

Approved by the Trustees in the F and GP and the EC on 23 June 2009
Incorporates changes made by the Auditor on 25 June 2009

MUSLIM AID

Trustees' report and financial statements
For the year ended 31 December 2008

MUSLIM AID

Financial statements for the year ended 31 December 2008

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MUSLIM AID

Legal and administrative information

Chairman

Sir Iqbal Sacranie

Vice Chairman

Dr Manazir Ahsan

Secretary

S M Tanzeem Wasti

Treasurer

Professor Ghulam Sarwar

Trustees serving in the year

Mehboob Kantharia, Assistant Treasurer

Dr Suhaib Hassan,

Dr Muhammad Jafer Qureshi,

Dr Kadhem Al-Rawi,

M H Faruqi,

Dr Abdul Majid Katme,

Dr Tariq Yusuf Rajbee,

Farooq Murad

Chowdhury Mueen-Uddin

AKM Abdussalam,

Ahmed von Denffer

Dr Muhammad Abdul Bari

Zahid Ali Parvez

Acting Chief Executive Officer

Hamid Azad

Charity number

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Registered Office

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Auditors

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Bankers

Lloyds TSB Bank plc

31-33 Holloway Road

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N7 8JU

Habib Bank AG Zurich

Islamic Bank of Britain

HSBC

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Organisation

Muslim Aid is a UK based international relief and development agency established in 1985 and working in over 70 countries with field offices in 12 countries and 1 co-ordinating office. Following a review of the organisation in June 2006, a strategic framework was produced identifying the main objectives to move Muslim Aid gradually towards its goal of becoming a global player in the alleviation of poverty, on a level with other international non government organisations (NGOs).

Trustees are responsible for policy making and monitoring that those policies are meticulously carried out. The staffs are responsible for implementing the policies and running the day to day affairs of the charity.

The organisation is made up of structured departments functioning as independent units with clear reporting lines. Systems for line management, appraisal, staff development and supervision are in place, together with grievance and complaints procedures.

Reports are submitted as required to the Charity Commission by the Trustees.

Objectives and activities

Muslim Aid aims to gradually become a global player and to have made a significant contribution towards the alleviation of world poverty by 2020. Its 4 key objectives are:

1. To consolidate our activities worldwide
2. To develop our products & services
3. To secure increased resources
4. To communicate effectively

Muslim Aid's work is guided by the following values and principles:

- 1 Serve humanity with dedication and enthusiasm by putting our beneficiaries first.
- 2 Be committed to alleviating poverty regardless of religion, ethnicity, nationality, gender or age.
- 3 Be adaptable and responsive to the changing needs of our beneficiaries.
- 4 Work in partnership with others.
- 5 Be accountable and transparent in our work.
- 6 Embody the universal principles of compassion, peace and justice.

Through generous donations and legacy contributions, Muslim Aid has been working for over two decades to help save and improve the lives of millions in over 60 of the world's poorest countries.

Initially aimed to provide emergency relief, Muslim Aid advanced its approach in the early 90s and has since been working to provide sustainable development programmes.

Intrinsic to Muslim Aid's mission is tackling the root causes of poverty to help some of the world's most unfortunate people gain back the self-sustenance that is rightfully theirs. This means that when most relief agencies pack up and go home after providing initial emergency aid in the aftermath of a disaster, Muslim Aid stays.

Over the years Muslim Aid has established field offices in Bangladesh, Pakistan, Sri Lanka, Sudan, Somalia, Iraq, Indonesia, Bosnia, Lebanon, Jordan, Gambia, Kenya (coordinating office), and Cambodia. Our field offices help accommodate long-term development programmes for various needs such as:

- 1 Water & Sanitation
- 2 Healthcare & Nutrition
- 3 Shelter & Construction
- 4 Emergencies and disasters
- 5 Education
- 6 Economic Empowerment
- 7 Ramadan and Qurbani

Some other specialist programmes include:

- 1 Child Care (Rainbow Family)
- 2 Micro Finance
- 3 Tackling Child Blindness

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Risk Management

The trustees have assessed the major risks to which the organisation is exposed, in particular those relating to the finances and operations of Muslim Aid. They are satisfied that systems are in place to mitigate exposure to these risks. Reporting procedures are in place to monitor income and expenditure and implementation of the reserves policy at bi-monthly meetings of the Executive Committee of the Trust.

Achievements, performance and future plans

Objective 1: We continued the consolidation process of our activities world wide by further developing an efficient, effective and accountable internal structure at HQ and field office levels -through the improvement of internal communication, and provision of staff training and development- as well as by developing a clear strategic approach to all our work.

Performance

1. Human Resources

Significant progress was made in developing and supporting the human resource infrastructure of the organization. A Training and Development Policy was completed and guidelines for the Recruitment and Selection of staff established. The Trust is committed to building on the achievement of the Investors in People (IIP) award. Various Human Resource policies and procedures were developed and approved by the Executive Committee in 2008. These included a Code of Conduct for HQ and a separate one for field offices.

2. Programmes

Muslim Aid made significant progress towards its objective of programme consolidation with a number of field visits being made by Trustees and staff during the year. Whilst the purpose of the visits may have varied, Trustees and staff took the opportunity to reinforce Muslim Aid's mission, vision, values, aims and objectives.

A number of new policies were approved by the Executive Committee and officially adopted at field and headquarter level. The policies are all aimed at guiding Muslim Aid's operations in the areas of;

- 1 Disaster Response
- 2 Shelter and construction
- 3 Water & Sanitation
- 4 Project Evaluation & Monitoring
- 5 Education
- 6 Individuals in Distress
- 7 Child & Vulnerable Adults Protection

Objective 2: To develop our products and services, Muslim Aid is concentrating on making a greater impact across the countries in which we operate, by establishing field offices, expanding programme activities and developing needs assessment and impact assessment techniques.

