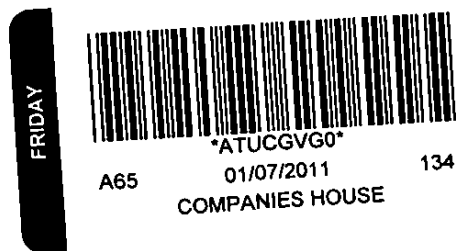


REGISTERED COMPANY NUMBER. 3693242 (England and Wales)
REGISTERED CHARITY NUMBER: 1079965

**Report of the Trustees and
Unaudited Financial Statements For The Year Ended 31 December 2010
for
Al Kalima**



**Dhruv Pandya & Co
23 St Johns
Enderby
Leicester
Leicestershire
LE19 2BR**

Al Kalima

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for the Year Ended 31 December 2010**

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Al Kalima

Report of the Trustees for the Year Ended 31 December 2010

The trustees who are also directors of the charity for the purposes of the Companies Act 2006, present their report with the financial statements of the charity for the year ended 31 December 2010. The trustees have adopted the provisions of the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities' issued in March 2005.

REFERENCE AND ADMINISTRATIVE DETAILS

Registered Company number
3693242 (England and Wales)

Registered Charity number
1079965

Registered office
7 Westbourne Gardens
Towbridge
Wiltshire
BA14 9AW

Trustees
M A Hall
H C Thomas
M Tinawi
E J Greening

Company Secretary
E J Greening

Independent Examiner
Dhruv Pandya & Co
23 St Johns
Enderby
Leicester
Leicestershire
LE19 2BR

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document

The charity is controlled by its governing document and constitutes a limited company, limited by guarantee, without a share capital, as defined by the Companies Act 2006. The limit of the member's liability under the terms of the company's Memorandum of Articles is £1.00 each.

Recruitment and appointment of new trustees

The charity normally recruits trustees by personal recommendation. New trustees are normally appointed by the members of the charity at a general meeting, or by the existing trustees at other times. In this latter case the trustee must retire at the next annual general meeting, but can be reappointed. One third of all directors retire at each AGM by rotation, but can be re-elected. The Memorandum and Articles provide for a minimum of three trustees, with no maximum number.

Induction and training of new trustees

The charity is currently reviewing induction and training of new trustees such that when the need arises it will be prepared.

Organisational structure and operations

The Trustees administer the majority of the operations in the United Kingdom themselves and have appointed Mr Mallouhi as an agent for the charity with authority for controlling major resources of the charity in the Arab world.

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

Al Kalima

Report of the Trustees for the Year Ended 31 December 2010

STRUCTURE, GOVERNANCE AND MANAGEMENT

Related parties

The Trustees have appointed Mr Mallouhi as an agent for the charity with authority for controlling major resources of the charity in the Arab world

Risk Assessment and Management

The trustees have considered the major risks to which the charity is exposed and seek to manage them on an ongoing basis

The charity's main operational risk is in the political instability of the Arab world, where it operates. This may impact on our ability to execute our projects and affect the security of our stock of books

Financially, the charity has relied on major fundraising initiatives by other organisations on its behalf. It is certain that in the coming years the charity will have to undertake more of its own fundraising, a matter which is being addressed by the trustees. The willingness of donors to contribute may be tested by the ongoing economic recession and a misunderstanding of Al Kalima's contextualised approach to ministry to Muslims.

OBJECTIVES AND ACTIVITIES

Charitable Objectives and activities for the public benefit

Al Kalima seeks to advance a clear understanding of Christian belief among Muslims by the publishing and distribution of culturally relevant Christian literature.

The charity's strategic objectives are

- To make available a translation of Scripture in Arabic understandable to Muslims and faithful to the original text
- To publish Christian books which will help Muslims understand Christian beliefs
- To place our titles in the commercial mainstream of Arabic publishing and distribution
- To use other forms of media to disseminate more widely the message of our books
- To partner with other like-minded organisations to achieve our objectives

Review of activities

Since 2005 the main focus of Al Kalima's activities has been the Lighthouse Project, to produce a translation of the New Testament in modern Arabic easily accessible to Muslim readers. The first part, The True Meaning of the Gospel and Acts, continues to be very well-received in the Arab world and beyond by the intended readership.

It has been particularly encouraging to hear of the book's impact amongst Muslims who read Arabic in places such as Ethiopia and Indonesia. There is interest in producing local dual-language editions, ventures which we would certainly support.

