



# GLOBAL INNOVATION FUND

## **Report and Audited Financial Statements for the year ended 31st December 2018**

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

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# Welcome From the Chair

As Chair of the Global Innovation Fund Board, I am delighted to introduce our 2018 financial statements.

**GIF was founded in 2014 with a clear mission: to solve hard development challenges by investing in innovation with the potential to transform the lives of millions of people living in poverty.**

We make grant, equity, and debt investments to support entrepreneurs who are scaling up programmes either through the public sector or through markets. Our decision-making process emphasises innovation, rigorous evidence, and the potential for scale. We don't fund innovation for its own sake: we want to drive ideas to impact.

We challenge ourselves to be led by entrepreneurs and their ideas with our partners and co-investors, and to ask, "How can we support you to generate evidence of impact for your innovation, and pivot your way to an inclusive and resilient business model?"

This year has seen us live up to our mission to find and fund innovations targeted at improving the lives of the poorest people in developing countries in pursuit of outsized social impact. It describes how, over the past twelve months, we have grown the potential impact of our portfolio by funding a range of interesting high-impact innovations, while providing targeted venture support to the innovations in our investment portfolio to help them realise their full potential.

We also reaffirm our commitment to rigorous evidence, which sits at the very core of our organisational philosophy and investment decision-making. Generating and using evidence of impact to make choices is key to how we

engage with the entrepreneurs in our portfolio and pipeline. We share how we have worked with innovators to ensure that the generation and use of evidence is embedded in our partnership.

I would like to welcome Jack Hawkins, Jane Siebels, and Santhosh Mathew onto the GIF Board. I am excited by the collective expertise and vision that these new Board Members will bring to bear for GIF, and I very much look forward to working with them in 2019 and beyond.

I extend my sincere thanks to Russ Siegelman and Michael Kremer, who stepped down as Chair and as a Member of the GIF Board respectively last year. Russ and Michael each made a significant contribution to the success of the organisation during their time as serving Board Members, and they leave with the very best wishes of the entire GIF team.

The progress we have made during 2018 fills me with optimism for the year ahead, and for the potential that we have to bring about lasting social impact for millions of people.

**Kanini Mutooni**  
Chair, Board of Directors



# Welcome From the CEO

**A**s I look back on 2018, I am grateful for the progress that we have made in advancing our mission to improve the lives of millions of the world's poor. 2018 has been a significant year for us, and this report offers the opportunity to reflect on what we have achieved, and where we want to be in 2019.



We have grown our portfolio of evidence-based investments.

We are currently funding 38 innovations in sectors such as education, agriculture, transport, and domestic resource mobilisation, each with the potential to bring about lasting social impact.

But we're not just investing in new innovations: we're also supporting the entrepreneurs already in our portfolio to maximise their impact and growth potential.

To take one example that I am especially proud of, this year we helped our partner Educational Initiatives to scale up the adoption of its personalised adaptive learning solution, Mindspark, in Indian state schools. Following a GIF-funded pilot in 50 schools, the Government of Rajasthan has agreed to expand evidence-based edtech solutions to at least 750 schools, starting in the 2018-19 school year.

2018 was also a year in which we built new partnerships, while strengthening our relationships with each of our existing donors - without whose unwavering support and leadership none of our achievements would be possible - to ensure that we can continue to invest in great entrepreneurs and innovators well into the future.

I attended the 2018 G7 Finance Ministers' Meeting to kickstart our partnership with Global Affairs Canada. I was proud to appear alongside the then Canadian Minister of International Development, The Honourable Marie-Claude Bibeau, to talk about our innovation for gender equality partnership that will help support Canada's broader international feminist agenda.

We also partnered with Unilever to create a dedicated fund, ADVANCE, focused on resilient and inclusive value chains, universal access to basic services, sustainable land use and production, and economic inclusion and equal opportunities. ADVANCE is a unique partnership for advancing the Sustainable Development Goals, and we anticipate further partnerships under this umbrella. This momentum began in 2018 when we signed a Memorandum of Understanding with the Rural Electrification Corporation of India, which will co-fund with GIF on a range of projects across the country.

Looking ahead to 2019, our focus will be on continuing to deliver impact smartly, while achieving value for money for the donors who fund us. 2019 will also be the year that we truly begin to share with the development and investment communities the lessons we have learned since we were founded five years ago. We hope to support adoption of the use of evidence, smart risk-taking, and new approaches to mobilising aid budgets in the pursuit of social impact.

