

Muslim Hands

Annual Report and Financial Statements

Year ended 31 December 2012

Company Registration No. 05080486

Charity Registration No. 1105056

RSM Tenon Limited
Accountants and Business Advisers
The Poynt
45 Wollaton Street
Nottingham
NG1 5FW

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Annual report and financial statements for the year ended 31 December 2012

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Trustees and statutory directors

Dr Musharaf Hussain
Pir Mohammad Amin-ul Hasanat Shah
Syed Lakhte Hassanain
Sahibzada Ghulam Jillani
Saffi Ullah

Company number

05080486

Charlty registration number

1105056

Registered office

148-164 Gregory Boulevard, Hyson Green, Nottingham, NG7 5JE

Company secretary

Dr Musharaf Hussain

Auditor

RSM Tenon Audit Limited, Statutory Auditor, The Poynt, 45 Wollaton Street, Nottingham, NG1 5FW

Bankers

National Westminster Bank plc, 105 Radford Road, Hyson Green, Nottingham, NG7 5DY
Santander UK plc, Manchester Business Centre, 298 Deansgate, Manchester, M3 4HH
Islamic Bank of Britain plc, Edgbaston House, 3 Duchess Place, Birmingham, B16 8NH

Solicitors

Freeth Cartwright LLP, Cumberland Court, 80 Mount Street, Nottingham, NG1 6JJ

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Trustees' Report for the year ended 31 December 2012

Alms, objectives and activities

Charitable objects

Muslim Hands' objectives are:

- To be at the forefront in delivering relief from poverty and sickness anywhere in the world, especially in times of disaster and conflict.
- To fight illiteracy and poverty through the provision of education, job-skills training and income generation schemes.
- To provide an effective and efficient service to our donors and the beneficiaries of aid.

The above objectives are enshrined in our mission statement:

"To be at the forefront in delivering relief from poverty, sickness and the provision of education worldwide. To provide an ethical service for the collection and distribution of funds in an effective, efficient, transparent and wholly accountable manner"

Aims and intended impacts

Our aim and objectives are a reflection of our beliefs:

- At Muslim Hands, we believe that everyone, irrespective of race, colour or faith has the fundamental right to a life of dignity, free of poverty and oppression.
- At Muslim Hands we believe that poverty can and must be eradicated, as it exists primarily due to the unjust distribution of resources.
- At Muslim Hands, we believe that by working directly with poor communities we can bring about positive changes from within those communities.
- At Muslim Hands, we believe that literacy, education and job-skills training are fundamental to the development of needy communities and are the most effective tool for empowering the poor to break out of poverty.
- At Muslim Hands, we believe it is our duty to assist impoverished people in times of crisis such as war or natural disaster.

Public benefit statement

The section of this report above entitled 'Aims, objectives and activities' sets out the aims and priorities of the Charity.

The Trustees have considered this matter, in conjunction with the guidance contained in the Charity Commission's general guidance on public benefit, and have concluded:

- That the aims of the Charity continue to be charitable;
- That the aims and work done give identifiable benefits to the charitable sector and both indirectly and directly to individuals in need;
- That the benefits are for the public, are not unreasonably restricted in any way and certainly not by ability to pay; and
- That there is no detriment or harm arising from the aims or activities.

Review of achievements and performance for the year

The Trustees of Muslim Hands (MH) are pleased to announce another successful year. This year the general appeals and efforts in fundraising enabled the charity to fulfil its objectives by responding to various humanitarian emergencies across the globe by assisting the needy with food, water, shelter and medical aid. As always the charity was at the forefront of relief work in countries like Syria, Burma, Assam-India and Somalia. The charity is committed in its long-term goal of fighting world poverty and, more importantly, combatting the underlying causes of poverty by assisting the deprived with education, sustainable income generation projects and restoration of livelihoods. Equally, it is vitally important to MH to maintain the dignity of vulnerable individuals and families. As part of an on-going commitment to enhance quality in education, new initiatives like 'Hallmarks of a Good School' along with 'Whole School Improvement Plans' (WSIP) have been introduced in Muslim Hands West African schools. This year the construction of three new purpose built schools is underway in Niger and Pakistan. All these efforts are producing excellent outcomes, an example being the annual result of 100% passes at Sudan School of Excellence for boys and girls. Also this year the charity opened two new field offices in Nairobi Kenya and Mogadishu in Somalia. It is expected these new offices will build more capacity and enable efficient delivery of our work in East Africa. In order to capacity build and encourage standardisation between UK office, MH field offices and overseas partners, this year MH organised an International Conference in Islamabad, Pakistan.

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Trustees' Report for the year ended 31 December 2012 (*continued*)

Review of achievements and performance for the year (*continued*)

Participatory workshops and training programmes were carried out amongst 70 representatives from 30 countries.

This year MH established a directorate to work on an 'Inward Investment' programme to tackle various issues in the UK.

Emergency Response

Building capacity and efficiency is important to MH, consequently the opening of two new offices in East Africa will enable the charity to not only deliver vital emergency aid but also commit to long-term development work more transparently. It is planned that in the next two years the Kenyan office in Nairobi will focus on long term development in East Africa whilst the Somalia office in Mogadishu will specialise in short- term relief activities throughout the country.

