

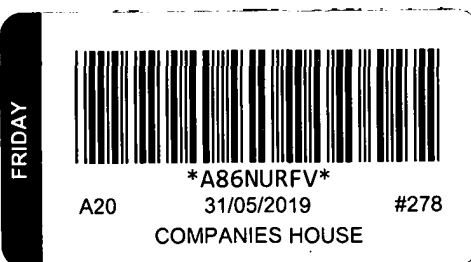
**UBS Optimus Foundation
UK**

**Annual report and financial
statements**

31 December 2018

Company Limited by Guarantee
Registration Number
08608213 (England and Wales)

Charity Registration Number
1153537



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Legal and administrative information

Trustees/Directors	Phyllis Costanza Anne Coleman Joanna Ensor Nicholas Perryman Eva-Kristiina Lindholm Ispahani Siobhan McDonagh Edoardo Rulli
Company Secretary	Buzzacott Secretaries Limited
Registered office	5 Broadgate London EC2M 2QS
Company registration number	08608213 (England and Wales)
Charity registration number	1153537
Auditor	Ernst & Young LLP 25 Churchill Place London E14 5EY
Bankers	UBS AG London Branch 5 Broadgate London EC2M 2QS
Investment managers	UBS AG London Branch 5 Broadgate London EC2M 2QS
Solicitors	Bates Wells Braithwaite 10 Queen Street Place London EC4R 1BE

Trustees' report 31 December 2018

The Trustees (who are the directors of the company for the purpose of the Companies Act) present their annual report and audited financial statements of UBS Optimus Foundation UK ("the Foundation") for the year ended 31 December 2018.

The report has been prepared in accordance with Part 8 of the Charities Act 2011.

The financial statements have been prepared in accordance with the accounting policies set out on pages 19 to 22 of the attached financial statements and comply with the charitable Foundation's Memorandum and Articles of Association, Companies Act 2006, the Charities Act 2011 and 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 United Kingdom and Republic of Ireland (FRS 102).

Aims and objectives

The objects of the Foundation as set out in the Articles of Association are: to promote the health of children by preventing abuse and supporting the delivery of medical and other essential services to them; the prevention and relief of poverty by the provision of education to support the healthy development of children, and to relieve the needs of children who are in need due to their youth, sickness or financial hardship.

The Foundation aims to source and fund high impact programmes delivering improved outcomes for vulnerable children in the areas of health, education and protection in furtherance of the charitable objects. The Foundation seeks out partners that are transparent, accountable and well managed, and programmes which are based on robust evidence, utilising innovations which may be replicable and potentially game changing. Programmes are selected following a rigorous application process involving external review, and all work funded by the Foundation is subject to an external evaluation.

The Foundation also aims to connect UBS AG clients with the Foundation's projects in order to raise additional funding for and leverage the potential social impact for these projects benefitting beneficiaries.

The key activities of the Foundation in 2018 in pursuit of public benefit have been:

- ♦ the growth of the Foundation and its detailed plans, policies and processes for achieving its mission of improving the lives of vulnerable children;
- ♦ the continued identification of high quality programmes which meet the Foundation's rigorous criteria for funding, in collaboration with the UBS Optimus Foundation in Switzerland including granting over £10.2 million;
- ♦ the raising of more than £14.1 million of funding for the programmes supported by the Foundation.

The Trustees confirm that they have complied with the duty in Section 11 of The Charities Act 2011 to have due regard to the public benefit guidance published by the Charity Commission in determining the activities undertaken by the Foundation.

Trustees' report 31 December 2018

Grant making policy and criteria for funding

The principal aim for the Foundation is to make direct grants to programmes within the Foundation's charitable objects or to make grants to UBS Optimus Foundation in Switzerland to disburse to projects within the Foundation's charitable objects.

In the case of direct grants, the Foundation works with UBS Optimus Foundation in Switzerland to source and assess effective and appropriate programmes for direct funding which further the Foundation's aims. In addition, UBS Optimus Foundation in Switzerland will support with the relevant due diligence checks on potential grantees including any collaborating partners and will also propose engaging programmes for the Foundation's Trustees to approve at their discretion.

The number of projects which can be supported is, of necessity, limited to the amount of funds available for distribution in any year. The Trustees have determined that the priorities for funding over the next five years will be based on:

- ◆ Thematic priority: education, public health, nutrition, and the reduction of violence against children;
- ◆ Social finance: the furthering of the development of financing mechanisms to increase efficiency and impact; and
- ◆ Collaborative working: the charity strongly encourages applications that involve partnerships between organisations of different disciplines, and between non-governmental organisations and universities or other research institutions.

