

Islamic Relief

Financial Statements

for the year ended 31st December 2004 revised

Company limited by guarantee



1984 - 2005



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Message from the President

It is quite moving for me to tell the story of Islamic Relief's humanitarian work over the past twenty years. Our commitment to helping people in need remains as strong as ever, as do our efforts to defend humanitarian work.

I often ask myself what hope there is for the needy, the distressed and the underprivileged in a world filled with conflicts and catastrophes. Will the voices calling for peace between people be heard in a world where war has caused so much death and destruction?

I see the role of humanitarian envoys as restoring hope to needy people. The increasingly globalised world we live in offers opportunities for positive and constructive dialogue between peoples, cultures and civilisations in a way that was previously inconceivable. I believe that by taking up these opportunities, enemies can become friends and our friends can become partners.

Islamic Relief has relentlessly devoted its efforts to combating disparities between social classes and establishing strong ties of solidarity between donors and beneficiaries. Over the years it has been recognised and supported by Muslims and non-Muslims throughout the world who share its humanitarian values. From its creation in 1984 to the present day, Islamic Relief has helped millions of needy people and implemented hundreds of development projects benefiting people of different origins without any racial, religious, or linguistic discrimination.

We believe that even in these turbulent times, it is our duty to continue in the same spirit with the same determination on the basis of our humanitarian values. We believe this is not the time to retreat but to restore new hope for distressed and needy people. Too many people in the world are threatened by mortal dangers like poverty and the ever-present threat of destructive catastrophes like earthquakes, floods, volcanic eruptions and wars.

Islamic Relief's objective has always been to combat poverty in all its forms. We remain committed, with United Nations institutions and international NGOs, to halve poverty in the world by 2015. We plan to do this through our emergency and sustainable development programmes in the fields of education, health, water, and micro-credit. Only positive efforts like these will provide the answer to what I see as the negative triangle of ignorance, famine and disease.

As a British based humanitarian aid agency inspired by Islamic humanitarian values, Islamic Relief is ideally placed to work in the spirit of solidarity, love and compassion among people and thus create a platform of constructive dialogue and fruitful cooperation between the Orient and Occident, the North and South. We work to strengthen a new and more humane understanding of globalisation wherein everyone can preserve their dignity and fulfil their basic needs. It is only in this way that the world will enter a phase of constructive mutual aid, using all its resources and the cultural, spiritual and material capacities of different cultures and traditions in a complementary manner and in the framework of a more just and humane world.

Dr Hany El-Bana (OBE, MB-
BCH, MD) Founder - President



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Trustees / Directors

Dr S Zahir (Chairman)
 Dr E El-Haddad
 Dr M El-Alfy
 Mr N Al-Noori
 Mr I El-Zayat

President

Dr H A G El-Bana, OBE, MBBCH, MD

General Manager

Mr H Atallah FCA, FRSA

Secretaries

Dr M El-Alfy
 Dr E El-Haddad

Registered Office

19 Rea Street South
 Digbeth
 Birmingham
 B5 6LB

Auditors

Dains Chartered Accountants
 St Johns Court
 Wiltell Road
 Lichfield
 Staffordshire
 WS14 9DS

Bankers

Barclays Bank plc
 15 Colmore Row
 Birmingham
 B3 2BY

NatWest plc

103 Colmore Row
 Birmingham
 B3 3NS

Solicitors

Wragge & Co
 55 Colmore Row
 Birmingham. B3 2AS

Hadens Solicitors

Leicester Buildings Bridge Street
 Walsall
 WS1 1EL

Company Number: 2365572

Registered Charity: 328158



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Trustees / Directors TRUSTEES' REPORT

The trustees, who are the directors for the purpose of the Companies Act 1985, submit their annual report and the group financial statements of Islamic Relief for the year ended 31 December 2004. The financial statements have been prepared in accordance with the accounting policies set out in Note 1 to the financial statements and comply with the requirements of the Statement of Recommended Practice, "Accounting and Reporting by Charities" issued October 2000.

Legal Status

Islamic Relief is a company limited by guarantee (No.2365572) and a registered charity (No.328158). It was formed on 13 February 1984 as a charitable organisation, incorporated under the Companies Act 1985 on 28 March 1989 and registered with the Charity Commission on 6 April 1989. Islamic Relief's objectives and powers are set out in its Memorandum and Articles of Association.

Principal activities and objectives

Islamic Relief is a non-governmental, non-political humanitarian aid organisation with operations in over 28 countries. It is dedicated to helping people in need. This is achieved by:

1. Directing our efforts to help the world's poorest people.
2. Delivering emergency aid to parts of the world affected by natural or unnatural disasters and by setting up various development projects that help empower people in need. These can be broadly categorised as follows:
 - Health and nutrition
 - Water supply and sanitation
 - Income generation
 - Institutional development and social organisation
 - Shelter
 - Education and vocational training
 - Orphan sponsorship
3. Working alongside partner organisations in pursuit of common objectives. This helps utilise local knowledge as well as assisting in development work. In all cases, the work is monitored directly by Islamic Relief's officers to ensure that the programme is delivered in accordance with the organisation's standards and maximum value is obtained for the beneficiaries.
4. Islamic Relief procedures also ensure that partner organisations receiving support are properly examined before any funds are channelled for charitable purposes.

Organisational Structure

The headquarters of the worldwide family of Islamic Relief is located in Birmingham, United Kingdom.

The governance of Islamic Relief is the responsibility of the Board of Trustees that is made up of 5 elected trustees.

The Board of Trustees has appointed a Management Committee to oversee its financial transactions, including investments. The Management Committee has been given specific responsibilities and makes recommendations to the Board of Trustees.

The Board of Trustees and the Management Committee are based at the headquarters, and this is where the central staff are based. The primary roles of the central staff are to lead the implementation of the policies laid down by the Board of Trustees and support the work of other staff and volunteers. All major humanitarian campaigns are coordinated from the headquarters.

TIC International Limited, a trading subsidiary, supports the fundraising activities of Islamic Relief through providing clothing recycling. The assets, liabilities and trading results of this company are incorporated in the consolidated financial statements.

The offices, below, are established as separate independent legal entities in their own jurisdictions. Therefore, their results are not included within these accounts. They are primarily dedicated to raising humanitarian funds and awareness of Islamic Relief Projects.

- Belgium
- France
- Germany
- Holland
- Italy
- Mauritius
- South Africa
- Sweden
- Switzerland
- USA



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Most humanitarian projects are carried out by Islamic Relief operations in the countries listed below:

- Afghanistan
- Albania
- Bangladesh
- Bosnia
- China
- Egypt
- Ethiopia
- India
- Indonesia
- Iraq
- Jordan
- Kenya
- Kosova
- Mali
- Pakistan (including Kashmir)
- Palestinian Authority Areas
- Russian Federation (Chechnya / Ingushetia)
- Sudan
- Yemen

Islamic Relief continued working towards enhancing the management of the charity and its effectiveness in the field, involving a review of structural and policy issues. Islamic Relief has been undertaking a process of formulating standards and policies which has been consultative and covered all aspects of Islamic Relief's work.

Activities of 2004

The charity's principal activity in furtherance of its objectives was the provision of emergency aid and development projects throughout the world. Most of the humanitarian assistance provided is carried out in developing countries. The restricted funds report (see note 15) reflects the size of operations in different countries.

Emergency Relief 2004

Iran

A devastating earthquake measuring 6.3 on the Richter scale occurred in Bam, Iran, in late December 2003. Islamic Relief quickly responded to the immediate needs of residents of Bam, providing food, water, shelter and medical treatment. Three months later when Bam received little international attention, Islamic Relief continued its activities to improve the difficult living conditions of the earthquake survivors and help them rebuild their lives.

One of Islamic Relief's main activities in Bam was the construction of 400 semi-permanent houses in the Sina Camp. The main focus was to provide shelter for some of the estimated 2,000 Afghan refugees who survived the earthquake.

Iraq

The humanitarian situation in Iraq remained unstable with an estimated 27 million people dependent on food rations. Childhood malnourishment, destroyed water and sewage treatment plants and power shortages were common throughout many areas of Iraq.

As violence continued to affect the lives of ordinary people in Iraq, Islamic Relief remained committed to delivering humanitarian aid to those in need.

Islamic Relief's rehabilitation programme included:

Water and Sanitation:

The rehabilitation of water treatment plants and distribution of water treatment packs to families and hospitals in the worst affected areas.

Relief and Emergency:

The distribution of emergency food aid, clothing, medical equipment, bed sheets and school furniture.

