

# **TRUSTEES' REPORT AND FINANCIAL STATEMENTS**

For the year ended 31 December 2018

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## Legal and administrative information Charity number (CIO) 1176462

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### Board of Trustees

Iftikhar Ahmed Awan (Chair)	Appointed 29 December 2017
Sara Pantuliano (Vice Chair)	Appointed 29 December 2017
Javed Akhtar	Appointed 29 December 2017 (Resigned 21 September 2018)
Aaqil Ahmed	Appointed 29 December 2017
Mohammed Abdul Aziz	Appointed 29 December 2017
Kawsar Zaman	Appointed 29 December 2017 (Resigned 27 September 2019)
Habibunnisha Patel	Appointed 29 December 2017
Salim Omar (Treasurer)	Appointed 1 October 2019
Mustafa Faruqi	Appointed 1 October 2019

### Senior Leadership Team

Jehangir Malik OBE	Chief Executive Officer - Appointed 19 September 2016
Mahmoon Siddiq	Chief Operating Officer - Appointed 3 April 2017
Shoaib Sheikh	Director of Finance – Appointed 1 May 2017 (Resigned 30 September 2019)
Zac Hussain	Director of Business Development – Appointed 5 June 2017
Imtiaz Mohammed	Director of International Programmes – Appointed 3 July 2017

### Interim Manager

Michael King, Stone King LLP Appointed by the Charity Commission on 17 October 2016, discharged on 5 February 2018

### Registered Office

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E1 1WP

### Principal Office

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London E1 1JX

### Bankers

Lloyds Bank plc  
Habib Bank AG Zurich  
Al Rayan Bank

### Solicitors

Simons Muirhead & Burton LLP  
8-9 Frith Street  
London W1D 3JB

### Auditors

Crowe U.K. LLP  
St Bride's House  
10 Salisbury Square  
London EC4Y 8EH

# About Muslim Aid

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## Who we are

Muslim Aid is a faith-based international relief and development agency. Muslim Aid has been working for over three decades to help save and improve the lives of millions of people mainly in 27 of the world's poorest countries.

## Our Vision

Working together for a world without poverty.

## Our Mission

In accordance with our faith-based values, we will work to enable communities to cope with disasters and to become self-sufficient through sustainable development.

## Our Values

As a faith-based international NGO, Muslim Aid draws upon a rich heritage of social action and working with various communities to improve the lives of others in need. Muslim Aid commits itself to working with:

- Compassion and justice (*Ru'ufun* and *'Adl*) in all of its actions.
- Accountability and transparency (*Muhasabah* and *Shafafyah*) to all of our stakeholders, especially the communities we work with.
- Action with quality (*Amal m'a Jawadah*) – our programmes reflect and fill a gap identified by the communities we work with, with longer-term actions based upon need and capacity.
- Respect for the rights, dignity and equal opportunity (*Karamah* and *Sawaseyah*) of all peoples.
- Empowerment (*Tamkeen*) - empowering communities and individuals to reach their full potential.

## Our Objectives

The Charity's objectives are exclusively for the public benefit and are essentially to:

- Deliver an effective emergency response globally
- Secure sustainable livelihood opportunities for the marginalised and the poorest communities
- Provide access to quality primary education, especially for girls
- Improve access to MNCH (Maternal, Neonatal, Child, Healthcare) services and primary healthcare services

## What we do

Working mainly in 27 countries across Africa, Asia and Europe, Muslim Aid strives to help the poor overcome the suffering endured due to natural and other disasters and lack of life's necessities. We work with all those in need, regardless of their faith, race, ethnicity, age and ability.

Whilst responding to emergencies is one of our major priorities, we also work on strategic programmes to eliminate poverty by focusing upon:

- Humanitarian/Emergency Response
- Education
- Healthcare
- Livelihood

These projects ensure that individuals can have access to essential necessities and the skills required to generate an income so that they are not permanently dependent on aid agencies for shelter, food and clothing.

### **Where we work**

Muslim Aid operates through a network of Country Offices and local partners. These are set up either as locally registered NGOs that prepare their own accounts, or they have an international registration and operate as branch offices. As both these types of offices also act as branch offices for Muslim Aid to deliver the Charity's objectives, their accounts are also incorporated into the final Muslim Aid financial statements.

Funds are transferred from Head Office to the Country Offices, although some of the larger Country Offices also run additional programmes financed by institutional donors.

Staff at Head Office liaise with the local Country Office staff to help develop and monitor the programme activity.

We operate in the following countries though either a branch office, local entity or dual entity:

Bangladesh, Bosnia, Cambodia, India, Indonesia, Jordan, Lebanon, Myanmar, Pakistan, Somalia, Sri Lanka and Sudan.

### **Who we work with**

The number of community-based humanitarian organisations that Muslim Aid works with has grown over time. We are committed to a partnership-based approach to poverty eradication and empowerment. We also work for, or as part of, a consortium for a variety of international donors including ECHO, EU, WFP, IDB and UNDP amongst others.

### **Volunteers**

Volunteers play an integral role in the operations of the charity. Muslim Aid, as a part of its Volunteer Partnership Programme, conducts stringent due diligence prior to deploying any volunteers.

We work with volunteers who give their valuable time, expertise and know-how in fundraising events including treks and challenges, mosque and street collections and community events. In the UK these volunteers are mainly based in London, Birmingham, Manchester, Bedford and Luton.

Our volunteers also support charitable activities and community events. Some of the activities supported by volunteers include soup kitchens, winter- warmth-kit-distributions, interfaith meetings to promote understanding of different faiths, and advocacy work.

At Muslim Aid we are committed to developing and upskilling our volunteers, through various accreditation programmes. We also show our appreciation through rewards programmes.

The Trustees are particularly grateful for the selfless manner in which our volunteers apply themselves and the immeasurable good that is derived as a direct result of their work.

Community activities include partnership events such as Act of Kindness with the Salvation Army, Community Clear Up with Tower Hamlets Council - all helping to raise the profile of MA in the Community.

# Our Achievements and Performance in 2018

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During 2018, Muslim Aid continued its focus on the delivery of its global objectives:

- To support an effective emergency response globally. Key activities include responding to major crises and disasters, supporting affected communities by meeting immediate needs for food, water and shelter. Focus is also given to building the resilience of communities and disaster preparedness.
- Secure sustainable livelihood opportunities for the marginalised and poorest communities. Major activities include assisting in the development of vocational skills through training programmes to improve formal and non-formal livelihood opportunities.
- Provide access to quality primary education especially for girls. Muslim Aid focuses on supporting education authorities and local communities to renovate existing primary school structures, improve teacher training and encourage the involvement of parents and communities in supporting local primary schools.
- Improve access to maternal neonatal and child health and primary health care services. Key activities include supporting mothers and children through community based health interventions. Work is also done to support local health service providers through training.
- Increase income from diversified sources.
- Ensure Muslim Aid is an effective, transparent and accountable organisation to all its stakeholders.

Muslim Aid works closely with local communities and a range of local, national and international development partners including donors in delivering its programmes. Inspired by our faith, we work with an inclusive approach to all regardless of faith, race, ethnicity, age and ability.

We provide effective emergency relief and implement long term sustainable development solutions where need is greatest. With all our projects, we apply a participatory approach by involving the community. This is because we strive to ensure sustainability so that lives are continuously improved. In 2018 alone, we reached over 18 million people across the world.

## Humanitarian and Emergency Response Programme

The access we have through our country offices and partners places Muslim Aid in a unique and beneficial position in the context of emergencies, triggered by conflict or natural disasters. Due to our established presence across the regions, we are able to respond quickly in a context-sensitive way.

Our knowledge of the community, context and key stakeholders built over the years ensures cost efficiency and effectiveness, as well as sustainability for vulnerable communities. In 2018, Muslim Aid was able to access funding from a range of diverse funding sources, including large institutional donors such as UMCOR, UNOCHA, and IOM. Partnerships of this kind have increased our impact. In South East Asia alone, we managed to support over 170,000 people affected by conflict and natural disasters. (*source: Muslim Aid Status Report 2018*).

Through our humanitarian programme, Muslim Aid reached a total of more than 15 million individuals in 12 countries in 2018. The programmes that have enabled this reach include projects that disseminate essential life saving information to cope with excessive heat as in the case of Pakistan to the distribution of food vouchers and traditional food parcels promoting independence and dignity in countries such as Somalia, Palestine and Jordan; clothing and fuel distribution, flood response and recovery and assistance to refugee crisis. (*source: Muslim Aid Status Report 2018*).

## Myanmar

In Myanmar, heavy rains brought devastation to homes, livelihoods and lives. When responding to the flood crisis, the Muslim Aid UK team coordinated with local authorities and stakeholders to determine the urgent need. During the distribution of food and non-food items, the Muslim Aid UK team participated and supported in strengthening and streamlining processes and practices to improve our impact and preparedness for any future natural disasters.

## Somalia

The humanitarian situation in Somalia became increasingly fragile in 2018. Severe drought conditions were expanding across the country and cholera outbreaks had been reported in many areas. In response to this crisis, with Muslim Aid supported by funding from the United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA), Muslim Aid targeted 14,529 direct beneficiaries through a multi-cluster and sectoral approach. The project provided these individuals access to lifesaving interventions in health, nutrition, food security, WASH and education services. Project activities included providing unconditional cash transfers, vaccines to children, meals in schools, consultations on sensitisation, and training on integrated management of children and communicable diseases. The project also constructed 21 institutional latrines in schools and health facilities.

## **Pakistan**

Pakistan is one of the most climate change affected countries on the planet. In the past 3 years, heatwaves have affected the populations living in rural and urban Sindh. As the predictions for 2018 were very pessimistic, Muslim Aid Pakistan led a consortium of partners – Action Against Hunger, ACTED, Trocaire – to mitigate the impact and reduce the risk of the most vulnerable from future heatwaves in the Sindh province. Through activities such as media message campaigns, and the sensitisation of district governmental departments and other local authorities for response preparedness, a total of over 14 million received preventive guidance. This represents 43.1% of the province population that is categorised by the Multi-dimensional Poverty Index as poor. *(source Muslim Aid Status Report 2018).*

## **Indonesia**

After the earthquake, internally displaced persons in Dongalla, Lombok and Palu had been living in informal settlements. Muslim Aid helps to provide families with a healthy living environment, protection, privacy and dignity. Projects include providing shelter, sleeping bags, solar lamps, mosquito nets and hygiene kits to earthquake and tsunami affected people. In total, we reached 171,904 direct and indirect beneficiaries through our emergency projects.

## **Palestine**

Water access and water quality is a challenge for all communities in the Gaza strip, and it is posing a serious threat to people's lives. With the increased power-cuts, the public network water provision is severely undermined. Due to the water insecurity, a majority of the population in Gaza depend on desalinated water. To address water scarcity and quality, in cooperation with PAEEP, Muslim Aid installed 51 solar powered desalination units in 31 schools, 19 kindergartens and in a sports club. As a result, 83,750 children and adults now have access to water. We also conducted awareness sessions and media campaigns on the maintenance of the units as well as on the maintenance of good hygiene practices. This is to ensure the sustainability of the project. The project not only provides safe drinking water for the surrounding community but also has decreased the absenteeism rate in the schools where the units were installed.

Due to the success of this project, the installation of additional solar powered water desalination units will continue in Palestine in 2019.

## **International Programmes**

In addition to emergency response, Muslim Aid works on the long-term needs of the most vulnerable. Empowering the poorest and most marginalised is at the heart of what we do. To do this, we work across themes to secure sustainable, livelihood opportunities, provide access to quality primary education, especially for girls, and improve access to MNCH and primary healthcare services. Across the key themes of Livelihoods, Education and Health, we also address core crosscutting themes, such as gender, inclusion and WASH. When addressing the needs of a community, we also ensure the community participates at all stages of the project. This is to ensure the sustainability of the project and to foster self-sustaining local communities.