Applications for funding will be assessed by a panel of experts according to the specific criteria noted below:

- ◆ Topic relevance and responsiveness – does the proposal address a key need relevant to the Foundation's objects, priorities and/or a specific Request for Proposals (RFP)?
- ◆ Innovative, state-of-the art approach – does the proposal provide 'out-of-the-box' thinking to link education, health and/or violence prevention, and will findings advance the field?
- ◆ Feasibility – are the goals and milestones clearly defined and achievable; is there a clear and logical organisational structure to carry out the work?
- ◆ Scale-up and replication – is there potential to scale up with a clear path for further support (e.g., preliminary data that can be used to develop a project proposal to the UBS Optimus Foundation or other funders)?
- ◆ Generating evidence – is there potential for measurable outcomes and is there a robust plan for monitoring and evaluation?

Trustees must approve all grants supported by the Foundation.

Grant making policy and criteria for funding (continued)

Grantees are expected to report on a bi-annual basis against key performance indicators and milestones agreed in the approved application:

The Foundation may also make programme related investments (see "Charities and investment matters: a guide for Trustees"). Additional considerations apply to such investments, as outlined in the full grant making policy. In 2017, a programme-related investment ("PRI") loan was transacted to Hope and Homes, for £1.44m. Hope and Homes work to remove children from harmful orphanage environments and place them with a loving, nurturing family. The loan is invested in the organisation's core growth strategy in pursuit of sustainably achieving scale. The loan is repayable in full on the final repayment date 30 June 2022. The principal amount of the loan outstanding carries interest at a rate of 2%, accruing daily. Interest is payable on each anniversary of the date of drawdown and the final repayment date.

During 2018, a second loan was made for an amount of \$500,000 (£393,549) made to Impact Water. The loan amount was drawn down on 30 July 2018 and has been given in order to provide safe drinking water to schools by providing an affordable package of systems, maintenance and credit that improves children's health and their school performance. This loan is repayable in full on the final repayment date 30 July 2023. The principal amount of the loan outstanding carries interest at a rate of 5%, accruing daily. Interest is payable on each anniversary of the date of drawdown and the final repayment date.

Related parties

The principal funding source of the Foundation is UBS AG London Branch, the Member of the Foundation, which provides in kind support by way of office space, support staff, IT and telephone, marketing, operations, finance, and in-house legal support, and clients of UBS AG who can make donations to programmes that have been assessed and selected by the Foundation. Gifts in kind in the form of donated services received from UBS AG London Branch that cannot be quantified with reasonable accuracy are not recognised by the Foundation. All other donated services are recognised in these financial statements.

Activities and achievements

In pursuit of the aims and objectives above, the principal achievements of the Foundation in 2018 are:

Income from fundraising totalled £14,167,393 (2017: £6,275,169) – an achievement on the fundraising target set for the year. This sum includes income for the fifth offering of the innovative Global Giving Campaign (first launched by the Foundation in 2014).

Grants were pledged totalling £10,276,929 (2017: £5,723,386) to the following grantees:

- ♦ LGC 2015 - SHINE (£490,000) – grant to SHINE as part of the grant strategy of education.
- ♦ Pratham (£33,910) – grant to Pratham as part of the grant strategy of education.
- ♦ ARK (£225,000) – grant to ARK as part of the grant strategy of education.

Trustees' report 31 December 2018

Activities and achievements (continued)

- ♦ Education Development Impact Bond ('DIB') (£769,929) – as part of the grant strategy of education.
- ♦ SHINE - Folkestone (£135,590) – grant to SHINE - Folkestone as part of the grant strategy of education.
- ♦ British Asian Trust (£75,000) – grant to British Asian Trust as part of the grant strategy of education.
- ♦ Place2Be (£464,270) – grant to Place2Be as part of the grant strategy of child protection.
- ♦ YouthZone (£2,372,000) – grant to YouthZone as part of the grant strategy of child protection.
- ♦ SLE - Last Mile Health (£28,463) – grant to Last Mile Health as part of the grant strategy of health.
- ♦ Global Awareness Campaign (£700) – grant as part of the grant strategy of health.
- ♦ Health Development Impact Bond ('DIB') (£1,731,512) – as part of the grant strategy of health.
- ♦ Hope and Homes (£611,135) – grant to Hope and Homes as part of the grantmaking strategy of child protection.
- ♦ Hope and Homes (DFID) (£123,000) – grant to Hope and Homes (DFID) as part of the grantmaking strategy of child protection.
- ♦ GGC 2017 (£174,833) – grant to GGC 2017 as part of the grantmaking strategy of child protection.
- ♦ GGC 2017 - Freedom Fund (£66,583) – grant to Freedom Fund as part of the grantmaking strategy of child protection.
- ♦ Freedom Fund (Bharosa Trust) (£753,170) – grant to Freedom Fund as part of the grantmaking strategy of child protection.
- ♦ Freedom Fund (Rajasthan) (£612,184) – grant to Freedom Fund as part of the grantmaking strategy of child protection.
- ♦ Freedom Fund (5 Year Grant) (£1,392,360) – grant to Freedom Fund as part of the grantmaking strategy of child protection.
- ♦ Freedom Fund (M&E) (£142,290) – grant to Freedom Fund part of the grantmaking strategy of child protection.
- ♦ Further, a programme-related investment was awarded for \$500,000 for Impact Water UK as part of the grantmaking strategy of Health.

