



GLOBAL INNOVATION FUND

**Report and Audited Financial Statements
for the year ended 31st December 2017**

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 (Resigned effective 5th May 2018)
- Michael Anderson
- Stefan Dercon
- Esther Duflo (Resigned effective 23rd January 2017)
- Salvatore Giambanco
- Vel Gnanendran (Appointed December 2017)
- Michael Kremer
- Kanini Mutooni (Chair of the Board)
- Sarah Pearson (Appointed December 2017)
- Carolina Trevelli (Resigned effective 2nd February 2018)

Key management personnel

Chief Executive Officer	Alix Peterson Zwane
General Legal Counsel	Amélie Baudot
Chief of Staff and VP	Garreth Spillane
Senior Partner	Gulzar Natarajan
Chief Analytics Officer	Kenneth Chomitz
Senior Advisor	Sarah Alexander

Professional advisors

Auditors	Crowe U.K. 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

Address of principle office

Global Innovation Fund's principle and registered office has the same address;

Second Home
68-80 Hanbury Street
London
E1 5JL

Trustees' Report

The Trustees present their report, the directors report, and consolidated financial statements for the year ended 31st December 2017.

In 2018, the Trustees will be also reviewing the new version of the Charity Governance Code and consider whether Global Innovation Fund (GIF) complies with the stated best practice principles.

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

GIF's Articles of Association and Byelaws set out guidance on the composition of the Board of Trustees who are the Directors as defined under the Companies Act. 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 GIF 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 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 relevant 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.

Every year all staff will go through an annual review looking at their performance vs objectives set at the start of the year. Pay increases are then dependable on the performance rating of the staff.

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 17 to the accounts.

Auditor

Crowe U.K. LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

Strategic Report

This strategic report for the GIF's third full financial year covers the full financial period from 1st January 2017 to 31st December 2017.

GIF was incorporated on 17th September 2014 as a company limited by guarantee. 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.

The charity had no fundraising activities requiring disclosure under S162A of the Charities Act 2011.

Statement of public benefit

GIF was granted charity status with the Charity Commission for England and Wales on 27th January 2017 with the charity number 1171353. The Articles of Association were adopted on 28th November 2016.

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.

Aims and purpose of the Charity

GIF Aims are:

- 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. The Reserves Policy is approved by the board in line with the requirements of GIF's donor governments.

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.

Financial Review

GIF increased its income from its funders from \$19,150k in 2016 to \$27,021k in 2017. This was a result of improved reporting and dialogue with each funder. \$1,250k of that was received for project specific investments and is currently held on our balance sheet as restricted funds due to the nature of it. Investment income increased from \$28k to \$384k as GIF took a more active management of its cash balances and loan investments made in the year.

During the year \$6,792k of new risk capital investments (Debt, Equity or Convertible Debt) were made. At the end of the year indepth review of our investments was undertaken. It was decided that writedowns, totalling \$2,750k (2016: \$nil) was necessary due to uncertainties around various aspects such as going concern. The impairment losses are included within Charitable activities in the Statement of Financial Activities.

Total funds as at the end of the year was \$49,209k (2016:\$35,558k) of which \$1,249k (2016:\$Nil) was restricted.

Review of the group's operations

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.

In 2017, GIF focussed on process improvement and organisational development to ensure that we are best placed to deliver impact through our portfolio and value-for-money for our donors.

During this time:

- We have continued to build high quality portfolio of investments and grown 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 refined and implemented our Practical Impact Assessment model to rigorously assess the potential impact of our portfolio pipeline. This model is used across our work notably for project selection and appraisal (which proposals offer the highest impact per dollar?), for tracking long-run portfolio performance, and in balancing rigour with practicality.

- We have continued our engage with potential new funders who align with GIF's impact first, evidence-based investment approach. These conversations will continue in 2018 as GIF seeks to mobilise additional capital in pursuit of social returns.
- GIF has become a sought-after thought partner within the aid and development sector as policymakers and practitioners seek to address the financing needs of social entrepreneurs in the developing world.

