

Aga Khan Foundation (United Kingdom)

**Directors' report and financial
statements**

Registered number 1100897

31 December 2008

Registered Charity number 266518

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Report of the Council

The members of the Council, who are also directors for Companies Act purposes, present their annual report and the audited financial statements of the Company for the year ended 31 December 2008. The Council has adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting & Reporting by Charities" (revised 2005) in preparing the annual report and financial statements of the Company.

Reference and administrative information

Members of the Council

The members of the Council at 31 December 2008 were:

His Highness The Aga Khan
Prince Ayn Mohamed Aga Khan
Maitre Andre Ardoin
Guillaume de Spoelberch

National Committee

The Council is supported by a National Committee whose members, who are not directors, during the year to 31 December 2008 were:

Naguib Kheraj	Chairman
Yasmin Jetha	Vice Chairperson
Shaheen Jinnah Rajabali	
Alykhan Kassam	
Salim Niaz Nathoo	
Sir Timothy Lankester	
Sir Christopher MacRae	
Zauhar Meghji (resigned on 11 July 2009)	
Richard Premdjee (resigned on 11 July 2009)	
Amin Mawji (elected on 11 July 2009)	
Karim-khan Valimamode (elected on 11 July 2009)	

Management

Aly Nazerali	Chief Executive Officer
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Secretary

Habib Motani

Registered office

3 Cromwell Gardens
London SW7 2HB

Registered auditor

KPMG LLP
1 Forest Gate
Brighton Road
Crawley
West Sussex RH11 9PT

Bankers

Lloyds TSB Private Banking Limited
50 Grosvenor Street
London W1K 3LF

Report of the Council *(continued)*

Structure, Governance and Management

Governing Document

Aga Khan Foundation (United Kingdom) is a company limited by guarantee and having a share capital, incorporated on 9 March 1973 and registered as a charity on 4 December 1973. The objects and powers of the Company (hereinafter referred to as AKF (UK)) were established in its Memorandum of Association and are governed by its Articles of Association.

Appointment

The members of the Council who held office during the financial year and at the date of this report are set out on page 1.

As set out in the Articles of Association, the members of the Council (other than His Highness the Aga Khan) are appointed by the holder(s) for the time being of a simple majority of the issued shares in the capital of AKF (UK).

The members of the Council are supported by the National Committee for governance and supervision of AKF (UK). The National Committee is appointed by the members of the Council. The names of the members of the National Committee are set out on Page 1.

Induction and Training

New members of the Council undergo an informal orientation day to brief them on their legal obligations under charity and company law, the content of the Memorandum and Articles of Association, the decision making processes, the objectives and strategies, and recent financial performance of AKF (UK). During the orientation, they meet the key employees and other Council members. There were no new members of the Council appointed during 2008.

The current members of the Council have been in post for many years and have acquired in-depth knowledge of the work of AKF (UK) and Aga Khan Development Network (AKDN) as a whole. The annual AKF budget meeting involves the production of comprehensive information, including a progress report on all significant activities, an update on performance against annual budgets and update on the programmes. This process ensures that the Board, which includes a number of the members of the Council, is kept abreast of the ongoing activities of the AKF (UK). In view of this, there is no particular need for additional ongoing training for the members of the Council.

When a new National Committee member is appointed, a formal induction is arranged. New members are briefed about how AKF (UK) engages in its different roles, the objectives and expectations of AKF (UK) and the role of the National Committee to help achieve those objectives. The National Committee comprises members from different walks of life and represents a mix of skills in management, accounting, communications and healthcare.

Organisation

The Council, which can have up to seven members, governs AKF (UK). A Chief Executive Officer is appointed by the Council in connection with the day to day operations of AKF (UK). The Council meets twice a year and is supported by the National Committee, as stated above, in the governance and supervision of AKF (UK). Day to day running and management of AKF (UK) has been delegated by the Council to the CEO who reports to the National Committee.

The National Committee meets quarterly and, to facilitate effective support, has established two sub-committees. The first sub-committee supports the finance and administration of AKF (UK). The other sub-committee supports the communication, awareness raising and fund raising initiatives of AKF (UK). The skills and experience of both these sub-committees have helped AKF (UK) to become more robust in its efforts and in achieving its objectives.

Risk Management

Members of the Council, through AKF (UK)'s National Committee and AKF (UK)'s CEO, annually assess the major risks to which AKF (UK) is exposed, in particular those related to its operations and finance. Some of the risks to which AKF (UK) is exposed are:

- Reliance on sizeable and traditional donors;
- The potential impact of the global economic situation on the overall availability of funding for work that has historically been supported by donors;
- Donor guidelines not adhered to by the implementing agencies.

Report of the Council (continued)

The first and second risks are mitigated by cultivating new donor relationships to increase the donor portfolio and ensuring that current relationships are maintained. The third risk is mitigated through enhanced communications with the field and sharing independent evaluations, donor assessment of programmes etc. Aga Khan Foundation Geneva (AKF Geneva) utilises internal audits to monitor all the grants and compliance with donor guidelines for all AKF Units. AKF (UK) finance staff visit the field units, inter alia, to assess whether grant money has been spent according to the terms and conditions of the grant contract and donor regulations in relation to procurement, staffing and other expenditures. AKF (UK) is satisfied that appropriate systems are in place to mitigate AKF (UK)'s exposure to major risks.

