

Aga Khan Foundation (United Kingdom)

Report of Council and Financial Statements

31 December 2020

Registered Number 01100897

Registered Charity Number 266518

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Report of the Council

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 2020. The Council has adopted the provisions of the Statement of Recommended Practice (SORP) “Accounting & Reporting by Charities” 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 2020 were:

His Highness the Aga Khan
Prince Ayn Mohamed Aga Khan
Prince Rahim Aga Khan
Princess Zahra Aga Khan
Alan Abela
Jane Piacentini-Moore

National Committee

The Council are supported by a National Committee, whose members (who are not directors) at 31 December 2020, were:

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

Secretary

Habib Motani

Chief Executive Officer

Dr. Matthew Reed

Senior Management

The members of Senior Management at 31 December 2020, were:

Jasmin Jahanshahi
Christina Jorgensen
Gradleigh Ruderham
Christopher Wilton-Steer

Registered office

3 Cromwell Gardens, London SW7 2HB

Registered auditor

Crowe UK LLP
55 Ludgate Hill, London EC4M 7JW

Bankers

Lloyds Bank plc
39 Threadneedle Street, London EC2R 8AU

Report of the Council *(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, in England and Wales 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 are 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 are 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 re-appointed on 1 September 2020. 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 *(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 and Wales, is an affiliate of the international Aga Khan Foundation, and is part of the Aga Khan Development Network. 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. 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.

Fundraising

AKF (UK)'s fundraising activities are substantially directed at government agencies and institutions and not at the general public. Whilst AKF (UK) receives unrestricted income from individuals it does not actively fundraise for this and as such no special measures are required to protect vulnerable people and other members of the public from unreasonable intrusion or behaviour. 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. AKF (UK) is not registered with the Fundraising Regulator. Any fundraising activities that take place are carried out by AKF (UK) staff or volunteers and no complaints were received relating to them during the year.

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. AKF (UK) does not accept applications for grants, but instead works collaboratively with partner organisations to develop proposals for donors and then acts as the prime agency in making grants to the partner organisations. These partner 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.

Social development

The primary role of AKF (UK) in the area of social development 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 Foreign, Commonwealth & Development Office (FCDO), 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.

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 *(continued)*

Strategic Report

Social development achievements and performance

AKF (UK) assesses its performance and impact in the area of social development 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 2020, AKF (UK) secured 20 grants at a total of £33.8 million to support AKDN and partner programmes primarily in Asia and Africa. The largest grant, for £8.4 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 £46.2 million was obtained for these AKDN agencies from a wide range of partners including the EC, the UK, French, German, Norwegian and Swiss Government institutions as well as from foundation and corporate donors. Of particular relevance in 2020, AKF (UK) helped the wider Aga Khan Foundation secure £51 million for its pandemic relief efforts, including £36.3 million in new grants for pandemic-related work.

Despite the disruption of the pandemic on the communities that AKF serves, 2020 was a year of significant activity and achievement. A few examples include:

- In Afghanistan, 23,000 girls continued to receive education assistance through the FCDO-supported STAGES programme under the Girls Education Challenge. Over 500 government schools have been supported to date, benefiting 210,000 girls overall. Over 7,600 teachers have been trained and the project has also engaged with community members and parents of the 23,000 girls to ensure a supportive environment for girls to attend school. During the pandemic, the project pivoted to support these girls by providing home-learning materials for all 23,000 girls; remote training and support to teachers; distribution of hygiene products and protective equipment to schools and communities; additional well-being activities to support the large number who reported anxiety or depression while under lockdown.
- One of AKF's signature new initiatives, "Accelerate Prosperity" (AP) which is funded by the European Commission through AKF (UK), helped support 47 new enterprises and create 489 new jobs, almost half of which were for women. This brings to total number of new enterprises created to 132. 70 percent of the enterprises AP supports in Afghanistan, Kyrgyzstan, Pakistan, and Tajikistan remained profitable despite the pandemic and 95% valued the assistance that AP provided them during this year of disruption.
- Planning for significant cross-border infrastructure projects in Afghanistan and Tajikistan advanced, with detailed design work completed for a cross-border bridge and additional energy transmission lines. Construction was initiated for the energy components and is expected to commence on the bridge in 2021. 33 students received training in electrical engineering or infrastructure management to help advance and maintain these projects.
- AKF (UK) launched a new 10-year partnership called Schools2030 with a coalition of other private foundations and leaders in international early childhood development and education. These included organisations like Dubai Cares, IKEA, Jacobs, LEGO, and Porticus, among others. Schools2030 will identify and support 1000 innovative schools and communities from the global south that demonstrate new strategies to improve holistic learning outcomes for marginalized children and youth. The coalition will also generate actionable evidence about 'how' school actors can improve lifelong education by tracking the learning progression of children and young people in relationship to school-based solutions. Even as it finalised its design phase, the project started working with its network of 1000 schools to address the educational disruption of the pandemic.