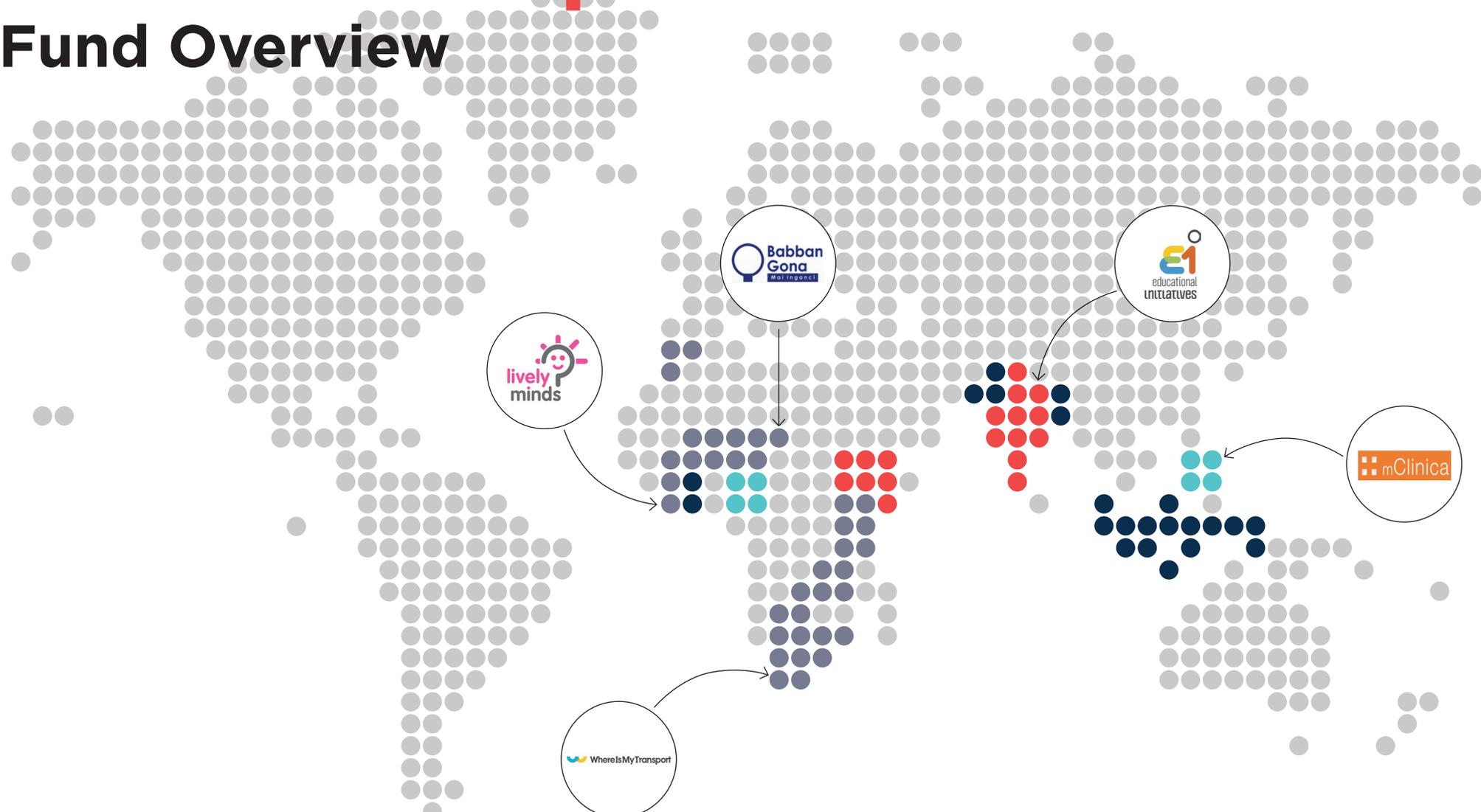
Reflecting on the many successes of 2018, and looking forward to an exciting 2019 for GIF, I am reminded of the pivotal role that Michael Kremer, who this year stepped down as a Member of the GIF Board of Directors, has played in the evolution and achievements of GIF since its inception. I want to take this moment to thank Michael for all that he has done in service of GIF during his time on the Board, but also for his mentorship and friendship to me personally over the course of the past two decades. We at GIF wish Michael the very best for the future.

A handwritten signature in black ink, appearing to read 'Alix'.

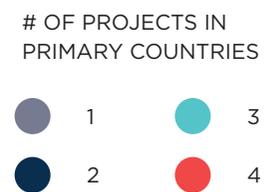
**Alix Peterson Zwane**  
Chief Executive Officer

# Portfolio Impact

## Fund Overview



**38** investments, **24** grants, **14** risk capital



# GIF's portfolio

Here are the portfolio organisations that are already reaching one million people or are expected to do so by 2020.

**104 million** by 2020, when the Philippine Government rolls out mClinica's technology nationwide

**100 million** patients through 73,000 pharmacists on SwipeRx platform

**11.6 million** on platform

**11 million** (Indonesia only)

NB: mClinica circles not to scale with other projects



**6 million** (with government partnership)

**3.2 million** (core programme)

**3.5 million**

**1.4 million** children (by 2020)

**150,000** students (reached by Mindspark now)

**1 million**



● NOW

● 2020



# \$69 million

## concurrent co-funding

Considers **16** of **39\*** investments with concurrent co-funding reported. Those investments total **\$33 million** of GIF committed capital



# 87 million

People in low and middle income countries that GIF-backed innovations are expected to impact in 10 years



# 8

Follow-on investments raised by portfolio companies



# 6%

Expected annual improvement in livelihood of beneficiaries



# 1.6 x

Exit multiple on first exit (**29%** internal rate of return), enabling GIF to recycle capital to fund additional innovations

# \$165 million

## follow-on financing

Considers **12** of **39** investments with follow-on financing reported. Those investments total **\$24 million** of GIF committed capital



# \$4.31

Additional capital crowded in per **\$1** of GIF for-profit investment



# \$69

# million

Invested/  
committed



# 308%

Revenue growth since initial investment

An aerial photograph of a city street. A white car is driving on the road. The street is lined with buildings, and there are some construction barriers or markings on the ground. The overall scene is in black and white, with a dark overlay for the text.

# About the Global Innovation Fund

The Global Innovation Fund (GIF) is an independent, multilateral investment vehicle that works with mission-aligned development agencies, philanthropy, and other funders to find and fund open innovation with the potential to positively impact the lives of millions of the world's poorest people.

Launched in 2013, GIF is supported by the U.S. Agency for International Development, the UK's Department for International Development, Australia's Department of Foreign Affairs and Trade, the Swedish International Development Agency, and Global Affairs Canada. The Omidyar Network supported the launch of GIF. GIF has co-financing partnerships with South Africa's Department of Science and Technology and the Indian Rural Electrification Corporation and launched a corporate partnership with Unilever in 2018.

GIF uses rigorous evidence and development economics to identify and invest in high-impact, early-stage enterprises and innovations. At this early-stage, social enterprises and innovators face a significant funding gap post-proof of concept and pre-scale up given the risks that still exist. GIF's funding helps to de-risk and accelerate evidence-based innovations using a range of flexible financial instruments – grants, debt, and equity. GIF seeks to meet innovators on their terms, providing the support they need to continue to refine their approach, attract necessary funding, and move toward scale.

