

2363572

Islamic Relief and Subsidiary Undertakings

(Company Limited by Guarantee)

Financial Statements

for the year ended

31 December 2002



الإغاثة الإسلامية



Islamic Relief and Subsidiary Undertakings

Annual Report and Financial Statements year ended 31 December 2002

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Islamic Relief and Subsidiary Undertakings

Annual Report and Financial Statements year ended 31 December 2002

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

General Manager

Mr H Atallah ACA

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

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

Company Number

2365572

Registered Charity

328158



Islamic Relief and Subsidiary Undertakings

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TRUSTEES' REPORT

The trustees, who are the directors, submit their annual report and the group financial statements of Islamic Relief for the year ended 31 December 2002.

Legal and administrative information

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 is a non-governmental, non-political humanitarian aid organisation with operations in over 25 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. 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, from where all major humanitarian campaigns are co-ordinated.

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
- Sweden

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TRUSTEES' REPORT (Continued)

- Switzerland
- USA

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

- Afghanistan
- Albania
- Bangladesh
- Bosnia
- Egypt
- Indonesia
- Kosovo
- Mali
- Iraq
- Pakistan (including Kashmir)
- Palestinian Authority Areas
- Russian Federation (Chechnya / Ingushetia)
- Sudan

During the year Islamic Relief addressed structural and policy issues to improve both the management of the charity and its effectiveness in the field. Islamic Relief Headquarters will become known as Islamic Relief Worldwide while a new entity, Islamic Relief UK, will be set up with a dedicated programme of work in the UK. Islamic Relief Worldwide will involve all Islamic Relief operations across the world in the process of setting standards, agreeing plans and monitoring their implementation. The process of formulating standards and policies has been consultative and the areas covered included financial guidelines, media relations and security. Other policies are currently under review.

Principal activities

Islamic Relief's annual plan has two aspects. 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 excluding the UK contributed 46% or £7.5 million of the donations and similar incoming resources (see page 12) while private contributions received in the UK accounted for £4.4 million or 27%. International private contributions received in the UK accounted for 18% £2.9 million. Institutional funding accounted for £1.5 million (9%) of donations and similar incoming resources. There has been a significant growth in cooperation with DFID (Department for International Development) and ECHO (European Community Humanitarian Organisation). Income received from DFID and ECHO accounted for 90% of institutional contributions.

The most significant centres of fundraising activity outside the UK are the USA and France. Islamic Relief USA contributed £3.5 million (21%) while Secours Islamique France contributed nearly £2.2 million (14%) of donations and similar incoming resources received in the UK. Other Islamic Relief concerns listed above accounted for £1.8 million (11%) of donations and similar incoming resources.

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TRUSTEES' REPORT (Continued)

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 16) reflects the size of operations in different countries.

The Palestinian areas, Chechnya (the Russian Federation), Afghanistan, Pakistan and Kashmir received the greater amounts of donations. They are either very poor or humanitarian disaster areas.

The year was dominated by the continuing conflict in the Palestinian Authority areas. Islamic Relief received £3.4 million for the aid of Palestinians, of which, nearly £2.1 million was spent during the year. Despite the extreme difficulties faced by staff operating in these areas, Islamic Relief managed to get badly needed supplies to the needy Palestinians in Gaza and the West Bank.

Extensive operations in the Russian Federation for Chechens also continue on a major scale with an expenditure of nearly £1.9 million as well as basic food supplied by WFP (World Food Programme).

Afghanistan was another recipient of considerable aid both from private donations and institutional funding. The total amount expended was close to £2.2 million. The Afghanistan office has faced dangerous conditions with continued insecurity. Despite that, the staff have persevered in carrying out important humanitarian work in education, distribution of relief supplies, health and agriculture. Afghanistan is also the recipient of aid from both ECHO and DFID.

