubes, Tooth Brush- 8 Pieces (4 adult size and 4 child size) were distributed to 2800 families.
- Training of 16 staff on Psychological First Aid (PFA) was conducted.
- 36 field staff and 170 community members were trained on PFA by the trained 16 staff.
- Post distribution monitoring through phone calls to 141 families to receive their feedback.
- 6000 copies of booklets explaining what is COVID-19 and its preventive measure was purchased and distributed.
- 4800 posters on COVID-19 were printed and displayed in different places.
- 129 awareness programmes conducted on COVID-19 prevention and safety norms.
- One phone number was designated for complain and feedback mechanisms.

In relation to **mainstreaming people with disabilities**:

Serve's Eastern Region Disability Project (previously called Serve Hearing Impaired Project or SHIP) focuses mainly on the hearing and visually impaired children (HI and VI) and seeks to influence the wider community in Nangarhar and Laghman provinces regarding attitudes to disabled people. The project works to improve the quality of life for people with disabilities by promoting rehabilitation, equal opportunities, integration and protection of the rights of persons with disability, leading to their full participation in educational, economic, social, political and cultural activities in their communities.

Achievements in 2020 included:

- 80 government school teachers received training on Inclusive Education.
- 6 meetings with Parents were conducted.
- 119 HI and 79 VI students supported with educational materials.
- 251 disabled students supported by the project.
- 20 Incentive Teachers received refresher training. 9 teachers on AFSL grammar and 11 teachers in Braille and Orientation Mobility.
- Training conducted for 40 IEAC members.
- Training on AFSL grammar given to 4 Interpreter.
- Advocacy meetings with government were held.
- Disability day was celebrated.
- AFSL training for 15 parents was conducted.
- 100 hearing students were trained on AFSL to communicate with HI students.
- 2000 AFSL grammar books printed and distributed.
- Class room materials like cupboard, white board, trunk, carpet and water cooler were provided to the centres.

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TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT) FOR THE YEAR ENDED 31 DECEMBER 2020

Serve's **Central Region Disability Project** (previously called Enabling and Mobilising Afghan Disabled or EMAD) aims to strengthen and empower people with disabilities towards full participation in every aspect of life – utilising rehabilitation, awareness, advocacy, education, as well as social support.

The main activities of the project are as follows:

- Advocacy
- Inclusive education for deaf and visually impaired children
- Braille materials production and Afghan Sign Language dictionary development
- Inclusive education, Teaching of Braille, Orientation and Mobility in special education faculty
- Interpreting of sign language for deaf students in Special Education Faculty
- Support of deaf and visually impaired students in higher education
- Capacity building of teachers of PwDs from pre-school to university level.

Achievements in 2020 included:

- The project distributed Education materials to 433 CwDs.
- Training conducted for 302 School teachers in IE, 50 in Braille and 20 in AFSL.
- 5 project staff were trained in Braille.
- 3 Project staff were trained on Conflict Management by IAM.
- Braille papers purchased and used for printing.
- 12 monthly advocacy meetings were conducted along with other NGOs.
- 42 family meetings were conducted for 75 HI and 65 VI families.
- 22 Low Vision and 21 blind students referred to the relevant hospitals for rehabilitation devices.
- 25 monthly awareness meetings were conducted.
- A video on AFSL grammar was made and uploaded to a designated website with the help from an expert.
- In 2020, the curriculum for grade 1 to 6 was revised by the government. Accordingly Serve printed new materials to be used by the students.
- University books were recorded in MP3.
- 50 mobility canes purchased for the blind students, 20 small desks purchased and distributed and 240 bags given to disabled students.

The **Kandahar Disability Project (KDP)** in the Southern Region works to provide inclusive education of visually and hearing impaired children in government schools.

Achievements in 2020 included:

- Awareness seminar for 223 (158 Male and 65 Female) conducted in 13 schools.
- Five advocacy meetings and disability awareness raising programmes were conducted.
- Disability day was celebrated in 13 government schools on 3rd December 2020.
- Monthly meetings conducted in 14 government schools.
- Home based education for 10 HI and 18 VI pre-school students provided.
- Purchase stationery and distribution to 140 HI and VI students.
- 12 walking canes, 40 school bags, 12 talking watch purchased and distributed to CwDs.