This year MH East Africa teams continued to work on the ground in Somalia and Kenya and the new offices helped accelerate our work within the region. Along with food packages, safe drinking water for Internally Displaced People (IDPs) in Mogadishu, MH established a temporary school for over 200 children. Our teams also reached, with aid, central areas like Galgadud, Puntland and Somaliland. A medical clinic with qualified doctors is serving over 1500 patients each month. Other programmes ranging from safe water to livelihood have been initiated to promote self-sufficiency amongst the communities.

Escalating violence and civil unrest in Syria has forced hundreds of thousands of people to flee their homes. Although a limited amount of aid reached internal Syria, MH was able to support Syrian refugees in Lebanon and Turkey. MH distributed essential emergency aid to over 800 families at the Reyhanli Camp and the Boynuyogun Refugee camp, both situated along the Turkey-Syria border. In addition MH also provided emergency relief to families in Antkya City of Turkey and the surrounding refugee camp areas including Altinozu, Yayladagi, Boynuygun, Aapydin and Reyhanli villages.

Bangladesh regularly features in our headlines for devastating annual flooding, however, what we do not often hear about are the severe winter months which cause many of the country's poor to suffer. In rural areas, temperatures often plummet and stay low for months on end and with no other way to stay warm, people burn waste paper and wood indoor to keep themselves warm. This is not only dangerous but exposes people to the harmful effects of smoke inhalation. Across Bangladesh's poorest areas many endure winter in need of essential heating, blankets and proper nutrition. Responding to the most essential needs, MH Bangladesh distributed thousands of blankets and winter clothing to the most needy families in Fultoli, Zakigonj (Sylhet), Khulna, Sunamgonj, Habigonj and Mymensingh.

In July 2012 the ethnic violence between Rohingya Muslims and ethnic Rakhine Buddhists caused a deep humanitarian crisis in Myanmar, which resulted in Rohingya Muslims having to flee their homes. Although the access to Rohingya communities remained limited for aid organisations, MH representatives on the ground in Rangoon were able to reach the destitute people and provide food, water, clothing, shelter and medical care.

In December 2011 The Philippines suffered a severe tropical storm in the form of a cyclone known as 'Washi'. The ten hour long storm and torrential rains caused flash flooding resulting in devastation on the island of Mindanao. Many hundreds were reportedly killed as a result of this storm. Muslim Hands deployed local teams in Iligan City which was the worst hit. The teams were involved in recovering and removing bodies to help reduce the risk and spread of disease. More than 5000 families were provided with basic food, water and much needed medical assistance.

A violent cyclone of 23 April 2012 over the Barak valley region in Assam, India, affected the area of three districts of this region causing damage to homes and livestock. Muslim Hands teams carried out emergency relief operations in Karimganj District, Patharkandi and Nilambazar Circle areas delivering food parcels and water to more than 750 families. Solar powered lanterns were also distributed to more than 150 families as the electricity lines in the area were completely destroyed.

Winter Aid

Winter is a dreaded season for millions of needy people world over, particularly for those who are old or sick. Without adequate shelter, heating and nutrition, the problems are dramatically exacerbated.

Each winter MH 'Winter Appeal' focuses on reaching such families providing blankets, warm clothing, socks and shoes, fuel and family food parcels. This year MH winter aid delivered assistance to needy families in Afghanistan, Albania, Bangladesh, Kashmir, Pakistan, India, Nepal, Tunisia and Lebanon.

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Trustees' Report for the year ended 31 December 2012 *(continued)*

Review of achievements and performance for the year *(continued)*

Education

Across the world Muslim Hands runs education projects ranging from setting up large school complexes with accommodation for orphan students to braille reading classes for blind adults in Eastern Europe. Currently Muslim Hands is helping educate over 40,000 needy students in 300 schools around the world. Quality education, especially for orphans and poor children, is an on-going concern for the charity. Over the years we have had exceptional results with some schools consistently reaching 100% pass rates, examples of such schools include Sudan School of Excellence, Niger School of Excellence and in Pakistan, Peshawar school, Islamabad school, Bhalwal School and many others. Although this is an outstanding achievement, it is particularly notable as many of these children are from needy homes and orphaned families. It is also noteworthy that our commitment to quality and excellence through empowering students and teachers is a major factor in our achievements. To help children's personal development by exploring diverse interests, MH schools' syllabus is supplemented by sports, creative writing competitions, field visits and stage plays to name but a few. Our Advanced Teacher Training (AST) programme that was launched last year in Pakistan is showing marked improvements in the skills of our teachers, in particular in classroom management and creating model lesson plans. Teachers who have successfully completed their AST programme are now adding much more value into their respective schools by coaching, mentoring and supporting other teachers to acquire similar skills. Other new initiatives such as 'Hallmarks of a good school' along with 'Whole School Improvement Plans' (WSIP) have been introduced in Muslim Hands West African schools. It is expected that continuous monitoring and evaluation of each school will enable MH to achieve its long term goals of eradicating poverty through education. This year the construction of three new purpose built schools is also underway in Niger and Pakistan.

