

# **Aga Khan Foundation (United Kingdom)**

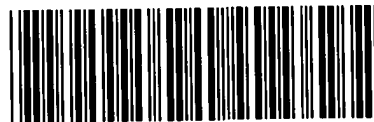
## **Report of Council and Financial Statements**

31 December 2019

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 2019. 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 during the year to 31 December 2019 were:

His Highness the Aga Khan

Prince Ameen Mohamed Aga Khan

Prince Rahim Aga Khan (Appointed 16 December 2019)

Princess Zahra Aga Khan (Appointed 16 December 2019)

Alan Abela (Appointed 16 December 2019)

Jane Piacentini-Moore (Appointed 16 December 2019)

Guillaume de Spoelberch (Resigned 16 December 2019)

### National Committee

The Council is supported by a National Committee, whose members (who are not directors) at 31 December 2019, were:

Mahmood H. Ahmed

Chairman

Abyd Karmali

Vice Chairman

Salimah Currimbhoy

Naushad Jivraj

Faiza 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 review written materials and undergo an informal orientation 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).

The current members of the Council 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 and communications.

#### **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 and other international development charities 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 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 also holds a charity walk and run 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 for projects implemented by AKDN agencies, managing and reporting on grants, and other associated liaison between institutional donors and implementing agencies. AKF (UK) has established long term relationships with significant partners such as: Asian Development Bank, European Commission (EC), the UK's Department for International Development (DFID), German Development Cooperation, French 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 furtherance of AKF (UK)'s educational charitable objectives, AKF (UK) makes high quality educational space and facilities available to the Institute of Ismaili Studies (IIS) and the Aga Khan University-Institute for the Study of Muslim Civilisations (ISMC) at the Aga Khan Centre in King's Cross London, the building which houses AKF (UK)'s offices. In addition, AKF (UK)'s nearby Victoria Hall building provides accommodation for higher education students, many of whom are attending programmes at IIS or ISMC.

## 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 2019, AKF (UK) secured 23 grants (at a total of £29.5 million) to support AKDN and partner programmes primarily in Asia and Africa. The largest grant, for £9.2 million, 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 £73.8 million was obtained for these AKDN agencies from a wide range of partners including the EC, the UK, Australian, French, German and Swiss Government institutions as well as from foundation and corporate donors.

#### Section 172(1) statement

The members of the Council are satisfied that all key decisions taken in 2019 have considered the long-term impact of such decisions and the impact on AKF (UK)'s donors, implementing partners, employees and the communities that we work in and with. AKF (UK) takes great care to ensure its activities are implemented in a collaborative manner and will deliver impactful change in the long-term.

#### Statement of engagement with suppliers, customers and others in a business relationship with the company

Maintaining collaborative business relationships is a key factor for AKF (UK) in order for us to continue to meet our strategic goals. This is especially true when it comes to our relationships with our grant-giving donors and the implementing partners with whom we work in partnership. AKF (UK) strives to ensure that all decisions taken on our programmes are taken in alignment with the wishes and regulations of those who fund them and taking into consideration the interests of those who are responsible for programme delivery, as we feel this is the most effective and efficient way of achieving lasting change for the communities that we work with.

### 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 decreased by 75% to £40.2m (2018: increased by 329%). This was driven principally by a decrease in institutional development donations. In 2019 this was £12.3m (2018: £120.3m).

Income from grants decreased by 6% to £21.5m (2018 increase by 34% to £22.7m). 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 2019 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.

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

### Expenditure

In 2019, total expenditure increased by 28% to £56.4m as a result of an increased value of social development grant contracts and increased donations designated for institutional development activities (2018: *increased by 26%*).

The most significant expenditure related to institutional development programmes amounting to £28.2m (2018: *£18.9m*). This includes funding to AKF Geneva, funding for IIS, expenditure on properties in King's Cross, London and funding for the Aga Khan University (note 8).

The other main category of resources expended was social development, of which £27.3m (2018: *£23.9m*) was disbursed during the year, benefiting projects implemented by AKDN institutions around the world. For international programmes supported directly through AKF (UK) in 2019, 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 £11.4m project expenditure was made (2018: *£13.7m*), in particular on projects funded by DFID.