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TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT) FOR THE YEAR ENDED 31 DECEMBER 2020

Financial review

The financial statements for the year are set out in pages 16 to 37. The Statement of Financial Activities on pages 16 and 17 reflects net outgoing resources of \$26,565 (2019: \$66,088).

The trustees review the charitable company's reserves policy annually and regularly assess the adequacy of reserves against this policy.

The charitable company's policy aims to achieve a balance between its operating working capital and a level of reserves to be able to cope with unexpected events. Such events may include crisis response, evacuation and repatriation of expatriate and local staff, unexpected gaps in donor funding, local disaster response or sudden loss of assets or premises. Due to the highly unpredictable nature of the operating environment in Afghanistan and a degree of uncertainty over income flows, it has been the charitable company's policy to maintain unrestricted funds (excluding asset funds), which have arisen from past operating results, of 6 months of unrestricted operating expenditure plus a fixed amount necessary to close the organisation in the event of an emergency.

At 31 December 2020 unrestricted funds amounted to \$357,245 (2019: \$382,677), (of which designated funds amounted to \$106,027 (2019: \$106,027)) and restricted funds were \$153,622 (2019: \$154,755), totalling \$510,867 (2019: \$537,432). This is above the target level and therefore the charitable company is planning to reduce its reserves level over the coming years.

Restricted funds are subject to specific conditions imposed by donors.

The charity receives the majority of its funding in the form of grants from international relief and development charities. A breakdown of expenditure according to the categories of activity shown above is shown in the Statement of Financial Activities and accompanying notes.

The trustees have overall responsibility for the charitable company's system of internal control. Such a system can provide only reasonable and not absolute assurance against errors or frauds. There is a clear delegation of the trustees' authority through the Executive Director to the rest of the organisation.

The charitable company operates an annual planning and budgeting system with an annual budget approved by the Board of trustees. A financial reporting system compares results with the budget on a monthly basis.

A detailed register of the risks faced by the charitable company is maintained. This register identifies the major strategic and operational risks faced and how they are being managed. This register is reviewed annually by the trustees to reassess these risks and introduce procedures to address them as required.

The trustees are satisfied that systems are in place to monitor, manage and mitigate the charitable company's exposure to major risks. They consider that maintaining the charitable company's general reserves at the levels stated above and reviewing progress on addressing the charitable company's risk environment through the risk register will provide the charitable company with adequate risk assurance and sufficient resources in the event of adverse conditions. They also recognise that the nature of some of the charitable company's work requires active acceptance and management of some risks when undertaking activities to achieve its objectives.

SERVE AFGHANISTAN

TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT) FOR THE YEAR ENDED 31 DECEMBER 2020

Covid-19

The charities activities were significantly affected by Covid-19 for the period between March and August 2020. During this time, only limited field activities could be undertaken in order to limit the spread of the disease and comply with government guidelines. However, in response to the hardships on local communities caused by the disease, funds were raised to undertake significant relief activities to help vulnerable community members in the areas where Serve works. All donors continued to support Serve throughout the period, with additional funds also being secured for the Covid-19 relief project.

We raised a separate fund to transport all staff, both in HO and Projects, to respective work stations in private vehicles and not using public transport to avoid them contracting the virus and also provided them with face shields, masks and hand sanitizers to use constantly. Staff temperatures were monitored when they visited the office and sanitization of vehicles and the office was done periodically.

Financial risk

The charitable company does not use complex financial instruments; it manages its activities using cash and cash equivalents and various items that arise directly from its operations.

The existence of these financial instruments exposes the charitable company to a number of financial risks which are described in more detail below. The main risks arising from the Trust's financial instruments are liquidity risk and cash flow interest rate risk.

Liquidity risk - the charitable company manages its cash and cash equivalent resources, including sufficient working capital, so that all its operating needs are met without the need for short-term borrowing.

Interest rate risk - the charitable company earns interest on cash and cash equivalent deposits. With interest rates currently low, the trustees will consider action to increase the income from these deposits, provided it does not jeopardise the liquidity or security of the trust's assets.

Credit risk - this arises from the possibility that amounts owed to the charitable company will not be repaid. The charitable company does not undertake credit activities so it is only exposed to credit risk as it arises from normal business. Credit risk is managed through the use of approved banks and investment companies and the prompt collection of amounts due.

Future plans

In 2017 Serve underwent a strategic planning process for the period of 2018 to 2022. Certain key areas for development and attention have already been identified. The areas of funding and personnel recruitment are highest on the agenda given the current situation in Afghanistan.

