

Aga Khan Foundation (United Kingdom)
(Company limited by guarantee and having a share capital)

Annual report
for the year ended 31 December 1996

	Pages
Members of council and advisers	1
Report of the Governing Council	2 - 5
Report of the auditors	6
Statement of financial activities	7
Reconciliation of funds	8
Balance sheet	9
Cash flow statements	10
Notes to the financial statements	11 - 16



Aga Khan Foundation (United Kingdom)
(Company limited by guarantee and having a share capital)

1

Members of the council and advisers

Members of the council

His Highness The Aga Khan
His Highness Prince Ameen Mohamed Aga Khan
Maitre André Ardoin
Guillaume de Spoelberch

Secretary and registered office

Habib Motani
3 Cromwell Gardens
London
SW7 2HB

Registered Auditors

Coopers & Lybrand
Harman House
1 George Street
Uxbridge
UB8 1QQ

Bankers

Lloyds Private Banking Limited
50 Grosvenor Street
London
W1X 9FH

Report of the Governing Council for the year ended 31 December 1996

1 The Members of the Council who, for the purposes of the Companies Act 1985, are the directors of the company, present herewith their report and the audited financial statements for the year ended 31 December 1996.

Principal activities

The company is a registered charity and an affiliate of the international Aga Khan Foundation. AKF (UK) also has a network of supporters in other countries of the European Union. Its principal activity is to promote and provide for the advancement of education, health and social welfare.

Review of activities and future developments

2 As a result of the dedicated hard work of volunteers, friends and supporters, aided by the skills of an energetic and talented staff, and led by its National Committee, AKF (UK) has become an important development organisation in Europe as well as the United Kingdom. It is increasingly recognised as a serious resource for contributions to development and to policy dialogue. AKF (UK)'s ability to attract substantial grants and to manage significant development and humanitarian programmes has contributed to this recognition.

UK Programmes

3 AKF (UK) has provided grants for projects in the United Kingdom in addition to supporting international efforts. These range from projects aimed at helping women move towards economic independence in poor inner city areas where unemployment is high, to working with the Outward Bound Trust to provide a structured course that helps Muslim youth to gain self confidence and provide opportunities for them to improve their abilities to express themselves.

International programmes

4 AKF (UK) continued to generate significant support for international Aga Khan Foundation programmes from institutional as well as individual donors in 1996. The Department for International Development (DFID) and the European Commission provided over £5.4 million for AKF initiatives during 1996. This amounts to over 60% of the total incoming resources for the year.

East Africa

5 The programmes in East Africa cover all the thematic concerns of AKF Health, Education, Rural development and NGO Enhancement.

Aga Khan Foundation (United Kingdom)

(Company limited by guarantee and having a share capital)

3

India

6 AKF (UK) has continued to support the work of AKF (India) during 1996. The work has focused on the needs of vulnerable communities in both rural and inner city areas. AKF (UK) supports the following projects in India: in Jaipur, a project aimed at Innovative Approaches in Early Childhood Education; in Ahmedabad, a project to promote child centred health education; in New Delhi and Mumbai, projects which provide Mobile Creches to support child care services for disadvantaged communities; in Gujarat projects in partnership with the local communities aimed at generating income through sustainable community based management of natural resources.

Pakistan

7 AKF (UK) has been working in conjunction with other members of the Aga Khan Development Network (AKDN) to form partnerships with disadvantaged communities in Northern Pakistan. By providing tangible and sustainable economic benefits in a relatively short period to the communities, their active participation has been galvanised. Village groups with the support of the AKDN have worked to extend health services, build schools, train teachers, manage natural resources, construct roads and irrigation channels, improve agricultural productivity and plan the growth of the rural environment.

Tajikistan

8 AKF (UK) continued to provide major support to the Aga Khan Foundation's programmes in Tajikistan in 1996. The humanitarian assistance programme received grants from DFID to supply over 6,000 tons of food aid for Tajikistan for its emergency food needs.

9 During 1996, steps were taken to provide a basis for agricultural sustainability, long term economic growth and for the maintenance of social services, especially education. Local staff of the Pamir Relief and Development Programme (PRDP), Tajikistan's first non-governmental organisation, oversaw relief work and implemented agricultural development activities in the country.

