CHILDREN'S INVESTMENT FUND FOUNDATION

ANNUAL REPORT 2016

CHILDREN'S INVESTMENT FUND FOUNDATION

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EVERY CHILD DESERVES TO SURVIVE & THRIVE

THE CHILDREN'S INVESTMENT FUND FOUNDATION (UK) TRUSTEES' ANNUAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2016

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Contents

Strategic headlines

SURVIVE & THRIVE

- Leading a global effort towards a world where there are no deaths from severe acute malnutrition
- Re-energising the fight to prevent low birth weight, to avoid stunting and accelerate cognitive development, and to eliminate parasitic worms as a public health problem
- Shaping an AIDS-free generation where every teenage girl has access and agency to avoid unwanted pregnancies and exercise their sexual and reproductive rights with access to the information and services she needs
- Injecting energy and anger to support agendas that are driven, sustained and owned by local organisations that are globally connected
- Exploring sustainable delivery models for primary health care and building investments which have shown quality improvements in the labour room

CHILD PROTECTION

- Strengthening law enforcement systems related to child labour, trafficking, bonded labour and child sexual exploitation
- Ensuring swift prosecutions through child-friendly policing and Children's Courts
- Choking the demand for the products of child labour
- Campaigning to drive change

CLIMATE CHANGE

- Taking carbon out of the power sector by phasing out coal and accelerating renewables
- Advocating for and strengthening clean air legislation
- Ramping up strategies for industrial decarbonisation
- Accelerating land restoration to remove carbon at scale from the atmosphere

Chairman's message

The Children's Investment Fund Foundation (CIFF) has embarked on a crucial and exciting stage of its development. Established fifteen years ago, in 2002, CIFF was set up to improve the lives of vulnerable children living in poverty in developing countries. This mission has not changed.

Supported by an endowment of $4.7 billion, CIFF is the world's largest philanthropy that focuses specifically on improving children's lives. And as the Foundation embarks on its teenage years, it is reinventing itself. Not because we have changed our mission, but because we have decided to be bolder. Whatever the challenges, we are determined to help solve some of the biggest problems facing children.

There was much change during the 16 months covered in this Annual Review (September 2015 to December 2016, "The period"). This included the appointments of a new board, myself as the new chairman and a new CEO, Kate Hampton. At the same time, throughout this period of change, we have not deviated from our core mission: improving the lives of children around the world.

There were big wins for our partners and the planet with the historic Paris climate change agreement in December 2015 signed by 195 countries and rapidly going into effect in November 2016. This ambitious plan is a historic turning point in the goal of reducing global warming. At CIFF we are committed to working with all actors to speed up and scale up climate action to achieve the global transformation required to keep global warming below 1.5C.

Hot on the heels of the Paris Agreement, was a big step towards a global phase-down of Hydrofluorocarbons, some of the most potent greenhouse gases. Unlike other gases, HFCs are man-made chemicals that we can simply replace with less harmful alternatives in air-conditioning, refrigeration, foams and other applications. In October 2016, negotiators from nearly 200 nations agreed to phase-down HFCs in an amendment to the Montreal Protocol. Since 2009, CIFF has committed more than $26 million to the global phase-down of HFCs. There were also successes in the energy and air quality portfolios, which are described later in this report.

In the Survive and Thrive portfolio, we continued to fund one of the largest severe acute malnutrition programmes in the world – supporting UNICEF and the Government of Nigeria to deliver life-saving treatment to children in northern Nigeria. This contributed to the treatment of 480,000 severely malnourished children in 2016.

Responsible for up to two million children dying every year, severe acute malnutrition is one of the leading single causes of child deaths globally. CIFF is proud to join other nutrition leaders, Action Against Hunger, the European Commission, the UK government and UNICEF, as a founding member of No Wasted Lives. Launched in 2016, this new international coalition aims to prevent, manage and treat acute malnutrition.

In India, we are focusing a number of programmes on the state of Rajasthan to build on successful grants such as the newborn checklist intervention. This has demonstrated the transformative potential of an innovative to-do list to save the lives of mothers and babies. In Rajasthan, 101 health facilities across seven districts implemented the checklist programme. An independent evaluation found that after a one-year period, there were 11% fewer stillbirths and very early newborn deaths compared to control facilities. The Government of India has responded to this success by launching the national 'Dakshata' initiative, now being rolled out to 8 states with the highest number of newborn deaths.

We have also seen high performance with other grants in the family planning and paediatric aids portfolios which are described later in the report.

In December 2016, the new Board of trustees approved a new five year strategy for 2017-2021 to prioritise the following efforts:

- Given the unprecedented wave of adolescents – now one in six people on the planet – CIFF is going to prioritise empowering girls and boys to control their sexual and reproductive health. This will be done through a combination of user-controlled commodities, services that are designed by and accountable to adolescents, and challenging the social and political norms regarding teen sexuality. Our vision is for an AIDS-free generation that can avoid unwanted pregnancies and unsafe abortion.
- We remain committed to leadership on nutrition and will focus our nutrition-specific investments on preventing low birthweight in babies and eliminating deaths from severe acute malnutrition. This work will be nested within a more integrated approach to early childhood development so that all children get the best start in life.
- We must keep global warming well below 2C, and continue to aim for 1.5C in the face of threats to the Paris Agreement. Consequently, coal must be eliminated from electricity generation as soon as possible. Renewable energy is already cost competitive with fossil fuels, so we will support countries in reforming their power markets to accelerate the clean energy revolution. Our work in cities and on hydrofluorocarbons (HFCs), will be refocused to harness the potential of energy efficiency in the built environment. We are also exploring an experimental programme on industrial carbon performance and a global hub for restoration efforts to remove carbon at scale from the atmosphere. Clean air for children remains a key goal.
- For our newest area of focus, child protection, we will continue to build CIFF's capability in this area with a focus on breaking impunity for child slavery and rape in India.

At the same time we will continue to champion our existing work and grants in perinatal survival and paediatric AIDS. We are no longer pursuing new funding opportunities in early education but we continue to support our existing grants.

After many years of growth, CIFF has now achieved a sustainable scale and size in terms of a manageable portfolio and a staff complement. Once our existing grant portfolio is included, we anticipate disbursements to be over $230 million in 2017 and approximately $200 million per year in subsequent years

The period under review was notable not just for the changes at CIFF but the impact of our work with grantees.

During the period, we approved 50 new grants with a multi-year value of $216 million. Disbursements for the period totalled $242 million and our grant portfolio grew to $1,030 million of active-multi-year investments.

None of this would have been possible without the generosity, energy and vision of the foundation's trustees, professional staff, grantees and partners who are constantly seeking ways to champion children.

Graeme Sweeney
Chairman
29 September 2017

EVERY CHILD DESERVES TO SURVIVE & THRIVE

Climate Change

Our children and grandchildren can live in a zero-carbon society with clean air and green jobs

keep global warming below 1.5°

Mission

Climate change poses the single biggest threat to the future of today's children. Providing a climate-safe future promises multiple benefits such as cleaner air, energy security and sustainable jobs, along with smart stewardship of the planet's resources. We support the urgent global transition to a zero-carbon society underpinned by a bio-material-based sustainable economy.

Since the climate conference in Copenhagen in 2009, we have worked to demonstrate that ambitious climate action is affordable and politically feasible. Working together with like-minded partners and grantees we have pursued transformational change in energy systems, cities and land use, as well as the phasing out of man-made super-polluting greenhouse gases.

These approaches played a pivotal role in securing the first universal climate pact – the Paris Agreement – in December 2015. With an exceptionally ambitious and achievable goal to keep global warming below 1.5C, along with a multitude of pledges for action, the world came together to tackle the challenges and opportunities of climate change.

Strategic headlines

CLIMATE CHANGE

- Taking carbon out of the power sector by phasing out coal and accelerating renewables
- Advocating for and strengthening clean air legislation
- Ramping up strategies for industrial decarbonisation
- Accelerating land restoration to remove carbon at scale from the atmosphere
- Connecting the development and climate narrative

Impact

The world's energy systems are still dominated by fossil fuels. To achieve a climate-safe future, the power sector needs to be fully decarbonised by the middle of this century. As new renewable energy is increasingly affordable and providing more than a quarter of electricity in some places, the transition to clean energy is already underway. We have been working in China to accelerate progress by preparing energy systems for even higher rates of renewables penetration, while stopping the building of new coal capacity and introducing and strengthening carbon pricing.

With CIFF support, the China National Renewable Energy Center has been supporting the Chinese government in developing the 13th Energy Five Year Plan with input from the Danish Energy Agency, the German Energy Agency, and the US National Renewable Energy Laboratory. Key recommendations to facilitate renewable penetration have been adopted in the published plan, including addressing wind and solar energy curtailment, increasing thermal power flexibilities and prioritising dispatch policies for renewable energy. CIFF grantees the Environmental Defense Fund and SinoCarbon have been working with the Natural Resources Defense Council on carbon pricing within China, contributing to China's commitment to launch a national Emissions Trading Scheme in 2017, which potentially will become the biggest emissions trading systems in the world.

the power sector needs to fully **decarbonise** by the middle of this century

around **300 million** children currently live in areas where the air is toxic

Making air quality a priority for cities

Around 300 million children currently live in areas where the air is toxic - where the air they breathe exceeds international limits by at least six fold. This puts the poorest and most vulnerable children at the greatest risk. But children aren't the only ones to suffer from poor air quality – we all do. Reducing air pollution can help grow economies and combat climate change. CIFF partners are working to improve air quality in China and Europe.

In China, CIFF grantee Energy Foundation China conducted a first-of-its-kind assessment on the air quality management and policy enforcement across over 300 cities in China. Supported by Energy Foundation's assessment and data, Shenzhen took the lead by announcing a target to meet WHO air quality guidelines by 2020. In Europe, ClientEarth is using strategic litigation to push governments to improve national air quality plans. In a landmark case against the British government in November 2016, the UK High Court ruled in favour of ClientEarth, declaring that the UK Government's air quality plan was unlawful and ordering the Government to prepare an improved plan.

Reducing HFCs with the world's most successful environmental treaty

HFCs are the most potent of greenhouse gases. But unlike other gases, they are man-made chemicals - used mainly in air-conditioning, refrigeration, and foams - that can simply be replaced with clean alternatives.

After seven years and more than $26 million of CIFF support, the world came together in October 2016 to amend the Montreal Protocol – the world most successful environmental treaty – to include the phase-down of HFCs. This so-called Kigali Amendment was signed by nearly 200 countries and will prevent up to 0.5C of global warming by 2100. The agreement would not have been possible without the tireless work of the Institute for Governance and Sustainable Development (IGSD), the Environmental Investigations Agency and their global network of partners.

To double the climate benefit of this globally agreed HFC phase down, a group of 19 philanthropists also committed $53 million to maximise related energy efficiency improvements. This announcement followed CIFF's own energy efficiency investment to support IGSD's team of experts working to help governments and industry around the world, including in India and China, to increase the energy efficiency of air conditioners.

the **world's most successful** environmental treaty

Survive & Thrive

Because every child deserves to survive and thrive, today and in the future

the survival, health & well-being of children & their mothers

Mission

We believe that vast improvements in the survival, health and well-being of children and their mothers are urgent, achievable and affordable. In recent years, there has been progress to reduce under-five mortality. Yet millions of children and mothers still die or are injured from preventable causes.