Interests of members of the Council

No member of the Council had, at any time during the year, any interests in any shares of AKF (UK) which require to be disclosed in this report.

Objective and activities

Principal activities

AKF (UK) is a registered charity and an affiliate of the international Aga Khan Foundation and part of the AKDN. Its principal activity is to promote and provide for the advancement of education, health, rural development, the environment and support to civil society organisations.

International Programme

AKF (UK) has established long term relationships with significant institutional donors including: the European Commission (EC), the Department for International Development (DFID), a number of agencies of the German and Norwegian Governments, the Swedish International Development Agency (SIDA) and also with various other charities and foundations. The primary role of AKF (UK) is to secure grants from European, Japanese and multilateral donors to support various AKDN and other projects in East Africa, West Africa, Central Asia and South Asia.

Fundraising

AKF (UK) raises funds through various fundraising campaigns and events to support its social, institutional and cultural development programmes. These events and campaigns are aimed towards increasing awareness of the work of AKF (UK) and AKDN and to raise funds to support the ongoing projects and new initiatives.

New premises

AKF (UK) has moved to new premises at 210 Euston Road, London, NW1 2DA. The lease has been signed and the company will be sharing the office space with two other institutions.

Achievements and performance:

During the year, AKF (UK) secured 13 new grants totalling approximately £6 million. The most significant grant related to the second phase of the Programme Partnership Agreement with DFID and amounted to £2.4 million. In addition, various AKF offices will receive approximately £0.8 million (out of a total of £4.6 million) from the grant made by DFID to Tiri under the Governance and Transparency Fund. Other significant grants obtained include: approximately £1 million from the Belgian Ministry of Foreign Affairs for work in Afghanistan; 2 grants from the European Commission's Humanitarian Aid Office (ECHO) worth £0.7 million for Afghanistan and approximately £0.7 million from an extension of the partnership with Johnson & Johnson.

In addition to its own direct fundraising activities during 2008, AKF (UK) helped field units to secure some very significant grants from European donors for which AKF (UK) is the primary interface and with whom it has historical relationships. A total of 39 grants with a total value of approximately £10 million were obtained from a wide range of donors, including the EC and a number of German Government and Norwegian Government institutions.

AKF (UK) received donations of over £10m for institutional development; these contributions were made primarily in commemoration of the Golden Jubilee of the accession of His Highness the Aga Khan.

Report of the Council (*continued*)

Financial review:

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. In the opinion of the members of the Council, adequate assets are available to fulfil the obligations of AKF (UK).

A summary of the result of AKF (UK)'s activities during the period is given in the Statement of Financial Activities on page 9.

(i) *Incoming Resources:*

During the year, the total incoming resources increased by 67% (2007: decreased by 13%). The principal reason is the increase in institutional development donations, which accounted for 60% of the total increase. The reasons for the increase are explained below.

During the year, AKF (UK)'s most significant category of incoming resource was institutional development donations, which contributed £10,043,914 (2007: £4,336,828), representing 42% (2007: 30%) of the total incoming resources.

The value of institutional development donations increased by 132% in 2008 (2007: increased by 184%), largely as a result of donations received from individuals and corporate donors in commemoration of His Highness' Golden Jubilee. We have already started to make grants from these funds on selected projects in 2009.

The second major source of income was government and donor agencies and private donations for social development programmes, which contributed £9,743,678 (2007: £8,643,554) which is 41% of total incoming resources (2007: 60%). AKF (UK)'s principal donor in 2008 was the EC, who contributed £6,960,299 (2007: £5,716,522) which is 71% (2007: 66%) of the total resources generated for social development programmes. Note 7 to the financial statements include an analysis of the composition of the donors for the social development programmes.

AKF (UK) received £1,055,000 (2007: £1,040,000) from AKF Geneva for core costs and communications and awareness raising activities, which is 4% (2007: 7%) of total incoming resources. AKF (UK) also generated investment income of £584,643 (2007: £305,366) from bank deposits, which is 2.4% (2007: 2.1%) of total incoming resources.

The other incoming resource is from donations for social and cultural centres which totalled £268,344 (2007: £36,860): this is 1% (2007: 0.3%) of the total incoming resources. This is made up of donations received from individuals and corporate donors to build cultural centres in the UK.

During the year, the cultural centre in Ealing, which had a book value of £57,051 at 31 December 2007, was sold on 6 June 2008: the net proceeds of the sale were £813,253. Consequently, the gain on sale of fixed asset of £756,202 is reflected in this year's statement of financial activities. The gain on sale of fixed asset contributed 3% (2007: nil) of the total incoming resources. The exchange gain contributed the remaining 6% (2007: 0.3%) of incoming resources as a result of the revaluation of the foreign currency account.

(ii) *Resources Expended:*

During the year, the total expenditure increased by 7% (2007: decreased by 25%). The major reason for the increase is the expenditure on international social development activities, which increased by 12%, mitigated by a decrease in institutional development expenditure.

