

Charity registration number: 1080962

Al-Mahdi Institute

Annual Report and Financial Statements

for the Year Ended 31 March 2023

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

Al-Mahdi Institute

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Al-Mahdi Institute

Reference and Administrative Details

Trustees	Sheikh Arif Abdulhussein Mr Mehboob Ladak Mr Abbas Ali Datoo
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 2023.

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 (continued)

Achievements and performance

Achievements have included:

1. Education

This year, the Hawza Programme had 80 students enrolled in the new online platform. In order to support the increase in demand for distance learning over the years, the Al-Mahdi Institute ('AMI') 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.

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 10th annual Contemporary Fiqhi Issues workshop on 21st – 22nd July 2022 discussing 'The Institution of Marriage in Islam and Modern Society' which hosted scholars and academics from all over the world.

Following the success of the previous Contemporary Fiqhi Issues Workshop, AMI published the conference proceedings of the 2021 workshop titled "Free Speech, Scholarly Critique & the Limits of Expression in Islam." AMI Trustee, Shaykh Arif Abdulhussein's first two books were translated into Urdu by the titles of 'Islam aur khuda markaziyyat' and 'Islam aur Markaziyyat-ilahi'

The International Centre for Collective Ijtihad (ICCI) continued to virtually host experts and religious scholars to discuss contemporary issues faced by Muslims around the world such as animal sacrifice at Hajj, permissibility of reciting prayers in one's native language, permissibility of keeping dogs as pets etc. These discussions were also published as statements on the ICCI website with full justifications.

The Islamic Centre for Decree & Doctrines (DIA) also hosted virtual discussions with scholars of diverse Muslim backgrounds to address pertinent issues revolving around the permissibility of non-Muslims entering mosques, the environment, permissibility of sex-reassignment surgery and more. These discussions were also published as statements of guidance on the DIA website.

The Inter-Religious Symposia (IRS) continued to host meetings inviting scholars from the Abrahamic traditions to discuss the 'Messianism in Islam, Judaism and Christianity' and 'Angelology in Islam, Judaism and Christianity' and 'The Soul and Nature of Death'

The Centre for Intra-Muslim Studies (CIMS) held a two-day convention inviting scholars from all schools of thought to discuss pertinent issues such as the role and scope of 'Muslims and Education'. The convention was held on 6th-7th March 2023 and hosted twelve presenters and several delegates and community leaders.

Al-Mahdi Institute

Trustees' Report (continued)

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 £991,219 (2022 - £961,246) for the year ended 31 March 2023. An increase of £29,974 (2022 - £53,522) on income in the year ended 31 March 2022. The increase is primarily due to the increase in rental and accommodation due to increase in prices of rooms and income and fees earned from wedding and room hire. A significant increase in wedding hire is due to a video of the wedding facilities going viral resulting in more bookings. There has also been an increase donations to AMI.

Expenditure totalled £979,819 (2022 - £882,465) for the year ended 31 March 2023, an increase of £97,354 (2022 £44,537) compared to the previous year ended 31 March 2022. This is due to increased publications costs and increased research costs due to more workshops/conferences being held.

The asset position remains strong with total funds of £2.91 million (2022 - £2.90 million).

Policy on reserves

The charity has a number of restricted funds and details of these are given in note 21.

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 (continued)

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

Trustees and officers

The trustees and officers serving during the year and since the year end were as follows:

Trustees:	Sheikh Arif Abdulhussein
	Mr Mehboob Ladak
	Mr Abbas Ali Datoo
	Mr Hashim Bata (appointed 8 March 2023 and resigned 30 April 2023)

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. During the year, the charity was in the process of arranging the transfer of its assets and activities across to the new entity which was completed following the year end in April 2023.

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.

Al-Mahdi Institute

Trustees' Report (continued)

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.

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 Charities (Accounts and Reports) Regulations 2008, 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.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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.

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Trustees' Report (continued)

The annual report was approved by the trustees of the charity on 26 January 2024 and signed on its behalf by:

.....
Sheikh Arif Abdulhussein
Trustee

.....
Mr Mehboob Ladak
Trustee

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 2023, 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 2023 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.

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

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 (Accounts and Report) Regulations 2008 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.

