

GLOBAL INNOVATION FUND

Pilot | Test | Scale

**Report and Audited Financial Statements
for the year ended 31st December 2016**

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COMPANIES HOUSE

Company registration number 09223487 (England and Wales)
Charity registration number 1171353

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Trustees, Officers and Advisers

Trustees

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

- Russell Siegelman (Chair of the board)
- Michael Anderson
- Stefan Dercon
- Esther Duflo
- Salvatore Giambanco
- Michael Kremer
- Kanini Mutooni
- Carolina Trivelli

Key management personnel

Chief Executive Officer	Alix Peterson Zwane
General Legal Counsel	Amélie Baudot
Senior Partner	Eric Berkowitz
Chief of Staff and VP	Garreth Spillane
Senior Partner	Gulzar Natarajan
Chief Analytics Officer	Kenneth Chomitz
Chief Operations Officer	Nishant Lalwani
Senior Partner	Raymond Guthrie
Chief Financial Officer	Veena Sharma

Professional advisers

Auditors	Crowe Clarke Whitehill LLP	St Bride's House, 10 Salisbury Square, London EC4Y 8EH
Bankers	Barclays Bank Plc	1 Churchill Place, London E14 5HP
Solicitors	Bates Wells Braithwaite LLP	10 Queen Street Place, London, EC4R 1BE

Trustees' Report

The Trustees present their report, the directors report, and consolidated financial statements for the year ended 31st December 2016, the information in the 2015 column is based on a 15 month period from incorporation to the 31st December 2015 and has been restated.

Under the Charities Act 2011 and the Companies Act 2006 the Directors' Report and Strategic Report are included within the Trustees Report.

Business review and future developments

This has been discussed in the Strategic Report section.

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 Report

Appointment of Trustees

The Charity's Articles of Association and Byelaws set out guidance on the composition of the Charity's Board of Directors. The Board is entirely non-executive and is comprised of a majority of Trustees that are independent of any GIF funder ("A" Trustees). "A" Trustees are recruited from the following fields: private sector, civil society, the public sector and academia. They are formally appointed by the Board following approval by the Members. "A" Trustees serve for three-year terms with possible reappointment.

The Board also includes seats for Trustees that are elected by GIF's funders ("B" Trustees). "B" Trustees are elected at the start of each three year funding cycle of the Charity.

The Trustees meet formally each quarter.

The Trustees have delegated day to day management of the Charity to its Chief Executive Officer and her senior management team. The Board has also delegated authority to the Audit & Finance Committee, the Human Resources Committee, and the Development Committee. Each of these committees reports back to the Board and makes recommendations to the Board for approval as necessary.

The Trustees review and approve on an annual basis:

- the annual budget and operating plan for the Charity;
- the Charity's financial results and variances from budget
- the Charity's key performance indicators;
- the Charity's investment and grant portfolio and any major risks associated with the projects.

The Trustees also regularly review the Charity's risk matrix. The Audit & Finance Committee of the Board receives quarterly updates from senior management on risks and ensures that appropriate controls are in place to mitigate those risks.

Induction and training of new Trustees

Each new GIF Trustee is briefed on the role of a Trustee and a Director under Charities Law and the Companies Act. They are provided with copies of the Charity Commission's guidance and the Charity's organisational documents. The Trustees also receive regular training on Trustee and Director duties and responsibilities, anti-bribery and corruption and conflicts of interest.

Pay and remuneration

The Human Resources Committee (appointed by the Board) is responsible for setting strategies relating to human resource needs for the Charity and oversees the Charity's compensation philosophy. The HRC makes a recommendation to the Board regarding the CEO's annual compensation. The CEO is responsible for setting the terms of remuneration for senior management.

Related Party

None of the Trustees receive remuneration or other benefit from their work with the Charity, although expenses are paid. Any connection between a Trustee with a request for financial assistance under discussion will be disclosed at a Board of Trustees meeting in the same way as any other contractual relationship with a related party. In the current year, no such related party transactions were reported.

Details of Trustee expenses are disclosed in Note 15 to the accounts.

Other information

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

Auditor

Following the resignation of KPMG LLP on 7th December 2016 the Charity appointed new auditors Crowe Clark Whitehill. This resolution was passed at the board meeting held on 16th December 2016.

Strategic Report

This strategic report for the Global Innovation Fund's second full financial year covers the full financial period from 1st January 2016 to 31st December 2016.

The 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 14th October 2014 to 31st December 2015 (comparatives) and 12 month period to 31st December 2016. GIF has a 100% owned subsidiary, also called the Global Innovation Fund, incorporated in District of Columbia, United States of America, on 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 future activities, the Trustees have referred to guidance contained in the Charity Commission's general guidance.