Since the year end, the withdrawal of US forces and foreign troops has meant a resurgence of fighting from the Taliban and they have taken control of the country. While the Trustees intend to continue to operate in the country, the full impact of these events is not yet known.

SERVE AFGHANISTAN

TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT) FOR THE YEAR ENDED 31 DECEMBER 2020

Structure, governance and management

Serve Afghanistan is a company limited by guarantee and a charity registered in England and Wales. The charitable company operates from Karte Char, Kabul, Afghanistan.

The trustees, who are also the directors for the purpose of company law, and who served during the year and up to the date of signature of the financial statements were:

Mr P J Fitzgerald

Mr M Larson

Mrs G Nissley

(Resigned 27 March 2021)

Mr J Keuning

(Resigned 15 June 2020)

Mr P J Vander Meulen

Ms J M Collins

Dr. S Varughese

(Appointed 27 March 2021)

Nominations for appointment of trustees come from within the trustee board. Appointments are approved by a majority of the other trustees. Usually, those appointed will have connections to the organisation and have had exposure to the charity's work in Afghanistan.

There is an informal induction and training process for trustees.

The trustees (listed above) are responsible for the overall direction of the charity. Responsibility for the day to day management of the charitable company's central administration is delegated to the Executive Director. During the year, the senior members of staff were the Executive Director and the Senior Administrative Team:

Kennedy Dhanabalan: Executive Director

Zulaikha Bashir: Senior Manager for Community Development

Sajim Pardes: Senior Manager for Disability

Saber Alimi, Eastern Region Location Senior Manager and ERCDP Project Manager

Hashim Fitrat: Senior Finance Manager

Mujtaba Khan: Senior Operations Manager

Remuneration of key management personnel is discussed at board meetings. Consideration is made of the pay required for expatriate staff to work in Afghanistan.

SERVE AFGHANISTAN

**TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Disclosure of information to auditor

Each of the trustees has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditor is aware of such information.

The trustees' report was approved by the Board of Trustees.



Mr M Larson

Trustee

Dated: 1 September 2021

SERVE AFGHANISTAN

STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2020

The trustees, who are also the directors of Serve Afghanistan for the purpose of company law, are responsible for preparing the Trustees' Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company Law requires the trustees to prepare accounts for each financial year which 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 year.

In preparing these accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SERVE AFGHANISTAN

Opinion

We have audited the financial statements of Serve Afghanistan (the 'charitable company') for the year ended 31 December 2020 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the 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 FRS 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 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 Companies Act 2006.

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.

Material uncertainty relating to going concern

We draw your attention to the disclosure in note 1.2 to the financial statements, which details the factors that the Trustees have considered in making their going concern assessment.

The withdrawal of US forces and foreign troops has meant a resurgence of fighting from the Taliban and they have taken control of the country. At the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. It is therefore not possible for the Trustees to predict the implications for the charity.

While the Trustees consider the Charity has sufficient liquidity and unrestricted reserves to meet its debts as they fall due for a period of at least 12 months from the date of the approval of these accounts, the uncertainty around the magnitude of the impact of the war in Afghanistan indicates the existence of a material uncertainty which may cast significant doubt about the charity's ability to continue as a going concern. The financial statements do not include any adjustment that would result if the going concern basis of preparation was not considered appropriate. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SERVE AFGHANISTAN CONTINUED

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. 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 course of 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 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 directors' report included within the trustees' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in 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 requires us to report to you if, in our opinion:

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SERVE AFGHANISTAN CONTINUED

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities, the trustees, who are also the directors of the charitable company for the purpose 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

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SERVE AFGHANISTAN CONTINUED

Based on our understanding of the charity and the sector in which it operates, we identified the principal risks of non-compliance with laws and regulations related to the acts by the charity, which were contrary to applicable laws and regulations including fraud, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inflated revenue and the charity's net income for the year.

Audit procedures performed included: review of the financial statement disclosures to underlying supporting documentation, review of correspondence with and reports to the regulators, including correspondence with the Charity Commission, review of correspondence with legal advisors, enquiries of management and review of internal audit reports in so far as they related to the financial statements, and in testing of journals and evaluating whether there was evidence of bias by the trustees that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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. 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 auditors' 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, for our audit work, for this report, or for the opinions we have formed.

