

Aga Khan Foundation (United Kingdom)

Report of Council and Financial Statements

31 December 2018

Registered Number 01100897

Registered Charity Number 266518



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Report of the Council and Strategic Report

The members of the Council, who are also directors for Companies Act purposes, present their annual report and the audited financial statements of the Aga Khan Foundation (United Kingdom) (hereinafter “charitable company” or “AKF (UK)”) for the year ended 31 December 2018. The Council has adopted the provisions of the Statement of Recommended Practice (SORP) “Accounting & Reporting by Charities” (revised 2015) in preparing the annual report and financial statements.

Reference and administrative information

Members of the Council

The members of the Council at 31 December 2018 were:

His Highness the Aga Khan
Prince Amyn Mohamed Aga Khan
Guillaume de Spoelberch

National Committee

The Council is supported by a National Committee, whose members (who are not directors) at 31 December 2018, were:

Mahmood H. Ahmed	Chairman
Abyd Karmali	Vice Chairman
Salimah Currimbhoy	
Liakat Hasham	
Faaiza Lalji	
Dr. Gurdofarid Miskinzoda	
Munira Nathoo	
Dr. Nacim Pak-Shiraz	
Shainila Pradhan	

Secretary

Habib Motani

Chief Executive Officer

Matthew Todd Reed

Registered office

3 Cromwell Gardens
London SW7 2HB

Registered auditor

KPMG LLP
15 Canada Square
London E14 5GL

Bankers

Lloyds Bank plc
39 Threadneedle Street
London EC2R 8AU

Report of the Council and Strategic Report *(continued)*

Structure, governance and management

Governing document

Aga Khan Foundation (United Kingdom) is a company limited by guarantee and having share capital, incorporated on 9 March 1973, and registered as a charity on 4 December 1973. The objects and powers of 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) of a simple majority of the issued shares in the capital of AKF (UK).

The Council is supported by the National Committee for governance and supervision of AKF (UK). The National Committee is appointed by 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 the recent financial performance of AKF (UK). During the orientation, they meet the key employees and other members of the Council. There were no new members of the Council appointed during 2018.

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 the Aga Khan Development Network (hereinafter “AKDN”) as a whole. The annual international Aga Khan Foundation budget meeting involves the production of comprehensive information, including a progress report on all significant activities, an update on performance against annual budgets and an update on the programmes. Additional information is submitted to the Council regularly throughout the year, to ensure they are kept abreast of key developments. Additional meetings on specific topics of concern to the Council are scheduled on an as-needed basis. This process ensures that the Council is kept abreast of the on-going activities of AKF (UK) and has a strong understanding of the relationships and transactions with related parties of AKF (UK) within the AKDN. In view of this, no additional on-going training for the members of the Council is needed.

The National Committee was appointed on 1 May 2017. When new National Committee members are 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 including management, accounting, legal, communications and healthcare.

Organisation

The Council, which can have up to seven members, governs AKF (UK). A Chief Executive Officer (CEO) is appointed by the Council to manage the day-to-day operations of AKF (UK). The Council meets annually, with meetings of its sub-committees throughout the 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, in addition to reporting to the Council, also reports to the General Manager of the Aga Khan Foundation in Geneva and the National Committee.

The National Committee has established a sub-committee to support the finance and administration of AKF (UK). This sub-committee meets monthly. The skills and experience of this Finance Committee have helped AKF (UK) in achieving its objectives.

As a member of the AKDN, AKF (UK) draws upon the experience of the wider AKDN network. However, it has stand-alone operating policies and procedures.

The CEO and Heads of Departments are considered to be the senior management personnel of AKF (UK). The remuneration of the CEO is recommended to the Council by the General Manager and leadership of the Aga Khan Foundation in Geneva and in consultation with the National Committee. This process includes benchmarking against the UK charities and development sector, benchmarking across AKDN agencies worldwide and consideration of the CEO's depth of experience in the sector and role.

Report of the Council and Strategic Report *(continued)*

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 would require disclosure within this report.

Objectives and Activities

Principal activities

AKF (UK) is registered as a charity in England, is an affiliate of the international Aga Khan Foundation, and is part of the Aga Khan Development Network. Its principal activities are social development, institutional development and social and cultural activities. These activities promote and provide for the advancement of education, health, rural development, the environment and support to civil society. The members of the Council confirm that they have had regard to the Charity Commission guidance on public benefit when reviewing and setting AKF (UK)'s aims and objectives.

Fundraising

AKF (UK)'s fundraising activities are substantially directed at government agencies and institutions and not at the general public. AKF (UK) organises events to increase awareness of its and the AKDN's activities, and donations are often received following such events. In the context of significant events or initiatives relating to the AKDN or the Ismaili community, supporters sometimes choose to make donations to AKF (UK). In many years individuals enter charity runs or similar events selecting AKF (UK) as their chosen beneficiary. AKF (UK) itself holds a charity walk in some years. Fundraising activities are carried out by AKF (UK) staff or volunteers and no complaints were received relating to them during the year.

Social development

The primary role of AKF (UK) is to act as an interface between institutional and private donors on the one hand and the range of projects implemented by AKDN agencies on the other hand. It represents the agencies of AKDN to partner governments and institutions in Europe, the Middle East, and Asia, as well as to multilateral agencies in those regions. Principal activities are the development of long-term, strategic relationships with institutional donors, securing resources from donors for projects implemented by AKDN agencies, managing and reporting on grants, and other associated liaison between donors and implementing agencies. AKF (UK) has established long term relationships with significant institutional donors such as: Asian Development Bank, East African Community (EAC), European Commission (EC), the UK's Department for International Development (DFID), German Development Cooperation, the Norwegian Government, Japan International Cooperation Agency, Johnson & Johnson (J&J) and various other charities, foundations and government agencies through Memoranda of Understanding, grant contracts, or their equivalent.