Over this reporting period, and in line with the goals, GIF has approved investments in a broad range of innovations across the developing world, covering sectors including energy, health, education innovation, and domestic resource mobilisation.

GIF was in the process of applying for charity status with the UK Charity Commission at year-end, this was granted on 27th January 2017 with the charity number 1171353. The Articles of Association were adopted on 28th November 2016.

Aims and purpose of the Charity

The relief of those in need arising by reason of youth, age, ill-health, disability, financial hardship or other disadvantage amongst the world's poor in developing countries for the public benefit by the provision of grants, loans, social investment, equity or other financial assistance to fund or otherwise assist in financing projects, programmes, or products which have the capacity to develop into large scale solutions which will have a significant impact on and further such object.

The relief of poverty amongst the same beneficiary group by the same means; and the advancement of any other charitable purpose for the public benefit by the same means.

GIF aims to support the global public good of generating innovations that will collectively open up opportunities and improve lives for hundreds of millions of people across multiple developing countries. To accomplish this, GIF seeks to accelerate the development, rigorous testing and scaling of cost-effective innovations, in particular by:

- providing an open global innovation platform to support piloting and testing new innovations for the world's poor in developing countries, including both those that could scale commercially and those that could scale through funding by developing country governments, donors, and philanthropy;
- providing grants and making risk capital investments to support the transition to scale of:
 - innovations designed to scale commercially that have passed a market test, and;
 - innovations designed to scale through public or philanthropic support that have rigorous evidence of impact and cost effectiveness; and
- generating significant evidence, lessons, and knowledge to share with partner institutions as well as the broader development community.

Investment Policy

GIF supports innovations that benefit people living on less than the equivalent of US\$5 per day (PPP) in developing countries, and is especially interested in innovations that impact people living on less than US\$2 per day (PPP). GIF also seeks innovations that benefit vulnerable groups such as women and girls, the disabled, minority or indigenous groups, refugees or displaced communities, or other vulnerable populations.

GIF defines “innovation” as any solution that has potential to improve the lives of the poor in developing countries more effectively than existing approaches. This includes new products or services, policy practices, business models, operational or production processes, behavioral insights, or ways of delivering products and services that benefit the poor, across all relevant sectors. These innovations could come from social enterprises, for-profit firms, non-profit organisations, researchers, academics, government agencies or any other relevant institution or individual.

GIF seeks to fill market gaps, and is especially interested in supporting promising innovations that may otherwise struggle to find appropriate forms of funding for objectives that align with GIF's, e.g. piloting development innovations, gathering rigorous evidence of impact or achieving greater scale.

Grants

GIF works with a wide range of institutions to fund specific research projects. Payments of grants is conditional upon the performance of key tasks. Where such tasks remain incomplete, payment is withheld. GIF operates an annual review process whereby grants are reviewed to ensure progress is being made and the programme complies with expectations before continuing payment is confirmed. As a result, the first payment of each grant is made up front, with further payments contingent on the above policy.

Reserves Policy

The following reserves policy intends to ensure GIF is in a position where it holds sufficient working capital to fulfil short-term contractual and constructive investment commitments, as well as sufficient funds to cover medium term operational expenditure.

Investment Commitments

GIF intends to hold sufficient funds to fulfil any disbursements relating to contractual and constructive obligations falling due in the proceeding nine months. This will ensure that GIF has the necessary funds on hand as and when they are required for disbursement at a future date. Contractual obligations are all those arising from GIF's existing investment portfolio. For the purpose of this reserves policy, GIF will consider constructive obligations to be those arising from investments post external reviewers that are likely to be signed in the short-term.

Operational Expenses

Operational expenses are those incurred through the course of running GIF's offices, employing staff and making investments. The medium-term value of expenses will relate to twelve months' costs as per the most recent operational budget or forecast.

Working Capital

In addition to the funds described above, GIF will hold a minimum level of working capital of \$5 million, in order to accommodate any investment activity beyond the time horizons indicated and any unforeseen costs.

Review of the group's business

Our goal at GIF is to find, fund, and scale-up cost-effective, evidence-based innovations that have the potential to measurably improve the lives of millions of people in the developing world.

We believe that the best ideas for solving some of the world's most critical problems can come from anyone, anywhere. Through our grants and risk capital, we help breakthrough solutions to global development challenges from social enterprises, for-profit firms, non-profit organizations, researchers, and government agencies to maximize their impact and affect meaningful change.

We support innovators at all stages of development, from start-up and pilot-testing through to larger scale implementation - the innovations we fund can be located in any developing country and can focus on any sector relevant to international development, provided they are committed improving the lives of those living on less than \$5 a day.