GIF provides grants to support innovations that will scale through public sector uptake and support. In contexts where the state is weak, it is challenging for local government to support innovation given the high level of risk. Our funding gives innovators the space to experiment and further prove their model. Having an outside entity that can manage this risk can yield social returns that will impact the broader investment climate, and GIF has built a portfolio that makes a strong case for this.

For its private sector partners, GIF uses its concessional finance to de-risk social enterprises, so they can fit the risk/return criteria of other private sector investors, such as Development Finance Institutions. Innovators and entrepreneurs in developing countries need patient funding, flexible instruments, concessional capital that helps to de-risk their business models, and tailored funding amounts tied to an entity's stage. GIF's flexibility and focus on social returns allows us to structure deals so that other funders can enter investments they could otherwise not, helping build future pipeline for larger investors.

# Practical Impact

Practical Impact is our approach to measuring success. It enables us to forecast, track, and aggregate impact across our portfolio.

Practical Impact goes beyond the standard practice of counting 'people reached' to measure impact.

For each innovation, it starts with a disciplined estimate of the breadth of impact at scale (the number of low-income people who will benefit if scale-up succeeds). It adjusts that breadth by depth of impact (the benefit per person relative to annual income). The depth measure is universal, encompassing both monetary and non-monetary benefits. Finally, the impact estimate is adjusted by the probability of success at scale. The probability of success is estimated based on an accounting of risks.

The unit of measurement is the person-year of income (PYI). If one person receives an extra 100% of income for one year, that's one PYI. If ten people each receive an extra 10% of income for a year, that also counts as one PYI. We convert health and education benefits into income equivalents, and we tally only benefits to low-income people. Adding it all up, the investments we support are on track to generate 2.2 to 7.5 million person-years of income annually by 2028. That is roughly equivalent to 2.2 to 7.5 billion dollars of annual benefits. Alternatively, it means that we expect about 83 million people to enjoy just over three weeks' additional income (or equivalent) per year.

**Practical Impact = low-income people impacted at year 10 x depth of impact x probability of success**



**Breadth of impact**

The number of low-income people who will benefit at year 10

x



**Depth of impact**

Benefit per person relative to annual income

x



**Probability of success**

The likelihood that the innovation will be successful in 10 years

Jamie Abbas at Unsplash



# Practical Impact: Developments in 2018

In 2018 we expanded the use of Practical Impact and continued to refine our methodology and process. Whereas in 2017 Practical Impact was applied to 14 of our investments, during 2018 the methodology was extended to almost all of our existing portfolio in addition to incoming investments. Our Investment and Analytics teams also worked in a more integrated way to perform rigorous Practical Impact analysis.

During 2018 we improved our ability to assess risk to overall portfolio impact. Our forecasts incorporate two aspects of risk. First, that investments are inherently risky; some thrive, others fail. We capture this in our estimate of probability of success. Second, that our forecasts, while based on the best available evidence and judgment, are still only forecasts, with built-in uncertainty.

To understand overall impact risk, we simulated thousands of possible portfolio outcomes based on our assessments of risk and uncertainty for each investment. This lets us go beyond just saying that our best forecast of impact is a single number: 5.1 million PYI/year in 2028. We can report, further, that there is a 75% chance that impact will be greater than 2.2 million (which would already be very good) and a 25% chance that it will be greater than 7.5 million (which would be extraordinary).



# The year in evidence generation

Our investments are designed to produce evidence of impact, efficacy, uptake, and cost-effectiveness. Evidence can take the form of feedback to improve operational effectiveness; it can also guide decisions about whether, or how, to scale up an innovation.

As our portfolio matures, this evidence is growing. While some of 2018's results are still too preliminary to quote in detail, they include the following:

- **Educational Initiatives:** Preliminary results from implementing Mindspark – an educational technology intervention – in government-run schools in Rajasthan show substantial performance increases, in both Hindi and maths, for primary and middle-school pupils.
- **Anti-Malaria Home-Proofing:** This pilot project tested whether an insecticide-treated wall smearings could be safer and more effective than the standard practice of interior spraying. The test was terminated because the innovative treatment was found to be less effective than the standard alternative.
- **Family planning in Burkina Faso:** The grant supported a randomised controlled trial of the impact of radio broadcast messages promoting the use of modern contraceptive methods. Preliminary results suggest a substantial impact on uptake.
- **Lively Minds:** Midterm results of this early childhood development intervention indicated large and significant impacts on school readiness, including emergent numeracy and literacy.
- **No Lean Season:** A randomised controlled trial found that the scaled-up program did not have the impact on inducing migration and consumption observed in a smaller, earlier trial. The implementers, Evidence Action, believe that this reflects operational issues, which they are addressing. A second randomised controlled trial's results are expected in 2019 and will provide another reading on the effectiveness of the intervention.

- **One Acre Fund:** A randomised controlled trial assessed One Acre's program in Teso District, Kenya. It found a statistically and economically significant impact of the program on farmer yields (14% on maize) and profits (20% on maize and beans).
- **Behavioural Insights Team:** The Behavioural Insights Team implemented a randomised controlled trial testing the responses of more than 11 million Indonesian tax payers to different letters urging early tax filing. The most successful one induced a 1.2 percentage point increase in filing, and a 2.1 percentage point increase in early filing. The most successful nudge resulted in an additional \$1.93 million USD paid at the point of filing at a negligible cost, suggesting a highly cost-effective innovation.

As part of our efforts to promote the more rapid and effective use of evidence, GIF convened representatives of nine investees for a workshop on the uses of big data. The advent of big data opens up exciting new possibilities in rapid feedback and insightful evidence analysis, but brings challenges as well. The workshop brought in external experts and facilitated mutual learning among the investees. Practical issues of data security and anonymity came to the fore during these discussions.