Fundraising and communications

10 AKF (UK)'s communications programme attracted the interest of important sections of the United Kingdom community during 1996. Its biggest outreach and fundraising event of the year was the 1996 Partnership Walk. This was held in ten venues across Europe, seven in the UK alone. In London, 30,000 people participated in the multi-cultural day held at Battersea Park.

Volunteers

11 AKF (UK) relies heavily on its team of volunteers and supporters to achieve its objectives. The successful organisation and implementation of the Partnership Walk, was only made possible by the enormous commitment and skill of the volunteers and AKF staff, who worked together to build on the success of previous years.

Aga Khan Foundation (United Kingdom)
(Company limited by guarantee and having a share capital)

4

Administration expenses

12 Operating expenses are funded from grants from the Foundation's affiliates and other sources of income. Donations from individuals and corporations to AKF (UK) are not used for this purpose.

Financial position at the year end

13 The Balance Sheet values of the assets held at the year end are, in the opinion of the members of the council, as stated in the accounts. The assets are held for the purposes of making grants towards the projects and for the purchase and refurbishment of properties for charitable purposes.

14 Adequate assets are available, for all the funds, to fulfil the obligations of AKF (UK).

15 A summary of the result of the company's activities during the period is given in the Statement of Financial Activities on page 7.

16 Resources arising for charitable activities increased by 7% over 1995. The property fund has been principally used to finance the purchase or development of properties for charitable purposes.

Fixed assets

17 The movements in fixed assets during the year are set out in note 5 to the financial statements.

Members of the Council

18 The Members of the Council at 31 December 1996 and throughout the year were:

His Highness The Aga Khan
His Highness Prince Aynn Mohamed Aga Khan
Maitre André Ardoin
Guillaume de Spoelberch

Interests of Members of the Council

19 No Member had, at any time during the year, any interests in any shares of the company which require to be disclosed in this report.

Aga Khan Foundation (United Kingdom)
(Company limited by guarantee and having a share capital)

5

Management

20 The members of the National Committee at 31 December 1996 and throughout the year were:

Azim Lakhani
Abdul Bhanji
Habib Motani
Mrs Nasim Devji
Guy Stringer
Shafik Sachedina
Ferid Nandjee
Lady Maureen Thomas

Chief Executive Officer:
Aly Nazerali (appointed 29 July 1996)

Statement of responsibilities of the Members of the Council

21 The Members of the Council are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the statement of financial activity of the company for that period.

22 The Members of the Council confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1996. The Members of the Council also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

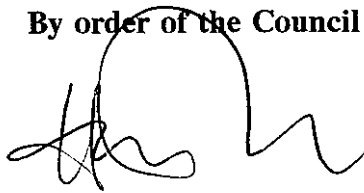
23 The Members of the Council are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Registered office

24 The registered office of the company is as follows:

3 Cromwell Gardens
London
SW7 2HB

By order of the Council


Secretary
G. Chole 28th 1997

**Report of the auditors to the members of
Aga Khan Foundation (United Kingdom)**
(Company limited by guarantee and having a share capital)

We have audited the financial statements on pages 7 to 16.

Respective responsibilities of directors and auditors

As described on page 5 the Members of the Council are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

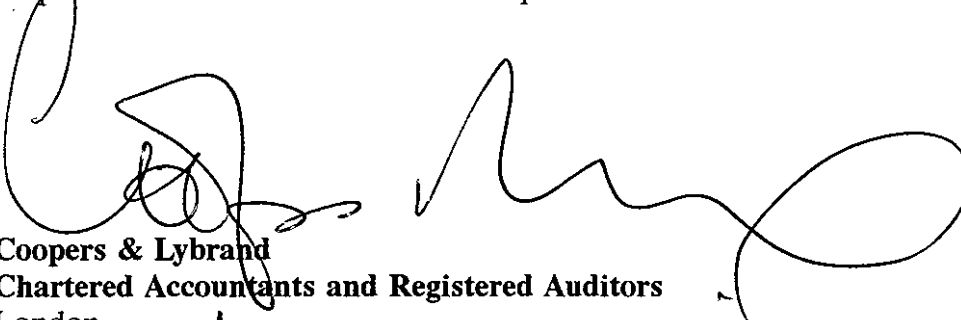
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1996 and of its net incoming resources, net movement in funds and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
London