When thinking about where to invest, we look for promising entrepreneurs and seek to become their early partners as they test, adapt and improve their business model, before they are big enough to work with development finance institutions. We can also support experimentation and evidence gathering in domestic resource mobilization, such as in increasing tax compliance in developing countries or supporting remittance flows.

The past year has been a time of growth and of outreach for GIF, where we have built on the progress we made throughout the course of our first financial year.

During this time:

- We have focused on building a high quality portfolio of investments and growing our pipeline of possible investees to ensure that we are able to continue to invest in innovations with the potential to transform the lives of people living on \$5 a day or less.
- We have worked towards ensuring that our impact evaluation and portfolio standards are strong and that our operating model is truly efficient, as well as recruiting top talent across our teams in both London and Washington D.C.
- We have continued our fundraising efforts and further developed GIF's brand within the world of development and innovation, speaking about who we are and what we do to a wide range of external audiences.

Throughout the year we achieved some great things:

- We became an active investor in impact, sourcing deals and partnering with governments, DFIs and impact investors, closing 16 deals at c.\$43m, from applying behavioural approaches to development challenges in South America and Southeast Asia, to empowering women and young people in Uganda and Rwanda through education.
- We also grew in number as a team, welcoming several new faces across our legal, financial, analytics, portfolio management, and communications functions. We now have 29 FTEs, including a US country lead, three senior partners and a full leadership team.

- We connected with like-minded organizations across the development community, sharing ideas, learning from others and celebrating the work of the inspiring innovations that we fund. We attended and spoke at a range of conferences and events around the world, including the World Economic Forum Young Global Leaders' Summit in Tokyo, Sankalp in Jakarta and the Grand Challenges conference in London.
- The next table helps illustrate the size of grants and investments we make. In 2016 GIF average approved deal value was \$2.2m, this is up from \$0.6m per deal in 2015.
- Each deal can include more than one disbursement, GIF average payout per disbursement was up from \$366k to \$714k. This highlights GIF committing larger sums with the average disbursement still to pay in relation to signed deals at year end up from \$141k to \$395k.

Investment Activity	2016	2015
Average Investment Commitments		
Signed Programme-related deals (\$ amount/volume)	2,177,613	609,144
Number of deals committed to in the year	13	6
Average Pay-outs		
Programme-related pay-outs per disbursement (\$ amount/volume)	713,732	365,534
Number of disbursements made	22	5
Outstanding programme-related pay-outs (\$ amount/volume)	395,241	140,554
Number of disbursements still to make	40	13

We also made good progress against the operating plan targets and estimates that were approved by the Board in December 2015:

- We made 14 new investments (against an estimate of 23), including two scale deals, as part of our goal to build the highest quality portfolio of bold innovations rooted in evidence.
- We built selective sourcing partnerships to bring in targeted, high quality investment opportunities and grew our pipeline of high potential investees through strategic sourcing.
- We set our impact evaluation and portfolio management standards by creating an impact evaluation and reporting framework, and designing and implementing a portfolio management strategy.
- We hired 15 new staff with two leavers, began quarterly staff satisfaction surveys and agreed key values, management behaviours and practices as part of our goal to create a resilient organisation with world class human capital.
- We worked towards implementing a lean operational model with streamlined core process, including introducing updated support process for HR and Finance.
- We continued with capitalisation and fundraising through conversations with a range of potential funders, and secured funding from existing donors.

We developed GIF's brand and active voice in the development and innovation space by strengthening our Communications team and developing a new company website which will launch in 2017.

Principal risks facing the group

The table below outlines key organisational risks faced by GIF in achieving its mission, and what we're doing to mitigate those risks.

Risk	Explanation/example	Management and mitigation
Political Risk	Global political or economic uncertainty	Active Engagement with donor governments and broader bilateral and multilateral engagement
Cash Flow Risk	Funding fluctuations by donor governments	GIF is funded by reputable development agencies on a multi-year basis
Brand Risk	GIF-backed institutions received negative media coverage	Active communications and media planning during the investment process
Contextual fluctuations	Changes in investment portfolio institutions or the markets in which they operate	Building GIF's strategic engagement and understanding of wider market context

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 Trustees.

Looking ahead

2016 was the year we became active investors, developing a varied portfolio of exciting investments across the world. In 2017, our ambitions are even greater.

Underpinning everything we do is a commitment to accelerating evidence-based innovations with the potential to transform the lives of tens of millions of people in developing countries. We are already beginning to see emerging success across our investments, but if we are to truly maximize the social impact of the innovations that we fund, then we need to position ourselves as a learning organization – always striving to improve our ways of working.