Performance

1. Programme development

Alongside our usual areas of activity, Muslim Aid is championing two 'products' in its fight against poverty. The first being the interest free Micro Finance product which sees financial services being developed to cater for individuals who would otherwise not have access to them. The Micro Finance product is currently being piloted in the field offices until 2010 at which stage it will be evaluated and on the basis of this evaluation decisions will be taken about its expansion.

The second 'product' launched last year took a new approach to child sponsorship in the form of the Rainbow Family. The Rainbow Family takes a holistic approach to child sponsorship, with the child's emotional, physical and academic needs being taken into account through a unique mentoring scheme which teams up children with local adults who guide and encourage the children. We achieved sponsorship of **1,165 children** in various countries in 2008.

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2. Disaster & Emergency Relief

During 2008 Muslim Aid dealt with an array of emergencies arising from major natural catastrophes and ongoing conflicts. Muslim Aid's commitment to respond to emergencies was as apparent as ever this year. A total of **£12,606,328** was spent on our disaster and emergency relief programmes. We list below details of some of our activities in this area:

- a. Continuing work resulting from Cyclone Sidr enabled us to help **27,779 families** and **312,232 individuals**. In all we spent **£1,387,988** of our own donation income and **£1,389,665** of Institutional funds. In this work we were helped by our partnerships with Muslim Helfin, United Nations Food and Agriculture Organisation (UNFAO), and the European Commission's Humanitarian Aid Office (ECHO).
- b. Muslim Aid deployed a relief team to Myanmar following Cyclone Nargis and were one of the very few teams to gain entrance to the country after the Cyclone.
- c. We reacted to the earthquake in China together with our partner the Islamic Union of Hong Kong to provide essential relief to Qingchuan.
- d. Our Indonesia field office helped **1,200 households** in Central Java and **18,000 households** after the floods in East Java.
- e. Following the problems in Sri Lanka we helped **4,703 IDP families** with SWERA funded help.
- f. In Iraq we helped **2,100 displaced families** with emergency relief items with the help of United Nations Office for the Coordination of Humanitarian Aid (UNOCHA).
- g. Our partnership with Global Medic continues and enabled us to provide much needed medicines and water purification tablets to Myanmar, Iraq, Gaza and Somalia.
- h. In late 2008 the Gaza appeal was launched by early 2009 we had raised **£2.3m** for the relief effort.
- i. During 2008 we provided food, shelter and non food items to the value of **£60,000** after the Balochistan earthquake in Pakistan
- j. In Somalia we distributed **8,031 tons of food** from the WFP.
- k. Our continuing partnership with Interpal enabled us to provide much needed assistance to Gaza particularly in the wake of the conflict towards the end the year.

3. Education

- a. Education is one of our main tools for the fight against poverty. In 2008 **£1,111,927** was spent on a number of education related projects.
- b. In the UK we launched our Elderly Peoples' project with Age Concern and the Salvation Army. We received grants from the London Councils towards tackling the consequences of disaffection among Muslim youth. We received grants from Department for International Development (DfiD) to raise awareness amongst the youth of London about poverty and educational opportunities.
- c. In India Muslim Aid supported **1,050 poor students** in Mumbai as part of our ongoing programme which we have funded for the past 7 years.

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4. Healthcare & Nutrition

Health is one of Muslim Aid's major programmes. In 2008 Muslim Aid spent a total of **£1,282,529** on various healthcare programmes.

- a. In Somalia our Primary Healthcare programme with UNICEF included Malaria control, child immunization and the treatment of malnutrition.
- b. Also in Somalia we continue providing mother and child clinics, TB clinics, nutrition and food sites etc..
- c. In Bangladesh we support our 5 mother and child clinics providing healthcare and health education.
- d. Our annual Ramadan & Qurbani programmes in 2008 (1429 AH) distributed **£2,463,337** worth of funds.
- e. In Bangladesh we constructed a new hospital in 2008 giving medical care in 2008 to **20,000 individuals**.
- f. Through our continuing work with the Food Bank in Khartoum, Sudan we provided **8,500 people** with food in 2008.

5. Water & Sanitation

In 2008 **£506,870** was spent on water and sanitation projects around the world. These projects, all aimed at providing clean drinking water to communities, varied from digging new wells to improving sanitation.

- a. In Indonesia Muslim Aid has drilled **20 wells** throughout Banda Aceh.
- b. **2,300 families** have benefitted by our Dig a Well project in Bangladesh.
- c. The Sudan Wells and Hygiene programme continues. The wells dug will provide water for **5,000 people**.

6. Shelter & Construction

Most of our Shelter and Construction projects are in response to major natural catastrophes. 2008 saw the continuation of our reconstruction work in Tsunami and Earthquake affected areas. A total of **£3,511,796** was spent on our shelter and construction work.

- a. In 2008 work continued with our Tsunami rehabilitation work in Indonesia. A further **686 homes** have been built with Asia Development Bank (ADB) funding.
- b. In Somalia we purchased land for a re-sited Bosaso College and the new buildings which include 10 classrooms, a resource centre, conference centre etc.
- c. In Bangladesh a further **3,800 shelters** were provided in post-Sidr areas. **14 Mosques** are being rebuilt and a grant from ECHO has enabled us to construct a further **700 additional shelters**.

