

Charity number: 1153719
Company number: 08536743

NATIONAL ZAKAT FOUNDATION (NZF)
(A company limited by guarantee)
TRUSTEES' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

NATIONAL ZAKAT FOUNDATION (NZF)
FOR THE YEAR ENDED 31 DECEMBER 2016

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NATIONAL ZAKAT FOUNDATION (NZF)
LEGAL AND ADMINISTRATIVE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016

CHARITY NUMBER 1153719

COMPANY REGISTRATION NUMBER 08536743

REGISTERED OFFICE 41 Fieldgate Street
London
E1 1JU

TRUSTEES Sultan Choudhury
Azim Kidwai (Chair)
Ibrar Majid
Tariq Surty
Muhammed Yesilhark (appointed 25 January 2017)

CHIEF EXECUTIVE Iqbal Nasim

AUDITOR Crowe Clark Whitehill LLP
St Bride's House
10 Salisbury Square
EC4Y 8EH

BANKERS Al Rayan Bank
394 Coventry Road
Small Heath
Birmingham
B16 8HN

NATIONAL ZAKAT FOUNDATION (NZF)

REPORT OF THE TRUSTEES (INCORPORATING THE DIRECTORS' REPORT)

FOR THE YEAR ENDED 31 DECEMBER 2016

The trustees present their report and the financial statements for the period ended 31 December 2016. The trustees, who are also directors of National Zakat Foundation (NZF) for the purposes of company law and who served during the period and up to the date of this report are set out on page 1.

Structure, governance and management

Structure

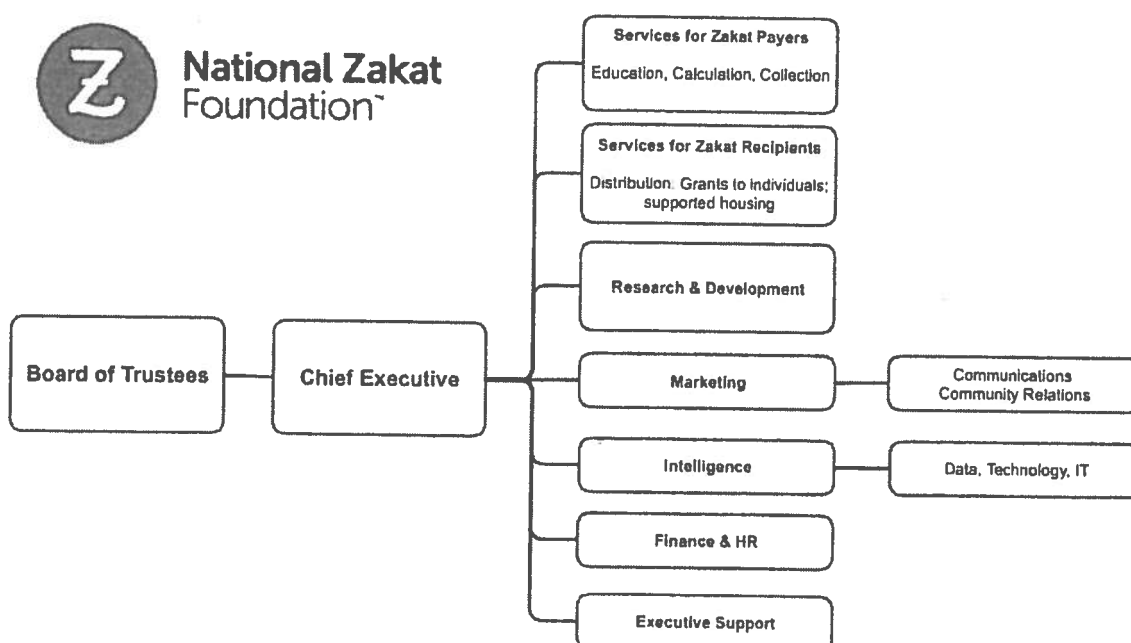
National Zakat Foundation (NZF) is a company limited by guarantee and a registered charity governed by its Memorandum and Articles of Association. NZF was launched by Mercy Mission UK in 2011 and continued to be a project of the charity until a decision by Mercy Mission UK to spin NZF off into a separate entity. This process was completed in 2013 and therefore NZF's 2016 financial statements represent the organisation's third full-year accounts as an independent entity.

Governance and management

NZF is governed by its Board of Trustees which is made up of five members.

Day to day running of the charity lies in the hands of full time staff that make decisions regarding operational matters. Staff work according to objectives set and agreed at least quarterly in advance with the Chief Executive or with their relevant Team Leader to ensure that the strategic objectives of the charity are being met. Trustees are responsible for decision making on strategic direction and governance. The Trustees also assess all major risks to which the charity is exposed and review the systems and procedures established to manage those risks.