Trustees' report 31 December 2018

Activities and achievements (continued)

In the year, consultancy fees were paid to: Foundation Management (£15,500), New Philanthropy Capital (£43,380) and Enabling Enterprise (£45,067).

Future plans

The priorities for the Foundation for 2019 and beyond are to continue to build the portfolio of high quality, strategic programmes funded for the benefit of children globally, in the areas of health, education, protection and early childhood development as well as emergency response. The Foundation also seeks to offer innovative solutions for solving some of the world's most pressing problems, including development impact bonds and programme-related investment opportunities.

Governance, structure and management

Constitution

UBS Optimus Foundation UK ("the Foundation") is a registered charity (Charity number 1153537) with the Charity Commission of England and Wales and a company limited by guarantee registered in England and Wales (Company number 08608213) incorporated 12 July 2013. Governance is by a Board of Trustees (the "Board") and Memorandum and Articles dated 12 July 2013.

The Guarantor and sole Member of the Foundation is UBS AG London Branch (the "Member"). In the event of the Foundation being wound up, the liability of the Member is limited to £1.

Trustees

The Trustees constitute directors of the Foundation for the purposes of company law and Trustees of the Charity for the purposes of charity legislation.

The Trustees who held office during the year and after the year end were as follows:

Trustee	Appointed/resigned
Phyllis Costanza	
Joanna Ensor	
Eva-Kristiina Lindholm Ispahani	
Nicholas Perryman	
Simone Thompson	Resigned 3 April 2018
Anne Coleman	Appointed 13 December 2018
Siobhan McDonagh	Appointed 13 December 2018
Edoardo Rulli	Appointed 13 December 2018

Governance, structure and management (continued)

Trustees (continued)

The Board (with the exception of Joanna Ensor) are all UBS AG employees and all, including Jo Ensor, were nominated and approved by the Members. Joanna Ensor was recruited using the recruitment agency, Prospectus.

The Foundation has indemnified all Trustees in respect of any liabilities properly incurred in running the Foundation to the extent permitted by the Companies Act. When recruiting new Trustees the Board look for individuals with skills and experience which are of value to the Foundation. Training is arranged for all Trustees and all Trustees must sign a Trustee declaration which states that they understand their duties as a Trustee and have read the relevant conflict of interest policies. The Board is responsible for the oversight and governance which includes approval of all grants made by the Foundation.

The Member provides office space, support staff, IT and telephony, marketing, operations, finance, and in-house legal support to the Foundation. It is part of the UBS Optimus Foundation global network of foundations and leverages support from the UBS Optimus Foundation in Zurich in terms of grant-making expertise and operational support. The Foundation is independent to the network but linked by strategy and in its approach for the purpose of furthering the charitable objectives of the Foundation. A comprehensive Cooperation Agreement outlines how the Member and the Foundation work together.

Key management personnel

The key management personnel of the Foundation in charge of directing, controlling, running and operating the charity comprise the Trustees and the following staff employed by UBS AG: Head of Philanthropy Services UK; Business Manager, Philanthropy Services UK; and Director, Philanthropy Services UK.

These staff are employed by and remunerated by UBS AG, who are also responsible for setting their pay. No charge is made by UBS AG for their services. The Trustees receive no remuneration or reimbursement of expenses in connection with their duties as Trustees.

Risk management

The major risks to which the Foundation is exposed, as identified by the Trustees, have been reviewed and systems or procedures have been established to manage those risks. Risks are documented in a Risk Framework and Register which is reviewed by the Trustees and the Member as an additional measure. This document also outlines the systems, procedures and controls in place to manage those risks. This Framework is reviewed by the Trustees at least once a year. The Foundation takes advice from its solicitors, Bates Wells Braithwaite, on any matters identified by the Trustees as requiring external legal counsel.

The charity is in part reliant on UBS AG, London Branch, which is the sole member of UBS Optimus Foundation UK and provides support, including staff and infrastructure. We do not have any reason to believe there is any risk in the continued support of UBS AG, London Branch. For further details of the charity's immediate controlling party and ultimate parent undertaking, see note 14 to the accounts.

Governance, structure and management (continued)

Risk management (continued)

In respect of Brexit, whilst the charity has not commissioned formal advice, the trustees do not anticipate any impact of Brexit on the operation of the charity.

