

REGISTERED COMPANY NUMBER: 3693242 (England and Wales)
REGISTERED CHARITY NUMBER: 1079965

Report of the Trustees and
Unaudited Financial Statements for the year ended
31st December 2008
for
Al Kalima

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COMPANIES HOUSE

Monahans
Chartered Accountants
Clarks Mill
Stallard Street
Trowbridge
Wiltshire
BA14 8HH

Al Kalima

Contents of the Financial Statements
for the year ended 31st December 2008

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Al Kalima

Report of the Trustees **for the year ended 31st December 2008**

The trustees who are also directors of the charity for the purposes of the Companies Act 1985, present their report with the financial statements of the charity for the year ended 31st December 2008. The trustees have adopted the provisions of the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities' issued in March 2005.

Registered Company number
3693242 (England and Wales)

Registered Charity number
1079965

Registered office
Clarks Mill
Stallard Street
Trowbridge
Wiltshire
BA14 8HH

Trustees
M A Hall
H C Thomas
M Tinawi
E Greening

Company Secretary
E Greening

Accountants
Monahans
Chartered Accountants
Clarks Mill
Stallard Street
Trowbridge
Wiltshire
BA14 8HH

Governing document
The charity is a company limited by guarantee without a share capital. The limit of the members' liability under the terms of the company's Memorandum and Articles is £1.00 each.

Charities Objectives
The charity objective is that of the advancement of the Christian religion among adherents to the Muslim faith by the publishing and distribution of Christian literature.

Each time a new government is elected in Israel, each time a new president is inaugurated in Washington, there is hope that somehow things will be different, that there will be lasting peace in the Middle East. Western governments debate how they should relate to the Muslim world, and the Christian church feels increasingly insecure as the number of Muslims in western countries grows.

This fortress mentality amongst Christians is something that has been a reality in the Arab world for most of the last 1300 years. How refreshing it was then to read the following from an Arab clergyman called to work amongst the Muslims of North Africa:

Satan has been successful in hiding Christ from Arab Muslims, and we as Arab Christians have supported him using many means, the most important of them language. This has made the Word of God in the Holy Bible unclear. But then this translation (*Al Kalima's True Meaning of the Gospel*) came to remove the dust and bring the language and expressions back to their pure origin.

Al Kalima

Report of the Trustees for the year ended 31st December 2008

It has always been Al Kalima's goal to build bridges between Christians and Muslims. Years ago we realised that it was more than just religion which divided the communities, it was language as well.

Lighthouse Project: The True Meaning

Our translation of the gospels and Acts was published in March 2008. It is a collaboration between Christian and Muslims to produce a translation which Muslims can understand. The uniqueness of this effort, unprecedented in Arab history, has been recognised by leading orientalist, Father Samir Khalil, the papal representative in the Middle East. We continue to be encouraged by the responses of our readers, who appreciate our efforts to make the text accessible to them.

Some western critics have questioned whether we are trying to appease Muslim sensibilities, particularly with the translation of 'father' in relation to God, and 'son' in relation to Christ. Al Kalima's aim is not compromise but clarity and we welcome feedback to help us achieve our goals. We were very encouraged by warm endorsements from some Arab Christians who have been involved with other Bible translations. Here is one of them:

When the 'newborn' book reached my hands in its elegant clothing, I first reflected on its title which brought many questions to my mind, the first one being: "Why would a team of educated Muslims be interested in the Gospel?" "What is a correct interpretation as far as they are concerned?" "Why would they want to do an Arabic translation of a religious text like this?" "And how?"

From the first word in this volume to the last, I was gradually overcome with joy, and after each page my astonishment increased and my heart and emotions were filled with amazement.

The second part of the Lighthouse Project is well under way and we are grateful for the assurance of funding at least for the translation and reviewing. The ongoing collaboration between Muslim and Christian academics is the inspiration we need to bring this project to completion.

Library Project

The pace of this project picked up considerably in 2008 and in the first quarter of 2009. Over 14,000 books were distributed in 2008 in nine Arab countries, with over 12,000 of these being our Scripture books. In 2009 we were encouraged to send a large number of books to Egypt, which are now being sent out to public libraries. Much of this distribution was already funded by generous US donors.