The chart below provides further detail on the Charity's organisational structure:



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Training & recruitment of trustees

The charity has taken into account relevant skills, experience, qualifications and dedication to charitable causes when recruiting and appointing new trustees. Trustees are considered on the basis of the relevant expertise for a particular role, as well as an alignment of values with those of NZF. Before appointment, new trustees meet with the existing Board and Chief Executive. They may be invited to attend a trustee meeting as an informal participant or observer prior to appointment. Further to this, potential new trustees can act as an advisor to the Board for a duration of six months.

Upon appointment, trustees are provided with an update as to the strategy and financials of the charity and are given the opportunity to meet with management and other staff members. Typically, trustees are given a particular area of the charity's operations or strategy to focus on developing, alongside participating in the general oversight of the organisation. Ongoing training involves keeping updated with Charity Commission and Fundraising Regulator guidelines, in addition to attendance of relevant training courses and seminars.

Staff remuneration

The salary of the Chief Executive is determined by the Board. Upon hiring, the salaries of the management team are proposed by the Chief Executive to the Board and approved/amended as appropriate. The salaries of all other staff are agreed by the Chief Executive and the senior management team. Salaries are set and reviewed based on a combination of benchmarking, seniority of the role, experience, the personal circumstances of the employee and NZF's overall budget. All salaries are reviewed in December each year, with any changes effective from the following month.

Use of volunteers

Volunteers are a valued resource in our work. NZF has approximately six dedicated office based volunteers at any one time, in the main supporting our team of caseworkers. The opening of the Zakat Centre in London has also encouraged volunteers to come forward to support the administrative function and work with our reception team. Volunteers are supported and trained in their roles by staff and given assistance where required. NZF also has a pool of almost 100 supporters across the country who volunteer their time and professional skills on an ad-hoc basis. We are very fortunate and thankful to have had this level of support from all NZF volunteers to achieve our vision.

Public Benefit Statement

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. This has been considered when reviewing the aims and objectives of National Zakat Foundation and in planning activities for the future. In particular, the trustees consider how planned activities will contribute to the charitable objectives they have set. Specific details of how NZF meets these requirements are set out in subsequent sections of the report but can be summarised as follows:

- NZF's Services for Zakat Payers continue to provide educational and calculation based products services to Zakat payers, providing both a religious and educational benefit. In addition, a collection facility is provided for Zakat Payers by various means to ensure a safe and secure method for payments.
- NZF's Services for Zakat Recipients continue to support destitute individuals in the UK through a combination of advice, essential support and empowerment.

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- NZF's communications and community relations teams continue to focus on campaign and awareness activity, forming key partnerships with charities and organisations across the country in making more and more potential beneficiaries aware of the above vital services.

The Trustees have also concluded:

- That the aims and objectives of the charity continue to be charitable;
- 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 the aims or activities.

Overall, the trustees consider that the strategies, aims and activities of the Charity to be for the public benefit.

Objectives and activities

Zakat is the third of five pillars in Islam. It is a compulsory act of worship that requires Muslims who own wealth at, or over, a certain threshold to give a portion of their qualifying wealth - typically 2.5% - to eligible recipients. NZF's mission is to provide an end-to-end Zakat service to Zakat payers and recipients within the United Kingdom. The charity's services include Education, Calculation and Collection for those who are liable to pay Zakat, as well as Distribution of funds to those who are eligible to receive Zakat across the country. By providing these services, NZF hopes to achieve its vision of a faithful confident, selfless and self-sufficient Muslim community in the United Kingdom.

Serving Zakat payers means treating Zakat payers as customers or beneficiaries, providing services in relation to Zakat education and calculation, as well as providing the opportunity to Zakat payers to have their Zakat collected and distributed locally (i.e. within the UK) to eligible and deserving recipients. The aim of this stream of work is for all the Zakat that should be paid by the UK Muslim community to indeed be paid accurately and in a timely fashion on an annual basis. It is hoped that this essential duty in the lives of Muslims is fulfilled in such a way that Zakat payers have an appreciation for its spiritual and societal significance and impact.

The objective for 2016 was to expand these services in a meaningful way and now NZF has a number of different offerings for Zakat payers including, but not limited to, the following:

- an online Knowledge Bank with written material explaining the broad principles of Zakat (www.nzf.org.uk/Knowledge).
- a hard copy and online Zakat guide (www.zakatguide.co.uk).
- an online Zakat calculator (www.nzf.org.uk/Calculator).
- an iOS app to learn, calculate and pay Zakat (available for free on iTunes).
- a high street centre for a personalised education, calculation and collection service.
- Zakat workshops/seminars delivered in a classroom format (100 workshops delivered in Ramadan).