Grant-making policy

AKF (UK) seeks to promote sustainable and equitable social development by encouraging innovative approaches to a range of development challenges in the fields of education, health, rural development, the environment and civil society, 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 values, approaches, goals and objectives. AKF (UK) works very closely with these grantees in the design, implementation and monitoring of projects. The aim is to create a critical mass of focused and innovative activities, complementing each other within and across sectors, in order to make a significant contribution to social development and improving quality of life.

Institutional development

In June 2011, AKF (UK) entered into a conditional contract with Kings Cross Central Limited Partnership to acquire residential apartments under development in Kings Cross, London. Pursuant to this, in January 2018, AKF (UK) acquired 25 apartments following practical completion of the building. All the apartments have been sub-let to one company and income from this investment will be used for AKF (UK)'s charitable purposes.

In June 2011, AKF (UK) acquired an option to acquire the leasehold interest in a building known as 'R1' in Kings Cross, London. In April 2016, the option to acquire this building for construction for educational and office use was exercised. In July 2018, AKF (UK) acquired this building, now known as the 'Aga Khan Centre'. It now houses the AKF (UK) offices and AKF (UK) also enables use of the building by the Institute of Ismaili Studies and the Aga Khan University Institute for the Study of Muslim Civilisations as part of AKF (UK)'s educational charitable objectives

In June 2011, AKF (UK) acquired the option to acquire the leasehold interest in a building known as 'P2' in Kings Cross, London. In June 2018, it was decided not to exercise this option but to release it back to the developers.

Report of the Council and Strategic Report *(continued)*

Achievements and performance

Social development

AKF (UK) assesses its performance and impact primarily through annual targets for raising funds, as well as monitoring the spending rates, quality of implementation, and compliance of the projects it supports. In addition, AKF (UK) sets annual targets for proposal development and donor cultivation, grants management, and communications and public affairs. These are reported on a quarterly basis to the Aga Khan Foundation Geneva and to the Chair of the National Committee.

In 2018, AKF (UK) secured 17 grants (at a total of £26.7m) to support AKDN and partner programmes primarily in Asia and Africa. The largest grant, for £9.3million, was secured from the European Commission.

In addition, AKF (UK) helped other AKDN agencies secure significant grants from European donors with whom AKF (UK) has the primary relationship. A further £20.1 million was obtained for these AKDN agencies from a wide range of partners including the EC, the UK, Australian, German, Swedish and Swiss Government institutions as well as from foundation and corporate donors.

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 on page 12. 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 11.

Income

During the year, the total income increased by 329% to £159.8m (*2017: increased by 33%*). This was driven principally by an increase in institutional development donations. In 2018 this was £120.3m (*2017: £16.5m*).

Income from grants increased by 34% to £22.7m (*2017 increase by 4% to £16.9m*). Agreements with main funders are on-going and underpin the successful resource mobilisation strategy that has enabled AKF (UK) to secure significant levels of funding for AKDN projects around the world. Maintaining on-going relationships with major donors and establishing new partnerships are critical to AKF (UK)'s success and sustainability. These relationships should ensure the future strength of AKF (UK)'s income for social development purposes against a backdrop of continuing financial austerity among donor institutions. The income recognised in the Statement of Financial Activities represents the proportion of multi-year grants that were recognised in 2018 according to the accounting policies set out in note 1 to the accounts, and so does not correspond to the total value of grants secured and signed in the year.

Expenditure

In 2018, total expenditure increased by 26% to £44.1m as a result of an increased value of grant contracts and increased donations designated for institutional development activities (*2017: increased by 39%*).

The excess of income over expenditure in 2018 is due to the increase in institutional development funds from the donations that were designated to acquire two new buildings in Kings Cross (*2017: excess*).

The most significant expenditure related to social development, of which £23.9m (*2017: £19.6m*) was disbursed during the year, benefiting projects implemented by AKDN institutions around the world. For international programmes supported directly through AKF (UK) in 2018, resources expended contributed to significant efforts in education, early childhood development, agriculture and food security, health and nutrition, civil society, energy and culture. The largest programmes were implemented in Afghanistan, where £13.7m project expenditure was made (*2017: £11.1m*), in particular on projects funded by DFID.

The other main category of resources expended was institutional development programmes amounting to £18.9m (*2017: £14.3m*). This includes funding for the Institute of Ismaili Studies in the UK, property in King's Cross, London and the Aga Khan University (notes 6, 8 and 18).

Report of the Council and Strategic Report *(continued)*

The core costs of managing AKF (UK) and administering the resource mobilisation and grants management functions increased to £1.7m (2017: £1.6m). These core costs are primarily funded by the Aga Khan Foundation Geneva. All donation income is applied to AKF (UK)'s charitable objectives, especially to programme expenditure on social development projects and institutional development.

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 (being 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 2018 was £0.3m (2017: £0.3m) and anticipates that the target level of free reserves at 31 December 2019 will be approximately £0.3m. As of 31 December 2018, the total unrestricted general reserve of £0.4m (2017: £0.5m) represented actual free reserves. This was therefore above the target level but the members of the Council expect this to reduce during 2019.