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

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 (continued)

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 audit 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

26 January 2024

Smartax Limited is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

Al-Mahdi Institute

Statement of Financial Activities for the Year Ended 31 March 2023

	Note	Unrestricted funds £	Restricted funds £	Total 2023 £	Total 2022 £
Income and Endowments from:					
Donations and legacies	2	482,431	147,103	629,534	629,141
Charitable activities	3	19,789	9,300	29,089	53,720
Other trading activities		81,859	-	81,859	35,394
Investment income	5	12	-	12	2
Other income	6	250,725	-	250,725	242,988
Total income		<u>834,816</u>	<u>156,403</u>	<u>991,219</u>	<u>961,245</u>
Expenditure on:					
Charitable activities	7	<u>(872,701)</u>	<u>(107,118)</u>	<u>(979,819)</u>	<u>(882,465)</u>
Total expenditure		<u>(872,701)</u>	<u>(107,118)</u>	<u>(979,819)</u>	<u>(882,465)</u>
Net (expenditure)/income		(37,885)	49,285	11,400	78,780
Gross transfers between funds		<u>48,704</u>	<u>(48,704)</u>	<u>-</u>	<u>-</u>
Net movement in funds		10,819	581	11,400	78,780
Reconciliation of funds					
Total funds brought forward		<u>2,880,840</u>	<u>19,579</u>	<u>2,900,419</u>	<u>2,821,638</u>
Total funds carried forward	21	<u>2,891,659</u>	<u>20,160</u>	<u>2,911,819</u>	<u>2,900,418</u>

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

The funds breakdown for 2022 is shown in note 21.

Al-Mahdi Institute
(Registration number: 1080962)
Balance Sheet as at 31 March 2023

	Note	2023 £	2022 £
Fixed assets			
Tangible assets	14	2,935,468	2,961,476
Current assets			
Debtors	15	61,541	76,966
Cash at bank and in hand	16	<u>31,178</u>	<u>94,067</u>
		92,719	171,033
Creditors: Amounts falling due within one year	17	<u>(94,628)</u>	<u>(200,645)</u>
Net current liabilities		<u>(1,909)</u>	<u>(29,612)</u>
Total assets less current liabilities		2,933,559	2,931,864
Creditors: Amounts falling due after more than one year	18	<u>(21,740)</u>	<u>(31,446)</u>
Net assets		<u>2,911,819</u>	<u>2,900,418</u>
Funds of the charity:			
Restricted income funds			
Restricted funds		20,160	19,579
Unrestricted income funds			
Unrestricted funds		<u>2,891,659</u>	<u>2,880,839</u>
Total funds	21	<u>2,911,819</u>	<u>2,900,418</u>

The financial statements on pages 12 to 30 were approved by the trustees, and authorised for issue on 26 January 2024 and signed on their behalf by:

.....
 Sheikh Arif Abdulhussein
 Trustee

.....
 Mr Mehboob Ladak
 Trustee

Al-Mahdi Institute

Cash Flow Statement for the Year Ended 31 March 2023

	Note	2023 £	2022 £
Cash flows from operating activities			
Net cash income		11,400	78,780
Adjustments to cash flows from non-cash items			
Depreciation		100,106	94,642
Investment income	5	<u>(12)</u>	<u>(2)</u>
		111,494	173,420
Working capital adjustments			
Decrease/(increase) in debtors	15	15,425	(36,562)
Increase/(decrease) in creditors	17	15,885	(12,968)
Decrease in deferred consideration	18	<u>(118,896)</u>	<u>(114,580)</u>
Net cash flows from operating activities		<u>23,908</u>	<u>9,310</u>
Cash flows from investing activities			
Interest receivable and similar income	5	12	2
Purchase of tangible fixed assets	14	(74,098)	(36,597)
Reduction in capital investment		<u>-</u>	<u>6,579</u>
Net cash flows from investing activities		(74,086)	(30,016)
Cash flows from financing activities			
Repayment of loans and borrowings	17	<u>(12,711)</u>	<u>(10,901)</u>
Net decrease in cash and cash equivalents		(62,889)	(31,607)
Cash and cash equivalents at 1 April		<u>94,067</u>	<u>125,674</u>
Cash and cash equivalents at 31 March		<u><u>31,178</u></u>	<u><u>94,067</u></u>

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

The notes on pages 15 to 30 form an integral part of these financial statements.

Al-Mahdi Institute

Notes to the Financial Statements for the Year Ended 31 March 2023

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.

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 2023 (continued)

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.

