

## COMPANIES HOUSE COPY

**THE AGA KHAN UNIVERSITY (INTERNATIONAL)  
IN THE UNITED KINGDOM**

**A COMPANY LIMITED BY GUARANTEE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2002**



 **Hacker  
Young**  
Chartered Accountants

**THE AGA KHAN UNIVERSITY (INTERNATIONAL) IN THE UNITED KINGDOM**  
**(A COMPANY LIMITED BY GUARANTEE)**  
**COMPANY INFORMATION**

---

<b>Board of Directors</b>	The Aga Khan University Aga Khan Education Services S.A.
<b>Secretary</b>	Nilufer Nasser
<b>Company Number</b>	04448389
<b>Registered Office</b>	3 Bedford Square London WC1B 3RA
<b>Principal Office</b>	3 Bedford Square London WC1B 3RA
<b>Auditors</b>	Hacker Young St Alphage House 2 Fore Street London EC2Y 5DH
<b>Bankers</b>	Lloyds TSB Pall Mall 8-10 Waterloo Place London SW1Y 4BE

**THE AGA KHAN UNIVERSITY (INTERNATIONAL) IN THE UNITED KINGDOM**  
**(A COMPANY LIMITED BY GUARANTEE)**  
**CONTENTS**

---

	<b>Page</b>
Report of the Board of Directors	1-2
Statement of the Board of Director's responsibilities	3
Corporate governance statement	4
Independent auditors' report	5
Income and expenditure account	6
Balance sheet	7
Notes to the financial statements	8-13

**THE AGA KHAN UNIVERSITY (INTERNATIONAL) IN THE UNITED KINGDOM  
(A COMPANY LIMITED BY GUARANTEE)  
REPORT OF THE BOARD OF DIRECTORS**

---

The Board of Directors is pleased to submit its report and financial statements for the period 27<sup>th</sup> May 2002 to 31<sup>st</sup> December 2002.

**Principal Activity**

The Aga Khan University (International) in the United Kingdom ("the University") is a company limited by guarantee and was incorporated on 27<sup>th</sup> May 2002. It operates under the trading name of "Institute for the Study of Muslim Civilisations" (AKU-ISMC) which is an academic unit of the Aga Khan University, chartered in 1983 as Pakistan's first private international university.

The goal of the University is to strengthen research and teaching on the heritage of Muslim societies in all their historic diversity. The University will study systems of moral and ethical thought, structures of governance and public life, as well as artistic and creative expressions in all forms.

The objects of the company shall be the advancement of education research, teaching and publication in the field of humanities in general and Muslim societies, in particular. The dissemination and sharing of knowledge through conferences, seminars and other media will be an integral part of the University's strategy for fostering pluralism and being a catalyst for development within Muslim societies and the wider community.

**Results for the period**

*Financial Statements:*

The results for the period and the University's financial position at the end of the year are shown in the attached financial statements.

*Sources of Funding:*

The Aga Khan Foundation in Geneva underwrote a \$10.4 million grant to be released at different periods to fund the operational requirements of the University as and when it is necessary. Of this fund £1,019,998 was received during the period ended 31 December 2002.

Strategies are currently being developed for additional sources of income, some of which will include donations from the private sector, corporate fund raising, sponsorship for programmes, projects and tuition fee revenue.

*Deferred Income:*

At 31 December 2002 there was a surplus of £33,821 of grant received but not spent during the period then ended. This is carried in the balance sheet as deferred income and not taken to the income and expenditure account as income for the period. This accounting treatment is adopted on the basis that the conditions attached to the grant are that any grants received in an accounting period which are in excess of the total amounts required to cover the expenses for that period are to be carried in the next accounting period to cover the expenses for that period.

*Capital expenditure & Improvement to Leasehold Property:*

During the period, the University undertook capital expenditure of £107,197 for improvement to the leasehold premises.

**THE AGA KHAN UNIVERSITY (INTERNATIONAL) IN THE UNITED KINGDOM  
(A COMPANY LIMITED BY GUARANTEE)  
REPORT OF THE BOARD OF DIRECTORS**

---

**Board of Directors**

The Board of Directors who served the University during the period were as follows:

The Aga Khan University  
Aga Khan Education Services S.A.

The Directors are also the sole members of the company. The limit of the guarantees given by the members amounts to £2 and can be found within members' funds in the balance sheet.