Serving Zakat recipients means using Zakat funds to support eligible recipients in meeting their essential needs as well as helping them to become self-sufficient. Currently this service is provided via hardship grants to individuals and families in financial distress as well as by funding four supported

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housing projects for homeless women and ex-offenders. The aim of our Services for Zakat recipients is for no person in the UK who is eligible to receive Zakat to be abandoned or have their needs unfulfilled.

NZF's hardship grant service using Zakat funds is unique. The charity's Zakat distribution team comprises caseworkers who are both knowledgeable about the core rules and regulations pertaining to Zakat distribution and its application, with experience and knowledge of immigration law, rules pertaining to welfare benefits and other relevant expertise that ensures Zakat funds are used appropriately in a manner that does not seek to replicate the existing welfare system but instead complement it. It also enables grants to be administered in the most impactful possible way with the aim of achieving self-sufficiency for the beneficiary. This stream of work covers emergency, medium-term and long-term support and each individual beneficiary's case is understood, examined and supported in a tailored fashion.

The key technical criterion that is applied to assess an individual's eligibility to receive Zakat is for the value of their net Zakatable assets to be below the value of the silver Nisab (the measure above or equal to which one would be obligated to pay Zakat, the average value during 2016 was approximately £235). The net Zakatable asset figure is determined after an application form, which is available on NZF's website, has been filled out and supporting evidence provided. This process is similar to the one that a Zakat payer would go through in order to determine his or her Zakat liability.

In the absence of a full application, emergency funds of up to £250 may be provided, most often in street homelessness cases but after these funds are exhausted, a full application is required before further support is administered.

The charity's supported housing projects are described in detail further below but are also unique examples of community funded initiatives to provide essential support for vulnerable people.

Usage of Zakat and non-Zakat funds

Having consulted scholars from the Al-Qalam Shari'ah Panel (www.alqalam.org.uk), the charity allocates up to 10% of Zakat funds for the salaries of caseworkers whose role it is to administer Zakat. This helps ensure that NZF is sufficiently resourced to distribute the Zakat with which it is entrusted with maximum impact. The role of NZF's experienced caseworkers in determining Zakat eligibility as well as directing funds in the most appropriate and transformational manner is absolutely vital in ensuring that Zakat funds are achieving the best possible outcome on behalf of Zakat payers.

The current Zakat distribution policy relating to broad usage of funds is therefore as follows:

- 55-65% on hardship grants to individuals and families in need.
- 25-35% on the four supported housing projects for homeless women and ex-offenders.
- Up to 10% maximum on the caseworkers who are involved with administering Zakat on a day to day basis.

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As has always been the case, salaries and costs associated with marketing, services for Zakat payers, governance and support (including office rent, utilities and other expenses in running the organisation) are covered with non-Zakat funds.

Anyone who gives Zakat to NZF can be confident that its Zakat policy is in line with Islamic teachings and supported by leading UK scholars. Below is a link with reference to the issue of using Zakat funds to cover costs directly incurred as a result of the Zakat distribution process:

<http://alqalam.org.uk/fatawa/is-it-permissible-for-an-organisation-or-charity-that-collects-and-distributes-zakat-funds-to-use-zakat-income-to-cover-costs-that-are-incurred-directly-as-a-result-of-the-zakat-distribution-process/>

All Zakat is distributed within a lunar year of its payment to NZF and on average within five to six months. The Zakat funds held at the end of 2015 amounted to £1,206,122 with an amount of £1,861,213 distributed within 2016.

Achievements and performance

2016 was NZF's third full year as an independent entity and a year of encouraging growth and performance.

A summary of the key achievements are as follows:

- Using data for online donations via our website, as well as considering numbers of workshop attendees and Zakat guides distributed, it is estimated that Zakat education, calculation and collection was facilitated for over 6,000 Zakat payers across the United Kingdom. Total Zakat income in 2016 was £2,508,073 (2015: £1,865,949).
- As part of this process, many new online and offline Zakat educational and calculation related materials were developed.
- We supported over 2,000 destitute and Zakat eligible individuals and families (over 4,900 since inception until the end of 2016), both with hardship grants as well as via our supported housing projects. These included both British citizens as well as refugees and asylum seekers. Amongst the beneficiaries were those suffering from homelessness, food and fuel poverty, victims of domestic violence, single mothers, new Muslims, the elderly and the incapacitated.
- We were able to meet an increase in demand for our services from refugees and asylum seekers. Many of these referrals have come to NZF from reputable charities with whom we have built excellent working relationships, such as Refugee Council, Refugee Action, British Red Cross and Freedom From Torture. NZF also launched a nationwide awareness campaign (asylum.nzf.org.uk) on the specific challenges faced by refugees and asylum seekers, highlighting the statistics and their stories, as well as practical steps the UK community could take to empower the most vulnerable migrants arriving on our shores.
- We continued to fund and oversee our range of four supported housing projects throughout the year, with 304 residents in total having benefited from these unique services since inception:

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- Muslim Women's Project, South London, commenced October 2012, 14 beds for single homeless women; operated by St Mungo's Broadway.
 - Date Palm Project, North London, commenced June 2014, 8 beds for young male ex-offenders; operated by St Mungo's Broadway.
 - Birmingham Muslim Women's Project, commenced January 2013, 8 beds for single homeless women; operated by Trident Reach.
 - Manchester Muslim Women's project, commenced September 2014, 5 beds for single homeless women; operated by Threshold Housing Project.
- NZF was again selected as Zakat Service Partner for Al Rayan Bank.