Islamic Relief Pakistan with large operations in Kashmir has also been very busy. It has carried out important work near the line of control with impoverished Kashmiries. This included the running of the only health centre in the area as well as community projects with long-term development aims. In the Pakistani province of Balouchistan Islamic Relief is carrying out important work with some of the poorest people in Pakistan, with the aim of developing communities, improving water resources and sustaining livestock. In other areas of Pakistan Islamic Relief benefited over 20000 people through its prevention of blindness campaigns. There is also a small but growing micro-credit project in the poorest areas of Rawalpindi.

With so many disasters it is easy to forget some of the less publicised work carried out in remote areas of Africa, such as the interior of Mali and Malawi, and for some of the most impoverished nations on earth, such as Bangladesh. Islamic Relief also makes it a policy of continuing in countries where the immediate disasters may have diminished or altogether disappeared but the needs remain, to help people put their lives back together again. Kosova and Bosnia are two such examples where Islamic Relief spent nearly £0.6 million during 2002. In both, Islamic Relief operations concentrated on micro-financing projects that help people return to a normal life.

There has been a significant increase in the Orphans department which spent £1.3 million for orphans in 11 countries. By the end of the year the number of orphans was over 3,500.

Islamic Relief carries out two annual campaigns during the Muslim celebrations of Eid Al Adha or Qurbani (the celebration of sacrifice) and Eid Al Fitr (celebration at the end of the month of fasting). These two seasonal projects together constitute over £2.2 million of direct charitable expenditure.

Financial results and future activities

The Statement of Financial Activities on page 11 has been prepared in accordance with the Statement of Recommended Practice ("SORP") issued by the Charity Commission in November 2000. Income and



Islamic Relief and Subsidiary Undertakings

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TRUSTEES' REPORT (Continued)

Expenditure are divided between restricted, unrestricted and endowment/wakf funds. This, we hope, will help you gain a better understanding of our financial activities.

The consolidated net incoming resources for charitable application were £13.7 million for the year which is an increase of nearly 18.5% on 2001 (£12.4 m). Please refer to note 16 for a breakdown of Income and expenditure by country and major project by the year end.

Zakat and general funds of nearly £1.7 million were used to benefit people in many parts of the world including Albania, Bangladesh, Bosnia, Egypt, 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.

During 2002 general Emergency Relief represented 26.4% of our charitable expenditure (cost of activities in furtherance of the objects of the charity in the SOFA) while seasonal projects of Ramadan (the Islamic month for fasting) and Qurbani (the Islamic celebration of sacrificing cow/sheep) accounted for about 17.3%. Development & Rehabilitation projects that covered areas of rebuilding, income generation, education as well as health and sanitation programmes represented 48.1%, with the remaining 8.2% representing the Orphans programme.

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 has been purchased for additional warehouse space. 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 Wakf (endowments, which are generally in long-term investments), and other donations for Islamic Relief projects can be used for investments.

It has been established that the Directors of TIC International Limited who hold the shares of that company, do so on behalf of Islamic Relief, and have signed the share surrendering forms. On this basis under

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TRUSTEES' REPORT (Continued)

FRS5, "Substance over Form", TIC International Limited has been recognised as a subsidiary of Islamic Relief. TIC International Limited provides clothing recycling services.

A debt had accumulated over the years from TIC to Islamic Relief made up of charges and advances for the purchase of assets. With the profit shedding deed of covenant in place TIC could not improve its financial situation. It was decided to capitalise part of the debt recognising the value of TIC based on the audited accounts of 2001. The company was valued at £185,309, this amount will be converted into share capital in the future and there is no obligation on TIC for repayment, see note 11.

In January 2000 we invested in *SIF Invest* which purchased premises in Paris at a cost of £252,000 that have been rented to *Secours Islamique*, our sister organisation in France.

Reserves policy

The main principles of the Reserves Policy are that adequate funds are held for meeting obligations/emergencies, that they are discharged as soon as practicable and that operations are not affected due to the absence of funds. Islamic Relief maintains a 7-month reserves policy for its core operational budget plus an appropriate amount for emergency budgets.

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.