Water and Sanitation

It's easy to forget how much we need safe water. This is the essential of life which many are denied access to. For over a billion people, life's most pressing challenge is gaining easy access to safe, clean drinking water. Poor health due to unclean water and conflict surrounding scarce water sources prevents many from escaping the poverty trap. When children and adults have drunk contaminated water, illness prevents them from attending school or work. In fact, at any given time half of the world's hospital beds are occupied by patients suffering from a water-related disease. Having adults too ill to work means a loss of labour and wages and this inevitably damages the economy of desperately poor countries. Children drinking dirty water results in them staying home to recover, often suffering chronic conditions which means they are not able to complete school or go into the working world. In this way, having only contaminated water to drink damages health, debilitates an economy and ensures the cycle of poverty and dependence continues on. In the current financial year, Muslim Hands spent over £0.7M on water. MH safe water programmes span across many countries and the mode of delivery has been tube wells that serve 2-3 families in places like Nepal, Kashmir and Bangladesh, 'Dig a Wells' for 25-30 families in countries like Niger, Pakistan and Afghanistan and deep water wells in Sudan and Palestine.

Orphan Sponsorship

We believe providing children with security and a high standard of education will help tackle the root causes of poverty and empower generations to come. Muslim Hands sponsors already support over 12,000 orphans worldwide and together, we are laying the foundations for a brighter future not only for the children, but entire communities. Children have many different needs from having love, stability and care to hope for a future full of opportunities ahead. We address these many diverse aspects of looking after an orphan child and provide them with holistic care at their most vulnerable time. This includes- but is not limited to- ensuring the child's security with a family, making sure they receive a high standard of education, monitoring their welfare progress and providing access to medical care should any child fall ill. New pilot programmes like 'School Health Services' where MH Pakistan has partnered with a group of medics will provide better monitoring of medical checks of pupils. In order to ensure quality education and timely monitoring, most of these children are studying in Muslim Hands' own primary, secondary and now higher schools. Each year more purpose built schools are creating a more suitable learning environment for these children. Three new schools being constructed in Niger and Pakistan will facilitate many hundreds more needy and orphan children to study in better conditions.

Other Projects

The Special Programmes Department in UK is increasing its capacity through training and increase in staff to expand its skills and networking. There has been an increase in the demand for bespoke projects by individuals and institutions. In Pakistan MH partnered with another foundation to deliver the construction of 145 homes in the flood affected area of Southern Punjab, Pakistan. Two new schools; one primary and another Secondary in Dhaka, Bangladesh will be built with the generous support of a donor. Our Special Programmes Team has been able to supervise in the construction of several other large projects in the form of water wells in Palestine, Sudan and Mauritania.

Numerous schemes that include cataract operations, malaria prevention, livestock assistance, tree plantation and livelihood activities were carried out globally.

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Trustees' Report for the year ended 31 December 2012 (*continued*)

Review of achievements and performance for the year (*continued*)

This year MH established a directorate to work on an 'Inward Investment' programme to tackle various issues in the UK. Some of the areas of concern are:

- Drug Abuse and other related issues;
- Youth work/ Muslim prisoners and ex-offender rehabilitation (in partnership with the Probation Service and other local Muslim groups) ;
- Raising educational achievement amongst young Muslim people (by training trainers and setting up supplementary teaching of the core subjects where Muslim children are lagging behind or underperforming);
- Women's' engagement in civic society and in Mosques/ Islamic institutions.

Campaigns

Major fundraising campaigns this year were for Syria, Burma, East Africa, Pakistan and Palestine. During the past year MH launched a number of appeals to increase awareness and fundraising for various disasters and crises. We managed to respond to the Syria, Burma and East Africa situations and other small scale floods and cyclones in countries like Assam and Philippines. This year has seen an increase in the number of volunteers helping to raise funds in various cities throughout the country. A team of volunteers were once again taken to climb Kilimanjaro to raise funds for children of sub-Sahara countries. There was a Winter Appeal campaign this year where over a thousand volunteers participated in sponsored walks in various parks up and down the country. The funds raised would help needy communities in countries suffering from severe cold weather.

Throughout the year and during the annual Ramadan 30 day period campaign MH sponsored over two thousand more orphans and needy pupils. Qurbani (fresh meat distribution) and Iftar also enjoyed exceptional successes this year, reaching over 40 countries and feeding a record number of people with fresh meat and hot meals to break their fast with.

Financial review

Principal sources of funding

The principal source of funding for the Charity is from individual donors from within the UK who respond to appeals via mail, email, website or other forms of advertising through the radio or television.

Reserves policy

The Trustees have established a policy whereby, given the charity's present level and nature of activities, the unrestricted funds not committed or invested in intangible and tangible fixed assets ("the free reserves") held by the Charity should not be less than £400,000. At this level the Trustees feel that they would be able to continue the current activities of the Charity in the event of a significant drop in funding. It would obviously be necessary to consider how the funding would be replaced as activities changed. The Charity needs to be able to respond quickly to appeals for the relief of suffering in varied communities within the Muslim world. The Charity is presently achieving this aim.

The level of free reserves held at the balance sheet date reflects funds received during the Qurbani appeal shortly before the yearend which were utilised early in the new year. In addition, the Charity receives significant donations during the period of Ramadan in the second half of the financial year. These donations are retained and utilised systematically to support necessary projects during the next twelve months.