7. Economic Empowerment and Microfinance

All economic empowerment projects such as skills training and income generation have been brought under the one programme of Economic Empowerment. Our Economic Empowerment projects will be monitored by our Micro Finance team to ensure project sustainability. **£1,097,605** was spent on Economic Empowerment and microfinance projects in 2008.

- a. In Bangladesh our microfinance programme covers 22 districts, 31 Upazillas and 914 villages. Total loans stand at **£9m** with a recovery rate of 99.5%. By the end of 2008 we had helped **28,495 people**.
- b. In Cambodia our field office set up two projects one in Phnom Penh and one at Kampong Cham.
- c. In Somalia a pilot project started in Baydhabo.

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Plans

A departmental restructure in 2008 saw the Development Programmes Department divided into two sections namely:

- a) the Overseas Programmes section that is responsible for all field offices (including all our core programmes such as Education, Shelter etc).
- b) the Emergencies and Sectoral Programmes section overseeing our Emergencies and Disasters responses and the development of our specialist programmes such as Economic Empowerment, Ramadan and Qurbani, and Child Support and also including our non field office support operations.

Objective 3: We are working towards securing increased resources by achieving an increased diversified donor base which includes institutional and corporate funding and non-Muslim donors. We are also striving to develop strong relationships with all agencies involved in development, including governments, UN and other NGOs and faith based organizations.

Performance

1. Campaigns

Throughout 2008, Muslim Aid continued in its commitment to providing emergency relief, in response to natural and man-made disasters. It raised funds through specific campaigns:

2. Ramadan & Qurbani

The Ramadan mailing consisted of a full-colour A5 Ramadan leaflet, a prayer timetable, an Eid gifts postcard and a reply envelope. This was sent to 200,000 addresses. The total income from the Ramadan and Qurbani direct mail campaigns was **£2,836,954**. The Qurbani mailing consisted of the Qurbani leaflet and Qurbani gifts leaflet, and the 2008 calendar.

3. Volunteers

In 2008 we continued our efforts to recruit volunteers, who make a massive contribution to the success of Muslim Aid at fundraising and awareness raising events. Volunteers are playing an increasingly important role in helping Muslim Aid in all aspects of its work.

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4. Networking

Meetings were held with key government departments, international NGOs, UN and other development agencies, in accordance with the aim to connect ourselves with mainstream agencies, secure increased resources and communicate effectively Muslim Aid's mission, values and, above all, its track record in delivery.

5. New partnerships and institutional funding

Muslim Aid's networking efforts have led to the strengthening of existing partnerships and the formation of new partnerships with international development agencies. Institutional funding has also been secured following considerable work with proposals submitted from headquarters in 2008 to donors such as the DfID, ECHO and UNOCHA. Examples of partnerships developed are outlined below:

a. Oxfam

Muslim Aid continues to work on a number of projects with Oxfam, one of which is our joint Sunset Walk with over 500 registered walkers in 2008.

b. GlobalMedic - David McAntony Gibson Foundation (DMGF)

GlobalMedic DMGF is a registered Canadian charity and International NGO that uses its operational arm, GlobalMedic to run capacity building missions in post conflict nations and to provide disaster relief services to large scale catastrophes around the world. In 2008 Muslim Aid benefited from **£5,049,835** worth of drugs and medical equipment as well as expertise from their Rapid Response Team (RRT), and Emergency Medical Unit.

c. US AID

In Cambodia we worked in partnership with US AID, an international relief organization..

d. ECHO

In 2007 Muslim Aid successfully secured membership of ECHO, the EU's humanitarian aid agency. Securing membership was a break-through for Muslim Aid, with a number of projects initiated in 2008 with ECHO funding for the humanitarian relief of Cyclone Sidr in Bangladesh.

e. United Methodist Committee on Relief (UMCOR)

The partnership continues to play an important part in our approach to dealing with disasters and general relief programmes.

f. DfID

We continue to progress towards a formal partnership arrangement which we hope to finalise in early 2009.

g. Disasters Emergency Committee (DEC)

Muslim Aid has registered its wish to become a member of the UK DEC and in 2008 continued to keeping them informed of our development programmes and emergency responses.

h. Muslim Aid Australia

We continue to work with our sister organisation Muslim Aid Australia with whom we run joint campaigns . They support us during Emergencies, Development and Ramadan and Qurbani.

i. Muslim Helping Hand.

Muslim Helping Hand, a Canadian charity, provides us with funds for Ramadan and Qurbani.

j. Interpal

Interpal is one of our partners working with us on projects in Palestine.

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Plans

6. In 2008, strategies for attracting a more diverse donor and volunteer base were commenced.
7. One major component of 2008 was to achieve a culture of sustainability through local and institutional fundraising. Almost all field offices have started local fundraising with Indonesia, Sri Lanka, Bangladesh, Somalia and Cambodia securing significant amounts of institutional funding. Other field offices are awaiting decisions on proposals submitted to different funding bodies. The emphasis in 2009 will undoubtedly focus on ensuring Muslim Aid's continued growth and sustainability through securing institutional funding.

Objective 4: In order to achieve international recognition as a reputable British NGO and raise public awareness about the issues of poverty and injustice, Muslim Aid has been developing methods of effective communication.

Performance

1. **Publicity materials**

The Communications Department has worked with field offices for a supply of photos, human interest stories and case studies and high quality video footage. Using these materials, high quality publicity material was produced including the annual report, campaign leaflets, TV and print advertisements and documentaries. These included our booklets on "Healthcare and Nutrition: enhancing wellbeing, enriching lives", "Microfinance: towards economic empowerment", and "Reconstructing Homes, rebuilding lives: post disaster construction".