Key identified risks include:

Law and regulation risks

Risk: Breach of charity law, company law, and regulatory requirements of particular activities undertaken by the charity.

Mitigation: The Trustees are advised by specialists in areas of charity law, company law and financial regulation.

Governance framework

Risk: Inappropriate organisational structure and conflicts of interest.

Mitigation: The Trustees follow best practise and take advice on the organisational structure. A register of interests is maintained by the Company Secretary.

Programme-related investment

Risk: Intended outcomes may not be achieved

Mitigation: The same risk applies to grants. This risk shall be mitigated through a thorough due diligence process on loan recipients (which shall include a review of the borrower's strategy and the project the PRI loan will support, finances, governance and social impact), which shall be documented in the PRI Due Diligence Form.

Risk: Borrowers may default on their loan.

Mitigation: Trustees consider all the relevant issues and take advice where appropriate, and reach a reasonable decision in regards to enforcement.

Financial review

Statement of financial activities

The Foundation received income of £14,250,107 (2017 - £6,318,898) in the form of £14,167,393 (2017 - £6,275,169) cash donations, £23,885 (2017 - £21,450) gifted services from the Member, £22,140 (2017 - £22,279) interest income from cash at bank and £36,689 (2017 - £nil) of income from programme related investments. Expenditure totalled £10,407,381 (2017 - £5,849,881), of which £10,276,929 (2017 - £5,723,386) was paid out as charitable grants, £103,947 (2017 - £50,208) was expended for consultancy fees, £23,885 (2017 - £21,450) was incurred as support and governance costs and £2,620 (2017 - £nil) was incurred as admin expenses. Total losses of £102,020 (2017 - £54,837) were recognised as a result of foreign exchange. All of the Foundation's operating costs are paid by UBS AG, and are essentially unknown.

Statement of Financial Position

The Foundation's statement of financial position shows total funds of £7,795,502 (2017 - £4,054,796). £7,258,733 (2017 - £3,641,658) represents restricted funds held for the purposes of making grants and PRI. Unrestricted funds and free reserves total £536,769 (2017 - £413,138).

Trustees' report 31 December 2018

Reserves policy

The Foundation currently has no formalised reserves policy. This is due to the fact that the Member covers the costs of the Foundation and that any additional funding is intended to be spent in its entirety on the projects to improve the outcomes for children. There is no intention at this stage of holding reserves, as these have not been deemed necessary to the functioning of the Foundation. Any unrestricted reserves will be used to support the objects of the Foundation and programs in the Foundation's portfolio. This policy will be reviewed annually.

Investment policy

The Trustees have not yet established a formalised investment policy. This is considered a minor risk as at this stage the Foundation intends to spend any income it receives directly on grants furthering its charitable mission. This is reviewed periodically. Funds are currently held in cash in the Foundation's bank accounts.

Going concern

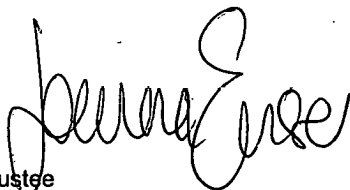
The Foundation's activities, together with the factors likely to affect its future development, performance and position are set out within this report. The financial position of the Foundation is reflected on the statement of financial position. At 31 December 2018, unrestricted funds and free reserves totalled £536,769 (2017 – £413,138).

The Trustees of the Foundation have concluded that there are no material uncertainties related to events or conditions that cast significant doubt on the ability of the Foundation to continue as a going concern. The Trustees are of the opinion that the Foundation will have sufficient resources to meet its liabilities as they fall due. The Trustees have a reasonable expectation that the Foundation has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Disclosure of information to the auditor

So far as each person who was a Trustee at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Trustees, each Trustee has taken all the steps that he/she is obliged to take as a Trustee in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by the Trustees and signed on their behalf by:



Trustee

Approved by the Trustees on:

16th May 2019

Statement of Trustees' responsibilities 31 December 2018

The Trustees (who are also directors of UBS Optimus Foundation UK for the purposes of company law) are responsible for preparing the Trustees' report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice and FRS 102 'The Financial Reporting Standard Applicable to the UK and Republic of Ireland').

The law applicable to charities in England and Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the income and expenditure of the charity 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 of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland (FRS 102);
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity 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 charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Trustees confirms that:

- ◆ so far as the Trustee is aware, there is no relevant audit information of which the charity's auditor is unaware; and
- ◆ the Trustee has taken all the steps that he/she ought to have taken as a Trustee in order to make himself/herself aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditor's report 31 December 2018

Independent auditor's report to the Member of UBS Optimus Foundation UK

Opinion

We have audited the financial statements of UBS Optimus Foundation UK (the 'charitable company') for the year ended 31 December 2018 which comprise the Statement of Financial Activities, the Statement of Financial Position, the Statement of Cash Flows, and the related notes 1 to 15, 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 (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In our opinion, the financial statements:

- ♦ give a true and fair view of the state of the charitable company's affairs as at 31 December 2018 and of 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.