People

Al Kalima's greatest strength derives from the people who work with us. These people may not seem to have much in common, being from Arab and western backgrounds, Muslims and Christians of many denominations. What they have in common is a desire to see Scripture made comprehensible to Arab Muslim readers. We value each one of our collaborators and are delighted to recognize their contribution. Four of these Muslim academics were proud to have their names on the front of *The True Meaning*.

Another person who has played an important role in promoting our work is Paul-Gordon Chandler, a long-standing friend of Mazhars. His book *Pilgrims of Christ on the Muslim Road* has enabled more people to know about Al Kalima's publishing ministry.

The financial support of Christians is no less important and we want to acknowledge the continuing efforts of our friends at Frontiers to raise money for our projects. Christian books all too often gather dust in warehouses, so we thank all those who have bought copies of our books to give to their Muslim friends. Mention should be made of Operation Mobilisation, whose vision for good literature remains undimmed.

Outlook

It seems likely that the western world will go through many years of economic depression before things improve significantly. Giving to Christian causes has already been adversely affected in the USA and the UK. Al Kalima will not be immune from these tides of change, and we will seek to use our resources effectively to make the word of God available to ordinary Arab Muslims.

Al Kalima

Report of the Trustees for the year ended 31st December 2008

We envisage a slowing of the Library Project as we seek funds to reprint titles for future distribution. Lighthouse Project (Epistles and Revelation) is fully funded to production stage, and we are excited by the additional possibility of audio recordings of the Gospels.

Risk Assessment and Management

The trustees of Al Kalima recognize the following important risks, which we seek to manage on an ongoing basis.

Operational

We rely heavily on the strength of our relationships with businesses and individuals, something which we never take for granted.

Financial

Operating in the business environment of the Arab world it is difficult to keep good records as many businesses prefer cash payments and have to be asked to provide proper documentation for transactions. The economic outlook in donor countries may make it harder to raise funds for projects, impacting the book production of the second Lighthouse volume, and progress in the Library Project.

External

Middle Eastern politics impact our operations, particularly the instability in Lebanon. This can impact safety of personnel and their ability to move easily around the Arab world.

Reserves Policy

The charity normally pays its expenses in cash and has no long-term liabilities. Each new project is set up as a revolving fund so that sales receipts keep the title in print. It has therefore been decided to set aside £5,000 in case of unforeseen expenses.

Funds in deficit

The Lighthouse Project had a deficit balance at the year end. The trustees are of the opinion that income will be received in the future in respect of this project to cover the excess expenditure at the year end.

Statement of Trustees Responsibilities

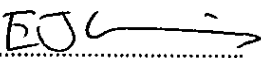
The trustees are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the charitable company and of the surplus or deficit of the charitable company for that period. In preparing those financial statements, the trustees are required to

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charity SORP;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

ON BEHALF OF THE BOARD:


.....
E Greening - Secretary

Date: 22 June 2009

Report of the Accountants to the Trustees of
Al Kalima

We report on the financial statements for the year ended 31st December 2008 set out on pages five to twelve.

Respective responsibilities of trustees and reporting accountants

As described on pages six to seven the charitable company's trustees are responsible for the preparation of the financial statements, and consider that the charitable company is exempt from an audit. It is our responsibility to carry out procedures designed to enable us to report our opinion.

Basis of opinion

Our work was conducted in accordance with the Statement of Standards for Reporting Accountants, and so our procedures consisted of comparing the financial statements with the accounting records kept by the charitable company, and making such limited enquiries of the officers of the charitable company as we considered necessary for the purposes of this report. These procedures provide only the assurance expressed in our opinion.

Opinion

In our opinion:

- (a) the financial statements are in agreement with the accounting records kept by the charitable company under Section 221 of the Companies Act 1985;
- (b) having regard only to, and on the basis of, the information contained in those accounting records:
 - (i) the financial statements have been drawn up in a manner consistent with the accounting requirements specified in Section 249C(6) of the Act; and
 - (ii) the charitable company satisfied the conditions for exemption from an audit of the financial statements for the year specified in Section 249A(4) of the Act and did not, at any time within that year, fall within any of the categories of companies not entitled to the exemption specified in Section 249B(1).