We cannot simply rely on treating sick children and mothers. We need to give equal attention to prevention and effective treatment. We can prevent stunting and we aim to prevent severe acute malnutrition. We can deliver a world in which children are free of parasitic worms.

We also need to build on the gains made in newborn mortality to influence the uptake of good practices across countries and support champions to advocate for sustainability.

While there is growing recognition that adolescents are often ignored and face significant risk, too many governments, communities and organisations are still reluctant to acknowledge adolescent sexuality. Too often they deny their sexual rights or allocate little more than token resources, with programmes which are frequently hindered by operating in silos.

Few interventions will deliver a greater return on investment than empowering teenage girls and boys with the skills, knowledge and tools to control their sexual and reproductive health, helping them make a healthy transition to adulthood.

Strategic headlines

SURVIVE & THRIVE

- Leading a global effort towards a world where there are no deaths from severe acute malnutrition
- Re-energising the fight to prevent low birth weight, to avoid stunting and accelerate cognitive development, and to eliminate parasitic worms as a public health problem
- Shaping an AIDS-free generation where every teenage girl has access and agency to avoid unwanted pregnancies and exercise their sexual and reproductive rights with access to the information and services she needs
- Injecting energy and anger to support agendas that are driven, sustained and owned by local organisations that are globally connected
- Exploring sustainable delivery models for primary health care and building investments which have shown quality improvements in the labour room

Impact

Fighting to end severe acute malnutrition

Responsible for up to two million children dying every year, severe acute malnutrition is one of the leading single causes of child deaths. CIFF is proud to join other nutrition leaders, Action Against Hunger, the European Commission, the UK government and UNICEF, as a founding member of No Wasted Lives, a new international coalition to prevent, manage and treat acute malnutrition.

We continued to fund one of the largest severe acute malnutrition programmes in the world – supporting UNICEF and the Government of Nigeria to deliver life-saving treatment to children in northern Nigeria. This contributed to the treatment of 480,000 severely malnourished children in 2016. Almost one third of these children live in the North-East of the country where ongoing conflict has resulted in a humanitarian crisis affecting an estimated seven million people, almost half of whom are children. The nutrition programme continues its track record of high-quality performance with recovery rates for children treated of more than 87%, exceeding global targets. The state governments of Bauchi, Gombe and Kaduna have led the way in allocating resources to this life-saving programme, releasing a total $1.2 million to procure ready-to-use therapeutic food in 2016.

treatment of
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Saving babies' lives in Rajasthan

Childbirth is the most dangerous moment for a woman and her baby. Despite the best efforts of maternity and medical staff, simple checks and practices are too often overlooked or forgotten in India's hospitals. The State of Rajasthan has proven is it feasible to improve the quality of childbirth care and save lives with the help of an innovative – and yet extremely simple – to-do list. What began as a knowledge tool to prompt midwives, the WHO Safe Childbirth Checklist has become a framework for how India is prioritising investment in health worker training, mentorship, essential commodities, and better data to save the lives of mothers and their babies.

In Rajasthan, 101 health facilities across seven districts implemented the checklist programme with support from Jhpiego. An independent evaluation found that after a one-year period, there was an incredible 11% fewer stillbirths and very early newborn deaths compared to control facilities. The Government of India has responded to this success by launching the national 'Dakshata' (meaning competency) initiative, now being rolled out to 8 states with the highest number of newborn deaths. CIFF is supporting two of these states (Rajasthan and Andhra Pradesh) to embed the Dakshata initiative in the health system so that better quality is sustained best practises are shared across India.

a simple
to-do list
that can
save lives

Treating children living with HIV

The Accelerating Children's Treatment initiative (ACT) was launched in December 2014 in response to evidence that children aged 0-19 were far less likely to get HIV treatment than adults. Without treatment, 50% of children with HIV die before their second birthday, and 80% die before their fifth birthday. CIFF worked with the US government's President's Emergency Plan for AIDS Relief (PEPFAR) to launch this ambitious $200 million partnership to rapidly increase the number of children on life-saving HIV treatment in sub-Saharan Africa. The first phase of ACT ended in September 2016. By this time, ACT had supported 556,645 children living with HIV in nine countries in Africa to access high quality treatment.

Through the monumental efforts of committed implementing organisations and working with national governments and health authorities, ACT has produced stronger health systems and improved practices across the HIV treatment cascade for children. The result has been more children being tested, diagnosed, placed on treatment and supported to stay on treatment.

supported
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Expanding contraceptive access and choice

Worldwide 225 million girls and women have an unmet need for contraception. It is highest among sexually-active adolescents, particularly in sub-Saharan Africa, where two thirds of those who want to prevent pregnancy do not use contraception. To address this demand and empower girls and women with more control over their sexual and reproductive health, we need innovative solutions that maximise choice.

An investment to reduce prices and scale-up access to contraceptive injectables is delivering promising results. The subcutaneous contraceptive injection (Sayana® Press) is an easy-to-use method of family planning with massive potential to reach new and younger users, and is uniquely suited to self-injection.

Over 2016 we extended our partnership with the Gates Foundation, USAID, UNFPA, DFID and Ministries of Health to accelerate introduction of self-injectables. By the end of 2016, 6.4 million units of Sayana® Press were shipped to 20 developing countries, potentially reaching more that 1.5 million women and girls, which is up from 350,000 at the end of 2014. Through this work we have also reached hundreds of thousands more girls and women with improved counselling and choices, in ever more convenient locations. We are now working with country partners on their individual pathways to realise the potential of self-injection.

225 million girls & women have an unmet need for contraception

adolescents are often ignored & face significant risk ...

...but too many governments, communities & organisations are still reluctant to acknowledge adolescent sexuality

Child Protection

To end the scourge of child slavery and rape

we must **break the impunity** for those who enslave & rape children in India

Mission

Child labour and commercial sexual exploitation of children are happening on a massive scale, and have tragic consequences for children. Globally, there are an estimated 165 million child labourers, of which 85 million are forced to do hazardous work. The biggest burden by far is in India. While the Indian government reports 5 million child labourers, other estimates go as high as 90 million. UNICEF has reported more than 1 million girls forced into the sex trade in India alone.

We must break the impunity for those who enslave and rape children in India. We know that solving this requires prevention strategies which include shifts in public opinion, stronger rights for children, improved education and reduced poverty. However, the magnitude of the problem raises a more urgent priority. These crimes happen for a variety of reasons but the sheer impunity of the perpetrators is what allows them to take place at such enormous scale. Governments, communities, business, law enforcement and the justice system have failed our children. As a result, the numbers of children rescued, cases prosecuted and convictions delivered are all shockingly low. Conviction rates for crimes against children are less than 1% in India.

Strategic headlines

Strengthening law enforcement systems related to child labour, trafficking, bonded labour and child sexual exploitation

Ensuring swift prosecutions through child-friendly policing and Children's Courts

Choking the demand for the products of child labour

Campaigning to drive change

CHILD PROTECTION

Impact

As our newest area of focus, it's too early to highlight in-depth impact from our investments. We are currently identifying strategic partners who we believe will be critical players in our mission to end the scourge of child slavery and rape. In 2015, CIFF partnered with the Freedom Fund, the world's first private donor fund dedicated to ending modern slavery. A grant of $10 million over five years was made to scale-up its anti-slavery work around the world, with a particular focus on tackling the exploitation of children.

In 2016, CIFF began a partnership with Bachpan Bachao Andolan (BBA), one of India's most influential children's NGOs. Our work with BBA in 2016 focused on facilitating quick and fair delivery of justice for those who enslave and rape children. With our support, BBA is paving the way for ground-breaking progress in protection for children, as well as building a network of government agencies, NGOs, businesses and other actors who can help ensure the protection of children in India.

tackling the
exploitation
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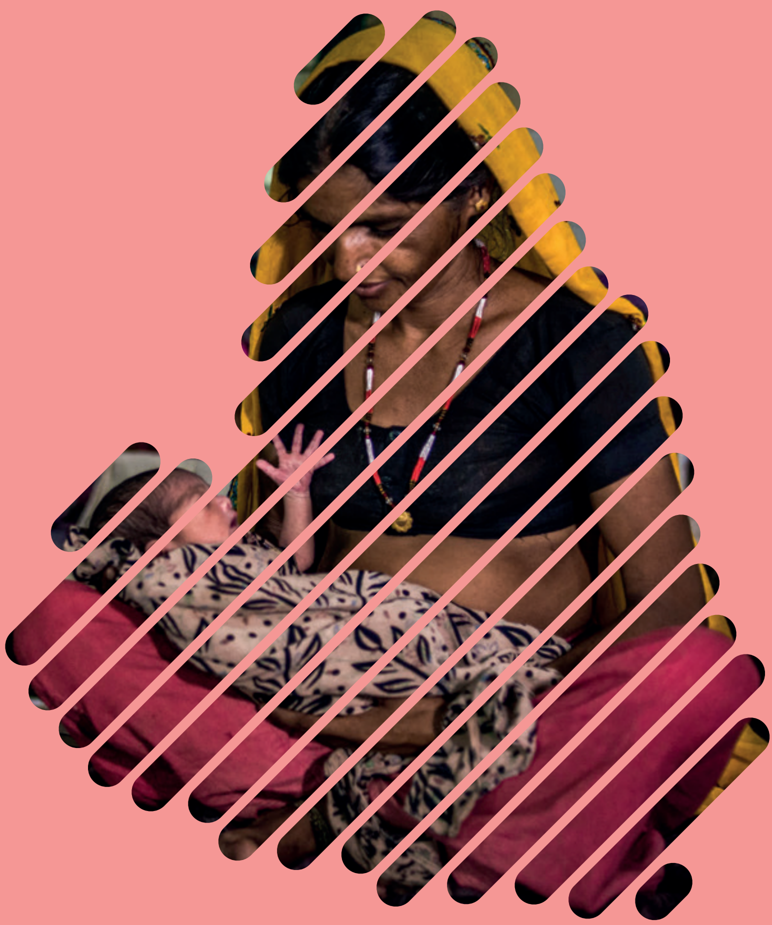
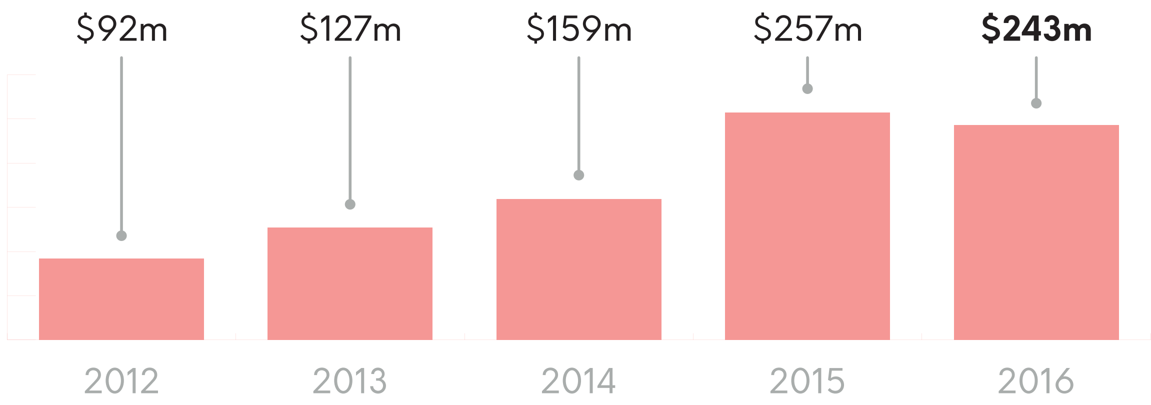
EVERY CHILD DESERVES TO SURVIVE & THRIVE



