

ISLAMIC RELIEF LIMITED

19 REA STREET SOUTH DIGBETH BIRMINGHAM B5 6LB

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1998

M HASNAIN & CO

ACCOUNTANTS

GOOCH HOUSE 178-182 GOOCH STREET BIRMINGHAM B5 7HE

I.120/AB/SIA/DT/HQ



13 SEPTEMBER 1999

ISLAMIC RELIEF LIMITED

31 DECEMBER 1998

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CHARITY INFORMATION

TRUSTEES	DR S ZAHIR (CHAIRMAN) MR Y BALLALI (VICE CHAIRMAN) DR E EL-HADDAD MR A K AL-RAWI DR I EL-BASHIR MR M A QOTBAH DR M TOLBA DR M EL-ALFY MR N AL-NOURI MR I AL-ZAYAT
CHAIRMAN/CHIEF EXECUTIVE	DR H A G EL-BANA
SECRETARY	DR M EL-ALFY
REGISTERED OFFICE	19 REA STREET SOUTH DIGBETH BIRMINGHAM B5 6LB
REGISTERED NUMBER	2365572
AUDITORS	ACCOUNTANTS
Messrs D Thomas & Co Chartered Certified Accountants & Registered Auditors 35 West house Grove Kings Heath Birmingham B14 6PS	M Hasnain & Co Accountants Gooch House 178-182 Gooch Street Birmingham B5 7HE

ISLAMIC RELIEF LIMITED
REPORT OF THE TRUSTEES
YEAR ENDED 31 DECEMBER 1998

FORMATION AND PRINCIPAL ACTIVITIES

Islamic Relief was formed on 13 February 1984 as a Charitable Organisation. It was incorporated under the Companies Act 1985 on 28 March 1989 and registered with the Charity Commission on 26 April 1989.

The principal object of the charity is to relieve poverty in all parts of the world.

- Islamic Relief is dedicated to alleviating the suffering and poverty of the world's poorest people as stated in its memorandum of association.
- To achieve its objectives Islamic Relief has delivered emergency aid to parts of the world affected by natural or unnatural disasters. Islamic Relief has also set up various development projects that help empower those in need.
- There have been no material changes in the charity's policies in carrying out its work.
- The Board of Trustees of Islamic Relief appoint the Directors and the Executive Committee who oversee the day to day running of the charities activities.

TRUSTEES RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Company law 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 surplus or deficit of the charity for that period. In preparing those financial statements, the directors are required to:-

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- *Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue to operate.*

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

STATUS

Islamic Relief is a registered Charity, Limited by guarantee and it does not have a share capital. The liability of each member is limited to £1.

ISLAMIC RELIEF LIMITED
REPORT OF THE TRUSTEES
YEAR ENDED 31 DECEMBER 1998
(Continued)

REVIEW OF ACTIVITIES

During 1998 Islamic Relief continued to consolidate its role as an organisation dedicated to serving those in need. Islamic Relief continued with its traditional programmes of food distribution during the month of Ramadhan, meat distribution during the feast of Qurbani as well as Development projects that included Income generation, vocational training, Water and Sanitation projects as well as Emergency Relief.

Islamic Relief enjoyed the support and services of many unpaid employees who helped throughout the organisation in fund-raising or other activities in the United Kingdom as well as some volunteers with special skills who were able to help us in the field. No financial consideration was added to the accounts in return for their services.

Material donations of clothes, food and medicine continued to be received by our offices, charity shops and clothes banks. The value of these material goods was approximately £250,000, this amount was not included in this financial report.

FINANCIAL STATUS

The Statement of Financial Activities Account on page 6 was prepared according to new legal requirements. Income and expenditure is divided between general, designated and restricted funds. This we hope will help you with the better understanding of our financial activities.

Islamic Relief's Income can vary considerably from year to year. In 1998, disasters in some countries such as Bangladesh and Afghanistan caused an improvement in funds over 1997 but more significantly is the increase in funds available for Development projects. Such projects help empower people and have a longer term impact on improving the quality of lives.

General income was used to cover deficit in funds for designated projects where required and overheads were allocated according to their purpose.

Direct charitable expenses include the direct costs of projects and the costs of overseeing their implementation. They do not include the cost of developing awareness of our projects which were included in our fund-raising costs.

The Qurbani and Ramadhan programmes represented approximately 32% of the charity work during 1998. Emergency Relief and Orphans sponsorship programmes each represented 16% of the work carried out, with the remaining 36% representing Development projects that covered areas of education as well as health and sanitation programmes.

The charity held adequate funds to cover the budget for the period of 7 months approximately.

ISLAMIC RELIEF LIMITED
REPORT OF THE TRUSTEES
YEAR ENDED 31 DECEMBER 1998

(Continued)

The main fixed assets held by the charity for its own use is its property at 19 Rea Street in Birmingham. This property comprises offices and large warehouse and was purchased in July 1992.

The value included in the Balance Sheet is made up of the actual cost paid for the property in 1992 plus the cost of major improvements made to the property since its purchase.