An in-house production suite produces regular TV advertising and broadcast material. This saves Muslim Aid thousands of pounds per year. Arabic and Somali language TV, such as El-Hiwar and Universal, were targeted for advertising and documentary purposes. We have also targeted these communities in newspaper and magazine advertising, especially during the 2008 Ramadan and Qurbani campaigns.

2. **PR and media in field offices**

In line with the objective to communicate effectively, the communication functions in the field offices have been developed. HQ continues to assist and support Communications Officers in Sri Lanka, Bangladesh, Pakistan, Indonesia and the Sudan. The Communications Manager for Asia continues to coordinate publicity for the whole region. Field office Communication officers have been focusing on building up relationships with journalists, editors and broadcasters, partners, other NGOs and funding institutions.

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3. Publicity

Examples of broadcast and print coverage of Muslim Aid in the UK in 2008 are listed below.

Broadcast (TV and Radio)

[Rainbow Family, 30 second appeal from Danny Williams](#), Islam Channel
[Love Water Love Life, News story](#), Islam Channel
[Love Water Love Life, One hour programme on Love Water Love Life](#), Channel S
[Donor Visit, Abdul Rahman \(IFE\) travelled to Bangladesh in February](#), BBC Radio Asian Network
[Cyclone Sidr, Cyclone Sidr Rehabilitation](#), Channel S
[Cyclone Sidr, Cyclone Sidr Anniversary](#), Channel S
[Burma Victims UK Muslim Aid for Burma Victims](#), British Satellite News,
[End Poverty Fast, Sunset walk](#), Islam Channel
[Sunset Walk, News Story](#), Islam Channel
[Sunset Walk, News Story](#), ATN Bangla
[Sunset Walk, News Story](#), BBC Arabic
[Sunset Walk, News Story](#), BBC Arabic Radio
[Sunset walk, News Story](#), Channel S

Print media

[East End Life "Letter from our CEO Saif Ahmed responding to an article on politics, religion and development"](#)
[Muslim Weekly, Muslim Aid and Christian Aid walk to make people Waterwise- March 20th 2008](#)
[East End Life, Water Changes lives- March 2008](#)
[Urdu Times, After the Storm- 24th April 2008](#)
[East End Life, Appeal for Cyclone Victim- May 2008](#)
[Swansea University Newsletter, CEO of Muslim Aid UK to give Swansea lecture, 12th November 2008](#)
[Starbroek news, Muslim Aid hosts Eid festival for orphans, 21st October 2008](#)
[Liverpool Daily Post, Ancient sounds heard in Liverpool Cathedral, 24th March 2008](#)
[East End Life, Gala Dinner to assist victims, 23rd Feb 2008](#)
[East End Life, Pupil in aid quiz, 24 September 2008](#)
[Muslim Weekly, Aid Agency Ready for Action after Cyclone Nargis, May 2008](#)
[The Asian Today, Muslims join to call end to poverty, 19th September 2008](#)
[E-Gov, Prime Minister's Speech at the Interfaith Conference in New York, 19th November 2008](#)
[Ummah Magazine, Coffee Cake and Charity, September 2008](#)
[Euro Bangla, Muslim Aid leads with fair factory coffee shop, 25th- 31st August](#)
[The Muslim News, Muslim Aid leads with Fair Factory coffee shop, 26th September 2008](#)
[The Daily Jang, Muslim Aid leads with Fair factory coffee shop, 21st August 2008](#)
[Euro bangla, Muslim Aid leads with fair factory coffee shop, 1st- 7 September 2008](#)
[East End Life, Coffee with conscience, 7th September 2008](#)
[East End Life, Muslim Aid's Poverty Push, 22nd September 2008](#)
[The Asian Today, Muslims join the call to end poverty, 19th September 2008](#)
[Daily Jang, Sunset walk, 14th September 2008](#)
[West End Extra, Sunset walk- published as a listing, 12th September 2008](#)
[Asian Today, Sunset Walk press release, 19th September 2008](#)
[Time Out, Sunset Walk press release, 11th September 2008](#)
[Muslim Weekly, Sunset walk, 11th September 2008](#)
[Ummah Magazine, Sunset Walk, 2nd October 2008](#)
[Urdu Times, Sunset Walk, 14th September 2008](#)
[Weekly Bangladesh, Sunset Walk, 15th September 2008](#)
[Muslim News, Sunset Walk, 31st October 2008](#)

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4. Press Conferences and events

A ground breaking television event took place at the House of Lords in December 2008, in which speakers from NGOs such as Christian Aid, spoke about the relief operation in response to Bangladesh Cyclone Sidr. The event was hosted by Baroness Pola Uddin and Muslim Aid. TV presenter Rizwan Hussain presented the event with Yusuf Islam and Rt. Hon. Harriet Harman MP. The 2 hour programme was broadcast live on Islam Channel. An event on micro finance took place at House of Commons on the 9th July to launch the Economic Empowerment brochure. A Micro Finance seminar at the House of Commons to the All Party Parliamentary Group for Micro Finance was held. University seminars were organised in University of East London (UEL), University of Manchester, University of Sussex, SOAS, University of Swansea on Microfinance and the UMCOR partnership. Women from Somalia, Sri Lanka, Bangladesh and Indonesia dressed in their traditional attire walked from Piccadilly to Hyde Park carrying pots of water to highlight the plight of people who have to walk miles to obtain water.

British Prime Minister Gordon Brown MP praised the work of Muslim Aid and UMCOR in his speech at the UN Interfaith Conference at New York, on the 13th of November 2008 which discussed the role of faith based organisations in working together to promote peace and diversity for the common good.

