

Charity registration number: 1080962

Al-Mahdi Institute

Annual Report and Financial Statements
for the Year Ended 31 March 2021

Al-Mahdi Institute

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Al-Mahdi Institute

Reference and Administrative Details

Trustees	Sheikh Arif Abdulhussein Mr Mehboob Ladak Mr Abbas Ali Dattoo
Principal Office	60 Weoley Park Road Selly Oak Birmingham B29 6RB
Charity Registration Number	1080962
Bankers	HSBC Bank Plc 96 High Street Kings Heath B14 7LD
Auditor	Smartax Limited Chartered Certified Accountants and Statutory Auditors 38 Station Road Harrow Middlesex HA2 7SE

Al-Mahdi Institute

Trustees' Report

The trustees present the annual report together with the financial statements and auditors' report of the charity for the year ended 31 March 2021.

Objectives and activities

Objects and aims

The principle objectives of the charity, in line with those set out in the governing document, include: Provision of an Institute for Islamic research and resources. Undertaking research and publication of any useful results for the benefit of the public.

More specifically this includes, but is not limited to:

- i. To educate and train scholars and orators who are capable of positively engaging with challenges of plural contemporary societies, through a thorough grounding in the tools of Muslim scholarship and their value in promoting common human values.
- ii. To conduct research and studies, to publish scholarly and grass roots works in pursuit of the objectives of the Institute.
- iii. To maintain libraries and centres to facilitate the attainment of the objectives.
- iv. Conduct outreach activities disseminating the scholarly work of the institute and serving humanitarian goals.
- v. Intra and inter-faith activities as a platform for public engagement and social cohesion on matters arising from the plural context of society and in pursuit of shared human goals.
- vi. Community service programmes seeking to aid volunteering and third sector work in general, with particular focus on capacity building amongst youth groups and women's networks.
- vii. To raise funds and invite and receive contributions from any person or persons whosoever including business organisations by way of subscriptions, donations or otherwise for its charitable objects.

Public benefit

The trustees confirm that they have complied with the requirements of section 17 of the Charities Act 2011 to have due regard to the public benefit guidance published by the Charity Commission for England and Wales.

Al-Mahdi Institute

Trustees' Report

Achievements and performance

Achievements have included:

1. Education

This year, the Hawza Programme had 53 students enrolled in Semester One (Sept 20 – Feb 21) and 65 students enrolled in Semester Two (Mar 21 – Jul 21). In order to support the increase in demand for distance learning over the years, the Institute has continued to upgrade its learning management systems, class recording systems and equipment to ensure a seamless and efficient virtual learning environment for students especially during the pandemic.

Al-Mahdi Institute ('AMI') also launched 'Hawza on Demand' an online platform providing a glimpse of the entire Hawza Programme taught at AMI including beginner and advanced level modules for prospective students to better understand the modules on offer.

As part of the collaborative partnership with the University of Birmingham, three more AMI students were awarded a post-graduate scholarship to study the MA in Islamic Studies programme at University of Birmingham.

2. Research

The Institute hosted its 8th annual Contemporary Fiqhi Issues workshop on 2nd – 3rd July 2020 discussing 'The Regulations of Im/Purity in Islam, in light of their wide-Reaching Practical, Socio-Ethical and Theological Implications' which virtually hosted scholars and academics from all over the world due to the global pandemic.

Following the success of the previous Contemporary Fiqhi Issues Workshop, AMI published the conference proceedings of the 2019 workshop titled "Efficacy of Financial Structures for Islamic Taxes and Dues. AMI Director, Shaykh Arif Abdulhussein published the third volume of his multi-volume series titled 'Islam and God-Centricity: Examining the Articles of Faith.' AMI Faculty, Dr Wahid M. Amin also published a paper in the 2020 Special Issue of *Oriens*, published by Brill, which represented the culmination of an international workshop on the Post-Classical Islamic Philosophy, held at the Finnish Research Institute in Rome in December 2017.

AMI Press published a three-volume series titled *Tafsīr al-‘Ayyāshī* which is a fourth/tenth century commentary of the Qur'an by the Shī'ī Imāmī exegete Abū al-Naḍr Muḥammad b. Mas'ūd al-‘Ayyāshī (d. 320/932).