The core costs of managing AKF (UK) and administering the resource mobilisation and grants management functions increased to £2.2m (2018: *£1.7m*). 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 2019 was £0.4m (2018: *£0.3m*) and anticipates that the target level of free reserves at 31 December 2020 will be approximately £0.4m. As of 31 December 2019, the total unrestricted general reserve of £0.4m (2018: *£0.4m*) represented actual free reserves.

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 2019, out of a total balance of designated funds of £195.5m (2018: *£211.5m*), £17.3m (2018: *£17.9m*) represented designated funds held by AKF (UK) as part of its charitable activities for social purposes. The balance of £178.2m (2018: *£193.7m*) 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 2020, 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. A significant effort will be made to address the effects of the COVID-19 pandemic in AKDN's countries of operation. AKF (UK) will continue to pursue new partnerships and funding opportunities with bi-lateral and multi-lateral donors, especially to deepen its relationships with DFID, France and Germany, among other potential partners. Despite the departure of the United Kingdom from the European Union, AKF (UK) will maintain its relationships with the European Commission, supporting partnerships between the EC and other AKF offices. In recent years, AKF (UK) has established a diversified funding base through new partnerships with foundations and corporations, and this work will continue.

AKF (UK) works with field units of AKDN to support them in securing grants directly from European, Asian and multi-lateral donors. AKF (UK) has strengthened 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. Subject to restrictions on movement in response to the COVID-19 pandemic, this work is expected to grow in the future.

### Principal Risks and Uncertainties

The Council, assisted by AKF (UK)'s National Committee and AKF (UK)'s CEO, assesses the major risks to which AKF (UK) is exposed on an on-going basis. 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.

### Statement on COVID-19

AKF (UK) is complying with public health authority requirements and implementing fundamental measures to impede transmission of COVID-19. At this time the full impact of COVID-19 on AKF (UK) is unknown due to the uncertain nature of this crisis and how long it will last. The following is AKF (UK)'s current assessment of the situation.

- All AKF (UK) employees continue to work but are now working from home
- Social development activities are continuing and any delays in programming are being fully supported by donors. Where possible we are also flexing programme activities to include activities related to COVID-19
- Whilst some reductions in income are anticipated, these are expected to be mitigated by reductions in expenditure
- We have cancelled all UK based events until the end of 2020
- We are not expecting any significant changes in our reserves levels due to COVID-19



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

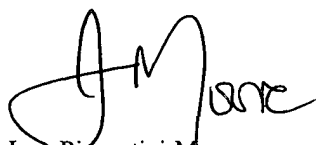
### **Disclosure of information to auditors**

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

A handwritten signature in black ink, appearing to read 'J Moore', with a stylized flourish at the end.

Jane Piacentini-Moore

*Member of the Council*

Date: 25 September 2020

## **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 2019 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 2019 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.

## **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 2019 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 2019 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](http://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.

*JH Lees*

**Joanne Lees (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square, London, E14 5GL

02 OCTOBER 2020

**Statement of Financial Activities, including Income and Expenditure Account***for the year ended 31 December 2019*

	Notes	Unrestricted Funds		Restricted Funds	Total 2019	Total 2018
		General Funds £000	Designated Funds £000	£000	£000	£000
<b>Income</b>						
<b>Income from grants, donations and legacies</b>						
Grants, donations and legacies for:						
Social development programmes	6	-	683	21,654	22,337	23,282
Institutional development	6	-	12,263	-	12,263	120,347
Social and cultural centres		-	6	-	6	1
Communications and awareness raising		246	-	-	246	206
Core costs		1,871	-	-	1,871	1,382
<b>Other income</b>						
Rental income		-	3,176	-	3,176	1,874
Investment income		-	171	-	171	660
Other income		56	32	-	88	12,034
<b>Total income</b>		2,173	16,331	21,654	40,158	159,786
<b>Expenditure</b>						
<b>Charitable activities</b>						
Social development programmes	7	1,473	3,492	22,350	27,315	23,941
Institutional development	8	404	27,814	-	28,218	18,946
Social and cultural centres		44	625	-	669	1,023
Communications and awareness raising		246	-	-	246	206
<b>Total expenditure</b>		2,167	31,931	22,350	56,448	44,116
<b>Net income / (expenditure) for the year</b>		6	(15,600)	(696)	(16,290)	115,670
Transfers between funds		(1)	(25)	26	-	-
<b>Net expenditure before other recognised gains and losses</b>		5	(15,625)	(670)	(16,290)	115,670
Net gain/(loss) from foreign exchange		-	(412)	65	(347)	117
Net gain/(loss) from investments	10	-	-	-	-	3,950
<b>Net movement in funds</b>		5	(16,037)	(605)	(16,637)	119,737
<b>Reconciliation of funds</b>						
Total funds brought forward		380	211,536	1,086	213,002	93,265
<b>Total funds carried forward</b>	18	385	195,499	481	196,365	213,002