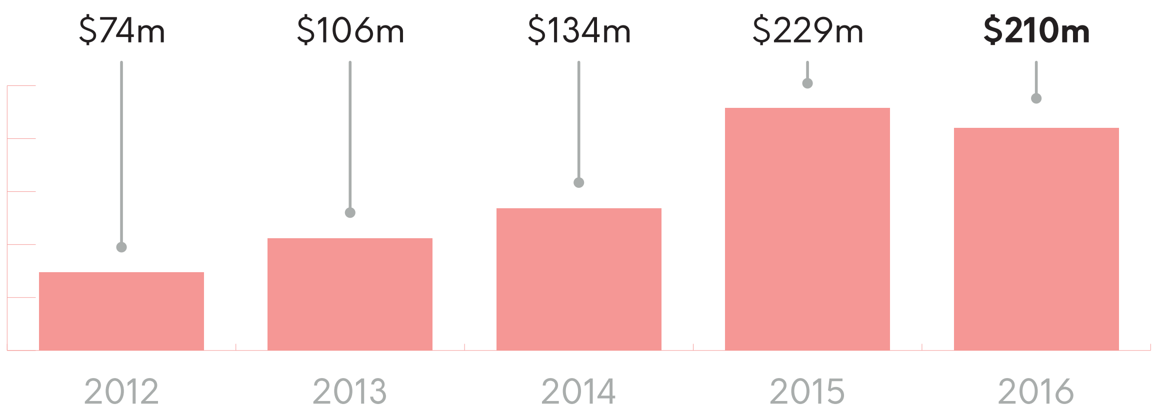
Financial review

Key financials at a glance

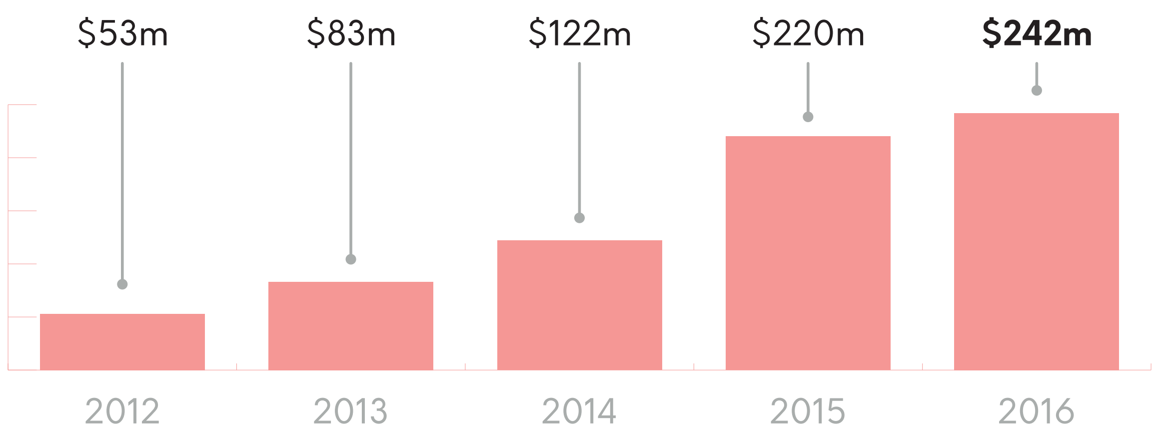
Charitable activities in the period to 31 December 2016 (US$m)



Grant commitments in the period to 31 December 2016 (US$m)



Grant disbursements in the period to 31 December 2016 (US$m)



Financial information for 2012 has been converted from pounds sterling to US dollars using the average prevailing rate during the period 2012: 1.574
Prior year figures have been reclassified from governance costs to charitable activity

Five-year financial summary

Summary of income and expenditure

	2012 (US$)	2013 (US$)	2014 (US$)	2015 (US$)	2016 (US$)
Incoming resources	160.6	156.1	189.0	246.6	314.7
Net Investments gains / (losses)	(82.3)	466.3	600.3	132.9	266.0
Foreign exchange	70.0	0.6	3.0	(3.7)	(14.5)
Total incoming resources including recognised gains and (losses)	**148.3**	**623.0**	**792.3**	**375.8**	**566.2**
Investment management costs	23.2	26.6	69.7	30.7	47.6
Charitable activities	91.6	126.8	159.4	257.4	242.6
Total resources expended	**114.8**	**153.4**	**229.1**	**288.1**	**290.2**
Net movement in funds	**33.5**	**469.6**	**563.3**	**87.7**	**276.0**

Summary of assets and liabilities

	2012 (US$)	2013 (US$)	2014 (US$)	2015 (US$)	2016 (US$)
Fixed assets	3,164.8	3,471.8	3,545.7	4,328.1	4,813.0
Current assets	506.0	648.0	1,202.5	566.7	185.8
Current liabilities	(319.1)	(264.7)	(370.9)	(441.3)	(280.2)
Total assets less total liabilities	**3,351.7**	**3,855.1**	**4,377.3**	**4,453.5**	**4,718.6**
Non-current liabilities	(30.8)	(64.5)	(23.4)	(11.9)	(1.1)
Net assets	**3,320.9**	**3,790.6**	**4,353.9**	**4,441.6**	**4,717.6**

Summary of financial and operational information

	2012	2013	2014	2015	2016
Grant disbursements (US$m)	53	83	122	220	242
Grant disbursements as a % of net assets	1.6%	2.2%	2.8%	5.0%	5.1%
5-Year disbursement ratio*	1.3%	1.8%	2.2%	3.1%	3.9%
Number of new grants approved in year	17	20	32	38	50
Number of grants under contract	32	37	53	81	106
Average headcount (FTE)	42	49	66	80	80
Support costs as a % of charitable activities**	18.7%	15.2%	16.4%	10.1%	11.5%
Support costs as a % of disbursements**	32.2%	23.2%	20.7%	11.8%	11.3%

* The 5-year disbursement ratio is defined as the average spend divided by the average assets over a 5-year rolling period.
** For the 2015 year and the 2016 period, exceptional item costs have been removed from the support costs total.

Financial information for 2012 has been converted from pounds sterling to US dollars using the average prevailing rate during the period 2012: 1.574

For the Income & Expenditure table the information for 2012- 2015 is for the 12 month period to 31 August; the 2016 data is for the 16 month period to 31 December. The Balance Sheet information for 2012 to 2015 is as at 31 August, and at 31 December 2016. The summary financial and operational information is consistent with the Income & Expenditure and Balance Sheet information.

50
new grants
approved

106
grants under
contract

$242m
disbursed

Prior year figures have been reclassified from governance costs to charitable activity

Charitable activities

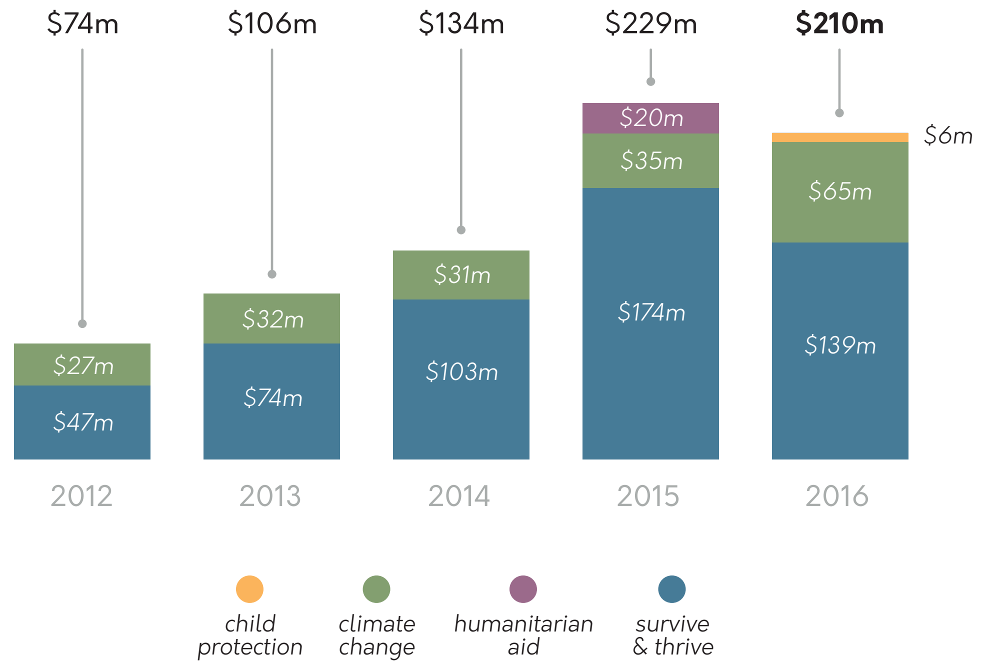
The Foundation committed US$242.6 million to charitable activities (2015: US$257.4 million), which consisted of US$209.7 million of charitable grant commitments (2015: US$228.8 million), US$1.4 million of activities undertaken directly (2015: US$0.6 million) and US$31.4 million of support costs (2015: US$28 million).

Charitable grants

Due to a shift in strategy, total net programme grant commitments reduced to US$209.7 million (2015: US$229 million). The average value of new commitments in the year was US$2.8 million (2015: US$4.2 million).

The chart below shows the breakdown of the grants made by sector. Further detail of the Foundations Grant Commitments can be found in Note 6.

Grant commitments by sector (US$m)

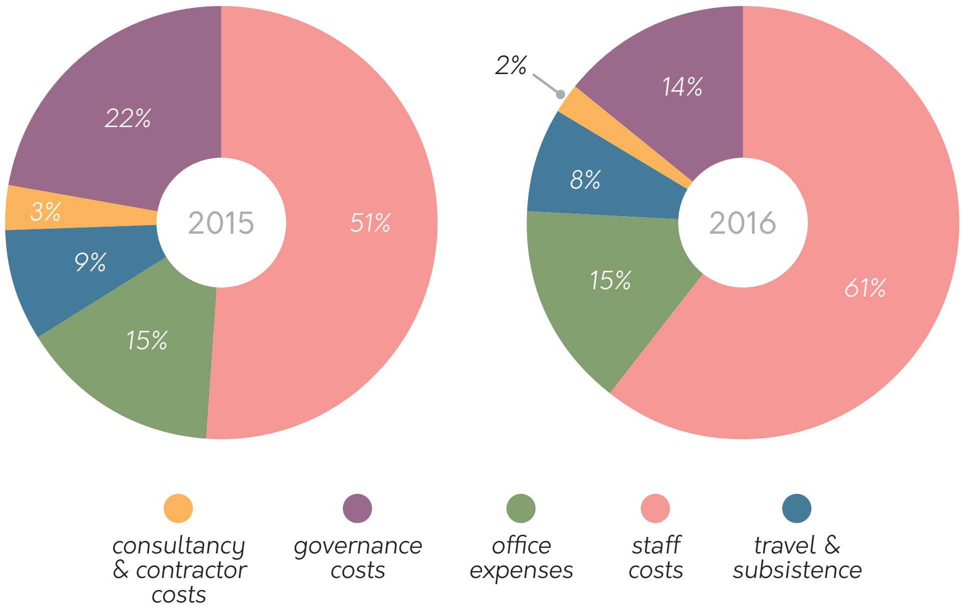


Activities undertaken directly

The Foundation also undertook activities directly. The direct expenditure of US$1.4m (2015: US$0.6m) charitable activities was mainly to further CIFF's mission by convening conferences and events, providing technical assistance and training to grantees and other charitable organisations, and publishing and disseminating reports on research findings.