The International Centre for Collective Ijtihad (ICCI) virtually hosted medical professionals and religious scholars to discuss the issue of fasting during the COVID-19 pandemic, and subsequently issued a statement online with full guidance and justifications.

The Islamic Centre for Decree & Doctrines (DIA) also hosted virtual discussions with scholars of diverse Muslim backgrounds to address pertinent issues revolving around COVID-19 and funerals, congregational prayers during COVID-19 and halal slaughter of animals held in conjunction with the British Veterinarian Association (BVA).

Al-Mahdi Institute

Trustees' Report

3. Outreach

The Inter-Religious Symposia (IRS) continued to host meetings inviting scholars from the Abrahamic traditions to discuss the 'The nature of revelation in Islam, Judaism and Christianity' and 'Creation and environment in Islam, Judaism and Christianity.'

The Centre for Intra-Muslim Studies (CIMS) held a virtual discussion on 'Sharia regulations regarding burial rites during the COVID-19 pandemic' which invited medical professionals, community leaders and individuals from government advisory committees to address major concerns regarding the burial of the deceased affected by COVID-19. CIMS also hosted virtual discussions exploring the controversy of the door of Fatima and the events surrounding the battles of Jamal and Siffin.

Key non-financial performance indicators

Strategic and specific performance review of above activities operates at multiple levels; project managers/responsible staff operate under review from the Education and Research Board, who in turn are accountable to trustees.

Each activity stream undergoes periodic review by the Education and Research Board - this is informed by recorded stakeholder feedback (e.g. from students, community participants, collaborative organisations, patrons and members of the general public). Assessment of impact is measured against such feedback, the long term goals of the Institute and the cost-effectiveness of the said activity.

Financial review

The Institute showed income totalling £907,723 (2020 - £809,334) for the year ended 31 March 2021. An increase of £98,389 (2020 - decrease of £79,928) on income in the year ended 31 March 2020. The increase in income is primarily due to an increase in the level of donations from key donors and the Job Retention Grants received due to the Covid-19 pandemic.

Expenditure totalled £837,928 (2020 - £831,424) for the year ended 31 March 2021, an increase of £6,504 (2020 - decrease of £44,447) compared to the previous year ended 31 March 2020. As educational activities grow costs are anticipated to increase.

The asset position remains strong with funds of £2.8 million (2020 - £2.8 million).

Policy on reserves

The charity has a number of restricted funds and details of these are given in note 20.

The charity continues to build up and keep sufficient reserves in order to meet its charitable objectives.

Risk management

The Trustees have assessed the major risks to which the charity is exposed, in particular those related to the operations and finances of the charity, and are satisfied that systems and procedures are in place to mitigate exposure to the major risks.

Principal funding sources

The charity is supported currently primarily by a number of key donors. The Trustees ensure that they have processes for the identification of significant donors and recording of such donations in order to comply with legislative requirements.

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Trustees' Report

Plans for future periods

Aims and key objectives for future periods

Priorities and plans for the future currently include:

- Maintain the open philosophy and non-dogmatic pursuit of excellence in training students of Muslim religious thought in the educational programmes of the Institute.
- Grow the student intake across all streams of the educational programmes
- Increase scholarship funding for students
- Increase rigor of virtual learning processes
- Continue to increase the research output of the Institute through hosting workshops and seminars at AMI, and by driving faculty publications and contributions to AMI events
- Build on existing partnerships, and develop new institutional relationships, towards delivery of collaborative research and teaching programmes
- Continue to be at the forefront of Muslim engagement in inter-faith activities across the Institute's education, research and outreach programmes
- Continue translation projects including completion of the Hilli project
- Continue the pursuit of attaining primary supervisory status for PhD

Structure, governance and management

Nature of governing document

The charity is an unincorporated charity formed under a constitution dated 21 May 2000 and revised in July 2003 and January 2014. It has been registered with the Charity Commission under registration number 1080962.

In October 2020 the charity completed the registration process of becoming a Charitable Incorporated Organisation (CIO) and is registered with the Charity Commission under registration number 1191746. The charity is currently in the process of arranging the transfer of its assets and activities across to the new entity.

Recruitment and appointment of trustees

The trustees are elected by the members at the annual general meeting and serve office for a period of three years after which they may put themselves up for re-election. The constitution provides for a minimum of three trustees and not more than five trustees due for re-appointment in any one year.