Report of the Council *(continued)*

Institutional development achievements and performance

In 2020 AKF(UK) made institutional development grants totalling £3.0m primarily to the Institute of Ismaili Studies (IIS) and the Aga Khan University. AKF(UK) provided high quality educational space and facilities to IIS and the Aga Khan University-Institute for the Study of Muslim Civilisations (ISMC) and also provided accommodation for higher education students, many of whom are attending programmes at IIS or ISMC

IIS is a higher education and academic research institute, established in 1977 to promote scholarship and learning about Muslim cultures and societies. IIS aims to contribute to the academic study of the diversity of Islam as a faith and as a civilisation, by addressing intellectual and practical issues both historically and in the present context. IIS offers two Masters level taught programmes. Both programmes of study draw on teaching faculty from its research department as well as visiting scholars from leading national and international academic institutions. IIS' graduate programmes, as well as its range of doctoral scholarships and fellowships, attract students and scholars from across the world.

ISMC was founded in 2002, as an educational and research unit within the international Aga Khan University. ISMC is an inter-disciplinary institute, carrying out internationally recognised scholarship, education and outreach in the humanities and social sciences on Muslim societies and cultures. ISMC promotes scholarship that opens new perspectives on Muslim heritage, modernity, culture, religion, and society. It offers a Masters level taught programme in Muslim Cultures.

Section 172(1) statement

The members of the Council are satisfied that all key decisions taken in 2020 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.

Streamlined Energy and Carbon Reporting

In 2020 AKF (UK) used 5,004,851 Kwh of energy, this equated to a carbon footprint of 756 tonnes CO². This represents a carbon intensity ratio of 0.23 tonnes CO² per m². UK energy use covers the provision of electricity and heating at the Aga Khan Centre and Victoria Hall, which are both located in Kings Cross estate. It also includes electricity and gas consumption related to the twelve social and cultural centres owned by AKF (UK).

Data on energy usage was collected directly from billing information and where available, information collected in kWh was converted at the rate disclosed by the supplier. In the absence of this, emissions were converted using the UK Government's 2020 GHG Conversion Factors.

Electricity supplied to both the Aga Khan Centre and all social and cultural centres has a significantly reduced carbon output relative to the UK average. Approximately 70% less CO² is produced per kWh through these suppliers. Furthermore, both AKC and Victoria Hall benefit from being part of the Kings Cross estate where the district heating system in place is seeing reductions in CO² emissions of more than 60% against the UK average.

Report of the Council *(continued)*

Financial review

During the year AKF (UK)'s fixed assets increased by 1% from £179.4m to £180.6m, cash increased by 44% from £24.8m to £35.7m and total reserves increased by 7% from £201.3m to £215.4m. 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 14.

Income

During the year, the total income increased by 31% to £59.0m (2019: *decreased by 72% to £44.9m*). This was driven principally by an increase in social development income but also due to a £3.7m gift in kind donation of a social and cultural centres. In 2020 the social development income was £37.9m (2019: *£26.0m*).

The majority of social development income is from grants, which increased by 35% to £33.8m (2019 increase *by 5% to £25.2m*). 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 2020 according to the accounting policies set out in note 1 to the accounts, and so does not correspond to the total value of grants secured and signed in the year.

Expenditure

In 2020, total expenditure decreased by 22% to £45.0m as a result of decreased expenditure on institutional development activities (2019: *increased by 30%*).

The most significant expenditure related to social development programmes of which £32.7m (2019: *£28.0m*) was disbursed during the year, benefiting projects implemented by AKDN institutions around the world. For international programmes supported directly through AKF (UK) in 2020, 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 £12.3m project expenditure was made (2019: *£11.4m*), in particular on projects funded by FCDO (note 7).

The other main category of resources expended was institutional development programmes amounting to £10.8m (2019: *£28.4m*). This includes funding for IIS, expenditure on properties in King's Cross, London and funding for the Aga Khan University (note 8). The main reason for the decrease was that a one-off donation of £17.0m was made in the prior year to the Aga Khan Foundation, Geneva for various projects funded from donations received in commemoration of the Diamond Jubilee of His Highness, the Aga Khan.

The core costs of managing AKF (UK) and administering the resource mobilisation and grants management functions decreased to £2.0m (2019: *£2.2m*). 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 2020 was £0.4m (2019: *£0.4m*) and anticipates that the target level of free reserves at 31 December 2021 will be approximately £0.4m. As of 31 December 2020, the total unrestricted general reserve of £0.4m (2019: *£0.4m*) represented actual free reserves.

AKF (UK) has established a policy whereby the level of its designated reserves for projects should be sufficient to meet commitments on an annual basis. At 31 December 2020, the total balance of designated funds was £201.8m (2019: *£195.5m*). 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 donations and commitments on a long-term basis.

Designated funds held by AKF (UK) as part of its charitable activities for institutional development purposes totalled £180.6m (2019: *£176.2m*) of which £162.9m was represented by fixed assets.

Report of the Council *(continued)*

Designated funds held by AKF (UK) as part of its charitable activities for social purposes totalled £20.2m (2019: £17.3m) of which £17.7m was represented by fixed assets.

Designated funds held by AKF (UK) as part of its charitable activities for social development purposes totalled £1.0m (2019: £2.0m) of which £0.0m was represented by fixed assets.

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 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 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.

Investment policy

The Council has the power to invest in such assets as it sees fit. The Council are 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.

Future plans

In 2021, AKF (UK) has no plans to change its operational focus in any of its areas of charitable activity. 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 FCDO, 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.

Report of the Council *(continued)*

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 are not expecting any significant changes in our reserves levels due to COVID-19

Disclosure of information to auditors

Each of 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 each aware, there is no relevant audit information of which AKF (UK)'s auditor is unaware; and the members of the Council have each 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.