5. Website

Our new website was launched in 2008 with the following highlights:

- Online marketing campaign was aimed at local media and donors.
- Full photo and film resources updated onto the website.
- Volunteer section on website.
- Web pages produced for India floods appeal, Sudan floods, Pakistan floods, Kashmir appeal, Sunset walk and Fair Factory page.
- Rainbow family micro site
- Ramadan and Qurbani micro site.

6. Trading subsidiary

In late 2008 we opened a café selling food and drink (mainly coffee) with the intention of generating income and publicity for the Charity. This did not prove a success as the credit crunch impacted on the expected trade. The Trustees were very concerned about the trading losses and took a decision to close the shop in early 2009 thus minimizing the trading losses.

Financial Review

During 2008 the Trust's donation and grant income continued to rise totalling over £24m. This arose from UK donations and grants increasing to nearly £10m and an almost doubling of cash donations and grants at our Field Offices to nearly £4m.

Expenditure exceeded income in the year by just over £1m, and this was as a result of policy decision by the Trustees.

The end of the year saw the financial position of the Trust to be strong with nearly £5m. of unrestricted reserves.

The **Reserves Policy** of the Trustees continues to require the unrestricted reserves to exceed over 6 months of unrestricted expenditure.

The **Investment Policy** of the Trustees is to keep our funds in registered banks in the UK and overseas and, where possible, in Shariah compliant products.

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Trustees' report For the year ended 31 December 2008

Trustees' Responsibilities

The Charities Act 1993 requires the Trustees of the Charity to prepare accounts for each financial year which give a true and fair view of its financial activities during the year and of its financial position at the end of the year. In preparing the accounts the Charity trustees should follow best practice, and:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- follow applicable accounting standards and the Charities SORP, disclosing and explaining any departures in the accounts, and
- prepare the accounts on the going concern basis unless it is inappropriate to assume that the Charity will continue in operation.

The Charity Trustees are responsible for keeping accounting records which are such as to disclose, with reasonable accuracy, the financial position of the Charity at any time, and to enable them as trustees to ensure that the accounts comply with charity law. The Charity Trustees are also responsible for safeguarding the Charity's assets and ensuring their proper application in accordance with charity law, and hence for taking reasonable steps for the prevention and detection of error, fraud and other irregularities.

Conclusion

During the period 1 January – 31 December 2008, Muslim Aid has taken huge steps towards achieving its goal of becoming a global player in poverty alleviation. The strong internal structures, policies and procedures have placed Muslim Aid in a position to attract mainstream awareness, partnerships and funding and have led to many successes. As we continue to develop and grow, we pray that we will demonstrate to society at large that Islam, under the institution of Zakah, makes it a duty on its adherents to work towards the removal of poverty and to help disadvantaged people across the globe irrespective of their faith, colour and race. Islam is also a religion which promotes peace, compassion and justice for all of mankind. As a British Muslim NGO, it is our duty and our privilege to serve the whole of humanity.

We would like to take this opportunity to thank all our donors, our staff, our volunteers and our trustees for their commitment and dedication at HQ and in the field offices. They continue to support us selflessly in our work in serving humanity.

.....
Sir Iqbal Sacranie
Chairman

11 July 2009

.....
Professor Ghulam Sarwar
Treasurer

MUSLIM AID

Independent Auditor's Report to the trustees of Muslim Aid

We have audited the financial statements of Muslim Aid for the year ended 31 December 2008, which comprise the consolidated statement of financial activities, the consolidated and charity balance sheets, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charity's trustees, as a body, in accordance with section 44 of the Charities Act 1993. Our audit work has been undertaken so that we might state to the charity's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the trustees and auditors

The trustees' responsibilities for the preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993.

We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the charity has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Trustees' Report (or, where appropriate, the Annual Report), and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity'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 that 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.

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Independent Auditor's Report to the members of Muslim Aid

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 December 2008 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended; and
- the information given in the Report of the Trustees is consistent with the financial statements.

CHANTREY VELLACOTT DFK LLP

Chartered Accountants
Registered Auditor
LONDON

Date: 11 July 2009

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Consolidated statement of financial activities For the year ended 31 December 2008

	Notes	Unrestricted Funds £	Restricted Funds £	Total 2008 £	Total 2007 £
Incoming resources					
Incoming resources from generated funds					
Donations and grants	2	3,224,480	20,861,690	24,086,170	20,646,487
Investment and other income	3	193,767	-	193,767	240,218
Total incoming resources		3,418,247	20,861,690	24,279,937	20,886,705
Resources expended					
Costs of generated funds					
Cost of generating voluntary income		278,302	-	278,302	416,283
Costs of fundraising trading		341,073	-	341,073	-
		619,375	-	619,375	416,283
Charitable activities					
Emergency relief		178,373	12,427,955	12,606,328	3,085,267
Education		556,853	555,074	1,111,927	1,995,709
Water & sanitation		222,650	284,220	506,870	409,197
Health Care		655,379	627,150	1,282,529	8,181,933
Rainbow Family		54,254	493,878	548,132	609,767
Economic empowerment		625,505	472,100	1,097,605	892,341
Shelter and Infrastructure		132,987	3,378,809	3,511,796	2,309,285
Capacity building		39,412	48,036	87,448	54,911
Qurbani/Ramadan		1,458,449	1,004,838	2,463,337	2,020,059
Other costs	14	1,470,068	-	1,470,068	-
Total charitable expenditure		5,393,980	19,292,060	24,686,040	19,558,469
Governance costs	5	31,821	-	31,821	39,495
Total resources expended	4	6,045,176	19,292,060	25,337,236	20,014,247
Net (outgoing)/incoming resources before transfers		(2,626,929)	1,569,630	(1,057,299)	872,458
Gross transfers between funds	11	(276,659)	276,659	-	-
Net (expenditure)/income for the year		(2,903,588)	1,846,289	(1,057,299)	872,458
Exchange surpluses/(deficits)		790,287	-	790,287	(51,924)
Net movement in funds		(2,113,301)	1,846,289	(267,012)	820,534
Total funds brought forward		7,024,297	2,336,046	9,360,343	8,539,809
Total funds carried forward		4,910,996	4,182,335	9,093,331	9,360,343