Financial review

NZF's work is entirely reliant on Zakat payments, donations, grants and income from fundraising events and activities.

The charity had net incoming resources in 2016 of £699,550 (2015: £634,961) resulting in total funds carried forward of £1,971,122 (2015: £1,271,572). This included restricted funds of £1,876,518 (2015: £1,206,122). This is stated after total resources expensed of £2,740,330 (2015: £1,873,023). In 2016, the charity generated total voluntary income of £3,421,025 (2015: £2,500,079).

The prime source of income was of course Zakat funds, comprising £2,508,073 (2015: £1,865,949). The vast majority of Zakat payments received were one-off as opposed to regular donations and approximately 75% of the funds were received in Ramadan. £460,478 of unrestricted Sadaqah funds were received in the year, which, along with £351,741 of Gift Aid, were critical in contributing to covering core costs of the charity.

Of the £1,837,677 of Zakat distributed in the year, 9.7% (£177,762) was used to help cover the direct costs of distribution. 69.3% (£1,274,270) was spent on hardship grants and 21.0% (£385,645) on our supported housing projects.

Governance and support costs of £284,140 were incurred during the year. These were covered entirely by non-Zakat funds and equated to just over 10% of total spending (£2,740,330).

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 (FRS 102) - effective 1 January 2015.

Principal risks and uncertainties

The Trustees assess all major risks to which the charity is exposed and review the systems and procedures established to manage those risks. The major risks are considered to be:

- insufficient generation of non-Zakat funds to enable the charity to cover its core costs and therefore affecting its ability to grow and continue to provide an end-to-end Zakat service.
- global disasters in emergencies in areas where other Muslim-led charities operate, which may drive Zakat funds away from NZF and towards international relief efforts.

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FOR THE YEAR ENDED 31 DECEMBER 2016

- Incidents that damage reputation and/or negatively impact operations (including cyber security, serious fraud and major incidents).

Ensuring that these and other risks are managed appropriately is central to the trustees' governance which is the subject of continual attention. Systems and procedures for risk management are reviewed by the trustees throughout the year.

Reserves policy

The Trustees have reviewed the reserves of the charity.

The Charity's total funds at the year end amounted to £1,971,122, of which £1,876,518 are restricted and not available for general purposes. The actual free reserves (excluding restricted funds and fixed assets) was £94,604 and there are no material amounts designated or otherwise for the reporting period. The trustees consider that free reserves equal to three months of core costs (salaries, office charges and basic marketing efforts) are sufficient for this purpose at the current time and in line with reserves policy. The restricted reserves amounted to £1,876,518, largely comprised of Zakat funds for distribution as individual or organisational grants in relation to the supported housing projects.

Furthermore, NZF's principal non-Zakat fundraising activity occurs in the first quarter each year. At the beginning of 2017, substantial non-Zakat funds were raised to improve the financial health of the organisation and ensure that sufficient funds were generated beyond the stated reserves level.

Salaries and costs associated with marketing, services for Zakat payers, governance and support (including office rent, utilities and other expenses in running the organisation) are covered with non-Zakat funds. Throughout the year, NZF continued its effort to raise non-Zakat funds to support the work of the organisation. This effort raised over £450,000 of unrestricted non-Zakat funds in the year which made a vital contribution to enabling NZF to grow and continue towards achieving its vision.

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. The financial statements have therefore been prepared on the basis that the charity is a going concern.

Plans for future periods

National Zakat Foundation aims to launch further Zakat Centres across England, before the end of 2017. This will provide a wider access for our services on a local level and provide the ability for individuals to receive a face to face service. At the time of completing these accounts, NZF has secured a centre based in Birmingham. We are continuing the search different regions within England that meet the criteria and specification to enable us to deliver our objectives in providing the quality and accessibility of services for Zakat payers and Recipients.

Aside from the activities at the new centre, the charity will continue to invest in developing products and services that make learning about Zakat, as well as calculating and paying it, an easy and fulfilling experience.

NATIONAL ZAKAT FOUNDATION (NZF)
REPORT OF THE TRUSTEES (INCORPORATING THE DIRECTORS' REPORT)
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NZF will also focus on improving the quality of its Zakat distribution efforts, aiming to increase capacity and overseeing its existing supported housing projects being delivered by its chosen partners. It is hoped that NZF's hardship grant service will start becoming more localised, with caseworkers strategically located outside of the charity's headquarters in London in places where there is a significant demand.