At the same time Al Kalima has found itself caught up in a wider debate about contextualised ministry to Muslim peoples, the so-called 'Insider Movement'. Particular concern has been expressed about the translation of key terms such as 'Son' and 'Father' in relation to the persons of the Trinity. Whilst these terms are of great theological importance, they are often problematic for Muslim readers. This kind of issue is not unique to Arabic and our approach of translating meaning is well-established amongst Bible translators.

The second volume, Epistles and Revelation, will be finished before the end of 2011, but before going to print we intend doing an audio version. This will highlight errors in the text as well as being a good way of reaching new audiences. We are particularly excited about this second volume, as it has been done in rhyming prose, a very popular literary form in classical Arabic, and of course, that which is used by the Qur'an.

The audio version of the Gospel and Acts has been finished, having taken us much longer than we had anticipated. This is as much a reflection on our lack of experience in non-print media as anything else. Also in this realm we have helped a partner organisation, Sabeel Media, with the production of some video segments featuring stories from the Bible.

Our ongoing project to put books in Arab public libraries continues, but at a much slower pace due to lack of funding. New projects in 2011 include the publication of God is the Gospel by John Piper, and a major project to distribute copies of True Meaning in an Arab country where there is a unique opportunity to distribute these Scriptures in a large Arab tribe, working through tribal elders.

Al Kalima

**Report of the Trustees
for the Year Ended 31 December 2010**

FINANCIAL REVIEW

Reserves policy

Our reserves policy is such that the charity normally pays its expenses in cash and has no long-term liabilities. We aim to keep a reserve of about £5,000 to meet any unforeseen expenses.

Future development and outlook

Funding for the ongoing translation project continued in 2010. Despite some negative media coverage of True Meaning it has been encouraging to see that we have so far been able to raise over \$80,000 for our distribution project. Coupled with the imminent appointment of a development director, Al Kalima is confident that the Christian community will see the significance of our projects and continue to support our projects.

In the next year we will have to raise some £100,000 to print Epistles and Revelation, as well as to continue to develop the Library Project. We are very grateful to partner organisations who have borne the lion's share of fundraising for translation and audio recording projects.

STATEMENT OF TRUSTEES RESPONSIBILITIES

The trustees (who are also the directors of Al Kalima for the purposes of company law) are responsible for preparing the Report of the Trustees and 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 which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, 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 2006. 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.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD



E J Greening - Secretary

20 June 2011

**Independent Examiner's Report to the Trustees of
Al Kalima**

I report on the accounts for the year ended 31 December 2010 set out on pages five to twelve

Respective responsibilities of trustees and examiner

The charity's trustees (who are also the directors for the purposes of company law) are responsible for the preparation of the accounts. The charity's trustees consider that an audit is not required for this year (under Section 43(2) of the Charities Act 1993 (the 1993 Act)) and that an independent examination is required.

Having satisfied myself that the charity is not subject to audit under company law and is eligible for independent examination, it is my responsibility to

- examine the accounts under Section 43 of the 1993 Act
- to follow the procedures laid down in the General Directions given by the Charity Commission (under Section 43(7)(b) of the 1993 Act), and
- to state whether particular matters have come to my attention

Basis of the independent examiner's report

My examination was carried out in accordance with the General Directions given by the Charity Commission. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and seeking explanations from you as trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently no opinion is given as to whether the accounts present a 'true and fair view' and the report is limited to those matters set out in the statements below.

Independent examiner's statement

In connection with my examination, no matter has come to my attention

(1) which gives me reasonable cause to believe that, in any material respect, the requirements

- to keep accounting records in accordance with Section 386 and 387 of the Companies Act 2006, and
- to prepare accounts which accord with the accounting records, comply with the accounting requirements of Sections 394 and 395 of the Companies Act 2006 and with the methods and principles of the Statement of Recommended Practice Accounting and Reporting by Charities

have not been met, or

(2) to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached

Dhruv Pandya
FCCA
Dhruv Pandya & Co
23 St Johns
Enderby
Leicester
Leicestershire
LE19 2BR

