



# Impact Report

and financial statements  
for the year ended  
31 December 2020



**National Zakat  
Foundation**

# Contents

	Introduction from the Chief Executive and Chair	3
<b>SECTION 1</b>	Impact at a glance	6
<b>Impact report</b>	About us	8
	How our givers helped people in need	10
	The service we provide	15
	How we raised and spent funds	16
	Thank you	19
	Our supporter community	20
	Bringing Zakat to life in 2021 and beyond	21
<b>SECTION 2</b>	Our people	24
<b>How we operate</b>	How we manage the money givers trust us with	26
	Our approach to operations	28
	How we are governed	29
	Statement of Trustees' responsibilities	34
<b>SECTION 3</b>	Independent auditor's report to the members of National Zakat Foundation (NZF)	38
<b>Financial statements</b>	Statement of financial activities	41
	Balance sheet	42
	Statement of cash flows	43
	Notes to the financial statements	44

This Impact report includes the Trustees' annual report as required by the SORP and a directors' report as required by company law



# Introduction from the Chief Executive and Chair

## Assalamu alaikum, Peace be upon you

**With God's help, National Zakat Foundation's (NZF's) Zakat givers and our supporters have been part of something amazing.**

In 2020, over 7,000 Muslims and, for the first time, international aid charity Islamic Relief UK, trusted NZF to distribute their Zakat within the UK.

In 2020, as COVID-19 affected us all, everything changed. We switched from having a physical presence to being fully and only online – for applicants, for givers and for the team. Thankfully this was a smooth transition. Applications for support increased significantly. We shared this need with the community and you responded.

We distributed £3.8m of your Zakat – and you supported over 13,000 people in need through NZF, over twice as many as in 2019.

In late 2020, owing to the unusually high rate of distribution, we launched an appeal, 'Zakat is Running Out', as it looked like we would not have enough Zakat to reach all those who needed it. Once again, the response was strong and meant that we didn't have to turn anyone away due to lack of funds.

As we go into our tenth year, we celebrate that since we launched in 2011, Zakat givers have entrusted over £20m of Zakat to NZF and helped over 30,000 people in need. You've continued to help individuals and families who have fallen on hard times or who are unable to move forward in their lives due to their financial circumstances.

And we've continued to work together with committed partner organisations and individuals who both refer applicants and help them to apply. Almost every day, Muslims in need in the UK get in touch to let us know about the truly life-changing way Zakat has helped them at a time when they felt like they had nowhere else to turn.

Through our Zakat Education services, we've helped existing and potential Zakat givers understand how to calculate and give their Zakat in a way which is both religiously sound and achieves real change for Muslims in the UK.

We've also significantly enhanced the service we offer, enabling givers to choose where they give Zakat, to choose whether any of their Zakat is used to contribute to the cost of getting it to those in need and to receive a personal email letting them know when and how their Zakat has been distributed.

A small team of dedicated people over the years has helped to create this extensive, nationwide network. While the team is 19-strong right now, 41 others have been part of the team over the years and contributed hugely. We would like to thank and recognise all their invaluable efforts. It has been, and continues to be, a privilege to help Zakat givers with this important commitment.

For those who have been giving for many years, whether that is Zakat or voluntary donations enabling us to invest in our services, we appreciate your loyalty. For those who are new givers and supporters, we give you a warm welcome. You are making a real difference to the lives of Muslims in need of Zakat across the country. Givers and partner organisations bring Zakat to life where they live, helping to create a thriving, closer Muslim community in the UK. Thank you.

While we distribute Zakat only within the UK, the impact of our work is felt around the world. NZF Worldwide continues to draw on the UK's model and the learnings from it to establish and support new National Zakat Foundations across the world. To date, the NZF model has been rolled out to Australia, Canada, Holland and Switzerland.

As ever, there remains much more to do. At NZF, along with our givers and supporters, we're ready and committed to ensure Zakat continues to provide solutions to the issues affecting our community, both now and long into the future, God willing.

**Azim Kidwai**  
Chair of the Board  
of Trustees

**Iqbal Nasim MBE**  
Chief Executive



# Section 1

## Impact report



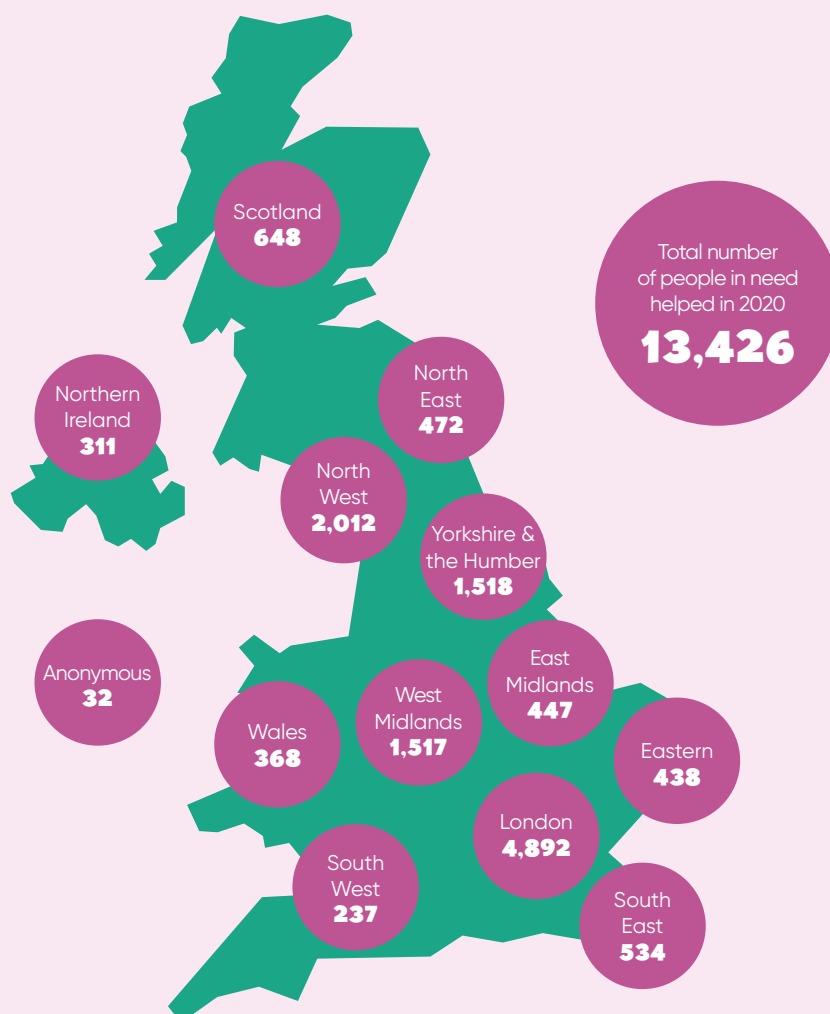
## Impact at a glance

**7,000+** givers

**£3.8m** Zakat distributed to people in need

**13,426** people in need helped

### How many people in need in 2020 you've helped, by area



## How many people in need in 2020 you've helped, by fund

	Number of people helped	Value of 2020 Grants distributed (% of total amount)
Hardship Fund	11,301	76%
Housing & Work Fund	1,980	18%
Education Fund	145	6%
	<b>13,426</b>	<b>100%</b>

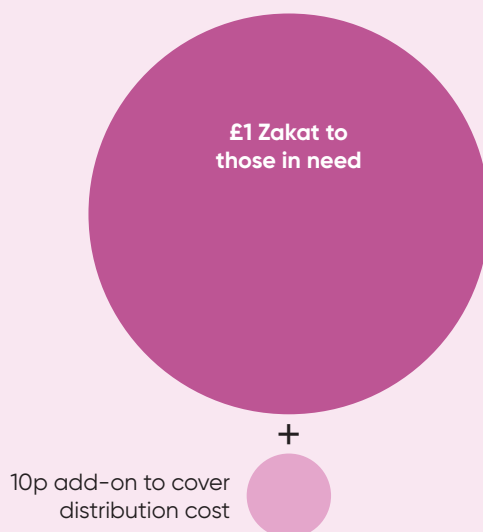
## How much of your Zakat is spent on getting it to those in need?

The distribution cost is 10p for every £1 given in Zakat.

Givers choose how to cover the distribution cost.

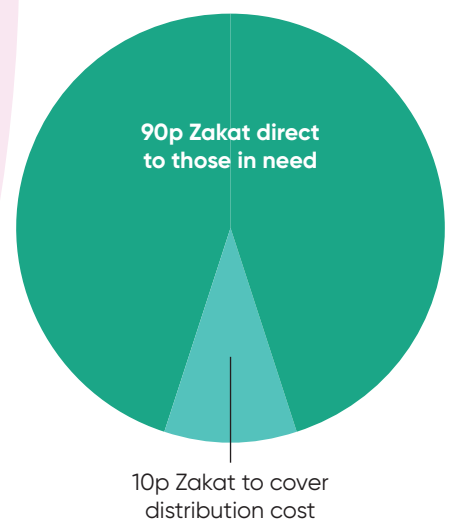
25% of Zakat givers chose

**"Make my Zakat 100%"**



75% of Zakat givers chose

**"Cover distribution cost from Zakat"**



## Zakat Education and Calculation:

**171,230**

number of times knowledge bank accessed

**120**

personal Zakat consultations conducted

**530**

calculation queries answered

**49,528**

number of times online calculator accessed

## About us

### The problem

Almost half of all Muslims in the UK are living in poverty.<sup>1</sup> That's more than twice the national average of 20%. The pandemic has exacerbated existing inequalities. Moreover, those trying to propel the community forward, our emerging religious leaders and other community champions, are often held back by their difficult financial circumstances.

At the same time, it's hard for individual Zakat givers to know how to get their Zakat directly to support people in need in the community.

### The solution

Zakat givers need a trusted way to be able to get their Zakat directly to people in need in the UK.

Zakat enables Muslims in need to get back on their feet. Zakat also helps those in need who are working hard to uplift the community to access training and education. The result of these individual and collective efforts is a thriving, closer Muslim community.

### What NZF does

Our mission is to connect every Muslim in the UK through Zakat. NZF is the only platform with a national reach which helps Muslims get their Zakat to those in need who should be receiving it here in the UK. Rooted in our faith and reflective of our modern times, we are building a nationwide network of support.

Our vision is a thriving, closer Muslim community in the UK.

NZF is committed to listen to our givers. We learn from experience. We have made it clearer who receives Zakat given through NZF. We have given Zakat givers choice about where their individual Zakat payment goes, who it helps and whether any of it is used to contribute to the cost of getting it there. We are diligent in ensuring policies are reviewed, endorsed and certified by scholars and make this certification available on the website.

It helps us all to get closer to achieving the vision.

<sup>1</sup> Social Mobility Commission. The Social Mobility Challenges Faced by Young Muslims. Stevenson J, Demack S, Stiell B, Abdi M, Clarkson L, Sheffield Hallam University. (Sept 2017)



## Zakat recipient: Sara

**Your impact:** *"The financial help my family received not only helped to ease money problems but it also improved my mental wellbeing. I was in a very dark place not seeing any hope and this has helped me to see a light at the end of the tunnel and give me a push to try and do something to improve our situation. We are still struggling but a considerable amount less than before. Both me and my husband started to work, and slowly we are rebuilding our life. We are so very grateful for the help we received. It made us feel a part of a community."*





### What's our purpose?

Our purpose is to enable givers to bring Zakat to life where they live, to achieve a thriving, closer Muslim community in the UK.