In 2018 Muslim Aid funded programmes to directly benefit over 600,000 individuals and indirectly benefit over 1.4m (1,465,431) people. *(Source Muslim Aid Status Report 2018)*

## **Livelihoods**

When addressing poverty, Muslim Aid believes that building sustainable livelihood opportunities for the most marginalised and poorest communities reduces dependency on aid and empowers individuals. We do this by providing people with vocational skills training and microfinance to start a business. Overall, in 2018 for our livelihood projects, which directly supported 67,688 individuals directly and 261,719 individuals indirectly.

In Palestine, with the help of our partner PAEEP, Muslim Aid gave local farmers the chance to restore their activities and to distribute food to families in need. In an effort to reduce unemployment, the project also created opportunities for young graduates. As an immediate impact, the project met the food need of vulnerable people. In the long-term, the project helped people living under the blockade to restore their local agriculture and economy whilst simultaneously supporting local resilience. Overall, it has benefitted 6,450 individuals.

In Bosnia and Herzegovina, Muslim Aid worked with our local partner, LDSC, and with the local government to address the problem of rural poverty. As the country has favourable soil and climate conditions for growing most sorts of vegetables. We supported beneficiaries across 20 municipalities to produce greenhouse vegetables. To do this, we provided skills training in greenhouse vegetable production, distributed greenhouses with irrigation systems and seedlings and also provided professional advice through an accredited agronomist. At the end of 2018, we directly economically empowered 400 people. With this project aimed to run for another year, we expect to economically empower a total of 1,600 people.

In addition to providing individuals income through farming practices, Muslim Aid also provides vocational training to improve standards of living and increase access to employment. In Lebanon for example, Muslim Aid offered, and will continue to offer, vocational training to Syrian refugees and vulnerable Lebanese youth. In reducing the financial and psychological burdens of the youth, and opening opportunities for employment,

Muslim Aid is also working on using this livelihood project to diffuse social tension through also targeting Lebanese youth.

### **Education**

Education is key to improving life opportunities. Globally, inequality is prominent in the education system, with girls, in particular, facing barriers. These barriers include culture, distance to school, a lack of sanitation facilities and a lack of female teachers. It is for this reason that Muslim Aid's goal within education is to provide access to quality primary education, especially for girls. This includes increasing the number of children enrolled, sustaining the retention rate and generally improving the learning environment in these vulnerable communities reaching 517,624 people. (Source: *Muslim Aid Status Report 2018*).

In rural areas of Myanmar, there is a high dropout rate in primary school. Inter-communal violence and forced displacement has had a significant impact on education in Rakhine State. Alongside the problems faced, such as malnutrition and poor school infrastructure, in 2018 alone, Muslim Aid provided access to quality education in Myanmar. In 2018, we worked on three educational projects in Myanmar. In total, we directly and indirectly helped 96,950 people. For one of the projects, with the help of the World Federation, Muslim Aid implemented an education programme in two schools across two villages of Rakhine State. We distributed school equipment to students, teachers and school facilities. We also provided school meals for a period of one year and enhanced the capacity of volunteer teachers, school management systems and parents through recruitment and training. This was with the goal to improve access to quality primary education and improve the nutrition and wellbeing of girls and boys affected by the conflict.

In another project in Myanmar, Muslim Aid provided seven temporary learning spaces for internally displaced and deprived children living in the IDP camps and villages. In 2018, we constructed facilities, provided important items, such as school uniforms, and conducted hygiene training for students and trained teachers on teaching.

In Pakistan, we implemented an education project to improve the quality of teaching and infrastructure in primary schools in one of the most poverty-stricken regions of the Punjab province. To do this, we built the capacity of the staff and management of the school, provided school materials to newly enrolled students, as well as supportive devices for disabled students, and provided and helped repair school infrastructures such as classrooms and water and sanitation facilities. Following our approach in addressing core crosscutting themes, we also conducted an awareness campaign on themes such as girls' education and hygiene. The project has helped 1,522 people in total.

### **Healthcare**

Muslim Aid focuses on improving the access to MNCH and primary health care services in the countries that we work in. As in all our thematic concerns, we target the most needy communities and help them through increasing their access to clean drinking water and sanitation and by training health service providers.

In 2018, Muslim Aid started a three-year project in partnership with UNICEF on maximising efforts to control and eliminate malaria in South Central Somalia. Although there has been great progress in Somalia towards malaria control, the ongoing conflict is continuously making it hard for the public health systems to set a low standard level of transmission. To address this concern, we are providing long-lasting impregnated nets to protect individuals from mosquitoes, diagnosing and giving prompt treatment to community members and also equipping people with knowledge on how to prevent malaria and how to treat it. In 2018 we reached 32,557 individuals directly and indirectly.

Similarly, in Sudan, access to primary healthcare in Kassala State is a challenge that is faced by communities. With problems such as malnutrition, epidemic diseases and a lack of clean water and poor hygiene and sanitation, adequate health services are in great need. To address this, Muslim Aid provided medical treatment, drugs and vital supplies to six health clinics. In addition to providing essential materials, we built the capacity of the local communities on healthcare awareness. Overall, the project has helped people – both directly and indirectly. Following our strategic plan, our primary focus was on the health of children and pregnant/lactating women.

In Palestine, the ongoing conflict, the restrictions on the movement of people and goods, and the dire socioeconomic situation has had serious repercussions for the psychological wellbeing of the population in Gaza. With high levels of psychosocial distress reported, Muslim Aid has been providing support to the Palestinian Trauma Centre in Gaza. This is with the aim of providing relief and promoting resilience to those traumatised by the ongoing conflict and siege. In 2018, we psychologically rehabilitated 250 families, provided psychosocial education to parents and school parents, and supported children.



### **Iraq and Kenya**

In August 2017, the country office in Kenya was closed after a cost benefit analysis and the assets transferred to a local NGO. Due to insufficient access to records, this has been excluded from the 2017 financial statements. In February 2018, the country office in Iraq was closed due to operational and regulatory difficulties, which has resulted in a lack of access in Iraq to documents, records and explanations to determine the financial performance and position of the branch for inclusion within the 2017 financial statements.

### **Philippines**

Muslim Aid closed its office in the Philippines in April 2018. The office had been established to support communities affected by Typhoon Haiyan in Nov 2013 which caused large scale devastation and loss of over 6,000 lives. Muslim Aid had responded with the provision of food, water and temporary shelter to meet immediate needs and had remained in the country to support the process of rehabilitation and implemented a livelihoods programme to assist communities to rebuild their lives.

### **Indonesia**

Muslim Aid has had a presence in Indonesia since the December 2004 Asian tsunami struck the country. Since that period, Muslim Aid has been active in the country providing a range of programmes and responding to the regular occurrences of natural disasters that continue to affect communities throughout the country.

The Government of Indonesia issued a notification in 2018 that it expected international NGOs to leave the country by 2020 as most NGOs who have responded to the tsunami had remained after the initial response to continue to provide support much needed support to the affected communities. As a result of the Government notification, Muslim Aid closed its office in October 2019 and has agreed to support a local partner, YKMI who will undertake agreed programme activities in the country. Muslim Aid will assist in strengthening the capacity of YKMI to deliver quality programmes.

### **Yemen**

Alongside the conflict, food insecurity and lack of access to sanitation and safe water, Yemen is also currently facing an unprecedented cholera crisis due to attacks on water systems. Muslim Aid is providing life-saving services to the war-affected population in Yemen. In 2018, we worked through the Humanitarian Forum Yemen to increase availability of medicines, medical supplies and equipment. We also raised awareness of precautionary measures that the communities can take to prevent cholera. In addition, through our partner Nahda Makers Organisation (NMO) we provided and are still providing rainwater harvesting units and distributing hygiene kits and ceramic water filters to 1,000 households.

### **Syria**

In the eighth year of conflict in Syria, Muslim Aid worked on several projects. In 2018, we reached 57,906 individuals and 752 households. Projects in Syria range from food distribution for families to meet their nutritional needs, clothes distribution and support towards a specialised prosthetics clinic to produce limbs. For one of our projects, with funding from UOSSM, Muslim Aid supported a local health centre to provide primary healthcare to the population displaced by the conflict.

### **Rainbow Family**

The Rainbow Family programme funds vulnerable children across the regions through money transfers on the condition that the child sponsored attends school. In 2018, money raised helped to ensure around 5,000 children were supported to continue their education. From these beneficiaries, around one third were from the Middle East, one third from South Asia and one third from Africa and Southeast Asia

### **Qurbani programme**

Every year, through the help of our donors, Muslim Aid carries out Qurbani programmes across the regions we work in and distributes the meat to the poor. In 2018, our Qurbani programme reached 241,337 beneficiaries. With the help of our country offices and partners across 16 countries, such as India, Sierra Leone, Cambodia, Sudan and Syria, 12,979 units were distributed across households.

### **Ramadan programme**

Muslim Aid's Feed the Fasting programme helped reach 121,441 beneficiaries. The programme made use of a combination of Cash Based Interventions (CBI) in the form of a voucher system and traditional in-kind food parcels in countries where CBI could not be established due to lack of access to direct markets such as refugee/IDP camps in Jordan, Lebanon, Syria and Myanmar.

## UK Programmes

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### Street Iftar

To mark the tragic first anniversary of the Finsbury Park terror attack, Muslim Aid along with Muslim Welfare House and Finsbury Park Mosque and local partners, delivered a Street Iftar in Ramadan. The event was attended by over 2,000 people, including speakers Rt Hon Jeremy Corbyn MP, Rt Hon Dominic Grieve MP and speakers from various faiths. The event was a collaboration with Islington Council to demonstrate MA's commitment to work with local communities adversely affected by disasters.

### Grenfell Counselling Services

Since the Grenfell Tower fire, it has emerged that there are very many unmet needs among the survivors, bereaved and witnesses to the fire. Muslim Aid's **Mind the Gap: A Review of the Voluntary Sector Response to the Grenfell Tragedy**, report published in June 2018 in the run-up to the one year anniversary, identified three medium-term to long-term challenges as Mental Health, Livelihoods [Jobs and Employment] and Housing and that all three areas inter-connect. In response to this, Muslim Aid has supported Al Manaar Mosque to provide counselling services for the survivors, bereaved, witnesses and wider Grenfell community, which has been supported by Muslim Aid with funding and advocacy work. In 2018 the project supported approximately 103 people with on-going culturally sensitive, multi-lingual counselling needs.

# Fundraising Highlights

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Muslim Aid has been experiencing year-on-year growth across the Fundraising and Communications Department. This has been achieved through a range of changes across the Department such as:

- Restructure and recruitment drive to complement our departmental strategy and to ensure we are equipped with the right skills, knowledge and motivation to drive engagement, reach and revenue
- Expansion of all key functions - fundraising, digital marketing, press & media and supporter relations
- Budget and income projection based on relevant activities throughout the year
- Integrated planning and development meetings to enhance coordination between all key stakeholders to maximise impact

## Fundraising

- Expansion of fundraising team across the UK to ensure national footprint and relevant events and tours to maximise income.
- Corporate fundraising activities with Natco Foods to drive engagement with mutual consumer / donors via on-pack promotion where 100% sales were donated to Muslim Aid's Myanmar project.
- Dedicated Major Gifts Manager to develop relationship and retention

## Marketing

- Expanded team to ensure a better level of co-ordination and campaign plan throughout the year
- Recruited a Head of Marketing to carry out market research and identify gap within MA to enhance revenue especially during Ramadan

## Press and Media

- Expansion of press and media team to continue to drive awareness across all media platforms.
- Featured across major mainstream media outlets for the Grenfell report, earthquake in Indonesia, street iftars, parliamentary reception across BBC, C4, Sky, Radio 4 etc.