Report of the Council *(continued)*

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 are 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 are 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.

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



Jane Piacentini-Moore
Member of the Council

Date: 13th September 2021

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

Opinion

We have audited the financial statements of Aga Khan Foundation (United Kingdom) ('the charitable company') for the year ended 31 December 2020 which comprise the statement of financial activities, the balance sheets, the cash flow statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 2020 and of the incoming resources and application of resources, including its income and expenditure 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 Company Act 2006

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Council's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Council with respect to going concern are described in the relevant sections of this report.

Other information

The Council are responsible for the other information contained within the Report of Council. The other information comprises the information included in the Report of Council, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit:

the information given in the Report of Council, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and

the strategic report and the directors' report included within the Report of the Council have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the Report of Council.

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

- adequate and proper 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 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.

Council's responsibilities

As explained more fully in their statement set out on page 9, the members of 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, and for such internal controls as the Council determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members of the Council are responsible for 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 the Council either intends to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the group and charitable company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and the Charities Act 2011 together with the Charities SORP (FRS102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the group's and charitable company's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the group and charitable company for fraud. The only other laws and regulations we considered in this context are General Data Protection Regulations, health and safety regulations and employment tax.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Council and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the recognition of income, the recognition of grant expenditure, the valuation of the investment property and the override of controls by management. Our audit procedures to respond to these risks included the following;

- reviewing the policies and principles adopted in recognising grant income and expenditure and review of supporting agreements;
- enquiries of management and those charged with governance about their own identification and assessment of the risks of irregularities;
- enquiry of management about the charitable company's policies, procedures and related controls regarding compliance with laws and regulations and if there are any known instances of non-compliance;
- reading minutes of meetings of those charged with governance;
- enquiry of management about litigations and claims concerning actual and potential litigation and claims and inspection of relevant correspondence;
- sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission, and reading minutes of meetings of those charged with governance;
- in addressing the risk of fraud through management override of controls,
 - testing the appropriateness of journal entries and other adjustments;
 - assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
 - evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;

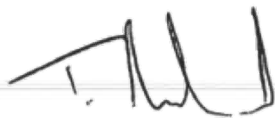
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

Use of our report

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, and to the charitable company's members of the Council, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and Council 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, the charitable company's members as a body and the charitable company's Council, for our audit work, for this report, or for the opinions we have formed.



Tim Redwood
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
London

Date: 21 September 2021

Statement of Financial Activities, including Income and Expenditure Account
for the year ended 31 December 2020

	Notes	Unrestricted Funds		Restricted Funds	Total 2020	Total 2019
		General Funds £000	Designated Funds £000	£000	£000	£000
Income from						
Grants, donations and legacies						
Social development programmes	6	-	4,087	33,839	37,926	25,995
Institutional development	6	-	11,043	-	11,043	12,263
Social and cultural centres		-	4,318	-	4,318	6
Communications and awareness raising		235	-	-	235	246
Core costs		3,030	-	-	3,030	2,945
Rental income		-	2,374	-	2,374	3,176
Investment income		-	50	-	50	171
Other income		-	13	-	13	88
Total income		3,265	21,885	33,839	58,989	44,890
Expenditure						
Charitable activities						
Social development programmes	7	1,280	5,275	26,109	32,664	27,315
Institutional development	8	1,734	9,026	-	10,760	29,292
Social and cultural centres		40	1,339	-	1,379	669
Communications and awareness raising		235	-	-	235	246
Total expenditure		3,289	15,640	26,109	45,038	57,522
Net gain/(loss) from foreign exchange		-	91	-	91	(347)
Net income / (expenditure) for the year		(24)	6,336	7,730	14,042	(12,979)
Transfers between funds		-	-	-	-	-
Net expenditure before other recognised gains and losses		(24)	6,336	7,730	14,042	(12,979)
Net gain/(loss) from investments	10	-	-	-	-	-
Net movement in funds		(24)	6,336	7,730	14,042	(12,979)
Reconciliation of funds						
Funds brought forward (as previously stated)		385	195,499	481	196,365	213,002
Prior Period Adjustment	24	-	-	4,946	4,946	1,288
Funds brought forward (as restated)		385	195,499	5,427	201,311	214,290
Total funds carried forward	19	361	201,835	13,157	215,353	201,311

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 17 to 32 form part of these financial statements.

Balance Sheet
at 31 December 2020

	Notes	2020		2019	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	9	156,094		154,925	
Investments	10	24,500		24,500	
			180,594		179,425
Current assets					
Debtors	11	934		899	
Cash at bank and in hand	17	35,740		24,790	
		36,674		25,689	
Creditors: amounts falling due within one year	13	(1,915)		(3,803)	
Net current assets			34,759		21,886
Total assets less current liabilities			215,353		201,311
Creditors: amounts falling due after one year			-		-
Net Assets			215,353		201,311
Share capital and reserves					
Called up share capital	20		-		-
Funds:					
Unrestricted funds					
General funds	19		361		385
Designated funds	19		201,835		195,499
Restricted funds	19		13,157		5,427
			215,353		201,311

The financial statements on pages 14 to 32 were approved by the Council and authorised for issue on 13th September 2021 and were signed on its behalf by:



Jane Piacentini-Moore

Member of the Council

Cash Flow Statement
for the year ended 31 December 2020

	Notes	2020 £000	2019 £000
Net cash inflow / (outflow) from operating activities	16	11,586	(8,233)
Cash flows from investing activities			
Interest received		50	171
Payments to acquire fixed assets		(686)	(491)
Increase/(decrease) in cash and cash equivalents	17	10,950	(8,553)
Net cash at 1 January	17	24,790	33,343
Net cash at 31 December	17	35,740	24,790

The notes on pages 17 to 32 form part of these financial statements.