Nature of funds

The Trustees confirm that, on a fund-by-fund basis, the assets are available and are adequate to fulfil the obligations of the Charity.

Grant making policy

During the period the Charity awarded grants totalling £9,720,296. The Charity's policy is to make gifts of this nature to individuals and organisations which further the objectives of the Charity and each request is reviewed by the Trustees on this basis.

Investment policy

Surplus funds are usually kept in a high interest reserve account to ensure the best return for the Charity.

Plans for the future

Muslim Hands will continue to focus on raising funds from institutions and developing strong partnerships with other charities. Adequate investment in staff recruitment, training and IT is one of the priorities. MH will also put greater emphasis on recruiting volunteers to create awareness of its projects and to increase fundraising ventures.

Past experience has shown that purpose built schools are creating a better learning environment resulting in higher achievement by pupils from poor backgrounds. Although raising funds for construction of new schools is a challenge, the organisation will pursue this worthwhile cause. In addition, more investment in teacher training will complement newly built schools and higher attainment amongst the pupils.

MH will endeavour to provide safe water to needy communities around the globe. An astonishing figure of 1.1 billion people lack access to a safe, clean supply of water. Tube wells, shallow and deep wells as well as irrigation schemes will be the main focus of MH.

We also intend to continue with livelihood programmes across Africa, especially in countries like Niger and Mali, through cereal farming, enabling the farmers in upgrading farming techniques to boost their productivity. This will hopefully create food security and reduce poverty.

Statement of Trustees' Responsibilities

The Trustees are required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Charity and the incoming resources and application of resources including the net income and expenditure for the year. In preparing those financial statements, the Trustees are required to:

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

The Trustees are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Charity and which enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees, individually, are aware:

- there is no relevant audit information of which the Charity's auditor is unaware; and
- the Trustees have taken all steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Accounts preparation

The Trustees confirm that the accounts comply with current statutory requirements, and with those of the governing instrument.

Auditors

A resolution to reappoint RSM Tenon Audit Limited as auditor for the ensuing year will be proposed at the forthcoming annual general meeting.

On behalf of the Trustees


SL Hassanain
Trustee

29 July 2013

Independent Auditor's Report to the Trustees of Muslim Hands

We have audited the financial statements of Muslim Hands for the year ended 31 December 2012 on pages 9 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, under Section 144 of the Charities Act 2011 and regulations made under Section 154 of that Act. Our audit work has been undertaken so that we might state to the charitable 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement set out on pages 5 and 6, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Companies Act 2006 and section 144 of the Charities Act 2011 and report in accordance with those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group and parent charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, of the state of the charitable company's affairs as at 31 December 2012, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011;

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report to the Trustees of Muslim Hands (*continued*)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Act 2011 requires us to report to you if, in our opinion:

- the charitable company has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RSM Tenon Audit Limited

Vivian Shadbolt BSc FCA (Senior Statutory Auditor)
for and on behalf of

RSM Tenon Audit Limited
Statutory Auditor
The Poynt
45 Wollaton Street
Nottingham
NG1 5FW

1 August 2013

RSM Tenon Audit Limited is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

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Statement of Financial Activities (Including Income and Expenditure Account) for the year ended 31 December 2012

	Note	Unrestricted funds 2012 £	Restricted funds 2012 £	Total funds 2012 £	Total funds 2011 £
Incoming resources					
Income from generated funds:					
<i>Voluntary income</i>					
Donations and similar incoming resources		4,353,934	8,845,322	13,199,256	11,387,439
Investment income		31,318	-	31,318	12,417
Total incoming resources		4,385,252	8,845,322	13,230,574	11,399,856
Resources expended					
Costs of generating funds:					
Fundraising costs of donations	2	1,676,836	-	1,676,836	1,697,314
Costs of charitable activities:					
Grants payable and operational programmes	3	1,785,020	8,202,138	9,987,158	9,950,501
Governance costs	4	30,670	-	30,670	41,952
Total resources expended		3,492,526	8,202,138	11,694,664	11,689,767
Net incoming/(outgoing) resources before transfers		892,726	643,184	1,535,910	(289,911)
Gross transfers between funds	15	(1,626,712)	1,626,712	-	-
Gains on investments	11	35,055	-	35,055	-
Net movement in funds for the year		(698,931)	2,269,896	1,570,965	(289,911)
Total funds brought forward(<i>as restated</i>)		2,422,925	3,256,946	5,679,871	5,969,782
Total funds carried forward		1,723,994	5,526,842	7,250,836	5,679,871

The statement of financial activities includes all gains and losses recognised in the year.

All incoming resources and resources expended derive from continuing activities.

The surplus for the year for Companies Act purposes comprises the net incoming resources for the year, excluding unrealised deficits on the revaluation of investments and was £1,535,910 (2011: deficit of £289,911).

The notes on pages 12 to 22 form part of these financial statements.