## Supporter Relations

- Recruited a new team across supporter relations and data analysis to continue to support marketing with relevant data to drive revenue and retention

## Key achievements during the key MA Campaigns

- Winter campaign
  - Distributed over 600 winter rucksack kits filled with sleeping bags, thermals, hats, gloves etc. for homeless people in the UK.
  - Partnership with soup kitchens across London on joint projects to feed the homeless.
- Ramadan Campaign:
  - Gaza Water Desalination Unit – provided 443,210 litres of clean water per day
  - Feed the fasting – 1.6m meals were distributed
  - Myanmar Shelters – supported 7,200 people
  - Syria – 1,763 refugees protected

Flagship events such as Iftar at the Shard, Street Iftars, Eid in the Park along with bespoke mailing for different donor types enabled us to continue to enhance engagement and revenue.

- Grenfell Report 'Mind the Gap' enabled Muslim Aid to work closely with key partners to provide social care and relevant support throughout the year.
- Muslim Aid in the media – There was media exposure for: Grenfell, Mitzvah Day interfaith event, Indonesia Tsunami, Myanmar 1 year on etc. across mainstream media platforms as follows:

Channel 4 News - BBC - BBC Breakfast (on the sofa) - ITV - Sky News - CNN – Al Jazeera News – BBC East Midlands – ITV London – BBC Radio 4 Today – BBC Up All Night – BBC 5 Live – The Times – Daily Mail – Press Association – The Guardian – The Telegraph – The Independent – Evening Standard – The Mirror – Jewish Chronicle.

## Key focus areas during 2018

Major gifts and philanthropy has become a significant area that is being managed by a dedicated member of staff to drive relationship and retention through existing and new acquisition of high net-worth supporters.

Corporate funding is a new area we are exploring as a platform to work with prominent brands to complement their corporate social responsibility that is compatible with MA.

Marketing and campaign plans consisting of key income generating components such as direct mail, sms, email shot etc. is a major revenue stream through engagement.

Digital fundraising consisting of Google AdWords and social media giving is a growth area to engage donors and continue to drive revenue.

This also included collaborative work with influencers and celebrities to continue to drive engagement.

All key internal departments such as Fundraising, International Programmes and Communications, work collaboratively as a team to ensure transparency across the board. This enables us to focus on the right projects, select the right country, identify and implement the right fundraising activities along with agreed price handles to enhance engagement and revenue.

Muslim Aid has subscribed to the Fundraising Regulator to continue to improve fundraising standards and build public trust. They have been active in supporting charities on some of the following:

- Updates on code of fundraising practice
- Best practices within charity sector organisations
- Consultation topics on data protection and GDPR, complaints handling and online fundraising platforms
- Governance

All fundraising activities have been implemented in line with our fundraising standards. Regular monitoring of events enabled us to drive a healthy ROI (return on investment) through better level of accountability and VFM (value for money) options to maximise net revenue.

Based on internal policies and standards, all aspects of fundraising were implemented in line with the relevant guidelines such as GDPR to protect donors.

As a new and growing fundraising team, we subscribe to fundraising standards and have registered with the Fundraising Regulator on an annual basis. In the year 2018 we had a total of 11 complaints from across our international offices which were all dealt with in line with our policies.

We have always been very pro-active in protecting vulnerable people and other members of public and therefore relevant code of conducts and training were delivered to protect vulnerable people.

# Risk Management

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Muslim Aid takes a risk-based approach to managing its global operations and places emphasis on preventing problems by its proactive work to identify and manage risks before they occur. Muslim Aid has taken significant steps to improve its compliance function and its overall approach to managing risks. Ownership of risks is managed at the highest level and actioned both by the SLT and with delegated authority down to the SMT.

The Head of Internal Audit (IA) leads the overall risk management system at Muslim Aid under the guidance of the SLT. They will set the standards for the professional practice of Internal Auditing, provide an independent system, and control assurances. They will also develop an Audit Charter for Board Approval and periodic review. They will form their Annual Plan based on the outputs from the Audit needs assessment and the Risk Register. The overall Risk Management Framework should comprise of a Finance and Audit Committee (FAC) which meets and reports on individual audit reviews and the overall status against the agreed annual internal audit plan. The Head of IA has a dual reporting line and although they are line managed by the COO, they also have a dotted line to the FAC to ensure independence and assurance.

The major strategic and operational risks that Muslim Aid is exposed to and the ways in which these are being monitored, managed and mitigated are regularly assessed by the Senior Management Team. The assessment is reviewed by the Finance and Audit Committee and then passed for consideration to the Board of Trustees.

The process identifies the types of risk that the Charity faces, records them on the strategic risk register and prioritises the risks in terms of likelihood of occurrence and potential impact.

## Financial

Muslim Aid recognises the challenges ahead in terms of particular risks in relation to achieving a sustainable financial model with respect to its cost base, unrestricted fundraising income level and improving business processes efficiencies and their cumulative impact on the Charity's strategic plans. Muslim Aid has negative unrestricted funds at 31 December 2018 and the current projections indicate that these will continue until at least 2022. In light of this, the Board will be focusing on developing a plan to reverse this deficit. Furthermore there is a focus on building a model that will produce regular and reliable projections and forecasts and identifies material variances between projections and outturn, in order that the Charity can take action to improve its financial position. Further details are provided in the going concern section of this report.

## Organisational structure

A formal change process was completed in January 2018 giving rise to operational alignment and greater efficiencies. Key alignment efforts were built around a consolidation of the International Programmes teams, a new vision for fundraising and communications with better strategies for support functions taking into account changes in the external environment, regulatory requirements and clear terms of reference for departments and staff.

## Compliance with regulatory requirements

Muslim Aid has invested in a compliance function to ensure all aspects of compliance and standards are being managed effectively to continue to build public trust and to drive transparency and governance within the organisation. All fundraising activities go through a stringent process to ensure a business case proposal is submitted with rationale of the event, expenditure, income projection, programme, communication and press & media requirements - as well as relevant due diligence on stakeholders in line with our policy.

We work very closely with all stakeholders (internal and external) and review compliance, branding and legal queries as required for the betterment of the organisation.

As part of our GDPR compliance process, we have established a security-conscious workflow and adequate administrative data & technical measures to protect personal data. We are establishing thorough controls over the entire IT infrastructure, building healthier data protection workflows and streamlining security monitoring to better manage what is going on across our network.

We have gone through an audit process to minimise the data we collect and hold, better organise data storage and refine our data management process. We now have a fine-tuned database of highly relevant supporters / donors that genuinely want to hear from us and have genuine interest in our brand.

The GDPR process enabled us to build a better level of relationship with donors that are keen to hear from us and receive updated information about our campaigns and how they can be part of our journey by supporting

us as required. As donors are becoming more and more conscious about how their data is being handled, we have been transparent and have taken a proactive approach to build trust in our brand.

#### Banking and regulatory restrictions

One of the risks is considered to be restrictions on fund transfers to certain countries and the potential loss of banking facilities. Mitigation measures included strengthening relationships with banks, being sensitive to their concerns, awareness of changes in overseas transfer requirements and developing multiple payment options.

## Plans for the future

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Muslim Aid has faced difficulties over the last few years. Some of these difficulties have been explained in more detail in the section 'Interim Manager'. The new CIO was approved by the Charity Commission in December 2017. New Board members were appointed in the same month and the interim manager stood down in February 2018. A new CEO was also appointed. More recently two new Trustees including an Honorary Treasurer have been appointed to strengthen and complement the skills of the Board of Trustees.

The Board and the CEO are aware of the challenges Muslim Aid faces and are committed to resolving these to ensure that Muslim Aid can continue to support those it works with. However this will take time. The Board and the CEO have committed to a new strategic plan (2020 - 2025) to guide Muslim Aid through the next 5-year phase with a focus firmly on the beneficiary within a financially sustainable model. New methods of income generation and cost management initiatives are being implemented. Importantly, the Board have recently approved a detailed review of the finance function and organisational re-design. The objective is to ensure that there are sufficiently robust systems of internal control and financial management and that there is sound financial information for decision making enabling Muslim Aid to achieve its strategic objectives.

The Charity is committed to build on the progress made to date and continues to endeavour to improve through a learning environment. Continuous improvement has been demonstrated through the considerable work already undertaken but there is more to be done.

Areas of improvement are aligned to the Charity Commission Action Plan (CCAP) which focuses on key areas around Compliance, Financial Management, and Good Governance. Muslim Aid has already met its first reporting deadline of 24 October 2018 and is confident of meeting its obligations as set out in the two year CC Action Plan. Reporting is up-to-date with a second submission made in April 2019 and a third submission in October 2019. The final submission is due in April 2020.

Examples of progress made were the introduction of a more robust partner selection process with site visits, monitoring documents, enhanced due diligence, recruitment of qualified staff and stronger oversight. This process was coupled with the introduction of access to the World Check database as an additional due diligence mechanism. Muslim Aid has also created a new compliance function, headed up by a legal professional, consisting of distinct compliance roles from Safeguarding and Procurement to Data Protection and general due diligence.

A thorough review of our Country Programmes is underway and will continue in order to ensure that operating costs are minimised and commensurate with effective and compliant aid delivery.

Muslim Aid reviewed its IT systems and made a decision to invest in a small-scale ERP system to support the integration of major business processes and functions. This will ensure that it maintains effective and efficient operations compliant of all regulatory and statutory encumbrances.

The strategic plan will reinforce Muslim Aid's declared objective of 'serving humanity' through transforming lives with our unique set of programmes focused on empowering the poorest and most marginalised. The strategic plan is based on the results of a wide-ranging consultation at all levels within the organisation.

The goals have been based upon some key discussion areas:

- Embedding our faith-based values in all we do
- Localisation
- Influence for change
- Organizational Development

The strategic plan has taken into account the 17 Sustainable Development Goals (SDGs) adopted by the international community aimed at eliminating extreme poverty in our lifetime, in particular focusing on:

- Ending poverty in all its forms
- Ending hunger, achieving food security and improved nutrition and promoting sustainable agriculture
- Ensuring healthy lives and promoting well-being for all at all ages
- Ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all

Providing WASH interventions will be a part of all programmes as it is a basic foundation for family security, health, education and livelihoods.

In addition to the SDGs, the goals and objectives of the strategic plan have drawn heavily from national development plans and also the priorities of the Charity's field offices.

The Charity will further benefit through being able to:

- Deliver an effective emergency response globally
- Secure sustainable livelihood opportunities for the marginalised and the poorest communities
- Increase income from diversified sources by increasing fundraising capacity

The above will ensure that Muslim Aid is an effective, transparent and accountable organisation to all its stakeholders.



# Structure, Governance and Management

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## Interim Manager

On 23 January 2015 the Commission issued an order, under section 84 of the Act, directing the trustees of MA 1985, to implement a number of actions aimed at, improving governance and financial management within certain timescales and report to the Commission on progress as specified below. The inquiry found that in the main there were deficiencies against most actions which meant that the charity had not reached the required standard and had not complied with the order.

The Charity Commission inquiry used the power in section 76(3)(g) of the Act to appoint an interim manager, to the exclusion of the trustees of MA 1985. The order to appoint Michael King of Stone King LLP as the interim manager (the IM) was made on 17 October 2016.

The scope of the IM's appointment included taking control of the management and administration of the charity to the exclusion of trustees, reviewing its financial controls and conducting a thorough governance and infrastructure review.