Throughout the year we have achieved the following results:

- We continued to develop GIF's brand and active voice in the development community, including through the launch of a new website and logo
- We have further developed our relationship with funding partners through improved financial management, more rigorous analysis, and closer collaboration in our investment process.
- Increased Leadership Team representation at important conferences and events has helped us to spread the word about GIF, Practical Impact Assessments, and the innovations that we fund.
- The next table helps illustrate the size of grants and investments we make. In 2017 GIF average approved deal value was \$2m, down from \$2.2m per deal in 2016. This was a result of a specifically large deal signed in 2016, if excluded, the average deal value has increased from \$1.0m to \$2.2m. This illustrates GIF ever increasing commitment to its mission.
- Each deal can include more than one disbursement. GIF's average payout per disbursement was down to \$543k from \$714k. There has, however, been an increase in the number of disbursements made: 24 this year compared with 22 last year. There has been a ramp up of GIF operations with the number of commitments still due at year end increasing again from 40 to 58 and the average value of these disbursements increasing again from \$395k to \$455k.

Investment Activity	2017	2016
Average Investment Commitments		
Signed Programme-related deals (\$ amount/volume)	2,008,589	2,177,613
Number of deals committed to in the year	11	13
Average Pay-outs		
Programme-related pay-outs per disbursement (\$ amount/volume)	542,612	713,732
Number of disbursements made	24	22
Outstanding programme-related pay-outs (\$ amount/volume)	455,284	395,241
Number of disbursements still to make	58	40

We also made good progress against our objectives throughout the course of 2017:

- We added 11 new investments to our portfolio, through an investment process that maintained its focus on the use of evidence, smart risk-taking and the generation of social value.
- 2017 was the year in which we launched our venture support offering, starting with a thorough needs analysis of our portfolio, and rigorous planning of GIF's offering in this area.
- GIF has evolved its investment and diligence processes to ensure that we deliver on our commitment to being a lean, entrepreneur-friendly investor in impact.
- GIF has a rigorous financial, legal and ESG diligence process that is grounded in best practice and recognises our role as good stewards of public funds. Our lean operating model supports that.
- GIF's new website launched in September and we now print and design resources to support our investments and improve stakeholder engagement.
- We developed our Practical Impact Assessment model to track our overall progress and to aid internal decision-making.
- Increased Leadership Team travel and representation at important conferences and events has helped us to spread the word about GIF, Practical Impact Assessments, and the innovations that we fund.

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, including focus on securing new donor relationships.
Cash Flow Risk	Funding fluctuations by donor governments	GIF is funded by reputable development agencies on a multi-year basis with a reporting system in place to manage funding inflows
Brand Risk	GIF-backed institutions received negative media coverage	Rigorous due diligence and assessment of ESG risk during the investment process; communications planning for each investment as it joins the portfolio.
Market Risk	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

Looking ahead to 2018, there is a great deal for us to be excited about.

We are focused on identifying pipeline opportunities for possible co-investments with the South African Department of Science and Technology. Staff travelled to South Africa last year with this objective in mind, and we have already started discussion promising prospective investments for this year. Having set up a Gender Working Group, we are also looking to focus our sourcing conversations for investments which disproportionately benefit women and girls in 2018.

Overall, deal leads will spend significant time on portfolio management in 2018, and less on new investments. Venture assistance funds will be deployed towards high priority investments and will aim to increase the impact of the portfolio as a whole, and we have established a central Venture Support Committee to oversee this, with a mandate to maximize and accelerate the social value that our investments create.

We will continue to build the reputation of GIF and encourage the adoption of the GIF model more broadly, and we go into the New Year with clear messages around the power of the use of evidence to source deals, and GIF's position of a "VC for fragile states". We will also work to strengthen our Practical Impact Assessment offering, refining and streamlining our methodology, and creating and promoting a low-cost, easily-implementable, highly credible impact assessment procedure.