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 28 form part of these financial statements.

**Balance Sheet***at 31 December 2019*

	Notes	2019		2018	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	9	154,925		156,627	
Investments	10	24,500		24,500	
			179,425		181,127
<b>Current assets</b>					
Debtors	11	899		2,621	
Cash at bank and in hand	16	24,790		33,343	
		25,689		35,964	
<b>Creditors: amounts falling due within one year</b>	12	(8,749)		(4,089)	
<b>Net current assets</b>			16,940		31,875
<b>Total assets less current liabilities</b>			196,365		213,002
Creditors: amounts falling due after one year			-		-
<b>Net Assets</b>			196,365		213,002
<b>Share capital and reserves</b>					
Called up share capital	19		-		-
<b>Funds:</b>					
Unrestricted funds					
General funds	18		385		380
Designated funds	18		195,499		211,536
Restricted funds	18		481		1,086
			196,365		213,002

The financial statements on pages 11 to 28 were approved by the Council on 25 September 2020 and were signed on its behalf by:



Jane Piacentini-Moore

Member of the Council

**Cash Flow Statement***for the year ended 31 December 2019*

	<i>Notes</i>	<b>2019</b> <b>£000</b>	2018 £000
<b>Net cash inflow from continuing operating activities</b>	<i>15</i>	<b>(8,233)</b>	119,281
<b>Cash flows from investing activities</b>			
Interest received		<b>171</b>	120
Payments to acquire fixed assets		<b>(491)</b>	(105,263)
<b>Increase/(decrease) in cash and cash equivalents</b>	<i>16</i>	<b>(8,553)</b>	14,138
Net cash at 1 January	<i>16</i>	<b>33,343</b>	19,205
<b>Net cash at 31 December</b>	<i>16</i>	<b>24,790</b>	33,343

The notes on pages 14 to 28 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 members of the Council have prepared the financial statements on a going concern basis which they consider is appropriate for the following reasons.

The business model of the charity is such that its charitable activities are limited to those which are primarily funded by funds received from external donors. Other than commitments which are so funded, the charity therefore has no specific commitments and no committed costs beyond its fixed costs of operation which are detailed in note 5 and grants to be paid to partners from funds already received. The Council have reviewed cash flow forecasts covering the period of 12 months from the date of approval of these financial statements which indicate that the charity will have sufficient funds to meet its liabilities as they fall due for that period.

The Council have considered the implications of COVID-19 on those cash flow forecasts and consider that as a result of the charity's operating model explained above, even if no further funding is received in the 12 months period, the charity has sufficient cash reserves to pay all committed costs. As a result, the Council consider it appropriate for the financial statements to be prepared on a going concern basis.

**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 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%

**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 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 (2018: £0).

**3 Employee information**

	<b>2019</b>	2018
	<b>£000</b>	£000
Salaries and wages	<b>1,738</b>	1,317
Social security costs	<b>178</b>	145
Pension costs	<b>126</b>	71
Other benefits	<b>46</b>	68
	<b>2,088</b>	1,601

Senior Management personnel earned total salary and benefits of £508k (2018: £560k) and pension contributions totalling £43k (2018: £34k).

**Notes (continued)**

**3 Employee information (continued)**

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

	2019 Number	2018 Number
Communication	3	2
Finance and Administration	6	6
Grant administration	17	9
Victoria Hall Management	7	7
Aga Khan Centre Management	7	2
	<hr/> 40 <hr/>	<hr/> 26 <hr/>

Employees earning above £60,000	2019 Number	2018 Number
£60,001 - £70,000	1	1
£70,001 - £80,000	1	1
£80,001 - £90,000	3	1
£90,001 - £100,000	1	-
£100,001 - £110,000	-	1
£210,001 - £220,000	-	1
£230,001 - £240,000	1	-

Pension contribution totalling £63k were made for these employees during the year (2018: £40k).