As part of his appointment, the IM, with the support of a newly appointed CEO completed a full governance and infrastructure review of the charity and its activities. His initial findings corroborated the Commission's regulatory concerns which had "identified poor overall leadership, management and weak financial controls over its international operations". The IM's investigations found "systemic failings in MA 1985's governance, leadership and management structures and personnel, including financial controls, monitoring of project outcomes and expenditure, dysfunctional relationships with country offices, staff distrust of the management structure, conflicts among the trustees".

Remedial actions were taken to regularise the charity's governance to ensure it was fit for purpose. This encompassed the following:

- Incorporation of the charity into a new CIO, which was successfully registered by the Commission on 29 December 2017.
- Transfer of all assets and liabilities to the new CIO.
- Recruiting a new trustee board which took office from 31 January 2018
- Setting up a new leadership structure and team
- Conducting a comprehensive review of the charity's international operations, identifying significant management issues regarding the legal responsibility and relationship between the charity and field offices, particularly those involving intellectual property rights

The Interim Manager assumed full responsibility as the sole trustee and began the process of appointing a new Board of Trustees. Together with the CEO, the IM sought the views of a variety of people from the Muslim community and also from international relief organisations ranging from Islamic Relief Worldwide to CAFOD and from the Disasters Emergency Committee to Oxfam. A Review Committee was established to advise on the process, comprising entirely Muslims and chaired by a prominent CEO. A new constitution was established based on the CIO (Charitable Incorporated Organisation) model as advised by the Charity Commission. Following an open recruitment process (in which 68 people applied) a shortlist of 12 candidates was created and finally 7 people, including 6 Muslims and 1 Catholic, 5 of them male and 2 females were appointed. All confirmed that they would abide by the ethos and vision statement. The inquiry met with the incoming trustees, the new Senior Leadership Team (the SLT) and the IM on 5 October 2017 and conducted further records inspections at the charity premises over two days in order to test the progress made in strengthening their governance management since January 2015. The records inspections included the examination of charity policies, handbooks, manuals, guidance, as well as ten project files detailing overseas grants to the charity's offices and external partners.

The inquiry noted the significant progress made in strengthening the SLT. It also found that the new SLT had been able to implement a number of improvements in their relatively short tenure, however a number of inherited weaknesses remained in the charity's administration. It was accepted by the new incoming trustees and the new SLT that further improvements were required in a number of key areas which included reviews of charity policies and guidance, safeguarding, HR, financial controls and governance of field offices.

The inquiry considered submissions and further evidence from the charity following the visits inspection and accepted the incoming trustees undertaking to have oversight and responsibility for implementation of a new section 15 Action Plan.

On the 1 February 2018, the inquiry received formal notification from the IM that the Charity's affairs had been concluded and it had been wound up. The Commission considered the IM's submission of a dissolution

application following which the charity, MA 1985 was removed from the Register on 1 February 2018 because it had ceased to operate.

The IM was discharged on 5 February 2018 by virtue of section 337(6) of the Act.

### **Board of Trustees**

The CIO application was submitted to the Charity Commission for approval and the CIO was incorporated on 29 December 2017 with a new charity registration number 1176462 approved by the charity commission.

The Transfer to the CIO was effective 1 February 2018. With the Transfer Agreement transferring assets and liabilities from the unincorporated charity to the CIO was finalised and the Commission agreed that the unincorporated charity (now renamed "MA 1985") was now in a fit state to have its assets and liabilities transferred by the IM to the CIO.

The Transfer Agreement was signed on behalf of the Trustees and appropriate resolutions were made.

The Trustees are elected and operate in accordance with the Governing Document of the Charity (CIO) approved in 29 December 2017. Transfer of the CIO to the new trustees was completed on 26 January 2018.

The Board of Trustees was made up of 7 trustees with new Trustees being recruited by an open process by the Board, in line with the constitution. Two new Trustees have been appointed in October 2019.

All new Trustees are provided with a MA Induction pack including the governing document (CIO) and audited accounts to assist them in their role. Induction meetings are arranged by the Executive Committee to give the new Trustees information regarding the roles and responsibilities of the Board and its associated committees and also to supply details of any current issues facing the Charity.

The Trustees are responsible for all matters pertaining to governance of the Charity and policy making. Muslim Aid's management is responsible for implementing programmes and projects approved by the Trustees in an efficient and transparent manner, within its policy framework, thus fulfilling the stated aims and objectives of the Charity.

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

### **New Charity Governance Code**

The trustees are committed to The Charity Governance Code published in 2017 which sets out the principles and recommended practice for good governance within the sector. The charity is reviewing its current governance arrangements against the principles within the code and will address any issues raised where required in 2020.

### **Public benefit**

The Trustees confirm that they abide by the Charity Commission's general guidance on public benefit in accordance with the Charities Act 2011 to have due regard to public benefit in pursuance of the Charity's aim as described above in "About Muslim Aid".

### **Organisational Structure**

The Trustees delegate day-to-day running of the Charity to the CEO Office (staffed by the CEO and his executive team). The CEO reports to the Chair of the Board.

The new organisation has under the CEO, a new COO and three directors leading a renewed organisation with an ambitious structure focused on building capacity and strong systems.

It has overseas branch offices in Bangladesh, Bosnia, Cambodia, Gaza, Jordan, Lebanon, Myanmar, Pakistan, Sri Lanka, Somalia, Sudan.

Muslim Aid also has partner country offices in Sweden and the USA who contribute to the MA Global Family priorities.

### **Trustees' responsibilities**

The Trustees are responsible for preparing the Trustees' Report and the financial statements for each financial year in accordance with the law applicable to charities in England & Wales.

The Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law, and in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice (Charities SORP (FRS102)).

Under Charity Law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Charity, its income and application of resources of the Charity for that period.

In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently; to observe the methods and principles in the Charities SORP (FRS102);
- Make judgments and accounting estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Charity's transactions and disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Charities Act 2011.

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.

So far as each of the Trustees at the date of this report is aware, there is no relevant audit information of which the charity's auditor is unaware. Each Trustee has taken all the steps that he/she ought to have taken as a trustee in order to make himself/herself aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

The Trustees have exercised due diligence and care in protecting the integrity of the Charity and its reputation and have reviewed the financial accounts placed in the public domain in line with the legislation in the United Kingdom governing the preparation and dissemination of financial statements.

The Trustees take this opportunity to thank Muslim Aid stakeholders, in particular our generous donors and benefactors and staff for their support and faith in Muslim Aid's commitment and ability to deliver relief and development programmes where needed most.

Staff, volunteers and friends remain steadfast in their resolve to work for the service of humanity.

### **Finance Audit Committee**

The Finance Audit & Risk Committee is a key subcommittee, comprising Non-Execs as well as Trustee members. This was chaired by Javed Akhtar, until his resignation on 21<sup>st</sup> September 2018, and supported by the Finance Director. Recruitment is planned to include additional independent members. The committee was chaired temporarily by Habi Patel after the departure of Javed Akhtar but is now being chaired by Salim Omar.

The key duties of the Committee are as follows:

- Investigate any activity within its terms of reference.
- Review the Charity's financial statements before submission to the Board.
- Oversee the internal control and risk management function within the Charity including procedures for detecting fraud, monitoring the effectiveness of the systems for the integrity of the Charity's internal financial controls and assessing the effectiveness of the risk management framework.
- Seek any information that it requires from any employee of the Charity.
- Obtain outside legal or independent professional advice, at the Charity's expense, if necessary.

The Committee also considers the financial plans and performance of Muslim Aid and the cost effective and efficient operation of the Charity.

## **Nominations and Remuneration Committee**

The Nominations and Remuneration Committee has been established in line with the constitution during this year and major decisions around the recruitment, selection and appointment of new Board members were made by the Board.

Trustees are appointed in accordance with the rules set out in the governing document (CIO). The charity trustees have established a committee called the Nominations and Remunerations Committee, which is responsible for the renewals of and the appointment of new trustees.

The Nominations and Remunerations Committee shall develop and maintain a skills matrix to identify and recruit trustees and in selecting individuals for appointment as charity trustees, shall have regard to the benefits of diversity among the trustees and the skills, knowledge and experience needed for the effective administration of the CIO.

## **Programme Committee**

Chaired by the Vice Chair, comprises of MA Trustees and Non-Execs, it is charged with ensuring Muslim Aid has the continuing capacity to respond to emergencies and disasters worldwide and ensure MA strategic programme priorities are being adhered to.

## **Key Management Personnel and Remuneration Policy**

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

The Senior Leadership Team (SLT) is considered to be key management personnel and consists of the CEO, a Chief Operating Officer and three Directors leading different Departments. This structure has radically changed after a major overhaul following an internal change process based on a new vision. Directly under the SLT there is the Senior Management Team (SMT) layer which consists of Head of roles all of which have been newly created to lead the operational and tactical workplans.

Remuneration for all senior staff is based on annual appraisals carried out by the CEO or Chairman and then reviewed by an appropriate committee. The review of pay takes into consideration roles and responsibilities together with relevant market rates.

## **Pension**

The Charity has complied fully with the auto-enrolment legislation and all new employees are offered an Islamic Pension Trust with Carey Pensions from July 2014. Since October 2014 employees have been offered an employer contribution of 1% against a 1% employee contribution. This will rise to between 2% and 3% in 2018 and between 3% and 5% in 2019.

## **Auditor**

Crowe U.K. LLP has acknowledged its willingness to be reappointed as auditor for the year ending 31 December 2019.

# Financial Review

The financial statements have been prepared in accordance with the accounting policies set out on pages 25 to 26 of the attached Financial Statements and comply with applicable laws and requirements of the 'Accounting and Reporting by Charities: Statement of Recommended Practice' (Charities SORP (FRS102)) issued by the Charity Commission.

The financial statements incorporate the transactions and balances of each of Muslim Aid's 11 country offices alongside the activity arising from its UK operations.

In February 2018 the Field office in Iraq was closed due to operational and regulatory difficulties, which had resulted in insufficient access to documents, records and explanations to determine the financial performance and position of the branch for inclusion within the 2017 and 2018 financial statements.

Consequently, all transactions and balances arising in Iraq during 2017 and 2018 have been excluded from the financial statements with opening fund balances of £185k written off in the 2017 financial Statements as these were not deemed recoverable by Muslim Aid.

Muslim Aid UK has reviewed the residual liabilities and assets in respect of the operations in Iraq and has made appropriate provision for any future liabilities that may arise within the 2018 and 2017 Financial Statements. The estimated exposure to closure of Iraqi activities reduced in the year to £350k (2017: £1.25m).

Similarly, in 2017 the field office in Kenya was closed after a cost benefit exercise, with the remaining net assets gifted to a local NGO during the year. Due to insufficient access to documents, records and explanations required to determine the financial performance and position of the field office in 2017, the Kenya office was also excluded from the 2017 financial statements. Opening fund balances of £85k were written off in 2017 as these were no longer in the possession of Muslim Aid. See note 19 in the financial statements. Consequently, the comparative information presented in the 2018 financial statements excludes all transactions and balances arising in Iraq and Kenya field offices.