AKF (UK) has established a policy whereby the level of its designated reserves for social and institutional development projects should be sufficient to meet commitments on an annual basis. At 31 December 2018, out of a total balance of designated funds of £211.5m (2017: £92.6m), £17.9m (2017: £17.3m) represented designated funds held by AKF (UK) as part of its charitable activities for social and cultural purposes. The balance of £193.7m (2017: £75.3m) represented the designated funds for social and institutional development projects. 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 administration costs are concerned, these are covered by donations 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 significantly adversely affected at present by the current economic climate. At present plans are based on the assumption that AKF (UK) will continue to source a similar level of funds as in the recent past and for the foreseeable future and therefore the members of the Council consider AKF(UK) to be a going concern.

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 Committee reviews the placements on a regular basis and decides the appropriate placement periods on the basis of available funds and their intended use.

Report of the Council and Strategic Report *(continued)*

Future plans

In 2019, AKF (UK) will continue to develop a robust project pipeline with AKDN agencies, with emphasis on AKDN's significant and growing initiatives in civil society, culture, education, economic development, energy, health, livelihoods, climate adaptation and disaster preparedness. It will continue to pursue new partnerships and funding opportunities with bi-lateral and multi-lateral donors, especially to deepen its relationships with DFID, the European Commission, France and Germany, among other potential partners. AKF (UK) seeks to diversify sources of funding through new partnerships with foundations and corporations.

AKF (UK) works with field units of AKDN to support them in securing grants directly from European, Asian and multi-lateral donors. AKF (UK) is strengthening its London-based team to engage a wider range of partners, represent AKDN in public fora, and support the design and preparation of grant proposals and budgets. AKF (UK) coordinates extensively between field units and donors, requiring extensive communication and travel to the countries where AKDN is active. AKF (UK) also uses funds raised from private donations to match donor funding where there is a match-funding requirement.

AKF (UK) continues to promote awareness of the work of AKF (UK) and AKDN through presentations, events and exhibitions. This work is expected to grow in 2019 and in the future.

Principal Risks and Uncertainties

The Council, assisted by AKF (UK)'s National Committee and AKF (UK)'s CEO, annually assesses the major risks to which AKF (UK) is exposed. On a monthly basis, the Finance Committee meets and reviews ongoing risks and compliance issues, in particular those related to its operations and finance. The major risks to which AKF (UK) is exposed are:

- Reliance on a small number of sizeable, traditional donors
- The potential impact of the global economic situation, political trends, and security crises on the availability of development funding for regions where AKDN is active
- Compliance violations or donor guidelines that are not adhered to by implementing agencies

The first and second risks are mitigated both by cultivating new donor relationships, diversifying opportunities, widening and deepening current relationships, and sustaining high levels of trust through consistent professional performance. The third risk is mitigated through enhanced communications with and monitoring of implementing partners, independent evaluations, donor assessment of programmes and other key information, strengthening grant agreements and monitoring requirements. AKF Geneva employs internal audits to monitor implementing partners; when necessary these also monitor grant compliance with donor guidelines and are shared with AKF (UK). AKF (UK) is satisfied that appropriate systems are in place to mitigate AKF (UK)'s exposure to major risks.

Report of the Council and Strategic Report *(continued)*

Disclosure of information to auditors

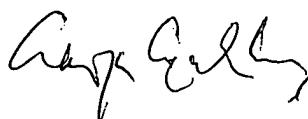
The members of the Council at the date of approval of this Report of the Council and Strategic Report confirm that, so far as they are aware, there is no relevant audit information of which AKF (UK)'s auditor is unaware; and the members of the Council have taken all the steps that they ought to have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

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed, and KPMG LLP will therefore continue in office.

Report of the Council and Strategic Report approved by order of the Council

Prince Ayn Mohamed Aga Khan



Member of the Council

Date: 10.09.2019

Statement of the Council's responsibilities in respect of the Report of the Council and Strategic Report and the financial statements

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

Company law requires the Council to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the Council must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the excess of income over expenditure for that period. In preparing these financial statements, 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;
- assess the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

The Council is responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charitable company and to prevent and detect fraud and other irregularities.

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

Independent auditor's report to the members of the Aga Khan Foundation (United Kingdom)

Opinion

We have audited the financial statements of the Aga Khan Foundation (United Kingdom) ("the charitable company") for the year ended 31 December 2018 which comprise the Statement of Financial Activities, including Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and related notes, including the accounting policies in note 1.

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 2018 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 UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the charitable company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Council have prepared the financial statements on the going concern basis as they do not intend to liquidate the charitable company or to cease its operations, and as they have concluded that the charitable company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Council's conclusions, we considered the inherent risks to the charitable company's business model, including the impact of Brexit, and analysed how those risks might affect the charitable company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the charitable company will continue in operation.

Report of the Council and Strategic Report

The Council is responsible for the Report of the Council and Strategic Report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the Report of the Council and Strategic Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Report of the Council and Strategic Report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- the charitable company has not kept adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of members of the Council's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

We have nothing to report in these respects.