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 below. We are independent of the charitable company 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 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.

Independent auditor's report 31 December 2018

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the audit:

- ♦ the information given in the Trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ♦ the Trustees' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in 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:

- ♦ adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- ♦ the financial statements are not in agreement with the accounting records and returns; or
- ♦ certain disclosures of Trustees' remuneration specified by law are not made; or
- ♦ we have not received all the information and explanations we require for our audit; or
- ♦ the Trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Trustees' report and from the requirement to prepare a strategic report.

Independent auditor's report 31 December 2018

Responsibilities of trustees

As explained more fully in the Statement of Trustee's responsibilities set out on page 12, the Trustees 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 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.

Use of our report

This report is made solely to the charitable company's Member, 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 Member 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 Member as a body, for our audit work, for this report, or for the opinions we have formed.



Mike Gaylor (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

Date:

Statement of Financial Activities Year to 31 December 2018

	Notes	Unrestricted funds £	Restricted funds £	2018 £	2017 £
Income from:					
Donations	1	11,885	14,179,393	14,191,278	6,296,619
Investments	2	58,829	—	58,829	22,279
Total income		70,714	14,179,393	14,250,107	6,318,898
Expenditure on:					
Charitable activities	3	2,620	10,404,761	10,407,381	5,795,044
Total expenditure		2,620	10,404,761	10,406,381	5,795,044
Net income before gains and transfers		68,094	3,774,632	3,842,726	523,854
Net gains on investments		—	16,290	16,290	—
Transfer between funds	11	4,910	(4,910)	—	—
Other gains (losses) due to foreign exchange		50,627	(168,937)	(118,310)	(54,837)
Net (expenditure) income and net movement in funds		123,631	3,617,075	3,740,706	469,017
Reconciliation of funds:					
Total funds brought forward		413,138	3,641,658	4,054,796	3,585,779
Total funds carried forward		536,769	7,258,733	7,795,502	4,054,796

All of the charity's activities are derived from continuing operations during the above two financial periods.

All recognised gains and losses are included in the above Statement of Financial Activities.


The accompanying accounting policies and notes on pages 19 to 27 form an integral part of the financial statements.

Statement of Financial Position as at 31 December 2018

	Notes	2018 £	2017 £
Fixed assets:			
Programme related investments	7	1,836,620	1,443,071
Current assets:			
Cash at bank and in hand		7,212,752	3,707,950
Debtors	8	146,243	391,623
		<u>7,358,995</u>	<u>4,099,573</u>
Creditors: amounts falling due within one year	9	<u>(577,827)</u>	<u>(1,467,848)</u>
Net current assets		<u>6,781,168</u>	<u>2,631,725</u>
Total assets less current liabilities		<u>8,617,788</u>	<u>4,074,796</u>
Creditors: amounts falling due in more than one year	10	<u>(822,286)</u>	<u>(20,000)</u>
Total net assets		<u>7,795,502</u>	<u>4,054,796</u>
The funds of the charity:			
Unrestricted funds		536,769	413,138
Restricted income funds	11	7,258,733	3,641,658
		<u>7,795,502</u>	<u>4,054,796</u>

The accompanying accounting policies and notes on pages 19 to 27 form an integral part of the financial statements.

Approved by the Trustees of UBS Optimus Foundation UK, Company Registration No. 08608213 (England and Wales) and signed on their behalf by:

Trustee 
 Approved on: 16/5/19.

Statement of Cash Flows Year ended 31 December 2018

	Notes	2018 £	2017 £
Cash flows from operating activities:			
Net cash provided (used in) by operating activities	A	3,941,542	(930,679)
Cash flows from investing activities:			
Investment income		58,829	22,279
Purchase of programme related investments		(393,549)	(1,443,071)
Net cash used in investing activities		(334,720)	(1,420,792)
Increase (decrease) in cash and cash equivalents		3,606,822	(2,351,471)
Reconciliation of changes in cash and cash equivalents			
Cash and cash equivalents at 1 January 2018	B	3,707,950	6,114,258
Change in cash and cash equivalents due to exchange rate movements		(102,020)	(54,837)
Cash and cash equivalents at 31 December 2018	B	7,212,752	3,707,950

A Reconciliation of net movement in funds to net cash provided by operating activities

	2018 £	2017 £
Net movement in funds (as per statement of financial activities)	3,740,706	469,017
Foreign-exchange losses	102,020	54,837
Investment income	(58,829)	(22,279)
(Decrease) increase in debtors	245,380	(389,123)
Decrease in creditors	(87,735)	(1,043,131)
Net cash provided (used in) by operating activities	3,941,542	(930,679)

B Analysis of cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	7,212,752	3,707,950

Principal accounting policies Year ended 31 December 2018

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are laid out below.