The Head of Finance is responsible to the Board of Trustees for monitoring reserves and proposing 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

The trustees constantly review risks faced by the organisation at their meetings. There are regular reviews on areas of concern to the Charity particularly with reference to our image in the media post 9/11, staff security in field offices, staff recruitment and financial and operational guidelines in both the UK and overseas.

Reports prepared by the Internal Audit unit are received by the trustees and recommendations are followed up.

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 2002:

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

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TRUSTEES' REPORT (Continued)

Mr N Al-Noori
Mr I El-Zayat

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; and
- d. 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.

Auditors

A resolution to 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

28th October 2003

Islamic Relief and Subsidiary Undertakings

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Independent Auditors' Report to the Members of Islamic Relief

We have audited the financial statements of Islamic Relief and Subsidiary Undertakings on pages 11 to 23 for the year ended 31 December 2002. 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

As described in the statement of directors' responsibilities on page 8 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 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 the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 directors 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.

Islamic Relief and Subsidiary Undertakings

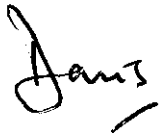
Annual Report and Financial Statements year ended 31 December 2002

Independent Auditors' Report to the Members of Islamic Relief (continued)

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 2002 and of the group's incoming resources and application of resources, including the group's 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



28/10/03

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

Islamic Relief and Subsidiary Undertakings

Annual Report and Financial Statements year ended 31 December 2002

Consolidated Statement of Financial Activities An Income & Expenditure Account for the year ended 31 December 2002

	Notes	Unrestricted funds £	Restricted funds £	Endowment funds £	2002 Total £	2001 Total £ As restated
Incoming Resources						
<i>Donations and similar incoming resources</i> Activities in furtherance of the charity's objects:	2	4,335,699	11,829,085	141,749	16,306,533	12,688,768
Trading subsidiary	3	1,020,327	-	-	1,020,327	1,149,792
Investment Income		38,028	-	-	38,028	7,688
Other income		122,223	-	-	122,223	180,233
Total incoming resources		5,516,277	11,829,085	141,749	17,487,112	14,026,481
Fund-raising costs	4	1,655,869	2,098,140	11,519	3,765,529	2,763,953
Net incoming resources available for charitable application		3,860,408	9,730,945	130,230	13,721,583	11,262,528
Charitable Expenditure						
Cost of activities in furtherance of the objects of the charity:	5	299,304	11,719,679	-	12,018,983	7,261,390
Grants Payable in Furtherance of the Charity's Objects		39,755	-	-	39,755	110,761
Support costs	6	159,961	506,579	-	666,551	446,102
Managing and administering the Charity	7	182,961	579,377	-	762,338	430,941
Exchange (Gains) or Losses		(40,691)	(122,072)	-	(162,763)	52,205
Total Charitable Expenditure		641,302	12,683,563	-	13,324,865	8,301,399
Total resources expended		2,297,171	14,781,703	11,519	17,090,394	11,065,352
Net incoming resources	8	3,219,106	(2,952,618)	130,230	396,718	2,961,128
Transfer between funds		(3,338,208)	3,336,657	1,551	-	-
Total funds brought forward		5,021,282	7,924,279	386,888	13,332,449	10,371,320
Total funds carried forward	17	4,902,181	8,308,317	518,670	13,729,167	13,332,449

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

All incoming resources and resources expended derive from continuing operations.



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Balance Sheets as at 31 December 2002