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Balance sheet at 31 December 2012

Company number: 05080486

		2012		2011 <i>As restated</i>	
	Note	£	£	£	£
Fixed assets					
Tangible fixed assets	10		1,540,451		1,188,862
Investments	11		43,665		8,610
			<u>1,584,116</u>		<u>1,197,472</u>
Current assets					
Debtors	12	1,594,664		397,194	
Cash at bank and in hand		4,532,691		4,518,112	
		<u>6,127,355</u>		<u>4,915,306</u>	
Creditors: amounts falling due within one year	13	(135,457)		(81,834)	
Net current assets			<u>5,991,898</u>		<u>4,833,472</u>
Total assets less current liabilities			<u>7,576,014</u>		<u>6,030,944</u>
Creditors: amounts falling due after more than one year	14		(325,178)		(351,073)
Net assets			<u>7,250,836</u>		<u>5,679,871</u>
Funds					
Unrestricted funds	16		1,723,994		2,422,925
Restricted funds	15		5,526,842		3,256,946
			<u>7,250,836</u>		<u>5,679,871</u>

Approved by the Board of Trustees on 29 July 2013 and signed on its behalf by



S L Hassanain
Trustee



Dr M Hussain
Trustee

The notes on pages 12 to 22 form part of these financial statements.

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Cash flow statement for the year ended 31 December 2012

	Note	2012 £	2011 £
Net cash inflow from operating activities (see below)		490,617	512,697
Capital expenditure and financial investment:			
Payments to acquire tangible fixed assets (and net cash outflow from investing activities)		(450,815)	(80,479)
Financing activities			
Repayment of bank loan (and net cash outflow from financing activities) and net cash outflow from financing activities		(25,223)	(26,738)
Increase in cash during the year	17	<u>14,579</u>	<u>405,480</u>

Reconciliation of net Incoming resources to net cash inflow from operating activities

	2012 £	2011 £
Net incoming/(outgoing) resources:		
Unrestricted	892,726	2,440,021
Restricted	643,184	(2,729,932)
	<u>1,535,910</u>	<u>(289,911)</u>
Depreciation	99,226	28,411
Increase/(decrease) in debtors	(1,197,470)	765,729
Increase in creditors	52,951	8,468
Net cash inflow from operating activities	<u>490,617</u>	<u>512,697</u>

The notes on pages 12 to 22 form part of these financial statements.

1. Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. They have been prepared in accordance with the Statement of Recommended Practice 'Accounting and Reporting by Charities' (SORP) issued in March 2005 and the Charities Act 2011. The following principal accounting policies have been applied:

a) Incoming resources

Income includes the total funds received during the period and comprises donations collected directly or by volunteers and income from fundraising events. Income is recognised in the period in which the charity is entitled to receipt and the amount can be measured with reasonable certainty.

Income tax reclaimable under the Gift Aid Scheme is recognised on an accruals basis.

Donors are given the option to restrict their donation when it is made. Any Gift Aid claimed on restricted donations is classed as unrestricted income.

Investments donated to the Charity in the form of gifts in kind are included in "donations and similar incoming resources" in the year of the gift at the market value of the investments at the date of the donation.

Income from other gifts in kind is recognised when the gifts are sold.

Income from investments is included in the Statement of Financial Activities in the year in which it is receivable.

b) Resources expended and basis of allocation

Expenditure is included when incurred and has been shown in the Statement of Financial Activities inclusive of non-recoverable Value Added Tax.

Expenditure on operational programmes is recognised in the period in which it is incurred. Specific funds are established for expenditure which has been allocated to projects, but remains unspent at the year end.

The majority of costs are directly attributable to specific activities. Certain shared costs are apportioned to activities in furtherance of the objects of the Charity. Staff costs are allocated between functions performed by employees in proportion to the time spent performing the tasks.

c) Fundraising costs

These include the salaries and direct expenditure costs of the Charity's staff who promote fundraising.

d) Costs of management and administration of the Charity

These represent costs incurred by finance, human resources and support departments attributable to the management of the Charity's assets, organisational administration and compliance with constitutional and statutory requirements.

e) Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Any currency on hand at the balance sheet date is converted at the year end rate.

1. Accounting policies (*continued*)

f) Capitalisation and depreciation of tangible fixed assets

All assets with an original cost of more than £500 are capitalised.

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

Freehold property	- 2% straight line
Computer and office equipment	- 25% straight line
Fixtures and fittings	- 15% reducing balance

Freehold land and assets in the course of construction are not depreciated.

Vehicles and equipment for use in overseas operational programmes are not capitalised but charged in full to 'resources expended' when purchased. This is because the expected useful life is significantly reduced in such programmes and is generally less than one year for the majority of these assets.

g) Amortisation

Intangible assets are capitalised at cost and amortised over their estimated useful economic life.

h) Investments

Investments in listed securities are included at market value at the balance sheet date.

Gains and losses on disposal and revaluation of investments are charged or credited to the Statement of Financial Activities as appropriate.

i) Operating leases

Rentals applicable to operating leases where substantially all the benefits and risk of ownership remain with the lessor are charged to the Statement of Financial Activities as they become payable.

j) Pensions

Contributions to the charity's defined contribution pension scheme are charged in the Statement of Financial Activities in the year in which they become payable.

k) Funds accounting

Funds held by the charity are:

Unrestricted funds - These are funds which can be used in accordance with the charitable objects at the discretion of the Trustees.