Basis of preparation

These financial statements have been prepared for the year to 31 December 2018.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these financial statements.

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 United Kingdom and Republic of Ireland (FRS 102) (Charities SORP FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

The Foundation constitutes a public benefit entity as defined by FRS 102.

The financial statements are presented in Pound Sterling and are rounded to the nearest pound.

Critical accounting estimates and areas of judgement

Preparation of the financial statements requires the Trustees and management to make significant judgements and estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including an expectation of future events that are believed to be reasonable under the circumstances. Although these estimates are based on the Trustees' best knowledge of the amount, event or actions, actual results may differ from those estimates.

Areas requiring the use of estimates and critical judgements that may impact on the charity's financial activities and financial position include:

- ◆ Social investments, which require consideration of the nature of the investment to ensure that the substance of the arrangement is appropriately accounted for as either a "programme related investment" held at cost or a "mixed motive investment" held at fair value. This involves the Trustees' judgement on whether:
 - ◆ The investment is made in order to directly further the charitable purposes of the Foundation and where financial return is not the primary reason for making the investment (programme related); and
 - ◆ The investment is made to both further the Foundation's charitable purposes but also to generate a financial return (mixed motive investment).

Principal accounting policies Year ended 31 December 2018

Assessment of going concern

The Trustees have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. The Trustees have made this assessment in respect to a period of one year from the date of approval of these financial statements. The Trustees of the Foundation have concluded that there are no material uncertainties related to events or conditions that cast significant doubt on the ability of the Foundation to continue as a going concern. The Trustees are of the opinion that the Foundation will have sufficient resources to meet its liabilities as they fall due.

Income recognition

Income is recognised in the period in which the Foundation has entitlement to the income, the amount of income can be measured reliably and it is probable that the income will be received.

Income comprises donations, gifted services and investment income. All income is accounted for on an accruals basis in accordance with the conditions of the SORP.

Donations are received from UBS AG clients and include related Gift Aid tax reclaims. Donations are recognised when the charity has confirmation of both the amount and settlement date. Gift Aid is recognised as revenue as at the date of the donation claiming Gift Aid contingent upon the FRS 102 revenue recognition principles of entitlement, probability, and measurement being met.

Gifted services in the form of donated services received from UBS AG London Branch (the "Member") that cannot be quantified with reasonable accuracy are not recognised by the Foundation.

Dividends are recognised once the dividend has been declared and notification has been received of the dividend due. Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis. All expenses are allocated or apportioned to the applicable expenditure headings.

Expenditure on charitable activities includes all costs associated with furthering the charitable purposes of the charity through the provision of its charitable activities.

Principal accounting policies Year ended 31 December 2018

Expenditure recognition (continued)

Charitable grants are made where the Trustees consider there is real need following a review of the details of each particular case and comprise single year payments rather than multi-year grants. Grants and donations are included in the statement of financial activities when approved for payment. Provision is made for grants and donations approved but unpaid at the period end.

Support costs

Support costs represent indirect charitable expenditure. In order to carry out the primary purposes of the Foundation it is necessary to provide support in the form of financial and governance procedures, provision of office services and equipment and a suitable working environment. Gifts in kind in the form of donated services received from UBS AG London Branch that cannot be quantified with reasonable accuracy are not recognised by the Foundation.

Support costs are allocated to the Foundation's single charitable activity.

Foreign currency exchange

The Foundation's presentational and functional currency is sterling. Transactions denominated in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate ruling on the statement of financial position date. Non-monetary items denominated in a foreign currency, measured at fair value are translated into the functional currency using the exchange rate ruling at the date when the fair value was determined.

The Foundation has cash balances denominated in foreign currencies.

Fund accounting

The Foundation has restricted and unrestricted funds. Restricted funds are irrevocable funds subject to specific conditions imposed by the Foundation and taken directly to the statement of financial activities. Funds are typically granted within one to two years of receipt.

Company shares

The Foundation was incorporated on 12 July 2013 without share capital and is limited by guarantee.

The guarantor of the Foundation is the Member. In the event of the Foundation being wound up, the liability of the Member is limited to £1.

Principal accounting policies Year ended 31 December 2018

Company shares (continued)

The Foundation has indemnified all Trustees in respect of any liabilities properly incurred in running the Foundation to the extent permitted by the Companies Act 2006.

Programme related investments

Programme related investments are social investments made directly in pursuit of the charity's charitable purposes by funding specific activities where a financial return is not the primary reason for making the investment.