Organisational structure

The trustees have overall responsibility for the activities of the charity but delegate day to day operational matters to the principle and relevant staff.

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Trustees' Report

Statement of Trustees' Responsibilities

The trustees are responsible for preparing the trustees' report and the financial statements in accordance with the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

The law applicable to charities 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 charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the applicable Charities (Accounts and Reports) Regulations, and the provisions of the constitution. The trustees 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.

Disclosure of information to auditor

Each trustee has taken steps that they ought to have taken as a trustee in order to make themselves aware of any relevant audit information and to establish that the charity's auditor is aware of that information. The trustees confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditor

A resolution for the re-appointment of Smartax Limited as auditors of the charity is to be proposed at the forthcoming Annual General Meeting.

The annual report was approved by the trustees of the charity on 31 January 2022 and signed on its behalf by:

.....
Sheikh Arif Abdulhussein

.....
Mr Mehboob Ladak

Al-Mahdi Institute

Independent Auditor's Report to the Members of Al-Mahdi Institute

Opinion

We have audited the financial statements of Al-Mahdi Institute (the 'charity') for the year ended 31 March 2021, which comprise the Statement of Financial Activities, Balance Sheet, Cash Flow Statement, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, comprising Charities SORP - FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and applicable law (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2021 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 Charities Act 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of uncertainties due to COVID-19 and Britain exiting the European Union on our audit

Uncertainties related to the effects of COVID-19 and Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the trustees, such as recoverability of investments, intangible assets and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the charity's future prospects and performance.

The COVID-19 pandemic has had an unprecedented impact upon the worldwide economy. At the date of this report, the full range of possible effects upon charities cannot be estimated or assessed due to the current levels of uncertainty around government and consumer responses to what might happen.

Brexit is one of the most significant economic events of the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.

We applied a standard firm-wide approach in response to these uncertainties when assessing the charity's future prospects and performance. No audit should be expected to predict the unknown factors or all possible future implications for a charity and this is particularly the case in relation to COVID-19 and Brexit.

Al-Mahdi Institute

Independent Auditor's Report to the Members of Al-Mahdi Institute

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities (set out on page 6), the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Al-Mahdi Institute

Independent Auditor's Report to the Members of Al-Mahdi Institute

Auditor Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the charity and the environment in which it operates, and considered the risk of acts by the charity that were contrary to applicable laws and regulations, including fraud. Our audit procedures were designed to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, financial reporting legislation, the Charities Act 2011 and UK pensions and tax legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items. Our tests included agreeing the financial statement disclosures to underlying supporting documentation and enquiries with management regarding correspondence with regulators and tax authorities.

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it and therefore we have communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indication of fraud or non-compliance with laws and regulations throughout the audit.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates. We addressed the risk of management override of internal controls through testing journals. We evaluated whether there was evidence of bias by the directors in accounting estimates that represented a risk of material misstatement due to fraud. We challenged assumptions and judgements made by management in any significant accounting estimates.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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Independent Auditor's Report to the Members of Al-Mahdi Institute

Use of our report

This report is made solely to the charity trustees, as a body, in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act. Our work has been undertaken so that we might state to the trustees those matters we are required to state to trustees in an auditors' 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 charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

.....
Smartax Limited
Chartered Certified Accountants and Statutory Auditors
38 Station Road
Harrow
Middlesex
HA2 7SE

31 January 2022

Al-Mahdi Institute

Statement of Financial Activities for the Year Ended 31 March 2021

	Note	Unrestricted funds £	Restricted funds £	Total 2021 £	Total 2020 £
Income and Endowments from:					
Donations and legacies	2	507,498	151,606	659,104	562,030
Charitable activities	3	38,056	1,558	39,614	71,445
Other income	4	209,005	-	209,005	175,859
Total income		<u>754,559</u>	<u>153,164</u>	<u>907,723</u>	<u>809,334</u>
Expenditure on:					
Raising funds	5	(9,477)	-	(9,477)	-
Charitable activities	6	<u>(795,831)</u>	<u>(32,620)</u>	<u>(828,451)</u>	<u>(831,424)</u>
Total expenditure		<u>(805,308)</u>	<u>(32,620)</u>	<u>(837,928)</u>	<u>(831,424)</u>
Net (expenditure)/income		(50,749)	120,544	69,795	(22,090)
Gross transfers between funds		<u>110,421</u>	<u>(110,421)</u>	<u>-</u>	<u>-</u>
Net movement in funds		59,672	10,123	69,795	(22,090)
Reconciliation of funds					
Total funds brought forward		<u>2,743,313</u>	<u>8,530</u>	<u>2,751,843</u>	<u>2,773,933</u>
Total funds carried forward	20	<u>2,802,985</u>	<u>18,653</u>	<u>2,821,638</u>	<u>2,751,843</u>

All of the charity's activities derive from continuing operations during the above two periods.