28/10 1997

Aga Khan Foundation (United Kingdom)
 (Company limited by guarantee and having a share capital)

7

**Statement of financial activities
 for the year ended 31 December 1996**

	General funds £	Restricted funds £	Property fund £	Total 1996 £	Total 1995 £
Incoming resources					
Grants and donations received for:					
Social development programmes	315,665	5,324,213	-	5,639,878	6,054,846
Institutional development	988,897	-	-	988,897	910,110
Social and cultural centres	-	-	1,471,439	1,471,439	185,646
Administration	602,507	-	-	602,507	974,732
Communications and awareness raising	50,891	-	-	50,891	52,389
Bank interest receivable	25,995	21,444	47,345	94,784	72,186
	<u>1,983,955</u>	<u>5,345,657</u>	<u>1,518,784</u>	<u>8,848,396</u>	<u>8,249,909</u>
Use of resources					
Direct charitable expenditure					
Grants and donations made for:					
Social development programmes					
- international	232,168	5,317,757	-	5,549,925	5,810,078
- UK	22,463	-	-	22,463	59,842
	<u>254,631</u>	<u>5,317,757</u>	<u>-</u>	<u>5,572,388</u>	<u>5,869,920</u>
Institutional development	1,058,833	-	-	1,058,833	813,112
Communications and awareness raising	50,891	-	-	50,891	52,389
Depreciation	-	-	472,903	472,903	434,604
Total direct charitable expenditure	<u>1,364,355</u>	<u>5,317,757</u>	<u>472,903</u>	<u>7,155,015</u>	<u>7,170,025</u>
Other expenditure					
Fund raising	66,388	-	-	66,388	141,224
Administration	528,634	-	-	528,634	541,383
Auditors' remuneration	7,000	-	-	7,000	6,500
Loss on disposal of fixed assets	-	-	-	-	10,502
Exchange loss	13,568	-	-	13,568	
	<u>615,590</u>	<u>-</u>	<u>-</u>	<u>615,590</u>	<u>699,609</u>
Resources used in the year	<u>1,979,945</u>	<u>5,317,757</u>	<u>472,903</u>	<u>7,770,605</u>	<u>7,869,634</u>
Net movement in resources in the year	<u>4,010</u>	<u>27,900</u>	<u>1,045,881</u>	<u>1,077,791</u>	<u>380,275</u>

Aga Khan Foundation (United Kingdom)
 (Company limited by guarantee and having a share capital)

8

**Reconciliation of funds
 for the year ended 31 December 1996**

	General funds £	Restricted funds £	Property fund £	Total 1996 £	Total 1995 £
Balance at 1 January	622,154	-	14,841,986	15,464,140	15,083,865
Movement in year					
Net movement in resources for the year	4,010	27,900	1,045,881	1,077,791	380,275
Balance at 31 December	626,164	27,900	15,887,867	16,541,931	15,464,140

Represented by:

Tangible fixed assets	-	-	14,378,964	14,378,964	14,636,568
Investment	1	-	-	1	1
Current assets	793,853	124,360	1,508,903	2,427,116	1,054,882
Current liabilities	(167,590)	(96,460)	-	(264,050)	(227,211)
Share capital	(100)	-	-	(100)	(100)
	626,164	27,900	15,887,867	16,541,931	15,464,140

The notes on pages 11 to 16 form part of these accounts

Aga Khan Foundation (United Kingdom)
(Company limited by guarantee and having a share capital)

9

Balance sheet
at 31 December 1996

	Note	1996 £	1995 £
Fixed assets			
Tangible assets	5	14,378,964	14,636,568
Investments	6	1	1
		<u>14,378,965</u>	<u>14,636,569</u>
Current assets			
Debtors	7	371,468	398,094
Cash at bank and in hand		2,055,648	656,788
		<u>2,427,116</u>	<u>1,054,882</u>
Creditors: amounts falling due within one year	8	<u>(264,050)</u>	<u>(227,211)</u>
Net current assets		<u>2,163,066</u>	<u>827,671</u>
Total assets less current liabilities		<u>16,542,031</u>	<u>15,464,240</u>
Share capital and reserves			
Called up share capital	14	100	100
Fund balance:			
Restricted fund		27,900	-
Property fund		15,887,867	14,841,986
General funds		626,164	622,154
		<u>16,542,031</u>	<u>15,464,240</u>

The financial statements on pages 7 to 16 were approved by the Council on ~~October~~ 2, 1997 and signed on its behalf by:

)
) Members of Council

Raza Raza Khan

The notes on pages 11 to 16 form part of these accounts.