Notes *(forming part of the financial statements)*

1 Principal accounting policies

AKF(UK) is a charitable company limited by guarantee, company registration no 01100897, registered address 3 Cromwell Gardens, London SW7 2HB. 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 with no material uncertainties, 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 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 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	1%
Property fixtures and fittings	15%

Investment properties

Investment properties are carried at fair value supported 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 included in 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.

Notes *(continued)*

1 Principal accounting policies *(continued)*

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.

Income

Grants, donations and legacies receivable are from institutional donors, private donors and AKF Geneva. Donations and legacies 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. Entitlement to grant income is considered to be at the earlier point of income being receivable or eligible expenditure being incurred. Rental income is receivable from commercial unit tenants and third party property management organisations and are recognised when they become receivable.

Expenditure

Grants made are recorded on a commitment basis when there is a signed agreement or other unconditional commitment made to a grant recipient 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 supported 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

Changes in accounting policy

During the year the Council have considered the accounting policy for income recognition for grant income as well as the policy adopted for recognising staff costs where employees are funded in full by AKDN members. This is a change of accounting policy with material effect and so has resulted in a prior period adjustment. The impact of this change is shown in Note 24 to the financial statements.

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 (2019: £0).

Notes (continued)

3 Employee information (continued)

	2020 £000	2019 £000
Salaries and wages	3,007	2,626
Social security costs	334	286
Pension costs	241	204
Other benefits	79	46
	<u>3,661</u>	<u>3,162</u>

Senior Management personnel earned total salary and benefits of £585k (2019: £508k) and pension contributions totalling £49k (2019: £43k). The average number of staff employed by AKF (UK) during the year is:

	2020 Number	2019 Number
Communication	3	3
Finance and Administration	7	6
Grant administration	16	17
Victoria Hall Management	7	7
Aga Khan Centre Management	7	7
AKDN Programmes	<u>13</u>	<u>8</u>
	<u>53</u>	<u>48</u>

Employees earning above £60,000

	2020 Number	2019 Number
£60,001 - £70,000	1	-
£70,001 - £80,000	2	4
£80,001 - £90,000	3	2
£90,001 - £100,000	2	1
£100,001 - £110,000	1	1
£130,001 - £140,000	-	1
£140,001 - £150,000	1	-
£150,001 - £160,000	1	-
£180,001 - £190,000	-	1
£190,001 - £200,000	1	-
£210,001 - £220,000	-	1
£260,001 - £270,000	1	-

Pension contribution totalling £134k were made for these employees during the year (2019: £148k).

4 Expenditure

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

	2020 £000	2019 £000
Depreciation (note 9)	3,259	2,193
Audit fee – Crowe UK audit of these financial statements	32	-
Audit fee - KPMG	(16)	33
Auditor's remuneration for non-audit services	<u>18</u>	<u>22</u>

The £18k 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 2020 was £26,500 excluding VAT.

Notes (continued)

5 Support costs

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

	Human Resources £000	Office Expenses & Information Technology £000	Travel Expenses £000	Total 2020 £000	Total 2019 £000
Unrestricted funds					
Social development programmes	950	284	46	1,280	1,421
Institutional development	1,639	92	3	1,734	1,102
Social and cultural centres	29	9	2	40	270
Communications and awareness raising	175	53	7	235	364
	2,793	438	58	3,289	3,157

6 Grants and donations received

	Unrestricted Funds £000	Restricted Funds £000	Total 2020 £000	Total 2019 £000
Social development programmes				
European Commission (including ECHO)	-	15,028	15,028	6,750
UK Foreign, Commonwealth & Development Office (FCDO)	-	10,019	10,019	10,814
KfW	-	3,063	3,063	3,736
Aga Khan Foundation (USA)	2,896	-	2,896	-
Johnson & Johnson	-	1,617	1,617	800
Royal Norwegian Ministry of Foreign Affairs	-	1,608	1,608	-
Schools 2030	-	672	672	-
The Wellspring Foundation	-	480	480	-
Vitol Foundation	-	396	396	154
German Federal Foreign Office	-	309	309	87
Ikea Foundation	-	-	-	920
Dubai Cares	-	-	-	770
Oak Foundation	-	-	-	770
Other Donations	1,191	647	1,838	1,194
	4,087	33,839	37,926	25,995
Institutional development				
Donations in commemoration of His Highness' Diamond Jubilee	3,895	-	3,895	7,342
Donations designated to the Aga Khan University	1,765	-	1,765	2,416
Donations designated to Kings Cross operational costs	967	-	967	2,221
Donations designated to the Institute of Ismaili Studies	237	-	237	248
Other Donations	4,179	-	4,179	36
	11,043	-	11,043	12,263

Notes (continued)