Council's responsibilities

As explained more fully in their statement set out on page 8, the Council (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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



Joanne Lees (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square, London, E14 5GL

Date: 17 SEPTEMBER 2019

Statement of Financial Activities, including Income and Expenditure Account*for the year ended 31 December 2018*

	<i>Notes</i>	Unrestricted Funds		Restricted Funds	Total 2018	Total 2017
		General Funds	Designated Funds			
		£000	£000	£000	£000	£000
Income						
Income from grants, donations and legacies						
Grants, donations and legacies for:						
Social development programmes	6	-	561	22,721	23,282	17,626
Institutional development	6	-	120,347	-	120,347	16,457
Social and cultural centres		-	1	-	1	-
Communications and awareness raising		206	-	-	206	328
Core costs		1,382	-	-	1,382	1,256
Other income						
Rental income		-	1,874	-	1,874	1,547
Investment income		-	660	-	660	47
Other income		-	12,034	-	12,034	28
Total income		1,588	135,477	22,721	159,786	37,289
Expenditure						
Charitable activities						
Social development programmes	7	1,149	988	21,804	23,941	19,610
Institutional development	8	343	18,603	-	18,946	14,273
Social and cultural centres		36	987	-	1,023	774
Communications and awareness raising		206	-	-	206	328
Total expenditure		1,734	20,578	21,804	44,116	34,985
Net income / (expenditure) for the year		(146)	114,899	917	115,670	2,304
Transfers between funds		36	(35)	(1)	-	-
Net expenditure before other recognised gains and losses		(110)	114,864	916	115,670	2,304
Net gain/(loss) from foreign exchange		-	117	-	117	(24)
Net gain/(loss) from investments	10	-	3,950	-	3,950	-
Net movement in funds		(110)	118,931	916	119,737	2,280
Reconciliation of funds						
Total funds brought forward		490	92,605	170	93,265	90,985
Total funds carried forward	19	380	211,536	1,086	213,002	93,265

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 14 to 27 form part of these financial statements.

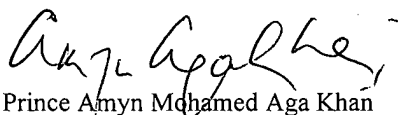
Balance Sheet
at 31 December 2018

	Notes	2018		2017	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	9	156,627		73,712	
Investments	10	24,500		-	
			181,127		73,712
Current assets					
Debtors	11	2,621		1,601	
Cash at bank and in hand	16	33,343		19,205	
		35,964		20,806	
Creditors: amounts falling due within one year	12	(4,089)		(1,253)	
Net current assets			31,875		19,553
Total assets less current liabilities			213,002		93,265
Creditors: amounts falling due after one year			-		-
Net Assets			213,002		93,265
Share capital and reserves					
Called up share capital	20		-		-
Funds:					
Unrestricted funds					
General funds	19		380		490
Designated funds	19		211,536		92,605
Restricted funds	19		1,086		170
			213,002		93,265

The financial statements on pages 11 to 27 were approved by the Council on behalf by:

and were signed on its

10.3.2019



Prince Ameen Mohamed Aga Khan

Member of the Council

Cash Flow Statement
for the year ended 31 December 2018

	<i>Notes</i>	2018 £000	2017 £000
Net cash inflow from continuing operating activities	<i>15</i>	119,281	2,248
Cash flows from investing activities			
Interest received		120	47
Payments to acquire fixed assets		(105,263)	(1,610)
Increase/(decrease) in cash and cash equivalents	<i>16</i>	14,138	685
Net cash at 1 January	<i>16</i>	19,205	18,520
Net cash at 31 December	<i>16</i>	33,343	19,205

The notes on pages 14 to 27 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 AKF (UK)'s financial statements.

Basis of preparation

The charitable company is considered to be a public benefit entity. The financial statements have been prepared under the historical cost convention and in accordance with 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 (SORP), the Companies Act 2006 and applicable Accounting Standards, FRS 102.

The financial statements have been prepared on a going concern basis as the members of the Council are satisfied that AKF (UK) will continue its charitable activities. The going concern basis of preparation is appropriate as funding for core costs is secure for the period to 31 December 2019, sufficient reserves are held for on-going operation and the activities of AKF (UK) are supported by funding received from donors.

Funds

General funds are unrestricted funds available for use at the discretion of the Council in furtherance of the general objectives of AKF (UK) 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 AKF (UK) 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 AKF (UK) at the time of the donation. Fixed assets with an acquisition cost of less than £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	over the period of the lease
Property fixtures and fittings	15%
Office furniture and equipment	15%
Computer equipment	33.33%

Investment properties

Investment properties are carried at fair value determined by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Financial Activities.

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.

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

Pension costs

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

Notes (continued)

1 Principal accounting policies (continued)

Income

Grants, donations and legacies receivable are from institutional donors, private donors and AKF Geneva. Donations are recognised when they become receivable and tax reclaimed on gift aid donations is accounted for in the period of the associated gift. Grants receivable represent those grants where AKF (UK) has signed the contract with the funding agency and accepts responsibility for their application: these are recognised when the grant conditions are met and when AKF (UK) becomes entitled to each instalment of the grant funding.

Expenditure

Grants made are recorded on a commitment basis and all other expenditures are recorded on an accruals 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 AKF (UK). Expenditure under designated funds is incurred to provide support to social development and institutional development projects and in respect of properties held by AKF (UK) as part of its charitable activities for social and cultural purposes. Expenditure under restricted funds is allocated specifically to the related projects. Support costs are allocated to the relevant charitable activity on the basis of the proportion of employee time spent on each activity.

Accounting estimates and key judgements

In the application of the AKF (UK)'s accounting policies, judgements, estimates and assumptions about the carrying value of assets and liabilities are made. These estimates, judgements and assumptions are made based on a combination of past experience, professional expert advice and other evidence that is relevant to the particular circumstance. The key areas of judgement included in the financial statements are summarised below:

- (i) Valuation of investment properties - Investment properties are carried at fair value determined by external valuers as disclosed in note 10.
- (ii) Potential impairment of fixed assets - Impairment reviews are conducted when events and changes in circumstances indicate that an impairment may have occurred. If any asset is found to have a carrying value materially higher than its recoverable amount, it is written down accordingly.
- (iii) Depreciation of fixed assets – Fixed assets are depreciated at rates calculated to write off the cost over their expected useful economic lives

2 Members of the Council's emoluments

No emoluments were paid to nor reimbursement of expenses received by the members of the Council for their duties (2017: £0).