Provision of shelter and assistance to refugees and internally displaced persons (IDP).

Health:

Distribution of Emergency Health Kits to hospitals and health care centres in Iraq

Education:

Emergency repairs of school buildings to enable several thousand children to return to school.



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Sudan

Islamic Relief has been working actively in Sudan for many years. As well as working in the north, Islamic Relief recently started operations to southern Sudan, the Blue Nile and the Nuba mountain regions. Since the beginning of 2004 the focus was on the deteriorating humanitarian situation in Darfur.

Refugees and internally displaced persons:

Islamic Relief established camps for the IDPs of Sudan. Shelter kits, blankets, sleeping mats, clothes and household utensils were distributed to families within the camps. Islamic Relief also distributed relief food.

Health:

Basic medical equipment and supplies were provided and Islamic Relief opened a clinic in Kerinding camp to provide services for IDPs.

Malaria Campaign:

As a response to the increasing number of malaria cases in West Darfur, Islamic Relief distributed impregnated mosquito nets. Islamic Relief also arranged a spraying campaign in which houses and open spaces were sprayed with insecticide to prevent the spread of the disease.

Water & Sanitation:

Islamic Relief is working towards developing a water & sanitation programme. In 2004 this involved the construction of latrines and the drilling of boreholes to provide a medium term water supply solution for IDPs.

Education:

Islamic Relief set up a school in Kerinding camp, made up of 16 classrooms in traditional shelters and tents and over 20 teachers including some from the IDP community.

Media:

Islamic Relief actively worked to increase the profile of the humanitarian situation of Sudan in the international media.

Asia Earthquake Tsunami Disaster

A tremendous earthquake occurred in December 2004 that triggered a deadly tsunami affecting many countries – Indonesia, Sri Lanka, India, Thailand, Somalia, Burma, Maldives, Tanzania, Seychelles, Bangladesh and Kenya.

Islamic Relief immediately allocated funds for relief and rehabilitation intervention in some of the affected areas. Emergency food and medical hygiene aid was acquired for immediate distribution.

Islamic Relief's teams in Sri Lanka and Indonesia were immediately mobilised to undertake a needs assessment and administer relief.

Islamic Relief's operations continued into 2005 and are still ongoing. For news on this and other emergencies please see the Islamic Relief website on <http://www.islamic-relief.com>



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The Russian Federation Chechnya

After four years of war, much of Chechnya's economy and infrastructure lies in ruins, while nearly half of its pre-war population is either dead or displaced. Common problems include unemployment, poverty, homelessness and a lack of access to basic services. For most people humanitarian assistance is an essential lifeline.

Islamic Relief has been committed to helping the people of Chechnya by providing food, clean water, shelter, and primary medical care.

Food Programmes:

In 2004, Islamic Relief in partnership with WFP (World Food Programme) provided food parcels to villagers in the Nazran region and the Satsita camp. Another WFP project provided hot meals to 21,000 primary school and kindergarten children in Grozny, Grozny Rural, and Gudermes in Chechnya.

Islamic Relief continued to implement its complementary food programme in 7 Temporary Accommodation Centres in Grozny, providing food parcels and hygiene sets.

Beslan school siege, North Ossetia:

Following violence at a school in Beslan, Islamic Relief from its office in the neighbouring republic of Kabardino-Balkaria provided Beslan's hospitals with medical equipment, ambulances and food for patient's meals (as Russian hospitals do not usually provide meals).

Palestine

Poverty has been artificially created in Palestine. Increased military checkpoints coupled with strict curfews have choked economic development. At the same time, house demolitions in the refugee camps have left more than 12,600 people homeless.

Unemployment in Palestine now stands at 70%. Without a regular income, families are left impoverished and dependent upon aid to survive.

Islamic Relief distributed aid to the affected families, including food packages, mattresses, blankets, pillows, sets of kitchen tools, hygiene kits and drinking water.

Pakistan

In February 2004 two earthquakes measuring 5.7 and 5.5 on the Richter scale struck the Khagan Valley in the North West Frontier Province of Pakistan. Islamic Relief provided specialised tents, blankets and sleeping mats to those affected. Islamic Relief worked closely with the local government and village development committees to provide an effective and efficient response.



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Bangladesh

In April 2004, serious flooding affected the North-Eastern, North-Western and Central regions of Bangladesh. Islamic Relief's Bangladesh office despatched emergency teams to the affected areas of Sylhet and Rangpur. Islamic Relief distributed emergency aid and continues to work in Bangladesh to assist the affected people.

Islamic Relief, with support from UNDP, helped families to repair or reconstruct their homes by supplying iron sheeting and paying for material and labour.

Development Projects 2004

Orphans

Islamic Relief's Orphans' Programmes contribute towards alleviating child poverty in the world's poorest communities. This is achieved through a comprehensive and integrated One-to-One Orphan Sponsorship that takes care of each orphan's need in terms of health, education and social welfare.

During 2004 an Islamic Relief team visited Afghanistan. The need of the orphans was captured in the following words "Worn shoes, ragged clothes and shy smiles, the children of Afghanistan are the innocent victims of an ongoing tragedy. Their past has been scarred by over two decades of conflict and their future is as fragile as the politics of the devastated country. Many have been orphaned by war and have known little more than grief, violence, hunger and poverty. At the mercy of events beyond their understanding or control, they are the children the world has forgotten."

In 2004, Islamic Relief rehabilitated and furnished the laundry-room at the Tahia Maskan Orphanage, Afghanistan to ensure that children have clean bedding, clothes and a better standard of hygiene.

Islamic Relief continued to reach a greater number of children through its Orphans Programme, with over 8,400 children sponsored at the end of 2004. Islamic Relief's One-to-One Sponsorship operates in 12 countries and the Orphans General Fund benefits orphans, their families and their communities in other countries.

Islamic Relief launched its Iraq Orphan Sponsorship programme in 2004 with an overwhelming response to the programme from its donors.

The alyateem.com section of its website dedicated to Islamic Relief's Orphan Sponsorship Programme launched late 2003 was a success generating greater Orphan sponsorship during 2004.

Child & Vulnerable Persons Protection

The primary beneficiaries of Islamic Relief's Orphans programmes are widows and orphans and we are committed to protecting the security, privacy and dignity of all orphans in our care. This protection and care is also extended to the orphan's families. Donors are made aware of Islamic Relief's Child Protection Policy upon request of sponsorship information. All personnel working with vulnerable groups undergo stringent background checks. Islamic Relief is currently working in conjunction with the NSPCC to enhance and tighten its rules of child protection.

Seasonal Projects

Qurbani

Qurbani is a religious practice performed on the Islamic day of celebration, Eid ul Adha. An animal (usually a sheep or cow) is sacrificed and the meat is distributed amongst the poor and needy.

In 2004 Islamic Relief implemented the seasonal Qurbani programme and distributed fresh meat and food parcels to thousands of needy people in Afghanistan, Albania, Bangladesh, Bosnia, Chechnya, China, India, Indonesia, Iraq, Kashmir, Kosovo, Madagascar, Mali, Morocco, Pakistan, Palestine, Somalia & Sudan.



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Ramadan – Feed the Needy

During the month of Ramadan (in the Islamic Calendar) Islamic Relief distributes food parcels to the needy people, benefiting hundreds of thousands of individuals every year.

In 2004, Islamic Relief distributed food parcels in Afghanistan, Albania, Bangladesh, Bosnia, Chechnya, China, Egypt, Indonesia, Iraq, Jordan Kosovo, Kashmir, Lebanon, Macedonia, Mali, Pakistan, Palestine, Sudan and Yemen.

Educational Projects

Islamic Relief's Educational projects are aimed at eliminating illiteracy amongst the poor providing access to education for both children and adults.

During 2004, Islamic Relief provided education and training for poor communities in Afghanistan, Albania, Chechnya, Iraq, Mali, Palestine and Sudan.

Water & Sanitation Projects

Islamic Relief's Water & Sanitation projects aim to provide clean, safe drinking water by digging wells, installing hand-pumps and implementing water purification and storage projects. Islamic Relief has actively involved individuals and groups at a local level, encouraging them to take responsibility for the facilities provided. The impact of this approach mobilises communities into action and self-reliance.

During 2004, Islamic Relief implemented Water & Sanitation projects in various locations within Afghanistan, Bangladesh, Chechnya, China, Indonesia, Pakistan and Sudan.

Income Generation Projects

Islamic Relief's income generation projects give individuals the opportunity to develop their skills and realise their potential.