7 Expenditure on social development programmes

	Unrestricted Funds £000	Restricted Funds £000	Total 2020 £000	Total 2019 £000
Afghanistan				
FCDO GEC STAGES II - Aga Khan Foundation, Afghanistan	-	8,152	8,152	10,598
EC Improve Participatory Management and Efficiency of Rangelands and Watersheds - Aga Khan Foundation, Afghanistan	402	2,066	2,468	506
FCDO – Leave No Girl Behind – Aga Khan Foundation, Afghanistan	-	955	955	-
Schools 2030 – Aga Khan Foundation, Afghanistan	24	230	254	-
Afghanistan Quality Learning – Aga Khan Foundation, Afghanistan	239	-	239	-
Australia Afghanistan Community Resilience Scheme - Aga Khan Foundation, Afghanistan	160	-	160	193
Girls and Science – Aga Khan Foundation, Afghanistan	-	92	92	-
Preservation of Endangered Languages in Afghanistan's Badakhshan - Aga Khan Foundation, Afghanistan Province	-	11	11	63
Forest Restoration to Enhance Ecosystem Services in Afghanistan - Aga Khan Foundation, Afghanistan	-	-	-	38
Total for Afghanistan programmes	825	11,506	12,331	11,398
Bangladesh				
Community Based Early Childhood Development for Children of the Garment Sector - Aga Khan Foundation, Bangladesh	-	-	-	(1)
Total for Bangladesh programmes	-	-	-	(1)
Egypt				
Creating Access to Cairo's Islamic Cultural Heritage - Aga Khan Cultural Services, Egypt	26	279	305	178
Women in Agriculture - Aga Khan Foundation, Egypt	5	-	5	5
Strengthening the Capacity and Role of Civil Society Organisations in Egypt (SCR-CSO) - Aga Khan Foundation, Egypt	4	-	4	-
Total for Egypt	35	279	314	183

Notes (continued)

7 Expenditure on social development programmes (continued)

	Unrestricted Funds £000	Restricted Funds £000	Total 2020 £000	Total 2019 £000
Cross-Border				
Shugnan VI Energy Cross Border Project Phase I - Pamir Energy	-	3,624	3,624	743
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	449	832	1,281	4,746
Cross-Border Commission Integrated Infrastructure - Aga Khan Foundation, Afghanistan	-	365	365	-
Batken-Sughd Cross-Border Development Project - Aga Khan Foundation, Kyrgyz Republic and Aga Khan Foundation Tajikistan	-	250	250	86
Promoting Access to Educational Institutions in the Cross-Border Districts - Aga Khan Foundation, Afghanistan	-	236	236	9
Rushan I Cross Border Energy Project - Pamir Energy	-	214	214	225
Establishment of a fibre processing unit with dehairing and storage in cross-border areas - Aga Khan Foundation, Tajikistan	-	186	186	62
Cross Border School Building Construction - Aga Khan Foundation, Afghanistan	-	148	148	1,014
All-weather access road for cross-border tourism areas - Aga Khan Foundation, Pakistan	-	101	101	14
Improved Road Infrastructure and Market Access in Immit Valley - Aga Khan Foundation, Pakistan	-	72	72	-
Shugnan VII Cross-Border Energy Project - Pamir Energy	-	69	69	-
Kwahan Integrated Development - Aga Khan Foundation, Afghanistan	-	-	-	822
Nusai Road Phase II Rehabilitation - Aga Khan Foundation, Afghanistan	-	-	-	333
Chatham House Stabilisation Events and Report - Chatham House	-	-	-	67
Improved Access to Clean Water and Gender Empowerment in the High Mountain Border Regions of Pakistan and Afghanistan - Aga Khan Foundation, Pakistan	-	-	-	66
Study of Cross-Border Work between Afghanistan and its Neighbours - Chatham House	-	-	-	(2)
Total for Cross-Border programmes	449	6,097	6,546	8,185

Notes *(continued)*

7 Expenditure on social development programmes *(continued)*

	Unrestricted Funds £000	Restricted Funds £000	Total 2020 £000	Total 2019 £000
East Africa				
Oncology - Comprehensive Cancer Project - Aga Khan Health Services, Tanzania	616	-	616	-
Schools 2030 - Aga Khan Foundation, East Africa	77	449	526	-
Nursing and Midwifery Platform - Aga Khan University	-	476	476	-
Enhancing the Competitiveness of Smallholder Rice Farmers in Morogoro - Aga Khan Foundation, East Africa	-	282	282	504
Strengthening Resilience of Frontline Health Workers - Aga Khan University	-	152	152	-
Horticultural Value Chain Development - Aga Khan Foundation, East Africa and Tanzania Horticultural Association	-	80	80	211
Kenya Global Opportunity Youth Initiative (GOYI) - Aga Khan Foundation, East Africa	-	56	56	-
In Their Hands - Aga Khan Foundation, East Africa	34	-	34	40
Improving Social and Economic Opportunities for Youth in Northern Kenya - Aga Khan Foundation, East Africa and Islamic Relief Kenya	-	21	21	922
Linking Community-based Saving Groups to Formal Financial Services in the West Nile region of Northern Uganda - Aga Khan Foundation, Uganda	14	4	18	210
Capacity Development Initiative for Disabled Person's Organizations (Cap4DPO) - Aga Khan Foundation, East Africa and National Union of Disabled Persons of Uganda	25	(25)	-	280
AKU-SONAM Nursing Scholarships - Aga Khan University, East Africa	-	-	-	522
Madrassa Resource Centre and Early Childhood Development in East Africa - Aga Khan Foundation, East Africa	-	-	-	371
Strengthening New Pathways for Youth Education, Empowerment and Employment in India and Kenya - Aga Khan Foundation, East Africa	-	-	-	363
Supporting the Government of Kenya's Values-Based Education Policy and Practice - Aga Khan Foundation, East Africa	-	-	-	31
Total for East Africa programmes	766	1,495	2,261	3,454