**Review and the way forward**

The objective during this period was to develop the administrative infrastructure and begin the recruitment of faculty and support staff. This process is underway and will continue over the next few years as the University expands in size and scope. The existing staff and faculty will enable the University to begin focusing on its educational activities.

As an educational institution in its formative stages, with the primary objective to disseminate knowledge on Muslim civilisations; preparatory work was undertaken in the following three inter related areas:

1. Educational Programmes,
2. Research and Publications and
3. The Annotated Bibliography Project.

**Auditors**

Hacker Young was appointed as auditors during the period.

A resolution to re-appoint Hacker Young as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

On behalf of the Board of Directors



Mr Nurallah Merchant  
**Director General University Administration**  
**The Aga Khan University**

29 October 2003

**THE AGA KHAN UNIVERSITY (INTERNATIONAL) IN THE UNITED KINGDOM  
(A COMPANY LIMITED BY GUARANTEE)  
STATEMENT OF THE BOARD OF DIRECTOR'S RESPONSIBILITIES**

---

In accordance with the Memorandum and Articles of Association, the Board of Directors of the Aga Khan University (International) in the United Kingdom ("the University") is responsible for the administration and management of the affairs of the University and is required to present audited financial statements for each financial year.

Company law requires the Board of Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the University and of the results of the University for that period.

The Board of Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the University and to enable it to ensure that the financial statements are prepared in accordance with the Statement of Recommended Practice and relevant accounting standards.

In causing the financial statements to be prepared, the Board of Directors has to ensure that:

- suitable accounting policies are selected and applied consistently;
- judgements and estimates are made that are reasonable and prudent;
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- financial statements are prepared on a going concern basis unless it is inappropriate to presume that the University will continue in operation.

The Board of Directors has taken reasonable steps to:

- ensure that funds from the Aga Khan Foundation, Geneva are used only for the purpose for which they have been given and in accordance with any conditions which they may prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard funds;
- safeguard the assets of the University and to prevent and detect fraud; and
- secure the economical, efficient and effective management of the resources and expenditure of the University.

The key elements of the University's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic departments and administrative sections;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of academic performance and financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the governing body.

Any system of internal control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

**THE AGA KHAN UNIVERSITY (INTERNATIONAL) IN THE UNITED KINGDOM  
(A COMPANY LIMITED BY GUARANTEE)  
CORPORATE GOVERNANCE STATEMENT**

---

The following statement is provided to enable readers of the Annual Report and Accounts of the University to obtain a better understanding of the governance of the University.

The University is committed to high standards of corporate governance and intend to comply with the principles set out in Section 1 of the Combined Code on Corporate Governance in so far as they relate to the University and to a Company of this size.

Since incorporation the Governing Body has been primarily concerned with developing the infrastructure of the University. During this period, and in view of the nature and size of the University, there has been no substantial requirement for adherence to the recommendation of the Code. However, as the University expands and develops, formal policies and procedures, as regards to compliance with the Combined Code will be established as the Board of Directors deem appropriate.

**INDEPENDENT AUDITORS' REPORT  
TO THE SHAREHOLDERS OF THE AGA KHAN UNIVERSITY (INTERNATIONAL)  
IN THE UNITED KINGDOM  
(A COMPANY LIMITED BY GUARANTEE)**

We have audited the financial statements of The Aga Khan University (International) in the United Kingdom on pages 6 to 13 for the period ended 31 December 2002. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As described in the statement of the Board of Director's responsibilities on page 3 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions. We also report to you if, in our opinion, the Report of Board of Directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

**Basis of opinion**

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

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985 and the Statement of Recommended Practice on Accounting in Further and Higher Education Institutions.

*Hacker Young*  
**Hacker Young**  
Chartered Accountants  
Registered Auditors

29 October 2003



**THE AGA KHAN UNIVERSITY (INTERNATIONAL) IN THE UNITED KINGDOM  
(A COMPANY LIMITED BY GUARANTEE)  
DETAILED INCOME AND EXPENDITURE ACCOUNT  
FOR THE SEVEN MONTHS ENDED 31 DECEMBER 2002**

	Note	7 month accounting period ended 31 December 2002 £
<b>INCOME</b>		
Funding grant	2	764,221
Other income	3	1,442
Investment income	4	188
		<hr/>
<b>Total income</b>		<b>765,851</b>
		<hr/>
<b>EXPENDITURE</b>		
Staff costs	5	210,158
Other operating expenses	6	511,635
Depreciation		43,727
Bank and finance charges		331
		<hr/>
<b>Total expenditure</b>		<b>765,851</b>
		<hr/>
Surplus on continuing operations after depreciation of assets at cost before tax		-
Taxation		-
<b>Surplus on continuing operations after depreciation of assets at cost and tax</b>		<b>-</b>
		<hr/> <hr/>

The income and expenditure account is in respect of continuing activities.