Goals Key Objectives

1. **GIF will broaden its funder base, expand its physical presence and bring in new, complementary skillsets**
 - Secure new commitments and deepen relationships with partner agencies;
 - New hires bring complementary experience, expertise and knowledge.
2. **“Future-proof” GIF’s structure, systems and human capital**
 - Develop a refreshed five-year strategic plan for approval by our new Board representatives;
 - Provide induction and smooth on-boarding for our new Board directors;
 - Invest in staff’s by offering opportunities for professional growth through individual development plans.
3. **Clear and consistent delivery of key messages to the development community**
 - Practical Impact Assessments are carried out for all GIF projects and published on the GIF website, where possible;
 - GIF continues to be a key contributor to conversations around venture capital for fragile places, blended finance, innovation and the SDGs, and the use of evidence as a positive social screen in impact investing.
4. **Increase our focus on venture support to maximise value creation**
 - Proactive portfolio management and analysis improves GIF’s decision-making and contributes to increased social impact for our portfolio;
 - Promote our portfolio publicly, highlighting impact success, and engaging with potential co-investors;
 - Strengthen networks in the water sector and in gender to build a pipeline of high impact investments.

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;

Kanini Mutooni

Chair and Chair of the Audit and Finance Committee

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

Date:25/06/2018



Independent Auditor's Report to the Members of Global Innovation Fund

Opinion

We have audited the financial statements of Global Innovation Fund for the year ended 31st December 2017 which comprise The Consolidated Statement of Financial Activities, The Consolidated and Charity Balance Sheets, The Consolidated Cash Flow Statement and notes to the financial statements, including a summary of 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).

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 charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 31st December 2017 and of the group's incoming resources and application of resources 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.

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, 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.

In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions 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 trustees' report, 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 trustees' 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 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 trustees' report.

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:

- the parent company has not kept adequate accounting records, or
- the parent 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.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on pages 9 and 10 the trustees (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 control as the trustees determine is 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 trustees are responsible for assessing the group's or 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 trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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.

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.

N. Hashemi

Naziar Hashemi

Senior Statutory Auditor

For and on behalf of

Crowe U.K. LLP

Statutory Auditor

London

Date - 28 June 2018

Consolidated Statement of Financial Activities
For the year ended 31 December 2017

		Unrestricted Funds 2017 USD (\$000)	Restricted Funds 2017 USD (\$000)	Total Funds 2017 USD (\$000)	Total Funds 2016 USD (\$000)
	<i>note</i>				
Income from:					
Charitable activities - Grants	2	25,771	1,250	27,021	19,150
Investment Income	2	384	-	384	28
Total income		26,155	1,250	27,405	19,178
Expenditure on:					
Charitable activities	3	(15,703)	(1)	(15,704)	(13,422)
Total expenditure		(15,703)	(1)	(15,704)	(13,422)
Net income		10,452	1,249	11,701	5,756
Other recognised gains/(loses)					
Foreign exchange transactions		1,950	-	1,950	(2,036)
Net movement in funds		12,402	1,249	13,651	3,720
Reconciliation of funds:					
<i>Total funds brought forward as at 1st January 2017</i>		35,558	-	35,558	31,838
<i>Total Funds carried forward as at 31st December 2017</i>		47,960	1,249	49,209	35,558

Consolidated and Charity Balance Sheets

As at 31 December 2017

	<i>note</i>	Group 2017 USD (\$000)	Charity 2017 USD (\$000)	Group 2016 USD (\$000)	Charity 2016 USD (\$000)
Fixed assets:					
Investments	4	12,485	12,485	8,387	8,387
Total fixed assets		12,485	12,485	8,387	8,387
Current assets:					
Debtors	5	201	168	278	311
Cash at bank and in hand	6	36,789	36,713	27,147	27,082
Total current assets		36,990	36,881	27,425	27,393
Liabilities:					
Creditors: amounts falling due within one year	7	(266)	(157)	(254)	(222)
Net current assets		36,724	36,724	27,171	27,171
Total net assets		49,209	49,209	35,558	35,558
The funds					
Restricted	8	1,249	1,249	-	-
Unrestricted	8	47,960	47,960	35,558	35,558
Total funds		49,209	49,209	35,558	35,558