We have identified four values which we hope to embody throughout 2017:

1. **Focus:** This year we will do fewer new deals than we did in 2016. We will work closely with our investees, providing targeted venture support and helping them to realize their full potential. Where we do make new investments, our focus will be on identifying exceptional quality.
2. **Rigour:** We are in the business of finding what works, and working with entrepreneurs to find the best route to scale. With an experienced analytics team now fully in place, we want 2017 to be a year in which we take the quality of our economic and impact analysis to new heights. Building on our work to date, we will deepen our focus on evidence-based decision-making to inform who we work with and how we make decisions.
3. **Stewardship:** We owe it to ourselves, to make sure that our funds are spent wisely, on things that are effective and impactful. We will take advantage of our enhanced finance function to continue to act as excellent stewards of public money, ensuring value for money in everything we do. We are a social first innovator precisely because we know that when an innovator delivers evidence-based social impact, the economic impact is also greater.
4. **Engagement:** Over the last 12 months we have attended and spoken at high-level events all over the world, and building connections with like-minded organizations along the way. We want to build on this progress over the next year by deepening our relationships with existing donors and bringing in new stakeholders, but also by raising our profile within the development community. 2017 is the year we tell the story of the impactful innovations that we support.

Goals Key Objectives

1. Make and support great investments

- c.20 high potential deals guided by evidence, smart risk assessment, and social value;
- Support our portfolio in their efforts to scale and generate demonstrable impact;
- Invest evenly across the year with lean, innovator-friendly approaches to diligence.

2. Forge strong relationships with existing and new supporters

- All funders make good on existing commitments to GIF;
- We engage supporters in our investment process and portfolio.

3. Create momentum around the core elements of GIF's model

- Increase awareness and adoption of the core elements of GIF's model;
- Strategic, positive media coverage of GIF and our investments.

4. Nurture a happy, motivated, high performing team

- Leadership team has role clarity, high quality line management, and mutual trust and respect;
- A functional and productive organisational matrix structure that leverages internal expertise and creates learning opportunities;
- Staff satisfaction score on survey of at least 60%.

Future: 10 year plan

- Game changing innovations found and scaled by GIF, leading to a measurable improvement in the lives of more than a hundred million people living in poverty;
- GIF has changed minds and conversations about what is possible in development and aid funding, with its commitment to rigorous evidence as well as partnership with the private sector, leading to the adoption of our model by others;
- GIF is a sustainable vehicle with a diverse range of funders and considered an excellent partner by aid donors and social investors.

Statement of Trustees' Responsibilities

The Trustees (who are also Directors of Global Innovation Fund for the purposes of Company Law) 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 Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law.

Under company law the Trustees 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 group and of the incoming resources and application of resources, including the income and expenditure, of the group for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments 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 company will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware;
- the Trustees have taken all steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

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

The Trustee's Report, prepared under the Charities Act 2011 and the Companies Act 2006, was approved by the Trustees, including in their capacity as company directors approving the Strategic Report continued therein, and is signed as authorised on its behalf by;

Russell Siegelman



Chairman of the Board of Directors

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

08/08/17
Date:

Kanini Mutooni



Chair of the Audit and Finance Committee

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

12/06/17
Date:

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 2016 set out pages 13 to 27.

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)

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. Our audit work has been undertaken so that we might state to the charitable 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 charitable 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 Trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees (who are also the directors of the charitable company for the purpose of company law) 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Strategic report and the Trustees' Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 December 2016 and of the group's 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 Companies Act 2006.

Opinion on other matter 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 Strategic Report and the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report and Strategic Report 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 group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Trustees' annual report.

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:

- the parent charitable company has not kept adequate accounting records; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

N. H. Hashemi

Naziar Hashemi

Senior Statutory Auditor

For and on behalf of

Crowe Clark Whitehill LLP

Statutory Auditor

London

Date - 16/8/17

Consolidated Statement of Financial Activities

For the year ended 31 December 2016

	<i>note</i>	Total Funds 2016 USD (\$000)	Total Funds 2015 USD (\$000) Restated
Income from:			
Charitable activities - Grants	2	19,150	36,471
Investment Income		28	5
Total income		<u>19,178</u>	<u>36,476</u>
Expenditure on:			
Charitable activities	3	(11,499)	(2,757)
Other expenditure		(1,923)	(1,054)
Total expenditure		<u>(13,422)</u>	<u>(3,811)</u>
Net income		<u>5,756</u>	<u>32,665</u>
Other recognised gains/ (losses)			
Foreign exchange transactions		(2,036)	(827)
Net movement in funds		<u>3,720</u>	<u>31,838</u>
Reconciliation of funds:			
<i>Total funds brought forward as at 1st January 2016</i>		31,838	
<i>Net movement in funds</i>		<u>3,720</u>	31,838
<i>Total Funds carried forward as at 31st December 2016</i>		<u>35,558</u>	<u>31,838</u>