The charity expects Zakat income in 2017 of £3.0m, up 20% on 2016, in order to fulfil the needs of even more Zakat eligible individuals and families in the UK going forward. Zakat distribution should amount to over £2.5m. As mentioned earlier, all Zakat is distributed within one lunar year, from the end of one Ramadan to the next. Since Ramadan falls in the middle of the Gregorian calendar year, there is typically a large gap between Zakat income and expenditure in the accounting period. This may give the impression that Zakat is being unduly retained even though NZF strictly adheres to Zakat being fully distributed within a year of its collection.

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 trustees are responsible for keeping proper 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.

NATIONAL ZAKAT FOUNDATION (NZF)
REPORT OF THE TRUSTEES (INCORPORATING THE DIRECTORS' REPORT)
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Statement as to disclosure of information to auditors

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 auditors are aware of that information.

On behalf of the board



Tariq Surty
Trustee

Date 25th SEPT 2017

NATIONAL ZAKAT FOUNDATION (NZF)
INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF NATIONAL
ZAKAT FOUNDATION (NZF)

We have audited the financial statements of National Zakat Foundation (NZF) for the year ended 31 December 2016 set out pages 13 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in Trustees' Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 2016 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.

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF NATIONAL ZAKAT FOUNDATION (NZF) (CONTINUED)

Opinion on other matter 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 have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the 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 where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; 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 trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the trustees annual report.

N. Hashemi

Naziar Hashemi

Senior Statutory Auditor

For and on behalf of

Crowe Clark Whitehill LLP

Statutory Auditor

London

28/9/17

NATIONAL ZAKAT FOUNDATION (NZF)
STATEMENT OF FINANCIAL ACTIVITIES
(INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Unrestricted Funds 2016	Restricted Funds 2016	Total Funds 2016	Unrestricted Funds 2015	Restricted Funds 2015	Total Funds 2015
		£	£	£	£	£	£
Income:							
Donations	2	812,219	2,608,806	3,421,025	585,082	1,914,997	2,500,079
Investment Income	3	18,855	-	18,855	7,905	-	7,905
TOTAL INCOME		831,074	2,608,806	3,439,880	592,987	1,914,997	2,507,984
Expenditure:							
Expenditure on raising funds:	4	153,358	-	153,358	101,869	-	101,869
Expenditure on charitable activities:	4						
Services to Zakat payers		134,707	-	134,707	76,690	-	76,690
Services to Zakat recipients							
- Hardship grants		150,139	1,475,568	1,625,707	125,673	895,965	1,021,638
- Supported housing		38,091	385,645	423,736	26,468	381,963	408,431
Communications and community relations		402,822	-	402,822	264,395	-	264,395
TOTAL EXPENDITURE		879,117	1,861,213	2,740,330	595,095	1,277,928	1,873,023
Net income/(expenditure)		(48,043)	747,593	699,550	(2,108)	637,069	634,961
Transfer between funds	13	77,197	(77,197)	-	-	-	-
Net movement in funds		29,154	670,396	699,550	(2,108)	637,069	634,961
Reconciliation of funds							
Total funds brought forward	13	65,450	1,206,122	1,271,572	67,558	569,053	636,611
Total funds carried forward		94,604	1,876,518	1,971,122	65,450	1,206,122	1,271,572

The statement of financial activities includes all gains and losses recognised in the year.
The results for the period derive from continuing activities.

The notes on pages 16 to 26 form part of these accounts

NATIONAL ZAKAT FOUNDATION (NZF)
BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	Total Funds 2016 £	Total Funds 2015 £
FIXED ASSETS			
Intangible assets	9	133,984	10,657
Tangible assets	9	<u>9,930</u>	<u>3,384</u>
		<u>143,914</u>	<u>14,041</u>
CURRENT ASSETS			
Debtors	10	43,973	18,018
Cash at bank and in hand		447,075	459,409
Cash held on deposit		<u>1,482,658</u>	<u>957,409</u>
		<u>1,973,706</u>	<u>1,434,836</u>
CREDITORS: amounts falling due within one year	11	<u>(146,498)</u>	<u>(177,305)</u>
NET CURRENT ASSETS		<u>1,827,208</u>	<u>1,257,531</u>
NET ASSETS		<u>1,971,122</u>	<u>1,271,572</u>
THE FUNDS OF THE CHARITY			
Unrestricted funds	13	94,604	65,450
Restricted funds	13	<u>1,876,518</u>	<u>1,206,122</u>
TOTAL FUNDS		<u>1,971,122</u>	<u>1,271,572</u>

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 01 January 2015)