Support costs

Support costs by type (%)

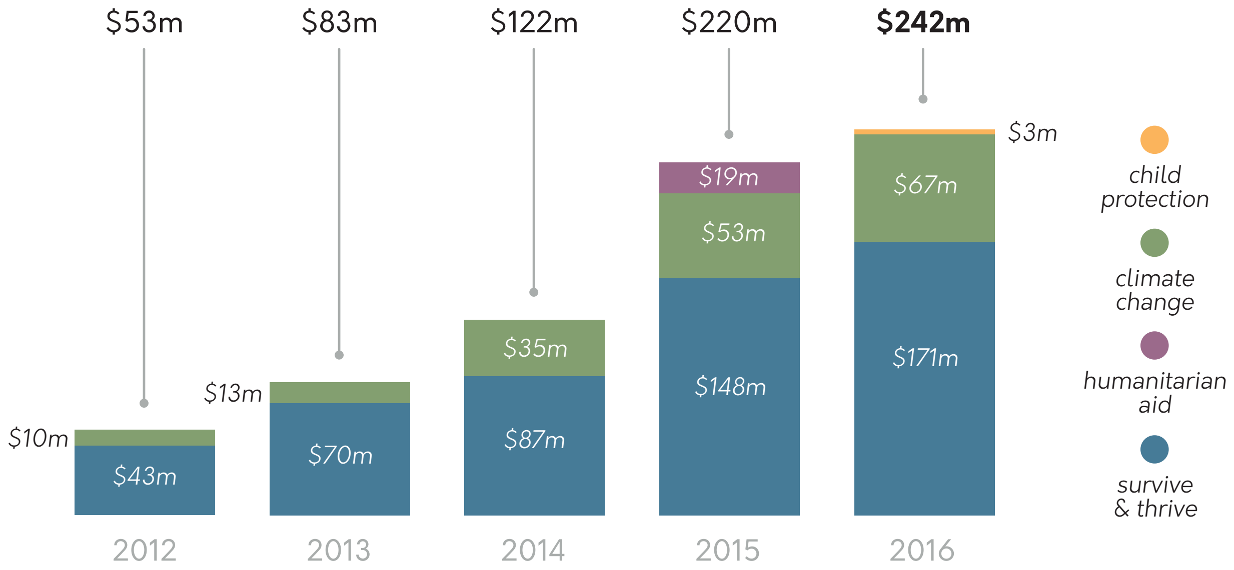


Support costs have decreased when pro rated over a 12 month period. Support costs are incurred predominantly in pound sterling, and the relative weakness of the sterling versus the US dollar gives rise to a reduction in the dollar value of support costs. Staff costs increased for the 2016 period, due to one off restructuring costs (US$1,131k) and due to the extended period (16 months). Governance costs decreased in the period mainly due to a refund of legal fees incurred in 2015 in relation to a legal claim in one of the group subsidiaries.

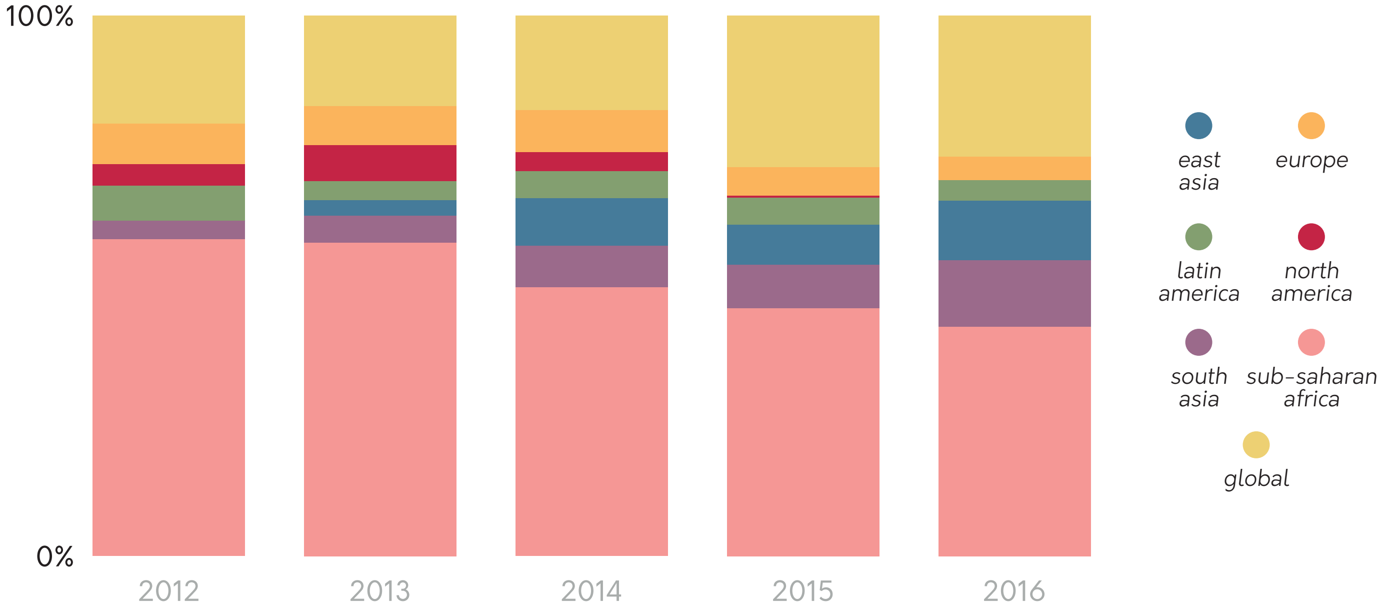
Grant disbursements

The Foundation made US$242m of grant disbursements in 2016, which is the second financial year in a row the Foundation had made grant payments greater than US$200m and represented an 10% increase on prior year (2015: US$220m). The charts below show the grant payments made in 2016 by sector and geographic focus. On an annual basis the 2016 disbursements were lower than 2015, mainly due to the deferral of new investments following the restructuring and the launch of the five year business plan.

Charitable grant payments by sector (US$m)



Distribution of charitable grant payments by geographic focus



Investment review

Investment strategy

The Trustees have developed an investment strategy which provides for investing in a diverse portfolio of financial investments with a long-term investment horizon. The Foundation's investment objective is to:

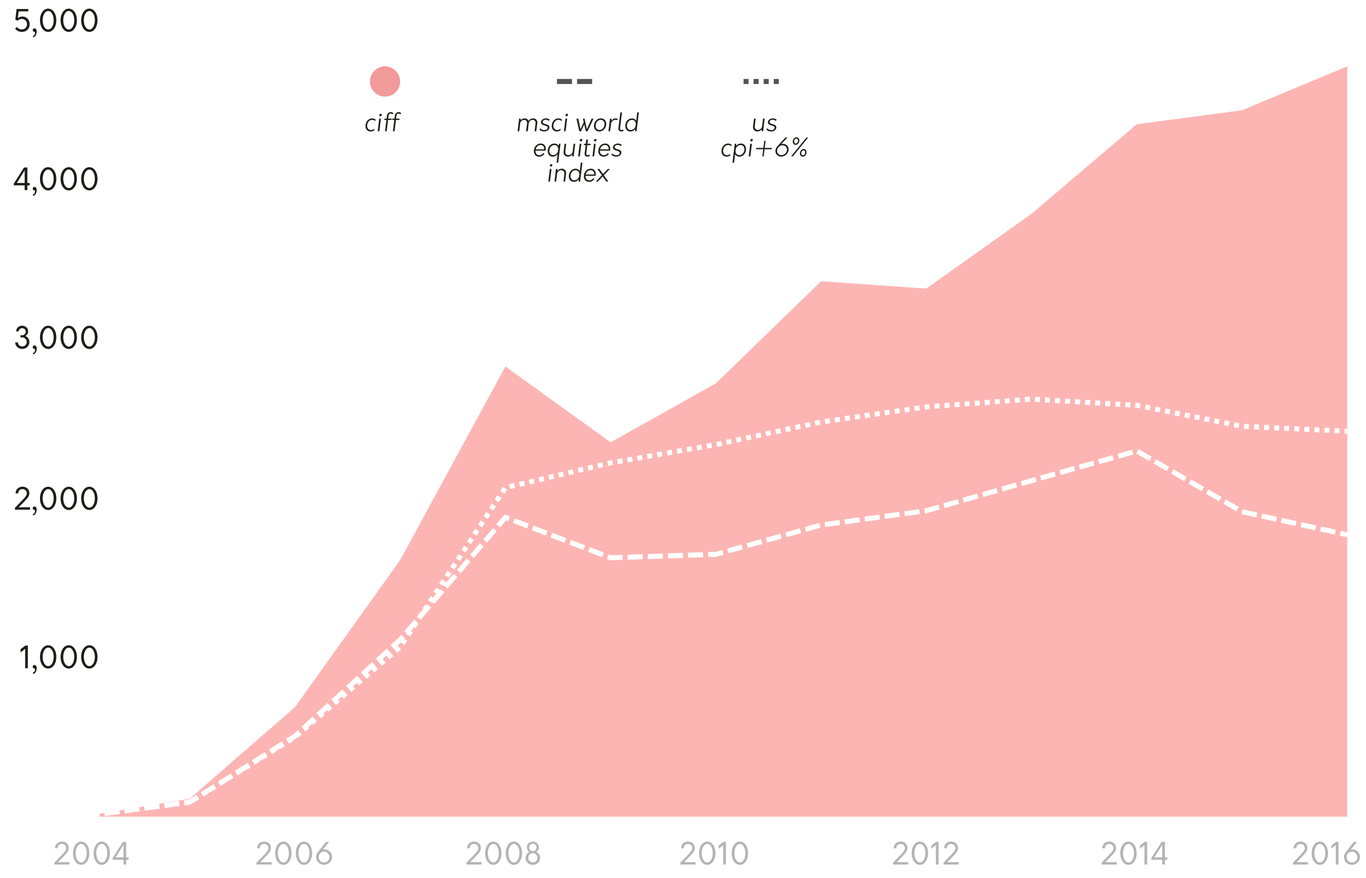
- seek an inflation-adjusted return of at least 6% per annum over a 10-year rolling period
- manage its investment portfolio to ensure appropriate liquidity and risk controls while also permitting illiquid investments with the potential for a high return
- diversify its investments across a range of asset classes and industry sectors

The intention of the Trustees is to maintain and increase the value of the endowment fund to be able to sustain annual charitable disbursements of at least US$200 million in 2017 and manage the overall spend in line with our spending target of distributing up to 5% of average assets over a five-year period, with an upper limit of 5.4%.