The most significant expenditure relates to the social development programmes amounting to £10,810,392 (2007: 9,513,543) which is 86% (2007: 81%) of the total expenditure. It includes expenditure on the programme by the field units amounting to £9,925,213, allocation of core costs of £786,445 and expenditure on the UK programme of £98,734: details are provided in Note 8 to the Financial Statement.

The other main category of resources expended is institutional development, on which £989,908 (2007: £1,363,548) was expended during the year, representing 8% (2007: 12%) of the total expenditure. It includes funding for projects of the Aga Khan University in Pakistan and in the UK, The Institute of Ismaili Studies (IIS) in the UK and various other projects.

The expenditure relating to social and cultural centres of £667,504 (2007: £690,620) is mainly represented by the depreciation charge for cultural centres owned by AKF (UK) of £659,290 (2007: £661,986). The expenditure on social and cultural centres is 5% (2007: 6%) of the total expenditure.

Report of the Council (continued)

The other expenditure category is represented by the allocation of core costs to communication and awareness raising activities of £69,933 (2007: £127,292), which includes the costs of awareness presentations and producing communication materials and governance costs of £57,470, both of which combine to constitute 1% (2007: 2%) of the total expenditure.

Reserves policy

AKF (UK) requires reserves in order to meet its funding commitments in respect of its joint-funded projects and for the furtherance of its activities. AKF (UK) has established a policy whereby the level of its free reserves (that is those funds not tied up in fixed assets and not part of designated funds or restricted funds) should be sufficient to sustain its administrative expenses for at least two months. AKF (UK) considers that the target level of free reserves at 31 December 2008 was £258,000 and anticipates that the target level of free reserves at 31 December 2009 will be approximately £271,000. As at 31 December 2008, out of the total reserve of £395,458, £13,207 represented fixed assets and the balance of £382,251 represented actual free reserves. This was therefore above the target level.

AKF (UK) has established a policy whereby the level of its designated reserves for social development projects should be sufficient to meet commitments on an annual basis. At 31 December 2008, out of a total balance of designated funds of £37,815,415, £18,662,009 represented designated funds for properties held by AKF (UK) as part of its charitable activities for social and cultural purposes. The balance of £19,153,406 represented the designated fund for social and institutional development projects, which was sufficient to cover the project commitments already incurred in respect of the next four years. In order to maintain the level of such reserves, AKF (UK) undertakes events to raise awareness of AKF (UK) and thereby seek support, for example through sponsorships and commitments on a long term basis.

AKF (UK) has considered its reserves and donations in the context of the current economic climate. As far as the administration funds are concerned, these are covered by receipts from AKF Geneva on the basis of approved budgets. In respect of individual donations and grants from institutions, AKF (UK) has carefully evaluated the trends over the last 12 months and considers it is not currently being significantly adversely affected by the current economic climate. At present, future plans are based on the assumption that AKF(UK) will continue to source a similar level of funds as in the recent past for the foreseeable future.

Grant making policy

AKF (UK) seeks to promote sustainable and equitable social development by encouraging innovative approaches to selected generic problems and by supporting these approaches through grants to organisations that share its goals. These organisations are primarily agencies of AKDN and organisations selected by those agencies in the field based on common approaches, goals and objectives. AKF (UK) works very closely with grantees in the design, implementation and evolution of projects with the aim of creating a critical mass of focused and innovative projects, complementing each other within and across sectors, in order to make a significant contribution to social development.

Investment policy

The Council has the power to invest in such assets as it sees fit. The Council is supported in the exercise of these powers by the National Committee.

AKF (UK), having regard to its liquidity requirements and reserves policy, has operated a policy of keeping available funds in interest bearing deposit accounts and seeking to achieve an appropriate rate of deposit interest. The Finance sub-committee reviews the placements every month and decides the appropriate placement periods on the basis of available funds and their intended use.

Future plans:

AKF (UK) is aiming to secure a similar level of grants in 2009 as in prior years, although there is an increasing trend towards more decentralised grants secured directly by the field units. In order to achieve the desired level of grants, there is an increased level of discussion with both existing and potential new donors to secure grants from these sources.

AKF (UK) is continuously working with field units to support them in securing grants directly from European and multilateral donors. To facilitate this, AKF (UK) provides contact information as well as technical knowledge to the field units. AKF (UK) also assists with funds raised from private donations to match donor funding where there is a match funding requirement.

Report of the Council (*continued*)

AKF (UK) continues to promote awareness of the work of AKF (UK) and AKDN through presentations, events and exhibitions.

Disclosure of information to auditors

The members of the Council at the date of approval of this Report of the Council confirm that, so far as they are aware, there is no relevant audit information of which AKF (UK)'s auditors are unaware; and the members of the Council have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that AKF (UK)'s auditors are aware of that information.

Auditors:

A resolution for the re-appointment of KPMG LLP will be proposed at the Annual General Meeting.

By order of the Council

Maitre Andre Ardoin

A handwritten signature in black ink, appearing to read 'Ardoin', with a long, sweeping vertical line extending downwards from the end of the signature.

