

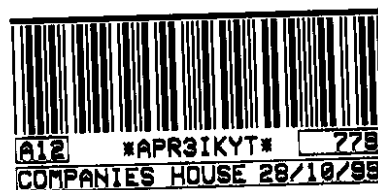
Aga Khan Foundation (United Kingdom)

Report and financial statements

31 December 1998

Registered number 1100897

Registered charity 266518



Directors' report and financial statements

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Members of the Council

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

Secretary and registered office

Habib Motani
3 Cromwell Gardens
London
SW7 2HB

Registered auditors

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

Bankers

Lloyds Private Banking Limited
50 Grosvenor Street
London
W1X 9FH

Report of the Governing Council

The members of the Council, who are also directors for Companies Act purposes, present their annual report and the financial statements for the year ended 31 December 1998.

Principal activities

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

Business review

AKF (UK) has maintained its ability to attract substantial grants for development and humanitarian programmes and continues to be recognised as a serious resource for contributions to policy dialogue. The dedicated hard work of volunteers, friends and supporters, aided by the skills of an energetic and talented staff, and led by its National Committee, has led to AKF (UK) being recognised as a leading development organisation in Europe.

UK Programmes

Funding was provided for a continuation of the Birmingham Settlement project 'sustainable strength'. This project provides education and employment initiatives for women in inner city areas of Birmingham with a high proportion of ethnic minority communities. Efforts this year concentrated on drawing in new partners from charitable trusts and presenting the project to the business community to draw on resources and strategic support.

The European Commission provided a Block Grant award and the mini-grants were framed around the theme of strengthening the non-governmental institutions and community-based organisations. AKF (UK) continued with the Aga Khan Foundation - London School of Oriental and African Studies (SOAS) Internship Programme for the second year running. Discussions have also continued on a Fellowship Programme at SOAS for a senior staff member from the Aga Khan Development Network (AKDN) or its grantees in 1999, to provide an opportunity to distil lessons and prepare research and studies on AKDN programme impact.

International programmes

For the programme portfolio in Pakistan, the UK Department for International Development (DfID) provided a grant for the Aga Khan Rural Support Programme (AKRSP) in Chitral. This grant is combined with the support received last year for AKRSP Gilgit. In addition, subject to approval, DfID will also provide a grant for the Aga Khan Health Services through AKF for the Chitral Primary Health Care programme.

The European Commission approved financial support to an innovative education programme in India, bringing together a number of organisations that are developing methodologies to improve education provision to minority and excluded communities. The programme will support a wider government sector reform programme for primary school education in India, which is being supported by a number of European governments and the European Commission.

For activities in Central Asia, various grants were received for the food security and humanitarian programmes in Tajikistan. The Humanitarian division of the British Government provided funds to procure wheat flour and oil for food-insecure areas of Tajikistan. The UK Government also provided a grant from the Know How Fund for education reform activities in Tajikistan. The European Commission continued to support AKDN activities in Central Asia providing a grant for the agricultural reform programme which included food commodities for Gorno Badakshan Autonomous Oblast in Tajikistan. The European Office for Humanitarian Assistance (ECHO) provided an emergency grant of food aid for Tajikistan.

Funding was also received from the European Commission Co-financing Unit and the DfID Joint Funding Scheme for seven smaller projects in Kenya, Uganda and Tanzania, covering early childhood education, school improvement, health systems and rural development.

Report of the Governing Council *(continued)*

Volunteers

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

Administration expenses

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

Financial position at the year end

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

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

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

Resources arising for charitable activities decreased by 5% over 1997. The property fund has been principally used to finance the purchase or development of properties for charitable purposes.

Reserves policy

AKF (UK) requires reserves in order to be able to match some of the joint-funded projects, and for the furtherance of the Foundation's activities. The level of reserves needs to be sufficient to meet commitments on an annual basis. In order to achieve this level of reserves, AKF (UK) will undertake events to raise awareness of the charity and thereby seek support for example, for sponsorships and commitments on a long term basis including through tax efficient methods such as deeds of covenant and gift aid donations.

Members of the Council

The members of the Council at 31 December 1998 were:

His Highness The Aga Khan

His Highness Prince Ayn Mohamed Aga Khan

Maitre Andre Ardoin

Guillaume de Spoelberch

Interests of members of the Council

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

Report of the Governing Council *(continued)*

Management

The Council is supported by a National Committee whose members during the year to 31 December were:

Abdul Bhanji	Chairman
Habib Motani	Vice Chairman and Secretary
Dame Maureen Thomas DBE	
Ms Nazira Kheraj	
Naushad Jivraj	
Mahmood Hussein Ahmed	
Anvaraly Jiva	

Chief Executive Officer:
Aly Nazerali

Year 2000

The principal Year 2000 issue is that many computer systems express dates using only the last two digits of the year. These systems require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and potential disruption.