### What are our values?

We adhere to four key values:

- **We are pioneering:** We create positive change. We've built the only UK network that connects Muslims through Zakat. This is helping change the lives of Muslims across the country and is creating a thriving, closer Muslim community.
- **We are faithful:** We unite our faith with our times. We offer a dynamic way to give Zakat, firmly rooted in our faith. We want to make sure every Muslim who can give Zakat does so in a way that meets the requirements of our faith.
- **We are purposeful:** We care, so we act. We ensure Muslims can give Zakat easily and effectively in the UK. We use Zakat to give the most vulnerable and disadvantaged people in our community the help they need and make sure Muslims with the potential to propel the community forward are not held back by financial circumstances.
- **We are meticulous:** The details matter to us. Our platform hands control to the giver. At the same time, we carefully ensure that Zakat goes to those who should receive it. We care deeply about every penny of Zakat we handle, and who it goes to. Our processes are thorough, and we openly communicate our decisions.

### What are our strategic aims?

We have four strategic aims:

1. **Hardship Relief Fund:** Help Muslims get through difficult situations by giving them urgent funds to cover essentials such as food and clothing.
2. **Housing & Work Fund:** Help Muslims get back on their feet with affordable accommodation and the work skills to find a job and sustain themselves and their families.
3. **Education Fund:** Help strengthen the community by investing in educating and developing Muslim scholars and other community champions.
4. **Zakat Awareness, Education and Calculation:** To help people understand Zakat and its purpose, and to help givers calculate the right amount of Zakat.



# How our givers helped people in need

## 1. Hardship Relief Fund

NZF distributes your Zakat directly to Muslims in the UK who are in hardship, providing funds to cover basic essentials, to help them get out of a rough patch.

We give a grant to help cover the costs of food, clothing and small debts. Often, this support is what's needed to get them through a moment of urgent need so they can regain peace of mind, and start to get their lives back on track.

### Who Zakat givers helped

In 2020, Zakat givers supported 11,301 people in need across the UK through NZF's Hardship Relief Fund. 76% of all 2020 Zakat distributed was distributed through this fund.

Zakat supported refugees and asylum seekers, victims of domestic abuse, those facing homelessness and those struggling due to unemployment or low-paid work.

### The impact of Zakat givers' support

The Hardship Relief fund has:

- freed Muslims in need from their immediate financial distress;
- offered dedicated support, so individuals feel more confident about their financial circumstances in the future;
- helped individuals feel like they belong to a caring and supportive community.

And Muslims we've supported have often reported a direct and beneficial impact on their faith.

Islamic Relief contributed £315,000 of Zakat to the Hardship Relief Fund. Initially £135,000 was given and then, having seen how NZF successfully and efficiently distributed their Zakat, a further £180,000 was contributed to the Fund in response to the 'Zakat is Running Out' campaign.

(Note: to protect the identity of Zakat recipients, names and photos have been changed in many of the real-life stories)



## Zakat recipient: Faisal

**Your impact:** "When I heard about NZF, I was really happy. Your organisation has a very important position in Muslim Society in the UK. When I see any Muslim brother or sister in difficulties, I can suggest applying to NZF. It makes me happy. We feel that we are not alone. For short term help, hardship relief is very good."





*"Throughout the pandemic we have been helping people affected by COVID-19 in some of the poorest countries in the world, but we can see that people in this country are in desperate need. So many can't afford to eat, pay their rent, clothe themselves or heat their homes. It's a real emergency and we do not have time to wait to respond to these needs. There is no organisation like NZF who can urgently distribute cash to those in need in such a robust and accountable manner, and we are grateful to them for allowing us to be able to respond to so many thousands of Muslims in urgent need."*

**Zia Salik, Head of Fundraising, Islamic Relief UK**



## **Zakat recipient: Nada**

**Your impact:** Sudanese asylum seeker Nada fled the country she loved as it was no longer safe. She arrived in the UK without the ability to work and no family around to support her. Nada says: *"The asylum claim process was already known to be very slow but when COVID-19 hit, things pretty much came to a halt. I was placed in Government housing but the property didn't have basic furniture or even a fridge. Your Zakat helped me cover the basics like food and clothes and provided me with some furniture and kitchen appliances. The new start I'd hoped for finally feels like it could become a reality."*

# How our givers helped people in need continued

## 2. Housing & Work Fund

The Housing Fund gives grants to help Muslims in the UK who need support to live in affordable, liveable and safe accommodation. The Work Fund gives grants to help Muslims in the UK who are unemployed or on low incomes to get a job and increase their incomes.

### Who Zakat givers helped

In 2020, Zakat givers supported 1,980 people in need across the UK through NZF's Housing & Work Fund. 18% of all 2020 Zakat distributed was distributed through this fund.

Zakat supported those struggling due to unemployment or low-paid work.

### The impact of Zakat givers' support

The Housing & Work fund has:

- enabled Muslims to access both safe and affordable accommodation and the labour market;
- offered dedicated support, so individuals feel more confident about their financial circumstances in the future;
- helped individuals feel like they belong to a caring and supportive community.



## Zakat recipient: Abdalla

**Your impact:** *"When my youngest was born recently, she and my wife struggled a lot with their physical health. It was hard to find a job that I could juggle with my caring responsibilities, and when lockdown struck, even the odd jobs I did started to dry up. We were lucky to be given Government accommodation. But with little money, it's a struggle to afford essentials like a cooker and furniture. That was until I found out about NZF. Your Zakat meant I could get a grant through the Housing Fund to buy simple items.*

*The house now feels like a family home, and my daughters have smiles on their faces again. May Allah reward you all. I can't explain how much it means. I feel so blessed to have four beautiful daughters. Now, thanks to your Zakat, I feel even more blessed, because every time I look at them, I'm reminded of the power of the third pillar of Islam, and God's grace."*



## Zakat recipient: Fatima

**Your impact:** *Fatima was a doctor in Syria. Now she is a refugee. When she came to the UK, she applied to the Work Fund. NZF is now supporting on her journey to be a doctor in the UK. She says: "I will do my best to pass this exam so you can be proud of my achievements which will happen with your support. I really don't know how to thank you. But I'm pretty sure the day will come to help the community with my medical experience."*



### 3. Education Fund

The Education Fund gives grants for education and training to help Muslims who can demonstrate a high level of commitment to community service, to help them to better serve Islam and Muslims in the UK. Applicants are supported with vocational training courses, postgraduate academic courses and/or learning resources.

#### Who Zakat givers helped

In 2020, Zakat givers supported 145 people in need across the UK through NZF's Education Fund. 6% of all 2020 Zakat distributed was distributed through this fund.

Zakat supported those actively working to serve the community who could not afford the cost of the education or training they needed to access.

#### The impact of Zakat givers' support

The Education Fund has:

- enabled Muslims to access education and training;
- offered dedicated support so individuals can build capacity in UK Muslims to serve Islam and their communities;
- helped individuals feel like they belong to a caring and supportive community.

#### Leadership Investment Programme

As part of a pre-existing long-term commitment, the Centre for Media Monitoring (CfMM) was supported using a small portion of Zakat funds from 2019, by givers who had not restricted their Zakat to go towards those in poverty only. This was the last institutional beneficiary of NZF as the organisation has streamlined its work to an individual-to-individual Zakat giving model only.

Zakat givers from 2019 who had not restricted their donation to those in poverty supported the CfMM in 2020 with £59,434 of Zakat.

Key areas of work were media monitoring, advocacy and community liaison. In 2020, CfMM continued to achieve numerous corrections in mainstream media articles. In addition, it made submissions to enquiries and consultations, established a strong group of community volunteers who monitor the media, redesigned training workshops to deliver them online and ran a second 'Meet the Media' event.

#### Your impact:

As Shanaz, a 30-year-old trainee therapist, entered her third year studies for a Professional Doctorate in Counselling Psychology, she had to reduce her working hours to complete her research. But she could not manage to cover the cost of living, fees and supervision sessions with her reduced income. Shanaz applied to NZF for a grant to continue her studies. NZF assessed her eligibility and then supported her.

*"As a result of the grant, I have been able to work on a research project looking at the impacts of harsh physical parenting from a Muslim perspective. It is my hope this helps demonstrate that this practice is outside the folds of Islam. In the future, I will be able to practise psychology while both understanding the unique needs of Muslims as well as being able to disseminate this information to wider audiences and other professionals who work with Muslim clients. My long-term aim is to become a reputable psychologist who can demonstrate that Islam and positive psychology greatly overlap and help contribute towards the movement to make the practice of proactively looking after our mental wellbeing more prevalent in the Muslim community."*

**Shanaz Akhtar, Zakat recipient**



# How our givers helped people in need continued

## 4. Zakat Awareness, Education and Calculation

We continued to provide Zakat Awareness, Education and Calculation services to UK Zakat givers in 2020. This is funded by voluntary income (Sadaqah and Riba).

These services:

- spread knowledge about the spiritual and societal significance and impact of Zakat;
- increase understanding of the need for Zakat in the UK;
- improve understanding of how to calculate Zakat.

### How our givers helped

We provided Zakat givers with many ways to help ensure they paid the right amount of Zakat, including workshops, online content, publications, and online and offline giving.

We also raised awareness of the issue of Missed Zakat. We gave individual telephone consultations to ensure Zakat givers correctly calculated and paid any Zakat they may have missed over the years.

### The impact of our givers' support

In 2020, the Zakat calculator was accessed over 49,000 times. NZF's Knowledge Bank articles available online received 171,230 hits. NZF responded to 530 emailed Calculation queries and provided over 120 personal Zakat consultations by telephone.

### Your impact:

Taib was an imam and youth worker in his native Sudan. When he came to the UK to work as an imam, he found it hard to connect with the youth in the UK. However, he shared one of their passions – football! Greater Manchester Football Club offered him the opportunity to train as a football coach. He completed Level 1 but could not afford to continue. He applied to NZF. NZF supported him with a grant.

*"I am really very grateful because I never thought it would be possible for me to do this, and without the grant I could have never done it. I am becoming so much more active in my community because I feel more confident and more able to support young people. It is very unusual for someone from my community to do something like this in the UK, and so many young people approach me in the masjid now and ask for guidance and advice for what courses and things they can do."*

**Taib Al Sheikh Idris, Zakat recipient**



## The service we provide

**We provide a full service for the giver, benefitting the giver and the recipient. The process is:**

### **Calculate:**

We help Zakat givers to work out how much Zakat they need to give based on their financial situation. We do this through a variety of Calculation services including our easy-to-use online calculator, one-to-one consultations with Zakat experts, email queries, online webinars, an up-to-date knowledge bank and Zakat guides.

### **Give:**

Zakat givers choose at the time of payment as to where they would like their Zakat to go. Zakat givers choose how to allocate their Zakat to those who need it across three funds: Hardship Relief, Housing & Work, and Education. Zakat givers also choose whether they would like 100% of Zakat to go to those in need, and cover the 10% contribution to checking and verification costs through additional Sadaqah, or whether they would like to cover this from Zakat.

### **Distribute:**

**Apply:** Those in need of Zakat apply online to NZF for help all year round. Mosques, charities, other organisations and individuals often let potential Zakat recipients know they can apply to NZF and support them in the process.