Asset growth

Since inception, the Foundation has received voluntary income, donations and donations-in-kind of over US$2.1 billion. Over the last 10 years, the Foundation's net assets have grown through investing to US$4.7 billion (2015: US$4.4 billion), after charitable activities, governance costs and investment management costs of over US$1.4 billion. The chart below shows the growth in the Group's net assets since 2004, benchmarked against the MSCI World Equities Index and CIFF UK's target return of 6% + US CPI.

Total net asset growth since 2004 (US$m)



Investment returns

Total incoming resources increased to US$315.0 million (2015 US$247.0 million), consisting primarily of dividends and interest received from the Group's equity and fixed income investment portfolio. Investment gains in the year were US$266.1 million (2015: US$132.9 million). The combined net investment return for the financial year ended 31 December 2016 was 12.5% (2015: 7.6%), reflecting continued strong investment performance, with a cumulative performance of 210.5% since April 2009, equivalent to 15.7% per annum return (net of fees).

Cumulative investment performance is measured from April 2009, which is the inception date of Talos Capital Designated Activity Company, CIFF's wholly owned subsidiary established for managing CIFF's investments.

Investment net returns

	2016 return	Return since 2009	
		cumulative	*annualised*
Nominal (%)	12.5	211	16
Real (%)	10.2	162	13
Inflation adjusted target (%)	10.5	85	8
US CPI* (%)	2.1	19	2
Real (%)	**10.2**	**162**	**13**

The table above relates to a 16-month period
* Return since 2009 values are shown over a 10 year rolling period

Investment management costs

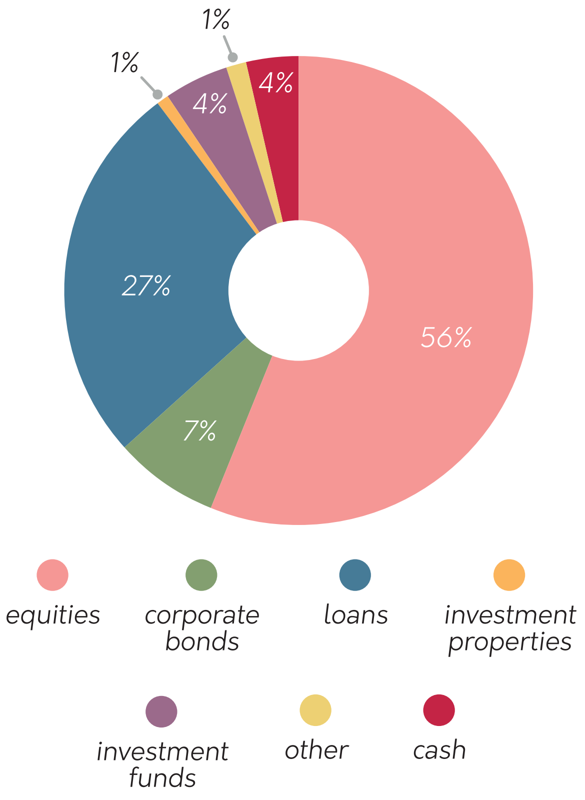
Investment management costs in 2016 were US$47.6 million (2015: US$30.7 million), of which US$41.2 million (2015: US$25.8 million) related to investment management fees paid to the investment manager, The Children's Investment Fund Management (UK) LLP ("TCI") (see note 22 for further details of related party transactions). The Foundation carries out an annual review of TCI's fees, benchmarked against peers, and has affirmed the fees are reasonable relative to the performance of the investment portfolio.

Asset allocation

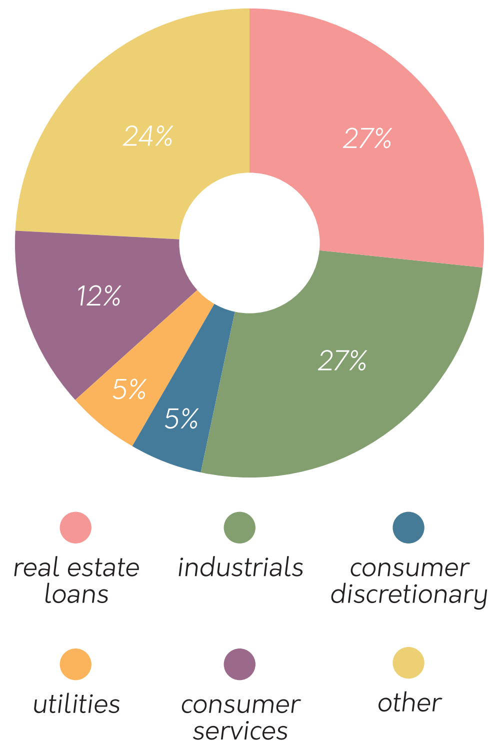
TCI invests the Foundation's assets in different classes and sectors within the parameters set by the Foundation's investment management restrictions, adopted by the Trustees, and set out in the investment management agreement between the Foundation investment subsidiary, Talos Capital Designated Activity Company Limited, and the Investment Manager (see also Note 13).

The Foundation and its subsidiaries ("the CIFF Group") operate a diversified portfolio, invested in a number of different types of financial instruments across a wide range of sectors (with certain limitations - see investment policy on page 20). The allocation by asset type and sector are set out in the charts below.

Percentage asset allocation by asset type (including cash)



Top five asset allocation by sector (% of investment assets)



Risk management & key policies

Risk management

The Trustees are responsible for the management of the risks faced by the Foundation and have examined the major strategic, business and operational risks to which the Foundation is and may be exposed. The principal manageable risks identified by the Trustees are external risks including reputational risk (e.g. programmes do not deliver the impact required by the CIFF board), strategic risk (e.g. relationships with partners are not managed appropriately leading to a negative impact on existing or potential programmes) and financial risks (e.g. fraud and investment risk). The Trustees are satisfied that sub-committees, systems, controls and policies are in place to mitigate and manage exposure to such major risks identified by the Trustees. They continue to review current processes recognising that systems can only provide reasonable, but not absolute, assurance that major risks have been adequately managed. The Foundation is also exposed to external risks, including political risk. Management cannot directly manage this risk but the impact on the Foundation is monitored and action taken in response.

The management of major risks is documented through the regular maintenance of a risk register, in accordance with guidance by the Charity Commission. The following categories are considered when classifying risks: strategic risks, governance risk, compliance with law and regulation, financial risks, operational risks, and external risks. Where major risks are identified, assurance is sought that adequate controls have been actioned so that the risk is within the Foundation's risk tolerance. On a day-to-day basis, risk is primarily managed through its reserves, granting and investment policy, details of which are provided below.

Investment risk management

Investment policy

The Foundation implements its Investment Policy in accordance with its charitable objects and investment powers, as set out in its Memorandum of Association and in accordance with applicable guidance from the Charity Commission (including Charity Commission guidance "Charities and Investment Matters" ("CC14")) through direct and indirect investments, including via investment subsidiaries such as Talos Capital Designated Activity Company Limited (Talos), Talos Properties Holdings Limited, Talos Properties Limited and CIFF (UK) LLP.

Notwithstanding the significant investment returns which the Foundation has recognised since its inception, the Trustees remain mindful of their duty to review and monitor regularly the management of the Foundation's investments. In keeping with its obligations, the Finance, Audit and Investments Committee (the "Finance Committee"), chaired by Mr Emmanuel Roman, acts as an advisory body to the board of Trustees (the "Board") on finance, audit and investment matters.

While the trustees do not wish to restrict the endowment's investments to only those companies or sectors which reflect the Foundation's values and charitable objectives, they recognise that some investments in companies or sectors may be harmful to the Foundation's mission to transform the lives of poor and vulnerable children. Therefore, with effect from 22 September 2015 the Board resolved that investments in the following companies or entities are prohibited:

- Tobacco manufacturing and marketing
- Food companies which do not commit to adopting the International Code of Marketing Breast Milk Substitutes
- Companies that derive more than 10 per cent of revenue from extracting fossil fuels, excluding natural gas
- Companies that derive more than 10 per cent of revenue from extracting natural gas, unless they have adopted a business strategy and plan to cut emissions to limit climate change to 2 degrees Celsius.

If a company in which the Foundation is invested falls into one of these categories, the investment manager has 12 months to divest. However, there may be occasions when the Trustees approve an investment in a prohibited category in order to encourage a company to change practices such as adopting the breast milk substitutes code or implementing a credible low carbon strategy.

Based on the Finance Committee's own assessment, the Board is satisfied with the current investments and their allocation, although the Board will continue to monitor and review the investment strategy closely, through the Finance Committee and with the support of the Foundation's Chief Operating Officer, Hunada Nouss.

The Trustees are aware of the potential conflict of interest which exists between CIFF and Sir Christopher Hohn as both a Trustee and his position as Managing Partner of TCI, the investment manager of the CIFF Group, and accordingly carefully and appropriately manage the relationship (see note 22 and Recent Developments, page 24).

The unconflicted members of the Finance Committee complete a full review of the Investment Policy at least annually, which includes a review of TCI, benchmarking its returns and management fees against its peers. Following the completion of the most recent review in February 2016, the unconflicted members of the Board endorsed TCI as the principal investment manager of the assets of the CIFF Group.

Further details of the investment portfolio can be seen in the notes to the consolidated financial statements.

Cash management policy

The procedures relating to cash held by the Foundation are governed by CIFF's Cash Management Policy, which was adopted by the Trustees on 11 March 2013. The Cash Management Policy is reviewed at least annually by the Finance Committee and the Trustees and, if necessary, amended.

The Cash Management Policy sets out how the Foundation's surplus cash will be held and/or deposited. Accordingly, the Cash Management Policy covers the management of all surplus cash held by the Foundation. In particular, the Cash Management Policy sets out:

- The principal objective of cash management at the Foundation, which is to ensure that the Foundation has sufficient cash available to meet its working capital requirements as they arise. The Foundation does not seek to maximise investment returns through its cash management activities
- The cash management activities that are permitted by the Foundation and the applicable limitations upon those activities
- Who is required to authorise cash management activities.

The Foundation implements the Cash Management Policy in accordance with its charitable objects and investment powers, as set out in its Memorandum of Association and in accordance with applicable guidance from the Charity Commission (including CC14).

Financial risk management

Internal controls

The Foundation's internal controls are designed to provide assurance to the Board of Trustees that adequate procedures are in place and operating effectively to mitigate the risk of material financial loss or misstatement. The Foundation performs an internal review annually to review internal operational and financial controls and where appropriate implements recommended improvements.

The Foundation's budgets are prepared annually alongside the annual Business Plan. The Foundation's support and governance spend is set by reference to total planned charitable disbursements to ensure it remains reasonable and proportionate. The Executive Team reviews and approves guidance for budget holders and staff to monitor and control support costs and governance-related expenditure.