Aga Khan Foundation (United Kingdom)
(Company limited by guarantee and having a share capital)

10

Cash flow statement
for the year ended 31 December 1996

	Note	1996 £	1995 £
Net cash inflow from continuing operating activities	10	<u>1,519,375</u>	<u>531,227</u>
Returns on investment and servicing of finance			
Interest received		<u>94,784</u>	<u>72,186</u>
Net cash inflow from returns on investments and servicing of finance		<u>94,784</u>	<u>72,186</u>
Investment activities			
Purchase of tangible fixed assets		<u>(215,299)</u>	<u>(1,068,361)</u>
Net cash outflow from investing activities		<u>(215,299)</u>	<u>(1,068,361)</u>
Net cash inflow before financing		<u>1,398,860</u>	<u>(464,948)</u>
(Decrease)/increase in cash and cash equivalents	11	<u><u>1,398,860</u></u>	<u><u>(464,948)</u></u>

Notes to the financial statements for the year ended 31 December 1996

1 Format of financial statements

The company is a registered charity and so achievements cannot be measured by normal commercial criteria. Accordingly, the directors consider that it would be inappropriate to present the financial statements in either of the formats set out in the Companies Act 1985. Therefore, as permitted by the Companies Act, in order to reflect a true and fair view of the special nature of the company's activities the directors are of the opinion that it would be more appropriate to present a Statement of Financial Activities, incorporating an income and expenditure account, rather than a Profit and Loss Account.

2 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the UK including the Statement of Recommended Practice - Accounting by Charities. A summary of the more important accounting policies of the company, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Funds

General funds are funds that are unrestricted and allocated at the discretion of the governing Council.

Restricted funds are funds earmarked for specific activities by contractual agreement with donor agencies.

The property fund is a fund designated by the Governing Council for the purpose of purchasing and developing properties held by the company as part of its charitable activities for social and cultural purposes.

Tangible fixed assets

Land and buildings and other tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition. Properties received by way of donation are stated at a reasonable market value to the company at the time of the donation.

Aga Khan Foundation (United Kingdom)

(Company limited by guarantee and having a share capital)

12

Provision for depreciation is made so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Freehold land and buildings	2
Leasehold land and buildings	amortised over the period of the lease
Property fixtures and fittings	15
Office furniture and equipment	15
Computer equipment	33.3

Operating leases

Costs in respect of operating leases are charged to the Statement of Financial Activities on a straight line basis over the lease term.

Foreign currencies

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into.

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year or at a contracted rate.

Exchange gains or losses are included in the Statement of Financial Activities.

Pension costs

The organisation operates a defined contribution pension scheme for its employees. Payments made to the fund and charged in these accounts as part of employment costs comprise current service contributions.

Revenue and expenditure

- (a) Grants and donations received represent those received from Aga Khan Foundation, Geneva, Aid agencies and other donors.
- (b) Donation revenue is taken into account in the period to which it relates but only to the extent that monies are actually received.
- (c) Grants received and all expenditure are recorded in the period in which they are receivable or payable.

Aga Khan Foundation (United Kingdom)
(Company limited by guarantee and having a share capital)

13

Direct charitable expenditure and other expenditure

Direct charitable expenditure and other expenditure are allocated to the activities of the related fund.

Costs in respect of restricted funds are allocated specifically to the related project.

The general fund's direct charitable expenditure and other expenditure are costs incurred in carrying out general activities undertaken by the Governing Council.

3 Council Members' emoluments

Under the Articles of Association no emoluments nor reimbursement of expenses were receivable by Council Members for their duties.