The surplus for the financial year dealt with in the financial statements of the parent charitable company was \$13,650,832 (2016 - \$3,719,883)

These financial statements were approved by the board of directors on 25/6/18 and were signed on its behalf by:

Kanini Mutooni

Chair and 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 2017

		Group 2017 USD (\$000)	Group 2016 USD (\$000)
	<i>note</i>		
Net cash outflow from operating activities	(a)	19,844	20,376
Cash flows from investing activities	(b)	379	23
Cash flows from financing activities	(c)	(10,581)	(15,430)
Change in cash and cash equivalents in the reporting period		9,642	4,969
Cash and cash equivalents as at 1 Jan		27,147	22,178
Cash and cash equivalents as at 31 Dec		36,789	27,147

Cashflow Statement notes:

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

Net incoming for the reporting period	13,651	3,720
Dividends, interest and rents from investments	(384)	(28)
Bank charges	5	5
Issuance of programme related grants	6,482	8,031
(Increase)/decrease in debtors	78	8,940
Increase/ (decrease) in creditors	12	(292)
Net Cash provided by operating activities	19,844	20,376

(b) Cash flows from investing activities

Portfolio Interest	302	18
Administration fees	25	5
Bank and other interest	57	5
Bank charges	(5)	(5)
Net Cash provided by investing activities	379	23

(c) Cash flow from financing activities

Purchase of programme related investments	(4,098)	(7,399)
Issuance of programme related grants	(6,483)	(8,031)
Net Cash provided by financing activities	(10,581)	(15,430)

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 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 \$1,202k (2016: 799k) 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 \$27,405,204 (2016 - \$19,177,928), and its net surplus was \$13,650,832 (2016 - \$3,719,883). 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.

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 2017. 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 2017 are translated to US Dollars at the closing foreign exchange rate ruling on 31st December 2017. 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 Activities. 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. Whilst our funders have committed funds to GIF, the timing of said funds are due only when GIF can demonstrate the need. Once our funders agree, an invoice is then raised for payment.

Governance costs

Governance costs are the costs associated with the governance arrangements of the charity. These costs are associated with constitutional and statutory requirements and include any costs associated with the strategic management of the charity's activities.

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)

Pension costs

GIF operates a defined contribution pension scheme for its employees and contributes 10% of gross salary where the employee contributes at least 1%. Contributions to the scheme are charged to the Statement of Financial Activities when incurred.

Fund Accounting

Restricted funds are funds that have been given for particular purposes and projects. Restricted funds must be used in accordance with the funders' or donors' wishes.

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.

An impairment of charge of \$2,749,763 (2016: Nil) was recognised in the accounts in relation to the annual assessment of social investments.

Notes (continued)

2. Income

	2017 USD (\$000)	2016 USD (\$000)
Income		
Government Grants	22,352	19,150
Private Funding	4,669	-
	<u>27,021</u>	<u>19,150</u>
	2017 USD (\$000)	2016 USD (\$000)
Government income by country		
Australia	1,250	7,523
Sweden	1,419	2,462
United Kingdom	11,683	3,620
United States of America	8,000	5,545
	<u>22,352</u>	<u>19,150</u>
	2017 USD (\$000)	2016 USD (\$000)
Investment Income and other funding		
Income from investments	327	24
Bank interest on current accounts	57	4
	<u>384</u>	<u>28</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. Charitable Activities