Granting policy

The Foundation currently adopts a "multi-year agreement" approach for multi-year programmes. This multi-year agreement permits, for example, a five-year programme to be contracted for the full five-year term of the programme, but subject to Annual Programme Reviews ("APR") and conditionality such that it remains consistent with SORP guidance, with expenditure being recognised annually in the Consolidated Statement of Financial Activities.

For each new grant programme, or "investment", a full programme budget and mapped work plan is developed by the grantee and the CIFF sector teams during the due diligence phase in order to obtain the necessary approval by the Board, Programme Investment Committees (PICs), or, in the case of investments of a programme with a budget of US$1m or less, the CEO (see also the Foundation and Governance Structure (below)).

Upon approval by the Board or PICs, the full programme budget is agreed for the full term of the programme, subject to the "APR" which takes place during each year of the multi-year programme. During the APR, the relevant CIFF sector team reviews the progress of the grant and agrees the coming year's work-plan, budget, KPIs, milestones and deliverables.

The APR process is set out as a condition of the agreement with the grantee, with release of funding being conditional upon agreement of the work-plan, budget, KPIs, milestones and deliverables by a specific date set out in the multi-year contract. The work-plans, budgets, KPIs, milestones and deliverables agreed under the APR process are recommended by the relevant sector team member and authorised by the relevant sector team Executive Director (ED) and the COO. Once agreed with the grantee and approved by the Foundation, they are treated as forming part of the multi-year agreement and new payment tranche dates are agreed with the Finance team for payment forecasting and cash flow management.

Failure to complete the APR process and agree the work-plans, budgets, KPIs, milestones and deliverables by the relevant date specified may result in cancellation of the agreement.

Reserves policy

The Trustees are committed to applying CIFF's resources in a responsible manner for the purposes of yielding maximum benefit for children, their families and communities in the priority areas. CIFF's reserves policy sets spending at a level intended to sustain real increases in annual expenditure to deliver our mission, while preserving the investment base in real terms. The Trustees review reserves annually, and are satisfied that the Group is in a position to meet all its current and anticipated future commitments.

The Foundation maintains three internal reserves to assist in achieving these financial objectives: a Restricted Fund, an Expendable Endowment Fund and Unrestricted Funds. The level of these Reserves, considered on a five-year time horizon, is the key determinant in the amount of capital which the Group is able to distribute each year to charitable activities.

Unrestricted reserves

DESIGNATED FUNDS

Following the move to multi-year grant agreements, the Board decided to earmark funds for the potential funding requirements in future years for the fulfilment of multi-year programmes approved by the Board of Trustees. As at 31 December 2016, the Trustees have earmarked US$492 million (2015: US$507.6 million) of reserves as designated funds in recognition of funds which may be called upon to fund multi-year programmes within the next 1 to 5 years.

OPERATIONAL RESERVES

The Foundation's unrestricted fund has also been used in 2016 and previous years as "Operational Reserves" to finance the Foundation's capital expenditure, support costs and governance costs and to provide a short term buffer for grant-making and other costs.

Cash flow projections for income and expenditure are reviewed to ensure that the level of disposable net assets is adequate and that the Foundation is in a position to meet all its grant-making and working capital commitments. In the event that the Foundation is unable to meet its commitments from reserves of unrestricted funds at their disposal, the Foundation will, as mentioned above, draw on the expendable endowment to meet those commitments as necessary.

In view of the high level of liquidity of the Foundation's assets, the Trustees do not consider that it is necessary or justifiable to carry unrestricted operational reserves and therefore working capital surpluses are transferred to the expendable endowment. The unrestricted operational reserves as at 31 December 2016 was US$nil (2015: US$nil).

RESTRICTED FUND

Restricted funds are generated when the donor stipulates how their donation may be spent. In most cases, there will be a time lag between when such funds are received and when they are expensed. The Trustees ensure that these funds are expensed in accordance with the terms under which they have been donated to the Group.

The Foundation collaborates on various matters with Big Win Philanthropy (US), a not-for-profit organisation operating in the United States ("BWP US") (Previously known as The Children's Investment Fund Foundation). During the year, the Group received US$0.2 million of restricted income from BWP (US) (2015: US$5.1 million).

EXPENDABLE ENDOWMENT

The Group's endowment is expendable at the Trustees' discretion. The Trustees have the power to convert any required amount of this endowment from time-to-time into an income which can then be utilised by the Foundation to further its charitable objects in the future.

The Trustees' intention to monitor the value of the expendable endowment fund in real terms to ensure that the Group can maintain its existing level of annual charitable expenditure and increase gradually in the foreseeable future. At the year end, the value of the expendable endowment fund was US$4,225.6 million (2015: US$3,934.0 million).

Structure & governance

Foundation structure

The Foundation is a company limited by guarantee, incorporated on 8 February 2002 and registered as an English charity on 12 March 2002.

Subsidiary companies

The Foundation had five directly owned subsidiaries as at 31 December 2016 (2015: five). The table further details on all the subsidiary entities within the Group.

Entity	incorporated in	% holding	purpose
CIFF (UK) Trading Limited ("CIFF Trading")	England & Wales	100	(1)
CIFF Newco (UK) Trading Limited ("CIFF Newco")	England & Wales	100	(2)
Talos Capital Designated Activity Company ("Talos")	Ireland	100	(3)
Talos Properties Holdings Limited ("TPHL")	England & Wales	100	(4)
Talos Properties Limited ("TPL")	England & Wales	100*	(5)
CIFF Nutrition (UK) Limited ("CIFF Nutrition")	England & Wales	100	(6)
CIFF UK (UK) LLP ("CIFF LLP")	England & Wales	100	(7)
CIFF D Incorporated ("CIFF D")	USA	100*	(8)

* Indirect holdings

(1) CIFF Trading is one of the designated members of CIFF LLP and in addition holds an investment in TCI Fund Services LLP. During the period CIFF Trading was also acting as the parent company of CIFF D.

(2) CIFF Newco is also a designated member of CIFF LLP and holds the majority of its partnership capital.

(3) Talos holds an underlying investment portfolio that is to be managed and provide the Foundation with a regular return.

(4) TPHL's principal activity is to act as the parent of a wholly owned subsidiary TPL.

(5) The purpose of TPL, is the acquisition and management of a UK investment property portfolio. TPL made a charitable gift aid donation to the Foundation in 2016 and 2015.

(6) CIFF Nutrition is supporting and promoting Ready to Use Therapeutic Foods throughout developing countries.

(7) CIFF LLP held an underlying investment through an agreement with a third party investment manager.

(8) CIFF D was a consultancy company providing services to CIFF UK. On 20 December 2016 CIFF D Incorporated was dissolved following the termination of the consulting agreement with the Foundation.

For the period to 31 December 2016, the reported results of the subsidiary undertakings of CIFF are disclosed in the attached financial statements, note 12. These results of the CIFF Group are consolidated and are presented in the attached consolidated financial statements.

Foundation management

On 2 March 2016, Kate Hampton was appointed as the Chief Executive Officer ("CEO") following the previous CEO, Michael Anderson. Previously, Ms. Hampton had been CIFF's Executive Director for Climate Change for seven years. As the new CEO, Ms. Hampton led a strategic review of CIFF's mission, approach and focus areas. In December 2016, CIFF's board of trustees approved a new five year strategy for 2017-2021.

Restructuring

In order to deliver systemic change with the resources available, CIFF undertook a restructuring process to align its structure to its mission. Under the new structure CIFF now has three sectors teams, Survive and Thrive, Climate Change and Child Protection.

Foundation governance structure

The board of trustees

The members of the Board of Trustees are set out below. For the purposes of company law the individuals listed are Directors of the Foundation and are appointed in accordance with the Foundation's constitution. The Board of Trustees meets to review and update the Foundation's strategy and areas of activity, including consideration of grant-making, investment, reserves and risk management policies and performance. The Trustees who were in office during the period and up to the date of signing the financial statements were:

- Ms Jamie Cooper (recused)
- Sir Christopher Hohn
- Dr Graeme Sweeney
- Mr Ben Goldsmith (appointed on 18 November 2015)
- Mr Masroor Siddiqui (appointed on 18 November 2015)
- Dr Mark Dybul (resigned on 2 March 2016)
- Mr Gerard Elias (resigned on 2 March 2016)
- Lord Mark Malloch-Brown (resigned on 2 March 2016)

The Trustees are selected on the basis of their skills and expertise, in particular in the areas of business management and international development. The Trustees determine the strategy and policies of the Foundation and monitor implementation. The Trustees also serve as resources to the Foundation, sharing new and relevant research and projects, and directly supporting key aspects of operations.

All Trustees give their time freely and no Trustee remuneration was paid in the year. Details of Trustee expenses and related party transactions are disclosed in notes 9 and 22 to the financial statements. Trustees are required to disclose all relevant interests on an annual basis and register them with the Company Secretary and, in accordance with the Foundation's policy, withdraw from decisions where a conflict of interest arises.

The Foundation provides a formal induction programme for new Trustees and new committee members, including the provision of the Foundation's key governance, policy and financial documents, relevant Charity Commission guidance notes and details of the organisational structure of the Foundation (including delegated authority levels).

Orientation sessions are also arranged to explain the legal obligations of Trustees and committee members and provide briefings from senior operational personnel and professional advisors.

Recent developments

Payment to Big Win Philanthropy (UK)

In April 2015 the Board of Trustees resolved that a Governance Committee be established to handle and exercise all powers of the Board in relation to governance issues affecting the Foundation. The Governance Committee subsequently oversaw the implementation of a series of negotiated agreements that were concluded in April and July 2015, which were intended to resolve these issues. In particular, the agreements provided for the payment of a charitable endowment grant of $360m by the Foundation to Big Win Philanthropy (UK) (BWP) (another English charity with similar objects of which Ms Jamie Cooper is sole member) ("Payment"). A purpose of the agreements was to obtain the resignation of Ms Jamie Cooper as a member and trustee of the Foundation on final determination by the Court irrespective of whether the Payment is made. Ms Jamie Cooper's agreement to resign was an essential part of the April 2015 agreements. It is only because the making of the Payment forms part of the April 2015 Agreements and thereby also substantially resolves the governance difficulties that the Foundation conditionally decided to make the Payment. Neither Sir Christopher Hohn nor Ms Jamie Cooper voted on the transaction agreed by the independent trustees of the Foundation. The Payment was conditional on (amongst other things) Court approval.

On 9 June 2017, the High Court approved the Payment as being in the best interests of the Foundation subject to certain preconditions for payment set out in a Court Order dated 31 July 2017. The judgement held that the Payment to BWP, being a person connected with Ms Jamie Cooper, was a payment for Ms Cooper's loss of office pursuant to s215 of the Companies Act because it would be a payment made as consideration for and in connection with her retirement from her office as a trustee of the Foundation. The Court also held that the Payment would confer a material benefit on Ms Cooper, within the proper meaning of clause 5.2 of the Foundation's Memorandum of Association, so as to require the written approval of the Charity Commission. Accordingly, the preconditions for payment include the approval of the Payment, as a payment for loss of office as a trustee, by the independent member of the Foundation (not being Ms Jamie Cooper or Sir Christopher Hohn) and approval of the Payment, as conferring a material benefit, by the Charity Commission. The Court ordered the independent membership of CIFF to vote in favour of the payment.