**4 Expenditure**

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

	2019 £000	2018 £000
Depreciation (note 9)	2,193	1,798
Audit fee – audit of these financial statements	33	22
Auditor's remuneration for non-audit services	22	22
	<hr/>	<hr/>

The £22k disclosed above in relation to non-audit fees includes fees for a VAT review, fees for corporation tax computations and fees for project audits. The audit fee for the year ending 31 December 2019 was £25,000 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	<b>Total 2019 £000</b>	<b>Total 2018 £000</b>
<b>Unrestricted funds</b>					
Social development programmes	900	330	159	<b>1,389</b>	1,149
Institutional development	290	107	7	<b>404</b>	343
Social and cultural centres	28	10	6	<b>44</b>	36
Communications and awareness raising	166	61	19	<b>246</b>	206
	<b>1,384</b>	<b>508</b>	<b>191</b>	<b>2,083</b>	<b>1,734</b>

**6 Grants and donations received**

	Unrestricted Funds £000	Restricted Funds £000	<b>Total 2019 £000</b>	<b>Total 2018 £000</b>
<b>Social development programmes</b>				
UK Department for International Development (DFID)	-	10,814	<b>10,814</b>	11,202
European Commission (including ECHO)	-	5,931	<b>5,931</b>	5,169
KfW	-	3,356	<b>3,356</b>	2,621
Johnson & Johnson	-	800	<b>800</b>	983
Ikea Foundation	-	250	<b>250</b>	-
German Federal Foreign Office	-	87	<b>87</b>	-
Big Lottery Fund	-	29	<b>29</b>	75
Vitol Foundation	-	8	<b>8</b>	597
Aga Khan Foundation (USA)	-	-	-	1,830
Porticus Foundation	-	-	-	32
Other Donations	683	379	<b>1,062</b>	773
	<b>683</b>	<b>21,654</b>	<b>22,337</b>	<b>23,282</b>

**Institutional development**

Donations in commemoration of His Highness' Diamond Jubilee	7,342	-	<b>7,342</b>	6,074
Donations designated to the Aga Khan University	2,416	-	<b>2,416</b>	2,325
Donations designated to Kings Cross operational costs	2,221	-	<b>2,221</b>	885
Donations designated to the Institute of Ismaili Studies	248	-	<b>248</b>	286
Donations designated to Kings Cross capital projects	-	-	-	110,777
Other Donations	36	-	<b>36</b>	-
	<b>12,263</b>	<b>-</b>	<b>12,263</b>	<b>120,347</b>

**Notes (continued)**

**7 Expenditure on social development programmes**

	Unrestricted Funds £000	Restricted Funds £000	Total 2019 £000	Total 2018 £000
<b>Afghanistan</b>				
DFID GEC STAGES II - Aga Khan Foundation, Afghanistan	-	10,598	<b>10,598</b>	10,935
EC Improve Participatory Management and Efficiency of Rangelands and Watersheds - Aga Khan Foundation, Afghanistan	67	439	<b>506</b>	2,251
Australia Afghanistan Community Resilience Scheme - Aga Khan Foundation, Afghanistan	193	-	<b>193</b>	-
Preservation of Endangered Languages in Afghanistan's Badakhshan - Aga Khan Foundation, Afghanistan Province	10	53	<b>63</b>	-
Forest Restoration to Enhance Ecosystem Services in Afghanistan - Aga Khan Foundation, Afghanistan	38	-	<b>38</b>	-
Girls and Science - Aga Khan Foundation, Afghanistan	-	-	-	279
DFID GEC – STAGES - Aga Khan Foundation, Afghanistan	-	-	-	209
<b>Total for Afghanistan programmes</b>	<b>308</b>	<b>11,090</b>	<b>11,398</b>	<b>13,674</b>
<b>Bangladesh</b>				
Community Based Early Childhood Development for Children of the Garment Sector - Aga Khan Foundation, Bangladesh	13	(14)	<b>(1)</b>	214
'Sustainability of Urban Childcare Centres (Pilot) - Aga Khan Foundation, Bangladesh	(41)	41	-	41
<b>Total for Bangladesh programmes</b>	<b>(28)</b>	<b>27</b>	<b>(1)</b>	<b>255</b>
<b>Egypt</b>				
Creating Access to Cairo's Islamic Cultural Heritage - Aga Khan Cultural Services, Egypt	-	178	<b>178</b>	557
Women in Agriculture - Aga Khan Foundation, Egypt	5	-	<b>5</b>	-
Early Childhood Development - Aga Khan Foundation, Egypt	-	-	-	186
Strengthening the Capacity and Role of Civil Society Organisations in Egypt (SCR-CSO) - Aga Khan Foundation, Egypt	-	-	-	23
<b>Total for Egypt</b>	<b>5</b>	<b>178</b>	<b>183</b>	<b>766</b>