	2017 USD (\$000)	2016 USD (\$000)
Grants Payable		
Valid Nutrition	13	52
DMI (Development Media International)	505	624
Newborn Foundation	54	-
Educate!	248	-
Evidence Action	-	195
Young Love	-	168
MyAgro	23	202
Simprints	-	158
Behavioural Insights Team	1,304	642
One Acre Fund	-	5,564
Lively Minds	136	129
IFS (Institute for Fiscal Studies)	281	149
Nesta	-	148
No Lean Season	1,291	-
Education Initiatives	439	-
Hut Decoration	180	-
Ideas42	413	-
Interactive Research & Development	257	-
Labeled Remittances	904	-
Talent Beyond Boundaries	75	-
J-PAL South Asia	360	-
	<u>6,483</u>	<u>8,031</u>
Impairment of programme related investments	<u>2,750</u>	<u>-</u>
Staff Skills and other related staff costs	<u>4,312</u>	<u>3,468</u>
Other Support Costs	<u>2,159</u>	<u>1,923</u>
Total costs directly associated charitable activities	<u>15,704</u>	<u>13,422</u>

All grants above were made to institutions

All grants were signed for a disbursed within the year. The value of grants that were due to be disbursed which hadn't by the end of the year was \$Nil (2016: \$Nil)

4. Programme-related investments

	Group 2017 USD (\$000)	Charity 2017 USD (\$000)	Group 2016 USD (\$000)	Charity 2016 USD (\$000)
Debt				
PayGo	54	54	51	51
SparkMeter	300	300	602	602
Babban Gona	2,782	2,782	-	-
	<u>3,136</u>	<u>3,136</u>	<u>653</u>	<u>653</u>
Convertible debt instruments				
Poa Power	-	-	232	232
Safe Boda	255	255	241	241
WhereIsMyTransport	755	755	-	-
	<u>1,010</u>	<u>1,010</u>	<u>473</u>	<u>473</u>
Equity investments				
Segovia	750	750	750	750
Afrimarket	1,327	1,327	2,211	2,211
Simpa	1,006	1,006	2,300	2,300
mClinica	2,000	2,000	2,000	2,000
EM3	3,256	3,256	-	-
	<u>8,339</u>	<u>8,339</u>	<u>7,261</u>	<u>7,261</u>
Total programme-related investments	<u>12,485</u>	<u>12,485</u>	<u>8,387</u>	<u>8,387</u>

5. Debtors

	Group 2017 USD (\$000)	Charity 2017 USD (\$000)	Group 2016 USD (\$000)	Charity 2016 USD (\$000)
Debtors				
Deposits	22	6	16	-
Prepayments and accrued income	140	124	251	300
Other debtors	39	38	11	11
	<u>201</u>	<u>168</u>	<u>278</u>	<u>311</u>

Notes (continued)

6. Cash at bank and in hand

	Group 2017 USD (\$000)	Charity 2017 USD (\$000)	Group 2016 USD (\$000)	Charity 2016 USD (\$000)
Cash at bank and in hand				
Cash in hand	36,789	36,713	26,142	26,077
Notice deposits (less than 3 months)	-	-	1,005	1,005
	36,789	36,713	27,147	27,082

7. Creditors

	Group 2017 USD (\$000)	Charity 2017 USD (\$000)	Group 2016 USD (\$000)	Charity 2016 USD (\$000)
Creditors: amounts falling due within one year				
Trade creditors	124	114	167	169
Other creditors	33	2	16	9
Accruals	109	41	71	44
	266	157	254	222

8. Funds

The restricted funds are a separate agreement with DFAT through which GIF is the Implementation Partner for the Water Data Challenge. Through the Challenge, GIF seeks to source and invest in data-orientated innovations in the water sector which have the potential to cost-effectively improve smallholder farmers' productivity, income, or resilience; or that help to optimise water use at the system, watershed, or basin level so as to enhance resilience or promote inclusive growth.