Monahans

Monahans
Chartered Accountants
Clarks Mill
Stallard Street
Trowbridge
Wiltshire
BA14 8HH

Date: 20/5/09

Al Kalima

Statement of Financial Activities
for the year ended 31st December 2008

| | | Unrestricted funds | Restricted funds | 2008 Total funds | 2007 Total funds |
|---|-------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Notes | £ | £ | £ | £ |
| INCOMING RESOURCES | | | | | |
| Incoming resources from generated funds | | | | | |
| Voluntary income | 2 | 20,874 | 138,000 | 158,874 | 67,894 |
| Activities for generating funds | 3 | 9,197 | 6,018 | 15,215 | 6,852 |
| Investment income | 4 | <u>379</u> | <u>-</u> | <u>379</u> | <u>605</u> |
| Total incoming resources | | 30,450 | 144,018 | 174,468 | 75,351 |
| RESOURCES EXPENDED | | | | | |
| Costs of generating funds | | | | | |
| Costs of generating voluntary income | | 736 | 3,155 | 3,891 | 65 |
| Charitable activities | | | | | |
| Publishing & Distribution of Christian Literature | | 3,506 | 132,338 | 135,844 | 56,896 |
| Governance costs | | 2,656 | - | 2,656 | 2,570 |
| Other resources expended | | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,780</u> |
| Total resources expended | | 6,898 | 135,493 | 142,391 | 65,311 |
| NET INCOMING RESOURCES | | | | | |
| | | <u>23,552</u> | <u>8,525</u> | <u>32,077</u> | <u>10,040</u> |
| RECONCILIATION OF FUNDS | | | | | |
| Total funds brought forward | | <u>21,980</u> | <u>38,973</u> | <u>60,953</u> | <u>50,913</u> |
| TOTAL FUNDS CARRIED FORWARD | | <u>45,532</u> | <u>47,498</u> | <u>93,030</u> | <u>60,953</u> |

CONTINUING OPERATIONS

All incoming resources and resources expended arise from continuing activities.

The notes form part of these financial statements

Al Kalima

Balance Sheet
At 31st December 2008

| | Notes | 2008 £ | 2007 £ |
|---|-------|---------------|---------------|
| FIXED ASSETS | | | |
| Tangible assets | 7 | - | 203 |
| CURRENT ASSETS | | | |
| Stocks | 8 | 64,583 | 13,965 |
| Debtors: amounts falling due within one year | 9 | 3,693 | 1,514 |
| Debtors: amounts falling due after more than one year | 9 | 1,890 | - |
| Cash at bank and in hand | | <u>25,576</u> | <u>47,856</u> |
| | | 95,742 | 63,335 |
| CREDITORS | | | |
| Amounts falling due within one year | 10 | (2,712) | (2,585) |
| NET CURRENT ASSETS | | <u>93,030</u> | <u>60,750</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>93,030</u> | <u>60,953</u> |
| NET ASSETS | | <u>93,030</u> | <u>60,953</u> |
| FUNDS | 12 | | |
| Unrestricted funds | | 45,533 | 21,980 |
| Restricted funds | | <u>47,497</u> | <u>38,973</u> |
| TOTAL FUNDS | | <u>93,030</u> | <u>60,953</u> |

The notes form part of these financial statements

Al Kalima

Balance Sheet - continued
At 31st December 2008

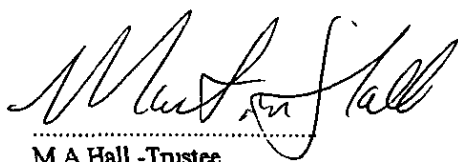
The charitable company is entitled to exemption from audit under Section 249A(2) of the Companies Act 1985 for the year ended 31st December 2008.

The trustees have not required the charitable company to obtain an audit of its financial statements for the year ended 31st December 2008 in accordance with Section 249B(2) of the Companies Act 1985.

The trustees acknowledge their responsibilities for

- (a) ensuring that the charitable company keeps accounting records that comply with Section 221 of the Companies Act 1985 and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the charitable company as at the end of each financial year and of its surplus or deficit for each financial year in accordance with the requirements of Section 226 and which otherwise comply with the requirements of the Companies Act 1985 relating to financial statements, so far as applicable to the charitable company.