**Notes (continued)**

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

	Unrestricted Funds £000	Restricted Funds £000	Total 2019 £000	Total 2018 £000
<b>Cross-Border</b>				
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	607	4,139	4,746	633
Cross Border School Building Construction - Aga Khan Foundation, Afghanistan	-	1,014	1,014	-
Strengthening the Capacity and Role of Civil Society Kwahan Integrated Development - Aga Khan Foundation, Afghanistan	-	822	822	232
Shugnan VI Energy Cross Border Project Phase I - Pamir Energy	-	743	743	-
Nusai Road Phase II Rehabilitation - Aga Khan Foundation, Afghanistan	-	333	333	1,050
Rushan I Cross Border Energy Project - Pamir Energy	-	225	225	464
Batken-Sughd Cross-Border Development Project - Aga Khan Foundation, Kyrgyz Republic and Aga Khan Foundation Tajikistan	-	86	86	-
Chatham House Stabilisation Events and Report - Chatham House	14	53	67	-
Improved Access to Clean Water and Gender Empowerment in the High Mountain Border Regions of Pakistan and Afghanistan - Aga Khan Foundation, Pakistan	-	66	66	307
Establishment of a fibre processing unit with dehairing and storage in cross-border areas - Aga Khan Foundation, Tajikistan	-	62	62	-
All-weather access road for cross-border tourism areas - Aga Khan Foundation, Pakistan	-	14	14	-
Promoting Access to Educational Institutions in the Cross-Border Districts - Aga Khan Foundation, Afghanistan	-	9	9	-
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
Early Childhood Development - Aga Khan Foundation, Kyrgyz Republic and Aga Khan Foundation, Tajikistan	-	-	-	176
Fostering Disaster-Resilient Communities in Isolated Mountain Environments of Tajikistan and Kyrgyzstan - FOCUS Humanitarian Assistance, Tajikistan and Mountain Societies Development Support Programme, Kyrgyz Republic	-	-	-	118
Vomar Dam extension, Nusai Road Rehabilitation and construction of Vanj Cross Border Market external area - Aga Khan Foundation Afghanistan	-	-	-	94
Enhancing resilience to the negative effects of climate change through improved water management in Gorno-Badakshan Autonomous Oblast (GBAO) - Aga Khan Foundation, Tajikistan	-	-	-	35
Study of Cross-Border Work between Afghanistan and its Neighbours - Chatham House	(2)	-	(2)	50
<b>Total for Cross-Border programmes</b>	<b>619</b>	<b>7,566</b>	<b>8,185</b>	<b>3,758</b>