Restricted funds - These are funds that can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Designated funds - These are funds set aside by the Trustees out of unrestricted general funds for specific future purposes or projects.

Further explanation of the nature and purpose of each fund is included in the notes to the accounts.

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Notes forming part of the financial statements for the year ended 31 December 2012 (Continued)

2. Fundraising

	Unrestricted funds £	Restricted funds £	Total 2012 £	Total 2011 £
Publications, advertising and postage	978,472	-	978,472	1,024,371
Wages and salaries	300,618	-	300,618	246,843
Support costs (note 5)	397,746	-	397,746	426,100
	<u>1,676,836</u>	<u>-</u>	<u>1,676,836</u>	<u>1,697,314</u>

3. Grants payable and operational programmes

(a) Expenditure can be summarised as:

	Unrestricted funds £	Restricted funds £	Total 2012 £	Total 2011 £
General	539,544	2,215,682	2,755,226	1,478,999
Orphans	-	2,711,772	2,711,772	2,664,079
Education	-	305,515	305,515	311,492
Health	-	246,856	246,856	266,661
Emergency aid	-	884,817	884,817	2,483,416
Shelter	-	29,446	29,446	68,167
Safe Water	-	717,319	717,319	389,530
Food	-	1,000,353	1,000,353	1,028,336
Masjid	-	90,378	90,378	48,549
Grants payable	<u>539,544</u>	<u>8,202,138</u>	<u>8,741,682</u>	<u>8,739,229</u>
Wages and salaries	506,641	-	506,641	390,601
Support costs (note 5)	738,835	-	738,835	820,671
Total	<u>1,785,020</u>	<u>8,202,138</u>	<u>9,987,158</u>	<u>9,950,501</u>

MUSLIM HANDS

Notes forming part of the financial statements for the year ended 31 December 2012 (*Continued*)

3. Grants payable and operational programmes (*continued*)

(b) Summary of grants payable.

The Charity has supported the work of organisations in different countries as follows:

	Number of Gifts	Total grants payable £
Muslim Hands – Pakistan	8	2,684,227
Muslim Hands – Palestine	12	808,053
Muslim Hands – Sudan	6	732,835
Muslim Hands – Bangladesh	8	405,141
Muslim Hands – Niger	6	341,135
Muslim Hands – Afghanistan	5	476,100
Muslim Hands – Gambia	6	328,446
Muslim Hands – Iraq	3	210,116
Muslim Hands – Sri Lanka	6	211,219
Muslim Hands – Lebanon	7	313,399
Muslim Hands – Indonesia	5	181,484
Muslim Hands – Somalia	8	340,651
		7,032,806
Other grants less than £50,000 in the year		1,708,876
		8,741,682

A full list of individual grants and the projects that are funded is available from our principal office.

During the year the Charity contributed £100,000 (2011: £240,000) towards the office expenditure of Muslim Hands France, a separate charity registered in that country.

4. Governance costs

	Unrestricted funds £	Restricted funds £	Total 2012 £	Total 2011 £
Audit and accountancy	11,680	-	11,680	13,672
Trustees' expenses	3,134	-	3,134	8,462
Support costs (note 5)	15,856	-	15,856	19,818
	30,670	-	30,670	41,952

MUSLIM HANDS

Notes forming part of the financial statements for the year ended 31 December 2012 (Continued)

5. Support costs

Support costs consist of:

	Fundraising costs £	Grants payable £	Governance £	Total 2012 £	Total 2011 £
Staff costs	150,407	246,120	13,673	410,200	447,357
Premises costs	29,429	59,751	-	89,180	159,890
Office costs	193,899	393,673	-	587,572	650,882
Professional fees	24,011	39,291	2,183	65,485	8,460
	<u>397,746</u>	<u>738,835</u>	<u>15,856</u>	<u>1,152,437</u>	<u>1,266,589</u>

Costs allocation includes an element of judgement and the Charity has had to consider the cost benefit of detailed calculations and record keeping. All categories have been allocated on a basis consistent with the use of resources.

6. Net Incoming resources

	2012 £	2011 £
This is stated after charging:		
Auditor's remuneration - audit	8,180	7,940
- other	3,500	5,732
Depreciation of tangible fixed assets	<u>99,226</u>	<u>28,411</u>

7. Employees and staff costs

	2012 £	2011 £
Wages and salaries	1,081,023	981,828
Social Security costs	107,497	98,230
Pension costs	11,612	4,743
	<u>1,200,132</u>	<u>1,084,801</u>

The average number of employees, analysed by function was:

	2012 Number	2011 Number
Direct charitable operations	18	14
Fundraising and publicity	11	8
Management and administration of the Charity	13	12
	<u>42</u>	<u>34</u>

The Charity operates a defined contribution pension scheme. £11,612 (2011: £4,743) has been charged in the Statement of Financial Activities during the year in relation to this pension scheme.

MUSLIM HANDS

Notes forming part of the financial statements for the year ended 31 December 2012 (Continued)

7. Employees and staff costs (continued)

There are no employees with emoluments above £60,000. During the period Syed Lakhte Hassanain, a Trustee of the Charity, was paid £50,089 (2011: £53,811) for his services to the charity.