Notes *(continued)*

7 Expenditure on social development programmes *(continued)*

	Unrestricted Funds £000	Restricted Funds £000	Total 2020 £000	Total 2019 £000
India				
Strengthening New Pathways for Youth Education, Empowerment and Employment in India and Kenya - Aga Khan Foundation, India	103	224	327	-
Hygiene & Behaviour Change Coalition for COVID-19 control - Aga Khan Foundation, India	-	288	288	-
Establishment of COVID 19 testing facilities - Prince Aly Khan Hospital, Mumbai	-	80	80	-
Improving Water and Sanitation Infrastructure and Hygiene Education in 20 Schools of Bihar and Uttar Pradesh - Aga Khan Foundation, India	-	44	44	-
Strengthening the AKF Lehar Programme - Aga Khan Foundation, India	-	19	19	-
Supporting Local Authorities for Accountable, Responsive and Transparent Systems for Solid Waste Management - Aga Khan Foundation, India and Gram Swarajya Samiti Ghose (GSSG)	-	7	7	118
Strengthening Participation in Local Governance to Enhance Access to Entitlements and Basic Services by Marginalised Tribal Communities - Aga Khan Rural Support Programme, India	-	-	-	2
Total for India programmes	103	662	765	120
Kyrgyz Republic				
Accelerate Prosperity in Central and South Asia - Mountain Societies Development Support Programme, Kyrgyz Republic	-	192	192	-
Schools 2030 - Aga Khan Foundation, Kyrgyz Republic	-	170	170	-
Sustainable Winter Tourism Development Project (Phase I) - Aga Khan Foundation, Kyrgyz Republic	16	-	16	-
Total for Kyrgyz Republic programmes	16	362	378	-
Madagascar				
Madagascar Innovations Leverage for Climate Adaptation (MILCA) - Aga Khan Foundation, Madagascar	-	299	299	-
SPEEDRICE: "Scaling-up, Promoting and Expanding Effortless Direct-seeding RICE permaculture" - Aga Khan Foundation, Madagascar	-	-	-	19
Total for Madagascar programmes	-	299	299	19

Notes *(continued)*

7 Expenditure on social development programmes *(continued)*

	Unrestricted Funds £000	Restricted Funds £000	Total 2020 £000	Total 2019 £000
Mali				
Partenariat pour le Renforcement de la Résilience à l'Insécurité Alimentaire et Nutritionnelle au Nord Mali (PRIAN) - Aga Khan Foundation, Mali	59	-	59	-
Total for Mali programmes	59	-	59	-
Mozambique				
Strengthening Social Cohesion and Resilience to Radicalization in Cabo Delgado - Aga Khan Foundation, Mozambique	-	629	629	-
JUNTOS III - Aga Khan Foundation, Mozambique	24	83	107	97
Sustainable Formation of Savings Group in Chiure Cabo Delgado - Aga Khan Foundation, Mozambique	-	-	-	19
Total for Mozambique programmes	24	712	736	116
Pakistan				
Critical Preparedness, Readiness and Response Actions for Coronavirus Disease (COVID-19) Pandemic in Gilgit-Baltistan and Chitral - Aga Khan Foundation, Pakistan	98	1,514	1,612	-
Accelerate Prosperity in Central and South Asia - Aga Khan Rural Support Programme, Pakistan	426	414	840	-
Promoting Integrated Mountain Safety in Northern Pakistan (PIMSNP) - Aga Khan Foundation, Pakistan	602	-	602	602
Schools 2030 - Aga Khan Foundation, Pakistan	-	193	193	-
Strengthening preparedness, readiness and response action for Covid-19 - Aga Khan Foundation, Pakistan	-	72	72	-
Total for Pakistan programmes	1,126	2,193	3,319	602
Portugal				
Schools 2030 - Aga Khan Foundation, Portugal	177	54	231	-
Capacity Buidling of Senior Caregivers - Aga Khan Foundation, Portugal	-	-	-	224
Total for Portugal programmes	177	54	231	224
Switzerland				
Schools 2030 - Aga Khan Foundation, Geneva	1	83	84	77
Total for Switzerland programmes	1	83	84	77