Roland Givans (Senior Statutory Auditor)
for and on behalf of UHY Hacker Young

1 September 2021

Chartered Accountants
Statutory Auditor

SERVE AFGHANISTAN

**STATEMENT OF FINANCIAL ACTIVITIES
INCLUDING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	Unrestricted funds general \$	Unrestricted funds designated \$	Restricted funds \$	Total 2020 \$	Unrestricted funds general \$	Unrestricted funds designated \$	Restricted funds \$	Total 2019 \$
<u>Income and endowments from:</u>									
Donations and legacies	3	6,186	-	1,089,274	1,095,460	-	-	872,233	872,233
Investments	4	1,707	-	-	1,707	9,750	-	-	9,750
Other income	5	6,615	-	8,218	14,833	-	-	5,687	5,687
Total income		14,508	-	1,097,492	1,112,000	9,750	-	877,920	887,670
<u>Expenditure on:</u>									
Charitable activities	6	188,095	-	958,964	1,147,059	175,340	8,139	760,100	943,579
Net (outgoing)/incoming resources before transfers		(173,587)	-	138,528	(35,059)	(165,590)	(8,139)	117,820	(55,909)

SERVE AFGHANISTAN

**STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED)
INCLUDING INCOME AND EXPENDITURE ACCOUNT**

FOR THE YEAR ENDED 31 DECEMBER 2020

Net (outgoing)/incoming resources before transfers	(173,587)	-	138,528	(35,059)	(165,590)	(8,139)	117,820	(55,909)
Gross transfers between funds	139,661	-	(139,661)	-	178,417	(59,963)	(118,454)	-
Net expenditure for the year/ Net outgoing resources	(33,926)	-	(1,133)	(35,059)	12,827	(68,102)	(634)	(55,909)
Other recognised gains and losses								
Other gains or losses	11	8,494	-	8,494	(10,179)	-	-	(10,179)
Net movement in funds	(25,432)	-	(1,133)	(26,565)	2,648	(68,102)	(634)	(66,088)
Fund balances at 1 January 2020	276,650	106,027	154,755	537,432	274,002	174,129	155,389	603,520
Fund balances at 31 December 2020	251,218	106,027	153,622	510,867	276,650	106,027	154,755	537,432

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

SERVE AFGHANISTAN

BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020		2019	
		\$	\$	\$	\$
Fixed assets					
Tangible assets	12		26,744		31,189
Current assets					
Debtors	13	4,600		7,882	
Cash at bank and in hand		772,342		814,597	
		776,942		822,479	
Creditors: amounts falling due within one year	14	(292,819)		(316,236)	
Net current assets			484,123		506,243
Total assets less current liabilities			510,867		537,432
Income funds					
Restricted funds	16		153,622		154,755
<u>Unrestricted funds:</u>					
Designated funds	17	106,027		106,027	
General funds		251,218		276,650	
			357,245		382,677
			510,867		537,432

The financial statements were approved by the board of directors and authorised for issue on 1 September 2021 and are signed on its behalf by:



Mr M. Larson
Trustee

Company Registration No. 04759091

SERVE AFGHANISTAN**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	\$	2020 \$	\$	2019 \$
Cash flows from operating activities					
Cash absorbed by operations	22		(39,544)		(151,175)
Investing activities					
Purchase of tangible fixed assets		(13,059)		(8,593)	
Proceeds on disposal of tangible fixed assets		147		400	
Investment income		1,707		9,750	
Net cash (used in)/generated from investing activities			(11,205)		1,557
Net decrease in cash and cash equivalents			(50,749)		(149,618)
Cash and cash equivalents at beginning of year			814,597		974,394
Effect of foreign exchange rates			8,494		(10,179)
Cash and cash equivalents at end of year			772,342		814,597

SERVE AFGHANISTAN

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

1 Accounting policies

Charity information

The charity is a company limited by guarantee, incorporated in England and Wales and has no share capital. The liability of each member in the event of winding-up is limited to £5. At 31 December 2020, there were 5 members (2019: 6 members).

1.1 Accounting convention

The financial statements have been prepared in accordance with the charitable company's Memorandum and Articles of Association, the Companies Act 2006 and "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 2019)". The charitable company is a Public Benefit Entity as defined by FRS 102.

The accounts are prepared in US Dollars (\$). Monetary amounts in these accounts are rounded to the nearest \$.

The currency of the primary economic environment in which the organisation operates (its functional currency) is Afghanistan Afghani (AFN).