From offering micro-credit opportunities in Albania to supporting small-scale business enterprises for women in Pakistan, these initiatives build the capacity of local communities to support themselves. By giving practical support through loans and training, Islamic Relief has restored hope to thousands of people who would otherwise be dependent on external aid. With improved resources and diversified skills, many of those now employed are in a position to not only sustain themselves and their families but to provide support to others.

During 2004, Islamic Relief operated Income Generation projects in Afghanistan, Bangladesh, Bosnia, Ethiopia, Kosovo, Mali, Pakistan & Sudan.

Health & Nutrition Projects

Islamic Relief's integrated Healthcare programmes pay particular attention to the welfare of women and children. During periods of instability, damage to water and sanitation systems, homes, hospitals and basic infrastructure leaves many people susceptible to disease and hunger. Children are particularly affected and many are traumatised by conflict and need support and counselling.

Healthcare facilities provided in 2004 include the construction and rehabilitation of medical clinics. Healthcare during 2004 was provided in Afghanistan, Bangladesh, Chechnya, Egypt, Indonesia, Iraq, Mali, Pakistan, Palestine and Sudan.



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For a current view of our projects, please visit our website on <http://www.islamic-relief.com>

Review of the consolidated financial statements for 2004

Overview

2004 was a very active year for Islamic Relief. An increasing commitment and generosity from donors resulting in a contribution of £20 million (2003: £14 million). This amount included £1.7 million (2003: £1.7 million) from institutional donors for specific funded projects.

The increase in incoming resources facilitated Islamic Relief to reach a greater number of beneficiaries. Expenditure in the furtherance of the objects of Islamic Relief increased from £9.5 million in 2003 to £13.4 million in 2004.

Fundraising

Islamic Relief continued in its objectives of working towards alleviating the poverty and suffering of humanity. In pursuit of this objective Islamic Relief fundraising activities are twofold, the first deals with raising adequate funds for approved projects and campaigns while the second is the process of implementation and accountability of expenditure on these projects.

Fundraising operations from the countries listed on page 5 excluding the UK contributed 53% or £10.2 million (2003: 42% or £6.0 million) of the donations and similar incoming resources (see page 21) whilst private donations received in the UK accounted for £7.4 million or 37% (2003: £5.6 million or 40%).

Islamic Relief's continued work with partners resulted in institutional funding of £1.7 million or 8% of total incoming resources (2003: £1.7 million or 11%).

Islamic Relief during 2004 arranged a number of benefit concerts "Evenings of Inspiration". The concerts were organised to raise awareness of Islamic Relief's charity work around the globe and to generate funds for Islamic Relief's projects focused at helping humanity's poorest children. Costs of organising the concerts were covered via sponsorship.

Charitable activities

Islamic Relief's principal activity in the furtherance of its objectives was the provision of emergency aid and development projects throughout the world. Most of the humanitarian assistance provided is carried out in developing countries. The restricted funds report (see note 15) reflects the size of the operations in different countries. Countries in need of emergency relief continued to attract the greater amount of donations. Iraq (£1.7 million) Palestine (£1.9 million) and Sudan (£1.3 million) continued to receive substantial support from the donors.

Islamic Relief's charitable activities cost amounted to £13 million (2003: £9 million) of which 49% was related to emergency relief.

Amongst the emergency relief was the relief work in Iran, Iraq, Pakistan, Palestine and Sudan. (See note 5)

Islamic Relief's continued development projects amounted to 20% of the cost of charitable activities. Amongst the countries in which Islamic Relief is engaged in development projects are Afghanistan, Bangladesh and Ethiopia.

Islamic Relief's seasonal projects of Qurbani and Ramadan amounted to 16% of the charitable activities.

Orphan sponsorship continues to attract considerable support from donors and Islamic Relief's cost of orphans sponsorship and development amounted to 15% of cost of charitable activities.

Incoming Resources

The Statement of Financial Activities on page 16 has been prepared in accordance with the Statement of Recommended Practice ("SORP") issued by the Charity Commission in October 2000. Income and Expenditure are divided between restricted, unrestricted and endowment funds. This, we hope, will help you gain a better understanding of our financial activities.

The consolidated net incoming resources for charitable application were £17.0 million for the year which is an increase of 49% on 2003 (£11.4 million). A detailed breakdown of Income and Expenditure by country and major project at the year end is provided in Note 15.

Gifts in Kind (mainly clothing)

The value of goods from UK donors in 2004 is £114,000 (2003: £117,300) having regard to the costs in bringing the goods to a suitable state for distribution in the field.



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Outgoing Resources

Zakat and general funds of over £3.8 million were used to benefit people in many parts of the world including Albania, Bangladesh, Bosnia, Chechnya, Pakistan, Mali and Sudan and were used to cover deficit funds to designated projects where required.

Direct charitable expenditure includes the direct costs of projects and the costs of overseeing their implementation. The costs of developing awareness and information campaigning are included in the fundraising costs. Overheads were allocated according to their purpose.

Countries in need of emergency aid were particularly focused on in particular in delivering aid and undertaking development projects.

Resources expended include Chechnya (£1 million), Iran (£0.8 million), Iraq (£1.3 million), Palestine (£1.7 million) and Sudan (£1.8 million). Again, as in prior years the situation on the ground in Palestine limited the relief and development work resulting in unutilised funds for Palestine at the end of 2004 of £2.8 million.

Performance of the trading subsidiary

TIC International Ltd made a net profit of £12k in 2004 (2003: £29k) (refer to Note 3).

TIC International addressed the internal performance issues faced by the company during the prior year, production capacity was increased which thereby reduced costs. TIC International further reduced costs by 5% to its lowest level in the company's history. Collection costs were reduced by 19% as a result of 18 ton vehicle that was acquired towards the latter part of 2003.

TIC International continued to face external pressures due to the continued impact of the weak US\$ and cheap imports of Chinese products.

Towards the end of 2004 TIC International launched a drive to reduce the amount of waste included in second hand clothing, results are expected in 2005.

The Charity's Assets

The fixed assets held by the charity include the property held for its own use at 19 Rea Street South, Birmingham. This property comprises offices and a warehouse which was purchased in July 1992. The value included in the Balance Sheet comprises the original cost of the property in 1992, plus the cost of major improvements since its purchase. A second property in Birmingham which comprises a large warehouse and small offices was purchased for additional warehouse space in 2001. Islamic Relief purchased a further property in 2002 to accommodate demand for additional office space.

Investment Policy and Performance

The governing document empowers the charity to invest any available moneys in such investments, securities or property as may be thought fit, subject to conditions and consents (if any) as may for the time being be imposed or required by law.

Islamic Relief will engage in short, medium or long-term investments subject to the amount and nature of funds available. The policy applies to the centrally managed funds in the UK only and does not cover Islamic Relief offices in other parts of the world. The main principles governing all investments are:

- 1-that funds are protected from risk and inflation,
- 2-that Islamic principles are observed, and,
- 3-that the best income is obtained from funds for its purpose.

Funds from Waqf - Endowments, which are generally in long-term investments, and other donations for Islamic Relief projects can be used for investment (see Note 15). Waqf is the Islamic term for endowments. The return on the waqf investment is 7% for 2004 (2003: 7%).

Islamic Relief's subsidiary SIF Invest owns premises in France which are rented to Secours Islamique, our sister organisation in France.



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SIF Invest is incorporated in France and effectively owns an investment property. Islamic Relief owns 99% of the share capital of SIF Invest.

SIF Invest's sole function is managing the property rented out to Secours Islamique. It does not engage in any other trading activities.

Reserves policy

The main principles of the Reserves Policy are that adequate funds are held for meeting obligations and emergencies, that they are practicable and that operations are not affected due to the absence of funds. Sufficient protection is built in to ensure that no disruption of Islamic Relief operations worldwide occurs.

Islamic Relief maintains a 7-month reserves policy for its core operational budget plus an appropriate amount for emergency budgets which allows Islamic Relief to respond immediately to emergencies before an appeal is launched.

These funds are to be held in medium and long term cash forms. The amount to be held in current accounts should be 25% of net reserves (total reserves less fixed assets and endowments), while 55% can be held in medium term investments (convertible within 3 months). The remaining 20% of net reserves can be maintained in longer term fixed investments.

An annual review of the reserves policy incorporating an evaluation of risk, is undertaken by the Head of Finance for the Board of Trustees, this monitors reserves and proposes amendments to both the policy and the level of reserves held. The Board of Management can approve short-term adjustments while the governing document can only be amended by the Board of Trustees. For current levels of reserves see notes 16 & 17.