**Check:** The NZF team then conducts meticulous checks to ensure applicants are eligible for Zakat.

**Decide:** Our Grants Officers then work with applicants on a personal level to make sure we give them the right support. They aim to get back to applicants as quickly as possible with a decision.

**Support:** The Grants Officers usually give cash Zakat grants directly to the successful eligible applicant, by bank transfer where possible. Where that is not possible for the recipient of a Hardship Grant, we send support in the form of electronic vouchers. We work with partners to deliver basic furniture, a fridge and a cooker where this is needed. Grants Officers also offer funding for training and education to support applicants get into work and serve their communities. In addition, Grants Officers refer applicants to any additional funding or help they might be eligible to access.

The NZF team is experienced and dedicated. Many in our team have a history of working within local councils and other agencies and organisations which provide support and funding to people in need. We have an internal auditor ensuring quality is maintained.

NZF's Zakat policies and processes are endorsed and certified as sound by UK scholarly organisations: Islamic Shari'a Council and Markaz al-Iftā' wa'l-Qadā. Mufti Amjad now conducts regular Shariah audits.

### **Track:**

Live maps on our website show where Zakat has been received from and distributed to across the UK. We send out a personal email to let Zakat givers know when their Zakat has been distributed to those who need it.

## Zakat recipient: Syed

*"My experience with NZF is absolutely outstanding. They are doing everything they could do to help. Also how quickly they are dealing with vulnerable people it's unbelievable if I will speak about myself and how they helped me. I swear to my Allah no words would describe how much I appreciated the help and how they moved a big heavy stone. It was going to kill me. Allah bless the whole organisation and give everyone whatever they wish for."*



# How we raised and spent funds

**Income:**

Our funds are comprised of Zakat from individuals and businesses, charitable donations (Sadaqah, Riba and Fidyah/Kaffarah), institutional grants and Gift Aid. In 2020, for the first time the work of NZF was also supported by a major international charity: Islamic Relief UK gave £350,000 of Zakat in two tranches to enable NZF to support those in need in the UK.

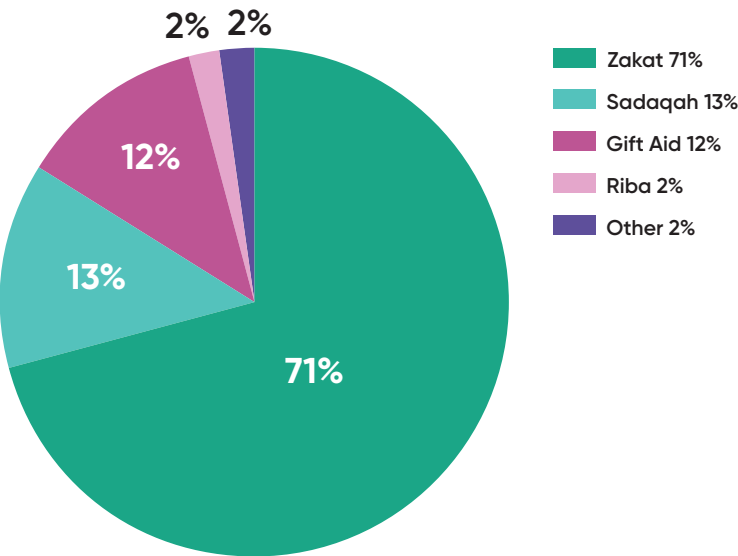
In 2020, we generated total voluntary income of £6,337,184 (2019: £3,798,373). Total expenditure was £5,219,343 (2019: £4,268,454). We had net incoming resources in 2020 of £1,086,626 (2019 net outgoing resources: £458,289).

The main source of our income was Zakat, comprising £4,471,972 (2019: £2,763,877). The majority of Zakat givers gave one-off payments rather than regular contributions. While givers gave 75% of the annual value of Zakat income in Ramadan, people in need apply for Zakat throughout the year. This can mean there is a large gap between Zakat income and Zakat grants across the accounting period. We commit to distribute Zakat within a lunar year (11.5 months) of any individual Zakat giver's payment to NZF – on average, we distribute an individual's Zakat within five to six months.

The amount of Zakat given to NZF was significantly higher than originally anticipated. We attribute this to two main factors. Firstly, the COVID-19 pandemic began shortly before Ramadan 2020, so giver awareness and marketing efforts were focussed on the urgent need of those in the UK. Secondly, in 2020, for the first time givers had full choice about the nature of the impact of their Zakat: givers were offered a choice of three funds to support. Givers were also offered choice about how to cover the direct costs of getting their Zakat to the recipient – this was an outcome of an internal review to see how NZF could improve givers' trust in the charity.

Throughout the year, we continued our effort to raise non-Zakat funds to support the work of the organisation – this effort made a vital contribution towards enabling NZF to grow and achieve our vision. We received £983,351 (2019: £517,253) of unrestricted Sadaqah and Riba funds in the year which, along with £737,330 (2019: 459,851) of Gift Aid, were critical to cover non-grant costs of the charity. Income for NZF services of £1,100 (2019: £15,591) is a small category of additional income, received from the occasional renting-out of unused office space for community activity. Our non-Zakat income in 2020 was higher than originally anticipated, as we were able to reclaim Gift Aid on more voluntary income than expected.

Sources of income



### Expenditure:

In 2020, Zakat givers chose how to allocate their Zakat. All Zakat grants were given to eligible individuals in need who applied to a specific fund for Zakat. Applicants were able to apply to one or more of the following funds: Hardship Relief, Housing & Work, and Education. The only exception to the funding of individuals was a Zakat grant to one organisation, as part of a previous commitment, which was therefore funded by 2019 Zakat income carried forwards.

We have consulted and listened to our givers. We have streamlined our work to an individual-to-individual Zakat model, with an Education Fund which has a narrower remit than the previous Leadership Investment Programme. Of the £3,800,103 of Zakat/Zakat-ul-Fitr grants we distributed in 2020, 76% or £2,891,819 was distributed directly to eligible people in need by the Hardship Relief Fund; 18% or £671,570 by the Housing & Work Fund; 5% or £177,280 by the Education Fund; and 1% or £58,434 by the Leadership Investment Programme.

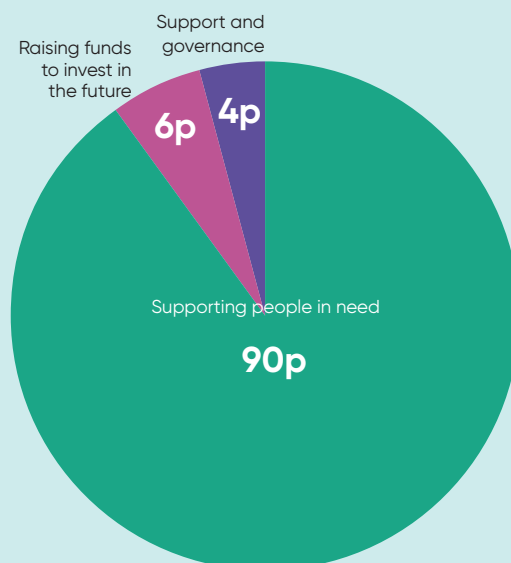
In 2019, we distributed £2,979,062. 87% being £2,573,797 was distributed as Economic Empowerment grants (for Hardship, Housing & Work) and 13% being £405,265 was distributed as Leadership Investment Zakat grants for 29 individuals and four organisations.

Total charitable costs of distribution, both people and process costs for each grant, was £908,319 (2019: £1,053,734). We achieved a significant reduction in cost through technological efficiencies. Costs are covered by Zakat and non-Zakat funds. Each Zakat giver had to choose to help cover their cost either from 10% (2019:12.5%) of their Zakat or an additional 10% as a voluntary contribution.

No Zakat is used for marketing expenditure.

We incurred support and governance costs of £203,399 (2019: £211,988) during the year.

### How we spent our funds:



This means that of every £1 NZF spent,

- 90p went on supporting people in need
- 6p went on raising funds to invest in the future
- 4p went on support and governance to make sure the charity is run well.

## How we raised and spent funds continued

Governance costs relate to audit fees, professional fees, licence fees and compliance costs, and related staff costs (see note 5). As per the Charities Commission regulation, no Trustees received any remuneration. Support and governance costs equated to 3.9% (2019: 5.0%) of total spending. Since July 2020, we have no longer had a physical office and so in 2020 benefitted from reduced spend on office rental and related utility costs, partly offset by a one-off increase in depreciation due to disposal of assets. We covered these costs entirely by Sadaqah, Riba and any other non-Zakat funds.

The cost of raising funds was a further 5.9% (2019: 5.0%) of total spending, covered entirely by Sadaqah and other non-Zakat funds.

We invested over £120,000 (2019: £60,000) in technology as capital expenditure to improve the experience for Zakat givers, other donors, applicants and all other users.

### Cash reserves

Our 'Zakat Is Running Out' campaign in late 2020 highlighted the insufficiency of Zakat funds to meet the anticipated high level of need from applicants. Owing to the success of the campaign, in addition to a reduced number of applications compared to expected, our Zakat grant cash reserves at the end of December 2020 remained high enough to enable sufficient distribution of Zakat to people in need until Ramadan 2021, when many givers gave additional Zakat.

Our non-grant reserves are also higher than anticipated, enabling NZF to invest further in growth.





## Thank you

**Zakat givers, organisations and partners have enabled NZF to support many people in hardship as well as emerging religious leaders and other community champions deserving of Zakat.**

Recipients who have received this support and felt the power of Zakat directly often ask us to share their genuine thanks with those who make it possible, the Zakat givers who have chosen to give through NZF. On behalf of all of them and from us at NZF, thank you.

Individuals, organisations, agencies, community groups and mosques have helped those in need to access our services through signposting and submitting applications on their behalf.

In addition, our work is strengthened by partners.

We look forward to building upon existing relationships and forging new ones in 2020 and beyond.

Together, we have achieved genuine change, helping Muslims in the UK unlock their potential, individually and as a community, through the power of Zakat.



# Our supporter community

Thank you to all our supporters, referrers and partners, including but not limited to:

Hardship Relief Fund	Housing & Work Fund	Education Fund	Fundraising and other supporters
British Red Cross	North London Dental Centre	Cambridge Muslim College (CMC)	Kestrl
Care4Calais	LabMedExpert	Markfield Institute of Higher Education (MIHE)	Amanah Advisors
Crisis and Crisis Skylight	Crisis	Al-Salam Institute	Islamic Finance Guru
East London Mosque	Association of Muslim Schools	Common Purpose	Rizq Digital Bank
The Faith Centre, Bradford	Chromium Group Of Companies Ltd	Association of Muslim Schools	MyTenNights
Hestia	ASR Learning Centre	Happy	Emerald Network
Islamic Relief	Refugee Council	Clore Social Leadership	CUBE Network
IHRC	The Faith centre Bradford	Citizens UK	Amaliah
Migrants Organise	C Supplies	Muslim Council of Britain	
Project 17	Family Fund	Aziz Foundation	
RefuAid	St Mungo's		
The Unity Centre, Glasgow	Thames Reach		
Migrants' Rights Network	JET North		
St Mungo's	Hestia		
HAPANI			



## Bringing Zakat to life in 2021 and beyond

**It remains our commitment to uphold Zakat, the third pillar of Islam, for our community. We strive to provide a platform for UK giving that is grounded in our faith at the same time as being fit for purpose in our modern times.**

We'll continue to develop the Calculation service, so account holders can see a record of their calculations and giving history.