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the trustees have a reasonable expectation that the charitable company has adequate resources to continue in operational existence for a period of at least 12 months from the date of the approval of these accounts.

In reaching that conclusion the trustees are confident that the charity has sufficient liquidity and unrestricted reserves to meet its debts as they fall due over that period and have specifically considered (i) the impact of the coronavirus on the operations of the charity, alongside actions taken to mitigate that impact and (ii) the political instability in Afghanistan following the withdrawal of the US forces and foreign troops and the fighting from the Taliban who have now taken control of the country.

However, the trustees are unable to forecast exactly how and for how long the conflict will affect the operations of the charity and therefore uncertainty exists on the impact to the charity in the longer term.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the trustees in furtherance of their charitable objectives unless the funds have been designated for other purposes.

Designated funds comprise funds which have been set aside at the discretion of the trustees for specific purposes. The purposes and uses of the designated funds are set out in the notes to the financial statements.

Restricted funds are subject to specific conditions by donors as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the financial statements.

SERVE AFGHANISTAN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.4 Income

Income is recognised when the charitable company is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received.

Cash donations are recognised on receipt. Other grants and donations are recognised once the charitable company has been notified of the grant or donation, unless performance conditions require deferral of the amount. Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

The charity is dependent on the services of its expatriate staff to carry out its objectives. Most of the expatriates give their time without charge and it is not possible to quantify the value of this benefit to the charity. Out-of-pocket expenses are reimbursed to the staff and are shown under travelling expenses in the financial statements.

Trading income represents income from evaluation services provided to other charities and the printing of Braille material.

1.5 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

Regional office support costs have been allocated to activities based upon annual budgeted expenditure and other support costs have been allocated to activities based upon actual expenditure.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Computer equipment	33.33% straight line
Office equipment	20% straight line
Motor vehicles	20% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in net income/(expenditure) for the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.7 Impairment of fixed assets

At each reporting end date, the charitable company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in income/(expenditure) for the year, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Ethical investments are social investments made in support of development projects, which benefit disadvantaged and marginalised individuals.

1.9 Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the charitable company becomes party to the contractual provisions of the instrument.

Financial assets are offset, with the net amounts presented in the accounts when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through income and expenditure, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in net income/(expenditure) for the year.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in net income/(expenditure) for the year.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the charitable company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the charitable company's contractual obligations expire or are discharged or cancelled.

SERVE AFGHANISTAN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.10 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the charity is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Leases

Rentals payable under operating leases, including any lease incentives received, are charged as an expense on a straight line basis over the term of the relevant lease.

1.12 Foreign exchange

Transactions in currencies other than US Dollars are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in net income/(expenditure) for the period.

1.13 Employee savings fund

All Serve employees become part of the Serve savings scheme after working for one year. Under this scheme an amount is deducted monthly for each employee according to their grade on the Serve salary scale and the same amount is contributed by Serve towards a fund that is available to the employee for certain expenses. The Employee Savings Fund is kept in a separate account to the rest of Serve's funds. The fund is included in creditors.

2 Critical accounting estimates and judgements

In the application of the charitable company's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The trustees do not consider there to be any critical accounting judgements or estimates.

SERVE AFGHANISTAN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

3 Donations and legacies

	Total	Total
	2020	2019
	\$	\$
Donations and gifts	1,095,460	872,233
Donations and gifts		
TEAR Australia	489,410	392,346
Kindernothilfe	202,605	228,023
Tearfund UK	180,620	106,250
Cedar Fund	39,975	14,975
Linda Norgrove Foundation	5,941	-
Jae-Chael Kim	51,000	50,000
Other	125,909	80,639
	1,095,460	872,233

Other donations are donations from individuals.

4 Investments

	2020	2019
	\$	\$
Interest receivable	1,707	9,750

All investment income is unrestricted.