Member of the Council

01 October 2009

Statement of responsibilities of the members of the Council in respect of the Report of the Council and the Financial Statements

The members of the Council are responsible for preparing the Report of the Council and the financial statements in accordance with applicable law and regulations.

Company law requires the members of the Council to prepare financial statements for each financial year in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the excess of income over expenditure for that period. In preparing these financial statements, the members of the Council are required to:

- select suitable accounting policies and then apply them consistently;
- 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 Company will continue in its activities.

The members of the Council are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



KPMG LLP

1 Forest Gate
Brighton Road
Crawley
RH11 9PT
United Kingdom

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AGA KHAN FOUNDATION (UNITED KINGDOM)

We have audited the financial statements of Aga Khan Foundation (United Kingdom) for the year ended 31 December 2008 which comprise the Statement of Financial Activities, the Balance Sheet and the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the 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 Company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members of the Council and auditors

The responsibilities of the members of the Council, who are also the directors of Aga Khan Foundation (United Kingdom) for the purposes of company law, for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of responsibilities of the members of the Council on page 7.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Council is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the Council members' remuneration and other transactions is not disclosed.

We read the Report of the Council and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the members of the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company affairs as at 31 December 2008 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 the Companies Act 1985; and
- the information given in the Report of the Council is consistent with the financial statements.

KPMG LLP
Chartered Accountants
Registered Auditor

K Paul LLP

20.10.09

Statement of financial activities
for the year ended 31 December 2008

	Notes	Unrestricted Funds		Restricted Funds	Total 2008	Total 2007
		General Funds	Designated Funds			
		£	£	£	£	£
Incoming resources						
Incoming resources from generated funds						
Voluntary income						
Grants and donations received for:						
Social development programmes	7	-	455,251	9,288,427	9,743,678	8,643,554
Institutional development		-	10,043,914	-	10,043,914	4,336,828
Social and cultural centres		-	268,344	-	268,344	36,860
Core costs		985,067	-	-	985,067	912,708
Communications and awareness raising		69,933	-	-	69,933	127,292
Investment income		-	584,643	2,632	587,275	305,366
Other incoming resources						
Gain on sale of fixed assets		-	756,202	-	756,202	-
Exchange Gain		553	1,363,797	190,587	1,554,937	50,418
Total incoming resources		1,055,553	13,472,151	9,481,646	24,009,350	14,413,026
Resources expended						
Costs of generating funds						
Costs of generating voluntary income		-	-	-	-	5,806
Charitable activities						
Social development programmes	8					
- International		724,938	438,287	9,486,926	10,650,151	9,513,543
- UK		61,507	98,734	-	160,241	-
Institutional development		63,253	926,655	-	989,908	1,363,548
Social and cultural centres		7,319	660,185	-	667,504	690,620
Communications and awareness raising		69,933	-	-	69,933	127,292
Governance costs	4	57,470	-	-	57,470	57,703
Total resources expended		984,420	2,123,861	9,486,926	12,595,207	11,758,512
Net movement in funds		71,133	11,348,290	(5,280)	11,414,143	2,654,514
Reconciliation of funds						
Total funds brought forward		324,325	26,467,125	10,466	26,801,916	24,147,402
Total funds carried forward		395,458	37,815,415	5,186	38,216,059	26,801,916

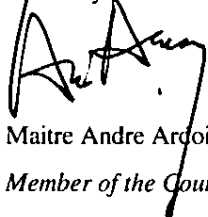
All of the above results are derived from continuing activities. All gains and losses recognised in the year are included in the above.

The notes on pages 12 to 23 form part of these financial statements.

Balance sheet
 at 31 December 2008

	Notes	2008	2007
		£	£
Fixed assets			
Tangible assets	9	18,675,216	19,326,693
Investments	10	1	1
		<u>18,675,217</u>	<u>19,326,694</u>
Current assets			
Debtors	11	752,877	960,999
Cash at bank and in hand	16	19,176,687	7,111,268
		<u>19,929,564</u>	<u>8,072,267</u>
Creditors: amounts falling due within one year	12	<u>(388,622)</u>	<u>(596,945)</u>
Net current assets		<u>19,540,942</u>	<u>7,475,322</u>
Net Assets		<u><u>38,216,159</u></u>	<u><u>26,802,016</u></u>
Share capital and reserves			
Called up share capital	20	100	100
Funds:			
Unrestricted funds			
General funds	19	395,458	324,325
Designated funds	19	37,815,415	26,467,125
Restricted funds	19	5,186	10,466
		<u>38,216,159</u>	<u>26,802,016</u>

The financial statements on pages 9 to 23 were approved by the Council on 01.10.2009 and were signed on its behalf by:


 Maitre Andre Arcoïn
 Member of the Council

COMPANY NO: 1100897

Cash flow statement
for the year ended 31 December 2008

	<i>Notes</i>	2008 £	2007 £
Net cash inflow from continuing operating activities	<i>15</i>	10,708,243	2,000,029
Returns on investments and servicing of finance			
Interest received		548,726	305,366
Capital Expenditure			
Payments to acquire tangible fixed assets		(4,803)	(7,855)
Receipts from sale of tangible fixed assets		813,253	-
Increase/(Decrease) in cash and cash equivalents	<i>16</i>	12,065,419	2,297,540
Net cash resources at 1 January		7,111,268	4,813,728
Net cash resources at 31 December		19,176,687	7,111,268

The notes on pages 12 to 23 form part of these financial statements.