Other trading activities

All income is recognised once the charity has entitlement to the income, it is probable that the income will be received and the amount of the income receivable can be measured reliably.

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.

Al-Mahdi Institute

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

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.

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

Long-term leasehold property
Equipment and fittings

Depreciation method and rate

Straight line over 50 years
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.

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Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

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.

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.

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Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

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.

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.

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Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

2 Income from donations and legacies

	Unrestricted funds General £	Restricted funds £	Total 2023 £	Total 2022 £
Donations and legacies;				
General donations	482,431	27,103	509,534	486,301
Building donations	-	120,000	120,000	120,000
Gift aid reclaimed	-	-	-	22,840
	<u>482,431</u>	<u>147,103</u>	<u>629,534</u>	<u>629,141</u>

£497,877 of the prior year income was attributable to unrestricted funds and £131,264 to restricted funds.

3 Income from charitable activities

	Unrestricted funds General £	Restricted funds £	Total 2023 £	Total 2022 £
Educational activities	<u>19,789</u>	<u>9,300</u>	<u>29,089</u>	<u>53,720</u>

All of the prior year income was attributable to unrestricted funds.

4 Income from other trading activities

	Unrestricted funds General £	Total funds £	Total 2022 £
Wedding and room hire	<u>81,859</u>	<u>81,859</u>	<u>35,394</u>
	<u>81,859</u>	<u>81,859</u>	<u>35,394</u>

All of the prior year income was attributable to unrestricted funds.

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Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

5 Investment income

	Unrestricted funds General £	Total 2023 £	Total 2022 £
Interest receivable and similar income;			
Interest receivable on bank deposits	12	12	2

All of the prior year income was attributable to unrestricted funds.

6 Other income

	Unrestricted funds General £	Total 2023 £	Total 2022 £
Rental and accommodation income	240,725	240,725	206,477
Government grants	10,000	10,000	36,511
	250,725	250,725	242,988

All of the prior year income was attributable to unrestricted funds.

7 Expenditure on charitable activities

	Activity undertaken directly £	Grant funding of activity £	Activity support costs £	2023 £
Educational activities	711,911	25,386	143,515	880,812
	Activity undertaken directly £	Grant funding of activity £	Activity support costs £	2022 £
Educational activities	711,314	16,178	154,973	882,465

£872,700 (2022 - £866,707) of the above expenditure was attributable to unrestricted funds and £107,118 (2022 - £15,758) to restricted funds.

Al-Mahdi Institute

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

8 Analysis of governance and support costs

Support costs allocated to charitable activities

	Governance costs	Finance costs	Staff costs	Total 2023
	£	£	£	£
Educational activities	<u>28,955</u>	<u>3,777</u>	<u>110,783</u>	<u>143,515</u>
	Governance costs	Finance costs	Staff costs	Total 2022
	£	£	£	£
Educational activities	<u>28,077</u>	<u>10,098</u>	<u>116,798</u>	<u>154,973</u>

£142,411 (2022 - £149,553) of the above expenditure was attributable to unrestricted funds and £1,104 (2022 - £5,420) to restricted funds.

Governance costs

	Unrestricted funds	Total 2023	Total 2022
	General	£	£
	£		
Audit fees			
Audit of the financial statements	7,017	7,017	5,880
Legal and professional fees	<u>21,938</u>	<u>21,938</u>	<u>22,197</u>
	<u>28,955</u>	<u>28,955</u>	<u>28,077</u>

All of the prior year governance costs were attributable to unrestricted funds.

Al-Mahdi Institute

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

9 Grant-making

Analysis of grants

	Grants to institutions		Grants to individuals	
	2023	2022	2023	2022
	£	£	£	£
Analysis				
Educational activities	22,126	12,051	3,260	4,127

The support costs associated with grant-making are £4,356 (31 March 2022 - £3,446).

Below are details of material grants made to institutions.

	2023	2022
Name of institution	£	£
Beta Charitable Trust	16,076	12,051
Clifton Road Food Bank	6,050	-
	22,126	12,051

10 Net incoming/outgoing resources

Net incoming resources for the year include:

	2023	2022
	£	£
Audit fees	7,017	5,880
Depreciation of fixed assets	100,107	94,642
Finance charges payable	2,047	6,388

11 Trustees remuneration and expenses

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

Sheikh Arif Abdulhussein

Sheikh Arif Abdulhussein received remuneration of £58,220 (2022 - £56,918) 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 £1,321 (2022 - £1,321). Consent for the remuneration was sought for and granted by the Charity Commission in May 2010. Expenses reimbursed during the year amounted to £6,113 (2022 - £Nil).