4 Employee information

- (a) The average number of persons employed by the company during the year is set out below:

	1996 Number	1995 Number
Administration and communication	7	7
Grant administration	4	4
	<u>11</u>	<u>11</u>

- (b) Employment costs of employees comprised:

	1996 £	1995 £
Gross wages and salaries	243,177	227,711
Social security costs	24,100	23,172
Pension costs	18,950	21,679
	<u>286,227</u>	<u>272,562</u>

One employee earned between £40,001 to £45,000 during the year. (1995 - ONE)

Aga Khan Foundation (United Kingdom)
 (Company limited by guarantee and having a share capital)

14

5 Tangible fixed assets

	Freehold land and buildings £	Long term leasehold land and buildings £	Property fixtures and fittings £	Office furniture and equipment £	Total £
Cost					
At 1 January 1996	17,940,904	55,961	797,497	54,082	18,848,444
Additions	181,475	-	-	33,824	215,299
Reclassification	27,292	(31,958)	4,666	-	-
At 31 December 1996	18,149,671	24,003	802,163	87,906	19,063,743
Depreciation					
At 1 January 1996	3,776,669	36,316	376,127	22,764	4,211,876
Charge for year	362,823	286	82,870	26,924	472,903
Reclassification	31,958	(31,958)	-	-	-
At 31 December 1996	4,171,450	4,644	458,997	49,688	4,684,779
Net book value					
At 31 December 1996	13,978,221	19,359	343,166	38,218	14,378,964
At 31 December 1995	14,164,235	19,645	421,370	31,318	14,636,568

6 Investments

The company owns one ordinary share (1% of the issued and paid up share capital) in the Institute of Ismaili Studies Limited, which is incorporated in England, and is included at cost.

7 Debtors

	1994 £	1995 £
Amounts falling due within one year		
Amounts owed by parent and fellow subsidiary undertakings	1,920	-
Other debtors	369,548	398,094
	371,468	398,094

8 Creditors

	1996 £	1995 £
Amounts owed to parent and fellow subsidiary undertakings	-	926
Other creditors	209,315	200,441
Accruals	54,735	25,844
	264,050	227,211

Aga Khan Foundation (United Kingdom)
(Company limited by guarantee and having a share capital)

15

9 Taxation

The company is a registered charity and is not liable to taxation on its charitable activities. Tax deducted under deed of covenant and gift aid donations is reclaimed by the company.

10 Reconciliation of net movement in resources to net cash inflow from operating activities

	1996 £	1995 £
Net movement in resources for the year	1,077,791	380,275
Depreciation on tangible fixed assets	472,903	434,604
Loss on disposal of fixed assets	-	10,502
Interest receivable	(94,784)	(72,186)
(Decrease)/increase in amounts owed from parent and fellow subsidiary undertakings	(1,920)	16,818
(Decrease)/increase in other debtors	28,546	(234,139)
(Decrease)/increase in amounts owed to parent and fellow subsidiary undertakings	(926)	926
Increase in other creditors	8,874	6,185
Increase/(decrease) in accruals	28,891	(11,758)
	<u>1,519,375</u>	<u>531,227</u>

11 Cash and cash equivalents

	1996 £	1995 £
Changes in the year		
At 1 January	656,788	1,121,736
Net cash inflow/(outflow)	1,412,428	(464,948)
Exchange movement	(13,568)	-
At 31 December	<u>2,055,648</u>	<u>656,788</u>

12 Financial commitments

At 31 December 1996, the company had annual commitments under non-cancellable operating leases as follows:

	1996 Other £	1995 Other £
Expiring within one year	9,552	-
Expiring between two and five years	14,954	4,012
Expiring in over five years	-	1,673
	<u>24,536</u>	<u>5,685</u>

Aga Khan Foundation (United Kingdom)
(Company limited by guarantee and having a share capital)

16

13 Capital commitments

	1996 £	1995 £
Capital expenditure has been contracted for but has not been provided for in the financial statements	<u>760,359</u>	<u>-</u>

14 Called up share capital

	1996 £	1995 £
Authorised, issued and fully paid:		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>

According to the Memorandum of Association the liability of the members is limited. Every member of the company undertakes to contribute to the assets of the company in the event of its being wound up, such amount not exceeding £1. In addition the company is procluded from making any distributions to members either by way of a dividend or on a winding up.

15 Ultimate holding company

The ultimate holding company is regarded by the Council Members as being the Aga Khan Foundation, Geneva which is incorporated in Switzerland.