Members of the Council are aware of the potential problems facing the Foundation but are at present confident that operations can continue normally at and in the aftermath of the Millennium. The Foundation places little reliance on computerised systems, however, the impact these issues may have on our suppliers and banks is being assessed. Appropriate procedures will be put in place should the need arise. Members of the Council believe that the measures taken are appropriate to the situation and will cover most eventualities without significant expenditure.

Report of the Governing Council *(continued)*

Statement of responsibilities of the members of the Council

Law applicable to incorporated charities in England and Wales requires the members of the Council who are also directors for the purposes of company law, to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of its financial activities during the year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

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

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

Auditors

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

By order of the Council



Secretary



1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

Report of the auditors to the members of Aga Khan Foundation (United Kingdom)

We have audited the financial statements on pages 7 to 15 .

Respective responsibilities of directors and auditors

As described on page 5, the members of the Council, who are also the directors of Aga Khan Foundation (United Kingdom) for the purposes of company law, are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the charitable company as at 31 December 1998 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

Chartered Accountants

Registered Auditors

28 September 1999

Statement of financial activities

for the year ended 31 December 1998

	Unrestricted funds		Restricted funds	Total 1998	Total 1997
Income and expenditure	General funds	Property fund			
	£	£	£	£	£
Incoming resource					
Grants and donations received for:					
Social development programmes	281,485	-	7,164,921	7,446,406	7,272,788
Institutional development	750,191	-	-	750,191	1,013,408
Social and cultural centres	-	516,382	-	516,382	1,036,821
Administration	578,863	-	69,421	648,284	645,118
Communications and awareness raising	54,137	-	-	54,137	47,279
Bank interest receivable	51,871	105,763	15,594	173,228	99,918
Total incoming resources	1,716,547	622,145	7,249,936	9,588,628	10,115,332
Use of resources					
Direct charitable expenditure					
Grants and donations made for:					
Social development programmes					
- international	280,376	-	7,489,614	7,769,990	6,578,631
- UK	16,813	-	-	16,813	15,500
Institutional development	297,189	-	7,489,614	7,786,803	6,594,131
Social and cultural centres	859,918	-	-	859,918	951,445
Communications and awareness raising	-	46,399	-	46,399	62,200
Depreciation	54,137	-	-	54,137	47,279
Depreciation	-	486,386	-	486,386	494,790
Total direct charitable expenditure	1,211,244	532,785	7,489,614	9,233,643	8,149,845
Other expenditure					
Fund raising	52,863	-	-	52,863	188,820
Administration	529,698	-	69,421	599,119	522,002
Auditors' remuneration	8,000	-	-	8,000	9,000
Loss on disposal of fixed assets	-	-	-	-	-
Exchange loss/(gain)	(7,201)	-	-	(7,201)	3,909
	583,360	-	69,421	652,781	723,731
Total resources used in the year	1,794,604	532,785	7,559,035	9,886,424	8,873,576
Net movement in resources before transfers	(78,057)	89,360	(309,099)	(297,796)	1,241,756
Transfers between funds	-	-	-	-	-
Net movements in resources in the year	(78,057)	89,360	(309,099)	(297,796)	1,241,756

There were no recognised gains or losses other than those included in the Statement of Financial Activities. All the activities of the charity in the current and prior year are of an accounting nature, and have been stated on an historical basis.

The notes on pages 11 to 15 form part of these financial statements.

Reconciliation of funds for the year ended 31 December 1998

	Unrestricted funds		Restricted fund	Total 1998	Total 1997
	General funds	Property fund			
	£	£	£	£	£
Balance at 1 January	882,947	16,427,237	473,503	17,783,687	16,541,931
Movements in year					
Net movement in resources for the year	(78,057)	89,360	(309,099)	(297,796)	1,241,756
Balance at 31 December	804,890	16,516,597	164,404	17,485,891	17,783,687

Represented by:

Tangible fixed assets	-	14,989,133	-	14,989,133	14,808,448
Investment	1	-	-	1	1
Current assets	981,119	1,631,606	164,404	2,777,129	3,518,806
Current liabilities	(176,130)	(104,142)	-	(280,272)	(543,468)
Share capital	(100)	-	-	(100)	(100)
	804,890	16,516,597	164,404	17,485,891	17,783,687

The notes on pages 11 to 15 form part of these financial statements.

Balance sheet

at 31 December 1998

	Notes	1998	1997
		£	£
Fixed assets			
Tangible assets	4	14,989,133	14,808,448
Investments	5	1	1
		<u>14,989,134</u>	<u>14,808,449</u>
Current assets			
Debtors	6	206,105	610,157
Cash at bank and in hand		2,571,024	2,908,649
		<u>2,777,129</u>	<u>3,518,806</u>
Creditors: amounts falling due within one year	7	<u>(280,272)</u>	<u>(543,468)</u>
Net current assets		<u>2,496,857</u>	<u>2,975,338</u>
Total assets less current liabilities		<u>17,485,991</u>	<u>17,783,787</u>
Share capital and reserves			
Called up share capital	13	100	100
Fund Balances:		164,404	473,503
Restricted fund		16,516,597	16,427,237
Property fund		804,890	882,947
General funds		<u>17,485,991</u>	<u>17,783,787</u>

These financial statements were approved by the Council on 28.9.99 and were signed on its behalf by:

Guillaume de Spoelberch

A. A. A.

The notes on pages 11 to 15 form part of these financial statements.