The financial statements were approved by the Board of Trustees on 22nd June 2009 and were signed on its behalf by:



M A Hall - Trustee

The notes form part of these financial statements

Al Kalima

Notes to the Financial Statements for the year ended 31st December 2008

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention, the Companies Act 1985 and the requirements of the Statement of Recommended Practice, Accounting and Reporting by Charities.

Financial Reporting Standard Number 1

Exemption has been taken from preparing a cash flow statement on the grounds that the charitable company qualifies as a small charitable company.

Incoming resources

Voluntary income is received by way of donations and is included in the Statement of Financial Activities when received.

Incoming resources from sale of books is included when received.

Resources expended

Expenditure is recognised on an accruals basis as a liability incurred. Expenditure includes any VAT which cannot be recovered and is reported as part of the expenditure to which it relates.

Cost of generating funds

Costs of generating funds comprise the costs associated with attracting voluntary income and the costs of trading for fundraising purposes.

Charitable activities

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those of an indirect nature necessary to support them.

Governance Costs

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include audit fees and costs linked to the strategic management of the charity.

Allocation and apportionment of costs

All costs are allocated between the expenditure categories of the Statement of Financial Activities on a basis designed to reflect the use of the resource. Costs relating to a particular activity are allocated directly, others are apportioned on an appropriate basis.

Tangible fixed assets

Fixed assets are stated at original cost or, if donated, the value at date of receipt, less accumulated depreciation. Expenditure on assets is capitalised if the expenditure amounts to £200 or more. Depreciation is calculated to provide the full cost of the assets over their expected normal lives at the following rates:

| | |
|--------------------|---------------------------------|
| Computer equipment | 40 % per annum reducing balance |
|--------------------|---------------------------------|

Stocks

Stock is valued at the lower of cost and net realisable value, after making due allowances for old editions and slow moving items. Allowances are also made for stock which is to be distributed free of charge.

Taxation

The company is a registered charity and as such its activities are exempt from Corporation Tax. Accordingly no provision for taxation is made in these financial statements.

Al Kalima

Notes to the Financial Statements - continued
for the year ended 31st December 2008

1. ACCOUNTING POLICIES - continued

Fund accounting

Unrestricted funds are donations and other incoming resources receivable or generated for the objects of the charity without further specified purpose and are available as general funds.

The designated funds have been set aside by the trustees out of unrestricted funds towards a specific purpose.

The charity's restricted funds are those where the donor has imposed restrictions on the use of the funds.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the balance sheet date. Monetary assets and liabilities are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the Statement of Financial Activities.

2. VOLUNTARY INCOME

Frontiers is a charity based in America which supports the work of Al Kalima. It does this by paying some of the expenses relating to the publication of the books which would otherwise fall to be paid by Al Kalima. All of these expenses are included in the accounts of Al Kalima together with a corresponding amount included as donations representing these amounts paid by Frontiers. In addition Frontiers makes donations of monies to Al Kalima for it to spend on its charitable objectives.

3. ACTIVITIES FOR GENERATING FUNDS

| | 2008 | 2007 |
|------------|---------------|--------------|
| | £ | £ |
| Book sales | <u>15,215</u> | <u>6,852</u> |

The objective of the charity is the advancement of the Christian religion among adherents to the Muslim Faith by the publishing and distribution of Christian Literature. The costs relating to the production of this literature are shown in the Detailed Statement of Financial Activities. Of the books produced, some are sold and some are distributed free of charge.

4. INVESTMENT INCOME

| | 2008 | 2007 |
|--------------------------|------------|------------|
| | £ | £ |
| Deposit account interest | <u>379</u> | <u>605</u> |

5. NET INCOMING/(OUTGOING) RESOURCES

Net incoming resources are stated after charging:

| | 2008 | 2007 |
|--------------|--------------|--------------|
| | £ | £ |
| Depreciation | 0 | 135 |
| Accountancy | <u>2,660</u> | <u>2,570</u> |

Al Kalima

Notes to the Financial Statements - continued
for the year ended 31st December 2008

6. TRUSTEES' REMUNERATION AND BENEFITS

There were no trustees' remuneration or other benefits for the year ended 31st December 2008 nor for the year ended 31st December 2007.