Mr Hashim Bata

Mr Hashim Bata received remuneration of £3,544 (2022 - £Nil) during the year whilst he was a trustee.

Donations made by the trustees and their families without any conditions attached totalled £3,739 for the year (2022 - £12,094).

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Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

12 Staff costs

The aggregate payroll costs were as follows:

	2023 £	2022 £
Staff costs during the year were:		
Wages and salaries	386,408	393,306
Social security costs	30,781	28,904
Pension costs	7,910	7,415
Other staff costs	5,833	15,094
	<u>430,932</u>	<u>444,719</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:

	2023 No	2022 No
Administration	7	9
Teachers and lecturers	<u>11</u>	<u>11</u>
	<u>18</u>	<u>20</u>

The trustees consider that key management personnel comprise of 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 £114,017 for the year (2022 - £139,886).

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

13 Taxation

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

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Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

14 Tangible fixed assets

	Land and buildings £	Furniture and equipment £	Total £
Cost			
At 1 April 2022	3,509,614	344,889	3,854,503
Additions	-	74,098	74,098
At 31 March 2023	<u>3,509,614</u>	<u>418,987</u>	<u>3,928,601</u>
Depreciation			
At 1 April 2022	634,653	258,374	893,027
Charge for the year	<u>70,192</u>	<u>29,914</u>	<u>100,106</u>
At 31 March 2023	<u>704,845</u>	<u>288,288</u>	<u>993,133</u>
Net book value			
At 31 March 2023	<u>2,804,769</u>	<u>130,699</u>	<u>2,935,468</u>
At 31 March 2022	<u>2,874,961</u>	<u>86,515</u>	<u>2,961,476</u>

Included within the net book value of land and buildings above is £Nil (2022 - £Nil) in respect of freehold land and buildings and £2,804,768 (2022 - £2,874,960) in respect of leaseholds.

15 Debtors

	2023 £	2022 £
Trade debtors	23,439	18,440
Prepayments	17,881	11,584
Accrued income	1,237	23,342
Other debtors	<u>18,984</u>	<u>23,600</u>
	<u>61,541</u>	<u>76,966</u>

Debtors includes £11,479 (2022: £15,200) receivable after more than one year.

	2023 £	2022 £
Other debtors	<u>11,479</u>	<u>15,200</u>

Al-Mahdi Institute

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

16 Cash and cash equivalents

	2023 £	2022 £
Cash at bank	<u>31,178</u>	<u>94,067</u>

17 Creditors: amounts falling due within one year

	2023 £	2022 £
Bank loans	10,648	10,653
Trade creditors	28,529	15,963
Other loans	4,000	7,000
Other taxation and social security	16,272	16,889
Other creditors	22,312	26,364
Accruals	12,867	4,880
Deferred consideration	<u>-</u>	<u>118,896</u>
	<u>94,628</u>	<u>200,645</u>

The deferred consideration of £118,896 included within the prior year creditors was payable to the vendors of the leasehold property in equal instalments of £120,000 (including notional interest) per annum.

18 Creditors: amounts falling due after one year

	2023 £	2022 £
Bank loans	<u>21,740</u>	<u>31,446</u>

19 Obligations under leases and hire purchase contracts

Operating lease commitments

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

	2023 £	2022 £
Other		
Within one year	<u>-</u>	<u>5,352</u>

Al-Mahdi Institute

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

20 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 £7,910 (2022 - £7,415). The contribution payable to the fund at the balance sheet date was £3,402 (2022 - £1,316).

21 Funds

	Balance at 1 April 2022 £	Incoming resources £	Resources expended £	Transfers £	Balance at 31 March 2023 £
Unrestricted funds					
General	2,880,840	834,816	(872,701)	48,704	2,891,659
Restricted funds					
Building fund	-	120,000	(71,296)	(48,704)	-
Religious fund	16,826	2,679	(4,602)	-	14,903
Hawza fees	-	9,382	(9,382)	-	-
Outreach fund	2,558	13,656	(14,222)	-	1,992
Time for change	195	10,686	(7,616)	-	3,265
Restricted funds	19,579	156,403	(107,118)	(48,704)	20,160
Total funds	2,900,419	991,219	(979,819)	-	2,911,819