3 Employee information

	2018 £000	2017 £000
Salaries and wages	1,317	1,068
Social security costs	145	122
Pension costs	71	55
Other benefits	68	39
	<u>1,601</u>	<u>1,284</u>

Senior Management personnel earned total salary and benefits of £560k (2017: £537k) and pension contributions totalling £34k (2017: £39k).

Notes (continued)

3 Employee information (continued)

The average number of full time equivalent staff employed by AKF (UK) during the year is:

	2018 Number	2017 Number
Communication	2	2
Finance and Administration	6	3
Grant administration	9	8
Victoria Hall Management	7	7
Aga Khan Centre Management	2	-
	<hr/>	<hr/>
	26	20
	<hr/>	<hr/>

	2018 Number	2017 Number
Employees earning above £60,000		
£60,001 - £70,000	1	1
£70,001 - £80,000	1	2
£80,001 - £90,000	1	-
£100,001 - £110,000	1	-
£200,001 - £210,000	-	1
£210,001 - £220,000	1	-

Pension contribution totalling £40k were made for these employees during the year (2017: £37k).

4 Expenditure

Expenditure for the year is stated after charging the following costs.

	2018 £000	2017 £000
Depreciation (note 9)	1,798	739
Audit fee – audit of these financial statements	22	13
Auditor's remuneration for non-audit services	22	4
	<hr/>	<hr/>

The £22k disclosed above in relation to non-audit fees includes fees from prior years in relation to tax compliance and grant certification which had not been accrued. The fees for non-audit work relating to the year ending 31 December 2018 are £8k. The audit fee for the year ending 31 December 2018 was £15,400 excluding VAT.

Notes (continued)**5 Support costs**

The support costs of AKF (UK) consisted of three cost elements. Support costs are allocated on a basis consistent with the use of resources and the calculation of allocation is determined by the percentage of time spent on each category by the relevant staff.

	Human Resources £000	Office Expenses & Information Technology £000	Travel Expenses £000	Total 2018 £000	Total 2017 £000
Unrestricted funds					
Social development programmes	835	206	108	1,149	1,152
Institutional development	269	67	7	343	134
Social and cultural centres	26	6	4	36	20
Communications and awareness raising	155	38	13	206	328
	<u>1,285</u>	<u>317</u>	<u>132</u>	<u>1,734</u>	<u>1,634</u>

6 Grants and donations received

	Unrestricted Funds £000	Restricted Funds £000	Total 2018 £000	Total 2017 £000
Social development programmes				
UK Department for International Development (DFID)	-	11,202	11,202	11,153
European Commission (including ECHO)	-	5,169	5,169	2,331
KfW	-	2,621	2,621	1,797
Aga Khan Foundation (USA)	-	1,830	1,830	-
Johnson & Johnson	-	983	983	1,114
Vitol Foundation	-	597	597	-
Big Lottery Fund	-	75	75	-
Porticus Foundation	-	32	32	309
Other Donations	561	212	773	922
	<u>561</u>	<u>22,721</u>	<u>23,282</u>	<u>17,626</u>
Institutional development				
Donations designated to Kings Cross capital projects	110,777	-	110,777	5,248
Donations in commemoration of His Highness the Aga Khan's Diamond Jubilee	6,074	-	6,074	6,178
Donations designated to the Aga Khan University	2,325	-	2,325	1,540
Donations designated to Kings Cross operational costs	885	-	885	-
Donations designated to the Institute of Ismaili Studies	286	-	286	3,201
Other Donations	-	-	-	290
	<u>120,347</u>	<u>-</u>	<u>120,347</u>	<u>16,457</u>

The donations designated to Kings Cross capital projects includes £106.0m (2017 £1.7m) from AKDN affiliates.

Notes (continued)

7 Expenditure on social development programmes

	Unrestricted Funds £000	Restricted Funds £000	Total 2018 £000	Total 2017 £000
Afghanistan				
DFID GEC STAGES II - Aga Khan Foundation, Afghanistan	-	10,935	10,935	9,550
EC Improve Participatory Management and Efficiency of Rangelands and Watersheds - Aga Khan Foundation, Afghanistan	-	2,251	2,251	-
Girls and Science - Aga Khan Foundation, Afghanistan	-	279	279	-
DFID GEC STAGES - Aga Khan Foundation, Afghanistan	-	209	209	1,513
Total for Afghanistan programmes	-	13,674	13,674	11,063
Bangladesh				
Community Based Early Childhood Development for Children of the Garment Sector - Aga Khan Foundation, Bangladesh	-	214	214	275
'Sustainability of Urban Childcare Centres (Pilot) - Aga Khan Foundation, Bangladesh	41	-	41	50
Total for Bangladesh programmes	41	214	255	325
East Africa				
Improving Social and Economic Opportunities for Youth in Northern Kenya - Aga Khan Foundation, East Africa and Islamic Relief Kenya	-	1,170	1,170	-
AKU-SONAM Nursing Scholarships - Aga Khan University, East Africa	-	294	294	-
Linking Community-based Saving Groups to Formal Financial Services in the West Nile region of Northern Uganda - Aga Khan Foundation, East Africa	61	90	151	72
Horticultural Value Chain Development - Aga Khan Foundation, East Africa and Tanzania Horticultural Association	-	124	124	266
Madrassa Resource Centre and Early Childhood Development in East Africa - Aga Khan Foundation, East Africa	-	100	100	488
Supporting the Government of Kenya's Values-Based Education Policy and Practice - Aga Khan Foundation, East Africa	99	-	99	27
Early Childhood Development in Tanzania - Aga Khan Foundation, East Africa	-	84	84	410
Capacity Development Initiative for Disabled Person's Organizations (Cap4DPO) - Aga Khan Foundation, East Africa and National Union of Disabled Persons of Uganda	5	50	55	-
Enhancing Access to Quality Nursing and Midwifery Education in East Africa - Aga Khan University, East Africa and Aga Khan Health Services, Kenya	-	-	-	345
Strengthening Nursing and Midwifery Associations in East Africa - Aga Khan Foundation, East Africa	-	-	-	227
Health Improvement Project, Tanzania - Aga Khan Foundation, East Africa	-	-	-	158
Sustainable Formation of Savings Group in Chiure Cabo Delgado - Aga Khan Foundation, Mozambique	-	-	-	118
Total for East Africa programmes	165	1,912	2,077	2,111