One application for permission to appeal the judgement was heard in the High Court and was dismissed on 26 July 2017. A further application for permission to appeal the judgement has been made to the Court of Appeal by the independent membership of CIFF. Given the time-frame for hearing the permission application, and for the hearing of any appeal if leave is granted, it is unlikely that any payment will be made in the 2017 financial year.

Since its establishment, the Governance Committee has obtained external legal advice in order to ensure it acts in the best interests of the Foundation. The Governance Committee sought the approval of the Charity Commission to make the proposed Payment, but the Charity Commission declined jurisdiction or to provide formal advice on the basis of s70(8) of the Charities Act 2011. This provision states that "the Commission must not exercise its jurisdiction under Section 69 in any case (not referred to it by order of the court) which (a) because of its contentious character, or any special question of law or of fact, which it may involve, or (b) for other reasons, the Commission may consider more fit to be adjudicated on by the court". The Commission advised it remained open to the Foundation to apply to the Court for directions. Therefore the Governance Committee sought and obtained the Charity Commission's advice and approval pursuant to s.110 of Charities Act to satisfy itself that making the application to Court for the approval of the proposed Payment to BWP and using the funds of the Foundation to pursue the application to Court are within the trusts of the Foundation and within the range of reasonable decisions open to the trustees of the Foundation to make.

If payable the Payment is to be made in equal quarterly instalments over five years. The Payment would not have a significant impact on the Foundation's ability to meet its current obligations. However, whilst the Foundation has taken account of the Payment in its future plans and the continued strong performance of the Foundation's endowment enabled by TCI (as fund manager) has in part mitigated the impact, the Payment will result in a reduction of $360 million in the Foundation's endowment of $4.7 billion (as at the date of this Report).

In 2017, Sir Christopher Hohn made charitable donations to the Foundation totalling US$37 million (which includes the associated gift aid received by the Foundation). However, subsequent to the delivery of the High Court judgement on 9 June 2017, Sir Christopher Hohn has notified the Foundation that, until and subject to the outcome of the outstanding litigation, he is no longer willing to make any further charitable donations to the Foundation. This is because, in his view, he can no longer be certain that the statutory rights of members to approve (or reject) payments for loss of office of trustees, will not be overridden by the Court.

The total legal costs incurred by the Foundation in relation to the governance issues affecting the Foundation over which the Governance Committee had oversight, including in relation to the proposed Payment, from year ended August 2014 up to the end of May 2017 (which includes the costs incurred at trial in May 2017) stand at US$6,077k (in the year ended 31 December 2016: US$2,799k (2015: US$2,050k)). In the event of an appeal, further costs are likely to be incurred subject to the advice and approval of the Charity Commission pursuant to s.110 of Charities Act.

Investment management agreement between Talos and TCI – benefits authorised by Charity Commission

As noted elsewhere in this report, TCI Fund Management LLP (TCI), an organisation controlled by Sir Christopher Hohn, provides investment management services to CIFF. In October 2016, the Charity Commission authorised the historic benefits which may have arisen to Sir Christopher Hohn by virtue of the investment management agreement between Talos and TCI. On 24 April 2017, the Charity Commission authorised, as being in the best interests of the Foundation, future benefits up to November 2018 that may arise to Sir Christopher Hohn by virtue of the investment management agreement between Talos and TCI. The Foundation will apply for re-authorisation from the Commission annually. The historic investment performance of TCI was benchmarked by an independent advisor and found to have been in the top 1pc of 90+ large endowments (value >$1bn) in the US and UK within their database.

The Finance Committee

The Finance Committee was established in May 2006 and is constituted by not less than four members appointed by the Board, two of whom must be Trustees. Other members with appropriate skills and expertise, who need not be Trustees, may be appointed to the Committee by the Board. The current trustee members are Masroor Siddiqui and Sir Chris Hohn and the four independent members of the Committee are Emmanuel Roman (Chair), Bobby Magee, Richard Hayden and Jacob Schimmel. CIFF's COO, Finance Director and Financial Controller are regular attendees of the Finance Committee.

The Finance Committee has delegated responsibility on behalf of the Board for advising the Trustees on audit, finance and investment matters.

Programme Investment Committee Climate

The terms of reference of the Programme Investment Committee, Climate ("PIC Climate") were approved in August 2015 (and its predecessor body, the Climate Change Advisory Board, was in October 2015). The PIC Climate has delegated responsibility on behalf of the Board for advising on and grant-making activities in relation to the Foundation's environmental objectives of advancing environmental protection or improvement, including preservation and conservation of the natural environment and the promotion of sustainable development to mitigate climate change ("Climate Purposes"). The PIC Climate has decision making authority for grant proposals regarding Climate Purposes up to and including US $20 million.

Programme Investment Committee Children

The terms of reference of the Programme Investment Committee, Children ("PIC Children") were approved in August 2015. The PIC Children is constituted by at least three Trustees, the Foundation's CEO and COO and at least three (but no more than eight) independent advisers. The PIC Children has delegated responsibility on behalf of the Board for advising on grant-making activities in relation to the Foundation's non Climate Purposes. The PIC Children has decision-making authority for grant proposals regarding non Climate Purposes up to and including US$20 million.

CEO Delegated Authority

The Board has delegated to the CEO responsibility for receiving, considering and making decisions upon certain grant proposals up to and including US$1 million. This authority is subject to a maximum aggregate limit of 7.5% of forecast disbursements (US$18m).

Remuneration Committee

The Remuneration Committee was established in February 2015 and is constituted by at least two Trustees and such other members with appropriate skills and expertise, who need not be Trustees, as may be appointed to the Committee by the Board. The current Trustee members are Sir Chris Hohn and Dr Graeme Sweeney (Chair) and the other members are the Foundation's CEO and COO. The Remuneration Committee has delegated responsibility on behalf of the Board for determining and reviewing policy for executive remuneration, approving principles and policies of reward throughout the Foundation (including the design of any performance-related pay schemes operated by the Foundation) and determining the total individual remuneration package of the CEO (including annual bonus).

Strategy Committee

A Strategy Committee was established in January 2016 and was constituted by at least four Trustees. The Trustees were Ben Goldsmith, Sir Chris Hohn, Masroor Siddiqui and Graeme Sweeney (Chair). The Strategy Committee had delegated responsibility on behalf of the Board for advising on the strategy of the Foundation. The delegation was effective until 17 July 2016.

Remuneration report

The principles of the remuneration policy

The Foundation aims to develop and maintain remuneration strategies and policies in line with the corporate strategy, culture and objectives of the organisation. Our reward and recognition strategies and policies are designed to attract and retain motivated and talented people. We will remain competitive within the markets in which we work to manage a skilled and diverse workforce. Salaries are bench-marked periodically using external market data. Exceptional personal performance, giving due consideration to each role, is reflected in discretionary bonus awards and annual salary reviews.

Consideration of key management personnel

	31 December 2016 US$'000	31 August 2015 US$'000
Executive Directors	2,290	1,966
Employer Pension Contributions	145	61
Employer National Insurance Contributions	308	328
Total consideration	**2,743**	**2,355**

The Key Management Personnel of CIFF have been defined as the:

- The board of Trustees
- The Executive Directors of the Foundation, who are responsible for the day to day running of the organisation.

The total consideration given to Key Management Personnel is summarised in the table above. Consideration includes salaries, benefits in kind, bonuses, termination payments and employer pension contributions.

CIFF's Trustees do not receive any remuneration for their services.

Relationship with other charities

As mentioned previously the Foundation co-operated and collaborated on various matters with BWP (US), a not for profit organisation operating in the US. During the fiscal period, Ms Jamie Cooper, was trustee of both CIFF and BWP.

The Foundation is a co-funder and collaborator in a number of projects with a range of other UK and international donors, including, but not limited to, Foundations, government agencies and private individuals.

Foundation objectives & public benefit

The Foundation's objects, as stated in its governing document, are "the general purposes of such charitable bodies or for such other purposes for the benefit of the community as shall be exclusively charitable as the Trustees may from time-to-time determine".

In setting the Foundation's objectives and planning its activities, the Foundation's Trustees have considered section 17 of the Charities Act 2011. In doing so they are satisfied that they have complied with their duty to have regard to the Public Benefit guidance published by the Charity Commission. The Foundation's activities and achievements are outlined throughout this Trustees' Report and we believe fully demonstrate that the Foundation is providing public benefit.

Trustees' & Directors' responsibilities

The Trustees (who are also directors of The Children's Investment Fund Foundation (UK) for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law they are required to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 group and charitable company and of the group's excess of income over expenditure for that period. In preparing each of the group and charitable company financial statements, the Trustees are required to:

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

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

The 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.

Consolidated financial statements

The Trustees present here their report and audited consolidated financial statements for the period ended 31 December 2016. This Trustees' Report, required by the Charities Act 2011, is also the Directors' Report prepared in accordance with Section 234 of the Companies Act 2006. This Trustees' Report also includes the Strategic Report prepared in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. The Company Information on page 73 also forms part of this report.

Independent auditors

The auditors, KPMG LLP, have expressed their willingness to remain in office for a further year.

In approving this Trustees' Annual Report, the trustees are also approving the Strategic Report in their capacity as company directors.

On behalf of the Board

Graeme Sweeney
Chairman
29 September 2017

EVERY CHILD DESERVES TO SURVIVE & THRIVE

Independent auditors report

We have audited the financial statements of the Children's Investment Fund Foundation (UK) for the period ended 31 December 2016, set out on pages 31 to 69. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the 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 its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees & auditor

As explained more fully in the Statement of Trustees' Responsibilities Statement set out on page 28, 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.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at: www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 December 2016 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice
- have been prepared in accordance with the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information in the Trustees' Annual Report, which constitutes the Strategic Report and the Directors' Report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 require us to report to you if, in our opinion:

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

Kevin Clark (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
29 September 2017

Consolidated statement of financial activities

	notes	unrestricted funds (US$ '000)	restricted funds (US$ '000)	expendable endowment (US$ '000)	16 months ended 31 Dec 2016 total (US$ '000)	period ended 31 Aug 2015 total (US$ '000)
Income and endowments from						
Donations & legacies		1,021	-	-	1,021	881
Income from investments	2	313,467	-	-	313,467	240,626
Income from charitable activities		-	175	-	175	5,063
Total incoming resources		**314,488**	**175**	**-**	**314,663**	246,570
Expenditure on						
Expenditure on raising funds	3	47,643	-	-	47,643	30,664
Expenditure on charitable activities	4	242,387	175	-	242,562	257,397
Total resources expended		**290,030**	**175**	**-**	**290,205**	288,061
Net gains on investments	12	**-**	**-**	**266,066**	**266,066**	132,860
Net Income		**24,458**	**-**	**266,066**	**290,524**	91,369
Transfers	18	(36,098)	-	36,098	-	-
Net incoming/(outgoing) resources before other recognised gains & losses		**(11,640)**	**-**	**302,164**	**290,524**	91,369
Foreign Exchange (losses)	12	(4,001)	-	(2)	(4,003)	(170)
Exchange differences on translating foreign operations		-	-	(10,515)	(10,515)	(3,514)
Net movement in funds		**(15,641)**	**-**	**291,647**	**276,006**	87,685
		507,600	**-**	**3,933,971**	**4,441,571**	4,353,886
Fund balances carried forward at 31 December 2016		**491,959**	**-**	**4,225,618**	**4,717,577**	4,441,571

The consolidated Statement of Financial Activities ("SOFA") has been prepared on the basis that all activities are continuing.