Notes

(forming part of the financial statements)

1. Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Statement of Recommended Practice (SORP) "Accounting & Reporting by Charities" (revised 2005), Companies Act 1985 and applicable Accounting Standards.

Funds

General funds are unrestricted funds available for use at the discretion of the Council in furtherance of the general objectives of the Company and which have not been designated for other purposes.

Designated funds are unrestricted funds earmarked by the Council for social development programmes, institutional development and for the purpose of purchasing and developing properties held by the Company as part of its charitable activities for social and cultural purposes.

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

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 donations are stated at a reasonable market value to the Company at the time of the donation. Fixed assets with an acquisition cost of less than US dollar 5,000 are not capitalised.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost on a straight line basis over their expected useful economic lives as follows:

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

Operating leases

Rentals applicable to operating leases are charged to the Statement of Financial Activities on a straight line basis over the lease term.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities are retranslated at the rate of exchange ruling at the balance sheet date or at a contracted rate, if applicable.

Exchange gains or losses are included in the statement of financial activities.

Pension costs

The Company operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. Payments made to the fund and charged in these accounts as part of employment costs comprise current contributions.

The pension costs for the year were £ 26,842 (2007: £44,084).

Notes (continued)

12. Creditors

	2008 £	2007 £
Amounts falling due within one year		
Trade creditors	30,782	22,554
Payroll Taxes	19,742	26,891
Accruals	70,567	46,868
Repayable to Agency Donors	2,619	185,890
Other creditors	264,912	314,742
	<u>388,622</u>	<u>596,945</u>

13. Taxation

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

14. Pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £26,842 (2007: £44,084).

Contributions amounting to £Nil (2007: £1,402) were payable to the scheme and are included in creditors at the end of the financial year.

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

	2008 £	2007 £
Net movement in resources for the year	11,414,143	2,654,514
Depreciation on tangible fixed assets	665,992	672,773
Transfer from CWIP to fixed asset	(66,763)	-
Profit on disposal of tangible fixed assets	(756,202)	-
Interest receivable	(548,726)	(305,366)
(Increase) / Decrease in debtors	208,122	(530,213)
Increase / (Decrease) in creditors	(208,323)	(491,679)
	<u>10,708,243</u>	<u>2,000,029</u>

16. Cash and cash equivalents

	2008 £	2007 £
Changes in the year		
At 1 January	7,111,268	4,813,728
Net cash inflow/(outflow)	12,065,419	2,297,540
	<u>19,176,687</u>	<u>7,111,268</u>
At 31 December		

Notes (continued)

1 Principal accounting policies (continued)

Incoming resources

Grants and donations received represent those received from AKF Geneva, aid agencies and other donors.

These revenues are accounted for on a receipts basis, as there is no material difference between this and accounting for them on a receivable basis.

Resources expended

Grants made and all expenditures are recorded on an accrual basis.

Charitable expenditure is allocated to the activities of the related fund. Expenditure under general funds is incurred in carrying out general operational activities undertaken by the Company. Expenditure under designated funds is incurred to provide support to social development and institutional development projects and in respect of properties held by the Company as part of its charitable activities for social and cultural purposes. Expenditure under restricted funds is allocated specifically to the related projects.

2 Council Members' emoluments

No emoluments were paid to, nor reimbursement of expenses received by Council members for their duties (2007: £nil).

3 Employee information

	2008 £	2007 £
Gross wages and salaries	386,144	534,826
Social security costs	48,702	62,661
Pension costs	26,842	44,084
Other benefits	19,785	25,765
	<u>481,473</u>	<u>667,336</u>

No senior employee earned between £60,001 and £70,000 (2007: 1) and one employee between £90,000 and £100,000 (2007: 1) respectively. A pension contribution of £9,994 was made for one employee during the year.

None of the directors received any emoluments during the year (2007: £nil).

The average number of full time equivalent staff employed by the Company during the year is set out below:

	2008 Number	2007 Number
Administration and communication	6	7
Grant administration	4	7
	<u>10</u>	<u>14</u>

Notes (continued)

4. Governance Costs

The governance costs of the Company consisted of the following direct and indirect costs.

	Total 2008 £	Total 2007 £
Audit fee	13,250	13,250
Legal and professional charges	3,862	6,632
Support costs allocated	40,358	37,821
	<u>57,470</u>	<u>57,703</u>

5. Resources Expended

Resources expended figures for the year are stated after charging the following costs.

	2008 £	2007 £
Depreciation	665,992	672,773
Audit fee – audit of these financial statements	13,250	13,250
	<u>679,242</u>	<u>686,023</u>

6. Support costs

The support costs of the Company consisted of three cost elements. Support costs are allocated on a basis consistent with the use of resources.