We'll continue to improve the way we distribute Zakat. Zakat givers can be confident that their Zakat reaches individuals eligible for Zakat in a way which is impactful, efficient and caring. We'll be further streamlining our online application process for those who need support. We're working on making it quicker and easier for people in need to apply for help, while enabling us to complete the eligibility and verification checks thoroughly and yet more quickly. We'll partner with more organisations to increase the number of referrals to our services.

We'll continue to work with in-house and independent Islamic scholars, experts and practitioners to refine our Zakat policies and processes, which are both rooted in our faith and relevant to our time and place. Since NZF began, we have rigorously ensured our faith is at the heart of all we do. Our approach is certified as legally compliant by the UK Islamic Shari'a Council and Markaz al-Iftā' wa'l-Qadā, the Centre for Religious Rulings & Mediation.

We'll continue to improve the way we let you know what we're doing with your giving. We now have live maps showing where Zakat has been received from and distributed to across the UK. We'll send out a personal email to let you know when your own Zakat has been distributed to those who need it.

We'll continue to raise awareness, educate and inform about Zakat across the country, providing online resources, consultation services and webinars. We'll also work with a range of networks and organisations to spread knowledge about Zakat even further.

Income in 2021 is uncertain, given the impact of COVID-19. On balance, we expect Zakat income in 2021 to increase due to the increased awareness of UK givers of need in the UK.

We plan to maintain the contribution of Zakat givers to the cost of checking, verifying and distributing Zakat to people in need at 10% (2019: 12.5%). Zakat givers can cover this cost with Sadaqah if they would like 100% of their Zakat to go to the recipient.

In 2021, we'll be increasing expenditure on raising funds, given the changed and uncertain external environment due to COVID-19.

We'll continue to help Muslims bring Zakat to life here in the UK. Together, we will achieve this vision, God willing.

And we'll continue to adhere to our values: being pioneering, faithful, purposeful and meticulous in all that we do.



# Section 2

How we operate





## Our people

### We seek to maximise the potential of all employees at National Zakat Foundation and cultivate high levels of employee engagement

#### We do this through:

##### Employee engagement surveys

Our employees participate in quarterly employee engagement surveys, giving valuable feedback on what it is like to work at National Zakat Foundation. During 2020, over 90% of participating employees agreed or strongly agreed that “the mission of NZF inspires” them. Employees know they can give feedback or put forward ideas at any time and we have formal and informal mechanisms in place to facilitate this.

##### Safeguarding

We expect all employees, volunteers, partners, interns and consultants to conduct themselves in a way that preserves the dignity and respect of every individual. We have a Safeguarding policy and Code of Conduct that reflects this. We have made public our Safeguarding Commitment.

We have zero tolerance for harassment, bullying or exploitation in any form.

##### Equal opportunities and diversity

We have an Equality and Diversity policy in place to ensure we give candidates, existing employees and volunteers equal opportunities to succeed. We recruit the best person we can find for the role, ensuring they have the right skills, knowledge and experience to help us achieve our mission.

We encourage employees to develop within National Zakat Foundation to match their circumstances and aspirations. We support flexible working practices wherever possible.

##### Employees' remuneration

The Board determines the salary of the Chief Executive. The Board approves the principles for salaries of all employees.

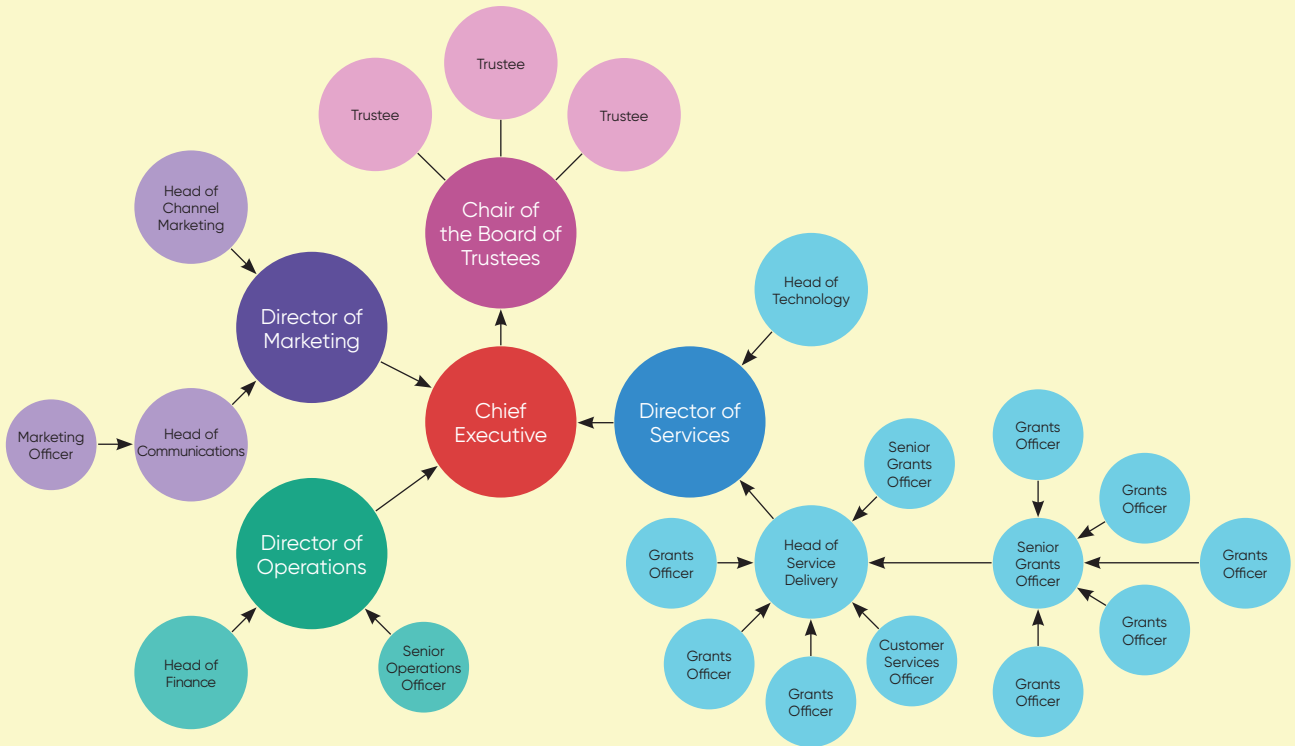
The Chief Executive proposes salary principles for the organisation and the salaries of key management personnel to the Board, which amends as appropriate and approves. In 2020, the key management personnel comprised the Chief Executive, Director of Services, Director of Marketing and Director of Operations.

We set and review salaries based on a combination of benchmarking, seniority of the role, experience and NZF's overall budget. We are currently reviewing the way we set salaries to ensure consistency and fairness. In 2020, we completed a benchmarking exercise which was independently reviewed and will be the basis for 2021 salary changes. Until 2020, we reviewed salaries in December each year. From 2021, we plan to review salaries shortly after Ramadan each year. Any salary changes are effective from the following month.

## External finance professional: Omair

*"Working with several members of the management team showed me that NZF have a consistent focus on improvement and transparency in their operations. It was both reassuring and enlightening to be part of their recent endeavour to bring greater giver choice in the way Zakat is distributed. The speed of including this change was exceptional. In addition, NZF's ethos embodies honesty and integrity. I have no doubt in trusting them with my donations."*

## Our organisational structure



### Use of volunteers

Volunteers are a valued resource in our work. In 2020, we had eight volunteers. Volunteers are supported and trained in their roles by employees and given assistance where required.

Volunteers have been involved in three areas: contributing professional services, caseworker administration and raising awareness.

In 2020, six professionals within the Service Development, Finance, Risk and Legal sectors contributed their time and professional services on a pro bono or reduced cost basis. The value of their services given in kind is approximately £43,000. This is not reflected in the financial statements.

During the year, we've had one long-term volunteer Grant Officer contributing two days per week for seven months. We had an additional volunteer supporting the Marketing team.

We have supporters across the country who help communicate the work of NZF.

Volunteers across the UK help spread the message both online and offline about National Zakat Foundation so more people know what the organisation does and why it exists. This may involve sharing social media posts, distributing flyers at events or facilitating Zakat workshops/seminars locally.

We're thankful to have had this level of support from volunteers to achieve NZF's vision.

## How we manage the money givers trust us with

### Managing risk

The Trustees assess all major risks to which the charity is exposed and review the systems and procedures established to manage those risks. The charity has a Serious Incident policy in place and ensures that employees and Trustees have been trained on adhering to the policy. Trustees continue to ensure that all risks are managed appropriately. Trustees review systems and procedures for risk management throughout the year. In 2020, an external risk analyst engaged in an in-depth review of the Risk Management policy and the Risk Register, supporting the Trustees. The risk analyst assessed Assurance as high or adequate in all areas of risk.

The most significant risks are:

#### Financial:

The risk of insufficient generation of non-Zakat funds to cover the cost of ensuring the grant gets to those who need it, as well to cover the core costs of the organisation and the cost of raising funds. This would affect NZF's ability to grow and meet the needs of eligible UK Zakat recipients. Historically, sufficient non-Zakat funds including Gift Aid have been generated to cover core costs of operations and the cost of raising funds.

This risk is being mitigated by ensuring that each giver covers the direct cost of getting their Zakat to recipients. Since February 2020, the Zakat giver can choose for 100% of their Zakat to be distributed to individuals in need, by giving an equivalent voluntary contribution to cover the cost instead.

The organisation's strategy and its key elements (e.g. budgetary review, cash resources and cashflow forecasting) are subject to regular management, Finance and Audit Committee, and Board review, supported by operational updates and key operational metrics.

### Independent risk analyst: Ruhall

*"I found the organisation to be helpful and transparent, always looking to improve and be proactive. Having reviewed their risks, I am comfortable providing my Zakat to them and trust them completely."*

### **People:**

The risk of people leaving, lack of alignment to values, and/or lack of sufficient expertise.

Our people are our most valuable asset. We continue to create the conditions for our employees to thrive. We manage and consider diversity and inclusion as well as colleague engagement. We provide ongoing opportunities for personal and professional development. We have put in place staff training, with the team responsible for distributing Zakat grants to those in need additionally benefitting from counselling support. We have reviewed compensation to ensure it is in line with what skilled employees can expect.

### **Technology:**

The risk of failure of key IT systems or IT infrastructure. This could result in loss of information, inability to operate or regulatory breaches.

The likelihood of this risk is being mitigated through operational systems, controls and improvements. Operational systems include full cloud capability, enabling effective remote working, online giving and online applying. Controls within this area include deployment of approved comprehensive IT policies and procedures to safeguard data and mitigate any breaches. Other mitigating actions include constant improvements to NZF's technological capabilities – for example, with the upgrade of our Customer Relationship Management (CRM) system. This area is an evolving area and requires constant monitoring to ensure the infrastructure is invested in adequately. In addition, NZF has cyber insurance to mitigate the impact of the risk.

### **Reputation and General Data Protection Regulation (GDPR):**

The risk of incidents that damage reputation and/or negatively impact operations (including recipients of Zakat grants, suppliers and GDPR breaches).