21 June 2011

Al Kalima

Statement of Financial Activities for the Year Ended 31 December 2010

		Unrestricted funds £	Restricted funds £	31.12.10 Total funds £	31 12 09 Total funds £
	Notes				
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income	2	3,036	86,892	89,928	107,608
Activities for generating funds	3	14,370	-	14,370	28,522
Investment income	4	66	-	66	96
Total incoming resources		17,472	86,892	104,364	136,226
RESOURCES EXPENDED					
Costs of generating funds					
Costs of generating voluntary income		70	-	70	69
Charitable activities					
Publishing & Distribution of Christian Literature and recordings		14,006	54,861	68,867	159,479
Governance costs		1,975	-	1,975	2,003
Total resources expended		16,051	54,861	70,912	161,551
NET INCOMING/(OUTGOING) RESOURCES before transfers					
		1,421	32,031	33,452	(25,325)
Gross transfers between funds	10	(2,804)	2,804	-	-
Net incoming/(outgoing) resources		(1,383)	34,835	33,452	(25,325)
RECONCILIATION OF FUNDS					
Total funds brought forward		47,862	19,843	67,705	93,030
TOTAL FUNDS CARRIED FORWARD		46,479	54,678	101,157	67,705

The notes form part of these financial statements

Al Kahima**Balance Sheet
At 31 December 2010**

	Notes	31.12.10 £	31 12 09 £
CURRENT ASSETS			
Stocks	6	34,812	28,083
Debtors	7	3,452	10,079
Cash at bank and in hand		69,555	36,683
		<u>107,819</u>	<u>74,845</u>
 CREDITORS			
Amounts falling due within one year	8	(6,662)	(7,140)
		<u>101,157</u>	<u>67,705</u>
NET CURRENT ASSETS			
		<u>101,157</u>	<u>67,705</u>
 TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>101,157</u>	<u>67,705</u>
 NET ASSETS			
		<u>101,157</u>	<u>67,705</u>
 FUNDS	10		
Unrestricted funds		46,479	47,862
Restricted funds		54,678	19,843
TOTAL FUNDS		<u>101,157</u>	<u>67,705</u>

The notes form part of these financial statements

Al Kalima

**Balance Sheet - continued
At 31 December 2010**

The charitable company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31 December 2010

The members have not required the charitable company to obtain an audit of its financial statements for the year ended 31 December 2010 in accordance with Section 476 of the Companies Act 2006

The trustees acknowledge their responsibilities for

- (a) ensuring that the charitable company keeps accounting records that comply with Sections 386 and 387 of the Companies Act 2006 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 Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the charitable company

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small charitable companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements were approved by the Board of Trustees on 20 June 2011 and were signed on its behalf by

 20th June 2011

M A Hall -Trustee

The notes form part of these financial statements

**Notes to the Financial Statements
for the Year Ended 31 December 2010**

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008), the Companies Act 2006 and the requirements of the Statement of Recommended Practice, Accounting and Reporting by Charities

Exemption from preparing a cash flow statement

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

All incoming resources are included on the Statement of Financial Activities when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy

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

Incoming resources from sale of books is included on an accrual and entitlement basis

Resources expended

Expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all cost related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources

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

Allocation and apportionment of costs

All costs are allocated between the expenditure categories of the Statement of Financial Activities (SOFA) 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

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 on its charitable activities. Accordingly no provision for taxation is necessary in these financial statements

Fund accounting

Unrestricted funds can be used in accordance with the charitable objectives at the discretion of the trustees

Restricted funds 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

Further explanation of the nature and purpose of each fund is included in the notes to the financial statements

Al Kalima

Notes to the Financial Statements - continued for the Year Ended 31 December 2010

1 ACCOUNTING POLICIES - continued

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

2. VOLUNTARY INCOME

	31 12.10	31 12 09
	£	£
Donations	<u>89,928</u>	<u>107,608</u>

Frontiers

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

	31.12.10	31 12 09
	£	£
Book Sales	<u>14,370</u>	<u>28,522</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

	31.12.10	31 12 09
	£	£
Deposit account interest	<u>66</u>	<u>96</u>

5. TRUSTEES' REMUNERATION AND BENEFITS

There were no trustees' remuneration or other benefits for the year ended 31 December 2010 nor for the year ended 31 December 2009.

Trustees' Expenses

During the year reimbursed expenses totalling £56 (2009 £1,581 to two trustees) were paid to one trustee.