The funds breakdown for 2020 is shown in note 20.

Al-Mahdi Institute
(Registration number: 1080962)
Balance Sheet as at 31 March 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	12	3,019,521	3,072,232
Investments	13	<u>6,579</u>	<u>35,793</u>
		<u>3,026,100</u>	<u>3,108,025</u>
Current assets			
Debtors	14	40,404	13,441
Cash at bank and in hand	15	<u>125,674</u>	<u>32,474</u>
		166,078	45,915
Creditors: Amounts falling due within one year	16	<u>(210,518)</u>	<u>(168,621)</u>
Net current liabilities		<u>(44,440)</u>	<u>(122,706)</u>
Total assets less current liabilities		2,981,660	2,985,319
Creditors: Amounts falling due after more than one year	17	<u>(160,022)</u>	<u>(233,476)</u>
Net assets		<u>2,821,638</u>	<u>2,751,843</u>
Funds of the charity:			
Restricted income funds			
Restricted funds		18,653	8,530
Unrestricted income funds			
Unrestricted funds		<u>2,802,985</u>	<u>2,743,313</u>
Total funds	20	<u>2,821,638</u>	<u>2,751,843</u>

The financial statements on pages 11 to 27 were approved by the trustees, and authorised for issue on 31 January 2022 and signed on their behalf by:

.....
 Sheikh Arif Abdulhussein

.....
 Mr Mehboob Ladak

Al-Mahdi Institute

Cash Flow Statement for the Year Ended 31 March 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
Net cash income/(expenditure)		69,795	(22,090)
Adjustments to cash flows from non-cash items			
Depreciation	5	94,981	80,471
		<u>164,776</u>	<u>58,381</u>
Working capital adjustments			
(Increase)/decrease in debtors	14	(26,963)	11,276
Increase/(decrease) in creditors	16	31,864	(11,491)
Decrease in deferred consideration	17	(110,421)	(106,416)
Net cash flows from operating activities		<u>59,256</u>	<u>(48,250)</u>
Cash flows from investing activities			
Purchase of tangible fixed assets	12	(42,270)	(13,786)
Reduction in capital investment		<u>29,214</u>	<u>8,000</u>
Net cash flows from investing activities		(13,056)	(5,786)
Cash flows from financing activities			
Repayment of loans and borrowings	16	<u>47,000</u>	<u>(3,000)</u>
Net increase/(decrease) in cash and cash equivalents		93,200	(57,036)
Cash and cash equivalents at 1 April		<u>32,474</u>	<u>89,510</u>
Cash and cash equivalents at 31 March		<u>125,674</u>	<u>32,474</u>

All of the cash flows are derived from continuing operations during the above two periods.

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Notes to the Financial Statements for the Year Ended 31 March 2021

1 Accounting policies

Statement of compliance

The financial statements have been prepared in accordance with the second edition of the Charities Statement of Recommended Practice issued in October 2019, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011.

Basis of preparation

Al-Mahdi Institute meets the definition of a public benefit entity under FRS 102. The nature of the Charity's operations and principal activities are the provision of an Institute for Islamic research and resources, undertaking research and publication of any useful restful for the benefit of the public. The accounts (financial statements) have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Going concern

The financial statements have been prepared on a going concern basis.

The trustees assess whether the use of going concern is appropriate i.e. whether there are any material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The trustees make this assessment in respect of a period of one year from the date of approval of the financial statements.

Judgements and key sources of estimation uncertainty

In the application of the accounting policies, Trustees are required to make judgement, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affected current and future periods.

The key source of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements is the valuation of investments. The charity's investments are stated at their estimated fair value based on the discounted value of future expected income flows.