	Group 2017 USD (\$000)	Charity 2017 USD (\$000)	Group 2016 USD (\$000)	Charity 2016 USD (\$000)
Restricted funds				
Balance brought forward	-	-	-	-
Grant & Other Income	1,250	1,250	-	-
Expenditure	(1)	(1)	-	-
Increase/(Decrease) in Investments	-	-	-	-
Surplus for the period	-	-	-	-
Balance carried forward	1,249	1,249	-	-

Notes (continued)

Note 8 continued

	Group 2017 USD (\$000)	Charity 2017 USD (\$000)	Group 2016 USD (\$000)	Charity 2016 USD (\$000)
Unrestricted funds				
Balance brought forward 1st January	35,558	35,558	31,838	31,838
Grant & Other Income	26,155	26,155	19,178	19,178
Expenditure	(11,003)	(11,003)	(15,458)	(15,458)
Increase/(Decrease) in Investments	(2,750)	(2,750)	-	-
Balance carried forward 31st December	<u>47,960</u>	<u>47,960</u>	<u>35,558</u>	<u>35,558</u>
Total Funds		<u>49,209</u>		<u>35,558</u>
Fund Balances as at 31st December	Unrestricted	Restricted	Unrestricted	Restricted
Investments	12,485	-	8,387	-
Current Assets	35,741	1,249	27,425	-
Current Liabilities	(266)	-	(254)	-
Total Funds	<u>47,960</u>	<u>1,249</u>	<u>35,558</u>	<u>-</u>
		<u>49,209</u>		<u>35,558</u>

9. Auditors remuneration

	Group 2017 USD (\$000)	Group 2016 USD (\$000)
Included in the statement of financial activities are;		
Statutory audit fees	43	47
Tax advisory fees	(4)	7
	<u>39</u>	<u>54</u>

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 2017 USD (\$000)	Group 2016 USD (\$000)
Investment	8	8
Analytics	3	2
Legal	3	2
Administration	12	6
	<u>26</u>	<u>18</u>

The aggregate payroll costs of these persons were as follows:

Wages and salaries	3,094	2,377
Social security costs	354	286
Contributions to defined contribution pension plans	328	232
Other employee benefits	249	73
Other Staff costs	288	500
	<u>4,313</u>	<u>3,468</u>

Staff Banding

The number of employees whose total compensation package (excluding pension) exceeded \$81k (£60k) are as follows;

USD	Group 2017 USD (\$000)	Group 2016 USD (\$000)
81,000 - 93,999	3	-
94,000 - 107,999	2	1
108,000 - 120,999	2	4
121,000 - 134,999	3	5
135,000 - 161,999	1	4
162,000 - 174,999	2	-
175,000 - 188,999	4	-
216,000 - 228,999	-	1
229,000 - 242,999	1	-
243,000 - 255,000	1	-
	<u>19</u>	<u>15</u>

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

Notes (continued)

Note 10 continued

Remuneration of Key Management Personnel

The total compensation package for key management personnel totalled \$1,358k (2016:\$936k), the reason for the increase is due to Key Management Personnel being employed throughout last year so this year being a full year.

Termination payments

Termination payments totalling \$92k were made during the year (2016:Nil). These have been included within "Wages and salaries" within the aggregate payroll costs table in note 10. All sums were paid within the year and nothing is left outstanding on the balance sheet at the year end.

11. Financial Instruments

The carrying amounts of the financial assets and liabilities include

	Group 2017 USD (\$000)	Group 2016 USD (\$000)
Financial Instruments		
Financial Assets - amortised cost	49,307	35,540
Financial Liabilities - amortised cost	268	254
 Financial Assets		
Cash	36,789	27,147
Debtors	33	6
Social investments	12,485	8,387
	<u>49,307</u>	<u>35,540</u>
 Financial Liabilities		
Trade Creditors	124	167
Accruals	109	71
Other creditors	33	16
	<u>266</u>	<u>254</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 an impairment charge of \$2,749,763 (2016: Nil) was recognised in the accounts within charitable investments on the face of the Statement of Financial Position.

Notes (continued)

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 2017 USD (\$000)	Group 2016 USD (\$000)
Operating Leases		
not later than one year	160	293
later than one year and not later than five years	-	147
later than five years	-	-
Total annual commitments	160	440

Within the financial statements are lease payments totalling \$486k (2016: \$211k)

13. Funding Commitments

Amounts related to programme related investments (grants) contracted for but not provided in financial statements amounted to \$26,295,722 (2016: \$15,809,644) for the group and the company. If all conditions relating to each grant were met, the following amounts will be due.

