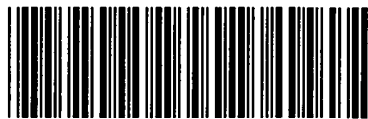


Global Innovation Fund

Registered number 9223487

**Report and Audited Financial Statements
for the period ended 31st December 2015**

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Strategic Report

This strategic report for the Global Innovation Fund's first full financial year covers the full financial period from 14th October 2014 to 31 December 2015.

Global Innovation Fund (GIF) was incorporated on 17th September 2014 as a company limited by guarantee. The following set of accounts cover the first period of operations, which commenced on the 14th October 2014. GIF has a 100% owned subsidiary, also called Global Innovation Fund, incorporated in District of Columbia, United States of America, on the 9th April 2015. This subsidiary began operations on 13th April 2015.

Statement of public benefit

GIF is a non-profit organisation whose activities are intended to be for the public benefit. In both setting out the objectives and planning our future activities, the directors have referred to guidance contained in the Charity Commission's general guidance.

The mandate of the Global Innovation Fund (GIF) is to make grant, debt and equity investments into innovations that collectively open up opportunities and improve lives for hundreds of millions of people within developing countries.

In line with the goals, during this period GIF has approved investments in a broad range of innovations across Africa and Asia. Covering topics including: sexual health education, malnutrition, clean 'off-grid' energy, transportation, neonatal care, access to finance and education innovation.

Review of the group's business

The key focus for GIF during this period has been to build a well-functioning non-profit organisation that can execute on GIF's mission and charitable goals. The first year has centred on putting in place the right people, developing and testing GIF's processes and beginning to make high quality investments aligned with our mission.

During this period, GIF achieved numerous milestones, including:

- hiring a core team of 15 staff, including the appointment of GIF's first permanent Chief Executive Officer, Alix Peterson Zwane;
- receiving and processing more than 3,000 applications from nearly 200 countries through its online application platform;
- approving its first eight investments worth \$4.8 million, spanning multiple countries, sectors and financial instruments, including risk capital positions in the following:
 - PAYG Holdings Limited (PoaPower) - A \$238k (€217k) convertible loan for a pilot in Kenya of a new business model that provides off-grid communities with affordable clean energy using an innovative 'pay-as-you-go' model.
 - Segovia Technology Co. - A \$750k equity investment in a software technology platform that radically improves the efficiency of aid by making it faster, cheaper, and more secure to transfer funds directly to vulnerable populations.
- expanding GIF's board to consist of seven members with diverse backgrounds:
 - Russell Siegelman who has spent more than a decade in venture capital and serves as GIF's board chair;
 - Michael Anderson who served as CEO of the Children's Investment Fund Foundation (CIFF);
 - Stefan Dercon who served as the Chief Economist at the UK Department for International Development (DFID) and is Professor of Development Economics at the University of Oxford;
 - Esther Duflo who is a Founder and Director at the Abdul Latif Jameel Poverty Action Lab (J-PAL) and Professor of Poverty Alleviation and Development at the Massachusetts Institute of Technology (MIT);

- Salvatore Giambanco who is a partner at the Omidyar Network;

Strategic Report (continued)

- Michael Kremer who is the Gates Professor of Developing Societies at Harvard University;
- Karini Mutooni who is Director for Investment at the East Africa Trade and Investment Hub.
- securing grant funding from five donors; the Department for International Development (DFID), the United States Agency for International Development (USAID), the Swedish International Development Cooperation Agency (Sida), the Australian Department of Foreign Affairs and Trade (DFAT) and the Omidyar Network;
- developing and implementing several operational processes and systems, including accounting and payroll software, financial reporting, legal counsel and basic IT infrastructure;

GIF achieved the following versus the operating plan targets and estimates that were approved by the board in December 2014:

- hiring of 15 staff (against an estimate of 14-20) by end 2015;
- approving \$4.8m of capital (against an estimate of \$4.2m);
- operating expenditure of \$2.7m (against an estimate of \$2.6m); and
- 8 high-quality, mission-driven approvals in line with charitable purposes (against an estimate of 10), with investments in multiple geographic regions, sectors and capital instruments.