Notes *(continued)*

7 Expenditure on social development programmes *(continued)*

	Unrestricted Funds £000	Restricted Funds £000	Total 2020 £000	Total 2019 £000
Syria				
Salamieh District Multi-Sectoral Humanitarian Assistance (MSHA) - Aga Khan Foundation, Syria	-	-	-	277
Total for Syria programmes	-	-	-	277
Tajikistan				
Critical Infrastructure to Contribute to Stability and Peace in Khorog - Aga Khan Foundation, Tajikistan	-	1,170	1,170	-
Integrated Health and Habitat Improvement (IHHI) Rasht - Aga Khan Foundation, Tajikistan	417	-	417	(7)
Schools 2030 - Aga Khan Foundation, Tajikistan	-	229	229	-
Improving livelihoods and food security through sustainable Natural Resource Management - Mountain Societies Development Support Programme Tajikistan, ACTED, Non-Commercial Cooperative Sarob and CAMP Kuhiston	158	-	158	-
Accelerate Prosperity in Central and South Asia - Aga Khan Foundation, Tajikistan & University of Central Asia, Tajikistan	-	105	105	-
Safe Drinking Water and Sanitation Management in Tajikistan (SWSMT) - Aga Khan Foundation, Tajikistan	71	-	71	250
Supporting Accelerated Growth for Entrepreneurship (SAGE) - Aga Khan Foundation, Tajikistan	49	-	49	-
Rushon Health Care Center - Aga Khan Foundation, Tajikistan	15	-	15	-
Shugnon Health Care Center - Aga Khan Foundation, Tajikistan	15	-	15	-
Darvoz Health Care Center - Aga Khan Foundation, Tajikistan	15	-	15	-
Khorog Rehabilitation Youth Centre - Aga Khan Foundation, Tajikistan	9	-	9	-
Fostering Disaster Resilience in Isolated Mountain Environments of Tajikistan - Aga Khan Agency for Habitat, Tajikistan	-	-	-	177
Total for Tajikistan programmes	749	1,504	2,253	420
United Kingdom				
Development of Earthquake model - Global Parametrics	-	42	42	175
Schools 2030 - Save the Children & Oxford MeasurEd	12	3	15	-
Total for United Kingdom programmes	12	45	57	175
Total Grants made for social development	4,342	25,291	29,633	25,249
Non-Grant Expenditure	2,213	818	3,031	2,764
Total Expenditure for social development	6,555	26,109	32,664	28,013

Notes (continued)

8 Expenditure on institutional development programmes

	Unrestricted Funds £000	Restricted Funds £000	Total 2020 £000	Total 2019 £000
Aga Khan Foundation Geneva, various projects	-	-	-	17,000
Aga Khan University Foundation various projects	1,836	-	1,836	3,063
Institute of Ismaili Studies for their educational programmes	1,142	-	1,142	2,132
Aga Khan Academies for their educational programmes	17	-	17	-
Property developments at King's Cross in London	-	-	-	357
Total Grants made for institutional development	2,995	-	2,995	22,552
Non-Grant Expenditure	7,765	-	7,765	5,892
Total Expenditure for institutional development	10,760	-	10,760	28,444

9 Tangible fixed assets

	Freehold land and buildings £000	Long leasehold land and buildings £000	Property fixtures and fittings £000	Assets Under Construction £000	Total £000
Cost					
At 1 January 2020	30,352	133,935	11,594	-	175,881
Additions	3,700	-	714	14	4,428
Disposals	-	-	-	-	-
At 31 December 2020	34,052	133,935	12,308	14	180,309
Depreciation					
At 1 January 2020	15,874	282	4,800	-	20,956
Charge for the year	681	984	1,594	-	3,259
Disposals	-	-	-	-	-
At 31 December 2020	16,555	1,266	6,394	-	24,215
Net book value					
At 31 December 2020	17,497	132,669	5,914	14	156,094
At 31 December 2019	14,478	133,653	6,794	-	154,925

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 (2019: £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. Changes in fair values are recognised as investment gains or losses in the Statement of Financial Activities.

The historical cost of this property was £20.6m and the most current valuation was carried out in May 2021 by a MRICS independent valuer of Knight Frank LLP. When arriving at their valuation, they considered sales from within the King's Cross Estate in order to compare recent sales data. The independent valuation has been taken into account by the Council in their decision to keep the balance sheet value at £24.5m

	2020 £000	2019 £000
Balance at 1 January	24,500	24,500
Acquisitions	-	-
Change in Fair Value	-	-
Balance at 31 December	24,500	24,500

11 Debtors

	2020 £000	2019 £000
Prepayments and accrued income	555	506
Debtors with other AKDN Agencies	370	384
Other debtors	9	9
	934	899

Debtors with other AKDN Agencies includes £76k with AKF Geneva (2019: £90k), £129k with Aga Khan Academies (2019: £96k), £66k with Aga Khan Education Services (2019: £86k) and £98k with AKDN (2019: £113k).

Notes (continued)

12 Lease Commitments

AKF (UK) has three operating lease contracts in place. The first relates to 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.

In addition, there are contracts in place for two commercial units, the first in Aga Khan Centre and the second in Victoria Hall. The unit in Aga Khan Centre is leased to a third party and the contract runs until 28th September 2039. The unit at Victoria Hall is leased to a separate third party and runs until the 3rd September 2037.

AKF(UK) has the following long term operating lease commitments

	2020 £000	2019 £000
Receivable in less than 1 year	821	790
Receivable between 1 and 5 years	1,822	2,451
Receivable in greater than 5 years	664	890
	<u>3,307</u>	<u>4,131</u>

13 Creditors

	2020 £000	2019 £000
Amounts falling due within one year		
Accruals and deferred income	1,715	3,110
Trade creditors	47	560
Payroll taxes	106	95
Other creditors	47	38
	<u>1,915</u>	<u>3,803</u>

Income has been deferred where it has been received in advance of contractual obligations.

14 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.

Notes (continued)

15 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 £264k (2019: £204k), £34k was payable at 31 December 2020 (2019: £36k).