Risk Management

Adhering with the recommendations of the Statement of Recommended Practice for Accounting and Reporting by Charities, the trustees constantly review risks faced by the organisation and have implemented a risk management policy to assess the risks faced by Islamic Relief in the provision of humanitarian aid.

The Board of Trustees undertake an active role in risk assessment and its mitigation. A risk assessment was undertaken by the Board of Trustees during 2004.

A process of identifying risks and developing an ongoing programme to monitor and mitigate risks is undertaken and reviewed by the Management Committee and the Board of Trustees. This ongoing programme incorporates all aspects of risk to the organisation in relation to governance, operational, financial, external and compliance.

The process involves the Executive ensuring that the recommendations of the Internal Audit Unit are followed up.

Islamic Relief is at forefront of mitigating risk as a result of negative media coverage in relation to charities and terrorism concerns. Amongst the many initiatives in 2004 was the speech delivered by the President of Islamic Relief Dr Hany to the United Nations seminar on "Confronting Islamophobia: Education for Tolerance & Understanding."

Internal Audit & Control

The Internal Audit department aims to carry out a programme of regular risk-based cyclical audits across fund offices and field offices. Effectively the audit programme encompasses risk-based audits of overseas projects and UK based functions. The Internal Audit team reports directly to the General Manager and the Board of Management.

Islamic Relief has in place a system of internal controls designed to ensure that material misstatement or loss is protected against. The internal controls include:

- (1) A Strategic plan, an annual operating plan approved by the Board of Trustees.
- (2) Regular consideration of the results and variances from budgets by the Management Committee.
- (3) Reviewing and ensuring the segregation of duties.
- (4) The identification and the management of risk.

Grant Making Policy

Islamic Relief makes grants to organisations and individuals where the request meets the criteria set and charitable objectives of Islamic Relief. All applications are reviewed by a committee of senior personnel. Islamic Relief aims to ensure all grant applications are treated equally and fairly. It remains the discretion of Islamic Relief who may receive a grant.

Supplier Payment Policy and Practice

It is the policy of Islamic Relief that payments are made to suppliers in accordance with those terms and conditions agreed between Islamic Relief and its suppliers, provided the supplier is also complying with relevant trading terms and conditions. The amount of Trade Creditors outstanding at the year end is stated in Note 14.

Directors

The Directors, who constitute the Executive, are elected by the Annual General Meeting of Members. The Executive has the power to appoint additional Directors or fill a casual vacancy. Directors appointed in this manner are eligible for re-election at the Annual General Meeting. The conduct of such formalities is governed in general by the Companies Act 1985. The following Directors have held office since 1 January 2004:

Dr S Zahir
Dr M El-Alfy
Dr E El-Haddad
Mr N Al-Noori
Mr I El-Zayat



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Specific Restrictions

The Memorandum of Association makes specific restrictions on the conditions of operations. They are:

- (1) Property held as a trust will be subject to the law relating to trusts on matters of investment.
- (2) The object of the company shall not extend to regulating relations between workers and employers or the organisations of workers / employers.
- (3) Property held under the jurisdiction of the Charity Commission or any such property that comes into the hands of the Directors/Trustees is subject to the control of the Charity Commissioners.
- (4) Article 5 disallows the distribution of any dividends or profits to the members of the company and requires that the income and property of the company shall be applied solely towards the promotion of its objects.

Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the Directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed; subject to any material departures disclosed in the financial statements;
- d. and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Employees

Islamic Relief is an organisation that supports and develops its employees. Employees participate in its strategy and objectives, and employees are encouraged to give their suggestions and views on performance and strategy.

Islamic Relief is an equal opportunities employer. Islamic Relief has a policy of recruitment and promotion based on aptitude and ability without discrimination.

Islamic Relief has policies on training and career development for most of its employees. Employees are assessed with an annual appraisal and supervision. The strategic plan which is to be implemented in 2005 will include all employees.

Volunteer Help and Gifts in Kind

Islamic Relief considers volunteers as the heart and soul of its operations and relies upon them in delivering its services. Islamic Relief undertakes the management and coordination of the volunteers.

The trustees extend their gratitude to all the volunteers that have assisted Islamic Relief in achieving its goals and objectives. Furthermore, the trustees extend their gratitude to the public who have been very generous in providing gifts in kind, in particular clothing for resale through the Islamic shops.

Future Activities

During 2005 Islamic Relief plans to continue and expand its relief and development work in areas affected by the Tsunami in December 2004, in particular Sri Lanka and Indonesia.

Islamic Relief plans include the continued work with United Nations institutions and international humanitarian organizations, to reducing poverty in the world by half by the year 2015, through the implementation of emergency projects and sustainable development projects.

Islamic Relief plans include a continued, ongoing process of reviewing its processes and procedures in order for Islamic Relief to be in an enhanced position to respond swiftly to the needs of beneficiaries.

Solicitors

As of 1st May 2005 Mills & Reeve of 78-84 Colmore Row, Birmingham were appointed as Solicitors for Islamic Relief replacing Wragge & Co.

Auditors

A resolution to re-appoint Dains Chartered Accountants, as auditors, will be put to the members at the Annual General Meeting.

By order of the Board

Dr M El-Alfy
Trustee/Director

26th May 2005



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Independent Auditors' Report to the Members of Islamic Relief Limited

We have audited the financial statements of Islamic Relief Limited and Subsidiary Undertakings on pages 16 to 38 for the year ended 31 December 2004 which comprise Statement of Financial Activities, Balance Sheet, Cash Flow Statement and related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members 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 company and the company's members as a body for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of trustees and auditors

The trustees (who are also the directors of Islamic Relief Limited for the purposes of company law) responsibilities for preparing the Trustees' Annual Report and the financial statements in accordance with the applicable law and United Kingdom Accounting Standards are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees' Annual Report is not consistent with the financial statements, if the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the charity is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to

the charity's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the group and charity's affairs as at 31 December 2004 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Dains Chartered Accountants

Registered Auditor

St John's Court
Wiltell Road
Lichfield
Staffordshire
WS14 9DS

26th May 2005

AUDITORS' REPORT



1984 - 2005

**Consolidated Statement of Financial Activities And Income & Expenditure Account
for the year ended 31 December 2004**

		Unrestricted Funds	Restricted funds	Endowment funds	2004 Total	2003 Total
	Notes	£	£	£	£	£
Incoming Resources						As restated
Donations and similar incoming resources	2	5,232,385	14,375,605	534,129	20,142,119	14,071,966
Activities in furtherance of the charity's objects:						
Trading subsidiary	3	1,131,836	-	-	1,131,836	1,073,246
Investment Income	3a	114,334	-	-	114,334	2,353
Activities for generating funds		349,471	-	-	349,471	226,556
Total incoming resources		6,828,026	14,375,605	534,129	21,737,760	15,374,121
Cost of Generating Funds						
Fund-raising & Awareness Raising Costs		839,186	2,769,437	40,015	3,648,638	2,950,310
Subsidiaries Trading Costs		1,073,075	-	-	1,073,075	1,004,806
Total Cost of Generating Funds	4	1,912,261	2,769,437	40,015	4,721,713	3,955,116
Net incoming resources available for charitable application		4,915,765	11,606,168	494,114	17,016,047	11,419,005
Charitable Expenditure						
Cost of activities in furtherance of the objects of the charity:	5	114,000	13,362,975	-	13,476,975	9,525,289
Grants Payable in Furtherance of the Charity's Objects		175,119	-	-	175,119	28,841
Support costs	6	223,644	698,178	-	921,822	663,395
Managing and administering the Charity	7	193,928	614,104	-	808,032	655,460
Total Charitable Expenditure		706,691	14,675,257	-	15,381,948	10,872,985
Total resources expended		2,618,952	17,444,694	40,015	20,103,661	14,828,101
Net incoming resources/(expenditure) for the year		4,209,074	(3,069,089)	494,114	1,634,099	546,020
Transfer between funds		(3,894,717)	3,946,651	(51,934)	-	-
Total funds brought forward		4,889,407	8,545,907	839,873	14,275,187	13,729,167
Total funds carried forward	17	5,203,764	9,423,469	1,282,053	15,909,286	14,275,187

The Statement of Financial Activities includes all gains and losses recognised in the year.

All incoming resources and resources expended derive from continuing operations.