Investment Activity

2015

Approvals

Programme related approvals (volume / \$ amount)

8 / \$4.8m

Total programme related approvals as % of total funds raised

13%

Pay-outs

Programme related pay-outs (volume / \$ amount)

5 / \$1.8m

Outstanding programme related pay-outs (volume / \$ amount)

3 / \$3.0m

OPERATING EXPENDITURE

Operating expenditure as % of programme related commitments

54%

Operating expenditure as % of programme related pay-outs

142%

Staff costs as % of operating expenditure

42%

Principal risks facing the group

The table below outlines key organisational risks faced by GIF in achieving its mission, and corresponding elements to mitigate these risks.

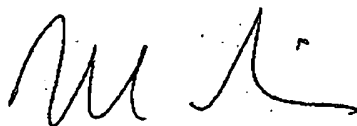
Risk	Explanation/example:	Management and mitigation
Funding risk	Failure to secure a sufficiently flexible, robust and diverse funding base; insecurity or inadequacy of funding.	Demonstration of effectiveness of GIF model. Compliance with funder requirements.

Strategic Report (continued)

Risk	Explanation/example:	Management and mitigation
Talent risk	Failure to attract and retain experienced talent.	Develop employee proposition to counterbalance compensation restrictions on GIF salaries
Contextual fluctuations	Significant unpredictable changes in the portfolio institution or the context they operate in.	Understanding of the wider market context and trends. Strategy production and refresh cycle every 3-4 years, including 'future-proofing'.

These risks have, so far, proved manageable. A fully encompassing corporate risk register is updated and reviewed by the Audit and Finance Committee and the wider Board of directors.

By order of the Board



Russell Siegelman

Chairman of the Board of Directors

Date: Wednesday 30th August 2016

Director's Report

The directors present their report and consolidated financial statements for the 15-month period ended 31 December 2015.

The directors met six times during this accounting period, with the GIF staff also present (with the exclusion of executive sessions of the board). The board approved the 2015 Operational Plan in December 2014, and the 2016 Operational Plan in December 2015.

The board has delegated responsibility for GIF's investment selection (i.e., the selection of innovative investments to further GIF's mission) to the CEO and staff team, as outlined in GIF's Articles of Association and Byelaws.

Directors

The directors who held office during the year were as follows:

- Russell Siegelman (Chair from 19 September 2014)
- Michael Anderson (appointed 19 September 2014)
- Stefan Dercon (appointed 19 September 2014)
- Esther Duflo (appointed 19 September 2014)
- Salvatore Giambanco (appointed 19 September 2014)
- Michael Kremer (appointed 3 December 2014)
- Kanini Mutooni (appointed 14 December 2015)
- Carolina Trivelli (appointed 4th March 2016)

Dividends

GIF's Articles of Association forbid the payment of dividends, as GIF has been set up to be a charitable non-profit organisation.

Political contributions

The Company made no political donations or incurred any political expenditure during the year.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the group's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the group's auditor is aware of that information.

Other information

GIF is in the process of applying for charity status with the UK Charity Commission and expects to receive this status during 2016.

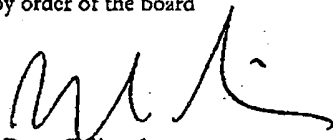
GIF is not involved in any legal action or any employee disputes.