We carefully assess recipients of Zakat grants to ensure eligibility and likely impact, taking an approach that is proportionate to the size of the Zakat grant. We carefully assess suppliers to ensure they are viable, low-risk and can support us with quality work. We involve the Board where financial amounts are significant. We have put GDPR-compliant systems in place which are well above the minimum standard required and conduct an annual GDPR check.

### **Safeguarding:**

The risk that people who encounter the charity are not protected from harm.

This risk is being mitigated by ensuring NZF has a Safeguarding policy and training rolled out for both employees and Trustees, a policy which ensures reinforcement of good culture and good practice. We will continue to provide safe places, encourage the confidence to report any issues and take consistent action.

## Our approach to operations

**We made continuous improvement in the use of our CRM system for applicants' and payers' records. We also further embedded the use of our Accounting System, Accounts IQ.**

### Our public fundraising approach

Almost all our funds come from the public and our aim is to ensure we raise funds in both a respectful and compelling way that is consistent with our values. We support measures that will improve public trust and support for the sector.

We are registered with the Fundraising Regulator and pay an annual levy as required. We work diligently to comply with the Code of Fundraising Practice.

The Director of Marketing and the Director of Fundraising managed most income-generation activities, guided and monitored by the CEO, with overall oversight by the members of the Board. The charity's employees and consultants carry out fundraising activities for the charity. In 2020, we did not use professional fundraisers or have any commercial participators.

We have set standards for the operation and management of our fundraising activities. We contact a small number of our supporters by telephone each year who agree to be contacted in this way – individuals who conduct this work are required to do so in a respectful manner and in accordance with our standards and sector regulation.

We consider that our processes and controls ensure that vulnerable people and other members of the public are protected from any unreasonable intrusion on a person's privacy and that no fundraising activities would be unreasonably persistent or place undue pressure on a person to give money or other property.

We actively encourage supporters to contact us with any feedback. No complaints relating to fundraising activities have been received by the charity during this financial period. We have in place procedures that would be followed in the event of a complaint being received, and these procedures are made publicly available on our website.

### General Data Protection Regulation

GDPR became law in May 2018. The regulation sets out the responsibilities all organisations have in relation to the personal data that they collect and hold and is designed to enhance the rights of individuals in controlling their own personal data.

We take privacy seriously. We're committed to protecting personal data, and to ensuring that we're compliant with the changes introduced by GDPR. We have put in place policies and procedures to comply with GDPR in the areas of data protection policies, data mapping, data retention and cleansing, data processing and supporter data privacy, consent and preference management. We hold an annual GDPR review.

We consider that every member of staff has a role to play, and we have regular training to ensure we're all familiar and compliant with the new requirements.





## How we are governed

**The Board of Trustees governs the organisation in line with its Articles of Association, vision, mission, values, aims and charitable objectives and provides overall policy direction. The Board is responsible for compliance with the legal and statutory requirements of a UK charity and of a registered company. In 2020, the Board refreshed the Articles of Association to ensure the charitable objectives and Trustee powers were up-to-date.**

The Board is currently made up of four members. The Trustees who served during the period and up to the date of this report are set out on page 33.

*"NZF has pioneered the way Muslims in the UK understand and perform their Zakat obligation by encouraging and advancing local giving and support. NZF provides a vital service and platform to our community, responding to primary needs as well as providing development opportunities. The team are passionate and dedicated to the cause, which makes NZF such a successful and dynamic organisation. The steadfastness and energy demonstrated by NZF's leadership team is what has established NZF as a committed and credible pillar in our community."*

**Sabah Gilani, Trustee and CEO of BCBN**

The Board meets at a minimum four times a year.

In addition, the Board has a Finance and Audit Committee (FAC) which meets regularly, usually shortly before each Board meeting. The FAC promotes and safeguards the highest standards of integrity, financial reporting and internal control; it also oversees the organisation's risk management processes and any capital spend projects. FAC membership includes a co-opted experienced member who is independent, not a Board member.

Trustees are rotated over a medium- to long-term basis, to provide fresh ideas and to avoid complacency in the role. No Trustees have exceeded the nine-year term recommended in the Governance Code.

The Chief Executive and employees make operational decisions and run the charity. The Chief Executive or Line Manager (as appropriate) sets and agrees objectives with employees to ensure that the strategic objectives of the charity are being met. The Chief Executive or Line Manager (as appropriate) also ensures employees who have direct contact with recipients are regularly supported, trained and assessed to ensure their communication is in line with the charity's values.

### Organisational purpose: Public benefit

The Trustees confirm that they have complied with the duty under the Charities Act 2011 to have due regard to the Charity Commission's guidance on public benefit. The Trustees consider these when reviewing the aims and objectives of National Zakat Foundation, and in planning activities for the future. The Trustees consider that the aims and activities of the charity are for public benefit.

The Trustees confirm that the aims of the charity continue to be charitable; that the work of the charity is in line with its objects; that the aims and the work done give identifiable benefits to the charitable sector and both directly and indirectly to individuals in need; that the benefits are for the public and are not unreasonably restricted in any way; and that there is no detriment or harm arising from any of the activities.

## How we are governed

### continued

---

#### Board effectiveness

Trustees are recruited based on relevant expertise – skills, experience and qualifications – and an alignment of their values with NZF's values. Before appointment, potential Trustees meet with the Chair of the Board and the Chief Executive; they are then invited to attend a Trustee meeting as an observer, and they are then invited to act as an Advisor to the Board for six months. After this process, the Board decides whether to recruit the Trustee. Trustees access internal and external training as required.

The number of Trustees is within the range recommended by the Governance Code.

The profile of Trustees is broadly representative of the people we are trying to help.

Our Trustees undergo a comprehensive induction programme and are offered training and development opportunities throughout their trusteeship.

#### Openness and accountability

We make our charity's impact accessible to donors and stakeholders through our website and update it on an ongoing basis. We regularly share stories of our recipients on our website and in external messaging.

We fully disclose details of our Trustees and their biographies on our website.

We have a Disclosure policy available on our website, detailing what information we hold and how we process it, to provide confidence that we are securely handling private and often sensitive beneficiary and donor data.

#### Integrity

NZF's Board of Trustees has established a solid foundation in governance in which all Trustees are clear about their roles and legal responsibilities, are committed to supporting the charity to deliver its objects most effectively for its beneficiaries' benefit and contribute to the charity's continued improvement.

We welcome the 2017 Charity Governance Code as a positive step toward improving governance and excellence in resource management in the sector. The Chair has undertaken a review of its current practice compared to that recommended in the Governance Code. Both the Board and the Finance and Audit Committee take feedback on board and regularly implement aspects for improved Governance. The Board will identify further areas for improvement over time. This is part of the continued concern of the Trustees to constantly improve the effectiveness of the organisation.

We have a Serious Incident policy. There were no serious incidents in 2020.

We have a Conflicts of Interest policy, and detail potential conflicts within this report. In addition, each Trustee confirms annually that they are eligible to hold the position.

We meticulously account for all our income from all sources, including Gift Aid. This has been confirmed independently. In 2020, HMRC confirmed it had completed its check of a Gift Aid claim submitted by the organisation in a previous year and confirmed the charity demonstrated a full audit trail.

#### Diversity

We recognise the benefits diversity can bring. The charity has an Equality and Diversity policy which extends across the organisation.

Trustees and employees are from a range of backgrounds. All Trustees have an ethnic minority background. We currently have three male Trustees and one female Trustee. The charity is BAME-led. In addition to the Chief Executive, there are three members of the Senior Leadership Team: two females and one male.

### Environmental impact

We are also constantly striving to reduce the charity's impact on the environment.

The main method of giving is online through the website, and the second most popular method is online bank transfers.

All charitable activity is now online. Individuals in need apply online. Zakat grant recipients are financially supported through online bank transfers or digital vouchers. Since COVID-19, all educational events (webinars, etc.) are held online.

All donor and applicant records are stored online. All Board papers are provided to Trustees online and stored online.

Due to COVID-19, since March 2020, all meetings are being held online. All staff are now working fully remotely. Our systems were already set up to enable this change to happen quickly and for employees to continue to work effectively.

### NZF Worldwide

NZF Worldwide grants NZF UK an exclusive licence to use the intellectual property rights associated with the National Zakat Foundation brand in the UK.

NZF Worldwide is committed to:

- represent National Zakat Foundation brand at international forums surrounding Islamic finance/wealth management and philanthropy;
- seek opportunities to showcase the NZF UK case study in global Zakat forums;
- facilitate cooperation between NZF entities across the globe to improve the efficiency and effectiveness of asset creation.

In 2020, NZF Worldwide presented the NZF model at the World Zakat Forum 2020, and also presented NZF UK as a case study in the International Conference of Zakat held from Indonesia.

NZF Worldwide showcased the NZF UK model at the United Economic Forum World Summit, which 7,000 international delegates attended.

Further, NZF UK was presented in the AMP National Convention in India.

In addition, NZF Worldwide organised monthly forums for NZF UK with other NZF member countries to learn best practices.

NZF Worldwide secured Shariah certification from Markaz al-Iftā' wa'l-Qadā as part of which it facilitated a Zakat audit undertaken by Markaz al-Iftā' wa'l-Qadā.

NZF UK also benefits from services provided by NZF Worldwide, in line with a Service Level Agreement.

In 2020, NZF Worldwide researched calculation matters and managed the Zakat calculation queries throughout the year, and specifically in the Ramadan period. It developed Zakat Standards to guide the operations of NZF UK and supported staff with operational queries. In addition, NZF Worldwide conducted a Zakat review of operations and produced an independent report with recommendations to improve. In line with the NZF WW Audit Framework, the auditor was of the view that "the Foundation has a robust framework and policies in place... The auditor commends the overall progress, the work and determination that the Foundation espouses in its operations." The auditor made recommendations to strengthen grant distribution controls further.

## How we manage our finances

### Reserves policy

The Reserves policy is regularly reviewed, at both the Finance and Audit Committee and the Board.

The Trustees have reviewed the reserves of the charity with independent expert input.

Each year, substantial non-Zakat funds are raised to improve the financial health of the organisation and ensure that sufficient funds are generated beyond the initial reserves level. The charity's total funds at the year-end amounted to £2,888,523 of which £1,942,189 were unrestricted general funds and £946,055 were restricted funds for distribution to Zakat-eligible individuals, i.e. not available for general purposes.

The Trustees consider that unrestricted general reserves are at a level that cover and exceed three months of core costs (operations salaries, office charges and cost of raising funds, less the costs of depreciation/amortisation) and that these are sufficient for this purpose at the current time and in line with Reserves policy. There are no material amounts designated or otherwise for the reporting period.

Our 'Zakat Is Running Out' campaign in late 2020 highlighted the insufficiency of Zakat funds to meet the anticipated high level of need from applicants. Owing to the success of the campaign, our Zakat grant cash reserves at the end of December 2020 remained high enough to enable sufficient distribution of Zakat to people in need until Ramadan 2021, when many givers gave additional Zakat.

### Investment policy and performance

National Zakat Foundation holds all short-term investments as non-interest-bearing cash. The objective of our Investment policy is to limit risk as far as is possible while earning such profit as is available on very secure deposits. Accordingly, our Investment policy is to invest in short-term deposits and to hold cash only at those banks with a high credit rating.

Investment income in 2020 was £9,200 (2019: £11,792).