		Group		Charity	
	Notes	2002 £	2001 £	2002 £	2001 £
Fixed assets					
Tangible assets	10	2,582,793	1,680,929	2,452,450	1,573,285
Investments	11	294,041	259,484	479,350	259,486
		<u>2,876,834</u>	<u>1,940,413</u>	<u>2,931,800</u>	<u>1,832,771</u>
Current assets					
Stocks	12	45,307	42,347	-	-
Debtors	13	2,020,682	1,433,561	1,840,306	1,453,545
Cash at Bank and in Hand		<u>9,297,151</u>	<u>10,316,700</u>	<u>9,239,027</u>	<u>10,251,766</u>
		11,363,140	11,792,608	11,079,333	11,705,310
Creditors: amounts falling within one year	14	510,807	384,572	214,212	171,733
Net currents assets		<u>10,852,333</u>	<u>11,408,036</u>	<u>10,865,122</u>	<u>11,533,577</u>
Total assets less current liabilities		13,729,167	13,348,449	13,796,922	13,366,348
Creditors: amounts falling due After more than one year	15	-	16,000	-	-
Net assets	18	<u>13,729,167</u>	<u>13,332,449</u>	<u>13,796,922</u>	<u>13,366,348</u>
Capital Funds					
Unrestricted funds: General reserves	17	2,838,057	3,727,241	3,036,155	3,868,783
Designated funds					
Fixed assets	17	2,064,123	1,294,041	1,933,781	1,186,398
Endowment Funds	18	518,670	386,888	518,670	386,888
Restricted funds	16	8,308,317	7,924,279	8,308,317	7,924,279
		<u>13,729,167</u>	<u>13,332,449</u>	<u>13,796,922</u>	<u>13,366,348</u>

Approved by the Board



Dr M El-Alfy, Director

28th October 2003

The notes to the accounts on Pages 12 – 23 form part of these accounts.



Islamic Relief and Subsidiary Undertakings

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Consolidated Cash Flow Statement as at 31 December 2002

		2002 £	2001 £
Net cash inflow from operating activities	(a)	104,333	2,456,827
Deposit interest return on investment		3,471	23,615
Payments to acquire tangible fixed assets		(1,184,648)	(1,015,170)
Receipts from sales of tangible fixed assets		57,295	8,688
Acquisition of fixed asset investment			
Net cash inflow before management of liquid resources		(1,019,549)	1,473,960
Disposal of investment deposits		-	499,808
Repayment of directors loan		-	(1,710)
Increase / (decrease) in cash in the year		(1,019,549)	1,972,058
Net cash resources as at 1 January 2001		10,316,700	8,344,642
Net cash resources at 31 December 2002		9,297,151	10,316,700

		2002 £	2001 £
(a)			
Reconciliation of operating result to net cash inflow from operating activities			
Net incoming resources		396,718	2,961,129
Depreciation		220,982	152,977
Gain / (Loss) on disposal of tangible fixed assets		4,506	7,063
Increase in creditors		126,236	43,183
Increase in debtors		(587,122)	(673,352)
Increase in stocks		(2,960)	(1,870)
Deferred government grant released		(16,000)	(1,000)
Investment Income		(38,028)	(31,303)
Net Cash Inflow from Operating Activities		104,332	2,456,827



Islamic Relief and Subsidiary Undertakings

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Notes to the Financial Statements

1. Principal Accounting Policies

Basis of Accounting

The financial statements have been prepared in accordance with the Charities (Accounts and Reports) Regulations 1995, the Statement of Recommended Practice issued by the charity commission in November 2000 and under the historical cost convention and in accordance with applicable accounting standards.

The property held in France and occupied by the Charity's sister organisation while treated as an investment is also regarded as a premises used for the furtherance of the objects of the charity. The Charity holds 99% of the shares in the property company that owns the premises. The value of the company is included in the financial statements according to its balance sheet value at 31 December 2002. Details of investments are given in note 11.

Basis of Consolidation

The financial statements of Charity's trading subsidiary company, TIC International Limited, are consolidated within the accounts of Group, in accordance with current legislation. The Statement of Financial Activities includes the income and expenditure from the subsidiary company. 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.

The results of the French subsidiary company SIF Invest, incorporated in France have been included within these consolidated financial statements under investments; Islamic Relief owns 99% of the share capital of SIF Invest. The aggregate value of the share capital and reserves for the year amounted to £294,041 (including net income of £31,029 during the year), refer to Note 11.

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.

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements.

Incoming Resources

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 services, food, clothing, medical supplies and office fixtures. The estimated value of goods from UK donors in 2002 is £248,690 having regard to market prices when distributed in the field. This amount was not included in the financial statements. 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 supply us with essential food supplies for distribution to Chechens. These goods are received into our warehouses in Russia directly and are not included in our UK accounts.