Director's Report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



Russell Siegelman

Chairman of the Board of Directors

Second Floor, 68-80 Hanbury Street, London, E1 5JL, UK

Date: Wednesday 30th August 2016

Statement of directors' responsibilities in respect of the strategic report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company 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 directors 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Independent auditor's report to the members of Global Innovation Fund

We have audited the financial statements of Global Innovation Fund for the year ended 31 December 2015 set out on pages 12 to 23. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the 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, and express an opinion on, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's surplus for the year then ended;
- have been properly prepared in accordance with UK 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

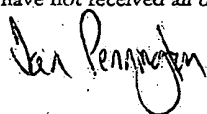
Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



Ian Pennington (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
KPMG LLP
15 Canada Square
London
E14 5GL

Date:

1st September 2016

Consolidated Statement of Income and Expense
For the 15-month period ending 31 December 2015

	<i>note</i>	2015 USD (\$'000)
Income	2	3,435
Project specific expenses	3	(840)
Gross surplus		<u>2,595</u>
Administrative expenses	4	(2,571)
Other income		4
Operating surplus		<u>28</u>
Other interest receivable and similar income		1
Surplus on ordinary activities before taxation		<u>29</u>
Tax on ordinary activities	7	-
Surplus for the financial year		<u><u>29</u></u>
Other comprehensive income		
Unrealised gain on foreign exchange transactions		153
Total comprehensive income for the year		<u><u>182</u></u>
<i>Reconciliation of funds carried forward</i>		
Total funds brought forward		
Total funds carried forward		<u><u>182</u></u>

Consolidated Balance Sheets
For the period ended 31 December 2015

	<i>notes</i>	Group 2015 USD (\$000)	Company 2015 USD (\$000)
Fixed assets			
Programme related investments	8	988	988
Current assets			
Debtors	9	9,219	9,255
Cash at bank and in hand	10	22,178	22,109
		31,397	31,364
Creditors: amounts falling due within one year	11	(32,203)	(32,170)
Net current liabilities		(806)	(806)
Net assets		182	182
Capital and reserves			
Reserves	12	182	182
Shareholders' funds		182	182

These financial statements were approved by the board of directors on Wednesday 30th August 2016 and were signed on its behalf by:



Russell Siegelman
Chairman of the Board of Directors

Company registered number: 9223487

Consolidated Cash Flow Statement
For the period ended 31-December 2015

	<i>notes</i>	2015 USD (\$000)
Cash flows from operating activities		
Surplus for the year		182
<i>Adjustments for:</i>		
Unrealised foreign exchange gain		(153)
Interest receivable and similar income		(3)
Taxation		-
		<hr/> 26
(Increase)/decrease in trade and other debtors		(9,219)
(Decrease)/increase in trade and other creditors		32,203
		<hr/> 23,010
Net cash from operating activities		<hr/> 23,010
Interest received		1
Cash flow on investing activities		
Programme related investments	8	(986)
Cash flows from financing activities		-
Net increase in cash		<hr/> <hr/> 22,025
Net increase in cash and cash equivalents		22,025
Cash and cash equivalents at 14-October 2014		-
Effect of exchange rate fluctuations on cash held		153
		<hr/> <hr/> 22,178
Cash and cash equivalents at 31 December 2015		<hr/> <hr/> 22,178

Notes

1. Accounting policies

Global Innovation Fund is a company incorporated and domiciled in the UK.

The group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The presentation currency of these financial statements is US dollars. All figures have been rounded to the nearest thousand.

Global Innovation Fund was incorporated on 17th September 2014 and commenced operations, upon signing its first contract, on the 14th October. These statutory accounts are the first set of accounts and cover the period 14th October 2014 to 31st December 2015.

GIF has a 100% owned subsidiary, also called Global Innovation Fund, incorporated in District of Columbia, United States of America, on the 9th April 2015. This subsidiary began operations on 13th April 2015.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.

Basis of consolidation

The consolidated financial statements include the financial statements of the company Global Innovation Fund and its subsidiary undertaking made up to 31st December 2015. The parent company Global Innovation Fund is based in London and has one subsidiary (also name Global Innovation Fund) based in Washington D.C. The UK entity is the sole member of the US entity.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income and expenditure account.