Income and endowments

Voluntary income including donations, gifts, legacies and grants that provide core funding or are of a general nature is recognised when the charity has entitlement to the income, it is probable that the income will be received and the amount can be measured with sufficient reliability.

Donations and legacies

Donations and legacies are recognised on a receivable basis when receipt is probable and the amount can be reliably measured.

Al-Mahdi Institute

Notes to the Financial Statements for the Year Ended 31 March 2021

Gift aid

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Investment income

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

Other income

Rental income is recognised in the period in which the income falls due on an accruals basis.

Expenditure

All expenditure is recognised once there is a legal or constructive obligation to that expenditure, it is probable settlement is required and the amount can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Raising funds

These are costs incurred in attracting voluntary income, the management of investments and those incurred in trading activities that raise funds.

Charitable activities

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

Grant expenditure

Grants payable are charged in the year when the offer is conveyed to the recipient. Grants offered subject to conditions which have not been met at the year-end date are noted as a commitment but not accrued as expenditure. Where a grant has been made for the benefit of an individual, or a group of individuals, through the means of an institution, this is recorded as a grant to the institution.

Grant provisions

Provisions for grants are made when the intention to make a grant has been communicated to the recipient but there is uncertainty about either the timing of the grant or the amount of grant payable.

Support costs

Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, for example, staff costs by the time spent and other costs by their usage.

Governance costs

These include the costs attributable to the charity's compliance with constitutional and statutory requirements.

Al-Mahdi Institute

Notes to the Financial Statements for the Year Ended 31 March 2021

Irrecoverable VAT

Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

Taxation

The charity is considered to be exempt from tax on its charitable activities.

Tangible fixed assets

Individual fixed assets are initially recorded at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation and amortisation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Depreciation method and rate
Long-term leasehold property	Straight line over 50 years
Equipment and fittings	Reducing balance over 4 years

Impairment of fixed assets

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities.

Fixed asset investments

Fixed asset investments are a form of financial instrument and are initially recognised at their transaction cost (which is equivalent to fair value) and subsequently measured at fair value at each balance sheet date. They are comprised of assets held under an agreement, generating a stream of rental income, with specific capital repayments over their economic lives. The fair value of the investments is reduced over time, reflecting the discounted future income streams, net of capital repayments, to which the charity is entitled. Any modifications to the terms of agreement are reflected in impairments in the investment.

Income from fixed assets investments is accounted for as receivable over the term of the financial instrument and shown as rental income in the Statement of Financial Activities.

Realised gains and losses on investments are calculated as the difference between sales proceeds and their market value at the start of the year, or their subsequent cost, and are charged or credited to the Statement of Financial Activities in the period of disposal.

Unrealised gains and losses represent the movement in market values during the year and are credited or charged to the Statement of Financial Activities based on the fair value at the year end.

Trade debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered.

Prepayments are valued at the amount prepaid net of any trade discounts due. Accrued income and tax recoverable is included at the best estimate of the amounts receivable at the balance sheet date.

Al-Mahdi Institute

Notes to the Financial Statements for the Year Ended 31 March 2021

Cash and cash equivalents

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Trade creditors

Creditors are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors are recognised at the amount that the charity anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

Creditors are classified as current liabilities if the does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

Foreign exchange

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in the Statement of Financial Activities in the period in which they arise.

Fund structure

Unrestricted income funds are general funds that are available for use at the trustees's discretion in furtherance of the objectives of the charity and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases are charged in the Statement of Financial Activities on a straight line basis over the lease term.

Assets held for use in operating leases are included in fixed assets at cost and depreciated over their useful life.

Rental income from operating leases is recognised on a straight line basis over the term of the lease.

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Notes to the Financial Statements for the Year Ended 31 March 2021

Pensions and other post retirement obligations

The Charity operates a defined contribution plan for the benefit of its employees. Contributions are expensed as they become payable.

Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

2 Income from donations and legacies

	Unrestricted funds General £	Restricted funds £	Total 2021 £	Total 2020 £
Donations and legacies;				
General donations	486,946	31,606	518,552	432,158
Building donations	-	120,000	120,000	120,000
Gift aid reclaimed	20,552	-	20,552	9,872
	<u>507,498</u>	<u>151,606</u>	<u>659,104</u>	<u>562,030</u>

£434,053 of the prior year income was attributable to unrestricted funds and £127,490 to restricted funds.