Approved by the Board on 21st Sept 2017 and signed on its behalf by:



Tariq Surty
Trustee

The notes on pages 16 to 26 form part of these financial statements

NATIONAL ZAKAT FOUNDATION (NZF)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

Statement of cash flows		2016 £	2015 £
Cash flows from operating activities:			
Net cash provided by (used in) operating activities	A	<u>636,977</u>	<u>715,506</u>
Cash flows from investing activities:			
Notice deposit greater than 3 months		(525,249)	(669,374)
Dividends, interest and rents from investments		18,855	7,905
Purchase of property, plant and equipment		<u>(142,917)</u>	<u>(15,555)</u>
Net cash provided by (used in) investing activities		<u>(649,311)</u>	<u>(677,024)</u>
Change in cash and cash equivalents in the reporting period		(12,334)	38,482
Cash and cash equivalents at the beginning of the reporting period		459,409	420,927
Cash and cash equivalents at the end of the reporting period	B	447,075	459,409
A. Reconciliation of net income to net cash flow from operating activities			
Net income/(expenditure) for the reporting period		<u>699,550</u>	<u>634,961</u>
Adjustments for:			
Depreciation/Amortisation charges		13,044	2,959
Dividends, interest and rents from investments		(18,855)	(7,905)
Loss/(profit) on the sale of fixed assets		-	2,400
(Increase)/decrease in debtors		(25,955)	70
Increase/(decrease) in creditors		<u>(30,807)</u>	<u>83,021</u>
Net cash provided by (used in) operating activities		<u>636,977</u>	<u>715,506</u>
B. Analysis of cash and cash equivalents			
Total cash and cash equivalents		<u>447,075</u>	<u>459,409</u>

NATIONAL ZAKAT FOUNDATION (NZF)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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 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 41 Fieldgate Street, London, E1 1JU.

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 the Financial Reporting Standard applicable in the UK and the Republic of Ireland (FRS102) (effective 1 January 2015) – (Charities SORP (FRS102)), the Financial Reporting Standard applicable in the UK and the Republic of Ireland (FRS102)

The National Zakat Foundation meets the definition of a public benefit entity under FRS102. Assets and liabilities are initially recognised at historic 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 9.

NATIONAL ZAKAT FOUNDATION (NZF)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

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, 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 on-going 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 a number of ways.

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 locally. In 2016, we had approximately 30 active volunteers supporting this effort.

Fundraising

Raising funds for the first Zakat Centre in the UK in order to serve recipients and payers. In July 2016, we hosted one fundraising activity to coincide with the completion of the property in Whitechapel. In this period, a fundraising page was set by on Launchgood and collectively raised just over £77,000.

Caseworker support

Volunteer caseworkers work with the Zakat distribution team from our office to provide assistance in the processing of Zakat applications and queries. In January 2016, one such volunteer became a full-time employee having volunteered with the Zakat distribution team for two years prior to this. Volunteer caseworkers have direct interaction with Zakat applicants and the role is one that provides invaluable experience of being on the front line. In 2016, we had six volunteer caseworkers typically contributing 1-2 days per week each.

Due to the difficulty in valuation, the value of services provided by volunteers has not been included in the financial statements.

NATIONAL ZAKAT FOUNDATION (NZF)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

1.5. Incoming resources

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.

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

1.6. Resources expended

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

Costs of raising funds comprise the costs associated with attracting voluntary income and the costs of trading for fundraising purposes. Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

1.7. Support cost allocation

Support costs are those costs incurred directly in support of expenditure on the objects of the charity. Support costs are allocated on the basis of the amount of direct time attributable to each area.

1.8. Fund accounting

Unrestricted funds are available to spend on activities that further any of the purposes of the charity. 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.

1.9. 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. Financial assets held at amortised cost comprise cash at bank and in hand and on deposit together with trade and other debtors £1,946,233 (2015: £1,429,034). Financial liabilities comprise accruals, loans and trade and other creditors £130,190 (2015: £165,877).

1.10 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 greater than three months, these represent a portion of Zakat funds which are released over the course of the Zakat distribution cycle to ensure that full distribution of Zakat collected occurs each year.

NATIONAL ZAKAT FOUNDATION (NZF)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

1.11. 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:

Building and Refurbishment works	-	Straight line over 5 years
Fixtures, fittings and equipment	-	Straight line over 3 years
Website development	-	Straight line over 3 years

All items of expenditure greater than £500 are capitalised if they meet the definition of a fixed asset as stated within FRS102.