**THE AGA KHAN UNIVERSITY (INTERNATIONAL) IN THE UNITED KINGDOM**  
**(A COMPANY LIMITED BY GUARANTEE)**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 2002**

	Note	2002 £
<b>Fixed assets</b>		
Tangible assets	7	221,956
Investments	8	1
		<hr/>
		221,957
		<hr/>
<b>Current assets</b>		
Debtors	9	144,221
Cash at bank and in hand		60,877
		<hr/>
		205,098
<b>Creditors: amounts falling due within one year</b>	10	(205,097)
		<hr/>
<b>Net current assets</b>		1
		<hr/>
<b>Net assets</b>		221,958
		<hr/>
<b>Represented by:</b>		
Members fund	12	2
Deferred capital grant	13	221,956
		<hr/>
<b>Total</b>		221,958
		<hr/>

The financial statements on pages 6 to 13 were approved by the Board of Directors on 29 October 2003 and were signed on its behalf by:



Mr Nurallah Merchant  
**Director General University Administration**  
**The Aga Khan University**

**THE AGA KHAN UNIVERSITY (INTERNATIONAL) IN THE UNITED KINGDOM**  
**(A COMPANY LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**

---

**1. Accounting policies**

The financial statements are prepared in accordance with applicable accounting standards, the Statement of Recommended Practice Accounting in Further and Higher Education Institutions and the Companies Act 1985

**a) Basis of accounting**

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with applicable accounting standards.

**b) Group accounts**

The financial statements present information about the company as an individual undertaking and not about the group. The company and its subsidiary undertaking comprise a small-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

**c) Recognition of income**

Income from grants is included to the extent of the expenditure incurred during the year, together with any related contributions towards overhead costs. Grants that have been received during the year but which relate to future expenditure are deferred to future years.

Grants received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Donations and other income are recognised in the income and expenditure account in the year to which they relate.

Income from short term deposits is credited to the income and expenditure account in the period in which it is earned.

**d) Foreign currencies**

Transactions in foreign currencies are translated at rates prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling either at the rate of exchange prevailing at the period end or where there are related forward foreign exchange contracts, at contract rates.

The resulting exchange differences are dealt with in the determination of income and expenditure for the period.

**e) Pensions**

Payments to the company's defined contribution pension scheme are charged to the income and expenditure account as they become payable.

**THE AGA KHAN UNIVERSITY (INTERNATIONAL) IN THE UNITED KINGDOM  
(A COMPANY LIMITED BY GUARANTEE)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2002**

**1. Accounting policies (continued)**

**f) Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation and permanent diminutions in value. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life as follows:

Leasehold improvements	33.3% straight line
Computer equipment	33.3% straight line
Office equipment (included within other equipment)	25% straight line
Library books (included within other equipment)	nil (see below)

Library books are accounted for on a 'stock' accounting basis. Any books purchased are capitalised at cost and as they become obsolete or out of date or unusable, they are scrapped and the original cost is written off to the income and expenditure account in full. The books held therefore, maintain high residual values in relation to costs and due to this, they are not depreciated. The company maintains an appropriate register of books in order to apply this accounting policy.

**g) Investments**

Fixed asset investments are carried at historic cost less any provision for impairment in value.

**h) Cashflow statement**

The company has taken advantage of the exemption permitted by FRS1, whereby a cashflow statement need not be prepared by a small company as defined in the Companies Act 1985.