3 Income from charitable activities

	Unrestricted funds General £	Restricted funds £	Total 2021 £	Total 2020 £
Educational activities	<u>38,056</u>	<u>1,558</u>	<u>39,614</u>	<u>71,445</u>

£59,665 of the prior year income was attributable to unrestricted funds and £11,780 to restricted funds.

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Notes to the Financial Statements for the Year Ended 31 March 2021

4 Other income

	Unrestricted funds General £	Total 2021 £	Total 2020 £
Rental and accommodation income	161,695	161,695	175,859
Job Retention Scheme grants	47,310	47,310	-
	<u>209,005</u>	<u>209,005</u>	<u>175,859</u>

£173,939 of the prior year income was attributable to unrestricted funds and £1,920 to restricted funds.

5 Expenditure on raising funds

a) Investment management costs

	Unrestricted funds General £	Total 2021 £	Total 2020 £
Other investment management costs;			
Impairment write down of investments	9,477	9,477	-
	<u>9,477</u>	<u>9,477</u>	<u>-</u>

6 Expenditure on charitable activities

	Activity undertaken directly £	Grant funding of activity £	Activity support costs £	2021 £
Educational activities	<u>681,919</u>	<u>8,395</u>	<u>138,137</u>	<u>828,451</u>
	Activity undertaken directly £	Grant funding of activity £	Activity support costs £	2020 £
Educational activities	<u>686,519</u>	<u>-</u>	<u>144,905</u>	<u>831,424</u>

£795,831 (2020 - £797,474) of the above expenditure was attributable to unrestricted funds and £32,620 (2020 - £32,950) to restricted funds.

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Notes to the Financial Statements for the Year Ended 31 March 2021

7 Analysis of governance and support costs

Support costs allocated to charitable activities

	Governance costs £	Finance costs £	Staff costs £	Total funds £
Educational activities	20,873	12,245	105,019	138,137
Total for 2020	27,891	16,161	100,853	144,905

Governance costs

	Unrestricted funds General £	Total 2021 £	Total 2020 £
Audit fees			
Audit of the financial statements	5,280	5,280	4,400
Legal and professional fees	15,593	15,593	23,491
	<u>20,873</u>	<u>20,873</u>	<u>27,891</u>

£27,891 of the prior year expenditure was attributable to unrestricted funds and £Nil to restricted funds.

8 Net incoming/outgoing resources

Net incoming/(outgoing) resources for the year include:

	2021 £	2020 £
Audit fees	4,500	4,400
Depreciation of fixed assets	94,981	80,471
Finance charges payable	<u>9,613</u>	<u>13,587</u>

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Notes to the Financial Statements for the Year Ended 31 March 2021

9 Trustees remuneration and expenses

During the year the charity made the following transactions with trustees:

Sheikh Arif Abdulhussein

Sheikh Arif Abdulhussein received remuneration of £56,569 (2020 - £50,574) and £Nil (2020 - £3,326) of expenses were reimbursed to Sheikh Arif Abdulhussein during the year.

The remuneration served as a salary for his capacity as a principal during the year. Pension contributions paid by the charity totalled £1,313 (2020 - £1,322). Consent for the remuneration was sought for and granted by the Charity Commission in May 2010. The expenses reimbursed relate to travel and subsistence.

Donations made by the trustees and their families without any conditions attached totalled £9,661 for the year (2020 - £5,177).

10 Staff costs

The aggregate payroll costs were as follows:

	2021 £	2020 £
Staff costs during the year were:		
Wages and salaries	403,042	384,739
Social security costs	33,221	32,278
Pension costs	7,260	7,589
Other staff costs	4,251	2,082
	<u>447,774</u>	<u>426,688</u>

The monthly average number of persons (including senior management / leadership team) employed by the charity during the year expressed as full time equivalents was as follows:

	2021 No	2020 No
Administration	6	5
Teachers and lecturers	14	14
	<u>20</u>	<u>19</u>

The trustees consider that key management personnel comprise the Sheikh Arif Abdulhussein, Mr Hashim Bata, Mr Mohamed Iqbal Asaria CBE and the trustees. The cost to the charity of remuneration of key management personnel (composing of gross pay, benefits in kind, employer's national insurance and employer's pension) was £133,617 for the year (2020 - £117,174).