Resources Expended

Direct charitable expenditure includes the direct costs of the charity's principal activities.

Expenditure on operational projects through Islamic Relief's field offices is accounted for when incurred.

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.



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Notes to the Financial Statements (continued)

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 adjusted 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.

Grants

Government grants on capital expenditure are credited to a deferral account and are released to revenue by equal annual amounts over the expected useful life of the asset to which they relate.

Fund Accounting

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 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 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.

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.

Islamic Relief and Subsidiary Undertakings

Annual Report and Financial Statements year ended 31 December 2002

Notes to the Financial Statements (continued)

Pension Costs

The charity commenced operating a defined contribution pension scheme during the year. The contributions made by the charity are charged as expenditure in the year.

2. Donations, legacies and similar incoming resources

	Unrestricted funds £	Restricted funds £	Endowment £	2002 Total £	2001 Total £
Donations					
Committed giving	-	629,554	-	629,554	450,359
Donations, appeals and fund-raising events	4,335,699	9,698,048	141,749	14,175,496	10,085,348
	4,335,699	10,327,602	141,749	14,805,050	10,535,707
Grants from UK Government Department for International Development					
Palestine Deir AlBalah	-	16,205	-	16,205	9,362
Bangladesh MCH	-	14,143	-	14,143	33,849
Kashmir Neelum Valley Health programme	-	463,558	-	463,558	181,700
Afghanistan Emergency Relief Mali Ghourma Rharous Community Development Project	-	250,000	-	250,000	999,966
	-	30,317	-	30,317	37,232
	-	774,223	-	774,223	1,262,109
Grants from other agencies					
Other UK agencies	-	137,348	-	137,348	50,000
Non UK agencies	-	589,912	-	589,912	840,952
	-	1,501,483	-	1,501,483	2,153,061
Total	4,335,699	11,829,085	141,729	16,306,533	12,688,768

3. Subsidiary (TIC Ltd) Income & Expenditure

	2002 Total Activities £	2001 Total Activities £
Turnover	1,028,190	1,159,718
Total Trading Income	1,028,190	1,159,718
Operating Expenses	851,595	1,025,122
Administration and Management costs	210,481	191,905
Charitable Donations to Islamic Relief	-	-
Expenditure	1,062,076	1,217,027
Net Profit / (Loss) for the financial year	(33,886)	(57,309)
Consolidation adjustments:		
Rental Charge from Islamic	22,400	22,400
Charges From Islamic Relief	6,102	23,037
Charitable Donations to Islamic Relief	-	-
Elimination of Sales to Islamic Relief	(7,863)	(9,926)



Islamic Relief and Subsidiary Undertakings

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Notes to the Financial Statements (continued)

3. Subsidiary (TIC Ltd) Income & Expenditure

	2002 Total Activities £	2001 Total Activities £
Net Income	(13,247)	(21,798)
Turnover	1,028,190	1,159,718
Elimination of inter company sales	(7,863)	(9,926)
Adjusted Turnover	1,020,327	1,149,792
Expenditure	1,062,076	1,217,027
Elimination of inter company charges	(28,502)	(45,437)
	1,033,574	1,171,590

4. Cost of Generating Funds and Increasing Awareness

	Unrestricted £	Restricted £	Endowment £	2002 £	2001 £ As restated
Staff Costs	254,789	852,615	375	1,107,780	760,088
Other Costs	375,369	1,245,525	11,144	1,632,038	842,201
Subsidiary co. costs	1,033,574			1,033,574	1,171,590
Elimination of inter company sales	(7,863)	-	-	(7,863)	(9,926)
	1,655,869	2,098,140	11,519	3,765,529	2,763,953