All recognised gains and losses are reflected in the Statement of Financial Activities and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 18 to 23 form an integral part of these financial statements.

MUSLIM AID

Consolidated balance sheet as at 31 December 2008

	Notes	2008 £	2007 £
Fixed assets			
Tangible assets	7	<u>2,192,717</u>	1,587,231
		2,192,717	1,587,231
Current assets			
Inventories	8	1,533,130	1,342,294
Debtors	9	1,216,151	1,358,767
Cash at bank and in hand		<u>5,416,061</u>	5,952,147
		8,165,342	8,653,208
Creditors: amounts falling due within one year	10	<u>(1,264,728)</u>	(880,096)
Net current assets		<u>6,900,614</u>	7,773,112
Net assets		<u>9,093,331</u>	<u>9,360,343</u>
The total funds of the charity			
Unrestricted income funds			
- General fund	11	2,910,996	1,408,140
- Designated fund	11	2,000,000	5,616,157
Restricted income funds	11	<u>4,182,335</u>	2,336,046
Total funds		<u>9,093,331</u>	<u>9,360,343</u>

The financial statements were approved by the Trustees on 11 July 2009 and signed on their behalf by:

.....
Sir Iqbal Sacranie
(Chairman)

.....
Professor Ghulam Sarwar
(Treasurer)

The notes on pages 18 to 23 form part of these financial statements.

MUSLIM AID

Balance sheet as at 31 December 2008

	Notes	2008 £	2007 £
Fixed assets			
Tangible assets	7	2,192,717	1,587,231
		<hr/>	<hr/>
		2,192,717	1,587,231
Current assets			
Inventories	8	1,533,130	1,342,294
Debtors	9	1,251,249	1,358,767
Cash at bank and in hand		5,370,391	5,952,147
		<hr/>	<hr/>
		8,154,770	8,653,208
Creditors: amounts falling due within one year	10	(1,254,156)	(880,096)
		<hr/>	<hr/>
Net current assets		6,900,614	7,773,112
		<hr/>	<hr/>
Net assets		9,093,331	9,360,343
		<hr/> <hr/>	<hr/> <hr/>
The total funds of the charity			
Unrestricted income funds			
- General fund		2,910,996	1,408,140
- Designated fund		2,000,000	5,616,157
Restricted income funds		4,182,335	2,336,046
		<hr/>	<hr/>
Total funds		9,093,331	9,360,343
		<hr/> <hr/>	<hr/> <hr/>

The financial statements were approved and authorised for issue by the Trustees on 11 July 2009 and signed on their behalf by:

.....
Sir Iqbal Sacranie
(Chairman)

.....
Professor Ghulam Sarwar
(Treasurer)

MUSLIM AID

Consolidated cash flow statement For the year ended 31 December 2008

	Notes	2008 £	2007 £
Reconciliation of operating gain/(deficit) to net cash inflow from operating activities			
(Increase)decrease in inventories		(190,836)	(1,342,294)
Operating (deficit)/gain		(267,012)	820,534
Depreciation		169,099	108,942
Decrease/(increase) in debtors		142,616	(840,045)
Increase(decrease)/ in creditors		384,632	(357,313)
Net cash inflow/(outflow) from operating activities		238,499	(1,610,176)
Cash flow statement			
Net cash inflow/(outflow) from operating activities		238,499	(1,610,176)
Capital expenditure		(774,585)	(371,729)
Increase/(decrease) in cash in the year	13	(536,086)	(1,981,905)
Reconciliation of net cash flow to movement in net funds			
(Decrease) in cash in the year		(536,086)	328,646
Net funds at 1 January		5,952,147	7,605,408
Net funds at 31 December		5,416,061	7,934,054

MUSLIM AID

Notes to the financial statements For the year ended 31 December 2008

1. Accounting policies

a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards, the Statement of Recommended Practice "Accounting and Reporting by Charities" (2005) and The Charities (Accounts and Reports) Regulations 2005. The accounting policies below have been adopted for material items.

These accounts include the results and assets and liabilities of the material field offices of Muslim Aid and also the results of the trading subsidiary "The Fair Factory".

b) Incoming resources

Voluntary income is received by way of legacies, donations and gifts and is included in full in the Statement of Financial Activities when Muslim Aid is entitled to the receipt and the amount can be measured with reasonable certainty. Gifts in Kind for which Muslim Aid accepts full responsibility for distribution are included in income at their market value (in the case of medicines, at the lowest value of the generic equivalent as approved by the WHO) when it is distributed and under Charitable Activities at the same value and time. The value of services provided by volunteers has not been included.

Grants, including grants for the purchase of fixed assets, are recognised in full in the Statement of Financial Activities in the year in which they are receivable.

c) Resources expended

Resources expended are recognised in the year in which they are incurred.

Fundraising costs are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities. They also include the losses made by The Fair Factory recognized as a cost of generating funds.