	Human Resources £	Office Expense and Information Technology £	Travel Expenses £	Total 2008 £	Total 2007 £
Unrestricted funds					
Social development programmes					
- International	433,371	141,816	149,751	724,938	869,783
- UK	40,801	11,189	9,517	61,507	-
Institutional development	44,655	11,143	7,455	63,253	49,380
Social and cultural centres	5,305	1,205	809	7,319	9,309
Communications and awareness raising	38,523	16,910	14,500	69,933	127,292
Governance costs	36,706	3,513	139	40,358	37,821
	<u>599,361</u>	<u>185,776</u>	<u>182,171</u>	<u>967,308</u>	<u>1,093,585</u>

Notes (continued)

7. Grants and donations received for social development programmes

	Unrestricted Funds £	Restricted Funds £	Total 2008 £	Total 2007 £
Belgian Ministry of Foreign Affairs	-	326,356	326,356	352,665
Comic Relief	-	98,451	98,451	113,994
Department for International Development	-	-	-	241,576
Department for International Development – PPA Grant	-	765,000	765,000	750,000
European Commission (including ECHO)	-	6,960,299	6,960,299	5,716,522
Gesellschaft für Technische Zusammenarbeit GmbH	-	230,370	230,370	381,283
Johnson & Johnson	-	126,075	126,075	96,925
Oxfam Novib	-	71,370	71,370	135,000
Pro Victimis Foundation	-	211,400	211,400	162,037
Swedish International Development Cooperation Agency	-	474,106	474,106	324,645
Other donations	455,251	25,000	480,251	368,907
Total grants and donations received	455,251	9,288,427	9,743,678	8,643,554

8. Grants and donations made for social development programmes

	Unrestricted Funds £	Restricted Funds £	Total 2008 £	Total 2007 £
Afghanistan				
Integrated Rural Rehabilitation to Improve Livelihoods and Curb Poppy Production	-	-	-	241,576
- <i>Aga Khan Foundation, Afghanistan</i>				
Provision of Safe Drinking Water Supply and Sanitation in Afghanistan	-	57,402	57,402	99,017
- <i>Aga Khan Foundation, Afghanistan</i>				
Provision of Shelters and Drought Relief through Food Provision and the Establishment of Grain Banks in Bamyan Province, Afghanistan	-	-	-	21,219
- <i>Aga Khan Foundation, Afghanistan</i>				
Promoting Food Security, Regional Cooperation and Stability in Badakshan, Afghanistan	-	242,946	242,946	141,538
- <i>Aga Khan Foundation, Afghanistan</i>				
Improving Agriculture based Livelihoods through Integrated Crop Management (ICM)	-	-	-	354,233
- <i>Aga Khan Foundation, Afghanistan</i>				
Community Based Disaster Risk Management in Badakhshan Province, Afghanistan	-	65,413	65,413	69,080
- <i>Focus Humanitarian Assistance, Afghanistan</i>				
Support to Enabling Environment Conference, Afghanistan	-	-	-	12,108
- <i>Various AKDN Agencies</i>				
Civil Society Programme, Afghanistan	-	108,818	108,818	86,587
- <i>Aga Khan Foundation, Afghanistan</i>				
Belgium Govt.-Enterprise Development for Improved Livelihoods in Northern Afghanistan (Takhar and Badakshan Provinces)	-	322,669	322,669	-
- <i>Aga Khan Foundation, Afghanistan</i>				
BBC World Service Trust Programme	28,598	-	28,598	-
- <i>BBC</i>				
Provision of assistance to cover essential needs in Baghlan and Takhar, Afghanistan	-	326,891	326,891	-
- <i>Aga Khan Foundation, Afghanistan</i>				
FMIC Kabul	50,000	-	50,000	-
Aga Khan University				
Total for Afghanistan programmes	78,598	1,124,139	1,202,737	1,025,358

Notes (continued)

8 Grants and donations made for social development programmes (continued)

	Unrestricted Funds £	Restricted Funds £	Total 2008 £	Total 2007 £
Bangladesh				
Earthquake Relief	-	-	-	24,780
- <i>Focus Humanitarian Assistance - USA & India</i>				
Total for Bangladesh programme	-	-	-	24,780

	Unrestricted Funds £	Restricted Funds £	Total 2008 £	Total 2007 £
East Africa				
Community based Early Childhood Education, Kenya	-	26,023	26,023	20,000
- <i>Madrasa Resource Centre, Kenya</i>				
Community based Early Childhood Education, Uganda	-	2,525	2,525	30,000
- <i>Madrasa Resource Centre, Uganda</i>				
Community based Early Childhood Education, Tanzania	-	25,245	25,245	-
- <i>Zanzibar Madrasa Resource Centre</i>				
Enhancement of Universal Primary Education and Community, Uganda	-	98,451	98,451	113,994
- <i>Aga Khan Education Service, Uganda</i>				
Advanced Nursing Studies, East Africa	-	95,931	95,931	83,550
- <i>Aga Khan University Hospital, East Africa</i>				
Coastal Rural Support Programme, Kenya	-	25,000	25,000	25,000
- <i>Aga Khan Foundation, Kenya</i>				
Raha Leo Community Health Programme, Zanzibar	-	-	-	1,706
- <i>Aga Khan Foundation, Tanzania</i>				
Civil Society Programme, East Africa	-	267,399	267,399	200,937
- <i>Aga Khan Foundation, Kenya, Uganda & Tanzania</i>				
Upgrading the dental facility in Dar in Tanzania	55,301	-	55,301	-
- <i>Aga Khan Health Services, Tanzania</i>				
Total for East Africa programmes	55,301	540,574	595,875	475,187