SOFA

Balance Sheets as at 31 December 2004

		2004	2003	2004	2003
		Group	Group	Charity	Charity
	Notes	£	£	£	£
Fixed assets			As restated		
Tangible assets	10	3,082,831	2,933,002	2,726,552	2,535,471
Investments	11	-	-	500,120	498,704
		3,082,831	2,933,002	3,226,672	3,034,175
Current assets					
Stocks	12	126,098	94,703	-	-
Debtors	13	6,146,515	2,926,583	5,873,101	2,707,377
Cash at Bank and in Hand		7,157,864	8,884,286	7,092,070	8,788,737
		13,430,477	11,905,572	12,965,171	11,496,114
Creditors: amounts falling within one year	14	604,022	563,387	232,763	212,512
Net currents assets		12,826,455	11,342,185	12,732,408	11,283,602
Total assets less current liabilities		15,909,286	14,275,187	15,959,080	14,317,777
Net assets	17	15,909,286	14,275,187	15,959,080	14,317,777
Capital Funds					
Unrestricted funds: General reserves	16	3,402,986	3,027,326	3,809,059	3,236,400
Unrestricted Funds: Held as Fixed assets	16	1,800,778	1,862,081	1,444,499	1,695,597
Endowment Funds	17	1,282,053	839,873	1,282,053	839,873
Restricted funds	17	9,423,469	8,545,907	9,423,469	8,545,907
		15,909,286	14,275,187	15,959,080	14,317,777

Approved by the Board



Dr M El-Alfy, Director

26th May 2005

The notes to the accounts on Pages 19 – 38 form part of these accounts.

BALANCE SHEETS



1984 - 2005

Consolidated Cash Flow Statement as at 31 December 2004

	2004	2003
	£	£
		As restated
Net cash inflow from operating activities (a)	(1,280,191)	(10,041)
Payments to acquire tangible fixed assets	(451,382)	(405,463)
Receipts from sales of tangible fixed assets	5,150	2,640
Net cash inflow before management of liquid resources	(1,726,422)	(412,864)
Increase / (decrease) in cash in the year	(1,726,422)	(412,864)
Net cash resources as at 1 January 2004	8,884,287	9,297,151
Net cash resources at 31 December 2004	7,157,864	8,884,287
(a) Reconciliation of operating result to net cash inflow from operating activities		
Net incoming resources	1,634,099	546,020
Depreciation	288,397	278,642
(Gain)/Loss on disposal of tangible fixed assets	8,015	(724)
Increase in creditors	40,635	52,579
Increase in debtors	(3,219,942)	(905,901)
Increase in stocks	(31,395)	(49,396)
Increase in investments	-	68,739
Net Cash (Outflow)/Inflow from Operating Activities	(1,280,191)	(10,041)

CASH FLOW



1984 - 2005

Notes to the Financial Statements

1. Principal Accounting Policies

The financial statements are prepared under the historical cost convention and in accordance with the Statement of Recommended Practice Accounting and Reporting by Charities (SORP 2000) issued in October 2000, applicable UK accounting standards and the Companies Act 1985. The principal accounting policies adopted in the preparation of the financial statements are as follows:

Group Financial Statements

The financial statements of the Charity's trading subsidiary companies, TIC International Limited and the Property Investment company SIF Invest are consolidated within the accounts of the Group on a line by line basis, in accordance with current legislation. The Statement of Financial Activities includes the income and expenditure from the subsidiary company. A separate Statement of Financial Activities, or income and expenditure account, for the charity itself is not presented because the charity has taken advantage of the exemptions afforded by section 230 of the Companies Act and paragraph 304 of SORP 2000.

Note 3 gives full details of the income and expenditure of the trading subsidiary. TIC International Limited is considered to be an intrinsic part of the Charity's programme to relieve poverty in any part of the world. The donated items are a constant source of relief supplies.

Note 3 also gives the full details of the income and expenditure of the French subsidiary company SIF Invest, a company incorporated in France; Islamic Relief owns 99% of the share capital of SIF Invest. The results of SIF Invest have been consolidated within these financial statements.

The Charity's overseas fundraising offices and field offices are established as separate independent legal entities in their own jurisdictions and, consequently, their results are not included within these consolidated financial statements.

Fund Accounting

All donations are considered unrestricted unless specifically stated by the donor. Restricted funds are specified by the donor according to country and/or project. Endowment/Waqf is specifically specified by the contributor.

Unrestricted funds comprise the accumulated surplus or deficit on the statement of financial activities which are available for use at the discretion of the trustees of Islamic Relief in the furtherance of its general objectives. Designated funds comprise those unrestricted funds that the trustees have set aside for particular purposes.

Restricted funds are those donated either for a particular country or project the use of which is restricted to that country or project. Restricted funds are funds subject to specific restrictive conditions imposed by donors or by the purpose of the appeal under which they were raised.

Endowment funds/Waqf are those funds which have been given to the charity subject to the restriction that they are to be held as capital or spent on a long term charitable asset. Waqf is employed to generate a return whilst the original investment is remained intact. Waqf returns are utilised to cater for long term projects. The Waqf is the Islamic equivalent of endowments.

Incoming Resources

All income is accounted for when the charity has entitlement to the funds, the amount can be quantified and there is certainty of receipt.

Income includes the total received during the year at headquarters and UK branches and comprises donations income from fundraising events. Income from Islamic Relief fundraising offices in other countries is incorporated on the basis of what is remitted to Islamic Relief in the UK. Where a claim for repayment of income tax has been or will be made, such income is included in the Debtors amount if still not received by the year end.

Gifts in kind include food, clothing, medical supplies and office fixtures. Goods received from UK donors are included in Note 2. Donations & Similar Incoming resources at its value having regard to the costs in bringing the goods to a suitable state for distribution in the field and for distribution under Note 5 Charitable Expenditure at the same value and time.

Gifts in kind sent to Islamic Relief offices in other countries directly from the donor are not included in these accounts. For example the World Food Programme supplies Islamic Relief Russia with essential food supplies for distribution to Chechens. These goods are received into the Islamic Relief warehouses in Russia directly and are not included in our UK accounts.

Resources Expended

Expenditure is accounted for on an accruals basis. Direct charitable expenditure includes the direct costs of the charity's principal activities.

Costs of activities in the furtherance of the charity's objects are accounted for as they are incurred. Expenditure on operational projects through Islamic Relief's field offices is accounted for when incurred.



1984 - 2005

Notes to the Financial Statements

Grants payable in the furtherance of the charity's activities are recognised at the time of approval. The value of grants approved but unpaid are recognised in the Balance Sheet as liabilities.

Support costs represent the costs of Islamic Relief's UK based staff providing support for Islamic Relief's activities across the globe. Support costs have been apportioned between administration, fundraising and project support costs on a basis which is appropriate to the expense type and between restricted and unrestricted funds.

Managing and administering the charity expenditure comprises of salaries, direct expenditure and overhead costs incurred by the management of the charity's assets, organisational management and administration in compliance with statutory and legal requirements.

Operating Leases

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged against income as incurred.

Foreign Currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses are included in the income and expenditure account.

Tangible Assets and Depreciation

The depreciation policy of Fixed assets has been selected to ensure that costs of assets are written off over their estimated useful lives less the estimated residual value as follows:

Leasehold improvements	Over 20 years
Freehold land and buildings	Over 50 years
Fixtures, fittings	Over 8 years straight line basis
Office equipment	Over 4 years straight line basis
Motor vehicles	Over 5 years straight line basis
Plant and machinery	Over 8 years straight line basis

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

Investments

Long term investments are classified as fixed assets and stated at current value. They consist of subsidiary undertakings, unlisted investments and property. Short term investments are classified as current assets. Provision is made for any impairment in the value of fixed asset investments.

Provisions

Provisions are recognised when the charity has a present legal or constructive obligation as a result of a past event, where it is probable that a transfer of economic benefit will be incurred and this transfer can be reliably estimated.

Pension Costs

The charity operates a group personal pension scheme, which effectively means that all employees that join the scheme have their own pension plan. The contributions made by the charity are charged as expenditure in the year.



