

Company Registration Number 04448389

**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 2014**



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

COMPANY INFORMATION

Board of Directors	The Aga Khan University Aga Khan Education Services S A Al-Karim Haji
Secretary	Shelina Haji
Company Number	04448389
Registered Office	210 Euston Road London NW1 2DA
Principal Office	210 Euston Road London NW1 2DA
Auditors	UHY Hacker Young LLP Chartered Accountants Quadrant House 4 Thomas More Square London E1W 1YW
Bankers	Lloyds Bank Plc Pall Mall 8-10 Waterloo Place London SW1Y 4BE Habib Bank UK 9 Portman Street London W1H 6DZ

**THE AGA KHAN UNIVERSITY (INTERNATIONAL) IN THE UNITED KINGDOM
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**THE AGA KHAN UNIVERSITY (INTERNATIONAL) IN THE UNITED KINGDOM
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REPORT OF THE BOARD OF DIRECTORS

The Board of Directors is pleased to submit its report and financial statements for the year ended 31 December 2014

Legal Status and Principal Activities

The Aga Khan University (International) in the United Kingdom ("the University") was incorporated on 27 May 2002 under the Companies Act 1985 (England and Wales) as a company limited by guarantee. The University is an academic unit of The Aga Khan University, which is a statutory body corporate in Pakistan by virtue of its Charter granted in 1983 as Pakistan's first private international university.

The objective of AKU-UK is higher education through the provision of instruction, training and teaching in any branch of learning. Currently, the University is focusing on strengthening research and education for the purpose of enhancing knowledge of the heritage of Muslim civilisations.

The Aga Khan University (International) in the United Kingdom, in turn, established a non-profit corporation in the United States of America, under the name Aga Khan University (USA) Foundation which will essentially create awareness of and solicit funds in the US for AKU's global activities. The non-profit corporation was incorporated in the State of Delaware on December 24, 2014.

Results for the Year

Financial Statements

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

Sources of Funding

During the year, the University received £3,451,000 (2013: £2,971,000) from The Aga Khan University Foundation, Geneva to meet its funding requirement.

The Aga Khan University contributed £288,186 (2013: £247,914) for central support costs.

Deferred Income

As at 31 December 2014, grants received in excess of expenditure for the year were £820,222 (2013: £563,657). Accordingly, this sum has not been recognised as income during the year then ended. This is carried in the balance sheet as unutilised operating donations (within creditors) and not taken to the income and expenditure account as income for the year. 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.

**THE AGA KHAN UNIVERSITY (INTERNATIONAL) IN THE UNITED KINGDOM
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REPORT OF THE BOARD OF DIRECTORS

Board of Directors

The Board of Directors who served the University during the year are as follows

- 1 The Aga Khan University
- 2 Aga Khan Education Services S A
- 3 Al-Karim Haji

The Directors mentioned in point number 1 and 2 above are the sole members of the University. 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 University offers a Master of Arts in Muslim Cultures.

Over the next few years as the University expands in size and scope, faculty members will continue to focus on educational activities, the primary objective being to disseminate knowledge on Muslim civilisations through work in the following three inter-related areas:

- 1 Educational Programmes,
- 2 Research and Publications, and
- 3 Muslim Civilisation Abstracts

Auditors

The auditors, UHY Hacker Young LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditors

So far as the Directors are aware, there is no relevant audit information of which the University's auditors are unaware. Additionally, the Directors have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the University's auditors are aware of that information.

On behalf of the Board of Directors



Mr. Al-Karim Haji
Director

Date: 18 April 2015

**THE AGA KHAN UNIVERSITY (INTERNATIONAL) IN THE UNITED KINGDOM
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STATEMENT OF THE BOARD OF DIRECTORS' 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

The Companies Act 2006 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 year

The Board of Directors is 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 "Accounting in Further and Higher Education" 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 to be in operation

The Board of Directors has taken reasonable steps to

- ensure that funds from The Aga Khan University Foundation, Geneva are used only for the purpose for which they have been given and in accordance with any conditions which it 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, and
- 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 Board of Directors