Cash flow statement

for the year ended 31 December 1998

	<i>Notes</i>	1998 £	1997 £
Net cash flow from continuing operating activities	9	156,218	1,677,357
Returns on investments and servicing of finance			
Interest received		173,228	99,918
Net cash inflow from returns on investments and servicing of finance		173,228	99,918
Investment activities			
Purchase of tangible fixed assets		(667,071)	(924,274)
Net cash outflow from investing activities		(667,071)	(924,274)
Net cash (outflow)/inflow before financing		(337,625)	853,001
(Increase)/decrease in cash and cash equivalents	10	(337,625)	853,001
Change in year per analysis		337,625	(853,001)
Variance		-	-

The notes on pages 11 to 15 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Principal accounting policies

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

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention and in accordance with applicable Accounting Standards including the Statement of Recommended Practice: Accounting by Charities.

Funds

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

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

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

Tangible fixed assets

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

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

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

Operating leases

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

Foreign currencies

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

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

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

Pension costs

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

Notes (continued)

1 Principal accounting policies

Revenue and expenditure

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

Direct charitable expenditure and other expenditure

Direct charitable expenditure and other expenditure are allocated to the activities of the related fund. Costs in respect of restricted funds are allocated specifically to the related projects. The general fund's direct charitable expenditure and other expenditure are costs incurred in carrying out general activities undertaken by the Governing Council.

2 Council Members' emoluments

Under the Articles of Association no emoluments were paid to, nor reimbursement of expenses received by Council Members for their duties.

3 Employee information

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

	1998	1997
	Number	Number
Administration and communication	5	5
Grant administration	3	4
	<hr/>	<hr/>
	8	9
	<hr/>	<hr/>

- Employment costs of employees comprised:

	1998	1997
	£	£
Gross wages and salaries	266,231	250,901
Social security costs	29,384	24,963
Pension costs	17,261	15,163
	<hr/>	<hr/>
	312,876	291,027
	<hr/>	<hr/>

One employee earned between £60,001 and £65,000 during the year (1997: £55,001 - £60,000 - One).

Notes (continued)

4 Tangible fixed assets

	Freehold land and buildings £	Long leasehold land and buildings £	Property fixtures and fittings £	Office furniture and equipment £	Total £
Cost					
At 1 January 1998	19,047,938	24,003	802,163	113,913	19,988,017
Additions	629,758	-	-	37,313	667,071
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1998	19,677,696	24,003	802,163	151,226	20,655,088
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 January 1998	4,549,651	4,930	541,867	83,121	5,179,569
Charge for year	378,201	286	76,480	31,419	486,386
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1998	4,927,852	5,216	618,347	114,540	5,665,955
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 December 1998	14,749,844	18,787	183,816	36,686	14,989,133
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1997	14,498,287	19,073	260,296	30,792	14,808,448
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

5 Investments

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

6 Debtors

	1998 £	1997 £
Amounts falling due within one year		
Amounts owed by group undertakings	5,632	3,293
Other debtors	200,473	606,864
	<hr/>	<hr/>
	206,105	610,157
	<hr/>	<hr/>

Notes (continued)

7 Creditors

	1998 £	1997 £
Amounts falling due within one year		
Other creditors	124,618	475,403
Accruals	155,654	68,065
	<hr/>	<hr/>
	280,272	543,468
	<hr/>	<hr/>

8 Taxation

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

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

	1998 £	1997 £
Net movement in resources for the year	(297,796)	1,241,756
Depreciation on tangible fixed assets	486,386	494,790
Interest receivable	(173,228)	(99,918)
Increase in amounts owed from group undertakings	(2,339)	(1,373)
(Increase)/Decrease in debtors	406,391	(237,316)
Increase in other creditors	(263,196)	279,418
	<hr/>	<hr/>
	156,218	1,677,357
	<hr/>	<hr/>

10 Cash and cash equivalents

	1998 £	1997 £
Changes in the year		
At 1 January	2,908,649	2,055,648
Net cash inflow	(337,625)	853,001
	<hr/>	<hr/>
At 31 December	2,571,024	2,908,649
	<hr/>	<hr/>

Notes (continued)

11 Financial commitments

At 31 December 1998, the company had annual commitment under non-cancellable operating leases as follows:

	1998 Other £	1997 Other £
Expiring within one year	9,569	6,814
Expiring between two and five years	10,824	5,656
	<hr/>	<hr/>
	20,393	12,470
	<hr/>	<hr/>

12 Capital commitment

	1998 £	1997 £
Capital expenditure contracted for but not provided for in the financial statements	560,777	586,377
	<hr/>	<hr/>

13 Called up share capital

	1998 £	1997 £
Authorised, issued and fully paid:		
Ordinary shares of £1 each	100	100
	<hr/>	<hr/>

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

14 Ultimate holding company

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