Notes (continued)

8. Grants and donations made for social development programmes (continued)

	Unrestricted Funds	Restricted Funds	Total 2008	Total 2007
	£	£	£	£
India				
Programme for the Enrichment of School Level Education	-	-	-	109,127
- <i>Aga Khan Education Services, India</i>				
- <i>Bodh Shiksha Samiti</i>				
- <i>Centre for Education Management & Development</i>				
- <i>Narsee Monjee Institute of Management Studies</i>				
- <i>Dr. Reddy's Foundation for Human and Social Development</i>				
- <i>Society for All Round Development</i>				
Sustainable Community-based Approaches to Livelihoods Enhancement	-	3,254,167	3,254,167	1,594,695
- <i>Aga Khan Rural Support Program, India</i>				
- <i>Development Support Centre</i>				
- <i>Association for Rural Advancement Through Voluntary Action and Local Involvement</i>				
Post Earthquake Rehabilitation Programme, Gujarat	-	-	-	110,279
- <i>Aga Khan Education Services, India</i>				
- <i>Aga Khan Health Services, India</i>				
- <i>Aga Khan Rural Support Programme, India</i>				
- <i>Aga Khan Planning & Building Services, India</i>				
South Asian Earthquake Reconstruction	-	56,215	56,215	76,713
- <i>Aga Khan Foundation, India</i>				
Building Disaster Reliant Communities through Creating a Culture of Safety in Schools, Gujarat, India	-	36,785	36,785	60,487
- <i>Focus Humanitarian Assistance, India</i>				
Total for India programmes		3,347,167	3,347,167	1,951,301

Notes (continued)

8. Grants and donations made for social development programmes (continued)

	Unrestricted Funds £	Restricted Funds £	Total 2008 £	Total 2007 £
Kyrgyz Republic				
Civil Society Programme, Kyrgyz Republic - <i>Aga Khan Foundation, Kyrgyz Republic</i>	-	94,055	94,055	74,872
Total for Kyrgyz Republic programme	-	94,055	94,055	74,872
Mali				
Civil Society Programme, Mali - <i>Aga Khan Foundation, Mali</i>	-	73,850	73,850	91,223
Total for Mali programme	-	73,850	73,850	91,223
Pakistan				
Institute of Educational Development - <i>Institute of Educational Development, Pakistan</i>	-	743,564	743,564	-
Northern Pakistan Education Project - <i>Aga Khan Education Service, Pakistan</i> - <i>Aga Khan Rural Support Programme, Pakistan</i>	229,459	1,800,047	2,029,506	3,296,695
Disaster preparedness and Risk Management Project in Mountain Districts of Northern Pakistan - <i>Aga Khan Foundation, Pakistan</i> - <i>Focus Humanitarian Assistance, Pakistan</i>	-	53,028	53,028	-
Civil Society Programme, Pakistan - <i>Aga Khan Foundation, Pakistan</i>	-	69,813	69,813	109,261
Building Local Leadership and Mainstreaming Disaster Risk Reduction in Northern Pakistan - <i>Aga Khan Foundation, Pakistan</i> - <i>Focus Humanitarian Assistance, Pakistan</i>	-	103,462	103,462	150,151
South Asian Earthquake Reconstruction - <i>Aga Khan Foundation, Pakistan</i>	-	176,476	176,476	124,076
Total for Pakistan programmes	229,459	2,946,390	3,175,849	3,680,183

Notes (continued)

8. Grants and donations made for social development programmes (continued)

	Unrestricted Funds £	Restricted Funds £	Total 2008 £	Total 2007 £
Tajikistan				
Humanitarian Assistance (Food Aid, Food Security, Water Supply & Sanitation) - <i>Mountain Societies Development Support Programme, Tajikistan</i> - <i>Aga Khan Foundation, Tajikistan</i>	-	18,862	18,862	255,025
Fostering Disaster Resilient Communities in Isolated Mountain Areas, Tajikistan Phase I to IV - <i>FOCUS Humanitarian Assistance -USA</i>	-	408,993	408,993	192,095
Linking Communities and Government for Sustainable Development, Tajikistan - <i>Mountain Societies Development Support Programme, Tajikistan</i>	-	-	-	98,970
Income Generation and Strengthening of Civil society Activities, Tajikistan - <i>Mountain Societies Development Support Programme, Tajikistan</i>	-	71,429	71,429	135,540
Tajikistan Governance and Livelihoods Project- Phase 2 - <i>Mountain Societies Development Support Programme, Tajikistan</i>	-	493,937	493,937	223,484
Civil Society Programme, Tajikistan - <i>Aga Khan Foundation, Tajikistan</i>	-	151,065	151,065	187,120
Partnering for Education Reform in GBAO, Tajikistan - <i>Aga Khan Foundation, Tajikistan</i>	74,929	216,465	291,394	153,622
Total for Tajikistan programmes	74,929	1,360,751	1,435,680	1,245,856
International Programme (based in United Kingdom)				
Developing a Search and Rescue Team for Global deployment - <i>FOCUS Humanitarian Assistance (Europe)</i>	-	-	-	75,000
Total for International programme before Support costs	438,287	9,486,926	9,925,213	8,643,760
Support costs – International programmes	724,938	-	724,938	869,783
Total International programmes including support costs	1,163,225	9,486,926	10,650,151	9,513,543
United Kingdom				
Social Inclusion Studies – <i>Self administered project</i>	98,734	-	98,734	-
Support costs – UK programmes	61,507	-	61,507	-
Total for UK programmes	160,241	-	160,241	-
Total grants and donations for social development programmes	1,323,466	9,486,926	10,810,392	9,513,543