Programme related investments consist of concessionary loans. The loans are initially recognised at the amount paid with the carrying amount adjusted in subsequent years to reflect repayments and adjusted if necessary for impairment. Any impairment is written off and treated as charitable expenditure. Interest receivable on the loan is credited to the statement of financial activities in the year in which it arises.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. Debtors have been discounted to the present value of the future cash receipt where such discounting is material.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the statement of financial position date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the Foundation anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

Exemptions

Strategic Report Exemption

The Foundation qualifies as small charitable company under section 419(2) of the Companies Act 2006 and has taken advantage of the exemption in preparing a Strategic Report.

Notes to the financial statements 31 December 2018

1 Donations

	Unrestricted funds £	Restricted funds £	2018 £	2017 £
Donations	11,885	14,155,508	14,167,393	6,275,169
Gifts in kind	—	23,885	23,885	21,450
2018 Total funds	11,885	14,179,393	14,191,278	6,296,619
2017 Total funds	325,353	5,971,266	6,296,619	

Included in gifts in kind above are donated services from UBS AG, the Foundation's immediate controlling party, of £23,885 (2017 - £21,450). This is in respect of audit and accountancy fees paid on the charity's behalf of £23,885. (2017 - £21,450). During the year UBS AG provided the Foundation with administrative support in the form of donated staff time, and also provided its facilities and infrastructure free of charge. This support has not been recognised in the financial statements because it has not been possible to quantify the value with reasonable accuracy.

2 Investment income

	Unrestricted funds £	Restricted funds £	2018 £	2017 £
Bank interest	22,140	—	22,140	10,378
Income from programme related investments (note 7)	36,689	—	36,689	11,901
2018 Total funds	58,829	—	58,829	22,279
2017 Total funds	22,279	—	22,279	

Notes to the financial statements 31 December 2018

3 Charitable activities

	Unrestricted funds £	Restricted funds £	2018 £	2017 £
Grants awarded				
<i>Education</i>				
. LGC 2015 – Educate Girls	—	—	—	60,000
. LGC 2015 – SHINE	—	490,000	490,000	220,182
. Pratham	—	33,910	33,910	—
. ARK	—	225,000	225,000	575,000
. GGC 2017 - Luminos	—	40,083	40,083	—
. GGC 2017 - Other	—	134,750	134,750	—
. Education DIB	—	769,929	769,929	—
. Shine – Folkestone	—	135,590	135,590	—
. British Asian Trust	—	75,000	75,000	—
. Other education	—	75,000	75,000	—
<i>Health</i>				
. LGC 2015 – Power of Nutrition	—	—	—	230,823
. One to One ENABLE	—	—	—	36,000
. Going Further	—	—	—	496,413
. Archive	—	—	—	402,640
. Give Directly	—	—	—	183,907
. Living Goods	—	—	—	5,000
. SLE – Last Mile Health	—	28,463	28,463	—
. Global Awareness Campaign	—	700	700	—
. Health DIB	—	1,731,512	1,731,512	—
. GGC 2017 - Place2Be	—	464,270	464,270	—
<i>Child protection</i>				
. Hope and Homes (DFID)	—	123,000	123,000	839,000
. Hope and Homes	—	611,135	611,135	—
. YouthZone	—	2,372,000	2,372,000	1,640,000
. Lumos	—	—	—	176,250
. Justice and Care	—	—	—	704,704
. Think Equal	—	—	—	85,000
. GGC 2017 - Freedom Fund	—	66,583	66,583	—
. Freedom Fund (Bharosa Trust)	—	753,170	753,170	—
. Freedom Fund (Rajasthan)	—	612,184	612,184	—
. Freedom Fund (5 Year Grant)	—	1,392,360	1,392,360	—
. Freedom Fund (M&E)	—	142,290	142,290	—
<i>Emergency Response</i>				
. Humanitarian Crisis – MSF	—	—	—	48,467
. East Africa	—	—	—	20,000
	—	10,276,929	10,276,929	5,723,386
Other charitable expenditure				
<i>Consultancy</i>				
. Foundation Management	—	15,500	15,500	50,208
. Enabling Enterprise	—	45,067	45,067	—
. New Philanthropy Capital	—	43,380	43,380	—
	—	10,380,876	10,380,876	5,773,594
Support costs				
Auditor's remuneration	—	12,000	12,000	11,000
Accounting services	—	11,885	11,885	10,450
Admin expenses	2,620	—	2,620	—
2018 Total funds	2,620	10,404,761	10,407,381	5,795,044
2017 Total funds	—	5,795,044	5,795,044	

Notes to the financial statements 31 December 2018

4 Staff costs and remuneration of key management personnel

The Foundation employed no staff members during the year (2017 - none) and incurred no staff costs (2017 - £nil).