**Notes (continued)**

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

	Unrestricted Funds £000	Restricted Funds £000	Total 2019 £000	Total 2018 £000
<b>East Africa</b>				
Improving Social and Economic Opportunities for Youth in Northern Kenya - Aga Khan Foundation, East Africa and Islamic Relief Kenya	-	922	922	1,170
AKU-SONAM Nursing Scholarships - Aga Khan University, East Africa	-	522	522	294
Early Childhood Development in Tanzania - Aga Khan Foundation, East Africa	171	333	504	84
Madrasa Resource Centre and Early Childhood Development in East Africa - Aga Khan Foundation, East Africa	-	371	371	100
Strengthening New Pathways for Youth Education, Empowerment and Employment in India and Kenya - Aga Khan Foundation, East Africa	114	249	363	-
Capacity Development Initiative for Disabled Person's Organizations (Cap4DPO) - Aga Khan Foundation, East Africa and National Union of Disabled Persons of Uganda	230	50	280	55
Linking Community-based Saving Groups to Formal Financial Services in the West Nile region of Northern Uganda - Aga Khan Foundation, East Africa	55	155	210	151
Horticultural Value Chain Development - Aga Khan Foundation, East Africa and Tanzania Horticultural Association	65	146	211	124
JUNTOS III - Aga Khan Foundation, Mozambique	97	-	97	-
In Their Hands - Aga Khan Foundation, East Africa	40	-	40	-
Supporting the Government of Kenya's Values-Based Education Policy and Practice - Aga Khan Foundation, East Africa	31	-	31	99
Sustainable Formation of Savings Group in Chiure Cabo Delgado - Aga Khan Foundation, Mozambique	19	-	19	-
<b>Total for East Africa programmes</b>	<b>822</b>	<b>2,748</b>	<b>3,750</b>	<b>2,077</b>
<b>India</b>				
Supporting Local Authorities for Accountable, Responsive and Transparent Systems for Solid Waste Management - Aga Khan Foundation, India and Gram Swarajya Samiti Ghose (GSSG)	-	118	118	141
Strengthening Participation in Local Governance to Enhance Access to Entitlements and Basic Services by Marginalised Tribal Communities - Aga Khan Rural Support Programme, India	2	-	2	-
Improving Water and Sanitation Infrastructure and Hygiene Education in 20 Schools of Bihar and Uttar Pradesh - Aga Khan Foundation, India	-	-	-	55
<b>Total for India programmes</b>	<b>2</b>	<b>118</b>	<b>120</b>	<b>196</b>

**Notes (continued)**

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

	Unrestricted Funds £000	Restricted Funds £000	Total 2019 £000	Total 2018 £000
<b>Kyrgyz Republic</b>				
Strengthening civil society organisations' and youth's participation in local socio-economic development - Mountain Societies Development Support Programme, Kyrgyz Republic	-	-	-	19
<b>Total for Kyrgyz Republic programmes</b>	-	-	-	19
<b>Mali</b>				
Partenariat pour le Renforcement de la Résilience à l'Insécurité Alimentaire et Nutritionnelle au Nord Mali (PRIAN) - Aga Khan Foundation, Mali	-	-	-	48
<b>Total for Mali programmes</b>	-	-	-	48
<b>Madagascar</b>				
SPEEDRICE: "Scaling-up, Promoting and Expanding Effortless Direct-seeding RICE permaculture" - Aga Khan Foundation, Madagascar	-	19	19	-
Madagascar Innovations Leverage for Climate Adaptation (MILCA) - Aga Khan Foundation, Madagascar	-	-	-	295
<b>Total for Madagascar programmes</b>	-	19	19	295
<b>Pakistan</b>				
Promoting Integrated Mountain Safety in Northern Pakistan (PIMSNP) - Aga Khan Foundation, Pakistan	602	-	602	-
Strengthening Participation in Local Governance to Enhance WASH for Life, Pakistan - Aga Khan Foundation, Pakistan, Aga Khan Planning and Building Service, Pakistan, HOPE'87 Pakistan and HOPE'87 Austria	-	-	-	120
Deepening Participatory Governance in Gilgit-Baltistan - Aga Khan Rural Support Programme, Pakistan	-	-	-	17
<b>Total for Pakistan programmes</b>	602	-	602	137
<b>Portugal</b>				
Capacity Building of Senior Caregivers - Aga Khan Foundation, Portugal	-	224	224	-
Early Childhood Development - Aga Khan Foundation, Portugal	-	-	-	179
<b>Total for Portugal programmes</b>	-	224	224	179



Notes (continued)