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

	Unrestricted £	Restricted £	2002 £	2001 £
Afghanistan Emergency Relief Programme	480,387	1,146,904	1,627,290	1,628,451
Chechnya Emergency Relief Programme	458,001	1,093,458	1,551,459	1,027,750
Palestine Crisis Relief and Development Programme	422,321	1,008,274	1,430,595	832,080
Pakistan Crisis Relief and Development Programme	378,293	903,160	1,281,453	-
Orphan Sponsorship and Development	290,520	693,604	984,123	783,176
Qurbani Project	287,267	685,838	973,105	957,016
Ramadhan	328,012	783,115	1,111,127	637,307
Water & Sanitation	157,603	376,270	533,873	188,723
Other Emergency Relief & Development Projects	835,110	1,692,399	2,527,509	1,206,887
Transfer between funds	(3,338,208)	3,336,657	(1,551)	-
	299,304	11,719,679	12,018,983	7,261,390



Islamic Relief and Subsidiary Undertakings

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Notes to the Financial Statements (continued)

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

	Unrestricted £	Restricted £	2002 £	2001 £ As restated
Staff costs	112,165	355,188	467,353	355,345
Office costs	47,808	151,391	199,198	90,757
	159,972	506,579	666,551	446,102

7. Costs of Managing and Administering the Charity

	Unrestricted £	Restricted £	Endowment £	2002 £	2001 £
Staff costs	85,717	271,436	-	357,153	220,384
Office costs	97,245	307,941	-	405,185	210,557
	182,961	579,377	-	762,338	430,941

8. Net Incoming Resources

	2002 £	2001 £ As Restated
This is stated after charging		
Auditors' remuneration	51,426	20,108
Depreciation	221,489	152,977
Loss on disposal of tangible assets	(3,078)	7,063
Indemnity Insurance	9,121	4,166
Operating leases	112,702	49,623
Exchange Loss/Gain	192,084	52,205

9. Employees and Staff Costs

	2002 Number	2001 Number
Project Support	16	21
Fundraising	60	25
Management	24	21
	100	67

9. Employees and Staff Costs (continued)

The cost of employing those staff was:

	2002 £	2001 £
Salaries and wages	1,909,154	1,241,171
National Insurance	124,455	110,679
Pension Scheme	23,131	8,196
	2,056,740	1,360,046

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. No employee's emoluments exceed £50,000.

9a. Trustees Remuneration

Trustees are not remunerated. Reimbursement for directly incurred expenses amounted to £8,795 during the year. (2001: £7,685)



Islamic Relief and Subsidiary Undertakings

Annual Report and Financial Statements year ended 31 December 2002

Notes to the Financial Statements (continued)

10. Tangible Fixed Assets

Group	Freehold & Leasehold Property £	Plant & Machinery £	Fittings & Office Equipment £	Motor Vehicles £	Total £
Cost					
At 1 January 2002	1,420,105	128,360	519,681	77,515	2,145,661
Additions	953,574	25,175	169,248	36,651	1,184,648
Disposals	(72,129)	-	-	(31,236)	(103,365)
At 31 December 2002	2,301,550	153,535	688,929	82,930	3,226,944
Depreciation					
At 1 January 2002	105,359	67,741	242,303	49,329	464,732
Charge for the year	49,404	12,869	144,525	14,184	220,982
Disposals	(11,925)	-	-	(29,638)	(41,563)
At 31 December 2002	142,838	80,610	386,828	33,875	644,151
Net book value					
At 31 December 2002	2,158,712	72,925	302,101	49,055	2,582,793
At 31 December 2001	1,314,746	60,619	277,378	28,186	1,680,629

Charity	Freehold Property £	Office Equipment £	Computers £	Motor Vehicles £	Total £
Cost					
At 1 January 2002	1,381,608	180,389	304,018	39,674	1,905,689
Additions	938,574	28,312	129,931	10,335	1,107,152
Disposals	(33,632)	-	-	(3,368)	(37,000)
At 31 December 2002	2,286,551	208,701	433,949	46,641	2,975,842
Depreciation					
At 1 January 2002	93,733	91,349	131,620	15,703	332,405
Charge for the year	46,404	42,733	94,958	7,473	191,568
Disposals	(300)	-	-	(280)	(580)
At 31 December 2002	139,837	134,082	226,578	22,896	523,392
Net book value					
At 31 December 2002	2,146,714	74,620	207,372	23,745	2,452,450
At 31 December 2001	1,287,876	89,040	172,397	23,972	1,573,285