## Trustees, Officers and Advisers

### Trustees

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

- Russell Siegelman (Resigned effective 5<sup>th</sup> May 2018)
- Michael Anderson
- Stefan Dercon
- Salvatore Giambanco
- Vel Gnanendran
- Michael Kremer (resigned 4<sup>th</sup> February 2019)
- Kanini Mutooni (Chair of the Board)
- Sarah Pearson
- Carolina Trevelli (Resigned effective 2<sup>nd</sup> February 2018)
- Santhosh Mathew (Appointed 28<sup>th</sup> September 2018)
- Jack Hawkins (Appointed 4<sup>th</sup> February 2019)
- Jane Siebels (appointed 16<sup>th</sup> February 2019)

### Key management personnel

Chief Executive Officer	Alix Peterson Zwane
General Legal Counsel	Amélie Baudot
Chief of Staff and VP	Garreth Spillane
Senior Managing Director	Gulzar Natarajan
Chief Analytics Officer	Kenneth Chomitz
Senior Managing Director	Sarah Alexander
Chief Financial Officer	Simon Jones

### 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;

8 Devonshire Square

London

EC2M 4PL

## **Trustees' Report**

The Trustees present their report, the directors' report, and consolidated financial statements for the year ended 31<sup>st</sup> December 2018.

In 2018, the Trustees reviewed the new version of the Charity Governance Code and considered Global Innovation Fund (GIF) as applying with the stated best practice principles. As part of that review an Independent Evaluation of GIF is being undertaken in 2019 covering governance.

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 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 against their objectives set at the start of the year. Pay increases are then dependant 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 16 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 fourth full financial year covers the full financial period from 1<sup>st</sup> January 2018 to 31<sup>st</sup> December 2018.

GIF was incorporated on 17<sup>th</sup> 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 9<sup>th</sup> April 2015. This subsidiary began operations on 13<sup>th</sup> 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 27<sup>th</sup> January 2017 with the charity number 1171353. The Articles of Association were adopted on 28<sup>th</sup> 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 had due regard to the Charity Commission's guidance on public benefit.

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's mission is:

- To support innovations that could scale up to benefit millions of people now living on less than \$5/day; and
- To improve the overall impact of development expenditure -- public and private, international and domestic -- by demonstrating the effectiveness of outcome-oriented, evidence-based investment.

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 in developing countries, and is especially interested in innovations that impact people living on less than US\$2 per day.

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. Payment 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.

Total Funds at 31st December 2018:	\$54.7m
Less:	
Restricted Funds	(\$4.0m)
Investments	(\$21.2m)
Funding Commitments	(\$16.4m)
Free Reserves Balance	\$13.1m

GIF holds free reserves for the following purposes; operational expenses and working capital. The current level of free reserves are in line with the policy.

## **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 review that are likely to be signed in the short-term. Current levels of investment commitments are shown in note 13 to the accounts.

## **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 reserves 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 slightly decreased its income from its funders from \$27,021k in 2017 to \$25,708k in 2018. This included one new Government funder as well as receipts from existing Government donors. \$3,350k (2017: \$1,250k) of that was received for project specific investments and is currently held on our balance sheet as restricted funds. Investment income increased from \$384k to \$782k as GIF took a more active management of its cash balances and loan investments made in the year.

During the year \$8,446k of new risk capital investments (Debt, Equity or Convertible Debt) were made. At the end of the year an in-depth review of our investments was undertaken. It was decided that writedowns, totalling \$1,577k (2017: \$2,750k) were 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 \$54,715k (2017:\$49,209) of which \$4,037k (2017:\$1,249) 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 2018 GIF continued to develop its processes and organisational design to improve GIF's ability to deliver impact through our portfolio and value-for-money for our donors. The Board also reviewed the charity's strategy looking to set the vision for 2025.

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 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 engagement with potential new funders who align with GIF's impact first, evidence-based investment approach. These conversations will continue in 2019 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 grew the potential impact of our portfolio: we're on track to save 4,100 lives, and to impact the lives of 83m people and generate 1.9m to 7.5m Person-Years of Income annually by 2028.
- We signed a partnership agreement with Global Affairs Canada to create a gender-focused sub-fund that will find and fund innovations with the potential to improve the lives of women and girls living in developing countries.
- We signed an MoU with the Rural Electrification Corporation of India which will co-fund with GIF on a range of projects across the country.
- 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, and the innovations that we fund.
- The next table helps illustrate the size of grants and investments we make. In 2018, GIF's average approved deal value was \$1.2m, down from \$2.0m per deal in 2017. This reflects the balance between Grants (average new investment \$300k) and Risk Capital investments (average new investment \$2.4m). This illustrates GIF's ever increasing commitment to its mission.
- Each deal can include more than one disbursement. GIF's average payout per disbursement was down to \$511k from \$543k. There has, however, been an increase in the number of disbursements made: 37 this year compared with 24 last year. This reflects in GIF operations with the number of commitments still due at year end decreasing from 58 to 38 and the average value of these disbursements falling from \$455k to \$431k.

<b>Investment Activity</b>	<b>2018</b>	<b>2017</b>
<b>Average Investment Commitments</b>		
<b>Programme-related approvals (volume/\$ amount)</b>	<b>1,205,190</b>	<b>2,008,589</b>
<b>Number of deals committed to in the year</b>	<b>7</b>	<b>11</b>
<b>Average Pay-outs</b>		
<b>Programme-related pay-outs (volume/\$ amount)</b>	<b>510,745</b>	<b>542,612</b>
<b>Number of disbursements made</b>	<b>37</b>	<b>24</b>
<b>Outstanding programme-related pay-outs (volume/\$ amount)</b>	<b>430,942</b>	<b>455,284</b>
<b>Number of disbursements still to make</b>	<b>38</b>	<b>58</b>

We also made good progress against our objectives throughout the course of 2018:

- We added 7 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.