Notes (continued)

7 Expenditure on social development programmes (continued)

	Unrestricted Funds £000	Restricted Funds £000	Total 2018 £000	Total 2017 £000
Egypt				
Creating Access to Cairo's Islamic Cultural Heritage - Aga Khan Cultural Services, Egypt	58	499	557	-
Early Childhood Development - Aga Khan Foundation, Egypt	-	186	186	171
Strengthening the Capacity and Role of Civil Society Organisations in Egypt (SCR-CSO) - Aga Khan Foundation, Egypt	23	-	23	-
Total for Egypt programmes	81	685	766	171
India				
Supporting Local Authorities for Accountable, Responsive and Transparent Systems for Solid Waste Management - Aga Khan Foundation, India and Gram Swarajya Samiti Ghose (GSSG)	-	141	141	-
Improving Water and Sanitation Infrastructure and Hygiene Education in 20 Schools of Bihar and Uttar Pradesh - Aga Khan Foundation, India	-	55	55	-
Strengthening Participation in Local Governance to Enhance Access to Entitlements and Basic Services by Marginalised Tribal Communities - Aga Khan Rural Support Programme, India	-	-	-	4
Total for India programmes	-	196	196	4
Ivory Coast				
Supportive Caregiving: Reading, Playing and Healthy Living with Children - Aga Khan Foundation, West Africa	-	-	-	41
Total for Ivory Coast programmes	-	-	-	41
Kyrgyz Republic				
Strengthening civil society organisations' and youth's participation in local socio-economic development - Mountain Societies Development Support Programme, Kyrgyz Republic	19	-	19	-
Small and Medium Enterprise Growth - Mountain Societies Development Support Programme, Kyrgyz Republic	-	-	-	44
Total for Kyrgyz Republic programmes	19	-	19	44

Notes *(continued)*

7 Expenditure on social development programmes *(continued)*

	Unrestricted Funds £000	Restricted Funds £000	Total 2018 £000	Total 2017 £000
Mali				
Partenariat pour le Renforcement de la Résilience à l'Insécurité Alimentaire et Nutritionnelle au Nord Mali (PRIAN) - Aga Khan Foundation, Mali	48	-	48	-
Total for Mali programmes	48	-	48	-
Madagascar				
Madagascar Innovations Leverage for Climate Adaptation (MILCA) - Aga Khan Foundation, Madagascar	153	142	295	-
Total for Madagascar programmes	153	142	295	-
Tajikistan				
Integrated Health and Habitat Improvement (IHHI) Rasht - Aga Khan Foundation, Tajikistan	-	383	383	-
Improving livelihoods and food security through sustainable Natural Resource Management - Mountain Societies Development Support Programme Tajikistan, ACTED, Non-Commercial Cooperative Sarob and CAMP Kuhiston	237	-	237	-
Fostering Disaster Resilience in Isolated Mountain Environments of Tajikistan - Aga Khan Foundation, Tajikistan	-	-	-	346
Safe Drinking Water and Sanitation Management in Tajikistan - Aga Khan Foundation, Tajikistan	-	-	-	120
Mobilising Public-Private Partnerships in Support of Women-led Small Business Development - Aga Khan Foundation, Tajikistan	-	-	-	102
Total for Tajikistan programmes	237	383	620	568
Pakistan				
WASH for Life, Pakistan - Aga Khan Foundation, Pakistan, Aga Khan Planning and Building Service, Pakistan, HOPE'87 Pakistan and HOPE'87 Austria	-	120	120	475
Deepening Participatory Governance in Gilgit-Baltistan - Aga Khan Rural Support Programme, Pakistan	17	-	17	35
Early Education Programmes in Developing Areas of Northern Pakistan - Aga Khan Foundation, Pakistan	-	-	-	89
Emergency relief action to provide food, non-food items and essential health services in flood affected areas of Chitral - Aga Khan Foundation, Pakistan	-	-	-	33
Total for Pakistan programmes	17	120	137	632