5 Other income

	Unrestricted funds general	Restricted funds	Total	Unrestricted funds general	Restricted funds	Total
	2020	2020	2020	2019	2019	2019
	\$	\$	\$	\$	\$	\$
Other income	6,615	8,218	14,833	-	5,687	5,687

SERVE AFGHANISTAN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

6 Charitable activities

	Disability	Community Development	Total 2020	Disability	Community Development	Total 2019
	\$	\$	\$	\$	\$	\$
Staff costs	218,235	262,325	480,560	208,647	247,379	456,026
Depreciation and impairment	2,338	1,813	4,151	9,161	-	9,161
Activities and materials	61,718	226,456	288,174	40,737	57,104	97,841
Staff training	4,022	10,707	14,729	2,221	3,913	6,134
Incentive workers	24,154	9,622	33,776	38,564	13,030	51,594
Travel expenses	10,084	35,001	45,085	17,321	33,451	50,772
Office supplies	4,629	6,256	10,885	3,167	3,401	6,568
Communications	7,710	7,397	15,107	5,980	6,830	12,810
Premises	20,397	22,292	42,689	21,129	25,615	46,744
Bank charges	2,610	3,355	5,965	3,246	4,187	7,433
	<u>355,897</u>	<u>585,224</u>	<u>941,121</u>	<u>350,173</u>	<u>394,910</u>	<u>745,083</u>
Share of support costs (see note 8)	183,462	-	183,462	8,139	153,869	162,008
Share of governance costs (see note 8)	12,441	10,035	22,476	9,266	27,222	36,488
	<u>551,800</u>	<u>595,259</u>	<u>1,147,059</u>	<u>367,578</u>	<u>576,001</u>	<u>943,579</u>
Analysis by fund						
Unrestricted funds - general	188,095	-	188,095	1,454	173,886	175,340
Unrestricted funds - designated	-	-	-	8,139	-	8,139
Restricted funds	363,705	595,259	958,964	357,985	402,115	760,100
	<u>551,800</u>	<u>595,259</u>	<u>1,147,059</u>	<u>367,578</u>	<u>576,001</u>	<u>943,579</u>

SERVE AFGHANISTAN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

7 Description of charitable activities:

Disability

To mainstream people with disabilities, Serve, in partnership with others, aims to empower and equip institutions and communities towards the integration of people with disability (mainly blind, deaf, mentally challenged and physically disabled) into mainstream life.

Community Development

Activities facilitate processes within local communities leading to their ability to develop and access local, provincial and national resources and to strengthen livelihood opportunities of vulnerable groups in the concentration areas where Serve is active.

8 Support costs

	Support costs	Governance costs	2020	Support costs	Governance costs	2019
	\$	\$	\$	\$	\$	\$
Staff costs	102,079	-	102,079	58,574	-	58,574
Depreciation	13,206	-	13,206	8,139	-	8,139
Other support costs	68,177	-	68,177	88,174	-	88,174
Legal and professional	-	-	-	7,121	-	7,121
Audit fees	-	21,840	21,840	-	22,080	22,080
Board expenses and travel	-	636	636	-	14,408	14,408
	<u>183,462</u>	<u>22,476</u>	<u>205,938</u>	<u>162,008</u>	<u>36,488</u>	<u>198,496</u>
Analysed between						
Charitable activities	<u>183,462</u>	<u>22,476</u>	<u>205,938</u>	<u>162,008</u>	<u>36,488</u>	<u>198,496</u>

Governance costs includes payments to the auditors of \$21,840 (2019- \$22,080) for audit fees.

9 Trustees

None of the trustees (or any persons connected with them) received any remuneration during the year, but 6 of them were reimbursed a total of \$636 travelling expenses (2019- 6 were reimbursed \$14,408).

SERVE AFGHANISTAN**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020****10 Employees****Number of employees**

The average monthly number of employees during the year was:

2020 Number	2019 Number
105	108

Employment costs

2020 \$	2019 \$
582,639	514,600

Wages and salaries

No remuneration was paid to any employee in excess of \$79,607.

11 Other gains or losses

2020 \$	2019 \$
8,494	(10,179)

Foreign exchange (loss)/gain

SERVE AFGHANISTAN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

12 Tangible fixed assets

	Computer equipment	Office equipment	Motor vehicles	Total
	\$	\$	\$	\$
Cost				
At 1 January 2020	57,111	155,065	193,871	406,047
Additions	6,433	6,626	-	13,059
Disposals	(8,719)	(26,004)	(52,495)	(87,218)
At 31 December 2020	54,825	135,687	141,376	331,888
Depreciation and impairment				
At 1 January 2020	53,425	141,056	180,377	374,858
Depreciation charged in the year	4,717	7,411	5,229	17,357
Eliminated in respect of disposals	(8,719)	(25,857)	(52,495)	(87,071)
At 31 December 2020	49,423	122,610	133,111	305,144
Carrying amount				
At 31 December 2020	5,402	13,077	8,265	26,744
At 31 December 2019	3,686	14,009	13,494	31,189