No employee received emoluments of more than £60,000 during the year

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Notes to the Financial Statements for the Year Ended 31 March 2021

11 Taxation

The charity is a registered charity and is therefore exempt from taxation.

12 Tangible fixed assets

	Land and buildings £	Furniture and equipment £	Total £
Cost			
At 1 April 2020	3,509,614	266,022	3,775,636
Additions	-	42,270	42,270
At 31 March 2021	<u>3,509,614</u>	<u>308,292</u>	<u>3,817,906</u>
Depreciation			
At 1 April 2020	494,269	209,135	703,404
Charge for the year	70,192	24,789	94,981
At 31 March 2021	<u>564,461</u>	<u>233,924</u>	<u>798,385</u>
Net book value			
At 31 March 2021	<u>2,945,153</u>	<u>74,368</u>	<u>3,019,521</u>
At 31 March 2020	<u>3,015,345</u>	<u>56,887</u>	<u>3,072,232</u>

Included within the net book value of land and buildings above is £Nil (2020 - £Nil) in respect of freehold land and buildings and £2,945,153 (2020 - £3,015,345) in respect of leaseholds.

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Notes to the Financial Statements for the Year Ended 31 March 2021

13 Fixed asset investments

	2021 £	2020 £
Other investments	<u>6,579</u>	<u>35,793</u>

Other investments

	Unlisted investments £	Total £
Cost or Valuation		
At 1 April 2020	35,793	35,793
Reduction in capital outstanding	<u>(29,214)</u>	<u>(29,214)</u>
At 31 March 2021	<u>6,579</u>	<u>6,579</u>
Net book value		
At 31 March 2021	<u>6,579</u>	<u>6,579</u>
At 31 March 2020	<u>35,793</u>	<u>35,793</u>

During the year, an agreement was reached to sell the fixed asset investments for a total consideration of £26,316.

14 Debtors

	2021 £	2020 £
Trade debtors	3,560	7,716
Accrued income	9,492	5,725
Other debtors	<u>27,352</u>	<u>-</u>
	<u>40,404</u>	<u>13,441</u>

Debtors includes £17,600 (2020: £Nil) receivable after more than one year.

	2021 £	2020 £
Other debtors	<u>17,600</u>	<u>-</u>

15 Cash and cash equivalents

	2021 £	2020 £
Cash at bank	<u>125,674</u>	<u>32,474</u>

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Notes to the Financial Statements for the Year Ended 31 March 2021

16 Creditors: amounts falling due within one year

	2021 £	2020 £
Bank loans	8,874	-
Trade creditors	49,335	15,631
Other loans	10,000	13,000
Other taxation and social security	9,308	9,184
Other creditors	14,021	10,880
Accruals	4,400	9,505
Deferred consideration	114,580	110,421
	<u>210,518</u>	<u>168,621</u>

17 Creditors: amounts falling due after one year

	2021 £	2020 £
Bank loans	41,126	-
Deferred consideration	118,896	233,476
	<u>160,022</u>	<u>233,476</u>

The deferred consideration of £233,476 (2020 - £343,897) included in creditors falling due within and after more than one year is payable to the vendors of the leasehold property in equal instalments of £120,000 (including notional interest) per annum.

18 Obligations under leases and hire purchase contracts

Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2021 £	2020 £
Other		
Within one year	5,747	5,746
Between one and five years	5,352	11,099
	<u>11,099</u>	<u>16,845</u>

19 Pension commitments

The charity operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund. The pension cost charge represents contributions payable by the charity to the fund and amounted to £7,260 (2020 - £7,589). The contribution payable to the fund at the balance sheet date was £1,305 (2020 - £1,441).