All funds received have been classified as unrestricted

Consolidated and Charity Balance Sheets

As at 31 December 2016

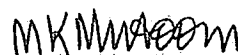
	<i>note</i>	Group 2016 USD (\$000)	Charity 2016 USD (\$000)	Restated Group 2015 USD (\$000)	Restated Charity 2015 USD (\$000)
Fixed assets:					
Investments	4	8,387	8,387	988	988
Total fixed assets		8,387	8,387	988	988
Current assets:					
Debtors	5	278	311	9,218	9,283
Cash at bank and in hand	6	27,147	27,082	22,178	22,109
Total current assets		27,425	27,393	31,396	31,392
Liabilities:					
Creditors: amounts falling due within one year	7	(254)	(222)	(546)	(542)
Net current assets		27,171	27,171	30,850	30,850
Total net assets		35,558	35,558	31,838	31,838
The funds of the Charity					
Unrestricted funds	8	35,558	35,558	31,838	31,838
Total funds		35,558	35,558	31,838	31,838

The surplus for the financial year dealt with in the financial statements of the parent charitable company was \$3,719,883 (2015 - \$31,838,414)

These financial statements were approved by the board of directors on 12th June 2017 and were signed on its behalf by:



Russell Siegelman
Chairman of the Board of Directors



Kanini Mutooni
Chair of the Audit and Finance Committee

Global Innovation Fund
Company Registration Number: 09223487 (England and Wales)

Consolidated Cash Flow Statement

For the year ended 31 December 2016

	note	Group 2016 USD (\$000)	Restated Group 2015 USD (\$000)
Net Cash outflow from operating activities	(a)	20,376	24,244
Cash flows from investing activities	(b)	23	2
Cash flows from financing activities	(c)	(15,430)	(2,068)
Change in cash and cash equivalents in the reporting period		<u>4,969</u>	<u>22,178</u>
Cash and cash equivalents as at 1 Jan		22,178	-
Cash and cash equivalents as at 31 Dec		27,147	22,178

Cashflow Statement notes:

(a) Reconciliation of changes in resources to net cash outflow from operating activities

Net incoming for the reporting period	3,720	31,838
Dividends, interest and rents from investments	(28)	(5)
Bank charges	5	3
Issuance of programme related grants	8,031	1,080
(Increase)/decrease in debtors	8,940	(9,218)
Increase/ (decrease) in creditors	(292)	546
Net Cash provided by operating activities	<u>20,376</u>	<u>24,244</u>

(b) Cash flows from investing activities

Portfolio Interest	18	2
Administration fees	5	2
Bank and other interest	5	1
Bank charges	(5)	(3)
Net Cash provided by investing activities	<u>23</u>	<u>2</u>

(c) Cash flow from financing activities

Purchase of programme related investments	(7,399)	(988)
Issuance of programme related grants	(8,031)	(1,080)
Net Cash provided by financing activities	<u>(15,430)</u>	<u>(2,068)</u>

The Charity has taken advantage of the exemption available under FRS 102 from the requirement to present a charity-only cash flow statement within the consolidated financial statements.

Notes to the accounts

1. Accounting policies

Company Information:

Global Innovation Fund (GIF) is a company incorporated and domiciled in the UK, its registered address is Second Home, 68-80 Hanbury Street, London, E1 5JL.

Basis of preparation:

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: 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 (FRS 102) (effective 1 January 2015) – (Charities SORP (FRS 102)), the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

GIF was incorporated on 17th September 2014 and commenced operations. The first set of audited accounts were signed and filed in accordance with the Companies Act. The accounts ending 2016 have been prepared in accordance with Charity SORP (FRS 102) with the 2015 comparatives being restated. The 2015 comparative represents a 15 month period from 17th September 2014 to 31st December 2015, this represents the trading activity from incorporation to the desired year end for the group.

GIF has a 100% owned subsidiary, also called Global Innovation Fund, incorporated in District of Columbia, United States of America (EIN: 47-4045086). It is a not for profit organisation and therefore has equity of nil, its turnover of \$799k (2015: 364k) was provided directly from GIF to cover its operating costs. Its address is 1875 K Street NW, Office 516, 20006, Washington, United States.