- We continued to provide strategic venture support to our portfolio, including helping to scale up of personalised adaptive learning solutions by Indian state schools through public sector channels, and helping a DRM solution incorporate behavioural insights into their work.
- We approved our first investments under the Water Innovation Engine partnership with DFAT, and under the Advance Fund with Unilever.
- Strategic hires joined our investment team, a new COO/CFO built out key financial and people processes.
- GIF continues to evolve 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.
- We developed our Practical Impact 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, 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 2019, there is a great deal for us to be excited about.

GIF will continue to be an active member of the development finance community and will thoughtfully engage to inform the agenda around use of evidence, measuring impact, and taking on smart risk.

To help us achieve this goal, we will update our website with rich data on evidence generated, GIF's decision process, and the Practical Impact forecasts for each investment alongside performance of the GIF portfolio against impact targets.

As part of this process, we will launch an enhanced open window on the GIF website, with additional communications activity to promote it, ensuring that it besides being more effective in sourcing, it also delivers a better user experience for applicants and provides the investment team with the information to consider applications and respond in a timely manner.

During 2019 GIF will also continue to focus on recruiting and retaining great people, process improvement, good governance, and fundraising in order to sustain a resilient organisation.

We will seek to deepen relationships with existing funding partners and identify and engage new funders that are aligned with GIF's mission, at the same time as ensuring that we continue to have the right people and structures in place to succeed in our mission

## Goals Key Objectives

- 1. One Mission: Multiple Vehicles:** GIF “core”; GIF Growth; and the Advance Fund: We have recognised that GIF's unique model can support not only the deployment of Official Development Assistance but also create unique impact for (i) pools of returnable capital that are being invested in more traditional impact investors and (ii) corporate social responsibility funds.
- 2. One Mission: One Deal Team:** The power of the GIF team is that we bring together rigorous economic analysis grounded in evidence, a deep understanding of the context in which our innovations can scale, financial acumen, a venture mind-set, and an ability to take smart risks. We have learned that the key to unlocking the power of this combination is to structure ourselves in a way that draws on the resources from across the GIF team and breaks down organisational silos.
- 3. Enhancing the Agency of Women and Girls:** With the launch of its gender sub-fund, GIF will continue to apply, and improve on, the gender lens that it brings to all its investments, mainstreaming gender analytics into deal selection, diligence, and venture support. We will continue to partner with world-leading gender experts to grow our expertise and build a portfolio that prioritises gender equality outcomes.
- 4. GIF will invest where the world's poor live and in innovations that matter to them:** We will strategically complement our commitment to open innovation by deepening our expertise in markets where we have traction and where our capital can catalyse additional investment.

## 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.

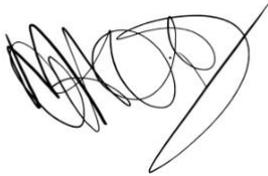
The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies 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 contained therein, and is signed as authorised on its behalf by;*



**Kanini Mutooni**

*Chair and Chair of the Audit and Finance Committee*

Wework, 8 Devonshire Square, London, EC2M

4PL Date: 24 May 2019

## **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 31 December 2018 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).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 December 2018 and of the group's incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **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 returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of 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, 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](http://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 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.



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

14 June 2019

## Consolidated Statement of Financial Activities

*For the year ended 31 December 2018*

	<i>note</i>	<b>Unrestricted Funds 2018 USD (\$000)</b>	<b>Restricted Funds 2018 USD (\$000)</b>	<b>Total Funds 2018 USD (\$000)</b>	<b>Total Funds 2017 USD (\$000)</b>
<b>Income from:</b>					
Charitable activities - Grants	2	22,358	3,350	25,708	27,021
Investment & Other Income	2	782	-	782	384
Other income - Foreign exchange gain		-	-	-	1,950
<b>Total income</b>		23,140	3,350	26,490	29,355
<b>Expenditure on:</b>					
Charitable activities	3	(20,422)	(562)	(20,984)	(15,704)
<b>Total expenditure</b>		(20,422)	(562)	(20,984)	(15,704)
<b>Net movement in funds</b>		2,718	2,788	5,506	13,651
<b>Reconciliation of funds:</b>					
<i>Total funds brought forward as at 1st January 2018</i>		47,960	1,249	49,209	35,558
<i>Total Funds carried forward as at 31st December 2018</i>		<b>50,678</b>	<b>4,037</b>	<b>54,715</b>	<b>49,209</b>

## Consolidated and Charity Balance Sheets

*As at 31 December 2018*

	<i>note</i>	<b>Group 2018 USD (\$000)</b>	<b>Charity 2018 USD (\$000)</b>	<b>Group 2017 USD (\$000)</b>	<b>Charity 2017 USD (\$000)</b>
<b>Fixed assets:</b>					
Investments	4	21,214	21,214	12,485	12,485
<b>Total fixed assets</b>		<b>21,214</b>	<b>21,214</b>	<b>12,485</b>	<b>12,485</b>
<b>Current assets:</b>					
Debtors	5	3,715	3,694	201	168
Cash at bank and in hand	6	32,418	32,320	36,789	36,713
<b>Total current assets</b>		<b>36,133</b>	<b>36,014</b>	<b>36,990</b>	<b>36,881</b>
<b>Liabilities:</b>					
<b>Creditors:</b> amounts falling due within one year	7	(2,632)	(2,513)	(266)	(157)
<b>Net current assets</b>		<b>33,501</b>	<b>33,501</b>	<b>36,724</b>	<b>36,724</b>
<b>Total net assets</b>		<b>54,715</b>	<b>54,715</b>	<b>49,209</b>	<b>49,209</b>
<b>The funds</b>					
Restricted	8	4,037	4,037	1,249	1,249
Unrestricted	8	50,678	50,678	47,960	47,960
<b>Total funds</b>		<b>54,715</b>	<b>54,715</b>	<b>49,209</b>	<b>49,209</b>