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

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS 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 ("the University") on pages 6 to 15 for the year ended 31 December 2014. 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 University's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the University'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 University and the University'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 Directors' responsibilities on page 3, the University's Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the University's affairs as at 31 December 2014 and of its results for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE AGA KHAN UNIVERSITY (INTERNATIONAL)
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Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, 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 directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**Colin Wright (Senior Statutory Auditor)
For and on behalf of UHY Hacker Young**


Chartered Accountants
Registered Auditors

30/7/2015

THE AGA KHAN UNIVERSITY (INTERNATIONAL) IN THE UNITED KINGDOM
(A COMPANY LIMITED BY GUARANTEE)
BALANCE SHEET
AS AT 31 DECEMBER 2014

	Notes	2014 £	2013 £
Fixed assets			
Tangible assets	7	367,148	485,801
Investments	8	1	1
		<u>367,149</u>	<u>485,802</u>
Current assets			
Debtors	9	560,761	477,256
Cash at bank and in hand		496,518	310,063
		<u>1,057,279</u>	<u>787,319</u>
Creditors: amounts falling due within one year	10	(1,057,278)	(787,318)
Net current assets		<u>1</u>	<u>1</u>
Net assets		<u>367,150</u>	<u>485,803</u>
Represented by:			
Members' fund	12	2	2
Deferred capital grant	13	367,148	485,801
Total		<u>367,150</u>	<u>485,803</u>

The financial statements on pages 6 to 15 were approved by the Board of Directors on 18 April 2015 and were signed on its behalf by


Mr. Al-Karim Haji
Director

**THE AGA KHAN UNIVERSITY (INTERNATIONAL) IN THE UNITED KINGDOM
(A COMPANY LIMITED BY GUARANTEE)
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Notes	2014 £	2013 £
INCOME			
Tuition fees & other income	3	46,619	78,830
Return on savings bank account		152	185
Deferred capital grants released		149,892	247,843
		<hr/>	<hr/>
Income before donations		196,663	326,858
Donations	2	3,451,382	3,582,522
		<hr/>	<hr/>
Total income		3,648,045	3,909,380
EXPENDITURE			
Staff costs	4	1,270,905	1,514,276
Other operating expenses	5	2,226,868	2,146,822
Depreciation	7	149,892	247,843
Bank and finance charges		380	439
		<hr/>	<hr/>
Total expenditure		3,648,045	3,909,380
		<hr/>	<hr/>
Results of operations before tax		-	-
Taxation	6	-	-
		<hr/>	<hr/>
Results of operations after tax		-	-
		<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)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

1 Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards, the Statement of Recommended Practice, "Accounting in Further and Higher Education" and the Companies Act 2006

a) Preparation of financial statements

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

The operations of The Aga Khan University (International) in the United Kingdom ("the University") are funded primarily from grants and donations received from The Aga Khan University Foundation, Geneva ('the Foundation') The Directors believe that the Foundation will continue to support the University as they have done so in the past On this basis, the Directors consider it appropriate to prepare the financial statements on the going concern basis

b) Group accounts

The financial statements present information about the University as an individual undertaking and not about the group The University and its subsidiary undertaking comprise a small-sized group The University has therefore taken advantage of the exemptions provided by section 398 of the Companies Act 2006 not to prepare group accounts

c) Recognition of income and grant accounting

Tuition fees are recognized as income over the period of instruction

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 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 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

All other income is recorded on accrual basis

**THE AGA KHAN UNIVERSITY (INTERNATIONAL) IN THE UNITED KINGDOM
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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 year 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 year.

e) Pensions

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

f) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation and impairments. In line with University policy, only items over USD250 (£160) are capitalised. Depreciation is provided at rates calculated to charge the cost less estimated residual value of each asset over its expected useful life as follows:

Leasehold improvements	25% straight line (over the remaining lease period)
Computer equipment	33 3% straight line
Office and other equipment	15% straight line
Library books	15% straight line