## Income

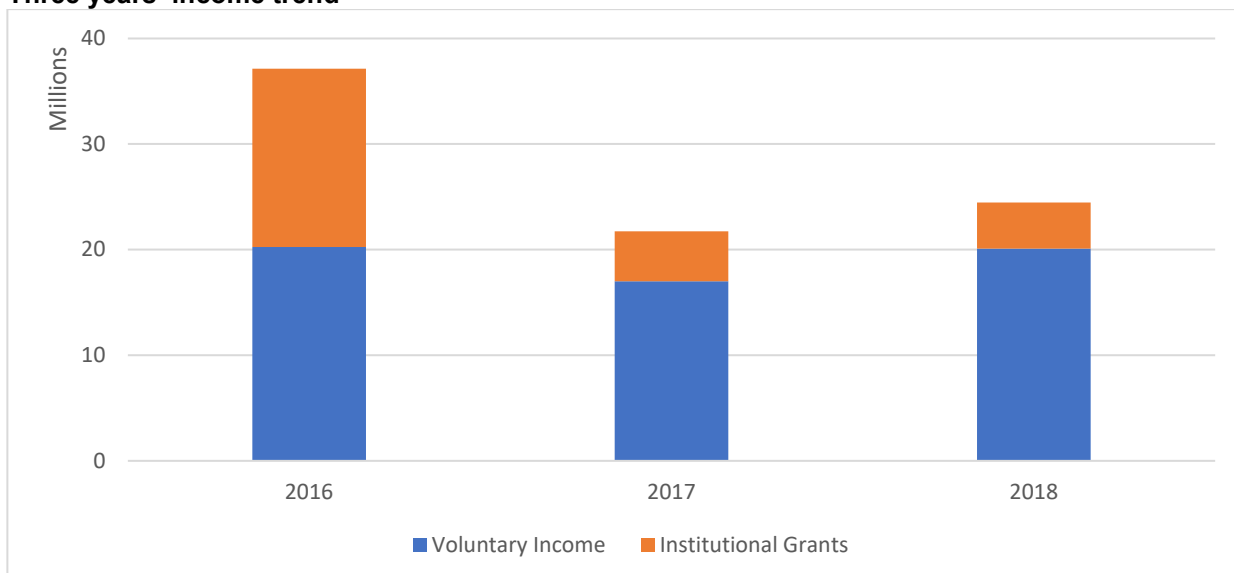
The Charity's total income for the year was **£24.5m** (2017: **£21.8m**), an increase of **£2.7m** or 12% on the previous financial year.

The total emergency donation income has decreased by **£0.7m** to **£4.2m** in 2018 (2017: **£4.9m**).

During the financial year we have raised **£4.8m** (2017: £3.8m) unrestricted income. We are focusing on increasing unrestricted income to provide adequate free reserves in accordance with the reserves policy

Some of our unrestricted funds were used as contribution to EC and ECHO projects in Sudan and Bangladesh as co-finance and to promote long-term development programmes.

## Three years' income trend



## Expenditure

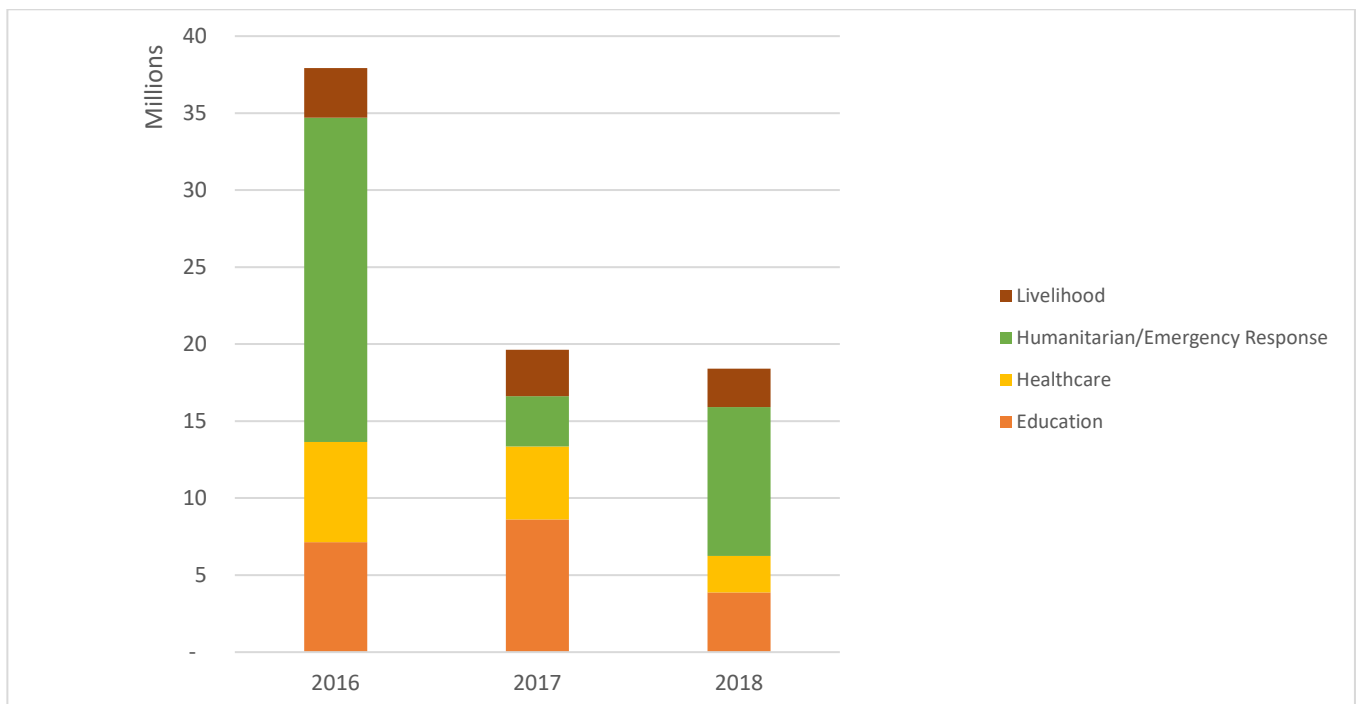
Our total expenditure for the year ended 31 December 2018 was **£23.4m** (2017: **£23.3m**). The expenditure on charitable activities was **£18.4m** (2017: **£19.6m**).

As expected, the expenditure on Humanitarian / Emergency work continued to increase from **£8.6m** in 2017 to **£9.7m** in 2018. In addition, Healthcare expenditure increased by **£0.9m to £2.4m** and Education decreased by **£0.8m to £3.9m** compared to the previous year respectively. The Rainbow Family Programme has continued to support a number of children, reaching 5,000 beneficiaries during 2018 (2017: 5,753).

Muslim Aid has a global footprint delivering large programmes of work in each geographical region.

## Three years' programme expenditure trend

Charitable expenditure by programme



## Net assets

The balance sheet for the Charity shows net assets of **£13.4m**, (2017: **£12.7m**). The increase in funds is represented by a net surplus in the year of **£1.4m** on restricted funds and net deficit of **£0.7m** on unrestricted funds

## Intangible fixed assets

The changes in intangible fixed assets during the period are shown in Note 9 to the financial statements.

## Tangible fixed assets

The changes in tangible fixed assets during the period are shown in Note 10 to the financial statements.

## Investment policy

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

## Reserves policy

Reserves consist of restricted and unrestricted reserves (see note 14). Restricted reserves are donations and grants held for future work on specific projects or programmes.

Unrestricted reserves are generated when there is no donor stipulation on how funds are utilised and so the Trustees have more discretion in how these funds are spent to further Muslim Aid's charitable objectives.

The Trustees recognise the need to hold sufficient unrestricted reserves to allow protection of core activities in the event of any income shortfalls and to implement long-term strategic programmes and enable the Charity to carry out its essential projects. The reserve policy ensures, as far as possible, the sustainability of charitable activities across various sectors.

As at 31 December 2018 the charity had Total reserves of £13.4m (2017: £12.7m), Restricted Reserves of £15.7m (2017: £14.3m), Fixed Asset Reserves of £2.1m (2017: £2.2m) with general reserves of -£4.4m (2017: -£3.7m). Total unrestricted funds held by the Charity are in a deficit position of £2,304k (2017: £1,579k deficit) and it has £nil free reserves (defined as general funds less net book value of fixed assets).

The year started with a deficit of £1,579K which was primarily a consequence of a review of the existing classification of fund balances during 2016 which led to £3.7m of previously unrestricted funds being reclassified to restricted funds at 2016 year end as part of a prior year adjustment.

The Trustees and Exec are developing a strategy to eliminate the deficit on unrestricted reserves and to build up unrestricted reserves to a level acceptable to beneficiaries and partners. At present, all funds held overseas are treated as restricted funds although they may not be so restricted by the donor or by the ask. This is because in practice, these funds will be used in the specific country. Going forward, trustees will discuss how in a restricted funding environment the organisation can create a reserve over time, sufficient to cover at least 6 month's operating costs and field offices running cost expenditure i.e. £2.5m (2017: £2.5m).

The Strategic Plan includes engagement of key high net worth donors, new commercial initiatives and revising cost recovery policy to match actual costs incurred. These actions will increase the general reserves to at least £2.5m by 2020.

## Trustees assessment of Going Concern

As set out above the charity is in a process of transition and there have been a number of personnel changes, to the finance team, including the Finance Director. As a result the preparation of the financial statements including the future forecasts and projections which are necessary to support the going concern assumption has been very challenging for the new Trustees and management team. New Trustees have been appointed including an Honorary Treasurer who joined a few weeks ago and has been trying to assist with the year end reporting. The information to support the going concern assumption has to be compiled, validated and reviewed by the Board. As we have reached our filing deadline the Trustees assessment of Going concern has been based on the information available.

Muslim Aid is currently going through a recovery process to strengthen its financial resilience to continue to meet its charitable objectives. At the same time the charity is putting in measures to improve all aspects of its operations including governance, financial management, human resources and compliance. The Trustees have reviewed the Charity's financial position, taking into account the level of reserves, the income and expenditure, the annual plan and the Three-year financial plan, and its systems of financial and risk management. Since the year end, the overall income position of the Charity has continued to improve but the unrestricted fund position continues to be strained. A financial recovery plan to commence in January 2020 is being put in place. This involves a significant review of all areas of the Charity particularly those that are making operating deficits, reducing charitable expenditure and costs at the centre. This will also enable the Charity to manage operational and financial risks successfully and to allow us to meet our strategic and operational goals over the next 12 months and the medium term.

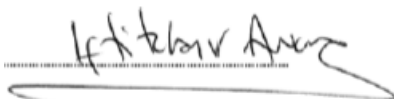
The following assumptions are made in the financial projections.

- The charity will be able to raise the voluntary income from donors and supporters which it has projected as there are an increasing number of supporters who are committed to continue supporting the charity. This was demonstrated during the 2019 Ramadan Appeal.
- Continuous income growth from institutional funders during 2019 further reinstates Muslim Aid's ability to attract funding for its activities.
- The organisation will focus on reviewing its cost base to ensure it is in line with its income projections.

Despite the financial recovery plan and the associated financial and cash flow forecasts, the Trustees recognise that there is a material uncertainty relating to these assumptions, and in particular to those relating to the level of fundraising income and with respect to the timing and size of receipts from institutional funders. These conditions along with the matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about Muslim Aid's ability to continue as a going concern. The Trustees and CEO are proactively addressing the negative unrestricted funds and will continue to have day-to-day focus on income generation and cashflow forecasts and these will be reviewed on a monthly basis. As a result of these planned changes and the commitment to implement them the Trustees are of the view that it is appropriate to prepare the accounts on a going concern basis. The financial statements do not include the adjustments that would result if Muslim Aid was unable to continue as a going concern.

The Board of Trustees has the responsibility to sign the Report and Accounts for the year ended 31 December 2018. The accounts were approved on the 31<sup>st</sup> October 2019.