The key management personnel of the charity in charge of running and operating the charity on a day to day basis comprise the Trustees and the following staff employed by UBS AG: Head of Philanthropy Services UK; Business Manager, Philanthropy Services UK; and Director, Philanthropy Services UK. These staff are employed and remunerated by UBS AG London Branch. No remuneration was paid to the key management personnel by UBS Optimus Foundation UK.

5 Net income (expenditure)

This is stated after charging:

	2018 £	2017 £
Auditor's remuneration	12,000	11,000

6 Taxation

UBS Optimus Foundation UK is a registered charity and is therefore not liable to income tax or corporation tax on income or gains derived from its charitable activities, as they fall within the various exemptions available to registered charities.

7 Programme related investments

At the year end, the charity had investments which were held directly in pursuit of the organisation's charitable activities, as follows:

	2018 £	2017 £
At 1 January 2018	1,443,071	—
Additions	393,549	1,443,071
At 31 December 2018	1,836,620	1,443,071

The programme related investments comprise two loans.

One loan was for an amount of £1,443,071 made to Hope and Homes for Children. The loan amount was drawn down on 1 August 2017 and has been given to allow investment in fundraising to develop a diversified sustainable income so that Hope and Homes for Children can achieve the scale of operation required to deliver the mission to be the global catalyst for the eradication of institutional care of children. This loan is repayable in full on the final repayment date 30 June 2022. The principal amount of the loan outstanding carries interest at a rate of 2%, accruing daily. Interest is payable on each anniversary of the date of drawdown and the final repayment date.

Notes to the financial statements 31 December 2018

7 Programme related investments (continued)

The second loan was for an amount of \$500,000 (£393,549) made to Impact Water. The loan amount was drawn down on 30 July 2018 and has been given in order to provide safe drinking water to schools by providing an affordable package of systems, maintenance and credit that improves children's health and their school performance. This loan is repayable in full on the final repayment date 30 July 2023. The principal amount of the loan outstanding carries interest at a rate of 5%, accruing daily. Interest is payable on each anniversary of the date of drawdown and the final repayment date.

8 Debtors

	2018 £	2017 £
Other debtors	146,243	391,623

9 Creditors: amounts falling due within one year

	2018 £	2017 £
Other creditors	577,827	1,467,848

10 Creditors: amounts falling due after more than one year

	2018 £	2017 £
Other creditors	822,286	20,000

11 Restricted funds

	At 1 January 2018 £	Income £	Expenditure £	Transfers £	Gains / (losses) £	At 31 December 2018 £
Education	295,800	2,259,924	(1,979,262)	28,817	(23,029)	582,250
Health	280,830	6,251,384	(2,224,945)	(78,794)	(3,213)	4,225,262
Child protection	2,895,236	5,607,680	(6,072,722)	—	(126,405)	2,303,789
Consultancy	169,792	36,520	(103,947)	45,067	—	147,432
Other	—	23,885	(23,885)	—	—	—
	3,641,658	14,179,393	(10,404,761)	(4,910)	(152,647)	7,258,733

Restricted funds comprise funds held for the purpose of making grants and programme related investments.

The transfers from unrestricted funds were made to reduce deficit balances on particular restricted funds.

Notes to the financial statements 31 December 2018

12 Analysis of net assets between funds

	Unrestricted funds £	Restricted funds £	Total 2018 £
Fund balances at 31 December 2018 are represented by:			
Programme related investments	—	1,836,620	1,836,620
Net current assets	536,769	6,244,399	6,781,168
Creditors: amounts falling due after more than one year	—	(822,286)	(822,286)
Total net assets	536,769	7,258,733	7,795,502

13 Share capital

The Foundation is a company limited by guarantee and has no share capital. The liability of the Member is limited to £1.

14 Related parties

The Trustees received no emoluments or expenses during the year.

The immediate controlling party is its Member, UBS AG London Branch (Company Registration No FC021146), a branch of the ultimate parent undertaking and controlling party UBS AG (Swiss Registration number CHE-101.329.561), a company incorporated in Switzerland with a registered address of AESCHENVORSTADT 1 4051 Basel, Switzerland. UBS AG is the sole member of UBS Optimus Foundation UK.

The Foundation received donated services and resources from its Member with no conditions attached. Details of these services is provided in note 1. The Foundation received £2,692,926 (2017: £1,333,000) of income in the form of matched funding from UBS AG. The Foundation also received £380,104 (2017: £nil) of income from UBS Optimus Foundation Switzerland to fund the Impact Water programme related investment made in the year.

UBS AG is also the sole member of UBS Donor Advised Fund (Company Registration No 861964), a registered charity (Charity Registration No 1153531). During the year the Foundation received donations from individuals via the UBS Donor Advised Fund of £4,791,620 (2017 - £1,094,000).

15 Subsequent events

There have been no subsequent events to be disclosed for the year ended 31 December 2018.