Manuscripts and rare items are accounted for on a 'stock' accounting basis. Any items 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 items held therefore maintain high residual values in relation to costs and, due to this, they are not depreciated. The University maintains an appropriate register of manuscripts in order to apply this accounting policy.

g) Investments

Investments are carried at historic cost less any provision for impairment in value.

h) Cash flow statement

The University has taken advantage of the exemption permitted by FRS1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

THE AGA KHAN UNIVERSITY (INTERNATIONAL) IN THE UNITED KINGDOM
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

2 Donations

	2014	2013
	£	£
Unutilised operating donations brought forward	563,657	958,868
Donations from		
The Aga Khan University Foundation, Geneva	3,451,000	2,971,000
Aga Khan University – central support cost	288,186	247,914
	<u>3,739,186</u>	<u>3,218,914</u>
Capital expenses	(31,239)	(31,603)
Unutilised operating donations 31 December	<u>(820,222)</u>	<u>(563,657)</u>
Donations	<u><u>3,451,382</u></u>	<u><u>3,582,522</u></u>

3 Fees & other income

Tuition fees – (MA Programme)	30,633	60,802
Contributions, donations and other income	15,986	18,028
	<u>46,619</u>	<u>78,830</u>

4 Staff costs

The average monthly number of persons employed by the University during the year was

	2014	2013
	Number	Number
Faculty	6	8
Support services	16	17
Research fellows	-	2
Visiting lecturers	4	5
	<u>26</u>	<u>32</u>

THE AGA KHAN UNIVERSITY (INTERNATIONAL) IN THE UNITED KINGDOM
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

4 Staff costs (continued)

	2014	2013
	£	£
Staff costs for the above persons		
Salaries	992,135	1,117,483
Social security costs	114,249	137,899
Other pension costs	105,662	111,375
Other staff costs	58,859	147,519
	<u>1,270,905</u>	<u>1,514,276</u>

5 Other operating expenses

	2014	2013
	£	£
Staff related costs	120,726	99,678
Rent and other property expenses	1,347,347	1,209,485
Supplies and subscriptions	42,550	42,849
Student expenses	227,383	318,021
Professional fees	61,670	71,944
Administrative and general expenses	139,006	156,931
Central support costs (note 14 1)	288,186	247,914
	<u>2,226,868</u>	<u>2,146,822</u>

	2014	2013
	£	£
Other operating expenses include		
Auditors' remuneration (included in professional fees)	<u>13,800</u>	<u>13,200</u>

6 Taxation

The University was established to undertake its activities on a non-commercial basis, funded by grants. On this basis no taxation has been provided in these accounts.

**THE AGA KHAN UNIVERSITY (INTERNATIONAL) IN THE UNITED KINGDOM
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

7 Tangible fixed assets

	Leasehold improvements	Computer equipment	Office and other equipment	Library books	Manuscripts	Total
	£	£	£	£	£	£
Cost						
Brought forward	1,191,225	111,431	186,186	430,661	19,900	1,939,403
Additions	-	14,718	-	16,521	-	31,239
Disposals	-	-	-	-	-	-
	<u>1,191,225</u>	<u>126,149</u>	<u>186,186</u>	<u>447,182</u>	<u>19,900</u>	<u>1,970,642</u>
Depreciation						
Brought forward	850,225	73,923	174,869	354,585	-	1,453,602
Charge for year	85,250	22,013	4,507	38,122	-	149,892
Disposals	-	-	-	-	-	-
	<u>935,475</u>	<u>95,936</u>	<u>179,376</u>	<u>392,707</u>	<u>-</u>	<u>1,603,494</u>
Net book value						
At 31 December 2014	<u>255,750</u>	<u>30,213</u>	<u>6,810</u>	<u>54,475</u>	<u>19,900</u>	<u>367,148</u>
At 31 December 2013	<u>341,000</u>	<u>37,508</u>	<u>11,317</u>	<u>76,076</u>	<u>19,900</u>	<u>485,801</u>

8 Investments

	2014 £	2013 £
Subsidiary company	<u>1</u>	<u>1</u>

The University owns 100% of the issued ordinary £1 share 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 since its incorporation.