Iftikhar Ahmed Awan  
Chairman



31<sup>st</sup> October 2019



# Independent Auditor's Report to the Trustees of Muslim Aid

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## Qualified Opinion

We have audited the financial statements of Muslim Aid for the year ended 31 December 2018 which comprise the Statement of Financial Activities, Balance Sheet, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion except for the effects of the matters described in the Basis for Qualified Opinion section of our report the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2018 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

## Basis for qualified opinion

Our qualified audit opinion has arisen for the following matters in relation to our audit of the financial statements for the year ended 31 December 2018:

1. We have been unable to conclude that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We have been provided with the current budgets and cash flow forecasts for the year ended 31 December 2020. We have reviewed these forecasts, however we have concluded that these are not sufficiently reliable to support their conclusion for the following reasons:
  - a. Regular and reliable projections and forecasts have not been produced throughout the period and there have been material variances between projections and outturn.
  - b. We have not been provided with detailed analysis and evidence which underpins the forecasts and projections for the period of the trustees' assessment on going concern so we are unable to properly assess and validate key assumptions or judgements.
  - c. The Charity is currently showing a significant deficit on unrestricted funds. The forecasts provided indicate this deficit will increase for the year ending December 2019 and remain until 2021. We have not been presented with a clear plausible plan to eliminate this deficit.
  - d. The future viability and operations of the charity will depend on the financial recovery plan which is currently being developed by the Trustees but is not at present complete.

We have been unable to perform alternative audit procedures to be able to form an opinion as to whether managements' assessment of the going concern basis is appropriate or whether there may exist a material uncertainty in respect of going concern.

2. Muslim Aid's field offices in Iraq and Kenya were closed during 2018 and 2017 and management have been unable to gain access to records or explanations required to substantiate balances and transactions or support the results of each field office. The results of these branches were excluded from the financial statements in the years ended 31 December 2018 and 31 December 2017. We are therefore unable to conclude that the information within these financial statements for the current or comparative period are free from material error or misstatement as we cannot confirm if the amounts excluded are material in the context of the overall financial statements.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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 attention to the disclosures in note 1 of the financial statements in which the Trustees have set out the current position of the charity and their conclusion that a material uncertainty exists in respect of going concern.

As set out in the Basis for Qualified Opinion paragraph above we have been unable to conclude that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate or whether a material uncertainty may exist in respect of going concern as we have not been provided with sufficient reliable audit evidence to support their conclusion.

### **Other information**

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Matters on which we are required to report by exception**

In respect solely of the limitation on our work relating to the trustees' assessment of Muslim Aid's ability to continue as a going concern and issues relating to the disclosure of financial information in the Iraq and Kenya field offices, described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit;
- we were unable to determine whether adequate accounting records had been kept; and
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of the following matter in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion

- the information given in the financial statements is inconsistent in any material respect with the trustees' report.

### **Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement on page 17, the trustees 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 charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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 charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

*Crowe UK LLP*

**Crowe U.K. LLP**  
Statutory Auditor  
**London**  
**Date: 31 October 2019**

Crowe U.K. LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

# Statement of Financial Activities

For the year ended 31 December 2018

		Unrestricted	Restricted	Total	Total
	Note	Funds £	Funds £	2018 £	2017 £
Income from:					
Donations and Legacies	2	4,735,471	15,373,864	20,109,335	17,015,922
Charitable Activities	3	-	4,361,589	4,361,589	4,728,754
Investment Income	4	30,438	-	30,438	50,801
<b>TOTAL INCOME</b>		<b>4,765,909</b>	<b>19,735,453</b>	<b>24,501,362</b>	<b>21,795,477</b>
Expenditure on:					
Raising Funds	5	1,715,155	3,244,722	4,959,877	3,628,410
Charitable Activities	5	3,427,018	14,983,844	18,410,862	19,634,021
<b>TOTAL EXPENDITURE</b>		<b>5,142,173</b>	<b>18,228,566</b>	<b>23,370,739</b>	<b>23,262,431</b>
Net income / (expenditure) before foreign exchange		(376,264)	1,506,887	1,130,623	(1,466,954)
Exchange surplus / (loss)		(21,673)	(422,530)	(444,203)	(583,070)
Transfer of Funds		(327,013)	327,013	-	-
Net movement in funds		(724,950)	1,411,370	686,420	(2,050,024)
Total funds at 1 January 2018		(1,579,483)	14,325,229	12,745,746	14,795,770
Total funds at 31 December 2018		(2,304,433)	15,736,599	13,432,166	12,745,746

The results for the year shown above all derive from continuing operations.

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 28 to 36 form an integral part of these financial statements.

# Balance Sheet

As at 31 December 2018

		Total	Total
		2018	2017
	Note	£	£
Fixed Assets			
Intangible Assets	9	92,749	123,456
Tangible Assets	10	2,044,542	2,033,588
		<u>2,137,291</u>	<u>2,157,044</u>
Current Assets			
Inventories		1,483,181	164,869
Debtors	11	9,248,692	7,104,546
Cash held for Investments		1,561,319	5,031,304
Cash at bank and in hand		4,402,880	4,895,259
		<u>16,696,072</u>	<u>17,195,978</u>
Creditors: amounts falling due within one year	12	5,137,557	6,403,895
Net Current Assets		<u>11,558,515</u>	<u>10,792,082</u>
Creditors: amounts falling after one year	13	263,640	203,381
		<u>13,432,166</u>	<u>12,745,745</u>
The Total Funds of the Charity	14		
Unrestricted Income Funds			
General Fund		(2,304,433)	(1,579,483)
Restricted Income Funds		15,736,599	14,325,229
		<u>13,432,166</u>	<u>12,745,746</u>

The financial statements were approved by the Trustees on 31 October 2019 and signed on its behalf by:



**Chairman**

The notes on pages 29 to 39 form part of these financial statements.

# Statement of Cash flows

For the year ended 31 December 2018

	<b>Total</b>	<b>Total</b>
	<b>2018</b>	<b>2017</b>
	£	£
Cash flows from operating activities:		
Net movement in funds (as per the Statement of Financial Activities)	686,420	(2,050,024)
Depreciation charges	233,958	239,132
Loss on disposal of tangible fixed assets	6,647	74,385
Currency revaluation of tangible fixed assets	48,914	243,661
(Increase)/Decrease in inventories	(1,318,312)	486,115
(Increase)/Decrease in debtors	(2,144,146)	158,469
(Decrease) / Increase in creditors	(1,206,079)	(2,490,918)
Investment income receivable	(30,438)	(50,801)
	<u>(3,723,036)</u>	<u>(3,389,981)</u>
Cash flows from investing activities:		
Purchase of tangible fixed assets	(263,772)	(144,291)
Purchase of intangible fixed assets	(5,994)	(2,400)
Disposal of Investment	-	11,596
Interest Received	30,438	39,205
	<u>(239,328)</u>	<u>(95,890)</u>
Change in cash and cash equivalents in the year	<u>(3,962,364)</u>	<u>(3,485,871)</u>
Cash and cash equivalents at the beginning of the year	9,926,563	13,412,434
Cash and cash equivalents at the end of the year	<u><u>5,964,199</u></u>	<u><u>9,926,563</u></u>
Analysis of cash and cash equivalents:		
Investments	1,561,319	5,031,304
Cash in hand	4,402,880	4,895,259
Total	<u><u>5,964,199</u></u>	<u><u>9,926,563</u></u>

# Notes to the financial statements

## For the year ended 31 December 2018

In 2017 Muslim Aid was a registered charity (registered with the charity Commission in England and Wales) and governed by its Memorandum and Articles of Association. The charity number was 295224 and its registered address was PO Box 3, London E1 1WP. On 1 Feb 2018, the charity was dissolved with all remaining assets and liabilities transferred to a newly established Charitable Incorporated Organisation (registration number 1176462) of the same name and under the control of the existing Muslim Aid Board. Both organisations are considered public benefit entities. This transaction has been accounted for as a merger and accordingly the financial statements are prepared on that basis and the trustees are satisfied that no material adjustments or restatements of comparative information are required.

### 1 Accounting policies

#### a) Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities applicable in the UK and Republic of Ireland (FRS 102) effective 1 January 2015 (Charities SORP(FRS 102)) and UK Generally Accepted Accounting Practice.

The Statement of Financial Activities (SOFA) and Balance Sheet include the results, assets and liabilities of the Charity and all its material country offices excluding Iraq and Kenya. The results of the country offices are combined on a line by line basis.

In 2017 the field operations in Iraq were wound down, with operations ceasing in July 2017, and all projects ceased in October 2017. In February 2018 the Field office in Iraq was closed due to operational and regulatory difficulties, with a small local staff retained to assist with the closing administrative issues. The closure has resulted in insufficient access to documents, records and explanations to determine the financial performance and position of the branch for inclusion within the 2017 and 2018 financial statements and opening fund balances have been written off to the Statement of Financial Activities.

Consequently, all transactions and balances arising in Iraq during 2017 have been excluded from the financial statements and opening balances have been written off to the Statement of Financial Activities.

Muslim Aid UK has reviewed the residual liabilities and assets in respect of the operations in Iraq and has made appropriate provision for any future liabilities that may arise within the 2017 and 2018 Financial Statements.

Similarly, in August 2017 the field office in Kenya was also closed after a cost benefit analysis, with the remaining net assets gifted to a local NGO during the year. Due to insufficient access to documents, records and explanations required to determine the financial performance and position of the field office in 2017 the Kenya branch has also been excluded from these financial statements. Opening fund balances have also been written off in the year as these are no longer in the possession of Muslim Aid.

Comparative information for Kenya and Iraq has not been adjusted in these financial statements. Further details surrounding the comparative information of each office is included in note 19 alongside analysis of amounts written off in prior year.

The financial statements have been prepared under the historical cost convention, unless stated otherwise on the relevant accounting policy notes, and on a going concern basis.

### Going Concern

Muslim Aid is currently going through a recovery process to strengthen its financial resilience to continue to meet its charitable objectives. At the same time the charity is putting in measures to improve all aspects of its operations including governance, financial management, human resources and compliance. The Trustees have reviewed the Charity's financial position, taking into account the level of reserves, the income and expenditure, the annual plan and the Three-year financial plan, and its systems of financial and risk management. Since the year end, the overall income position of the Charity has continued to improve but the unrestricted funds remain in deficit. A financial recovery plan to commence in January 2020 is being put in place. This involves a significant review of all areas of the Charity particularly those that are making operating deficits, reducing charitable expenditure and costs at the centre. This will also enable the Charity to manage operational and financial risks successfully and to allow us to meet our strategic and operational goals over the next 12 months and the medium term.

The following assumptions are made in the financial projections.

- The charity will be able to raise the voluntary income from donors and supporters which it has projected as there are an increasing number of supporters who are committed to continue supporting the charity. This was demonstrated during the 2019 Ramadan Appeal.
- Continuous income growth from institutional funders during 2019 further reinstates Muslim Aid's ability to attract funding for its activities.
- The organisation will focus on reviewing its cost base to ensure it is in line with its income projections.

Despite the financial recovery plan and the associated financial and cash flow forecasts the Trustees recognise that there is a material uncertainty relating to these assumptions and in particular those relating to the level of fundraising income and with respect to the timing and size of receipts from institutional funders. These conditions along with the matters explained in the trustees annual report, indicate the existence of a material uncertainty which may cast significant doubt about Muslim Aid's ability to continue as a going concern. The Trustees and CEO are proactively addressing the negative unrestricted funds and will continue to have day-to-day focus on income generation and cashflow forecasts and these will be reviewed on a monthly basis. As a result of these planned changes and the commitment to implement them the Trustees are of the view that it is appropriate to prepare the accounts on a going concern basis. The financial statements do not include the adjustments that would result if Muslim Aid was unable to continue as a going concern.

The trustees are not aware of any material uncertainties which suggest the charity cannot continue as a going concern. The accounting policies have been consistently applied for all material items.

The accounts have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair' view. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

The financial statements do not consolidate the results of Pharmacy Investments which was sold on the 27th July 2017. Although the charity exercised control over the running of the pharmacy, this control was only exercised from 2016 when it gained 100% ownership. However, the results are not considered material to the overall context of the financial statements and so have been omitted. Details surrounding the sale of this investment and of amounts not included in these financial statements are included in note 20. Muslim Aid's Sri Lanka office also controls the operations and activities of Muslim Aid (Micro Credit) Guarantee Limited, which manages the microcredit operation in Sri Lanka on behalf of Muslim Aid. The results of this organisation are excluded from consolidation as they are not considered material in the context of the overall financial statements. The results of the company are disclosed in note 19.