	2017 Grant Commitments	2017 Risk Capital Commitments	2017 Total
2018	11,211,776	4,813,502	16,025,278
2019	5,872,772	-	5,872,772
2020	4,332,417	-	4,332,417
2021	65,255	-	65,255
Total annual commitments	21,482,220	4,813,502	26,295,722
 Total annual commitments as at 1st January 2017	 15,628,952	 180,692	 15,809,644
FX Movement in 2017	740,294	-	740,294
Commitments made in 2017	11,815,138	10,388,703	22,203,841
Payments made in 2017	(6,702,164)	(5,755,893)	(12,458,057)
Total annual commitments at 31st December 2017	21,482,220	4,813,502	26,295,722

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

Notes (continued)

14. Trading activities of subsidiary

Global Innovation Fund, a non-profit subsidiary, is registered in the US (FEIN 47-4045086), located in Washington DC had the following results to 31/12/2017. The subsidiary had assets of \$109,017 and liabilities of \$109,017 at 31 December 2017, giving total net assets of \$Nil.

	2017 USD (\$000)	2016 USD (\$000)
Income & Expenditure		
Total support received & revenue	1,247	844
Total expenses	(1,247)	(844)
Balance Sheet		
Assets	109	81
Liabilities	(109)	(81)
	<u>-</u>	<u>-</u>

15. Prior year Statement of Financial Activities

The 2016 results shown in the Statement of Financial Activities can be broken down as follows

	Unrestricted Funds 2016 USD (\$000)	Restricted Funds 2016 USD (\$000)	Total Funds 2016 USD (\$000)
Income from:			
Charitable activities - Grants	19,150	-	19,150
Investment Income	28	-	28
Total income	<u>19,178</u>	<u>-</u>	<u>19,178</u>
Expenditure on:			
Charitable activities	(11,499)	-	(11,499)
Other expenditure	(1,923)	-	(1,923)
Total expenditure	<u>(13,422)</u>	<u>-</u>	<u>(13,422)</u>
Net income	<u>5,756</u>	<u>-</u>	<u>5,756</u>
Other recognised gains/(loses)			
Foreign exchange transactions	(2,036)	-	(2,036)
Net movement in funds	<u>3,720</u>	<u>-</u>	<u>3,720</u>

Notes (continued)

16. Defined contribution scheme

The group operates a defined contribution pension scheme. The total expense relating to this scheme amounted to \$328k (2016: \$232k) during the period which has been charged to the Statement of Financial Activities. The contributions were paid using unrestricted funds.

17. 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, accomodation and subsistence for board meetings. These costs total \$45,967 (2016: \$11,422)

Employees

The loan issued to the CEO, Alix Zwane was revalued during the year and was valued at \$6,071 at the end of the year (2016: \$5,496). No interest has been charged on this loan and no repayment has been made since the loan was granted.

Subsidiary

GIF gave \$1,000k (2016: \$800k) to its subsidiary located in Washington DC to funds its administration expenses. The subsidiary is a non for profit organisation and therefore has deferred \$30,170 (2016: \$13,392) to be recognised in future periods and the equivalent amount is recognised as a prepayment in the GIF. Finally \$182,996 (2016: \$21,970) of expenses were paid by GIF on behalf of the US subsidiary. The subsidiary had assets of \$109,017 and liabilities of \$109,017 at 31 December 2017, giving total net assets of \$Nil. At the year end, the susbisidiary owed GIF \$nil (2016:nil)

18. 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.

19. Post balance sheet event

GIF sold one of its programme related invesements in Q1 2018. It is recognised within invesments in the balance sheet and subsequently note 4. GIF made a gain on disposal of \$109,541 and will be recognised in 2018 accounts.