No separate SOFA has been prepared for the Charity alone, as permitted by Section 408 of the Companies Act 2006. As required by Section 408 (4) of the Companies Act the Charity's income for the year was \$19,177,928 (2015 - \$36,471,155), and its net surplus was \$3,719,883 (2015 - \$31,838,414). The Charity has also taken advantage of the exemptions available under FRS 102 from the requirements to present a charity-only cash flow statement and to present certain disclosures about the Charity's financial instruments.

There are no material uncertainties about the company's ability to continue as a going concern.

GIF is a Public Benefit Entity and became a charity on 27th January 2017 as stated in Note 16.

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 2016. The parent company Global Innovation Fund is based in London and has one subsidiary (also name Global Innovation Fund) based in Washington D.C.

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.

Notes (continued)

Measurement convention

The financial statements are prepared on the historical cost basis except that the investments listed in Note 4 of the financial statements. The related financial instruments are classified at fair value through income and expense. Where quoted prices are unavailable the investments will be stated at cost with an assessment for impairment taken at the year end.

Foreign currency

GIF 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 average monthly 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 2016 are translated to US Dollars at the closing foreign exchange rate ruling on 31st December 2016. 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 any impairment. 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 recorded in the Statement of Financial Activity. Then investments are subsequently measured at fair value through the income and expenditure account.

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

Income recognition

All income is accounted for when Global Innovation Fund has entitlement, there is probability of receipt and the amount is measurable. For grant income this is usually when the invoice for payment is raised. This represents a change in accounting policy where previously grants and donations were recognised on the balance sheet and utilised against investments or expenditure when due. The 2015 numbers shown in these accounts have been restated to reflect the change. The effects of which are shown in note 18.

Expenses

Expenses are recognised on an accruals basis in the period to which they relate.

Interest receivable on the notice deposits (less than three 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.

All costs are allocated to direct charitable activities or raising funds. Support costs are allocated either as direct costs associated with the investment or indirect costs.

Notes (continued)

Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in the Statement of Financial Activities on a straight-line basis over the period of the lease.

Social Investments

Social Investments that are loans, equity or convertible loans are accounted for at the outstanding amount of the loan less any provision for unrecoverable amounts.

Unquoted equity, social investment funds and partnerships, and similar social investments are held at cost, less any provision for diminution in value, unless the Fund is able to obtain a reliable estimate of fair value.

Notes (continued)

2. Income

	2016 USD (\$000)	Restated 2015 USD (\$000)
Income		
Government Grants	19,150	32,756
Private Funding	-	3,715
	<u>19,150</u>	<u>36,471</u>
	2016 USD (\$000)	Restated 2015 USD (\$000)
Government income by country		
Australia	7,523	8,229
Sweden	2,462	5,312
United Kingdom	3,620	7,891
United States of America	5,545	11,324
	<u>19,150</u>	<u>32,756</u>

No government grants that have been recognised in the accounts have any unfulfilled conditions or other contingencies attached and there are no other forms of government assistance from which the charity has benefited.

Notes (continued)

3. Grants Payable

	2016 USD (\$000)	Restated 2015 USD (\$000)
Grants Payable		
Valid Nutrition	52	104
DMI (Development Media International)	624	565
Newborn Foundation	-	171
Educatel	-	240
Evidence Action	195	-
Young Love	168	-
MyAgro	202	-
Simprints	158	-
Behavioural Insights Team	642	-
One Acre Fund	5,564	-
Lively Minds	129	-
IFS (Institute for Fiscal Studies)	149	-
Nesta	148	-
	<u>8,031</u>	<u>1,080</u>
Staff Skills and related staff costs	<u>3,468</u>	<u>1,677</u>
Total costs directly associated charitable activities	<u>11,499</u>	<u>2,757</u>

All grants above were made to institutions

4. Programme-related investments

	Group 2016 USD (\$000)	Charity 2016 USD (\$000)	Restated Group 2015 USD (\$000)	Restated Charity 2015 USD (\$000)
Debt				
PayGo	51	51	-	-
SparkMeter	602	602	-	-
	<u>653</u>	<u>653</u>	<u>-</u>	<u>-</u>
Convertible debt instruments				
Poa Power	232	232	238	238
Safe Boda	241	241	-	-
	<u>473</u>	<u>473</u>	<u>238</u>	<u>238</u>

Notes (continued)

4. Programme-related investments (continued)

	Group 2016 USD (\$000)	Charity 2016 USD (\$000)	Restated Group 2015 USD (\$000)	Restated Charity 2015 USD (\$000)
Equity investments				
Segovia	750	750	750	750
Afrimarket	2,211	2,211	-	-
Simpa	2,300	2,300	-	-
mClinica	2,000	2,000	-	-
	<u>7,261</u>	<u>7,261</u>	<u>750</u>	<u>750</u>
Total programme-related investments	<u>8,387</u>	<u>8,387</u>	<u>988</u>	<u>988</u>