1984 - 2005

2. Donations, legacies and similar incoming resources

	Unrestricted funds	Restricted funds	Endowment	2004 Total	2003 Total
	£	£	£	£	£
Donations					As restated
Committed giving		898,948		898,948	796,328
In Kind Donations (mainly Clothing)	114,000	-	-	114,000	117,300
Donations, appeals and fund-raising events:					
UK	2,935,660	3,915,373	316,186	7,167,219	5,415,621
Fundraising Offices*					
Belgium	236,619	115,266	4,229	356,114	335,376
France	1,290,326	4,283,561	199,743	5,773,630	2,040,272
Germany	154,916	737,366	8,621	900,903	428,291
Holland	105,862	619,051	-	724,913	552,261
Italy	6,579	26,120	597	33,296	152,445
Mauritius	113,415	95,649	4,663	213,727	64,794
Switzerland	102,020	348,051	90	450,161	277,629
Sweden	9,844	205,752	-	215,596	147,441
USA	163,144	1,381,267	-	1,544,411	2,031,152
	5,232,385	12,626,404	534,129	18,392,918	12,358,910

Grants

Department for International Development					
	Unrestricted	Restricted	Endowment	Total 2004	Total 2003
	£	£	£	£	£
Kashmir Mine Risk Education	-	28,010	-	28,010	-
Kashmir Neelum Valley Health programme	-	-	-	-	312,627
Afghanistan Emergency Relief	-	-	-	-	26,494
Mali Ghourma Rharous Community Development Project	-	30,201	-	30,201	24,284
	-	58,211	-	58,211	363,405

*All Fundraising offices are separate legal entities reporting locally in their respective countries, these amounts represent amounts transmitted to Islamic Relief HQ to be applied to Islamic Relief projects.

NOTES



1984 - 2005

2. Donations, legacies and similar incoming resources (continued)

	Unrestricted funds	Restricted funds	Endowment	Total 2004	Total 2003
	£	£	£	£	£
Human Aid					
Afghanistan Ramadan Project	-	21,794	-	21,794	125,000
	-	21,794	-	21,794	125,000
Comic Relief					
Khandahar Quality Education for School Children	-	52,151	-	52,151	-
	-	52,151	-	52,151	-
Catholic Agency for Overseas Development					
Afghanistan					125,000
Chechnya Education Development Programme	-	42,698	-	42,698	-
Beslan Relief	-	2,058	-	2,058	-
Iran Earthquake Relief	-	100,000	-	100,000	-
Iran Earthquake Rehabilitation	-	60,000	-	60,000	-
	-	204,756	-	204,756	125,000
European Commission					
Afghan Baghni, Hill-mand Agriculture & Irrigation	-	-	-	-	140,538
Afghanistan Income Generation	-	47,586	-	47,586	-
Iraq Schools Rehabilitation	-	228,618	-	228,618	-
Pakistan Water & Sanitation	-	183,410	-	183,410	-
Pakistan Balouchistan Drought Relief	-	-	-	-	279,307
Kashmir Project	-	-	-	-	142,687
	-	459,614	-	459,614	729,668
Japanese International Corporation					
Afghanistan Khandhar City	-	-	-	-	12,945
	-	-	-	-	12,945

NOTES



1984 - 2005

2. Donations, legacies and similar incoming resources (continued)

	Unrestricted funds	Restricted funds	Endowment	Total 2004	Total 2003
	£	£	£	£	£
Human Concern					
Bosnia Qurbani	-	2,307	-	2,307	2,545
Chechnya Qurbani	-	4,614	-	4,614	-
Orphans Sponsorship	-	3,622	-	3,622	-
Kosovo Qurbani	-	2,307	-	2,307	-
	-	12,850	-	12,850	2,545
United Nations High Commission for Refugees					
Iraq Relief	-	47,187	-	47,187	23,193
	-	47,187	-	47,187	23,193
United Nations World Food Programme					
Chechnya Health & Nutrition	-	41,026	-	41,026	-
Chechnya Hot Meals Programme	-	15,792	-	15,792	13,222
	-	56,818	-	56,818	13,222
United Nations Development Programme					
Chechnya Health & Nutrition	-	9,108	-	9,108	81,252
Iraq Rehabilitation	-	60,702	-	60,702	-
	-	69,810	-	69,810	81,252
International Development & Relief Foundation					
Iran Relief	-	30,913	-	30,913	-
Kosovo Income Generation	-	7,533	-	7,533	-
Darfur IDP	-	10,727	-	10,727	-
	-	49,173	-	49,173	-

NOTES



1984 - 2005

2. Donations, legacies and similar incoming resources (continued)

	Unrestricted funds	Restricted funds	Endowment	Total 2004	Total 2003
	£	£	£	£	£
Qatar Ministry of Awkaf Mali Graduate Training					
Mali Education	-	488,041	-	488,041	-
	-	488,041	-	488,041	-
Oxfam Hong Kong					
Malawi Drought	-	-	-	-	47,466
	-	-	-	-	47,466
Al Eslah Society - Human Welfare Committee Bahrain					
Chechnya Healthcare	-	5,086	-	5,086	-
Orphan Projects	-	20,948	-	20,948	39,661
Qurbani	-	3,414	-	3,414	1,524
Other projects	-	2,668	-	2,668	-
Feed the Needy	-	2,390	-	2,390	2,599
	-	34,506	-	34,506	43,784
Islamic Association of Bahrain					
Chechnya Healthcare	-	5,595	-	5,595	-
Iraq Emergency	-	2,532	-	2,532	-
Albania Education	-	-	-	-	6,639
Qurbani Projects	-	-	-	-	1,287
	-	8,127	-	8,127	7,926
Foreign and Commonwealth Office					
Pakistan - Mine Risk Education Kashmir	-	28,010	-	28,010	-
	-	28,010	-	28,010	-
Centro Cultural Islamico					
Palestine Qurbani	-	7,275	-	7,275	3,164
Sudan Darfur Relief	-	9,671	-	9,671	-
Orphan Projects	-	5,615	-	5,615	10,111
Other Projects	-	1,470	-	1,470	1,478
Qurbani Projects	-	-	-	-	11,877
	-	24,031	-	24,031	26,630
Charitable Society for Social Welfare Sana'a					
Palestine Relief	-	11,265	-	11,265	9,053
Other Emergency Projects	-	-	-	-	19,047
	-	11,265	-	11,265	28,100

NOTES



1984 - 2005

2. Donations, legacies and similar incoming resources (continued)

	Unrestricted funds	Restricted funds	Endowment	Total 2004	Total 2003
	£	£	£	£	£
Arab Medical Union					
Palestine Educational Project	-	6,551	-	6,551	-
Palestine Rafah Project	-	38,818	-	38,818	-
Palestine Health	-	15,882	-	15,882	-
Palestine Income Generation	-	23,028	-	23,028	-
Palestine Qurbani	-	15,969	-	15,969	6,104
Palestine Feed the Needy	-	21,680	-	21,680	18,078
Sudan Darfur Relief	-	16,810	-	16,810	-
	-	122,856	-	122,856	24,182
Total Institutional Funding	-	1,749,201	-	1,749,201	1,713,056
Total donations, legacies and similar incoming resources	5,232,385	14,375,605	534,129	20,142,119	14,071,966

NOTES

3. Subsidiaries Income & Expenditure

	TIC International Ltd 2004	SIF Invest 2004	Total Activities 2004	Total Activities 2003
	£	£	£	£
Turnover	1,147,131	29,735	1,176,866	1,084,093
Total Trading Income	1,147,131	29,735	1,176,866	1,084,093
Operating Expenses	901,224	25,501	926,725	793,402
Administration and Management costs	234,051	-	234,051	265,529
Expenditure	1,135,275	25,501	1,160,776	1,058,931
Net Profit / (Loss) for the financial year	11,856	4,234	16,090	25,162
Consolidation adjustments				
Rental charge from Islamic Relief	40,000	-	40,000	40,000
Charges from Islamic Relief	2,671	-	2,671	3,278
Charitable Donations to Islamic Relief	-	(34,071)	(34,071)	-
Elimination of Sales to Islamic Relief	(10,959)	-	(10,959)	(10,847)
Net Income	43,568	(29,837)	13,731	57,563
Turnover	1,147,131	29,735	1,176,866	1,084,093
Elimination of inter- company sales	(10,959)	-	(10,959)	(10,847)
Adjusted Turnover	1,102,101	29,735	1,131,836	1,073,246
Expenditure	1,135,275	25,501	1,160,776	1,058,931
Elimination of inter- company charges	(42,671)	-	(42,671)	(43,278)
	1,092,604	25,501	1,118,105	1,015,633

3a. Investment Income

	Unrestricted	Restricted	Endowment	Total 2004	Total 2003
	£	£	£	£	£
Rental Income	49,417	-	-	49,417	22,030
Return on Waqf	64,917	-	-	64,917	(39,031)
Property Investment	-	-	-	-	19,354
	114,334	-	-	114,334	2,353

4. Cost of Generating Funds and Increasing Awareness

	Unrestricted	Restricted	Endowment	Total 2004	Total 2003
					As restated
	£	£	£	£	£
Staff Costs	416,999	1,396,041	-	1,813,040	1,443,737
Fundraising	182,948	572,462	40,015	795,425	877,955
Marketing	156,028	522,353	-	678,381	610,555
Publicity	30,454	101,955	-	132,409	255,750
Research & Policy	2,752	9,215	-	11,967	-
Support Costs	25,519	85,434	-	110,953	102,897
Subsidiary co.costs	1,118,105	-	-	1,118,105	1,015,653
Elimination of inter-company sales	(45,030)	-	-	(45,030)	(10,847)
Exchange (Gain)/Loss	24,486	81,977	-	106,463	(340,584)
	1,912,261	2,769,437	40,015	4,721,713	3,955,116

Cost of Generating Funds and Increasing Awareness include costs of awareness raising and educational publicity & information costs.