7 Expenditure on social development programmes (continued)

	Unrestricted Funds £000	Restricted Funds £000	Total 2019 £000	Total 2018 £000
<b>Switzerland</b>				
Schools 2030 - Aga Khan Foundation, Geneva	77	-	77	-
<b>Total for Switzerland programmes</b>	<u>77</u>	<u>-</u>	<u>77</u>	<u>-</u>
<b>Syria</b>				
Salamieh District Multi-Sectoral Humanitarian Assistance (MSHA) - Aga Khan Foundation, Syria	50	227	277	696
<b>Total for Syria programmes</b>	<u>50</u>	<u>227</u>	<u>277</u>	<u>696</u>
<b>Tajikistan</b>				
Safe Drinking Water and Sanitation Management in Tajikistan (SWSMT) - Aga Khan Foundation, Tajikistan	250	-	250	-
Fostering Disaster Resilience in Isolated Mountain Environments of Tajikistan - Aga Khan Agency for Habitat, Tajikistan	135	42	177	-
Integrated Health and Habitat Improvement (IHHI) Rasht - Aga Khan Foundation, Tajikistan	376	(383)	(7)	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
<b>Total for Tajikistan programmes</b>	<u>761</u>	<u>(341)</u>	<u>420</u>	<u>620</u>
<b>United Kingdom</b>				
Development of Earthquake model - Global Parametrics	-	175	175	-
The Well Being of Troubled Young Muslims - British Muslims for Secular Democracy	-	-	-	32
<b>Total for United Kingdom programmes</b>	<u>-</u>	<u>175</u>	<u>175</u>	<u>32</u>
<b>Total Grants made for social development programmes</b>	<u>3,218</u>	<u>22,031</u>	<u>25,249</u>	<u>22,572</u>
Non-Grant Expenditure	1,747	319	2,066	1,369
<b>Total Expenditure for social development programmes</b>	<u>4,965</u>	<u>22,350</u>	<u>27,315</u>	<u>23,941</u>

## Notes (continued)

### 8 Expenditure on institutional development programmes

	Unrestricted Funds £000	Restricted Funds £000	Total 2019 £000	Total 2018 £000
Aga Khan Foundation Geneva, various projects	17,000	-	17,000	-
Aga Khan University Foundation various projects	3,063	-	3,063	11,393
Institute of Ismaili Studies for their educational programmes	2,132	-	2,132	1,462
Property developments at King's Cross in London	357	-	357	1,920
<b>Total Grants made for institutional development programmes</b>	<b>22,552</b>	<b>-</b>	<b>22,552</b>	<b>14,775</b>
Non-Grant Expenditure	5,666	-	5,666	4,171
<b>Total Expenditure for institutional development programmes</b>	<b>28,218</b>	<b>-</b>	<b>28,218</b>	<b>18,946</b>

### 9 Tangible fixed assets

	Freehold land and buildings £000	Long leasehold land and buildings £000	Property fixtures and fittings £000	Total £000
<b>Cost</b>				
At 1 January 2019	30,116	133,935	11,339	175,390
Additions	236	-	255	491
Disposals	-	-	-	-
Transfers	-	-	-	-
At 31 December 2019	30,352	133,935	11,594	175,881
<b>Depreciation</b>				
At 1 January 2019	15,267	183	3,313	18,763
Charge for the year	607	99	1,487	2,193
Disposals	-	-	-	-
At 31 December 2019	15,874	282	4,800	20,956
<b>Net book value</b>				
At 31 December 2019	14,478	133,653	6,794	154,925
At 31 December 2018	14,849	133,752	8,026	156,627

All assets are held for charitable purposes.

## Notes (continued)

### 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 (2018: £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.

	2019 £000	2018 £000
Balance at 1 January	24,500	-
Acquisitions	-	20,550
Change in Fair Value	-	3,950
<b>Balance at 31 December</b>	<b>24,500</b>	<b>24,500</b>

### 11 Debtors

	2019 £000	2018 £000
Prepayments and accrued income	506	2,340
Debtors with other AKDN Agencies and affiliated institutions	384	272
Other debtors	9	9
	<b>899</b>	<b>2,621</b>

Debtors with other AKDN Agencies includes £90k with AKF Geneva (2018: £50k), £0k with AKF Portugal (2018: £2k), £96k with Aga Khan Academies (2018: £71k), £86k with Aga Khan Education Services (2018: £22k) and £113k with AKDN (2018: £94k).