6. STOCKS

	31.12.10	31 12 09
	£	£
Stocks	<u>34,812</u>	<u>28,083</u>

Books held for sale and distribution

Al Kalima

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2010**

7. DEBTORS

	31.12.10	31 12 09
	£	£
Amounts falling due within one year		
Trade debtors	2,377	8,199
Other debtors	935	899
	<u>3,312</u>	<u>9,098</u>
Amounts falling due after more than one year		
Other debtors	140	981
	<u>140</u>	<u>981</u>
Aggregate amounts	<u>3,452</u>	<u>10,079</u>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.10	31 12 09
	£	£
Trade creditors	4,687	5,240
Other creditors	1,975	1,900
	<u>6,662</u>	<u>7,140</u>

9. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds	Restricted funds	31.12.10 Total funds	31 12 09 Total funds
	£	£	£	£
Current assets	53,141	54,678	107,819	74,845
Current liabilities	(6,662)	-	(6,662)	(7,140)
	<u>46,479</u>	<u>54,678</u>	<u>101,157</u>	<u>67,705</u>

Al Kalima

Notes to the Financial Statements - continued for the Year Ended 31 December 2010

10. MOVEMENT IN FUNDS

	At 1.1.10 £	Net movement in funds £	Transfers between funds £	At 31.12.10 £
Unrestricted funds				
General fund	47,862	1,421	(2,804)	46,479
Restricted funds				
Library Project	4,672	(2,335)	-	2,337
Lighthouse Project	11,528	28,220	(8,259)	31,489
The Coming	(2,509)	-	2,509	-
Audio Book Project	6,152	(14,411)	8,259	-
Video Project	-	(295)	295	-
John Studies	-	5,752	-	5,752
True Meaning Project	-	15,100	-	15,100
	<u>19,843</u>	<u>32,031</u>	<u>2,804</u>	<u>54,678</u>
TOTAL FUNDS	<u><u>67,705</u></u>	<u><u>33,452</u></u>	<u><u>-</u></u>	<u><u>101,157</u></u>

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

	Incoming resources £	Resources expended £	Movement in funds £
Unrestricted funds			
General fund	17,472	(16,051)	1,421
Restricted funds			
Library Project	21	(2,356)	(2,335)
Lighthouse Project	55,894	(27,674)	28,220
Audio Book Project	-	(14,411)	(14,411)
Video Project	9,601	(9,896)	(295)
John Studies	5,752	-	5,752
True Meaning Project	15,113	(13)	15,100
God Is the Gospel	511	(511)	-
	<u>86,892</u>	<u>(54,861)</u>	<u>32,031</u>
TOTAL FUNDS	<u><u>104,364</u></u>	<u><u>(70,912)</u></u>	<u><u>33,452</u></u>

Al Kalima

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2010**

10. 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

The Coming: Funds received to finance the production of an art book in Arabic and English. This project was mainly funded by the author, and partly funded by another organisation. Al Kalima's share of the finished books was 20% (600 copies)

Audio Project: Funds received to finance the production of an audio recording of the four Gospels and Acts

Video Project: Funds received to undertake production of video segments of Bible stories on behalf of Sabeel Media

John Studies Project: Funds received to translate and print a book on behalf of Diana Schick

True Meaning Project: Funds received to print and distribute copies of True Meaning in a particular Arab country

God Is the Gospel: Funds received to translate and publish "God Is the Gospel" by John Piper

11. RELATED PARTY DISCLOSURES

Consultancy fees (incorporating office expenses) of £9,072 (2009: £9,525) were paid to Mr Mallouhi who is an agent of the charity with authority for controlling major resources of the charity

Al Kalima**Detailed Statement of Financial Activities
for the Year Ended 31 December 2010**

	31.12.10 £	31.12.09 £
INCOMING RESOURCES		
Voluntary income		
Donations	89,928	107,608
Activities for generating funds		
Book Sales	14,370	28,522
Investment income		
Deposit account interest	66	96
Total incoming resources	104,364	136,226
RESOURCES EXPENDED		
Costs of generating voluntary income		
Mail Shots & fundraising	70	69
Charitable activities		
Warehouse storage rent	2,562	-
Audio recordings production cost	43,009	6,165
Writers fees, translation and royalties	1,762	9,586
Carriage	3,816	11,158
Printing and artwork	3,838	41,920
Book purchases	1,986	63,675
	56,973	132,504
Support costs		
Management		
Travel	2,481	12,752
Frontiers admin charge	531	609
Accountancy	1,975	2,003
Consultancy	9,803	9,526
	14,790	24,890
Finance		
Bank charges	438	416
Foreign exchange differences	(1,359)	3,672
	(921)	4,088
Total resources expended	70,912	161,551
Net income/(expenditure)	33,452	(25,325)

This page does not form part of the statutory financial statements