Notes (continued)**7 Expenditure on social development programmes (continued)**

	Unrestricted Funds £000	Restricted Funds £000	Total 2018 £000	Total 2017 £000
Cross-Border				
Nusai Road Phase II Rehabilitation - Aga Khan Foundation, Afghanistan	-	1,050	1,050	-
Supporting Cooperation and Opportunities for Regional Economic Development (SCORED) - Aga Khan Foundation Afghanistan, Aga Khan Foundation Tajikistan, AP Tajikistan and Mountain Societies Development Support Programme	-	633	633	1,182
Rushan I Cross Border Energy Project - Pamir Energy	-	464	464	671
Pakistan, Afghanistan, Tajikistan Regional Integration Programme - Aga Khan Foundation Afghanistan, Aga Khan Foundation Pakistan, Aga Khan Foundation Tajikistan, Focus Humanitarian Assistance and Pamir Energy	-	419	419	429
Improved Access to Clean Water and Gender Empowerment in the High Mountain Border Regions of Pakistan and Afghanistan - Aga Khan Foundation, Pakistan	-	307	307	96
Kwahan Integrated Development - Aga Khan Foundation, Afghanistan	-	232	232	-
Early Childhood Development - Aga Khan Foundation, Kyrgyz Republic and Aga Khan Foundation, Tajikistan	-	176	176	160
Fostering Disaster-Resilient Communities in Isolated Mountain Environments of Tajikistan and Kyrgyzstan - FOCUS Humanitarian Assistance, Tajikistan and Mountain Societies Development Support Programme, Kyrgyz Republic	18	100	118	90
Vomar Dam extension, Nusai Road Rehabilitation and construction of Vanj Cross Border Market external area - Aga Khan Foundation Afghanistan	-	94	94	256
Study of Cross-Border Work between Afghanistan and its Neighbours - Chatham House	50	-	50	-
Enhancing resilience to the negative effects of climate change through improved water management in Gorno-Badakhshan Autonomous Oblast (GBAO) - Aga Khan Foundation, Tajikistan	-	35	35	-
Cross Border School Building - Aga Khan Foundation, Afghanistan and Aga Khan Foundation, Tajikistan	-	-	-	288
Total for Cross-Border programmes	68	3,510	3,578	3,172
Portugal				
Early Childhood Development - Aga Khan Foundation, Portugal	73	106	179	108
Total for Portugal programmes	73	106	179	108
Syria				
Early Childhood Development - Aga Khan Foundation, Portugal	49	647	696	-
Total for Syria programmes	49	647	696	-

Notes *(continued)*

7 Expenditure on social development programmes *(continued)*

	Unrestricted Funds £000	Restricted Funds £000	Total 2018 £000	Total 2017 £000
United Kingdom				
The Well Being of Troubled Young Muslims - British Muslims for Secular Democracy	32	-	32	-
Total for United Kingdom programmes	32	-	32	-
Total Grants made for social development programmes	983	21,589	22,572	18,239
Non-Grant Expenditure	1,154	215	1,369	1,371
Total Expenditure for social development programmes	2,137	21,804	23,941	19,610

8 Expenditure on institutional development programmes

	Unrestricted Funds £000	Restricted Funds £000	Total 2018 £000	Total 2017 £000
Aga Khan University Foundation various projects	11,393	-	11,393	2,899
Property developments at King's Cross in London	1,920	-	1,920	6,021
Institute of Ismaili Studies for their educational programmes	1,462	-	1,462	4,095
Total Grants made for institutional development programmes	14,775	-	14,775	13,015
Non-Grant Expenditure	4,171	-	4,171	1,258
Total Expenditure for institutional development programmes	18,946	-	18,946	14,273

Notes (continued)

9 Tangible fixed assets

	Freehold land and buildings £000	Long leasehold land and buildings £000	Property fixtures and fittings £000	Office furniture and equipment £000	Assets under construction £000	Total £000
Cost						
At 1 January 2018	30,186	55,681	2,316	166	2,328	90,677
Additions	141	78,254	6,724	-	-	85,119
Disposals	(211)	-	(29)	(166)	-	(406)
Transfers	-	-	2,328	-	(2,328)	-
At 31 December 2018	30,116	133,935	11,339	-	-	175,390
Depreciation						
At 1 January 2018	14,825	84	1,893	163	-	16,965
Charge for the year	602	99	1,449	-	-	2,150
Disposals	(160)	-	(29)	(163)	-	(352)
At 31 December 2018	15,267	183	3,313	-	-	18,763
Net book value						
At 31 December 2018	14,849	133,752	8,026	-	-	156,627
At 31 December 2017	15,361	55,597	423	3	2,328	73,712

All assets are held for charitable purposes.

10 Investments

Investment in shares

AKF (UK) owns one ordinary share of £1 (1% of the issued and paid up share capital) in the Institute of Ismaili Studies Limited (2017: £1), which is incorporated in England.

Investment in property

Investment property comprises Fenman House in the Kings Cross estate that is leased to a third party. The lease is for 5 years until 31 January 2023 with annual rents indexed to RPI. Changes in fair values are recognised as gains in the Statement of Financial Activities and included in Other Income. All gains are unrealised.

	2018 £000	2017 £000
Balance at 1 January	-	-
Acquisitions	20,550	-
Change in Fair Value	3,950	-
Balance at 31 December	24,500	-

Notes (continued)

11 Debtors

	2018 £000	2017 £000
Prepayments and accrued income	2,340	261
Debtors with other AKDN Agencies and affiliated institutions	272	1,261
Other debtors	9	79
	<u>2,621</u>	<u>1,601</u>

Debtors with other AKDN Agencies comprises £0k with the Aga Khan University (2017: £129k), £50k with AKF Geneva (2017: £51k), £2k with AKF Portugal (2017: £29k), £0k with the Institute of Ismaili Studies (2017: £957k), £71k with Aga Khan Academies (2017: £42k), £22k with Aga Khan Education Services (2017: £42k) and £94k with AKDN (2017: £11k).

12 Creditors

	2018 £000	2017 £000
Amounts falling due within one year		
Accruals and deferred income	3,079	1,045
Trade creditors	558	111
Payroll taxes	73	68
Creditors with other AKDN Agencies and affiliated institutions	347	-
Other creditors	32	29
	<u>4,089</u>	<u>1,253</u>

Creditors with other AKDN Agencies includes £209K with the Aga Khan University (2017: £0K) and £138k with the Institute of Ismaili Studies (2017: £0K).