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

	2020 £000	2019 £000
Net movement in funds	14,042	(12,979)
Depreciation on tangible fixed assets	3,259	2,193
(Gain) / Loss on Investment	-	-
Gift in kind donations capitalised	(3,742)	-
Interest receivable	(50)	(171)
(Increase) / decrease in debtors	(35)	1,722
Increase / (decrease) in creditors	(1,888)	1,002
Net cash inflow / (outflow) from operating activities	11,586	(8,233)

17 Cash and cash equivalents

	2020 £000	2019 £000
Changes in the year		
At 1 January	24,790	33,343
Net cash inflow/(outflow)	10,950	(8,553)
At 31 December	35,740	24,790

18 Capital commitments

Conditional capital commitments

There were no material conditional capital commitments as at 31 December 2020.

Notes (continued)

19 Reconciliation of funds

	Unrestricted Funds		Restricted Funds	2020 Total	2019 Total
	General Funds	Designated Funds	Funds	Total	Total
	£000	£000	£000	£000	£000
Balance at 1 January	385	195,499	5,427	201,311	214,290
Income	3,265	21,885	33,839	58,989	44,890
Expenditure	(3,289)	(15,640)	(26,109)	(45,038)	(57,522)
Recognised Gains / (Losses)	-	91	-	91	(347)
Balance at 31 December	<u>361</u>	<u>201,835</u>	<u>13,157</u>	<u>215,353</u>	<u>201,311</u>
Represented by:					
Fixed assets	-	180,594	-	180,594	179,425
Current assets	569	22,341	13,764	36,674	25,689
Current liabilities	<u>(208)</u>	<u>(1,100)</u>	<u>(607)</u>	<u>(1,915)</u>	<u>(3,803)</u>
	<u>361</u>	<u>201,835</u>	<u>13,157</u>	<u>215,353</u>	<u>201,311</u>

General funds are held to provide cashflow reserves and working capital. Restricted funds relate to social development projects and will be spent in 2021. Designated funds represent funds earmarked by the Council for the following purposes:

	Social Development	Institutional Development	Social	2020 Total	2019 Total
	£000	£000	£000	£000	£000
Balance at 1 January	2,048	176,195	17,256	195,499	211,536
Income	4,119	13,443	4,323	21,885	17,405
Expenditure	(5,275)	(9,026)	(1,339)	(15,640)	(33,005)
Recognised Gains / (Losses)	91	-	-	91	(437)
	<u>983</u>	<u>180,612</u>	<u>20,240</u>	<u>201,835</u>	<u>195,499</u>
Represented by:					
Fixed assets	-	162,875	17,719	180,594	179,425
Current assets	983	18,837	2,521	22,341	17,695
Current liabilities	<u>-</u>	<u>(1,100)</u>	<u>-</u>	<u>(1,100)</u>	<u>(1,621)</u>
	<u>983</u>	<u>180,612</u>	<u>20,240</u>	<u>201,835</u>	<u>195,499</u>

Social Development funds will be used as co-financing for projects in 2021. Institutional Development funds are mainly fixed assets and cash reserves will be used to support AKDN institutions. Social funds are mainly fixed assets and the cash reserves are held to develop these properties as required.

20 Called up share capital

	2020	2019
	£	£
Authorised, issued and fully paid:		
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.

Notes (continued)

21 Ultimate holding company

The ultimate holding company is regarded by the members of the Council as being Aga Khan Foundation Geneva, which is incorporated in Switzerland (UID - CHE-100.845.311) and beneficially owns one hundred percent of the shares of AKF (UK).

22 Related party transactions and other AKDN agencies

There have been no related party transactions between AKF (UK) and the members of the Council in 2020.

Transactions with AKF Geneva and agencies within the Aga Khan Development Network consist of the following:

- staff costs associated with projects funded by other AKDN agencies (note 11); and
- grants and donations of funding for projects, programmes and other activities supported by AKF (UK) (notes 6, 7 and 8).

23 Prior Period Adjustment

During the year the Council have considered the accounting policy as applied to income recognition for grant income. Previously AKF (UK) had deemed entitlement to income to occur only once monies had been expended either directly by AKF(UK) or through disbursements of onward grants to implementing partners. This policy has been reviewed and entitlement to income is now considered to be at the earlier point of income being receivable or eligible expenditure being incurred. Further the Council have considered the policy adopted for recognising staff costs where employees are funded in full by other AKDN agencies. Costs connected to these employees were previously not recognised in the financial statements and are now recognised in full. These are changes of accounting policy with material effect and so have resulted in a prior period adjustments. The impact of these changes is shown below:

	£000
Reserves at 1 January 2019 (as previously stated)	213,002
Release of income previously deferred relating to year ended 31 December 2018	<u>1,288</u>
Reserves at 1 January 2019 as restated	<u>214,290</u>
Total creditors at 31 December 2019 (as previously stated)	(8,749)
Release of income previously deferred at 31 December 2019	<u>4,946</u>
Total creditors at 31 December 2019 as restated	<u>(3,803)</u>
Total income for the year ended 31 December 2019 (as previously stated)	40,158
Impact of reversal of deferred income relating to year ended 31 December 2019	3,658
Impact of AKDN staff cost inclusion for the year ended 31 December 2019	<u>1,074</u>
Total income for the year ended 31 December 2019 as restated	<u>44,890</u>
Total expenditure for the year ended 31 December 2019 (as previously stated)	56,448
Impact of AKDN staff cost inclusion for the year ended 31 December 2019	<u>1,074</u>
Total expenditure for the year ended 31 December 2019 as restated	<u>57,522</u>