The surplus for the financial year dealt with in the financial statements of the parent charitable company was \$5,506,154 (2017 - \$13,650,832)

These financial statements were approved by the board of directors on 24 May 2019 and were signed on its behalf by:



**Kanini Mutooni**

*Chair of the Board of Directors*

*Global Innovation Fund*

*Company Registration Number: 09223487 (England and Wales)*

## Consolidated Cash Flow Statement

*For the year ended 31 December 2018*

	<i>note</i>	<b>Group 2018 USD (\$000)</b>	<b>Group 2017 USD (\$000)</b>
Net cash inflow from operating activities	(a)	14,595	19,844
Cash flows from investing activities	(b)	773	379
Cash flows from financing activities	(c)	<u>(19,739)</u>	<u>(10,581)</u>
Change in cash and cash equivalents in the reporting period		<b>(4,371)</b>	<b>9,642</b>
Cash and cash equivalents as at 1 Jan		<b>36,789</b>	<b>27,147</b>
Cash and cash equivalents as at 31 Dec		<b>32,418</b>	<b>36,789</b>

### **Cashflow Statement notes:**

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

Net income for the reporting period	5,506	13,651
Dividends and interest from investments	(782)	(384)
Bank charges	9	5
Issuance of programme related grants	11,010	6,482
(Increase)/decrease in debtors	(3,514)	78
Increase/ (decrease) in creditors	2,366	12
<b>Net Cash provided by operating activities</b>	<b><u>14,595</u></b>	<b><u>19,844</u></b>

#### **(b) Cash flows from investing activities**

Portfolio Interest	326	302
Administration fees	-	25
Bank and other interest	346	57
Profit on disposal of investment	110	-
Bank charges	(9)	(5)
<b>Net Cash provided by investing activities</b>	<b><u>773</u></b>	<b><u>379</u></b>

#### **(c) Cash flow from financing activities**

Purchase of programme related investments	(8,729)	(4,098)
Issuance of programme related grants	(11,010)	(6,483)
<b>Net Cash provided by financing activities</b>	<b><u>(19,739)</u></b>	<b><u>(10,581)</u></b>

*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, it's registered address is Wework, 8 Devonshire Square, London EC2M 4PL

#### ***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 \$1,292k (2017: 1,202k) 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 \$26,490,156 (2017 - \$27,405,204), and its net surplus was \$5,506,154 (2017 - \$13,650,832). 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 31<sup>st</sup> December 2018. 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 determining the carrying value of GIF's social investments and any need for impairment. The determination of carrying values for early-stage companies is by nature a volatile and uncertain process. Despite the inherent volatility, the guidelines applied to determine whether an impairment is required are considered to result in the best estimate of whether and the amount of any impairment required.

## Notes (continued)

### **Measurement convention**

The financial statements are prepared on the historical cost basis except for any social investments for which it is considered that a reliable estimate of market value exists. The related financial instruments are classified at fair value through income and expense. Where an accurate estimate of market value is unavailable the investments are 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, Australian Dollars and Indian Rupees. 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 31<sup>st</sup> December 2018 are translated to US Dollars at the closing foreign exchange rate ruling on 31<sup>st</sup> December 2018. 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. Cash and cash equivalents comprise cash balances and notice deposits, less than three months. The accounting policy for social investments is set out separately below.

### **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.

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.

### **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.

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 \$1,577,044 (2017: \$2,749,763) was recognised in the accounts in relation to the annual assessment of social investments.

**Notes** *(continued)*

**2. Income**

	<b>2018</b>	<b>2017</b>
	<b>USD</b>	<b>USD</b>
	<b>(\$000)</b>	<b>(\$000)</b>
<b>Income</b>		
Government Grants	24,445	22,352
Private Funding	1,263	4,669
	<u>25,708</u>	<u>27,021</u>

	<b>2018</b>	<b>2017</b>
	<b>USD</b>	<b>USD</b>
	<b>(\$000)</b>	<b>(\$000)</b>
<b>Government income by country</b>		
Australia	8,964	1,250
Canada	2,101	-
Sweden	1,634	1,419
United Kingdom	7,746	11,683
United States of America	4,000	8,000
	<u>24,445</u>	<u>22,352</u>

	<b>2018</b>	<b>2017</b>
	<b>USD</b>	<b>USD</b>
	<b>(\$000)</b>	<b>(\$000)</b>
<b>Investment Income and other income</b>		
Income from investments	326	327
Bank interest on current accounts	346	57
Profit on disposal of investment	110	-
	<u>782</u>	<u>384</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**

	<b>2018</b>	<b>2017</b>
	<b>USD</b>	<b>USD</b>
	<b>(\$000)</b>	<b>(\$000)</b>
<b>Grants Payable</b>		
Valid Nutrition	-	13
DMI (Development Media International)	334	505
Newborn Foundation	-	54
Educate!	60	248
MyAgro	-	23
Simprints	40	-
Behavioural Insights Team	1,312	1,304
One Acre Fund	3,382	-
Lively Minds	778	136
IFS (Institute for Fiscal Studies)	-	281
Nesta	168	-
No Lean Season	1,171	1,291
Education Initiatives	929	439
Hut Decoration	50	180
Ideas42	1,016	413
Interactive Research & Development	171	257
Labeled Remittances	253	904
Talent Beyond Boundaries	75	75
J-PAL South Asia	-	360
Tag Africa	97	-
IDInsight	200	-
No Means No Worldwide	150	-
Reducing Anemia	400	-
Stanford	154	-
City Nudges	270	-
	<b>11,010</b>	<b>6,483</b>
<b>Impairment of programme related investments</b>	<b>1,577</b>	<b>2,750</b>
<b>Staff Skills and other related staff costs</b>	<b>4,588</b>	<b>4,312</b>
<b>Other Support Costs</b>	<b>3,493</b>	<b>2,159</b>
<b>Foreign Exchange losses</b>	<b>316</b>	<b>-</b>
<b>Total costs directly associated to charitable activities</b>	<b>20,984</b>	<b>15,704</b>