#### b) Incoming resources

Voluntary income is received by way of donations and gifts and is included in full in the Statement of Financial Activities when Muslim Aid is entitled to the funds, receipt is probable, and the amount can be measured reliably.

Gifts in Kind for which Muslim Aid accepts full responsibility for distribution are included in income at the value to the charity (in the case of medicines, at the lowest value of the generic equivalent as approved by the WHO) when the goods are received and under the control of Muslim Aid. Amounts are recognised in inventory until distributed at which point the relevant cost is released to the statement of financial activities.

Grants, including grants for the purchase of fixed assets, are recognised in full in the Statement of Financial Activities when Muslim Aid is entitled to the funds, receipt is probable and the amount can be measured reliably.

The receipt in advance of a grant for expenditure that takes place in a future accounting period is accounted for as deferred income and recognised as a liability until the accounting period in which Muslim Aid will expend the resource.

#### c) Resources expended

Resources expended are recognised on an accruals basis.

Fundraising costs are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities.

Support costs are those costs incurred indirectly in support of expenditure on the strategic objectives of the Charity. These have been allocated based on a ratio of each objective's direct expenditure to the total direct expenditure of all objectives.

Governance costs are those incurred in connection with administration of the Charity and compliance with constitutional and statutory requirements. They include legal advice for trustees, cost of trustees' meetings, audit fee and internal audit costs. These costs are allocated in the same way as other support costs.



c) Foreign currencies

Transactions in foreign currencies are translated at the rate of exchange at the time of the transaction. Country office income and expenditure is included in the Statement of Financial Activities at the average exchange rate for the period.

Foreign currency balances are translated at the rate of exchange prevailing at the balance sheet date.

Foreign currency gains and losses are recognised through the Statement of Financial Activities for the period in which they are incurred.

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

Leasehold properties	Straight line over the life of the lease
Freehold properties	5% straight line
Computers and software	25% straight line
Fixtures and fittings	10% straight line
Office equipment	15% straight line
Motor vehicles	15% straight line

Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance indicate.

f) Financial instruments

The Charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

g) Fund accounting

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.

h) Leases

Lease costs are taken to the Statement of Financial Activities on a straight-line basis over the term of the lease.

i) Micro Finance

The charity's overseas country offices provide unsecured credit to clients and savings account services to its beneficiaries so as to enable them to become self-sufficient and plan financial affairs to match their needs and provide capital for development. The income from lending and expenditure relating to lending and deposit taking activity is accounted for in the Statement of Financial Activities and the resulting assets (loans) and liabilities (deposits) are included in the balance sheet under debtors and creditors respectively.

j) Taxation

As a registered charity, Muslim Aid is exempt from taxation of income and gains to the extent that its income and gains are applicable to charitable purposes only.

k) Pensions

Contributions to the defined contribution pension scheme are recognised in the Statement of Financial Activities when they are payable. The money purchase nature of the scheme ensures there will be no funding deficit or surplus accruing to the Charity in the future. The pension scheme is independently administered, and the assets of the scheme are held separately from those of the Charity.

As a registered charity, Muslim Aid is exempt from taxation of income and gains to the extent that its income and gains are applicable to charitable purposes only.

l) Key judgements and estimation uncertainty

The preparation of the financial statements requires the Trustees to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions, which are based on the Trustees' best judgment at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. The Trustees' do not believe that there are any significant areas of estimation uncertainty that need to be disclosed.

2 Donations and Legacies	Unrestricted	Restricted	Total	Total
	2018	2018	2018	2017
	£	£	£	£
Donations received in the UK	3,952,424	8,880,223	12,832,647	11,407,641
Donations received at the Field Offices	-	2,313,252	2,313,252	2,364,304
Gift Aid	783,047	681,753	1,464,800	2,048,687
Gifts in Kind	-	3,498,636	3,498,636	1,195,290
	<u>4,735,471</u>	<u>15,373,864</u>	<u>20,109,335</u>	<u>17,015,922</u>

3 Charitable Activities	Unrestricted	Restricted	Total	Total
	2018	2018	2018	2017
	£	£	£	£
European Commission Humanitarian Organisation	-	29,373	29,373	673,619
European Commission	-	32,250	32,250	-
Start Network	-	143,012	143,012	-
United Methodist Committee on Relief	-	1,278,052	1,278,052	233,631
World Federation	-	50,000	50,000	-
Other Institutional Grants	-	139,017	139,017	660,140
Institutional Grants at Field Offices	-	2,689,885	2,689,885	3,161,364
	<u>-</u>	<u>4,361,589</u>	<u>4,361,589</u>	<u>4,728,754</u>

4 Investment Income	Total	Total
	2018	2017
	£	£
Bank Deposit Interest	30,438	39,205
Gain on sale of pharmacy (note 20)	-	11,596
	<u>30,438</u>	<u>50,801</u>

Bank deposit income was related to unrestricted funds whereas the gain on sale of pharmacy is restricted.

5 Resources expended				Total	Total
	Direct Costs	Staff Costs	Support Costs	2018	2017
	£	£	£	£	£
Raising Funds	3,200,793	1,481,867	277,217	4,959,877	3,628,410
Charitable Activities					
Humanitarian/Emergency Response	7,132,330	1,864,013	664,839	9,661,183	8,614,969
Education	2,774,936	893,798	203,638	3,872,371	4,735,951
Healthcare	1,607,594	711,907	60,029	2,379,531	3,269,014
Livelihood	2,072,778	378,643	46,357	2,497,778	3,014,088
Total Charitable activities	<u>13,587,637</u>	<u>3,848,362</u>	<u>974,863</u>	<u>18,410,862</u>	<u>19,634,021</u>
Total Expenditure	<u>16,788,430</u>	<u>5,330,229</u>	<u>1,252,080</u>	<u>23,370,739</u>	<u>23,262,431</u>

<b>6 Support Costs</b>	<b>2018</b>	<b>2017</b>
	£	£
Office Costs	550,390	346,469
Finance and IT	249,641	72,950
HR, Recruitment and Training Costs	286,593	326,729
Governance Costs	165,456	308,150

<u>1,252,080</u>	<u>1,054,298</u>
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<b>7 Governance Costs</b>	<b>2018</b>	<b>2017</b>
	£	£
Audit Fees - Crowe U.K. LLP	45,000	65,000
Legal fees	113,733	238,316
Trustees expenses	1,813	173
Internal audit	4,910	4,661

<u>165,456</u>	<u>308,150</u>
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In addition to governance costs stated above, Muslim Aid also incurred £ 25,370 for the local audits of its overseas country offices (2017: £27,900)

No member of the Board received any remuneration for their work as Trustees (2017: nil).

During the year 2 trustees (2017:3) received re-imburement for travel and subsistence costs totalling £1,813 (2017: £173)

<b>8 Staff cost and number of employees</b>	<b>2018</b>	<b>2017</b>
	Number	Number
Average number of employees during the year were:		
Fundraising	46	49
Information Public Affairs	14	5
International Programmes	593	544
Management & Finance	95	123
Corporate Services	91	96
Internal Audit	2	2

<u>841</u>	<u>819</u>
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Average number of country office employees included above	<u>903</u>	<u>707</u>
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<b>Employment Costs</b>	<b>2018</b>	<b>2017</b>
	£	£
Gross Pay	4,625,482	4,702,482
Employer's National Insurance	327,923	295,442
Pension Costs	19,302	10,985

<u>4,972,707</u>	<u>5,008,909</u>
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Staff costs includes the cost of 20 casual employees (2017: 29) who are employed during the months of Ramadan and Qurbani

	<b>2018</b>	<b>2017</b>
	Number	Number
£60,001 - £70,000	4	-
£70,001 - £80,000	-	-
£80,001-£90,000	1	1
	<u>5</u>	<u>1</u>

Total remuneration for senior employees was £356,667 (2017: £252,729). Employers NI was £43,453 (2017: £30,339) and employer pension costs were £5,519 (2017: £2,008). Senior employees are considered to be key management personnel and refers to the CEO, Assistant CEO (role converted to COO in 2017) and three other Directors.

During the year there were three redundancy payments totalling £12,904 (2017:£13,651) with no termination payment (2017:£30,662).

9 Intangible Fixed Assets

	Computer Software
<b>Cost</b>	
At 1 January 2018 (per stats)	190,333
Additions	5,994
Disposals	-
As at 31 December 2018	<u>196,327</u>
<b>Depreciation</b>	
At 1 January 2018 (per stats)	66,877
Charge for the year	36,701
Disposals	-
As at 31 December 2018	<u>103,578</u>
<b>Net book values</b>	
At 31 December 2018	<u>92,749</u>
At 31 December 2017	<u>123,456</u>

10 Tangible Fixed Assets

	Freehold & Leasehold Buildings	Computers & software	Fixtures & fittings	Office Equipment	Vehicles	Total
<b>Cost</b>						
At 1 January 2018 (per stats)	1,847,120	563,545	342,412	750,338	565,652	4,069,067
Additions	40,433	116,255	31,353	50,948	24,782	263,772
Disposals	(2,703)	(11,207)	(6,292)	(4,800)	(8,006)	(33,008)
Revaluation to closing rates	(26,565)	(15,336)	(5,861)	(34,140)	(61,252)	(143,155)
As at 31 December 2018	<u>1,858,285</u>	<u>653,257</u>	<u>361,612</u>	<u>762,346</u>	<u>521,176</u>	<u>4,156,676</u>
<b>Depreciation</b>						
At 1 January 2018 (per stats)	370,318	465,109	210,431	593,267	396,354	2,035,479
Charge for the year	45,895	58,220	23,150	36,053	33,939	197,257
Disposals	(1,038)	(7,386)	(3,724)	(2,624)	(11,588)	(26,361)
Revaluation to closing rates	2,749	(6,268)	(1,754)	(29,560)	(59,407)	(94,241)
As at 31 December 2018	<u>417,925</u>	<u>509,675</u>	<u>228,103</u>	<u>597,135</u>	<u>359,297</u>	<u>2,112,134</u>
<b>Net book values</b>						
At 31 December 2018	<u>1,440,361</u>	<u>143,582</u>	<u>133,509</u>	<u>165,211</u>	<u>161,879</u>	<u>2,044,542</u>
At 31 December 2017	<u>1,476,802</u>	<u>98,436</u>	<u>131,981</u>	<u>157,071</u>	<u>169,298</u>	<u>2,033,588</u>

11 Debtors

	2018	2017
	£	£
Microfinance loans	4,590,180	4,319,528
Receivables from Institutions	1,655,712	977,676
Gift Aid	2,933,523	1,723,839
Prepayments and accrued income	69,277	83,503
	<u>9,248,692</u>	<u>7,104,546</u>

12 Creditors:

	2018	2017
	£	£
amounts falling due within one year		
Programme creditors	1,355,216	1,394,765
Trade creditors	388,199	248,194
Taxation and social security	-	61,709
Accruals	468,634	1,730,205
Microfinance	2,719,867	2,677,048
Deferred income	205,641	291,974
	<u>5,137,557</u>	<u>6,403,895</u>
amounts falling due after one year		
Provision for staff gratuities	<u>263,640</u>	<u>203,381</u>