Support costs are those costs incurred directly in support of expenditure on the objects of the charity and include project management.

Management and administration costs are those incurred in connection with administration of the charity and compliance with constitutional and statutory requirements.

d) Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Leasehold properties	Straight line over the life of the lease
Computers and software	25% straight line
Fixtures and fittings	10% straight line
Office equipment	15% straight line
Motor vehicles	15% straight line

e) Micro credit schemes

Expenditure on Muslim Aid's interest free micro credit loans are written off under Charitable Activities as it is not intended that Muslim Aid will ever profit from or derive an income from these loans.

f) Funds

General funds are unrestricted funds which include buildings and equipment necessary for the proper functioning of the charity and other funds available for use at the discretion of the trustees in furtherance of the charity's objectives.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes

Restricted funds are funds which are subject to specific restrictions as imposed by the donor or nature of the appeal.

MUSLIM AID

Notes to the financial statements For the year ended 31 December 2008

g) Shariah and administration costs

The charity complies with Shariah law. In addition, the charity does not charge administration costs to Zakah donations.

h) Pension costs

The charity provides a money purchase pension (defined contribution) scheme for employees. The assets of the scheme are held separately from those of The Charity. The annual contributions payable are charged to the SOFA.

i) Leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

j) Inventories

These are valued at the lower of cost or market value. They are medicines received before the year end and distributed after the year end.

2. Donations and grants

	Total 2008	Total 2007
	£	£
Donations and grants received in UK	9,835,365	7,117,155
Institutional grants and donations received at Field offices	3,912,680	2,242,043
Gift aid	1,047,841	897,710
Gifts in Kind received at Field offices	9,290,284	10,389,579
	24,086,170	20,646,487

3. Investment and other income

	2008	2007
	£	£
Bank deposit interest	146,308	240,218
Shop turnover	47,459	-
	193,767	240,218

MUSLIM AID

Notes to the financial statements For the year ended 31 December 2008

4. Resources expended	Direct costs £	Support costs £	2008 Total costs £	2007 Total costs £
Cost of generating funds	204,887	73,415	278,302	416,283
Costs of fundraising trading	341,073	-	341,073	-
	<u>545,960</u>	<u>75,415</u>	<u>619,375</u>	<u>416,283</u>
Charitable activities				
Emergency relief	12,371,905	234,423	12,606,328	3,085,267
Education	1,041,423	70,504	1,111,927	1,995,709
Water & sanitation	462,931	43,939	506,870	409,197
Health Care	1,193,155	89,374	1,282,529	8,181,933
Rainbow Family	483,019	65,113	548,132	609,767
Livelihood	1,007,927	89,678	1,097,605	892,341
Shelter and Infrastructure	3,378,809	132,987	3,511,796	2,309,285
Capacity building	87,448	-	87,448	54,911
Qurbani/Ramadan	2,111,352	351,985	2,463,337	1,039,766
Costs (see note 14)	-	1,470,068	1,470,068	980,293
Total Charitable activities	<u>22,137,969</u>	<u>2,548,071</u>	<u>24,686,040</u>	<u>19,558,469</u>
Governance cost	-	31,821	31,821	39,495
Total resources expended	<u>22,683,929</u>	<u>2,653,307</u>	<u>25,337,236</u>	<u>20,014,247</u>
5. Resources expended: Governance Costs			2008 £	2007 £
Trustees Reimbursements, Travel & Hotel			3,821	3,776
Audit fee - Current year			25,000	21,500
- Under provision in prior year			-	9,724
Legal and other costs			3,000	4,495
			<u>31,821</u>	<u>39,495</u>
6. Staff cost and number of employees			2008 Number	2007 Number
The average monthly numbers of employees in the UK during the year were:			75	54
			<u>75</u>	<u>54</u>
Employment costs			2008 £	2007 £
Wages & salaries			1,355,176	938,851
Social security costs			119,310	84,427
			<u>1,474,486</u>	<u>1,023,278</u>
No employee earned more than £60,000 during the year (2007: None).				
The average numbers of employees in Field offices were:				
Head count.			1,082	968

MUSLIM AID

Notes to the financial statements For the year ended 31 December 2008

7.	Tangible fixed assets	Leasehold buildings	Computers & software	Fixtures & fittings	Office equipment	Vehicles	Total
		£	£	£	£	£	£
	Cost						
	At 1 January 2008	850,666	192,914	105,566	253,008	458,196	1,860,350
	Additions	461,984	44,321	266,304	104,259	122,502	774,585
	Disposals	-	-	-	-	-	-
	Permanent diminution in value	-	-	(224,785)	-	-	-
	As at 31 December 2008	1,312,650	237,235	147,085	357,267	580,698	2,634,935
	Depreciation						
	At 1 January 2008	33,974	88,829	19,951	77,146	53,219	273,119
	Charge for the year	17,000	55,273	19,631	38,098	39,097	169,099
	Disposals	-	-	-	-	-	-
	As at 31 December 2008	50,974	144,102	39,582	115,244	92,316	442,218
	Net book values						
	At 31 December 2008	1,261,676	93,133	107,503	242,023	488,382	2,192,717
	At 31 December 2007	816,692	104,085	85,615	175,862	404,977	1,587,231
8.	Inventories						
	This mainly consists of undistributed medicines stored in warehouses in various field offices under the control of Muslim Aid.						
9.	Debtors						
	Consolidated debtors					2008	2007
						£	£
	Gift aid					298,471	796,653
	Loan - Al Hijra school					21,000	21,000
	Other debtors					896,680	541,114
						1,216,151	1,358,767
	Debtors of Muslim Aid						
	Gift aid					298,471	796,653
	Loan - Al Hijra school					21,000	21,000
	Other debtors					894,406	541,114
	Amounts owned by subsidiary undertakings					330,986	-
	Provisions against amounts owed					(293,614)	-
						1,251,249	1,358,767
10.	Creditors: amounts falling due within one year					2008	2007
						£	£
	Consolidated creditors						
	Other taxes and social security costs					26,011	26,011
	Other creditors					1,238,717	748,482
	Accruals - charitable projects					-	105,603
						1,264,728	880,096
	Creditors of Muslim Aid						
	Other taxes and social security costs					26,011	26,011
	Other creditors					1,228,145	748,482
	Accruals - charitable projects					-	105,603
						1,254,156	880,096