All grants above were made to institutions. All grants were signed for and disbursed within the year, other than City Nudges. The value of grants that were due to be disbursed which hadn't by the end of the year was \$270k (2017: \$Nil)

**Notes** (continued)

**4. Programme-related investments**

	<b>Group 2018 USD (\$000)</b>	<b>Charity 2018 USD (\$000)</b>	<b>Group 2017 USD (\$000)</b>	<b>Charity 2017 USD (\$000)</b>
<b>Debt</b>				
PayGo	405	405	54	54
Babban Gona	3,099	3,099	2,782	2,782
	<u>3,504</u>	<u>3,504</u>	<u>2,836</u>	<u>2,836</u>
<b>Convertible debt instruments</b>				
Safe Boda	-	-	255	255
SparkMeter	661	661	300	300
WhereIsMyTransport	777	777	755	755
City Taps	200	200	-	-
	<u>1,638</u>	<u>1,638</u>	<u>1,310</u>	<u>1,310</u>
<b>Equity investments</b>				
Segovia	750	750	750	750
Afrimarket	1,298	1,298	1,327	1,327
Simpa	-	-	1,006	1,006
mClinica	2,000	2,000	2,000	2,000
EM3	5,274	5,274	3,256	3,256
Pagatech	5,000	5,000	-	-
Online Pajak	1,750	1,750	-	-
	<u>16,072</u>	<u>16,072</u>	<u>8,339</u>	<u>8,339</u>
<b>Total programme-related investments</b>	<u><b>21,214</b></u>	<u><b>21,214</b></u>	<u><b>12,485</b></u>	<u><b>12,485</b></u>

In 2018 GIF sold their stake in Safe Boda. A \$109k profit on disposal has been recognised in Other Income on the Statement of Financial Activities

\*Babban Gona and PayGo include \$1.25m and \$186k which are convertible to equity. SparkMeter includes \$61k of existing equity.

**5. Debtors**

	<b>Group 2018 USD (\$000)</b>	<b>Charity 2018 USD (\$000)</b>	<b>Group 2017 USD (\$000)</b>	<b>Charity 2017 USD (\$000)</b>
<b>Debtors</b>				
Deposits	123	107	22	6
Prepayments and accrued income	3,483	3,483	140	124
Other debtors	109	104	39	38
	<u><b>3,715</b></u>	<u><b>3,694</b></u>	<u><b>201</b></u>	<u><b>168</b></u>

**Notes** *(continued)*

**6. Cash at bank and in hand**

	<b>Group 2018 USD (\$000)</b>	<b>Charity 2018 USD (\$000)</b>	<b>Group 2017 USD (\$000)</b>	<b>Charity 2017 USD (\$000)</b>
<b>Cash at bank and in hand</b>				
Cash in hand	32,418	32,320	36,789	36,713
Notice deposits (less than 3 months)	-	-	-	-
	<u>32,418</u>	<u>32,320</u>	<u>36,789</u>	<u>36,713</u>

**7. Creditors**

	<b>Group 2018 USD (\$000)</b>	<b>Charity 2018 USD (\$000)</b>	<b>Group 2017 USD (\$000)</b>	<b>Charity 2017 USD (\$000)</b>
<b>Creditors: amounts falling due within one year</b>				
Trade creditors	2,155	2,155	124	114
Other creditors	124	50	33	2
Accruals	353	308	109	41
	<u>2,632</u>	<u>2,513</u>	<u>266</u>	<u>157</u>

**8. Funds**

The restricted funds are received under an agreement with Canada (DFATD) and a separate agreement with DFAT. DFATD have stipulated their funds are to be invested in initiatives that have a gender focus. For DFAT, 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.

	<b>Group 2018 USD (\$000)</b>	<b>Charity 2018 USD (\$000)</b>	<b>Group 2017 USD (\$000)</b>	<b>Charity 2017 USD (\$000)</b>
<b>Restricted funds</b>				
Balance brought forward	1,249	1,249	-	-
Grant & Other Income	3,350	3,350	1,250	1,250
Expenditure	(562)	(562)	(1)	(1)
Increase/(Decrease) in Investments	-	-	-	-
Surplus for the period	-	-	-	-
	<u>4,037</u>	<u>4,037</u>	<u>1,249</u>	<u>1,249</u>

**Notes** *(continued)*

	<b>Group 2018 USD (\$000)</b>	<b>Charity 2018 USD (\$000)</b>	<b>Group 2017 USD (\$000)</b>	<b>Charity 2017 USD (\$000)</b>
<b>Unrestricted funds</b>				
Balance brought forward 1st January	47,960	47,960	35,558	35,558
Grant & Other Income	23,140	23,140	26,155	26,155
Expenditure	(18,845)	(18,845)	(11,003)	(11,003)
Increase/(Decrease) in Investments	(1,577)	(1,577)	(2,750)	(2,750)
Balance carried forward 31st December	<u>50,678</u>	<u>50,678</u>	<u>47,960</u>	<u>47,960</u>
Total Funds		<u>54,715</u>		<u>49,209</u>
<b>Fund Balances as at 31st December</b>				
	<b>Unrestricted</b>	<b>Restricted</b>	<b>Unrestricted</b>	<b>Restricted</b>
Investments	21,014	200	12,485	-
Current Assets	32,296	3,837	35,741	1,249
Current Liabilities	(2,632)	-	(266)	-
Total Funds	<u>50,678</u>	<u>4,037</u>	<u>47,960</u>	<u>1,249</u>
		<u>54,715</u>		<u>49,209</u>