13 Taxation

AKF (UK) is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore meets the definition of a charitable trust for UK income tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Part 10 Income Tax Act 2007 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

14 Pension scheme

AKF (UK) operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by AKF (UK) to the scheme and amounted to £71k (2017: £55k), £20k was payable at 31 December 2018 (2017: £30k).

Notes (continued)

15 Reconciliation of net income/ (expenditure) to net cash inflow from operating activities

	2018 £000	2017 £000
Net movement in funds	119,737	2,280
Depreciation on tangible fixed assets	1,798	739
(Gain) / Loss on Investment	(3,950)	-
Interest receivable	(120)	(47)
(Increase) / decrease in debtors	(1,020)	3,132
Increase / (decrease) in creditors	2,836	(3,856)
Net cash inflow from operating activities	119,281	2,248

16 Cash and cash equivalents

	2018 £000	2017 £000
Changes in the year		
At 1 January	19,205	18,520
Net cash inflow/(outflow)	14,138	685
At 31 December	33,343	19,205

17 Lease commitments

At 31 December 2018, AKF (UK) had annual commitments under non-cancellable operating leases as follows:

	2018 Land & Buildings £000	2017 Land & Buildings £000
Not later than one year	-	2,470
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	2,470

AKF (UK) held a 9 year 9 month 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 and expired on 31 August 2018. The annual rental charge commenced from 1 September 2009 as the terms of the lease included a rent-free period from 1 December 2008 to 31 August 2009. AKF (UK) shared usage of the building with the Institute of Ismaili Studies (IIS) and the Institute for the Study of Muslim Civilisations (ISMC). AKF (UK), IIS and ISMC shared premises' costs on the basis of the proportion of the total usage. Accordingly, IIS and ISMC reimbursed AKF (UK) for their share of premises' usage costs on a regular basis.

Notes (continued)

18 Capital commitments

Conditional capital commitments

In June 2011 AKF (UK) entered into a series of agreements with Kings Cross Central Limited Partnership ("KCCLP") in relation either to options to purchase, or in one case a conditional agreement to purchase, buildings and land at Kings Cross, London for educational, office, cultural, residential and retail uses. The agreements were conditional on a number of matters including obtaining the relevant permissions, KCCLP and AKF (UK) agreeing the design and specification of the buildings and KCCLP delivering infrastructure and making progress on the overall Kings Cross Central development. On 20 April 2016, the exercise of the option to acquire a building for construction in King's Cross, London for educational and office use was approved.

In 2018, the final options or conditional agreements were either exercised or released and all costs that had been capitalised as Assets under construction have now been transferred to Property Fixtures & Fittings in the balance sheet (see note 9). There were therefore no material conditional capital commitments as at 31 December 2018.

19 Reconciliation of funds

	Unrestricted Funds		Restricted Funds	2018 Total	2017 Total
	General Funds £000	Designated Funds £000	Funds £000	£000	£000
Balance at 1 January	490	92,605	170	93,265	90,985
Movements in year					
Net income for the year	(110)	118,931	916	119,737	2,280
Balance at 31 December	380	211,536	1,086	213,002	93,265
Represented by:					
Fixed assets	-	181,127	-	181,127	73,712
Current assets	867	32,393	2,704	35,964	20,806
Current liabilities	(487)	(1,984)	(1,618)	(4,089)	(1,253)
	380	211,536	1,086	213,002	93,265

Notes (continued)

19 Reconciliation of funds (continued)

Designated funds represent funds earmarked by the Council for the following purposes:

	Social Development £000	Institutional Development £000	Social and Cultural £000	2018 Total £000	2017 Total £000
Balance at 1 January	5,454	69,864	17,287	92,605	89,322
Movements in year					
Net movement in funds	(241)	118,598	574	118,931	3,283
	<u>5,213</u>	<u>188,462</u>	<u>17,861</u>	<u>211,536</u>	<u>92,605</u>
Represented by:					
Fixed assets	-	166,264	14,863	181,127	73,709
Current assets	5,213	24,091	3,089	32,393	19,738
Current liabilities	-	(1,893)	(91)	(1,984)	(842)
	<u>5,213</u>	<u>188,462</u>	<u>17,861</u>	<u>211,536</u>	<u>92,605</u>

20 Called up share capital

	2018 £	2017 £
Authorised, issued and fully paid:		
100 Ordinary shares of £1 each	100	100

According to the Memorandum of Association the liability of the members is limited. Every member of the charitable company undertakes to contribute to the assets of the charitable company in the event of it being wound up, such amount not exceeding £1. In addition, the charitable 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 members of the Council as being Aga Khan Foundation Geneva, which is incorporated in Switzerland and beneficially holds one hundred percent of the shares of AKF (UK).

22 Related party transactions and other AKDN agencies

There have been no related party transactions between AKF (UK) and the members of the Council in 2018. Transactions with AKF Geneva and agencies within the Aga Khan Development Network consist of the following:

- the reimbursement of staff costs associated with projects funded by other AKDN agencies (note 11);
- the reimbursement of costs incurred with respect to 210 Euston Road (notes 11, 12 and 17); and
- grants and donations of funding for projects, programmes and other activities supported by AKF (UK) (notes 6, 7, 8 and 18).
- The donation to Aga Khan University Foundation of £10.5m arising from the sale of an option previously held on the P2 plot in the Kings Cross estate for the purposes of their educational programmes.