Notes (continued)

9. Tangible fixed assets

	Freehold land and buildings £	Long leasehold land and buildings £	Property fixtures and fittings £	Office furniture and equipment £	Total £
Cost					
At 1 January 2008	28,222,726	24,003	1,640,250	189,968	30,076,947
Additions	-	-	66,763	4,803	71,566
Disposals during the year	127,206	-	-	65,725	192,931
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	28,095,520	24,003	1,707,013	129,046	29,955,582
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 January 2008	9,006,551	7,791	1,561,051	174,861	10,750,254
Charge for the year	561,909	286	97,094	6,703	665,992
Disposals during the year	70,155	-	-	65,725	135,880
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	9,498,305	8,077	1,658,145	115,839	11,280,366
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 December 2008	18,597,215	15,926	48,868	13,207	18,675,216
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	19,216,175	16,212	79,199	15,107	19,326,693
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

All assets are held for charitable purposes.

10. Investments

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

11. Debtors

	2008 £	2007 £
Inter-company debtors	2,695	2,057
Capital work-in-progress	2,421	66,763
Accrued income	539,049	558,088
Interest receivable	38,549	-
Other debtors	170,163	334,091
	<hr/>	<hr/>
	752,877	960,999
	<hr/>	<hr/>

Notes (continued)

17. Lease commitments

At 31 December 2008, the Company had annual commitments under non-cancellable operating leases as follows:

	2008 Land & Buildings £	2008 Other £	2008 Total £	2007 Total £
Over five years	2,938,088	-	2,938,088	-
	<u>2,938,088</u>	<u>-</u>	<u>16,026,839</u>	<u>-</u>

AKF(UK) has a 7 year lease with the Wellcome Trust in respect of office accommodation at 210 Euston Road, London NW1 2DA. The lease was signed on 1 December 2008. AKF (UK) shares the building with the IIS and the Institute for the Study of Muslim Civilisations (ISMC), who occupy substantial majority of the available accommodation. AKF (UK), IIS and ISMC share premises' costs on the basis of the proportion of the total amount of space that they each occupy. Accordingly, IIS and ISMC reimburse AKF (UK) for their share of premises' costs on a regular basis. This annual rental charge will commence from 01 September 2009 as the terms of the lease included a rent free period from 01 December 2008 to 31 August 2009.

18. Financial commitments

At 31 December 2008, the Company had capital commitments of £1,164,445 (2007:£nil) to Imara (UK) Limited in connection with the building of a cultural centre in East London.

19. Reconciliation of funds

	Unrestricted Funds		Restricted Funds	2008 Total	2007 Total
	General Funds £	Designated Funds £	£	£	£
Balance at 1 January	324,325	26,467,125	10,466	26,801,916	24,147,402
Movements in year					
Net movement in resources for the year	71,133	11,348,290	(5,280)	11,414,143	2,654,514
	<u>395,458</u>	<u>37,815,415</u>	<u>5,186</u>	<u>38,216,059</u>	<u>26,801,916</u>
Represented by:					
Tangible fixed assets	13,207	18,662,009	-	18,675,216	19,326,693
Investment	1	-	-	1	1
Current assets	483,808	19,431,573	14,183	19,929,564	8,072,267
Current liabilities	(101,458)	(278,167)	(8,997)	(388,622)	(596,945)
	<u>395,558</u>	<u>37,815,415</u>	<u>5,186</u>	<u>38,216,159</u>	
Share capital	(100)	-	-	(100)	(100)
	<u>395,458</u>	<u>37,815,415</u>	<u>5,186</u>	<u>38,216,059</u>	<u>26,801,916</u>

Notes (continued)

20. Called up share capital

	2008 £	2007 £
Authorised, issued and fully paid:		
Ordinary shares of £1 each	100	100
	<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 it being wound up, such amount not exceeding £1. In addition, the Company is precluded from making any distributions to members either by way of a dividend or on a winding up.

21. Ultimate holding company

The ultimate holding company is regarded by the Council members as being the AKF Geneva, which is incorporated in Switzerland, which holds ninety nine percent of the shares of the Company.

22. Related party transactions

The intercompany debtors are the receivables from the holding company and other AKF field offices working as either branches of AKF Geneva or as affiliated units. These debtors represent the amounts paid for travel and other expenditure on behalf of these offices.