Trustees' Expenses

During the year reimbursed expenses totalling £467 (2007: £nil) were paid to two trustees.

7. TANGIBLE FIXED ASSETS

| | Computer equipment £ |
|------------------------|----------------------------|
| COST | |
| At 1st January 2008 | 1,560 |
| Disposals | <u>(1,560)</u> |
| At 31st December 2008 | — |
| DEPRECIATION | |
| At 1st January 2008 | 1,357 |
| Eliminated on disposal | <u>(1,357)</u> |
| At 31st December 2008 | — |
| NET BOOK VALUE | |
| At 31st December 2008 | — |
| At 31st December 2007 | <u>203</u> |

8. STOCKS

| | 2008 £ | 2007 £ |
|--------|---------------|---------------|
| Stocks | <u>64,583</u> | <u>13,965</u> |

Books held for sale and distribution.

9. DEBTORS

| | 2008 £ | 2007 £ |
|---|--------------|--------------|
| Amounts falling due within one year: | | |
| Trade debtors | 2,846 | 275 |
| Prepayments and accrued income | <u>847</u> | <u>1,239</u> |
| | <u>3,693</u> | <u>1,514</u> |
| Amounts falling due after more than one year: | | |
| Prepayments and accrued income | <u>1,890</u> | — |
| Aggregate amounts | <u>5,583</u> | <u>1,514</u> |

Al Kalima

Notes to the Financial Statements - continued
for the year ended 31st December 2008

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2008 | 2007 |
|------------------|--------------|--------------|
| | £ | £ |
| Accrued expenses | <u>2,712</u> | <u>2,585</u> |

11. ANALYSIS OF NET ASSETS BETWEEN FUNDS

| | Unrestricted funds £ | Restricted funds £ | 2008 Total funds £ | 2007 Total funds £ |
|---------------------|----------------------------|--------------------------|-----------------------------|-----------------------------|
| Fixed assets | - | - | - | 203 |
| Current assets | 48,243 | 47,499 | 95,742 | 63,335 |
| Current liabilities | <u>(2,710)</u> | <u>-</u> | <u>(2,712)</u> | <u>(2,585)</u> |
| | <u>45,533</u> | <u>47,497</u> | <u>93,030</u> | <u>60,953</u> |

12. MOVEMENT IN FUNDS

| | At 1.1.08 £ | Net movement in funds £ | At 31.12.08 £ |
|---------------------------|----------------|-------------------------------|------------------|
| Unrestricted funds | | | |
| General fund | 21,980 | 23,553 | 45,533 |
| Restricted funds | | | |
| Library Project | (18,750) | 63,593 | 44,843 |
| Lighthouse Project | <u>57,723</u> | <u>(55,069)</u> | <u>2,654</u> |
| | 38,973 | 8,524 | 47,497 |
| TOTAL FUNDS | <u>60,953</u> | <u>32,077</u> | <u>93,030</u> |

Net movement in funds, included in the above are as follows:

| | Incoming resources £ | Resources expended £ | Movement in funds £ |
|---------------------------|----------------------------|----------------------------|---------------------------|
| Unrestricted funds | | | |
| General fund | 30,450 | (6,897) | 23,553 |
| Restricted funds | | | |
| Library Project | 105,410 | (41,817) | 63,593 |
| Lighthouse Project | <u>38,608</u> | <u>(93,677)</u> | <u>(55,069)</u> |
| | 144,018 | (135,494) | 8,524 |
| TOTAL FUNDS | <u>174,468</u> | <u>(142,391)</u> | <u>32,077</u> |

Al Kalima

Notes to the Financial Statements - continued
for the year ended 31st December 2008

12. MOVEMENT IN FUNDS – continued

Library Project: Funds received to finance a project to make the charity's literature available to a wider readership by placing books in public, schools and other libraries.

Lighthouse Project: Funds received to finance the translation of the Gospel message into Arabic. The completed work will be a beautifully presented, culturally sensitive, hard cover volume including the four gospels and the book of Acts with explanatory articles and an introduction.

13. RELATED PARTY DISCLOSURES

Consultancy fees (incorporating office expenses) of £9,029 (2007: £6,769) were paid to Mr Mallouhi who is an agent of the charity with authority for controlling major resources of the charity.