On 24 December 2014, a new subsidiary of the university was formed in the United States of America (USA), to create awareness of the Aga Khan University's international activities and to solicit funds in the USA to support the said activities. The new subsidiary is a non-profit corporation without share capital, thus no capital had been provided by The Aga Khan University in consideration for this new subsidiary. In addition, the subsidiary was dormant from the date of its incorporation until the year end, thus no consolidation exercise was required in the current year.

**THE AGA KHAN UNIVERSITY (INTERNATIONAL) IN THE UNITED KINGDOM
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

9 Debtors

	2014	2013
	£	£
Other debtors	211,740	187,662
Prepayments	349,021	289,594
	<u>560,761</u>	<u>477,256</u>

Included within other debtors are student loans of £122,536 (2013 £101,787) that are due after more than one year

Included within other debtors is a sum of £1,036 (2013 £3,861) due from The Aga Khan University, Pakistan and £6,004 (2013 £6,004) due from The Aga Khan Foundation, Geneva

10 Creditors: amounts falling due within one year

	2014	2013
	£	£
Creditors for services	44,390	21,936
Amounts owed to subsidiary undertaking	1	1
Deposits held	31,350	26,025
Taxation and social security	47,315	49,699
Unutilised operating donations (note 2)	820,222	563,657
Accrued expenses	114,000	126,000
	<u>1,057,278</u>	<u>787,318</u>

Unutilised operating donations are made up of donations received during the year from The Aga Khan University Foundation, Geneva that has been provided to fund expenditure in future years

Included within creditors for services is a sum of £22,932 (2013 £nil) due to The Aga Khan Foundation, Geneva, for various expenses paid by the Foundation on behalf of the University

THE AGA KHAN UNIVERSITY (INTERNATIONAL) IN THE UNITED KINGDOM
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

11 Financial commitments

At 31 December the University had annual commitments net of VAT under operating leases as follows

	Land and Buildings		Other	
	2014	2013	2014	2013
	£	£	£	£
Expiry date				
Between 1-2 years	-	879,732	-	-
Between 2 - 5 years	961,677	-	2,432	2,918
	<u>961,677</u>	<u>879,732</u>	<u>2,432</u>	<u>2,918</u>

During 2009, The Aga Khan Foundation, UK entered into an operating lease agreement with an initial term of 7 years. This was extended by 2 years in 2014, resulting in a 9 year lease term. The University agreed to contribute towards 33% of the annual rental.

12 Control

The limit of the total guarantees of the members of the University amounted to £2 at the beginning and end of the year. These are held 50% by The Aga Khan University and 50% by Aga Khan Education Services S A.

13 Deferred capital grant

	2014	2013
	£	£
At 1 January	485,801	702,041
Grant utilised during the year for the purchase of fixed assets (note 7)	31,239	31,603
Released to income and expenditure account	(149,892)	(247,843)
	<u>367,148</u>	<u>485,801</u>
At 31 December	367,148	485,801

14 Related party transactions

Parties related to the University are The Aga Khan University, Pakistan, Aga Khan Education Services S A, Aga Khan University Foundation, Geneva, and Aga Khan Foundation.

	2014	2013
	£	£
1) Expenses incurred by related parties on behalf of the University Aga Khan University (expenses included within the appropriate expense headings (within note 5))	<u>5,070</u>	<u>9,275</u>

**THE AGA KHAN UNIVERSITY (INTERNATIONAL) IN THE UNITED KINGDOM
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NOTES TO THE FINANCIAL STATEMENTS
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14 Related party transactions (continued)

ii) Outstanding balances arising from transactions carried out with other related parties are as follow

	2014	2013
	£	£
Receivable from		
Aga Khan Foundation, UK	6,004	6,004
Aga Khan University Pakistan (see note (i) above)	1,036	385
Aga Khan University Hospital Nairobi	-	3,476
Owing to		
Aga Khan Foundation, UK	22,932	-

14.1 Central support costs represent the allocation of senior management's time and related overhead costs

The Aga Khan University Pakistan has contributed £288,186 (2013 £247,914) for central support costs for 2014