**2. Funding Grant**

**Aga Khan Foundation, Geneva**

Amounts received during the year (excluding deferred capital grant)	754,315
Release of deferred capital grant	43,727
Less: grant deferred to future periods	(33,821)

764,221  
=====

**3. Other income**

Provision of conference facilities	1,442
------------------------------------	-------

=====

**4. Investment income**

Interest receivable	188
---------------------	-----

=====

**THE AGA KHAN UNIVERSITY (INTERNATIONAL) IN THE UNITED KINGDOM  
(A COMPANY LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2002**

**5. Staff costs**

The average weekly number of persons (including senior post-holders) employed by the Institute during the period was:

	Number
Faculty	1
Support services	6
	<hr/>
	7
	=====

Staff costs for the above persons: £

Wages and salaries	186,570
Social security costs	18,797
Other pension costs	4,791
	<hr/>
	210,158
	=====

**6. Other operating expenses**

	£
Hotel expenses	8,450
Entertainment	1,598
Gratuities	125
Honorarium	3,150
Subsistence	3,567
Travel	19,249
Recruitment costs	9,051
Consultancy fees re: Institute of Ismaili Studies staff	81,935
Rent and service charge	96,879
Rates	2,584
Telephone and fax	9,540
Repairs and maintenance	38,962
Legal and professional	54,847
Insurance	1,557
Office supplies	7,582
Office cleaning and maintenance	4,420
Sundry	901
Central support costs- allocation of senior management's time and travel expenses (note 14)	167,238
	<hr/>
	511,635
	=====
Other operating expenses include:	£
Auditors' remuneration (included in legal and professional)	7,500
	=====

**THE AGA KHAN UNIVERSITY (INTERNATIONAL) IN THE UNITED KINGDOM**  
**(A COMPANY LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**

**7. Tangible fixed assets**

<b>Cost</b>	<b>Leasehold improvements £</b>	<b>Computer equipment £</b>	<b>Other equipment £</b>	<b>Total £</b>
Brought forward	-	-	-	-
Additions	107,197	31,809	126,677	265,683
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Carried forward	107,197	31,809	126,677	265,683
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Depreciation</b>				
Brought forward	-	-	-	-
Charge for year	20,844	16,698	6,185	43,727
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	20,844	16,698	6,185	43,727
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net book value</b>				
At 31 December 2002	86,353	15,111	120,492	221,956
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

- (a) The life of the lease is 5 years from 20 March 2002  
(b) The other equipment includes library books of £12,178

**8. Investments**

	<b>£</b>
Subsidiary company	1
	<u>          </u>

The University owns 100% of the issued ordinary £1 shares of The Institute For The Study Of Muslim Civilisations Limited, a company incorporated in England and Wales with one issued share. The subsidiary has been dormant for the whole period.

**9. Debtors**

	<b>£</b>
Trade debtors	1,226
Other debtors	102,448
Prepayments	40,547
	<u>          </u>
	144,221
	<u>          </u>

Other debtors include a refundable rent deposit of £100,000.

**THE AGA KHAN UNIVERSITY (INTERNATIONAL) IN THE UNITED KINGDOM**  
**(A COMPANY LIMITED BY GUARANTEE)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**

**10. Creditors: amounts falling due within one year**

	£
Trade creditors	23,243
Amounts owed to subsidiary undertaking	1
Other creditors including tax and social security (See Note 14)	122,612
Deferred income	33,821
Accruals	25,420
	<hr/>
	205,097
	<hr/> <hr/>

Deferred income is made up of grant funding received during the year from Aga Khan Foundation, Geneva that has been provided to fund expenditure in future years.

**11. Financial Commitments**

At 31 December 2002 the company had annual commitments under operating leases as follows:

	<b>Land and Buildings</b>
	£
Expiry date:	
Between 2 and 5 years	100,000
	<hr/> <hr/>

**12. Company limited by guarantee**

The limit of the total guarantees of the members of the company amounted to £2 at the beginning and end of the accounting period.

**13. Deferred capital grant**

	£
At 27 May 2002	-
Cash received	265,683
Released to income and expenditure account	(43,727)
	<hr/>
At 31 December 2002	221,956
	<hr/> <hr/>

**THE AGA KHAN UNIVERSITY (INTERNATIONAL) IN THE UNITED KINGDOM  
(A COMPANY LIMITED BY GUARANTEE)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2002**

---

**14. Related party transactions**

Parties related to the University are the Aga Khan University and the Aga Khan Education Services S.A.

Included within other creditors at the year end is a balance due to Aga Khan University of £114,452. This balance is made up of £167,238 included in the income and expenditure accounts as central support costs (note 6). Netted of against this amount is £52,786 relating to expenditure paid during the period by the University on behalf of Aga Khan University.