At the year end the Charity was owed £8,914 (2011: £10,414) by Syed Lakhte Hassanain.

During the year £3,134 (2011: £8,462) of expenses for reimbursement of travel and subsistence in connection with the Charity's business were paid to Trustees.

8. Taxation

No corporation tax has been provided in the financial statements as Muslim Hands is a registered charity and is within the exemption granted by Section 505 of the Income and Corporation Taxes Act 1988.

9. Intangible fixed assets

	Donor Mailing List £
Cost	
At 1 January 2012 and 31 December 2012	64,567
Amortisation	
At 1 January 2012 and 31 December 2012	64,567
Net book value	
At 31 December 2012 and 31 December 2011	-

10. Tangible fixed assets

	Freehold land & buildings £	Assets in course of construction £	Computer & office equipment £	Fixtures & fittings £	Total £
Cost					
At 1 January 2012	376,359	855,716	180,279	60,485	1,472,839
Additions	9,969	263,037	173,401	4,408	450,815
At 31 December 2012	386,328	1,118,753	353,680	64,893	1,923,654
Accumulated depreciation					
At 1 January 2012	84,090	-	151,704	48,183	283,977
Charge for the year	7,727	-	89,654	1,845	99,226
At 31 December 2012	91,817	-	241,358	50,028	383,203
Net book values					
At 31 December 2012	294,511	1,118,753	112,322	14,865	1,540,451
At 31 December 2011	292,269	855,716	28,575	12,302	1,188,862

11. Fixed asset investments

Investments in listed UK securities

<i>Market value:</i>	£
At 1 January 2012	8,610
Increase in market value	35,055
	<hr/>
At 31 December 2012	43,665
	<hr/>

(i) All investments are in UK equities.

	£
(ii) Historical cost as at 31 December 2012 and 2011	471,705
	<hr/>

(iii) Investments in individual entities at 31 December 2012 which are over 5% of portfolio by value are:

	£
Frenkel Topping Group plc	43,665
	<hr/>

12. Debtors

	2012 £	2011 £
Other debtors	1,588,901	394,304
Prepayments and accrued income	5,763	2,890
	<hr/>	<hr/>
	1,594,664	397,194
	<hr/>	<hr/>

Included within other debtors is an amount of £19,714 (2011:£ 32,191) which is due for repayment after more than one year.

13. Creditors: amounts falling due within one year

	2012 £	2011 £
Bank loan	27,422	26,750
Trade creditors	71,028	45,184
Accruals and deferred income	37,009	9,900
	<hr/>	<hr/>
	135,457	81,834
	<hr/>	<hr/>

The following liabilities disclosed under amounts due within one year are secured by the company:

	2012 £	2011 £
Bank loan	27,422	26,750
	<hr/>	<hr/>

The bank loan is secured by a legal charge over the freehold property to which it relates. The loan is repayable in monthly instalments and bears interest at 2.5% over base rate.

MUSLIM HANDS

Notes forming part of the financial statements for the year ended 31 December 2012 (*Continued*)

14. Liabilities: amounts falling due after more than one year

	2012 £	2011 £
Bank loan	325,178	351,073

The bank loan is secured by a legal charge over the freehold property to which it relates. The loan is repayable in monthly instalments and bears interest at 2.5% over base rate.

The bank loan is repayable as follows:

	2012 £	2011 £
Within one year	27,422	26,750
Between one and two years	28,256	27,563
Between two and five years	90,029	87,823
After five years	206,893	235,687
	<u>352,600</u>	<u>377,823</u>

MUSLIM HANDS

Notes forming part of the financial statements for the year ended 31 December 2012 (Continued)