13 Debtors

	2020	2019
	\$	\$
Amounts falling due within one year:		
Other debtors	97	3,023
Prepayments and accrued income	4,503	4,859
	4,600	7,882

14 Creditors: amounts falling due within one year

	Notes	2020	2019
		\$	\$
Deferred income		52,420	117,813
Trade creditors		210,666	171,824
Other creditors		4,325	217
Accruals		25,408	26,382
		292,819	316,236

SERVE AFGHANISTAN**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
FOR THE YEAR ENDED 31 DECEMBER 2020

15	Deferred income	2020	2019
		\$	\$
	Deferred income is included within:		
	Creditors due within one year	52,420	117,813
		<u>52,420</u>	<u>117,813</u>
	Deferred income at 1 January 2020	117,813	162,750
	Released from previous years	(117,813)	(162,750)
	Amounts deferred in the year	52,420	117,813
		<u>52,420</u>	<u>117,813</u>
	Deferred income at 31 December 2020	<u>52,420</u>	<u>117,813</u>

Deferred income in the year relates to funding from individuals received in advance of 2021 projects.

SERVE AFGHANISTAN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

16 Restricted funds

The income funds of the charity include restricted funds comprising the following unexpended balances of donations and grants held on trust for specific purposes:

	Balance at 1 January 2019	Movement in funds			Balance at 1 January 2020	Movement in funds			Balance at 31 December 2020
		Incoming resources	Resources expended	Transfers		Incoming resources	Resources expended	Transfers	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
ERCDP	57,908	213,157	(190,242)	(29,836)	50,987	218,902	(186,713)	(30,114)	53,062
ERDP (formerly SHIP)	11,927	119,233	(101,884)	(11,859)	17,417	127,380	(119,906)	(16,062)	8,829
CRDP (formerly EMAD)	10,172	191,677	(172,849)	(24,560)	4,440	186,411	(157,967)	(23,784)	9,100
CRCDP	32,950	159,685	(136,529)	(22,669)	33,437	162,852	(135,799)	(23,019)	37,471
KCDP	17,884	94,064	(77,403)	(13,193)	21,352	106,612	(97,741)	(14,392)	15,831
KDP	19,793	92,231	(73,486)	(12,977)	25,561	86,806	(83,872)	(12,935)	15,560
COVID19 Relief Project	-	-	-	-	-	197,784	(172,814)	(19,355)	5,615
Restricted Assets	4,755	7,873	(7,707)	(3,360)	1,561	10,745	(4,152)	-	8,154
	155,389	877,920	(760,100)	(118,454)	154,755	1,097,492	(958,964)	(139,661)	153,622

SERVE AFGHANISTAN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

16 Restricted funds		(Continued)									
Analysis of restricted assets		Balance at 1 January 2019	Incoming resources	Resources expended	Transfers	Balance at 1 January 2020	Incoming resources	Resources expended	Transfers	Balance at 31 December 2020	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	
Restricted assets											
ERCDP		216	4,513	(4,729)	-	-	-	-	-	-	
ERDP		2,314	117	(1,306)	(117)	1,008	250	(565)	-	693	
CRDP		-	117	-	(117)	-	2,823	(647)	-	2,176	
CRCDP		-	117	-	(117)	-	-	-	-	-	
KCDP		684	1,447	(684)	(1,447)	-	1,780	(756)	-	1,024	
KDP		1,435	781	(935)	(781)	500	111	(492)	-	119	
		106	781	(53)	(781)	53	5,781	(1,692)	-	4,142	
		4,755	7,873	(7,707)	(3,360)	1,561	10,745	(4,152)	-	8,154	

SERVE AFGHANISTAN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

16 Restricted funds

(Continued)

Eastern Region Community Development Project (ERCDP) - to empower vulnerable families in the target communities in the Eastern Region and to improve their livelihood through improved adult literacy and development of animal husbandry.

Serve's Eastern Region Disability Project (ERDP) (formerly Serve's Hearing Impaired Project (SHIP)) - to empower Afghan communities towards the integration of people with disabilities in all aspects of life.

Serve's Central Region Disability Project (CRDP) (formerly Enabling and Mobilising Afghans with Disabilities Project (EMAD)) - to empower Afghan communities towards the integration of people with disabilities in all aspects of life.