### Going concern

The Trustees have considered the funding position and risks to which the organisation is exposed. The Trustees have a reasonable expectation that the charity has adequate resources to continue in existence for the foreseeable future. The Trustees believe that there are no material uncertainties which call into doubt the charity's ability to continue as a going concern. COVID-19 has not impacted our ability to continue as a going concern. The financial statements have therefore been prepared on the basis that the charity is a going concern.



## Our leadership team

### TRUSTEES

Sultan Choudhury OBE  
Sabah Gilani OBE  
Azim Kidwai (Chair)  
Tariq Surty (resigned 24 November 2020)  
Muhammed Yesilhark

### CHIEF EXECUTIVE

Iqbal Nasim MBE

### AUDITOR

Sayer Vincent  
Invicta House  
108-114 Golden Lane  
London  
EC1Y 0TL

### BANKERS

Al Rayan Bank  
394 Coventry Road  
Small Heath  
Birmingham  
B10 0UF

Lloyds Bank  
PO Box 1000  
BX1 1LT

### SOLICITORS

Bates Wells  
10 Queen Street Place  
London  
EC4R 1BE

### CHARITY NUMBER

1153719

### COMPANY REGISTRATION NUMBER

08536743

### REGISTERED OFFICE

Kemp House  
152-160 City Road  
London  
EC1V 2NX



## Statement of Trustees' responsibilities

---

The Trustees (who are also directors of National Zakat Foundation (NZF) for the purpose of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Trustees to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period.

In preparing 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 UK 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 charitable company will continue in operation.

The financial statements have been prepared under the historical cost convention in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102), the Companies Act 2006 and the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) – effective 1 January 2016.

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

In so far as the Trustees are aware:

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

In preparing this report, the Trustees have taken advantage of the small companies exemptions provided by Section 415A of the Companies Act 2006.

On behalf of the Board

**Sultan Choudhury OBE**  
Trustee

29 June 2021



# Section 3

## Financial statements



# Independent auditor's report to the members of National Zakat Foundation (NZF)

---

## Opinion

We have audited the financial statements of National Zakat Foundation (NZF) (the 'charitable company') for the year ended 31 December 2020 which comprise the statement of financial activities, balance sheet, statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2020 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## 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's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company 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.

## 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 National Zakat Foundation's ability to continue as a going concern for a period of at least twelve months from when the financial statements are 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 other information comprises the information included in the Trustees' annual report other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the Trustees' annual report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' annual report has been prepared in accordance with applicable legal requirements.



### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' annual report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 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; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Trustees' annual report and from the requirement to prepare a strategic report.

### Responsibilities of Trustees

As explained more fully in the statement of Trustees' responsibilities set out in the Trustees' annual report, the Trustees (who are also the Directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 charitable company'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 charitable company or to cease operations, or have no realistic alternative but to do so.

### Auditor's 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud are set out below.

### Capability of the audit in detecting irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- we enquired of management, which included obtaining and reviewing supporting documentation, concerning the charity's policies and procedures relating to:
- identifying, evaluating, and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected, or alleged fraud;
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- we inspected the minutes of meetings of those charged with governance.

# Independent auditor's report to the members of National Zakat Foundation (NZF)

## continued

---

- we obtained an understanding of the legal and regulatory framework that the charity operates in, focusing on those laws and regulations that had a material effect on the financial statements or that had a fundamental effect on the operations of the charity from our professional and sector experience.
- we communicated applicable laws and regulations throughout the audit team and remained alert to any indications of non-compliance throughout the audit.
- we reviewed any reports made to regulators.
- we reviewed the financial statement disclosures and tested these to supporting documentation to assess compliance with applicable laws and regulations.
- we performed analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.
- in addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments, assessed whether the judgements made in making accounting estimates are indicative of a potential bias and tested significant transactions that are unusual or those outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

### Use of our report

This report is made solely to the charitable company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Jonathan Orchard**  
(Senior statutory auditor)

29 June 2021

For and on behalf of Sayer Vincent LLP, Statutory auditor  
Invicta House, 108-114 Golden Lane, LONDON, EC1Y 0TL

# Statement of financial activities

	Note	Unrestricted funds £	Restricted funds £	Total funds 2020 £	Unrestricted funds £	Restricted funds £	Total funds 2019 £
<b>INCOMING RESOURCES</b>							
<b>Incoming resources from generated funds:</b>							
Donations	2	2,207,925	–	<b>2,207,925</b>	3,223,771	–	3,223,771
<b>Charitable activities</b>							
Hardship Relief	2	–	2,934,877	<b>2,934,877</b>	–	–	–
Housing & Work	2	–	858,134	<b>858,134</b>	–	–	–
Education	2	–	336,246	<b>336,246</b>	–	–	–
Economic Empowerment	2	–	–	–	–	567,352	567,352
Grenfell Muslim Response Unit	2	–	–	–	–	7,250	7,250
Investment income	3	9,200	–	<b>9,200</b>	11,792	–	11,792
<b>TOTAL INCOMING RESOURCES</b>		<b>2,217,125</b>	<b>4,129,257</b>	<b>6,346,382</b>	<b>3,235,563</b>	<b>574,602</b>	<b>3,810,165</b>
<b>RESOURCES EXPENDED</b>							
<b>Raising funds</b>	4	321,760	–	<b>321,760</b>	234,282	–	234,282
<b>Charitable activities</b>							
Hardship Relief	4	612,818	2,891,818	<b>3,504,636</b>	–	–	–
Housing & Work	4	165,524	671,570	<b>837,094</b>	–	–	–
Education	4	81,567	177,280	<b>258,847</b>	–	–	–
Economic Empowerment	4	–	–	–	3,045,502	173,482	3,218,984
Grenfell Muslim Response Unit	4	–	–	–	–	11,843	11,843
Leadership Investment	4	–	59,434	<b>59,434</b>	509,813	–	509,813
Zakat Education and Calculation	4	237,571	–	<b>237,571</b>	293,532	–	293,532
<b>TOTAL RESOURCES EXPENDED</b>		<b>1,419,240</b>	<b>3,800,102</b>	<b>5,219,342</b>	<b>4,083,129</b>	<b>185,325</b>	<b>4,268,454</b>
<b>Net income/(expenditure)</b>		797,885	329,155	<b>1,127,040</b>	(847,566)	389,277	(458,289)
Transfer between funds	14	(632,808)	632,808	–	538	(538)	–
<b>Other recognised</b>							
Net gains (losses) on disposal of tangible fixed assets	10	(40,415)	–	<b>(40,415)</b>	–	–	–
<b>Net movement in funds</b>		124,662	961,963	<b>1,086,625</b>	(847,028)	388,739	(458,289)
<b>Reconciliation of funds:</b>							
Total funds brought forward	13	1,407,758	393,870	<b>1,801,628</b>	2,254,786	5,131	2,259,917
<b>Total funds carried forward</b>		<b>1,532,420</b>	<b>1,355,833</b>	<b>2,888,253</b>	<b>1,407,758</b>	<b>393,870</b>	<b>1,801,628</b>

# Balance sheet

	Note	2020 £	2019 £
<b>FIXED ASSETS</b>			
Tangible assets	10	1,816	64,166
Intangible assets	10	127,213	58,104
		<b>129,029</b>	<b>122,270</b>
<b>CURRENT ASSETS</b>			
Debtors	11	88,514	76,348
Cash at bank and in hand		2,695,306	412,890
Deposit accounts		6,536	1,217,336
		<b>2,790,356</b>	<b>1,706,574</b>
<b>LIABILITIES</b>			
Creditors: amounts falling due within one year	12	(31,132)	(27,216)
<b>TOTAL NET CURRENT ASSETS OR LIABILITIES</b>		<b>2,759,224</b>	<b>1,679,358</b>
<b>TOTAL NET ASSETS OR LIABILITIES</b>		<b>2,888,253</b>	<b>1,801,628</b>
<b>THE FUNDS OF THE CHARITY</b>			
<b>Unrestricted funds</b>			
Designated funds	13	-	779,475
General funds	13	1,532,420	628,283
<b>Restricted funds</b>			
Restricted Zakat funds, restricted Sadaqah and grants	13	1,355,833	393,870
<b>TOTAL FUNDS</b>		<b>2,888,253</b>	<b>1,801,628</b>

The financial statements are prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and in accordance with the Financial Reporting Standard (FRS102) (effective 1 January 2016).

Approved by the Board on 29 June 2021 and signed on its behalf by:

**Sultan Choudhury OBE**  
Trustee

# Statement of cash flows

	2020 £	2019 £
<b>Cash flows from operating activities:</b>		
<b>Net cash provided by (used in) operating activities</b>	<b>1,180,449</b>	<b>(499,726)</b>
<b>Cash flows from investing activities:</b>		
Dividends, profit and rents from investments	9,200	11,792
Proceeds from the sale of property, plant and equipment	2,755	–
Purchase of property, plant and equipment	(120,788)	(65,195)
Proceeds from sale of investments	–	–
Deposit account greater than 3 months	1,210,800	(111,792)
<b>Net cash provided by (used in) investing activities</b>	<b>1,101,967</b>	<b>(165,195)</b>
<b>Cash flows from financing activities:</b>		
Repayments of borrowing	–	–
Cash inflows from new borrowing	–	–
Receipt of endowment	–	–
<b>Net cash provided by (used in) financing activities</b>	<b>–</b>	<b>–</b>
<b>Change in cash and cash equivalents in the reporting period</b>	<b>2,282,416</b>	<b>(664,921)</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>412,890</b>	<b>1,077,811</b>
<b>Change in cash and cash equivalents due to exchange rate movements</b>	<b>–</b>	<b>–</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>2,695,306</b>	<b>412,890</b>
<b>A. Reconciliation of net income/(expenditure) to net cash flow from operating activities</b>		
<b>Net income/(expenditure) for the reporting period (as per the statement of financial activities)</b>	<b>1,086,625</b>	<b>(458,289)</b>
<b>Adjustments for:</b>		
Depreciation charges	69,859	41,305
(Gains)/losses on investments	–	–
Dividends, interest and rents from investments	(9,200)	(11,792)
Loss/(profit) on the sale of fixed assets	41,415	–
(Increase)/decrease in stocks	–	–
(Increase)/decrease in debtors	(12,166)	(25,044)
Increase/(decrease) in creditors	3,916	(45,906)
<b>Net cash provided by (used in) operating activities</b>	<b>1,180,449</b>	<b>(499,726)</b>
<b>B. Analysis of cash and cash equivalents</b>		
Cash at bank and in hand	2,695,306	412,890
<b>Total cash and cash equivalents</b>	<b>2,695,306</b>	<b>412,890</b>



# Notes to the financial statements

## 1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. The accounting policies have been applied consistently throughout the period.

### 1.1 Legal status

National Zakat Foundation (NZF) is a company limited by guarantee, company number 08536743 registered in England & Wales, and accordingly does not have a share capital. Every member of the company undertakes to contribute such amount as may be required not exceeding £10 to the assets of the charitable company in the event of its being wound up while he or she is a member, or within one year after he or she ceases to be a member.

NZF's Charity Commission registration number is 1153719 and its registered address is Kemp House, 152-160 City Road, London, EC1V 2NX.

### 1.2 Basis of preparation

The financial statements are prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with Charities SORP (FRS102, effective 1 January 2016), the Financial Reporting Standard applicable in the UK and the Republic of Ireland.