Al-Mahdi Institute

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

	Balance at 1 April 2021 £	Incoming resources £	Resources expended £	Transfers £	Balance at 31 March 2022 £
Unrestricted funds					
General	2,802,985	829,981	(866,707)	114,580	2,880,839
Restricted funds					
Building fund	-	120,000	(5,420)	(114,580)	-
Scholarship fund	1,190	-	(1,190)	-	-
Garden fund	2,812	-	(2,812)	-	-
Religious fund	14,651	5,092	(2,917)	-	16,826
Outreach fund	-	5,972	(3,414)	-	2,558
Time for change	-	200	(5)	-	195
Restricted funds	18,653	131,264	(15,758)	(114,580)	19,579
Total funds	2,821,638	961,245	(882,465)	-	2,900,418

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

Outreach fund - to encourage to donate to those who were less fortunate and globally to support funding for deserving projects in line with the charity's ethos and philosophy

Time for change - to hold events to celebrate the birth anniversaries of the holy personalities born in the Islamic months of Rajab and Shaban

During the year there were transfers in the sum of £48,704 (2022 - £114,580) from the restricted building fund to unrestricted funds. This was 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.

Al-Mahdi Institute

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

22 Analysis of net assets between funds

	Unrestricted funds General £	Restricted funds £	Total funds at 31 March 2023 £
Tangible fixed assets	2,935,468	-	2,935,468
Current assets	72,559	20,160	92,719
Current liabilities	(94,628)	-	(94,628)
Creditors over 1 year	(21,740)	-	(21,740)
Total net assets	<u>2,891,659</u>	<u>20,160</u>	<u>2,911,819</u>
	Unrestricted funds General £	Restricted funds £	Total funds at 31 March 2022 £
Tangible fixed assets	2,961,476	-	2,961,476
Current assets	136,845	34,188	171,033
Current liabilities	(186,036)	(14,609)	(200,645)
Creditors over 1 year	(31,446)	-	(31,446)
Total net assets	<u>2,880,839</u>	<u>19,579</u>	<u>2,900,418</u>

23 Analysis of net funds

	At 1 April 2022 £	Cash flow £	At 31 March 2023 £
Cash at bank and in hand	94,067	(62,889)	31,178
Net cash	<u>94,067</u>	<u>(62,889)</u>	<u>31,178</u>
	At 1 April 2021 £	Cash flow £	At 31 March 2022 £
Cash at bank and in hand	125,674	(31,607)	94,067
Net cash	<u>125,674</u>	<u>(31,607)</u>	<u>94,067</u>

Al-Mahdi Institute

Notes to the Financial Statements for the Year Ended 31 March 2023 (continued)

24 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 £3,739 (2022 - £12,094).

Also during the year Sheikh Arif was in receipt of an interest free loan used to acquire a vehicle. Repayments had commenced during the year and the loan is repayable by January 2026. At the balance sheet date the amount due from Sheikh Arif Abdulhussein was £16,279 (2022 - £20,000).

Mr Hashim Bata

(Trustee during part of the year. Nephew of Sheikh Arif Abdulhussein and key management personnel)

Mr Hashim Bata received remuneration as employee of the charity totalling £41,700 (2022 - £37,398) during the year. At the balance sheet date the amount due to/from Mr Hashim Bata was £Nil (2022 - £Nil).

Ms Mahdiah Hussain

(Daughter of Sheikh Arif Abdulhussein)

Ms Mahdiah Hussain works as a faculty member at the Institute teaching theology, legal theory, and jurisprudence to first and second year students and manages the Institute's research activities. She received remuneration of £13,692 (2022 - £14,220) as a salary for her role during the year. At the balance sheet date the amount due to/from Ms Mahdiah Hussain was £Nil (2022 - £Nil).

Donations from related entities

During the year the charity received donations of £18,218 (2022 - £Nil) from an overseas charity where one of the trustees is also a trustee. In addition the charity also received donations amounting to £85,000 (2022 - £Nil) from a company where one of the trustees is also a director. At the balance sheet date the amount due to/from related entities was £Nil (2022 - £Nil).

25 Non-adjusting events after the financial period

Following the year end, in April 2023, the charity completed the transfer of its assets and liabilities to a Charitable Incorporated Organisation (CIO) which is registered with the Charity Commission under registration number 1191746.