Accounting estimates and judgements

In preparing the financial statements, management have made judgements, estimates and assumptions that affect both the amounts recorded as revenues and expenses during the period, and amounts recorded for assets and liabilities as at the balance sheet date. However, the nature of estimation means these estimates could differ from actual outcomes. This is especially prevalent in valuing the group's investments in early-stage companies, which by nature, is a volatile and uncertain process. Despite the inherent volatility, the valuation guidelines applied are considered to be the best estimate of fair value.

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: one equity investment in Segovia Technology Co. and one convertible note to PAYG Holdings Limited (see note 7). The related financial instruments are classified at fair value through income and expense.

Foreign currency

Global Innovation Fund operates in 5 Currencies: US Dollars, Pounds Sterling, Euros, Swedish Kroner and Australian Dollars. Transactions in foreign currencies are recognised in the group's statement of income and expense in US Dollars (the functional currency), at the foreign exchange rate ruling at the date of the transaction.

Exchange rates within the accounting system are updated monthly using closing spot rates taken from Oanda on the final day of the month. For the purpose of the first period end, monetary assets and liabilities denominated in foreign currencies at 31st December 2015 are translated to US Dollars at the closing foreign

Notes (continued)

Accounting policies (continued)

Foreign currency (continued)

exchange rate ruling on 31st December 2015. Foreign exchange differences arising on translation are recognised in the statement of income and expense.

The functional currency of the subsidiary is US Dollars and therefore no currency difference occurs on consolidation with the group accounts.

Basic financial instruments

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs.

Investments in equity instruments are measured initially at fair value, the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through the profit and loss account.

Cash and cash equivalents comprise cash balances and notice deposits, less than 3 months.

Government grants

GIF has handled all government grants under the accruals model and treated them accordingly under the following two classifications. Government grants received relating to revenue are included within deferred income on the balance sheet and credited to the income and expenditure account in the periods in which the related costs are incurred. Government grants received relating to assets are initially held on the balance sheet under donor funds (within creditors) and are released to deferred revenue upon investment. They are subsequently released to the statement of income and expense over the expected useful life of the asset.

Private-entity grants

Grants received from private entities are initially held on the balance sheets under donor funds (within creditors) until utilised. Any proportion of private funds subsequently disbursed in the form of grants are released to the income and expenditure account in the period in which the disbursement is made. Private funds used in the purchase of capital investments will remain on the balance sheet under donor funds and released to the income and expense upon disposal of the asset.

Employee benefits

A defined contribution pension scheme was opened on 30th July 2015. The actuary in place is Aegon. The scheme has not been revalued since it opened. The amount charged to the income and expenditure account is the employer's contributions payable in the accounting period.

Friends Life provide life assurance and group income protection, both charged to the profit and loss. Medical Insurance is provided and an annual membership fee is charged to the income and expenditure account.

Expenses

Expenses are incurred in the period to which they relate. There are currently no leases held by the group.

Interest receivable on the notice deposits (less than 3 months) is recognised in the income and expenditure account as they accrue, using the effective interest method. Realised and unrealised foreign currency gains and losses are reported on a net basis.

Taxation

With regards to HMRC's badges of trade, GIF takes the position that it is a non-trading entity. As such, GIF sees itself as not being liable for corporation tax and has therefore made no provision under taxation in these financial statements.

Notes (continued)

2. Income

	15-month period to 2015 \$000
Income	
Government grants	2,720
Private funding	715
	<u>3,435</u>
	15-month period to 2015 \$000
Income by country	
Australia	97
Sweden	(58)
United Kingdom	635
United States of America	2,761
	<u>3,435</u>

The negative income relating to Sweden relates to donor funds released against a foreign exchange gain. This gain was recognised during an internal bank transfer from Swedish kronor in to both pounds sterling and US dollars.