**Notes (continued)****12 Creditors**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year</b>		
Accruals and deferred income	<b>8,056</b>	3,079
Trade creditors	<b>560</b>	558
Payroll taxes	<b>95</b>	73
Creditors with other AKDN Agencies and affiliated institutions	<b>-</b>	347
Other creditors	<b>38</b>	32
	<b>8,749</b>	4,089

Creditors with other AKDN Agencies includes £0k with the Aga Khan University (2018: £209k) and £0k with the Institute of Ismaili Studies (2018: £138k).

**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 £126k (2018: £71k), £36k was payable at 31 December 2019 (2018: £20k).

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

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Net movement in funds	<b>(16,637)</b>	119,737
Depreciation on tangible fixed assets	<b>2,193</b>	1,798
(Gain) / Loss on Investment	<b>-</b>	(3,950)
Interest receivable	<b>(171)</b>	(120)
(Increase) / decrease in debtors	<b>1,722</b>	(1,020)
Increase / (decrease) in creditors	<b>4,660</b>	2,836
<b>Net cash inflow from operating activities</b>	<b>(8,233)</b>	119,281

**Notes (continued)****16 Cash and cash equivalents**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Changes in the year		
At 1 January	<b>33,343</b>	19,205
Net cash inflow/(outflow)	<b>(8,553)</b>	14,138
	<hr/>	<hr/>
At 31 December	<b>24,790</b>	33,343
	<hr/>	<hr/>

**17 Capital commitments****Conditional capital commitments**

There were no material conditional capital commitments as at 31 December 2019.

**18 Reconciliation of funds**

	<b>Unrestricted Funds</b>		<b>Restricted Funds</b>	<b>2019</b>	<b>2018</b>
	<b>General Funds</b>	<b>Designated Funds</b>	<b>Funds</b>	<b>Total</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 January	380	211,536	1,086	<b>213,002</b>	93,265
<b>Movements in year</b>					
Net income for the year	5	(16,037)	(605)	<b>(16,637)</b>	119,737
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December	385	195,499	481	<b>196,365</b>	213,002
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Represented by:</b>					
Fixed assets	-	179,425	-	179,425	181,127
Current assets	654	17,695	7,340	25,689	35,964
Current liabilities	(269)	(1,621)	(6,859)	(8,749)	(4,089)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	385	195,499	481	<b>196,365</b>	213,002
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**Notes (continued)****18 Reconciliation of funds (continued)**

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

	<b>Social Development £000</b>	<b>Institutional Development £000</b>	<b>Social £000</b>	<b>2019 Total £000</b>	<b>2018 Total £000</b>
Balance at 1 January	5,213	188,462	17,861	211,536	92,605
<b>Movements in year</b>					
Net movement in funds	(3,165)	(12,267)	(605)	(16,037)	118,931
	<u>2,048</u>	<u>176,195</u>	<u>17,256</u>	<u>195,449</u>	<u>211,536</u>
<b>Represented by:</b>					
Fixed assets	-	164,870	14,555	179,425	181,127
Current assets	2,048	12,946	2,071	17,695	32,393
Current liabilities	-	(1,621)	-	(1,621)	(1,984)
	<u>2,048</u>	<u>176,195</u>	<u>17,256</u>	<u>195,499</u>	<u>211,536</u>

**19 Called up share capital**

	<b>2019 £</b>	<b>2018 £</b>
<b>Authorised, issued and fully paid:</b>		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

According to the Memorandum of Association the liability of the members is limited. Every member of the 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.

**20 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 owns one hundred percent of the shares of AKF (UK).

**21 Related party transactions and other AKDN agencies**

There have been no related party transactions between AKF (UK) and the members of the Council in 2019. 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 (note 12); and
- grants and donations of funding for projects, programmes and other activities supported by AKF (UK) (notes 6, 7 and 8).

## **Notes (continued)**

### **22 Non-adjusting post balance sheet event – COVID-19**

Subsequent to the year end, the economic disruption caused by the COVID-19 pandemic and associated public policy responses may have had an impact on the value of investment properties held by AKF (UK). However, given the lack of transaction data and level of market uncertainty, it is not possible to make a reliable estimate of the impact of this non-adjusting post balance sheet event. As there is no intention to sell the properties and AKF (UK) has no borrowings, any fluctuation in value will not have a significant impact on the activities and financial position of AKF (UK).