MUSLIM AID

Notes to the financial statements For the year ended 31 December 2008

11. Restricted funds and Unrestricted funds

Restricted funds

	£	£	As at 1 January £	Income £	Expenditure £	Transfers £	As at 31 December £
Shelter and Infrastructure			140	3,796,521	(3,378,809)	-	417,852
Qurbani/Ramadan			85,435	946,947	(1,004,838)	66,435	93,979
Emergency			1,785,181	13,608,446	(12,427,955)	17,456	2,983,128
Education			102,513	568,648	(555,074)	-	116,087
Rainbow family			20,451	481,296	(493,878)	20,451	28,320
Water and sanitation			55,490	318,825	(284,220)	-	90,095
Economic Empowerment			40,315	259,468	(472,100)	172,317	-
Capacity building			-	73,600	(48,036)	-	25,564
Healthcare			246,521	807,939	(627,150)	-	427,310
			2,336,046	20,861,690	(19,292,060)	276,659	4,182,335

Unrestricted funds

Designated fund							
Emergency relief			4,222,129	-	(178,373)	(2,143,756)	1,900,000
Education			500,678	-	(556,853)	56,175	-
Healthcare			657,655	-	(655,379)	47,724	50,000
Water & sanitation			235,695	-	(222,650)	36,955	50,000
Total designated funds			5,616,157	-	(1,613,255)	(2,002,902)	2,000,000
General fund			1,408,140	4,208,534	(4,431,921)	1,726,243	2,910,996
Total unrestricted funds			7,024,297	4,208,534	(6,045,176)	(276,659)	4,910,996
Total funds			9,360,343	25,070,224	(25,337,236)	-	9,093,331

Restricted funds include £1,301,513 of Institutional funds received and not spent at the year end. The balance relates to donations received for specific purposes and not spent at the year end. The largest amount, Emergencies, contains institutional funds unspent of £814,435 received for Gaza and the balance is a mixture of funds received for Gaza and other emergencies.

12. Net assets by funds

	Unrestricted £	Restricted £	Total £
Tangible fixed assets	2,192,717	-	2,192,717
Net current assets	2,718,279	4,182,335	6,900,614
	4,910,996	4,182,335	9,093,331

13. Analysis of change in net funds

	Opening balance 1 January 2008 £	Cash flow 31 December 2008 movement £	Closing balance 31 December 2008 £
Cash at bank and in hand	5,952,147	(536,086)	5,416,061

MUSLIM AID

Notes to the financial statements For the year ended 31 December 2008

14. Costs and related income

The Charity funds some of its delivery costs from specific income. That is from the sum of gift aid (£1,047,841) bank deposit profit (£146,308) and income from Institutional Funds for that specific purpose (£275,919) totaling £1,470,068.

15. Related parties

A number of Trustees were Trustees of other charities who have received grants from Muslim Aid. The details are; the Muslim Council of Britain £100,965 (2007: £74,000), European Institute of Human Sciences £34,000 (2007: nil), Markfield Institute of Higher Education £43,225 (2007:nil). No Trustees received any benefit from these grants.

16. Taxation

Muslim Aid is a registered charity and is exempt from taxation.

17. Commitments

A) At the 31 December the following expenditure had been authorized and contracted for:

	2008 £	2007 £
Within one year	<u>200,000</u>	<u>1,493,349</u>

B) Obligations under operating leases:

Annual obligations under non cancellable operating leases.

	Land and buildings		Plant and machinery	
	2008 £	2007 £	2008 £	2007 £
Operating lease which expire:				
Between 2- 5 years	62,000	62,000	-	-
In greater than 5 years	<u>50,337</u>	-	-	-
	<u>112,337</u>	<u>62,000</u>	<u>-</u>	<u>-</u>

18. Administration costs and income

As explained in the accounting policies Muslim Aid does not charge any administration costs to Zakat donations. Muslim Aid works hard to keep its administration costs to the minimum. The administration costs charged to income, excluding Zakat donations, was 7% (2007: 6%).

19. Subsidiary

Muslim Aid established a trading subsidiary during the year called "The Fair Factory". It runs a coffee shop. The company is a wholly owned subsidiary of Muslim Aid. The results for the year and the financial position of the subsidiary at the year end have been included in these accounts. At the year end the company had total assets of £265,230 and total liabilities of £341,557 with a total deficit of £76,327. The company had a turnover of £47,459 and costs of £123,786 with a deficit for the year of £76,327. After the year end the Trustees decided to close the shop. This decision affected the valuation of the shop's fixed assets at 31 December 2008 and as a consequence the assets in the consolidated accounts were reduced by a further £217,287.

20. Muslim Aid

Muslim Aid had gross incoming resources in the year of £25,022,765 and total resources expended of £25,289,777 making a total net outgoing resources of £267,012.