1.12. Operating leases

The charity classifies the lease of office equipment and the office space at Zakat Centre, London 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 2016	Total Funds 2015
	£	£	£	£
Zakat	-	2,508,073	2,508,073	1,865,949
Sadaqah & Riba	460,478	77,197	537,675	348,655
Zakat-ul-Fitr & Qurbani	-	8,324	8,324	17,704
Fidyah & Kaffarah	-	15,212	15,212	14,204
Gift Aid	351,741	-	351,741	253,567
	812,219	2,608,806	3,421,025	2,500,079

3. INVESTMENT INCOME

	2016 £	2015 £
Income on deposits	18,855	7,905
	18,855	7,905

NATIONAL ZAKAT FOUNDATION (NZF)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

4. ANALYSIS OF RESOURCES EXPENSED

Resources expended by activity

	Direct staff cost £	Direct cost £	Governance and Support cost £	Total 2016 £	Total 2015 £
Raising funds	50,552	77,944	24,862	153,358	101,868
Services to Zakat payers	60,224	17,655	56,828	134,707	76,690
Services to Zakat recipients					
- Hardship grants	221,269	1,304,989	99,449	1,625,707	1,021,638
- Supported housing	9,677	385,645	28,414	423,736	408,431
Communications and community relations	151,657	176,578	74,587	402,822	264,396
	493,379	1,962,811	284,140	2,740,330	1,873,023

The figures above incorporate allocations of both direct and support staff costs as appropriate

Resources expended by income type

	Zakat £	Zakat-ul-Fitr & Qurbani £	Fidyah & Kaffarah £	Unrestricted £	Total 2016 £	Total 2015 £
Raising funds	-	-	-	153,358	153,358	101,868
Services to Zakat payers	-	-	-	134,707	134,707	76,690
Services to Zakat recipients						
- Hardship grants	1,452,032	8,324	15,212	150,139	1,625,707	1,021,638
- Supported housing	385,645	-	-	38,091	423,736	408,431
Communications and community relations	-	-	-	402,822	402,822	264,396
	1,837,677	8,324	15,212	879,117	2,740,330	1,873,023

Included in Zakat expenditure is £177,762 (2015 £106,682) relating to staff costs and consultancy fees. This represents 9.7% of Zakat expenditure and falls within the 10% maximum threshold set by NZF for the usage of Zakat to fund the effective administration of Zakat distribution activities.

NATIONAL ZAKAT FOUNDATION (NZF)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

5. ANALYSIS OF GOVERNANCE AND SUPPORT COSTS

Support costs

	2016	2015
	£	£
Office administration	63,915	36,143
Office services	109,730	67,385
Licence fee	30,000	31,477
Governance	80,495	39,146
Total	284,140	174,151

Governance costs

	2016	2015
	£	£
Audit fees	9,600	9,000
Auditor fees for non-audit services	4,691	3,195
Other professional fees	46,954	13,785
Staff costs	19,250	13,166
Total	80,495	39,146

During 2016, Other professional fees consisted of Zakat Centre acquisition legal fees, external accountancy services, staff training and development fees.

6. NET INCOMING RESOURCES

	2016	2015
	£	£
Net incoming resources for the period is stated after charging:		
Depreciation and other amounts written off fixed assets	13,044	2,960
Operating lease charges	29,764	12,137
Auditors remuneration (Including VAT):		
- Audit fees	9,600	9,000
- Non-audit fees	4,113	3,195

NATIONAL ZAKAT FOUNDATION (NZF)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

7. ANALYSIS OF STAFF COSTS, TRUSTEE REMUNERATION AND EXPENSES AND THE COST OF KEY MANAGEMENT PERSONNEL

Employment costs:	2016	2015
	£	£
Wages and Salaries	529,879	347,624
Social security costs	46,665	31,072
	576,544	378,696

No Employee had employee benefits in excess of £60,000 (2015: nil)

Staff costs exclude amounts paid to external consultants in the year £19,923 (2015: £22,138)

The charity trustees were not paid and did not receive any other benefits from employment with the charity in the year (2015: £nil) In 2016 one trustee was reimbursed £587 for travel expenses during the year, (2015: £239). No charity trustee received payment for professional services or other services supplied to the charity (2015: £nil)

The key management personnel of the charity comprise the Chief Executive, the Head of Finance, Head of Administration, Head of Services for Zakat Payers, Head of Marketing, Head of Research & Development and the Head of Services for Zakat Distribution whose employee benefits total £209,008 (2015: £142,167)

Staff 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:

	2016	2015
	No.	No.
Average number of staff	19	12

8. TAXATION

The 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.