Islamic Relief and Subsidiary Undertakings

Annual Report and Financial Statements year ended 31 December 2002

Notes to the Financial Statements (continued)

11. Investments

Group	Investment Property £	Unquoted £	Total £
Unrestricted			
1 January 2002	259,484	-	259,484
Increase in Investment value	34,557	-	34,557
	294,041	-	294,041
Disposals	-	-	-
At 31 December 2002	294,041	-	294,041
Charity			
Unrestricted	259,484	2	259,486
Endowments	-	-	-
1 January 2002	259,484	2	259,486
Additions:			
Restricted	-	-	-
Increase in Investment value	34,577	185,307	219,864
	294,041	185,309	479,350
Disposals	-	-	-
At 31 December 2002	294,041	185,309	479,350

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.

12. Stocks

	2002 Group £	2001 Group £	2002 Charity £	2001 Charity £
Raw Materials	20,000	5,800	-	-
Work In Progress	3,600	1,200	-	-
Finished Goods and Goods for resale	21,707	35,347	-	-
	45,307	42,347	-	-

13. Debtors

	2002 Group £	2001 Group £	2002 Charity £	2001 Charity £
Trade Debtors	255,244	218,827	-	-
Other Debtors	1,700,875	1,177,421	1,688,460	1,145,905
Prepayments	64,564	37,313	56,842	37,313
Amounts owed by subsidiary undertakings	-	-	95,005	270,327
	2,020,682	1,433,561	1,840,306	1,453,545

Islamic Relief and Subsidiary Undertakings

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Notes to the Financial Statements (continued)

14. Creditors: Amounts falling due within one year

	2002 Group £	2001 Group £	2002 Charity £	2001 Charity £
Trade creditors	337,297	254,481	95,562	74,371
Social security and other taxes	72,537	51,211	69,837	46,180
Other creditors	58,223	37,780	8,153	11,082
Accruals	42,750	40,100	40,659	40,100
Deferred income from grants	-	1,000	-	-
	510,807	384,572	214,212	171,733

15. Creditors: Amounts falling due after more than one year

	2002 Group £	2001 Group £	2002 Charity £	2001 Charity £
Deferred income from grants	-	16,000	-	-
	-	16,000	-	-

16. Restricted Funds

The income of the Charity include restricted funds comprising the following unexpended balances:

	Balance as at 1 January 2002 £	Total incoming Resources £	Total resources Expended £	Transfers £	Balance as at 31 December 2002 £
Appeal Funds:					
AFGHANISTAN	2,754,006	1,679,904	2,214,400	(383,160)	1,836,350
AFRICA	-	30,151	4,460	(9,364)	16,326
ALBANIA	-	3,267	540,834	537,567	-
ALGERIA	55,942	1,955	891	-	57,006
ANGOLA	-	35	12	-	23
AZERBAIJAN	-	65	53	14	26
BANGLADESH	-	35,225	330,235	301,035	6,026
BOSNIA	-	42,369	341,772	299,403	-
BURMA	2,735	-	-	-	2,735
CHECHNYA	711,427	1,597,484	1,864,824	-	444,087
CHINA	-	622	80,595	79,973	-
CONGO	-	10	82,430	82,420	-
EGYPT	-	953	186,986	186,032	-
EITHIOPIA	2,614	5,848	9,640	4,443	3,264
ERITERIA	1,880	-	-	-	1,880
GHANA	70	-	-	-	70
INDIA	91,029	9,333	7,233	-	93,129
INDONESIA	67	-	16,930	16,863	-
IRAN	7,220	407	437	-	7,190
IRAQ	707,346	72,280	30,590	-	749,035
KASHMIR	7,945	619,664	878,577	287,286	36,319
KENYA	-	122	6	-	116

Islamic Relief and Subsidiary Undertakings

Annual Report and Financial Statements year ended 31 December 2002

Notes to the Financial Statements (continued)