The National Zakat Foundation meets the definition of a public benefit entity under FRS102.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

#### Preparation of the accounts on a going concern basis

After making enquiries, the Trustees have a reasonable expectation that the charity has adequate resources to continue its activities for the foreseeable future. The Trustees are not aware of any material uncertainties about the charity's ability to continue and accordingly, they continue to adopt the going concern basis in preparing the financial statements as outlined in the statement of Trustees' responsibilities on page 34.

### 1.3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the charity's accounting policies, which are described in this note, Trustees are required to make judgements, estimates and assumptions about the carrying values 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.

In the view of the Trustees, no assumptions concerning the future or estimation uncertainty affecting assets and liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year.

In the view of the Trustees, the only significant estimations are those linked to the allocation of support costs across our charitable and non-charitable activities. Allocations of this nature inherently require estimation of time spent on certain activities and other resources use judgements.

### 1.4. Volunteers

Volunteers support the work of National Zakat Foundation in three ways:

#### Contributing professional services

Professionals contribute their services at a reduced or pro bono rate. This includes financial skills, human resources support and legal advice.

### **Grant Officer support**

Volunteer Grant Officers, both short-term and long-term, have worked with the Zakat distribution team to provide assistance in the processing of Zakat applications and queries. Volunteer Grant Officers have direct interaction with Zakat applicants. The role is one that provides invaluable experience of being on the front line. Volunteers are supported and trained in their roles by employees and given assistance where required.

### **Raising awareness**

Volunteers across the UK help spread the message both online and offline about National Zakat Foundation so more people know what the organisation does and why it exists. This may involve sharing social media posts, distributing flyers at events or facilitating Zakat workshops/seminars.

Due to the difficulty in valuing the total contribution of volunteer time and skills, the value of services provided by volunteers has not been included in the financial statements.

## **1.5. Income**

All incoming resources are included in the statement of financial activities when the charity is entitled to the income and the amount can be quantified with reasonable accuracy. The following specific policies are applied to particular categories of income:

Voluntary income is received by way of grants, donations and gifts and is included in full in the statement of financial activities when receivable. Grants where entitlement is not conditional on the delivery of a specific performance by the charity are recognised when the charity becomes unconditionally entitled to the grant.

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

## **1.6. Expenditure**

Expenditure is recognised on an accrual basis as a liability is incurred. Expenditure includes any VAT incurred and is reported as part of the expenditure to which it relates.

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its grant recipients and other beneficiaries. It comprises costs that can be allocated directly to such activities. Costs of raising funds comprise the costs associated with attracting voluntary income.

## **1.7. Support costs and governance costs**

Support costs are those costs incurred directly in support of expenditure on the objects of the charity. Governance costs are a component of support costs, and include audit fees, professional fees, licence fees and compliance costs, and related staff costs. Support costs are allocated on the basis of the amount of direct time attributable to each area.

## **1.8 Redundancy accounting policy**

Redundancy costs arising from periodic reviews of staff levels are charged as an expense when the liability is incurred.

## **1.9 Fund accounting**

Unrestricted funds are available to spend on activities that further any of the purposes of the charity. Where unrestricted funds have been designated, the likely timing of the expenditure is before the start of the following Ramadan.

Restricted funds are donations which the donor has specified are to be solely used for particular areas of the charity's work or for specific projects being undertaken by the charity.

## **1.10 Financial instruments**

The charity has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value (including transaction costs) and are subsequently re-measured where applicable at amortised cost.

# Notes to the financial statements

## continued

### 1.11 Cash at bank and in hand and on deposit

Cash at bank and cash 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. Cash held on deposit includes short-term investments with a maturity of four months; these represent a portion of Zakat funds which are released over the course of the Zakat distribution cycle to ensure that distribution of Zakat occurs throughout the year.

### 1.12 Tangible and intangible fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation/amortisation. Depreciation/amortisation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Leasehold improvements	–	Straight line over 5 years
Fixtures, fittings and equipment	–	Straight line over 3 years
Intangible assets	–	Straight line over 3 years

All items of expenditure greater than £750 are capitalised if they meet the definition of a fixed asset as stated within FRS102.

### 1.13 Operating leases

The charity classifies the lease of office equipment and office space as operating leases. Rental charges are charged on a straight-line basis over the term of the lease.

## 2. VOLUNTARY INCOME

	Unrestricted funds £	Restricted funds £	Total funds 2020 £	Unrestricted funds £	Restricted funds £	Total funds 2019 £
Zakat	406,145	4,065,826	<b>4,471,971</b>	2,231,076	532,801	2,763,877
Zakat-ul-Fitr	–	33,646	<b>33,646</b>	–	10,682	10,682
Fidyah and Kaffarah	–	29,785	<b>29,785</b>	–	23,869	23,869
Sadaqah	853,136	–	<b>853,136</b>	442,999	3,500	446,499
Riba	130,214	–	<b>130,214</b>	74,254	–	74,254
Income for NZF services	1,100	–	<b>1,100</b>	15,591	–	15,591
Gift Aid	737,330	–	<b>737,330</b>	459,851	–	459,851
Grant income	80,000	–	<b>80,000</b>	–	3,750	3,750
	<b>2,207,925</b>	<b>4,129,257</b>	<b>6,337,182</b>	<b>3,223,771</b>	<b>574,602</b>	<b>3,798,373</b>

#### Zakat:

From May 2019, we gave givers the choice to restrict their Zakat to be given to individuals in need only. We then held an internal review to see how NZF could increase givers' trust in the charity.

From February 2020, we gave givers full choice about the nature of the impact of their Zakat: givers were offered a choice of three restricted funds to support (Hardship Relief, Housing & Work, and Education).

From February 2020, Zakat givers were also offered choice about how to contribute unrestricted funds to cover the direct costs of getting their Zakat to the recipient effectively, efficiently and compassionately. Each Zakat giver contributed 10% of their Zakat or gave an additional 10% as a voluntary contribution. We committed to reducing this percentage from 12.5% in 2019 to 10% in 2020. Across all Zakat givers, the percentage of Zakat used to cover that expense was 9.2% (2019: 12.5%).

In 2020, Islamic Relief contributed £350,000 Zakat to National Zakat Foundation.

Zakat-ul-Fitr: The use of funds is restricted to providing cash grants for food for the poor and needy.

Fidyah and Kaffarah: The use of funds is restricted to providing cash grants for the poor and needy.

Restricted grant income and restricted Sadaqah: the use of funds was for charitable activity by the Grenfell Muslim Response Unit.

### 3. INVESTMENT INCOME

	Total funds 2020 £	Total funds 2019 £
Income on deposits	9,200	11,792
	<b>9,200</b>	<b>11,792</b>

### 4. ANALYSIS OF EXPENDITURE

#### Expenditure by activity

	Hardship Relief £	Housing & Work £	Education £	Leadership Investment £	Zakat Education and Calculation £	Total direct cost of charitable activity £	Cost of raising funds £	Total 2020 £	Total 2019 £
Zakat and Zakat-ul-Fitr grants	2,891,819	671,570	177,280	59,434	-	3,800,103	-	<b>3,800,103</b>	2,979,062
Direct employees costs	256,908	71,058	32,813	-	44,343	405,122	67,676	<b>472,798</b>	380,989
Direct costs	227,439	64,631	38,238	-	172,888	503,196	239,846	<b>743,042</b>	696,416
Support and governance costs	128,470	29,835	10,516	-	20,340	189,161	14,238	<b>203,399</b>	211,987
	<b>3,504,636</b>	<b>837,094</b>	<b>258,847</b>	<b>59,434</b>	<b>237,571</b>	<b>4,897,582</b>	<b>321,760</b>	<b>5,219,342</b>	<b>4,268,454</b>

#### Prior Year

	Economic Empowerment £	Grenfell Muslim Response Unit £	Leadership Investment £	Zakat Education and Calculation £	Total direct cost of charitable activity £	Cost of raising funds £	Total 2019 £	Total 2018 £
Zakat and Zakat-ul-Fitr grants	2,573,797	-	405,265	-	2,979,062	-	<b>2,979,062</b>	3,245,335
Direct staff cost (salaries, NI, pension)	287,818	-	20,963	52,088	360,869	20,120	<b>380,989</b>	619,455
Direct costs	205,104	11,843	57,895	222,229	497,071	199,345	<b>696,416</b>	431,351
Support and governance costs	152,264	-	25,690	19,215	197,169	14,818	<b>211,987</b>	239,154
	<b>3,218,983</b>	<b>11,843</b>	<b>509,813</b>	<b>293,532</b>	<b>4,034,171</b>	<b>234,283</b>	<b>4,268,454</b>	<b>4,535,295</b>

# Notes to the financial statements

## continued

### Expenditure by income type

	Hardship Relief £	Housing & Work £	Education £	Leadership Investment £	Zakat Education and Calculation £	Total direct cost of charitable activity £	Cost of raising funds £	Total 2020 £	Total 2019 £
Zakat and Fidyah/ Kaffarah	2,858,172	671,570	177,280	59,434	–	3,766,456	–	<b>3,766,456</b>	2,979,062
Zakat-ul-Fitr	33,646	–	–	–	–	33,646	–	<b>33,646</b>	10,682
Zakat – for direct costs	288,561	67,801	23,898	–	–	380,260	–	<b>380,260</b>	425,984
Sadaqah, Riba, Gift Aid and other income	324,527	97,723	57,669	–	237,571	717,220	321,760	<b>1,038,980</b>	852,726
	<b>3,504,636</b>	<b>837,094</b>	<b>258,847</b>	<b>59,434</b>	<b>237,571</b>	<b>4,897,582</b>	<b>321,760</b>	<b>5,219,342</b>	<b>4,268,454</b>

### Prior Year

	Economic Empowerment £	Grenfell Muslim Response Unit £	Leadership Investment £	Zakat Education and Calculation £	Total direct cost of charitable activity £	Cost of raising funds £	Total 2019 £	Total 2018 £
Zakat and Fidyah/ Kaffarah	2,573,797	–	405,265	–	2,979,062	–	<b>2,979,062</b>	2,788,852
Zakat-ul-Fitr	10,682	–	–	–	10,682	–	<b>10,682</b>	14,815
Zakat – for direct costs	379,274	–	46,710	–	425,984	–	<b>425,984</b>	394,373
Sadaqah, Riba, Gift Aid and other income	255,230	11,843	57,838	293,532	618,443	234,283	<b>852,726</b>	1,337,254
	<b>3,218,983</b>	<b>11,843</b>	<b>509,813</b>	<b>293,532</b>	<b>4,034,171</b>	<b>234,283</b>	<b>4,268,454</b>	<b>4,535,295</b>



**5. ANALYSIS OF SUPPORT COSTS AND GOVERNANCE COSTS**

	2020 £	2019 £
<b>Support costs</b>		
Office administration	53,617	70,931
Office Services excl depreciation	23,148	39,037
Depreciation	69,859	41,305
Office services:	93,007	80,342
Governance (incl external audit)	56,776	60,714
	<b>203,400</b>	<b>211,987</b>
<b>Governance costs:</b>		
Audit fees	10,530	10,920
Auditor fees for non-audit services	–	–
Other professional fees	4,330	9,163
Licence fee and compliance costs	27,547	28,317
Staff costs	14,369	12,314
	<b>56,776</b>	<b>60,714</b>

During 2020, other professional fees consisted of legal fees and external accountancy services.