1984 - 2005

5. Costs of activities in furtherance of the objects of the charity

	Unrestricted funds	Restricted funds	Total 2004	Total 2003
	£	£	£	£
Afghanistan Crisis Relief & Development	-	500,692	500,692	658,133
Albania Development	-	130,827	130,827	-
Bangladesh Crisis Relief & Development	-	223,371	223,371	281,040
Bosnia Development	-	198,646	198,646	-
Chechnya Crisis Relief & Development	-	811,978	811,978	1,154,994
Egypt Development	-	218,787	218,727	-
Ethiopia Development	-	176,916	176,916	-
Iraq Crisis Relief & Development	-	865,634	865,634	714,899
Iran Crisis Relief & Development	-	624,112	624,112	-
Mali Development	-	407,327	407,327	-
Pakistan Crisis Relief & Development	-	907,291	907,291	784,411
Palestine Crisis Relief & Development	-	1,348,481	1,348,481	388,326
Sudan Crisis Relief & Development	-	1,220,246	1,220,246	470,012
Tsunami Emergency Relief	-	128,787	128,787	-
Water & Sanitation	-	813,002	813,002	900,206
Orphan Sponsorship & Development	-	2,060,279	2,060,279	1,248,047
Qurbani Project	-	1,018,255	1,018,255	999,552
Ramadhan	-	1,169,200	1,169,200	1,297,843
Other Development & Emergency projects	-	539,144	539,144	455,529
Other Development & Research projects	-	-	-	54,997
In Kind (mainly clothing) Emergency Projects	114,000	-	114,000	117,300
	114,000	13,362,975	13,476,975	9,525,289

6. Support Costs in furtherance of the objects of the charity

	Unrestricted	Restricted	Total 2004	Total 2003
	£	£	£	£
				As restated
Staff costs	148,885	471,471	620,356	579,185
Office costs	47,409	150,129	197,538	158,820
Exchange (Gain)/Loss	27,350	76,578	103,928	(74,610)
	223,644	698,178	921,822	663,395

NOTES



1984 - 2005

7. Costs of Managing and Administering the Charity

	Unrestricted	Restricted	2004	2003
	£	£	£	£
Staff costs	102,741	325,346	428,087	313,358
Office costs	80,844	256,008	336,852	415,820
Exchange (Gain)/Loss	10,343	32,750	43,093	(73,718)
	193,928	614,104	808,032	655,460

8. Net Incoming Resources

	2004	2003
	£	£
This is stated after charging		
Auditors' remuneration	28,850	26,542
Depreciation	288,397	280,068
(Profit)/Loss on disposal of tangible assets	(8,015)	(723)
Operating leases	120,569	169,926
Exchange (Gain)/Loss	253,484	(488,914)

9. Employees and Staff Costs

	2004	2003
	Number	Number
Project Support	34	19
Fundraising	77	69
Management	23	25
	134	113
The cost of employing those staff was:	£	£
Salaries and wages	2,632,594	2,371,298
Employers' National Insurance	251,338	209,161
Pension Scheme	43,572	35,699
	2,927,504	2,616,158

In addition, a great amount of time, the value of which is impossible to reflect in these financial statements, is donated by thousands of volunteers throughout the world. Emoluments for one employee were in the band of £50,000 to £60,000 and employer pension contributions amounted to £2,112 in relation to the employee within the band stated.

9a. Trustees Remuneration

Trustees are not remunerated (2003 £nil).		
	2004	2003
		As restated
Number of Trustees	5	5
Trustees' expenses	£	£
Travelling expenses incurred by Trustees and reimbursed	8,708	7,995

10. Tangible Fixed Assets

	Freehold & Leasehold Property	Plant & Machinery	Fittings & Office Equipment	Motor Vehicles	Total 2004
Group	£	£	£	£	£
Cost					
At 1 January 2004	2,824,305	194,020	790,038	97,510	3,905,873
Additions	235,741	7,910	200,479	7,251	451,381
Disposals	-	(23,810)	(23,150)	(4,275)	(51,235)
At 31 December 2004	3,062,046	178,120	967,367	100,486	4,308,019
Depreciation					
At 1 January 2004	251,111	97,511	576,943	47,297	972,862
Charge for the year	72,563	14,792	182,094	18,948	288,397
Disposals	-	(18,011)	(17,950)	(2,110)	(38,071)
At 31 December 2004	323,674	94,292	741,088	64,135	1,223,188
Net book value					
At 31 December 2004	2,736,372	83,828	226,280	36,351	3,082,831
At 31 December 2003	2,573,186	96,509	213,094	50,213	2,933,002

10. Tangible Fixed Assets (continued)

	Freehold Property	Office Equipment	Computers	Motor Vehicles	Total 2004
Charity	£	£	£	£	£
Cost					
At 1 January 2004	2,521,992	220,453	510,014	37,826	3,290,285
Additions	235,740	65,391	128,674	-	429,805
Disposals	-	-	-	(4,275)	(4,275)
At 31 December 2004	2,757,732	285,844	638,688	33,551	3,715,815
Depreciation					
At 1 January 2004	188,851	187,503	354,080	24,380	754,814
Charge for the year	55,154	37,573	137,122	6,710	236,559
Disposals	-	-	-	(2,110)	(2,110)
At 31 December 2004	244,005	225,076	491,202	28,980	989,263
Net book value					
At 31 December 2004	2,513,727	30,768	147,486	4,571	2,726,552
At 31 December 2003	2,333,141	32,950	155,934	13,446	2,535,471



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11. Investments

Group	Investment Property	Unquoted	Total
	£	£	£
Unrestricted			
1 January 2004	-	-	-
Increase in Investment value	-	-	-
Disposals	-	-	
At 31 December 2004	-	-	-
Charity			
Unrestricted			
Endowments			
1 January 2004	313,395	185,309	498,704
Additions:			
Restricted			
Increase in Investment value	1,416	-	1,416
Disposals	-	-	-
At 31 December 2004	314,811	185,309	500,120

The unquoted investment relates to Islamic Relief's investment in its subsidiary TIC International Ltd. TIC International Ltd provides clothing recycling services.

The Investment property relates to Islamic Relief's investment in SIF Invest, incorporated in France. Islamic Relief owns 99% of the share capital of SIF Invest. In previous years SIF Invest was treated as an investment in the group accounts – in 2004 SIF Invest has been consolidated fully in the group accounts and 2003 has been restated on the same basis.

12. Stocks

	2004 Group	2003 Group	2004 Charity	2003 Charity
	£	£	£	£
Raw Materials	68,400	37,260	-	-
Work In Progress	4,200	4,200	-	-
Finished Goods and Goods for resale	53,498	53,243	-	-
	126,098	94,703	-	-

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13. Debtors

	2004	2003	2004	2003
	Group	Group	Charity	Charity
	£	£	£	£
		As restated		
Trade Debtors	316,408	285,238	-	-
Other Debtors	5,738,358	2,573,557	5,725,933	2,560,532
Prepayments	91,749	67,788	91,749	55,829
Amounts due from subsidiary and associated undertakings	-	-	55,419	91,016
	6,146,515	2,926,583	5,873,101	2,707,377

The loan repayment period for loans due from subsidiary undertakings has been revised to 2010 and the interest rate remains at 10%.