MUSLIM AID, TRUSTEES REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

13 Statement of Funds (2018)	Balance at 1st January 2018	Income	Expenditure	Gains / (losses)	Transfers	Balance at 31st December 2018
	£	£	£	£	£	£
<b>Restricted:</b>						
<b>UK Institutional Grants</b>						
ECHO (Humanitarian / Emergency Response)	(29,373)	29,373	-	-	-	-
European Commission (Livelihood)	(359,263)	32,250	-	-	327,013	-
Start Network	-	143,012	143,012	-	-	-
United Methodist Committee on Relief	-	1,278,052	638,866	-	-	639,186
World Federation	-	50,000	52,592	-	-	(2,592)
Other Institutional funds	1,001,236	139,017	12,778	-	-	1,127,475
<b>Field Offices</b>	<b>2,270,425</b>	<b>8,501,773</b>	<b>5,770,499</b>	<b>(422,530)</b>	<b>-</b>	<b>4,579,169</b>
<b>Muslim Aid: Emergency Funds</b>						
General Emergency Fund	742,779	1,287,242	1,479,257	-	-	550,764
Palestine Emergency Fund	3,842,893	492,339	1,535,176	-	-	2,800,056
Myanmar Emergency Fund	2,543,799	1,049,961	1,466,604	-	-	2,127,156
Syria Emergency Fund	3,253,616	1,307,369	1,252,154	-	-	3,308,831
Somalia Emergency Fund	394,524	-	-	-	-	394,524
Pakistan Emergency Fund	106,147	59,435	156,493	-	-	9,089
<b>Muslim Aid: Other Funds</b>						
Programme Fund	-	1,557,787	1,539,011	-	-	18,776
Religious Funds	-	1,592,759	1,603,198	-	-	(10,439)
Childcare and Sponsorship Funds	558,447	2,215,083	2,578,927	-	-	194,603
<b>Total Restricted Funds</b>	<b>14,325,229</b>	<b>19,735,453</b>	<b>18,228,566</b>	<b>(422,530)</b>	<b>327,013</b>	<b>15,736,599</b>
<b>Unrestricted Fund:</b>						
Fixed Asset Fund	2,157,044	-	233,958	-	214,205	2,137,291
General Fund	(3,736,527)	4,765,909	4,908,215	(21,673)	(541,218)	(4,441,724)
<b>Total Unrestricted Funds</b>	<b>(1,579,483)</b>	<b>4,765,909</b>	<b>5,142,173</b>	<b>(21,673)</b>	<b>(327,013)</b>	<b>(2,304,433)</b>
<b>Total Funds</b>	<b>12,745,746</b>	<b>24,501,362</b>	<b>23,370,739</b>	<b>(444,203)</b>	<b>-</b>	<b>13,432,166</b>

(i) Restricted funds are those project balances held on behalf of institutional donors, field offices, specific appeals and general emergency for future work. Any funds remaining in deficit on completion of programme will be cleared by transfers from general unrestricted funds.

(ii) The fixed asset fund represents the net book value of tangible fixed assets that were originally funded out of unrestricted funds. Fixed assets are acquired out of general funds and the transfer from the fixed asset fund represents the difference between additions and charge for the year.

(iii) General fund represents the amount that trustees are free to use in accordance with Muslim Aid's charitable objectives.

Statement of Funds (2017)	Balance at 1st January 2017	Income	Expenditure	Gains / (losses)	Transfers	Balance at 31st December 2017
	£	£	£	£	£	£
<b>Restricted:</b>						
<b>UK Institutional Grants</b>						
ECHO (Humanitarian / Emergency Response)	264,995	673,619	967,987	-	-	(29,373)
European Commission (Livelihood)	(135,120)	-	224,143	-	-	(359,263)
Other Institutional funds	797,820	893,771	690,355	-	-	1,001,236
<b>Field Offices</b>	<b>3,777,478</b>	<b>6,732,555</b>	<b>7,904,809</b>	<b>(334,800)</b>	<b>-</b>	<b>2,270,425</b>
<b>Muslim Aid: Emergency Funds</b>						
General Emergency Fund	51,271	894,734	203,226	-	-	742,779
Palestine Emergency Fund	3,551,292	653,248	361,647	-	-	3,842,893
Myanmar Emergency Fund	1,813,731	1,313,940	583,872	-	-	2,543,799
Syria Emergency Fund	2,640,244	1,562,838	949,466	-	-	3,253,616
Africa Drought Fund	710,402	-	315,878	-	-	394,524
Pakistan Emergency Fund	-	161,275	55,128	-	-	106,147
Low Impact Emergency Fund	214,288	402,277	616,565	-	-	-
<b>Muslim Aid: Other Funds</b>						
Programme Fund	263,605	514,521	778,126	-	-	-
Religious Funds	410,191	1,428,678	1,838,869	-	-	-
Childcare and Sponsorship Funds	628,608	2,715,592	2,785,754	-	-	558,447
<b>Total Restricted Funds</b>	<b>14,988,805</b>	<b>17,947,050</b>	<b>18,275,826</b>	<b>(334,800)</b>	<b>-</b>	<b>14,325,229</b>
<b>Unrestricted Fund:</b>						
Fixed Asset Fund	2,567,531	-	239,132	(243,661)	72,306	2,157,044
General Fund	(2,760,566)	3,848,427	4,747,473	(4,609)	(72,306)	(3,736,528)
<b>Total Unrestricted Funds</b>	<b>(193,035)</b>	<b>3,848,427</b>	<b>4,986,605</b>	<b>(248,270)</b>	<b>-</b>	<b>(1,579,484)</b>
<b>Total Funds</b>	<b>14,795,770</b>	<b>21,795,477</b>	<b>23,262,431</b>	<b>(583,070)</b>	<b>-</b>	<b>12,745,746</b>

## MUSLIM AID, TRUSTEES REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

14 Analysis of net assets between funds	2018		2017		2017	
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
	£	£	£	£	£	£
	£	£	£	£	£	£
Fixed Assets	2,137,291	-	2,137,291	2,157,044	-	2,157,044
Net Current Assets	(4,441,723)	16,000,239	11,558,515	(3,736,527)	14,528,571	10,792,044
Liabilities due > 1 year	-	(263,640)	(263,640)	-	(203,341)	(203,341)
	(2,304,432)	15,736,599	13,432,166	(1,579,483)	14,325,230	12,745,747

### 15 Commitments Land and buildings Operating leases expiring

	2018	2017
	£	£
-within one year	71,280	64,800
-within two to five years	213,840	259,200
	285,120	324,000

### 16 Taxation

Muslim Aid is a registered charity and is not therefore liable to income or corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities.

VAT is irrecoverable and has been charged to its associated expenditure.

### 17 Post balance sheet events

#### 1. Closure of Indonesia office.

We have reviewed the operation in Indonesia, and have commenced the closure of the office and will be closed in the later part of 2019. The process is underway, and the residual fund will be distributed. No material adjustments to the financial statements have arisen as a result of this decision

### 18 Activities in Iraq and Kenya

In 2017 Muslim Aid took the decision to close its field offices in Iraq and Kenya. Following closure of these offices, Muslim Aid was unable to obtain access to original books, records and explanations required to determine the financial position and performance of each country in 2017. Consequently, the results of each office were excluded from the 2017 financial statements and the remaining net assets at closure were written off as noted below:

Net Assets	Kenya	Iraq
	£	£
Restricted	85,398	185,624
Unrestricted		
Total	85,398	185,624

In 2018 Muslim Aid continued the assessment of historical Iraq operations and estimated that the organisation is exposed to a maximum of £2.1m of additional costs relating to potential refunds to institutional donors and settlement of remaining supplier invoices. There has been on going discussion with the relevant parties and an accrual held within the accounts is £350k (2017:£1.3m) as the organisation has reassessed the matter.

### 19 Subsidiaries excluded from consolidation

Muslim Aid controlled the operations of the following subsidiary entities which are excluded from consolidation on the grounds of being not material in the context of the overall financial statements.

#### Sale of Investment in a pharmacy in Pakistan.

The charity was the sole shareholder of a pharmacy in Pakistan which was sold on 28th July 2017. The investment in the charity was stated as £74,039. The gain on sale was £11,596 and was booked as a gain on sale of Investment. The charity has not included the gross results of the pharmacy in the financial statements because; although the charity exercises control over the running of the pharmacy, this control was only exercised from 2016 when it gained 100% ownership and in addition the results are not material in the context of the wider figures. The transactions relating to the sale are as follows:

	£	£
	2018	2017
Investment b/fwd.	-	74,039
Exchange loss in the year	-	(11,660)
Gain on sale	-	11,596
Sale proceeds	-	(73,975)
Investment c/fwd.	-	-

Net income and expenditure generated by the pharmacy in 2017 prior to the sale was £nil which is restricted to spend on microfinance activities.

#### MA (Micro credit) Guarantee Limited - Sri Lanka

Muslim Aid's Sri Lanka office also controls the operations and activities of Muslim Aid (Micro Credit) Guarantee Limited, which manages the microcredit operation in Sri Lanka on behalf of Muslim Aid. Results excluded from consolidation are as follows:

	£	£
	2018	2017
Assets	202,170	247,696
liabilities	-186,228	-240,458
net assets	15,942	7,237
		-
Income	42,101	86,957
expenditure	-63,840	-80,539
deficit/surplus	-21,739	6,417

MUSLIM AID, TRUSTEES REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

20 Related Parties

A number of MA key management personnel were either Trustees or Employees of other Charities who have received donations or payments for provision of services.

Key management personnel/Relationship to MA Expenditure	Payment to /Relationship	2018	Purpose	2017 Expenditure
Sara Pantuliano Trustee	John Plaistow husband of Sara Pantuliano did consultancy work which involved research and write-up of a Grenfell tower report discussing the lessons learned from such tragedies and advice on how local authorities and charities and can respond better to such disasters in future	12,750		26,969
		12,750		26,969
Jehangir Malik OBE CEO Muslim Aid	ACEVO Member	815		
	MCF Membership	35,000		
Zac Hussain Director of Business Development	Redbridge Ramadan Eid in the Park Sponsorship	25,000		
Mahmoon Siddiq COO Muslim Aid	Consultancy - paid in advance of him becoming an employee	-		19,200
	Trustee of MA Sweden MA UK received a Funds totalling £736,031.95, with a Debtor due of £414,063.54 as at 31st December 2018.	60,845		19,200
Michael King Interim Manager (appointed 17 Oct 2016 and resigned 31 Jan 2018)	Stone King LLP Interim Manager	-	Consultancy	127,458

**MUSLIM AID, TRUSTEES REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

**21 Comparative SOFA**

**Consolidated Statement of Financial Activities For the year ended  
31 December 2017**

	Unrestricted Funds _£	Restricted Funds _£	Total 2017 _£
<b>Income from:</b>			
Donations and Legacies	3,809,222	13,206,700	17,015,922
Charitable Activities	-	4,728,754	4,728,754
Investment Income	39,205	11,596	50,801
<b>TOTAL INCOME</b>	<u>3,848,427</u>	<u>17,947,050</u>	<u>21,795,477</u>
<b>Expenditure on:</b>			
Raising Funds	1,145,303	2,483,107	3,628,410
Charitable Activities	3,841,302	15,792,719	19,634,021
<b>TOTAL EXPENDITURE</b>	<u>4,986,605</u>	<u>18,275,826</u>	<u>23,262,431</u>
<b>Net income / (expenditure)</b>	<u>(1,138,178)</u>	<u>(328,776)</u>	<u>(1,466,954)</u>
Exchange surplus / (loss)	(248,270)	(334,800)	(583,070)
<b>Net movement in funds</b>	<u>(1,386,448)</u>	<u>(663,576)</u>	<u>(2,050,024)</u>
<b>Total funds at 1 January 2017</b>	(193,035)	14,988,805	14,795,770
<b>Total funds at 31 December 2017</b>	<u>(1,579,483)</u>	<u>14,325,229</u>	<u>12,745,746</u>