NATIONAL ZAKAT FOUNDATION (NZF)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

9. TANGIBLE AND INTANGIBLE FIXED ASSETS

	INTANGIBLE		TANGIBLE	
	Website Development	Building and Refurbishment	Fixtures Fittings and Equipment	Total
	£	£	£	£
Cost				
At 1 January 2016	12,810	-	4,398	4,398
Addition	5,250	121,531	16,135	137,666
At 31 December 2016	18,060	121,531	20,533	142,064
Depreciation/Amortisation				
At 1 January 2016	2,153	-	1,014	1,014
Charge for the period	5,977	3,920	3,146	7,066
At 31 December 2016	8,130	3,920	4,160	8,080
Net book value at 31 December 2016	9,930	117,611	16,373	133,984
At 31 December 2015	10,657	-	3,384	3,384

10. DEBTORS

	2016	2015
	£	£
Other debtors	16,500	12,216
Prepayments	16,852	4,780
Accrued income	10,621	1,022
	43,973	18,018

11. CREDITORS: amounts falling due within one year

	2016	2015
	£	£
Other creditors	26,260	-
Taxation and social security	16,308	11,428
Loan	50,000	-
Accruals and deferred income	53,930	165,877
	146,498	177,305

The loan amount of £50,000 was repaid in full on the 30th June 2017. The purpose of the loan was injunction of the Zakat Centre in Whitechapel, which opened on the 31st October 2016.

NATIONAL ZAKAT FOUNDATION (NZF)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

12. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds	Restricted Funds	Total Funds 2016
	£	£	£
Fund balances at 31 December 2016 as represented by:			
Intangible and Tangible fixed assets	143,914	-	143,914
Net current assets	(49,310)	1,876,518	1,827,208
	94,604	1,876,518	1,971,122
	Unrestricted funds	Restricted Funds	Total Funds 2015
	£	£	£
Fund balances at 31 December 2015 as represented by:			
Intangible and Tangible fixed assets	14,041	-	14,041
Net current assets	51,409	1,206,122	1,257,531
	65,450	1,206,122	1,271,572

13. ANALYSIS OF FUNDS

	1 January 2016 £	Incoming resources £	Outgoings resources £	Transfer £	31 December 2016 £
Unrestricted funds					
General funds	65,450	831,074	(879,117)	77,197	94,604
Total Unrestricted funds	65,450	831,074	(879,117)	77,197	94,604
Restricted funds					
Zakat	1,206,122	2,508,073	(1,837,677)	-	1,876,518
Zakat-ul-Fitr and Qurbani	-	8,324	(8,324)	-	-
Fidyah and Kaffarah	-	15,212	(15,212)	-	-
Restricted Sadaqah	-	77,197	-	(77,197)	-
Total restricted funds	1,206,122	2,608,806	(1,861,213)	(77,197)	1,876,518
Total funds	1,271,572	3,439,880	(2,740,330)	-	1,971,122

NATIONAL ZAKAT FOUNDATION (NZF)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

13. ANALYSIS OF FUNDS (CONTINUED)

Zakat, Zakatul-Fitr and Qurbani, Fidyah and Kaffarah represent funds generated from restricted voluntary income which the charity utilised exclusively for eligible Zakat claimants and projects. The restricted Sadaqah fund represents donations for the Zakat Centre development.

The transfer represents the value of tangible fixed assets purchased from the restricted Sadaqah fund donations which are held for a general and not a restricted purpose.

	1 January 2015 £	Incoming resources £	Outgoings resources £	Transfers £	31 December 2015 £
Unrestricted funds					
General funds	67,558	592,987	(595,095)	-	65,450
Total Unrestricted funds	67,558	592,987	(595,095)	-	65,450
Restricted funds					
Zakat	507,221	1,866,334	(1,167,435)	2	1,206,122
Zakat-ul-Fitr and Qurbani	-	17,704	(17,702)	(2)	-
Fidyah and Kaffarah	-	14,204	(14,204)	-	-
Restricted Sadaqah	-	16,755	(16,755)	-	-
Date Palm Project grant	61,832	-	(61,832)	-	-
Total restricted funds	569,053	1,914,997	(1,277,928)	-	1,206,122
Total funds	636,611	2,507,984	(1,873,023)	-	1,271,572

14. OPERATING LEASE COMMITMENTS

	Building £	Office Equipment £	2016 £	2015 £
Due within 1 year	66,000	3,780	69,780	17,178
Due between 2-5 years	264,181	6,607	270,788	12,226
Due in over 5 years	-	-	-	93
	330,181	10,387	340,568	29,497

NATIONAL ZAKAT FOUNDATION (NZF)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

15. RELATED PARTIES

In 2016, Ibrar Majid was a Trustee of both NZF and Mercy Mission UK. £30,000 (2015: £31,477) was paid to Mercy Mission UK in license fees as part of a brand licensing agreement. Ibrar Majid resigned as Trustee of Mercy Mission UK on the 27th June 2016.

Sultan Choudhury is a Trustee of NZF and an Employee at Al Rayan bank, the Charity's bankers. At 31 December 2016, cash balances of £1,927,959 were held with the bank (2015: £1,413,621). NZF earned investment income of £18,855 (2015: £7,905) and paid £nil in bank charges during the year (2015: £nil).