Central Region Community Development Project (CRCDP) - to bring sustainable livelihood improvement for vulnerable people of Guldara district of Afghanistan.

Kandahar Community Development Project (KCDP) - to bring sustainable livelihood improvement for vulnerable people of Kandahar in Afghanistan.

Kandahar Disability Programme (KDP) - This programme works to provide inclusive education for blind and deaf children in government schools. The programme aims to support children suffering these disabilities throughout their school lives and ensure they do not have any barriers or discrimination to their education.

Assets Fund - represents the net book value of the assets acquired by the restricted funds used for restricted purposes.

SERVE AFGHANISTAN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

16 Restricted funds (Continued)

Transfers

\$106,769 (2019: \$85,537) transfer from restricted funds relates to the allocation of overhead costs in the year.

\$nil (2019: \$nil) transferred from restricted funds relates to the allocation of regional office costs in the year.

\$32,892 (2019: \$34,408) transferred from restricted funds relates to the allocation of security costs in the year.

\$nil (2019: \$3,360) was the transfer of fixed assets bought with restricted funds but for general use of the charity during the year.

\$nil (2019: \$(4,851)) was the transfer from unrestricted funds of the profit on the sale of a fixed asset where the money received was to be used for a restricted fund.

SERVE AFGHANISTAN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

17 Designated funds

The income funds of the charity include the following designated funds which have been set aside out of unrestricted funds by the trustees for specific purposes:

	Balance at 1 January 2019	Resources expended	Transfers	Balance at 1 January 2020	Movement in funds			Balance at 31 December 2020
	\$	\$	\$	\$	Incising resources	Resources expended	\$	\$
Large Equipment Replacement Designated Assets Fund	164,140	-	(58,113)	106,027	-	-	-	106,027
	9,989	(8,139)	(1,850)	-	-	-	-	-
	174,129	(8,139)	(59,963)	106,027	-	-	-	106,027

Designated Assets Fund - represents the net book value of some of the charity's assets not funded by restricted income that have been classed as designated by the Trustees.

Large Equipment Replacement Fund - This fund represents money set aside by the Directors for future acquisition of vehicles and other large equipment for the general purposes of the charity.

Transfers

\$nil (2019: \$nil) relates to the transfer of assets purchased during the year using the Large Equipment Replacement Fund to the general unrestricted funds.

\$nil (2019: \$58,113) relates to the additional transfer of funds from the Large Equipment Replacement Fund to general unrestricted funds that was agreed by the trustees.

\$nil (2019: \$1,850) relates to the transfer of the assets in the Designated Assets Fund to the general unrestricted funds.

SERVE AFGHANISTAN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

18 Analysis of net assets between funds

Fund balances at 31 December 2020 are represented by:

	Unrestricted funds 2020	Designated funds 2020	Restricted funds 2020	Total 2020	Unrestricted funds 2019	Designated funds 2019	Restricted funds 2019	Total 2019
	\$	\$	\$	\$	\$	\$	\$	\$
Tangible assets	18,590	-	8,154	26,744	29,623	-	1,561	31,189
Current assets/(liabilities)	232,628	106,027	145,468	484,123	247,022	106,027	153,194	506,243
	251,218	106,027	153,622	510,867	276,650	106,027	154,755	537,432

SERVE AFGHANISTAN

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

19 Events after the reporting date

As referred to in the going concern section of the accounting policies, the trustees are monitoring the situation concerning the coronavirus and the withdrawal of the US-NATO troops from the country and any impact it may have on the charity. Given the current uncertainties, any longer term financial effect cannot be estimated.

20 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, is as follows.

	2020 \$	2019 \$
Aggregate compensation	38,516	13,766

During the year, a company owned by the husband of one of the trustees was paid £nil (2019: £7,121) for services provided to the charity.

There were no further related party transactions in the year (2019: none).

21 Analysis of changes in net funds

The charitable company had no debt during the year.

22 Cash generated from operations

	2020 \$	2019 \$
Deficit for the year	(35,059)	(55,909)
Adjustments for:		
Investment income recognised in statement of financial activities	(1,707)	(9,750)
Depreciation and impairment of tangible fixed assets	17,357	17,300
Movements in working capital:		
Decrease/(increase) in debtors	3,282	(2,918)
Increase/(decrease) in creditors	41,976	(54,961)
(Decrease) in deferred income	(65,393)	(44,937)
Cash absorbed by operations	(39,544)	(151,175)