16. Restricted Funds (continued)

	Balance as at	Total incoming	Total resources		Balance as at
	1 January 2002	resources	expended	Transfers	31 December 2002
Appeal Funds:	£	£	£	£	£
KOSOVO	1,392,013	11,922	251,374	-	1,152,561
LEBANON	1,023	1,192	264	-	1,950
MACEDONIA	-	8	3	-	5
MADAGASCAR	307	71	4	-	375
MALAWI	-	4,310	83,975	79,665	-
MALI	-	77,125	557,041	479,917	-
MOROCCO	-	1,940	194	-	1,746
PAKISTAN	-	206,627	1,188,319	1,075,852	94,160
PALESTINE	204,908	3,403,506	2,086,039	-	1,522,374
PHILLIPINES	17	36	4	-	49
RWANDA	53	-	-	-	53
SENEGAL	4,045	-	-	-	4,045
SOMALIA	7,551	4,364	663	-	11,252
SOUTH AFRICA	-	70	25	-	45
SRI LANKA	164	-	-	-	164
SUDAN	-	40,211	375,220	335,009	-
TAJIKISATAN	123	-	-	-	123
TUNISIA	81	195	-	-	276
TURKEY	108,278	300	53,963	-	54,615
UZBEKISTAN	80	-	-	-	80
YEMEN	23	149	6,347	6,174	-
PENNY PROJECT	100,518	13,438	1,311	-	112,285
MOSQUE REPAIRS	417	262	14	-	665
ORPHANS	1,102,891	1,867,769	1,326,629	5,052	1,649,083
QURBANI	373,338	1,049,574	1,306,464	555	117,003
RAMADHAN	284,503	979,006	931,686	-	331,823
WATER & SANITATION	2,024	67,315	21,257	(48,081)	-
Total	7,924,279	11,829,085	14,781,703	3,336,657	8,308,317

The restricted funds are shown by country or project type. The funds reflected by country include funds received for projects to be carried out in the named country only. The funds restricted by project type can be carried out in any part of the world in the specified project field.

The Opening balance as at 1 January 2002 of the Water & Sanitation fund was reclassified to specific country funds. Inter fund transfers of £3,332,199 from the unrestricted funds were used to cover the deficit on expenditure for specific projects. Afghanistan funds of £383,151 were used towards the costs of project that helped Afghan refugees in Pakistan. Funds of £9,392 from the Africa fund were used towards the costs of projects in Africa. Funds of £48,401 from the Water & Sanitation fund were used towards the cost of Water & Sanitation projects in China, Kashmir & Mali.



Islamic Relief and Subsidiary Undertakings

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Notes to the Financial Statements (continued)

17. Unrestricted Funds	General reserve £	Designated fixed assets £	Total £
Balance at 1 January 2002	3,727,241	1,294,041	5,021,282
Net Incoming Resources	3,219,107	-	3,219,107
Transfer to restricted Funds	(3,338,208)	-	(3,338,208)
Transfer between funds	(770,082)	770,082	-
Balance at 31 December 2002	2,838,058	2,064,123	4,902,181

18. Analysis of Group Net Assets Between Funds

Fund Balances at 31 December 2002 are represented by:

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total £
	General £	Designated £	£	£	
Tangible Fixed Assets	-	2,064,123	-	518,670	2,582,793
Investment Assets	294,041	-	-	-	294,041
Current Assets	3,055,003	-	8,308,317	-	11,363,320
Current Liabilities	(510,987)	-	-	-	(510,987)
Long term Liabilities	-	-	-	-	-
Total Net Assets	2,838,057	2,064,123	8,308,317	518,670	13,729,167

19. Commitments

At 31 December 2002 the Group had no capital commitments.

Commitments under operating leases as at 31 December 2002

Land & Buildings	2002 Group £	2001 Group £	2002 Charity £	2001 Charity £
Expiring				
Less than one year	-	9,000	-	-
Between 2 – 5 years	49,008	-	49,008	-
More than 5 years	46,461	6,136	46,461	6,136