The funds available to the charity are adequate to fulfil its projects obligations. Most of the funds held were non-designated and could be utilised for any of the projects carried out by the charity. Some designated funds for specific projects will be discharged according to project plans in 1999.

RELATIONSHIPS

Islamic Relief operations in the U.K. are part of the international family of Islamic Relief offices worldwide. Approximately £1.2 million of the Income reflected in these accounts originated from Islamic Relief offices and fund raising activities outside the United Kingdom.

The clothes operation for Islamic Relief is carried out by TIC Ltd, a company set-up by the trustees of the charity that transfers all its profits to the charity by Deed of Covenant. None of the charity trustees receive any financial or other remuneration from the charity or its associated company TIC Ltd.

AUDITORS

Messrs D Thomas & Co have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

"The report of the trustees has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies."

ON BEHALF OF THE TRUSTEES



DR S ZAHIR
Chairman of the Board of Trustees

19 Rea Street South
Birmingham B5 6LB

13 September 1999

REPORT OF THE AUDITORS

TO THE MEMBERS OF

ISLAMIC RELIEF LIMITED

We have audited the financial statements on pages 6 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

As described on page 2 the Trustees who are also the directors of Islamic Relief Ltd are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, Consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

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 1998 and of its incoming resources and application of resources including the income and expenditure in the year then ended and have been properly prepared in accordance with Companies Act 1985.

D. Thomas & Co

D THOMAS & CO

REGISTERED AUDITORS

35 Westhouse Grove
Kings Heath
Birmingham
B14 6PS

13 September 1999

ISLAMIC RELIEF LIMITED
STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED 31 DECEMBER 1998

	<u>Note</u>	<u>General Funds</u> £	<u>Designated Funds</u> £	<u>Restricted Funds</u> £	<u>Total Funds 1998</u> £	<u>Total Funds 1997</u> £
INCOME AND EXPENDITURE	1					
Incoming Resources						
Donations and Gifts		1,037,174	2,552,043	4,700	3,593,917	2,446,056
Other Income		96,090	82,016	-	178,106	94,844
TOTAL INCOMING RESOURCES	2a	<u>1,133,264</u>	<u>2,634,059</u>	<u>4,700</u>	<u>3,772,023</u>	<u>2,540,900</u>
RESOURCES EXPENDED						
Direct Charitable expenditure	}	163,245	1,991,719	-	2,154,964	2,038,821
Fund Raising and Publicity	} 2b	82,008	555,808		637,816	475,539
Management and administration of Charity	}	235,929	-	-	235,929	286,440
TOTAL RESOURCES EXPENDED	3	<u>481,182</u>	<u>2,547,527</u>	<u>-</u>	<u>3,028,709</u>	<u>2,800,800</u>
NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS		652,082	86,532	4,700	743,314	(259,900)
TRANSFER BETWEEN FUNDS		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCOMING/(OUTGOING) RESOURCES FOR THE YEAR		652,082	86,532	4,700	743,314	(259,900)
EXCHANGE GAINS/(LOSSES) REALISED		<u>31,548</u>	<u>-</u>		<u>31,548</u>	<u>(43,615)</u>
NET MOVEMENT IN FUNDS		683,630	86,532	4,700	774,862	(303,515)
BALANCES BROUGHT FORWARD 1 JANUARY 1998		<u>593,508</u>	<u>400,255</u>	<u>383,894</u>	<u>1,377,657</u>	<u>1,681,172</u>
BALANCE CARRIED FORWARD 31 DECEMBER 1998		<u><u>1,277,138</u></u>	<u><u>486,787</u></u>	<u><u>388,594</u></u>	<u><u>2,152,519</u></u>	<u><u>1,377,657</u></u>

Total funds above are all unrestricted.

There is no significant difference between the net income for the year and the retained income for the year and their historical cost equivalent.

The notes on page 8 to 11 form part of these accounts.

ISLAMIC RELIEF LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1998

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
		£	£
FIXED ASSETS			
Tangible Assets	4	476,437	465,855
CURRENT ASSETS			
Debtors	5	249,029	174,824
Cash and Bank Balances		1,554,782	810,944
		<u>1,803,811</u>	<u>985,768</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	6	127,729	(73,966)
NET CURRENT ASSETS		1,676,082	911,802
NET ASSETS		<u>2,152,519</u>	<u>1,377,657</u>
HELD IN FUNDS			
General		1,763,925	993,763
Restricted		388,594	383,894
		<u>2,152,519</u>	<u>1,377,657</u>

"The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies."

DR S ZAHIR
Chairman

) Approved by the Trustees
) on 13 September 1999

DR M EL-ALFY
Trustee

The notes on pages 8 to 11 form part of these accounts.

ISLAMIC RELIEF LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 1998

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Statement of Recommended Practice on Accounting by Charities and with applicable accounting standards in respect of all material items and the following policies have been used consistently.

a) Basis of Accounting

The financial statements have been prepared under the historical cost convention on an accruals basis.

b) Income

Income includes the total received during the year at headquarters and branches and comprises donation income from fund-raising events after deducting direct costs where relevant. Income from Islamic Relief offices in other countries is incorporated on the basis of returns.

c) Gifts in kind

Gifts in kind include services, food, clothing, medical supplies and office fixtures. The estimated value of goods from the UK is £250,000. Gifts in kind are valued having regard to market prices when distributed in the field. The value all in kind income has has not been included in the accounts.

d) Foreign Currencies

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date.

The transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction.

e) Depreciation

Depreciation has been provided to write off the cost of tangible fixed assets over their estimated useful lives as follows:

Building	2% Straight Line
Office Equipment	15% Written Down Value
Motor Vehicles	20% Written Down Value

2. ANALYSIS OF INCOME

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
a) Continuing Operation		
- Voluntary Income	3,593,917	2,446,056
- Other Income - Net of Expenses	178,106	94,844
	<u>3,772,022</u>	<u>2,540,900</u>

Other income includes, Concerts for Children in Need, Penny Project for Children in Need, Islamic Relief Shop Sales, Rent and Payments on Loans to related company - TIC International Ltd.

ISLAMIC RELIEF LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 DECEMBER 1998

2b) RESOURCE EXPENDED	<u>General Funds</u> £	<u>Designated Funds</u> £	<u>Total 1998</u> £	<u>Total 1997</u> £
Charitable Expenditure				
Development and Relief	64,911	1,853,830	1,918,741	1,859,338
Project Administration	98,334	137,889	236,223	264,112
	<hr/>	<hr/>	<hr/>	<hr/>
	163,245	1,991,719	2,154,964	2,123,450
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Raising and Publicity				
Publication Advertising	82,008	555,808	637,816	475,539
	<hr/>	<hr/>	<hr/>	<hr/>
These cost are split on the basis of Donations and Gifts received.				
Management and Administration of Charity				
Office Costs	56,829	-	56,829	55,911
Legal and Professional Fees	837	-	837	6,786
Audit Fees	4,524	-	4,524	1,250
Staff Costs	153,641	-	153,641	120,294
Depreciation Charges	20,098	-	20,098	17,570
	<hr/>	<hr/>	<hr/>	<hr/>
	235,929	-	235,929	201,811
	<hr/>	<hr/>	<hr/>	<hr/>
3. INCOME AND EXPENDITURE ACCOUNT			<u>1998</u>	<u>1997</u>
The net surplus is stated after charging the following			£	£
Depreciation of owned assets			26,925	26,213
Auditors Remuneration			4,524	4,524
			<hr/>	<hr/>

ISLAMIC RELIEF LIMITED
NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 1998

4. FIXED ASSETS

	Freehold Land & Building £	Office Equipment £	Motor Vehicles £	Total £
Cost				
31 December 1997	402,134	157,697	13,810	573,641
Additions	16,199	22,576	-	38,775
Disposal	-	(1,268)	-	(1,268)
31 December 1998	<u>418,333</u>	<u>179,005</u>	<u>13,810</u>	<u>611,148</u>
Depreciation				
31 December 1997	36,444	64,252	7,090	107,786
Charge for the year	8,366	17,215	1,344	26,925
31 December 1998	<u>44,810</u>	<u>81,467</u>	<u>8,434</u>	<u>134,711</u>
Net Book Value				
31 December 1998	<u>373,523</u>	<u>97,538</u>	<u>5,376</u>	<u>476,437</u>
31 December 1997	<u>365,690</u>	<u>93,445</u>	<u>6,720</u>	<u>465,855</u>

5. DEBTORS AND PREPAYMENTS

	<u>1998</u> £	<u>1997</u> £
Debtors and Prepayments	48,897	29,913
Loans to employees	17,128	13,859
Amount owed by related company (5a)	183,004	131,052
	<u>249,029</u>	<u>174,824</u>

5a. AMOUNT OWED BY RELATED PARTY

These represent inter-company loans and services to TIC International Ltd. Dr M Al-Elfie and Dr H A G El-Bana are also directors of TIC International and own 100% of the shares in the trading company. The transactions were all made on normal commercial terms.

TIC Ltd was set up at the instigation of the Trustees. Neither Director receives any remuneration from TIC and all profits are transferred to Islamic Relief by Deed of Covenant.

ISLAMIC RELIEF LIMITED
NOTES TO THE ACCOUNTS
YEAR ENDED 31 DECEMBER 1998

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	<u>1998</u> £	<u>1997</u> £
General Creditors	104,774	48,114
Accruals	11,806	25,852
Social Security and Other Taxes	11,149	-
	<u>127,729</u>	<u>73,966</u>

7. POST BALANCE SHEET EVENTS

There were no material events outside the normal course of operation between the year end and the date of approval of these financial statements other than those disclosed in the accounts.

8. CONTINGENT GAIN

Islamic Relief Ltd has made a legal claim for damages against Mathais Meats N Z Ltd. The claim arises as a result of a Qurbani 1997 Canning Project whereby meat cutting and canning were contracted to Mathais Meats. Meat that was sent to certain countries was rejected as fit for human consumption. The claim is still in dispute, but legal advice suggests a likely successful outcome in favour of Islamic Relief Ltd. The anticipated recovery of the legal costs element of £26,052 is included amongst Debtors and Prepayments in the Balance Sheet.