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Notes to the Financial Statements for the Year Ended 31 March 2021

20 Funds

	Balance at 1 April 2020 £	Incoming resources £	Resources expended £	Transfers £	Balance at 31 March 2021 £
Unrestricted funds					
General	2,743,313	754,559	(805,308)	110,421	2,802,985
Restricted funds					
Building fund	-	120,000	(9,579)	(110,421)	-
Scholarship fund	1,190	8,160	(8,160)	-	1,190
Garden fund	7,340	550	(5,078)	-	2,812
Religious fund	-	22,906	(8,255)	-	14,651
Hawza fees	-	1,548	(1,548)	-	-
Restricted funds	8,530	153,164	(32,620)	(110,421)	18,653
Total funds	2,751,843	907,723	(837,928)	-	2,821,638
	Balance at 1 April 2019 £	Incoming resources £	Resources expended £	Transfers £	Balance at 31 March 2020 £
Unrestricted funds					
General	725,452	668,144	(797,474)	2,147,191	2,743,313
Restricted funds					
Building fund	2,027,191	120,000	-	(2,147,191)	-
Scholarship fund	21,290	13,700	(33,800)	-	1,190
Garden fund	-	7,340	-	-	7,340
Religious fund	-	150	(150)	-	-
Restricted funds	2,048,481	141,190	(33,950)	(2,147,191)	8,530
Total funds	2,773,933	809,334	(831,424)	-	2,751,843

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Notes to the Financial Statements for the Year Ended 31 March 2021

The specific purposes for which the funds are to be applied are as follows:

Building fund - for the full development of the Selly Oak campus and student accommodation and meeting its deferred payment obligations

Scholarship fund - for the funding of students on specific programmes

Garden fund - for maintenance of the campus garden

Religious fund - giving of alms in accordance with religious guidelines

Hawza fees - for the purpose of specific educational courses

During the year there were transfers in the sum of £110,421 (2020 - £2,147,191) from the restricted building fund to unrestricted funds. This was following a review during the prior year to reflect that these funds had been fully spent on their restricted purpose in the payment or the development of the Selly Oak campus and student accommodation.

21 Analysis of net assets between funds

	Unrestricted funds General £	Restricted funds £	Total funds at 31 March 2021 £
Tangible fixed assets	3,019,521	-	3,019,521
Fixed asset investments	6,579	-	6,579
Current assets	129,816	36,262	166,078
Current liabilities	(192,909)	(17,609)	(210,518)
Creditors over 1 year	(160,022)	-	(160,022)
Total net assets	<u>2,802,985</u>	<u>18,653</u>	<u>2,821,638</u>
	Unrestricted funds General £	Restricted funds £	Total funds at 31 March 2020 £
Tangible fixed assets	3,072,232	-	3,072,232
Fixed asset investments	35,793	-	35,793
Current assets	31,816	14,099	45,915
Current liabilities	(163,052)	(5,569)	(168,621)
Creditors over 1 year	(233,476)	-	(233,476)
Total net assets	<u>2,743,313</u>	<u>8,530</u>	<u>2,751,843</u>

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Notes to the Financial Statements for the Year Ended 31 March 2021

22 Analysis of net funds

	At 1 April 2020 £	Cash flow £	At 31 March 2021 £
Cash at bank and in hand	32,474	93,200	125,674
Net cash	32,474	93,200	125,674

	At 1 April 2019 £	Cash flow £	At 31 March 2020 £
Cash at bank and in hand	89,510	(57,036)	32,474
Net cash	89,510	(57,036)	32,474

23 Related party transactions

Transactions with trustees relating to remuneration and expenses have been highlighted in note 9. In addition, during the year the charity made the following related party transactions:

Sheikh Arif Abdulhussein

(Trustee)

During the year, Sheikh Arif Abdulhussein and his various family members have given donations to the charity in the way of Gift Aid. Total donations amounted to £4,661 (2020 - £5,177).

Also during the year Sheikh Arif was provided with an interest free loan of £20,000 to acquire a vehicle. The loan would be repayable by January 2026 with repayments commencing in late 2021. At the balance sheet date the amount due from Sheikh Arif Abdulhussein was £20,000 (2020 - £Nil).

Mr Hashim Bata

(Nephew of Sheikh Arif Abdulhussein and key management personnel)

Mr Hashim Bata received remuneration as employee of the charity totalling £34,658 (2020 - £34,250) during the year. At the balance sheet date the amount due to/from Mr Hashim Bata was £Nil (2020 - £Nil).

Ms Mahdiyah Hussain

(Daughter of Sheikh Arif Abdulhussein)

Ms Mahdiyah Hussain works in the charity's Ethics Department. She received remuneration of £21,175 (2020 - £17,100) as a salary for her role during the year. At the balance sheet date the amount due to/from Ms Mahdiyah Hussain was £Nil (2020 - £Nil).