**9. Auditors remuneration**

	<b>Group 2018 USD (\$000)</b>	<b>Group 2017 USD (\$000)</b>
<b>Included in the statement of financial activities are;</b>		
Statutory audit fees (inclusive of VAT)	46	43
Tax advisory fees	10	(4)
	<u>56</u>	<u>39</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:

<b>Category</b>	<b>Group 2018 USD (\$000)</b>	<b>Group 2017 USD (\$000)</b>
Investment	10	8
Analytics	3	3
Legal	4	3
Administration	11	12
	<u>28</u>	<u>26</u>

*The aggregate payroll costs of these persons were as follows:*

Wages and salaries	3,138	3,094
Social security costs	357	354
Contributions to defined contribution pension plans	305	328
Other employee benefits	190	249
Other Staff costs	559	288
	<u>4,549</u>	<u>4,313</u>

**Staff Banding**

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

<b>USD</b>	<b>Group 2018 USD (\$000)</b>	<b>Group 2017 USD (\$000)</b>
81,000 - 93,999	4	3
94,000 - 107,999	5	2
108,000 - 120,999	3	2
121,000 - 134,999	5	3
135,000 - 161,999	2	1
162,000 - 174,999	3	2
175,000 - 188,999	1	4
189,000 - 202,999	2	0
229,000 - 242,999	1	1
243,000 - 255,000	0	1
	<u>26</u>	<u>19</u>

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

**Remuneration of Key Management Personnel**

The total compensation package for key management personnel totalled \$1,574k (2017: \$1,358k). The trustees received no remuneration for their services to the company.

**Termination payments**

Termination payments totalling \$57k were made during the year (2017: \$92K). These have been included within "Wages and salaries" within the aggregate payroll costs table in note 10. \$51k was unpaid at year end. This was held in accruals and paid in January 2019.

**11. Financial Instruments**

The carrying amounts of the financial assets and liabilities include

	<b>Group 2018 USD (\$000)</b>	<b>Group 2017 USD (\$000)</b>
<b>Financial Instruments</b>		
Financial Assets - amortised cost	52,964	49,307
Financial Assets - fair value	777	-
Financial Liabilities - amortised cost	2,632	266
 <b>Financial Assets</b>		
Cash	32,418	36,789
Debtors	109	33
Social investments	21,214	12,485
	<b>53,741</b>	<b>49,307</b>
 <b>Financial Liabilities</b>		
Trade Creditors	2,155	124
Accruals	353	109
Other creditors	124	33
	<b>2,632</b>	<b>266</b>

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 \$1,577,044 (2017: \$2,749,763) was recognised in the accounts within charitable investments on the face of the Statement of Financial Position.

## 12. Operating Leases

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

	<b>Group 2018 USD (\$000)</b>	<b>Group 2017 USD (\$000)</b>
<b>Operating Leases</b>		
not later than one year	576	160
later than one year and not later than five years	343	-
later than five years	-	-
<b>Total annual commitments</b>	<b>919</b>	<b>160</b>

Within the financial statements are lease payments totalling \$630k (2017: \$486k)

## 13. Funding Commitments

Amounts related to programme related investments (grants) contracted for but not provided in financial statements amounted to \$16,351,781 (2017: \$26,295,722) for the group and the company. If all conditions relating to each grant were met, the following amounts will be due.

	<b>2018 Grant Commitments</b>	<b>2018 Risk Capital Commitments</b>	<b>2018 Total</b>
2019	6,837,326	4,746,707	11,584,033
2020	4,692,883	-	4,692,883
2021	88,866	-	88,866
2022	-	-	-
<b>Total annual commitments</b>	<b>11,619,075</b>	<b>4,746,707</b>	<b>16,365,782</b>
Total annual commitments as at 1st January 2018	21,482,220	4,813,502	26,295,722
FX Movement in 2018	(612,372)	(186,103)	(798,475)
Commitments made in 2018	1,328,851	8,437,247	9,766,098
Payments made in 2018	(10,579,624)	(8,317,939)	(18,897,563)
Total annual commitments at 31st December 2018	<b>11,619,075</b>	<b>4,746,707</b>	<b>16,365,782</b>

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 31/12/2018.

	<b>2018</b>	<b>2017</b>
	<b>USD</b>	<b>USD</b>
	<b>(\$000)</b>	<b>(\$000)</b>
<b>Income &amp; Expenditure</b>		
Total support received & revenue	1,342	1,247
Total expenses	(1,342)	(1,247)
<b>Balance Sheet</b>		
Assets	119	109
Liabilities	<u>(119)</u>	<u>(109)</u>
	<u><u>-</u></u>	<u><u>-</u></u>

**15. Defined contribution scheme**

The group operates a defined contribution pension scheme. The total expense relating to this scheme amounted to \$305k (2017: \$328k) during the period which has been charged to the Statement of Financial Activities. The contributions were paid using unrestricted funds.

**16. 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*

Five of the Trustees have claimed expenses or had their expenses met by the charity, these are related to flights, accomodation and subsistance for board meetings. These costs total \$25,693 (2017: \$45,967)

*Employees*

The loan issued to the CEO, Alix Zwane was revalued during the year and was valued at \$5,760 at the end of the year (2017: \$6,071). No interest has been charged on this loan and no repayment has been made since the loan was granted.

*Subsidiary*

GIF gave \$902k (2017: \$1,000k) to its subsidiary located in Washington DC to funds its administration expenses \$131,382 (2016: \$182,996) of expenses were paid by GIF on behalf of the US subsidiary. The subsidiary had assets of \$119,335 and liabilities of \$119,335 at 31 December 2018, giving total net assets of \$Nil. At the year end, the susbsidiary owed GIF \$nil (2017:nil)

**17. Post balance sheet event**

In April 2019 Segovia, of which GIF holds an equity stake, was acquired by Crown Agents Bank. The result is that GIF owns 0.17% of Crown Agents Bank however, as it is not listed, it is not possible to place a value on this holding.