3. Project specific expenses

	15-month period to 2015 \$000
Project specific expenses	
Valid Nutrition	104
Development Media International Associates CIC	565
Newborn Foundation	171
	<u>840</u>

4. Expenses and auditor's remuneration

	15-month period to 2015 \$000
Included in income and expenditure are the following:	
Audit remunerations: audit of these financial statements	25
Foreign exchange (gains)	<u>(160)</u>

Notes (continued)

5. Staff numbers and costs

The average number of persons employed by the Group (including directors) during the period, analysed by category, was as follows:

	15-month period to 2015
Category	
Investment	3
Administration	3
	<u>6</u>

The aggregate payroll costs of these persons were as follows:

	15-month period to 2015
	\$000
Wages and salaries	809
Social security costs	80
Contributions to defined contribution pension plans	59
	<u>948</u>

6. Director's remuneration

The directors received no remuneration during the period as directors of this group.

Notes (continued)

7. Taxation

GIF has made a tax provision of *nil* for the period ending 31st December 2015. GIF takes the position that it does not qualify as a trading entity with regards to HMRC's badges of trade.

8. Programme related investments

Group and company	2015
	\$000
Convertible debt instruments	
PAYG Holdings Limited	238
	<u>238</u>
Equity investments	
Segovia Technology Co.	750
	<u>750</u>
Total programme-related investments	<u>988</u>

GIF have invested in PAYG Holdings Limited in the form of an interest bearing convertible note, with options to convert it in to a minority share-holding.

GIF is a minority shareholder in Segovia Technology Co.

9. Debtors

	Group	Company
	2015	2015
	\$000	\$000
Directors' loans	7	7
Deposits	56	51
Amounts owed by subsidiary undertaking	-	41
Prepayments and accrued income	9,156	9,156
	<u>9,219</u>	<u>9,255</u>

10. Cash at bank and in hand

	Group	Company
	2015	2015
	\$000	\$000
Cash at bank and in hand		
Cash in hand	21,177	21,108
Notice deposits-(less than 3 months)	1,001	1,001

Global Innovation Fund
Report and audited financial statements
31st December 2015

22,178	22,109
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Notes (continued)

11. Creditors: amounts fall due within one year

	Group 2015 \$000	Company 2015 \$000
Trade creditors	231	227
Accruals	75	75
Inter-company	-	7
Donor funds	25,097	25,097
Deferred income	6,800	6,764
	<u>32,203</u>	<u>32,170</u>

12. Capital and reserves

	Group Reserves 2015 \$000	Company Reserves 2015 \$000
Balance at 14 October 2014	-	-
Income and expenditure for the year	182	182
Balance at 31 December 2015	<u>182</u>	<u>182</u>

13. Defined contribution scheme

The group operates a defined contribution pension scheme. The total expense relating to this scheme amounted to \$58,753 during the period. This includes an outstanding amount of \$9,868 as at the 31st December 2015.

Notes (continued)

14. Financial instruments

The carrying amounts of the financial assets and liabilities include:

Group and company	15-month period to 2015 \$000
Assets measured at fair value through profit or loss	988
	<u>988</u>

As quoted prices are unavailable, the fair value of equity instruments has been measured at the transaction price.

15. Commitments and contingencies

Amounts related to programme related investments (grants) contracted for but not provided in financial statements amounted to \$2,079,011 for the group and the company.

Neither the group nor company have any contingent liabilities as at the balance sheet date.

16. Related party disclosure

Transactions with key management personnel

Total compensation of key management personnel in the year amounted to \$353,357.

During the course of the period a loan of \$6,632 was made to the CEO, Alix Zwane. As at 31st December, the amount outstanding on this loan was \$6,632.

17. Ultimate parent company

The ultimate controlling party is Global Innovation Fund and it has a 100% subsidiary in the US called Global Innovation Fund. The consolidated financial statements of this group are available to the public and may be obtained from Global Innovation Fund, Second Home, 68-80 Hanbury Street, London, E1 5JL.