15. Restricted funds

	Balance at 31 December 2011 <i>As restated</i> £	Incoming funds £	Outgoing funds £	Transfers £	Balance at 31 December 2012 £
Afghanistan	-	157,007	(406,704)	249,697	-
Africa	843,202	195,684	(171,742)	-	867,144
Albania	-	18,660	(33,626)	14,966	-
Azerbaijan	-	50,740	(60,445)	9,705	-
Bangladesh	-	191,977	(339,473)	147,496	-
Burma	14,811	945,546	(78,940)	-	881,417
Chechnya	52,012	1,500	-	-	53,512
China	-	68,316	(97,951)	29,635	-
Egypt	-	164	(10,781)	10,617	-
Ethiopia	-	47,794	(60,852)	13,058	-
Gambia	-	66,116	(163,872)	97,756	-
Haiti	209,032	2,751	(77,862)	-	133,921
India	-	31,421	(57,652)	26,231	-
Indonesia	-	66,121	(152,451)	86,330	-
Iran	142,649	172	-	-	142,821
Iraq	35,620	152,505	(179,008)	-	9,118
Japan	21,654	-	-	-	21,654
Kashmir – India	-	54,008	(227,724)	173,715	-
Kashmir – Pakistan	-	301,991	(289,509)	-	12,481
Kenya	25,023	27,022	(60,243)	8,198	-
Kosovo	-	25,066	(30,609)	5,544	-
Lebanon	-	182,440	(246,993)	64,553	-
Liberia	-	625	(5,360)	4,735	-
Libya	16,079	65	-	-	16,144
Macedonia	-	19,024	(24,386)	5,362	-
Majorca	-	18,000	(20,224)	2,224	-
Malaysia	-	315	(3,500)	3,185	-
Malawi	-	123,765	(99,900)	-	23,865
Mali	-	51,431	(123,052)	71,620	-
Mauritania	2,200	40,034	(41,202)	-	1,032
Mexico	-	500	(7,325)	6,825	-
Middle East	37,478	2,790	-	-	40,268
Nepal	-	10,386	(44,453)	34,068	-
Niger	-	100,139	(241,663)	141,524	-
Pakistan	-	1,347,021	(1,908,051)	561,030	-
Palestine	-	1,114,748	(736,759)	-	377,989
Philippines	-	295	(1,330)	1,035	-
Rwanda	-	13,373	(14,175)	802	-
Senegal	-	60,467	(115,304)	54,837	-
Somalia	287,915	194,252	(274,076)	-	208,091
South Africa	8,538	4,441	(6,777)	-	6,202
South East Asia	12,456	635	-	-	13,091
Sri Lanka	-	73,551	(149,122)	75,571	-
Subcontinent	35,386	1,028	-	-	36,414
Sudan	-	380,906	(588,990)	208,084	-
Syria	-	350,918	(47,701)	-	303,217
Tatarstan	-	-	(15,721)	15,721	-
Uganda	6,324	11,238	(12,185)	-	5,377
United Kingdom	-	3,544	(102,325)	98,781	-
Uzbekistan	3,497	-	-	-	3,497
Other country specific restricted funds	2,698	19,189	(346,268)	324,381	-
Non country specific restricted funds	1,500,372	2,315,641	(525,852)	(920,574)	2,369,587
	3,256,946	8,845,322	(8,202,138)	1,626,712	5,526,842

All restricted funds are for specific humanitarian or education projects usually in particular areas of the world. These projects include development programmes to provide long-term sustainable benefits for a community, including health and nutrition, water supply and sanitation projects, agricultural projects and educational projects. The charity also holds certain restricted funds raised through appeal for emergency relief provision in times of crisis which are not restricted to a particular area of the world.

MUSLIM HANDS

Notes forming part of the financial statements for the year ended 31 December 2012 (Continued)

16. Unrestricted funds

	General funds <i>As restated</i> £
At 1 January 2012	2,422,925
Net incoming resources	892,726
Transfer to restricted funds	(1,626,712)
Gains on investments	35,055
	<hr/>
Balance at 31 December 2012	1,723,994
	<hr/>

17. Analysis of changes in net funds

	At 1 January 2012 £	Cashflows £	Non-cash movement £	At 31 December 2012 £
Net cash:				
Cash at bank and in hand	4,518,112	14,579	-	4,532,691
	<hr/>	<hr/>	<hr/>	<hr/>
Debt:				
Debt due within 1 year	(26,750)	25,223	(25,895)	(27,422)
Debt due after 1 year	(351,073)	-	25,895	(325,178)
	<hr/>	<hr/>	<hr/>	<hr/>
	(377,823)	25,223	-	(352,600)
	<hr/>	<hr/>	<hr/>	<hr/>
Net funds	4,140,289	39,802	-	4,180,091
	<hr/>	<hr/>	<hr/>	<hr/>

Reconciliation of net cash flow to movement in net funds

	2012 £	2011 £
Increase in cash	14,579	405,480
Cash outflow from bank loans	25,223	26,738
	<hr/>	<hr/>
Change in net funds	39,802	432,218
Net funds at 1 January	4,140,289	3,708,071
	<hr/>	<hr/>
Net funds at 31 December	4,180,091	4,140,289
	<hr/>	<hr/>

18. Analysis of net assets between funds

	Tangible fixed assets £	Fixed asset investments £	Net current assets £	Long Term Liabilities £	Total £
Restricted funds	-	-	1,723,994	-	1,723,994
Unrestricted funds	1,540,451	43,665	4,267,904	(325,178)	5,526,842
	<u>1,540,451</u>	<u>43,665</u>	<u>5,991,898</u>	<u>(325,178)</u>	<u>7,250,836</u>

19. Related party transactions

The charity works in close co-operation with other Muslim Hands charities worldwide. These are independently registered charities which operate under their own registered charity number. The activities of these charities, which are autonomous, are not included in these accounts.

Muslim Hands UK shares some common trustees with Muslim Hands Pakistan and Muslim Hands France. Grants made to these charities during the year are disclosed in note 3 of these accounts.

20. Prior year adjustment

Historically, restricted funds have only been recognised based on a country restriction. However, it is possible for donors to restrict their donation to a specific appeal (orphans, education etc) without restricting to a specific country. An adjustment has been made to these financial statements to show these donations as restricted income.

The effect of this prior year adjustment is to show £2,187,509 more income as restricted and £163,431 more expenditure as restricted expenditure. Together with additional transfers between funds of £523,706 this has resulted in restricted funds carried forward in 2011 increasing by £1,500,372. There is no effect on the surplus for the year.

21. Ultimate controlling party

The trustees do not consider there to be an ultimate controlling party.