14. Creditors: Amounts falling due within one year

	2004	2003	2004	2003
	Group	Group	Charity	Charity
	£	£	£	£
		As restated		
Trade creditors	387,077	423,899	60,878	121,273
Social security and other taxes	85,680	65,576	77,535	59,297
Other creditors	94,769	44,335	60,853	4,505
Accruals	36,496	29,577	33,497	27,437
	604,022	563,387	232,763	212,512



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15. Restricted Funds

The income of the Charity include restricted funds comprising the following unexpended balances:					
	Balance as at 1 January 2004	Total incoming Resources	Total resources Expended	Transfers	Balance as at 31 December 2004
Appeal Funds:	£	£	£	£	£
AFGHANISTAN	1,295,965	201,554	614,550	-	882,969
AFRICA	99	254,196	31,868	(203,382)	19,045
ALBANIA	-	38,085	159,208	150,923	29,800
ALGERIA	107,781	5,670	705	-	112,748
ANGOLA	139	20	4	-	155
AZERBAIJAN	158	1	-	-	159
BANGLADESH	-	226,977	289,979	92,933	29,931
BOSNIA	3,175	8,506	232,092	223,586	3,175
BURMA	2,735	-	-	-	2,735
CHECHNYA	-	722,614	1,059,524	345,718	8,808
CHINA	-	112,278	92,601	-	19,677
EGYPT	-	119,739	269,155	149,416	-
ETHIOPIA	-	2,195	205,577	203,382	-
ERITRIA	1,889	-	-	-	1,889
GHANA	70	-	-	-	70
INDIA	94,787	3,593	2,346	-	96,034
INDONESIA	-	53,210	158,742	132,753	27,221
IRAN	85,693	1,055,843	885,704	-	255,832
IRAQ	1,008,248	1,724,212	1,374,632	-	1,357,828
JORDAN	-	-	-	-	-
PAKISTAN ADMINISTERED- KASHMIR	109,308	178,587	645,621	367,044	9,318
KENYA	15	85	93,156	93,056	-
KOSOVO	629,824	9,675	439,353	-	200,146
LEBANON	1,950	-	-	-	1,950



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15. Restricted Funds (continued)

	Balance as at 1 January 2004	Total incoming Resources	Total resources Expended	Transfers	Balance as at 31 December 2004
Appeal Funds:	£	£	£	£	£
LIBERIA	10	-	-	-	10
MACEDONIA	11	-	-	-	11
MADAGASCAR	390	183	8	-	565
MALAWI	-	1,338	20,405	19,067	-
MALI	-	595,956	652,057	258,967	202,866
MAURITIUS	-	83	4	-	79
MOROCCO	2,779	87,376	15,535	-	74,620
MOZAMBIQUE	-	-	632	-	632
PAKISTAN	-	32,452	806,717	774,265	-
PALESTINE	2,221,672	1,933,408	1,790,852	439,973	2,804,201
PHILLIPINES	78	33	-	-	111
RWANDA	53	-	-	-	53
SENEGAL	4,045	-	-	-	4,045
SIERRA LEONE	-	250	48	-	202
SOMALIA	16,576	4,779	284	-	21,071
SOUTH AFRICA	118	50	10	-	158
SOUTH EAST ASIA	-	267,874	41,340	(25,936)	200,598
SRI LANKA	164	-	16,672	16,508	-
SUDAN	-	1,365,757	1,802,183	489,653	53,227
TAJIKISTAN	123	500	63	-	560
TUNISIA	399	-	-	-	399
TURKEY	22,215	2,557	19,165	-	5,607
UZBEKISTAN	85	-	-	-	85
YEMEN	-	-	53,260	53,260	-
ZIMBABWE	35	-	-	-	35
PENNY PROJECT	135,784	153,565	25,861	(101,622)	161,686
MOSQUE REPAIRS	8,518	11	1	-	8,528



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15. . Restricted Funds (continued)

	Balance as at 1 January 2004	Total incoming Resources	Total resources Expended	Transfers	Balance as at 31 December 2004
	£	£	£	£	£
Appeal Funds:					
ORPHANS	2,494,623	3,073,420	2,746,012	1,905	2,823,936
QURBANI	59,244	1,157,429	1,437,633	221,088	128
RAMADAN	237,150	841,715	1,436,492	357,627	-
WATER & SANITA- TION	-	139,829	25,910	(113,531)	388
Total	8,545,907	14,375,605	17,444,694	3,946,651	9,423,469

Endowment Funds					
	Balance as at 1 January 2004	Total incoming resources	Total resources expended	Transfers	Balance as at 31 December 2004
	£	£	£	£	£
WAQF SUPPORT	-	162,533	6,492	(58,425)	97,616
WAQF GENERAL	495,223	205,636	10,329	2,032	692,562
WAQF ORPHANS	149,255	65,521	7,362	1,749	209,163
WAQF EMERGENCY	21,820	17,956	2,397	359	37,738
WAQF WATER	82,136	21,325	5,762	1,063	98,762
WAQF EDUCATION	43,720	25,695	2,036	547	67,926
WAQF QURBANI	8,762	13,693	2,086	189	20,558
WAQF HEALTH	19,053	13,730	2,216	314	30,881
WAQF INCOME GEN- ERATION	19,904	8,040	1,335	238	26,847
Total Endowment Funds	839,873	534,129	40,015	(51,934)	1,282,053

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Restricted funds are funds subject to specific trusts, which have been declared by the donors at the time of donation or created through legal process. During 2004, there was an increase of 37% in restricted income. This was mainly due to increases in donations for countries like Palestine, Iran, Iraq and Orphans Sponsorship. All restricted funds of Islamic Relief have been used to implement specific humanitarian projects in the particular areas of the world stated above. Projects implemented include emergency response intervention, development programmes helping stricken victims restart their lives and to provide long term sustainable benefits for a community, including orphans sponsorship, health and nutrition, water supply and sanitation projects, agricultural projects, income generation and educational projects. The Qurbani projects involve the distribution of meat as a result of the Eid Al Adha Celebration (the celebration of sacrifice). The Ramadhan projects relates to a programme of feeding the needy during the Muslim month of Ramadhan. The Penny Project is a project by children in the UK to help needy children all around the world. This year, Penny Project funded Egypt Qena and Helwan Disabled children and Kindergartens Programmes in Palestine.

Inter funds transfer of £3,894,717 from unrestricted funds have been made to restricted funds to cover deficit on various projects. Zakat funds (annual religious payments by able Muslims to help the poor) have been used to cover shortfalls in projects implemented in Sudan, Sri Lanka, Pakistan, Mali, Kashmir and Chechnya. Water and sanitation funds have been used to finance part of water and sanitation projects in Malawi, Mali and Pakistan. The transfer out of South East Asia indicates funds utilised to cover

emergency projects in Indonesia.

Waqf funds are permanent endowment funds which are held within the charity to generate further funds. At the moment, these are invested into the properties of Islamic Relief. Waqf investments give a 7% annual return on capital from which projects are implemented for the purpose of waqf shares. A proportion of the return is also added back to the capital to ensure growth for reinvestment in future years. In 2005 income from these waqf investments amounting to £51,934 will finance projects in Orphans, Sudan projects, Albania (Community Training Centre), Iraq (Water Supply System), Palestine (School Milk Programme), Indonesia, Pakistan (Income Generation project) and Mali (Child friendly villages).

16. Unrestricted Funds

	General Reserve	Unrestricted Funds: Held as Fixed Assets	Total
	£	£	£
Balance at 1 January 2004	3,027,326	1,862,081	4,889,407
Net Incoming Resources	4,209,074	-	4,209,074
Transfer to restricted Funds	(3,894,717)	-	(3,894,717)
Transfer between funds	61,303	(61,303)	-
Balance at 31 December 2004	3,402,986	1,800,778	5,203,764



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17. Analysis of Group Net Assets Between Funds

Fund Balances at 31 December 2004 are represented by:					
	Unrestricted Funds General	Designated	Restricted Funds	Endowment Funds	Total
	£	£	£	£	£
Tangible Fixed Assets		1,800,778	-	1,282,053	3,082,831
Investment Assets	-	-	-	-	-
Current Assets	4,007,008	-	9,423,469	-	13,430,477
Current Liabilities	(604,022)	-	-	-	(604,022)
Total Net Assets	3,402,986	1,800,778	9,423,469	1,282,053	15,909,286

18. Commitments

At 31 December 2004 the Group had no capital commitments.				
Commitments under operating leases as at 31 December 2004				
Land & Buildings	2004	2003	2004	2003
	Group	Group	Charity	Charity
	£	£	£	£
Expiring				
Less than one year				
Between 2 - 5 years	54,208	54,208	49,008	49,008
More than 5 years	46,461	46,461	46,461	46,461

19. Pension Costs

The charity operates a group personal pension scheme, which effectively means that all employees that join the scheme have their own pension plan, and it is not a company pension scheme. The contributions made by the charity are charged as expenditure in the year.

Employer's contributions vary between 2% and 4% dependent on the length of service.

Other Creditors included £4,840 (2003: £4,456) due to the Pension plan provider as at 31 December 2004 comprising employee and employer pension contributions.