**6. ZAKAT GRANTS PAID TO ORGANISATIONS**

Programme	Organisation	Project	2020 £	2019 £
Leadership Investment	Muslim Council of Britain	Centre for Media Monitoring	59,434	49,943
Leadership Investment	Cambridge Muslim College	BA Programme		125,000
Leadership Investment	Turath	Turath Scholarship Fund		30,000
Leadership Investment	FOSIS	Governance support		9,500
			<b>59,434</b>	<b>214,443</b>

**7. NET INCOMING RESOURCES**

	2020 £	2019 £
<b>Net incoming resources for the period is stated after charging:</b>		
Gains on disposal of fixed assets	(932)	
Losses on disposal of fixed assets	41,347	
Depreciation and other amounts written off fixed assets	69,859	41,305
Total depreciation and other amounts written off fixed assets	110,274	41,305
Operating lease charges	36,074	66,900
<b>Auditor's remuneration (Including VAT):</b>		
Audit fees	10,530	10,920
Non-audit fees	–	–

# Notes to the financial statements

## continued

### 8. ANALYSIS OF EMPLOYMENT COSTS, TRUSTEE REMUNERATION AND EXPENSES AND THE COST OF KEY MANAGEMENT PERSONNEL

	2020 £	2019 £
<b>Employment costs:</b>		
Wages and salaries	516,822	457,747
Social security costs (employers NI)	45,304	40,890
Employer pension contribution	11,272	8,485
	<b>573,398</b>	<b>507,122</b>

No employee (2019: no employee) had employee benefits in excess of £60,000.

Employment costs exclude amounts paid to external consultants in 2020 of £121,308 (2019: £127,269).

This amount comprises three consultants filling the roles of Marketing Director, Director of Fundraising and Head of Technology.

The charity Trustees were not paid and did not receive any other benefits from employment with the charity in the year (2019: £nil). In 2020, no Trustee was reimbursed for travel expenses (2019: £nil). No charity Trustee received payment for professional services or other services supplied to the charity (2019: £nil).

The key management personnel of the charity comprised the CEO, Director of Services, Director of Marketing (consultant for majority of the year) and Director of Operations. Their employee benefits total £170,252 (2019: £162,533) including Employers NI. The employees' component of this cost is included within employment costs above; the consultant component is included within the consultants' payments above.

#### Employee numbers:

The average number of persons employed by National Zakat Foundation whether on a full-time or part-time basis during the period was as follows:

	2020 FTE	2019 FTE
All team	16.5	14.7

#### Average employee numbers by team

	2020 No.	2019 No.	2020 FTE	2019 FTE
Services	13	11	11.0	9.3
Marketing	3	2	3.0	2.0
Operations	3	3	2.5	3.4
	<b>19</b>	<b>16</b>	<b>16.5</b>	<b>14.7</b>

## 9. TAXATION

National Zakat Foundation is a registered charity and, as such, is exempt from taxation on its income to the extent it is applied to its charitable purposes.

## 10. INTANGIBLE AND TANGIBLE FIXED ASSETS

	INTANGIBLE £	TANGIBLE Buildings £	TANGIBLE Fixtures, fittings and equipment £	Total £
<b>Cost</b>				
At 1 January 2020	75,030	155,171	29,743	259,944
Additions in year	119,799	–	989	120,788
Disposals in year	–	(155,171)	(14,115)	(169,286)
<b>At 31 December 2020</b>	<b>194,829</b>	<b>–</b>	<b>16,617</b>	<b>211,446</b>
<b>Depreciation</b>				
At 1 January 2020	16,926	94,871	25,877	137,674
Charge for the year	50,690	17,646	1,523	69,859
Eliminated on disposal	–	(112,517)	(12,599)	(125,116)
<b>At 31 December 2020</b>	<b>67,616</b>	<b>–</b>	<b>14,801</b>	<b>82,417</b>
<b>Net book value at 31 December 2020</b>	<b>127,213</b>	<b>–</b>	<b>1,816</b>	<b>129,029</b>
At 31 December 2019	58,104	60,299	3,866	122,269

The intangible additions are capital expenditure which has improved the experience for Zakat givers, and enabled givers to have more choice over their donation.

The disposals relate to the charity leaving the office premises and moving to a remote working model.

## 11. DEBTORS

	2020 £	2019 £
Trade debtors	–	–
Accrued income	12,997	10,093
Prepayments	1,350	35,557
Other debtors	74,167	30,698
	<b>88,514</b>	<b>76,348</b>

# Notes to the financial statements

## continued

### 12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £	2019 £
Trade creditors	16,410	10,617
Taxation and social security	–	–
Accruals and deferred income	10,650	16,599
Other creditors	4,072	–
	<b>31,132</b>	<b>27,216</b>

Some Zakat grants are approved in principle for periods which extend past the year end date. Subsequent period Zakat grants represent planned future commitments but are not recognised as a liability when they are approved, as payment is conditional upon satisfactory progress.

As at 31 December 2020, planned future commitments under formal multi-year funding cycle approvals amounted to £nil (2019: £59,434).

### 13. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds £	Restricted funds £	Total funds 2020 £	Total funds 2019 £
Fund balances at 31 December 2020 as represented by:				
Tangible and intangible fixed assets	129,029	–	<b>129,029</b>	122,269
Net current assets	1,403,391	1,355,833	<b>2,759,223</b>	1,679,359
	<b>1,532,420</b>	<b>1,355,833</b>	<b>2,888,253</b>	<b>1,801,628</b>

#### Prior Year

	Unrestricted funds £	Restricted funds £	Total funds 2018 £	Total funds 2017 £
Fund balances at 31 December 2019 as represented by:				
Tangible and intangible fixed assets	122,269	–	<b>122,269</b>	98,379
Net current assets	1,285,490	393,870	<b>1,679,359</b>	2,161,539
	<b>1,407,758</b>	<b>393,870</b>	<b>1,801,628</b>	<b>2,259,917</b>

## 14. ANALYSIS OF FUNDS

	1 January 2020 £	Incoming resources £	Outgoing resources £	Transfers £	31 December 2020 £
Unrestricted designated	779,475			(779,475)	–
General funds	628,283	2,218,057	(1,460,587)	146,667	1,532,420
<b>Total unrestricted funds</b>	<b>1,407,758</b>	<b>2,218,057</b>	<b>(1,460,587)</b>	<b>(632,808)</b>	<b>1,532,420</b>
Zakat funds	393,870	4,065,826	(3,736,671)	632,808	1,355,833
Zakat-ul-Fitr	–	33,646	(33,646)		–
Fidyah and Kaffarah	–	29,785	(29,785)		–
<b>Total restricted funds</b>	<b>393,870</b>	<b>4,129,257</b>	<b>(3,800,102)</b>	<b>632,808</b>	<b>1,355,833</b>
	<b>1,801,628</b>	<b>6,347,314</b>	<b>(5,260,689)</b>	<b>–</b>	<b>2,888,253</b>

	1 January 2019 £	Income £	Expenditure £	Transfers £	31 December 2019 £
Zakat (designated)	1,790,645	2,231,076	(3,242,246)	–	779,476
General non-Zakat and grants	464,141	1,004,487	(840,883)	538	628,283
<b>Total unrestricted funds</b>	<b>2,254,786</b>	<b>3,235,563</b>	<b>(4,083,129)</b>	<b>538</b>	<b>1,407,758</b>
Zakat	–	532,801	(138,931)	–	–
Zakat-ul-Fitr	–	10,682	(10,682)	–	–
Fidyah and Kaffarah	–	23,869	(23,869)	–	–
Restricted Sadaqah and grants	5,131	7,250	(11,843)	(538)	–
<b>Total restricted funds</b>	<b>5,131</b>	<b>574,602</b>	<b>(185,325)</b>	<b>–</b>	<b>393,870</b>
	<b>2,259,917</b>	<b>3,810,165</b>	<b>(4,268,454)</b>	<b>–</b>	<b>1,801,628</b>

## 15. OPERATING LEASE COMMITMENTS

The charity's total future minimum lease payments under non-cancellable operating leases are as follows for each of the following periods:

	Property		Office equipment		Total	
	2020 £	2019 £	2020 £	2019 £	2020 £	2019 £
Due within one year	–	66,000	–	900	–	66,900
Due between two to five years	–	66,000	–	–	–	66,000
Due in over five years	–	–	–	–	–	–
	<b>–</b>	<b>132,000</b>	<b>–</b>	<b>900</b>	<b>–</b>	<b>132,900</b>

# Notes to the financial statements

## continued

### 16. RELATED PARTIES

Azim Kidwai is a Trustee of NZF and a Director of NZF Worldwide.

In 2020, NZF paid £24,000 (2019: £24,000) to NZF Worldwide in licence fees as part of a brand licensing agreement. NZF paid £24,000 (2019: £24,000) to NZF Worldwide as part of a Service Level Agreement.

In return, in 2020, NZF Worldwide presented the NZF model at the World Zakat Forum 2020, and also presented NZF UK as a case study in the International Conference of Zakat held from Indonesia. NZF Worldwide showcased the NZF UK model at the United Economic Forum World Summit, which 7,000 international delegates attended. Further, NZF UK was presented in the AMP National Convention in India. In addition, NZF Worldwide organised monthly forums for NZF UK with other NZF member countries to learn best practices. NZF Worldwide secured Shariah certification from Markaz al-Iftā' wa'l-Qadā as part of which it facilitated a Zakat audit undertaken by Markaz al-Iftā' wa'l-Qadā.

In line with the Service Level agreement, NZF Worldwide researched calculation matters and managed the Zakat calculation queries throughout the year, and specifically in the Ramadan period. It developed Zakat Standards to guide the operations of NZF UK and supported staff with operational queries. In addition, NZF Worldwide conducted a Zakat review of operations and produced an independent report. In line with the NZF WW Audit Framework, the Zakat auditor was of the view that "the Foundation has a robust framework and policies in place... The Zakat auditor commends the overall progress, the work and determination that the Foundation espouses in its operations." The Zakat auditor made recommendations to strengthen grant distribution controls further.

Sabah Gilani OBE is a Trustee of NZF and CEO of Better Community Business Network (BCBN). NZF pre-paid £15,000 in 2019 to be the headline charity partner at the BCBN gala event in 2020; this has been postponed due to COVID-19.

Muhammed Yesilhark is a Trustee of NZF and is an advisor to Shamaazi Ltd. In 2020, NZF paid £60,000 to Shamaazi for featuring NZF within the 'MyTenNights' giving app.

In 2020, total Trustee donations amounted to £2,936.83 (2019: £3,476).

### 17. POST BALANCE SHEET EVENT

NZF entered into a loan agreement after the year-end. The charity has agreed to borrow £200,000 repayable after 12 months to invest in its marketing activities. The funds borrowed under the Facility will be used towards ensuring, so far as we are able, that sufficient funds are given to maintain our services to meet increased demand resulting from COVID-19. The loan is unsecured. The loan is repayable within 12 months. The loan is Shariah compliant.





Helping you bring Zakat to life where you live

**Working towards a thriving, closer Muslim community**



**National Zakat**  
Foundation

National Zakat Foundation is a registered charity  
in England and Wales (1153719)