5. Debtors

	Group 2016 USD (\$000)	Charity 2016 USD (\$000)	Restated Group 2015 USD (\$000)	Restated Charity 2015 USD (\$000)
Debtors				
Deposits	16	-	56	51
Amounts owed by subsidiary undertaking	-	-	-	34
Prepayments and accrued income	251	300	9,155	9,191
Other debtors	11	11	7	7
	<u>278</u>	<u>311</u>	<u>9,218</u>	<u>9,283</u>

6. Cash at bank and in hand

	Group 2016 USD (\$000)	Charity 2016 USD (\$000)	Restated Group 2015 USD (\$000)	Restated Charity 2015 USD (\$000)
Cash at bank and in hand				
Cash in hand	26,142	26,077	21,177	21,108
Notice deposits (less than 3 months)	1,005	1,005	1,001	1,001
	<u>27,147</u>	<u>27,082</u>	<u>22,178</u>	<u>22,109</u>

Notes (continued)

7. Creditors

	Group 2016 USD (\$000)	Charity 2016 USD (\$000)	Restated Group 2015 USD (\$000)	Restated Charity 2015 USD (\$000)
Creditors: amounts falling due within one year				
Trade creditors	167	169	221	221
Other creditors	16	9	10	6
Grants payable	-	-	240	240
Accruals	71	44	75	75
	254	222	546	542

8. Funds of the Charity

	Group 2016 USD (\$000)	Charity 2016 USD (\$000)	Restated Group 2015 USD (\$000)	Restated Charity 2015 USD (\$000)
Unrestricted funds				
Balance brought forward	31,838	31,838	-	-
Surplus for the period	3,720	3,720	31,838	31,838
Balance carried forward	35,558	35,558	31,838	31,838

9. Auditors remuneration

	Group 2016 USD (\$000)	Restated Group 2015 USD (\$000)
Included in the statement of financial activities are;		
Statutory audit fees	47	25
Tax advisory fees	7	-
	54	25

Notes (continued)

10. Staff numbers and costs

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

Category	Group 2016 USD (\$000)	Restated Group 2015 USD (\$000)
Investment	8	3
Administration	10	3
Total	<u>18</u>	<u>6</u>

The aggregate payroll costs of these persons were as follows:

Wages and salaries	2,377	809
Social security costs	286	80
Contributions to defined contribution pension plans	232	59
Other employee benefits	73	25
Other staff costs	500	704
	<u>3,468</u>	<u>1,677</u>

Staff Banding

The number of employees whose total compensation package (excluding pension) exceeded \$74k (£60k) are as follows;

USD		
86,000 – 98,999	1	-
99,000 – 110,999	4	-
111,000 – 122,999	5	1
123,000 – 135,999	-	1
136,000 – 147,999	4	-
197,000 – 209,000	1	-
	<u>15</u>	<u>2</u>

The Trustees received no remuneration for their services to the company.

Remuneration of Key Management Personnel

There were 9 (2015:1) key management personnel within the organisation, the total compensation package for these employees totalled \$936k (2015:\$158k). The Trustees received no remuneration for their services to the company.

Key Management Personnel are the Chief Executive Officer, Chief Operations Officer, Chief Finance Officer, General Legal Counsel, Chief Analytics Officer, Chief of Staff and VP, and three senior partners.

Notes (continued)

11. Financial Instruments

The carrying amounts of the financial assets and liabilities include

	Group 2016 USD (\$000)	Restated Group 2015 USD (\$000)
Financial Instruments		
Financial Assets - amortised cost	35,540	23,166
Financial Liabilities - amortised cost	254	546
Financial Assets		
Cash	27,147	22,178
Debtors	6	0
Social investments	8,387	988
	<u>35,540</u>	<u>23,166</u>
Financial Liabilities		
Trade Creditors	167	221
Grants payable	16	10
Accruals	-	240
Other creditors	71	75
	<u>254</u>	<u>546</u>

As quoted prices are unavailable, the fair value of equity investments has been measured as at the transaction price. An assessment of the investments were made at the year end by the senior management and no impairment was deemed necessary.

12. Operating Leases

The total of future minimum lease payments under non-cancellable operating leases for each of the following periods are as follows:

	Group 2016 USD (\$000)	Restated Group 2015 USD (\$000)
Operating Leases		
not later than one year	293	96
later than one year and not later than five years	147	-
later than five years	-	-
Total annual commitments	<u>440</u>	<u>96</u>

Within the financial statements are lease payments totalling \$211k (2015: \$19k)

Notes (continued)

13. Funding Commitments

Amounts related to programme related investments (grants) contracted for but not provided in financial statements amounted to \$15,809,644 (2015: \$1,817,196) for the group and the company. If all conditions relating to each grant were met, the following amounts will be due:

	2016 SOFA	2016 Balance sheet	2016 Total
2017	2,779,561	180,692	2,960,253
2018	5,683,053	-	5,683,053
2019	3,851,381	-	3,851,381
2020	3,314,957	-	3,314,957
Total annual commitments	15,628,952	180,692	15,809,644
 Total annual commitments as at 1st January 2016	 1,587,196	 230,000	 1,817,196
Commitments made in 2016	22,112,175	7,342,376	29,454,551
Payments made in 2016	(8,070,419)	(7,391,684)	(15,462,103)
Total annual commitments at 31st December 2016	15,628,952	180,692	15,809,644

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

14. Defined contribution scheme

The group operates a defined contribution pension scheme. The total expense relating to this scheme amounted to \$232k (2015: \$59k) during the period which has been charged to the Statement of Financial Activities. The contributions were paid using unrestricted funds:

Notes (continued)

15. Related party disclosure

Trustees

None of the Trustees have been paid any remuneration or received any other benefits from an employment with their Charity or a related entity.

Trustees expenses

Four of the Trustees, all non UK bases, have claimed expenses or had their expenses met by the Charity, these are related to flights, accommodation and subsistence for board meetings. These costs total \$11,422 (2015: \$3,861)

Employees

The loan issued to the CEO, Alix Zwane was revalued during the year and was valued at \$5,496 at the end of the year (2015: \$6,632).

Subsidiary

GIF gave \$800k (2015: \$500k) to its subsidiary located in Washington DC to fund its administration expenses. The subsidiary is a non for profit organisation and therefore has deferred \$13,392 to be recognised in future periods and the equivalent amount is recognised as a prepayment in the GIF. Finally \$21,970 of expenses were paid by GIF on behalf of the US subsidiary. The subsidiary had assets of \$81,062 and liabilities of \$81,062 at 31 December 2016, giving total net assets of \$Nil. At the year end, the subsidiary owed GIF \$nil (2015: \$34,006)

16. Ultimate parent company

The ultimate controlling party is GIF 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 GIF, Second Home, 68-80 Hanbury Street, London, E1 5JL.

17. Post balance sheet event

The UK Parent, GIF, company number 09223487 acquired charity status on 27th January 2017 after an assessment was made by the Charity Commission. The company can be found on the charity register with the charity number 1171353.

18. Prior year adjustments

The 2015 comparatives have been restated to take account of a prior year adjustment and changes to accounting policies as a result of adopting the Charities SORP (FRS 102). The effects of the changes are detailed in the table below, together with references to the explanations.

Total Funds as at 31st December 2015 prior to restatement	182
Additional government revenue recognition no longer recognised as deferred income (a)	30,036
Additional private donor revenue recognition no longer recognised as deferred income (b)	3,000
Additional cost from reversal of FX gain on deferred revenue (from (a) and (b))	(1,140)
Recognition of additional grants payable not previously recognised (c)	(240)
Funds as at 31st December 2015	<u>31,838</u>

Notes (continued)

18. Prior year adjustments (continued)

Changes in accounting policy:

- a) Global Innovation Fund has adopted the Charities SORP (FRS 102) in addition to FRS102. Income was previously recorded under the accrual model as is permitted for government grants under FRS102. Under the SORP the accruals model is not an available option and all grants are recognised under the performance model. The implication of this is that government grants previously treated under the accruals model and deferred on the balance sheet and released in the period in which costs were incurred or assets purchased have now been treated under the performance model. The impact of this is an increase in income of \$30,036,000 from government grants in 2015, together with a reduction of creditors on the balance sheet at 31 December 2015.

The deferred revenue mentioned above was revalued at 31 December 2015 which resulted in a gain of \$1,139,636. As the deferred revenue is now longer to be recognised under SORP, the previously recorded gain is to be reversed. (from points (a) and (b))

Correction of material errors in the prior period:

- b) There was also one grant from a private foundation of approximately \$3,000,000 which was also treated on the accruals model and deferred in the prior year although it was not a performance related grant.
- c) A grant payable to Educate! had no further conditions it had to meet at the end of 2015. As these sums were due but not yet paid an accrual of \$240,000 is now to be recognised which decreases profit and increases creditors by the same amount at 31 December 2015.