All gains and losses recognised in the period are included in the SOFA. There is no material difference between the Net Income and Net movement in funds for the period stated above and their historical cost equivalents.

The accounting policies and the notes on pages 34 to 69 form part of the Consolidated Financial Statements

	notes	group 31 Dec 2016 (US$ '000)	group 31 Aug 2015 (US$ '000)	foundation 31 Dec 2016 (US$ '000)	foundation 31 Aug 2015 (US$ '000)
Fixed assets					
Tangible assets	11	**768**	1,422	**768**	1,422
Intangible Assets		**275**	324	**275**	324
Investments	12	**4,811,944**	4,326,316	**4,735,257**	4,423,213
Total fixed assets		**4,812,987**	4,328,062	**4,736,300**	4,424,959
Current Assets					
Debtors	14	**10,359**	62,943	**4,616**	88,427
Cash at bank and in hand	15	**175,461**	503,773	**84,266**	46,054
Total current assets		**185,820**	566,716	**88,882**	134,481
Creditors: amounts falling due within one year	16	**(280,161)**	(441,274)	**(108,385)**	(118,454)
Net current assets		**(94,341)**	125,442	**(19,503)**	16,027
Total Assets less Current Liabilities		**4,718,646**	4,453,504	**4,716,797**	4,440,986
Creditors: amounts falling due after one year	17	(1,069)	(11,933)	(1,069)	(11,778)
Net assets	18	**4,717,577**	4,441,571	**4,715,728**	4,429,208
Total funds of the charity:					
Endowment Fund	18	**4,225,618**	3,933,971	**4,223,769**	3,921,608
Unrestricted Funds:					
Designated Funds	18	**491,959**	507,600	**491,959**	507,600
Total charity funds		**4,717,577**	4,441,571	**4,715,728**	4,429,208

The financial statements on pages 31 to 69 were approved by the Trustees and authorised for issue on 29 September 2017, and signed on their behalf by:

Graeme Sweeney
Chairman
29 September 2017

The accounting policies and the notes on pages 34 to 69 form part of the Consolidated Financial Statements.

	31 Dec 2016 (US$ '000)	31 Aug 2015 (US$ '000)
Net cash used in operating activities	(445,344)	(296,185)
Cash flow from Investing activities:		
Dividends received (unrestricted)	96,354	98,220
Interest income (unrestricted and restricted)	208,415	81,620
Proceeds from the sale of:		
Investments	3,760,513	1,863,383
Purchase of:		
Tangible fixed assets	(150)	(906)
Intangible	(195)	(324)
Investments	(3,959,978)	(2,396,401)
Net cash provided by (used in) investing activities	104,959	(354,408)
Cash flows from financing activities		
Interest paid	(2,794)	(2,386)
Cash flow from new borrowing	12,620	11,723
Repayment of borrowing	3,267	16,051
Net cash provided by financing activities	13,093	13,093
Change in cash and cash equivalents in the reporting period	(327,292)	(625,205)
Cash and cash equivalents at the beginning of the reporting period	**503,785**	1,129,342
Effect of exchange rate movements on cash and cash equivalents	(1,032)	(352)
Cash and cash equivalents at the end of the reporting period	**175,461**	503,785

i. RECONCILIATION OF INCOMING RESOURCES TO NET CASH FLOWS

	31 Dec 2016 (US$ '000)	31 Aug 2015 (US$ '000)
Net income for the reporting period (as per the statement of financial activities)	**290,524**	91,369
Adjustments for:		
Net gains on investments	**(266,066)**	(132,860)
Dividends received	**(67,653)**	(90,697)
Interest received on investments	**(241,288)**	(146,158)
Interest expense	**2,804**	2,317
Depreciation charges	**632**	611
Decrease in debtors	**52,669**	10,251
Decrease in creditors	**(216,966)**	(31,018)
Net cash used in operating activities	**(445,344)**	(296,185)

1. Accounting policies

(a) Basis of accounting

The Consolidated Financial Statements have been prepared on a going concern basis, under the historical cost convention as modified by the revaluation of investments, and have been prepared in accordance with the Statement of Recommended Practice ("SORP") 'Accounting and Reporting by Charities' (published 2015), the Charities Act 2011, Financial Reporting Standard 102, ""The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland"" (FRS 102) and the requirements of the Companies Act 2006.

The Foundation has adapted the Companies Act formats to reflect the Charities SORP and the special nature of the Foundation's activities.

The Foundation meets the definition of a qualifying entity and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate Financial Statements and financial instruments.

The year end date was changed from 31 August to 31 December therefore these financial statements cover the period from 1 September 2015 to 31 December 2016 ("period"). The Company changed its year end date to align it to the calendar year and the nature of its activities.

(b) Functional currency and presentational currency

The financial statements of the Group are prepared in US dollars. This is because the currency of the primary economic environment for the Group is US dollars, reflecting the currency of both the income, and grants awarded.

(c) Basis of consolidation

The Consolidated Statement of Financial Activities and Balance Sheets incorporate the results of The Children's Investment Fund Foundation (UK) (the "Foundation") and its subsidiary undertakings, CIFF (UK) Trading Limited ("CIFF Trading"), CIFF (UK) Newco Limited ("CIFF Newco"), CIFF (UK) LLP ("CIFF LLP"), CIFF D Incorporated ("CIFF D"), Talos Capital Designated Activity Company ("Talos"), Talos Property Limited ("TPL"), Talos Property Holdings Limited ("TPHL"), and CIFF Nutrition (UK) Limited ("CIFF Nutrition"). The consolidated entity is hereafter referred to as the "Group". No separate Statement of Financial Activities has been presented for the Foundation alone as permitted by Section 408 of the Companies Act 2006 and SORP. Intra-group balances are eliminated fully on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

(d) Accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate Financial Statements are set out below. The policies have been consistently applied to all years presented, unless otherwise stated. Details of the transition to FRS 102 are disclosed in Note 26.

(e) Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported valuations of assets and liabilities within the financial period. Actual results may differ from those estimates. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key assumptions are explained in the respective accounting policy notes below and in notes 12 and 13 for investments.

(f) Incoming resources

All incoming resources are accounted for when the Group is legally entitled to the income and the amount can be quantified with reasonable certainty.

Interest income and expense are recognised in the Consolidated Statement of Financial Activities (""SOFA"") on an effective interest rate basis. Dividend income and expenses, when the underlying security is held directly by the Group, is recognised in the SOFA on an ex-dividend basis, gross of receivable foreign withholding taxes. Withholding tax is accounted for on an accruals basis. For those securities held via an intermediary, the dividends are accounted for when notified.

Endowment and investment income is accounted for on a receivable basis. Any realised gains and losses from dealing in the related assets are retained within the endowment in the Consolidated Group Balance Sheet.

Donations and Gifts-in-kind, represented by, for example, donated services, are recognised when the Group is legally entitled to

Donations and Gifts-in-kind, represented by, for example, donated services, are recognised when the Group is legally entitled to the income and the amount can be quantified with reasonable accuracy.

The Group received donations during the period amounting to US$1,021k (2015: US$864k) from TCI LLP.

(g) Resources expended

Resources expended are accounted for on an accruals basis. Expenditure is allocated to either the sectoral teams or cost categories. For expenditure incurred across the sectors, amounts are attributed to each area based on the granting activities undertaken during the financial period. Constructive obligations (including grants payable) are accounted for as liabilities where it is probable that there will be a transfer of economic benefits and the amount of the obligation can be reliably estimated and communicated to the recipient. Multi-year grants are subject to annual reviews and conditionality such that the liability is recognised annually, when the criteria for recognising the liability are met.

Support costs, other than each sectoral teams costs and excluding any restricted expenditure, are re-allocated to each of the activities on the following basis, which is an estimate based on annual grant commitments levels:

	2016	2015
Survive & Thrive	**66.3%**	76.2%
Climate Change	**30.8%**	23.8%
Child protection	**2.9%**	0.0%

Activities undertaken directly relate to expenditure incurred by the Foundation through direct service provision or work undertaken by the Foundation that contributes directly to the Foundation's objectives.

Expenditure incurred in relation to the Foundation's restricted activities are costs specifically identifiable and relevant to the restriction assigned to the fund and therefore can be allocated to the restricted funds.

(h) Financial assets & liabilities

CLASSIFICATION

The Group classifies its investments in debt securities (other than those classified as loans and receivables), equity securities, derivatives and its obligations under the delayed drawdown variable rate notes, as financial assets or financial liabilities. These financial assets and financial liabilities are classified as held for trading or alternatively designated by the board at inception. Financial assets or liabilities held for trading are acquired or incurred principally for the purpose of selling or repurchasing in the short term. Derivatives are also categorised as financial assets or financial liabilities held for trading as the Group does not designate any derivatives as hedges in a hedging relationship. The obligations under the Notes were designated at fair value.

RECOGNITION/DE-RECOGNITION

Purchases and sales of investments are recognised on their trade date, which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value and transaction costs for such investments are expensed as incurred. Investments are de-recognised when the rights to receive cash flows from the investments have expired or the Group has transferred substantially all the risks and rewards of ownership.

MEASUREMENT

Subsequent to initial recognition, these financial assets and financial liabilities are accounted for at fair value. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities are accounted for in the year in which they arise and are based on the First In First Out ("FIFO") method. Interest income from financial assets at fair value is recognised within net gains on investments. Dividend income from financial assets at fair value is recognised when the Group's right to receive payment is established.

(i) Investments

Listed & unlisted securities

Securities listed or quoted on any securities exchange and regularly traded thereon are valued at fair value. The fair value of an investment is based on its quoted market price.

Unlisted securities or listed securities not regularly traded, or in respect of which no prices as described above are available, other than loans and receivables, will be valued at their fair value based on information provided by the Investment Manager's portfolio management team such as using indicative broker prices for corporate bonds and the latest available redemption price for investment funds.

At 31 December 2016 US$610,473k (12.65%) (2015: US$340,004k (7.26%)) of net assets excluding obligations under the senior delayed drawdown variable rate notes ("Adjusted Assets") were held in positions which were not regularly traded or had pricing inputs in markets that were not considered to be active. Of this amount, US$358,814k (2015: US$66,729k) was fair valued by reference to multiple indicative broker quotes. The remaining US$208,147k (2015: US$220,334k) was fair valued based on information provided by the Investment Manager's portfolio valuations team and as further explained in the "Investment Fund" and "Private Placement" accounting policies and US$42,552k (2015: US$52,941k) was held at fair value as explained in the Investment Properties accounting policy.

Because of their inherent uncertainty, estimated fair values may differ significantly from the values that would have been used had a ready market for the securities existed and differences could be material.

INVESTMENTS AT AMORTISED COST

As per paragraphs 11.2 and 12.2 of FRS 102 the Group has elected to adopt the recognition and measurement requirements of IAS 39.

Due to the lack of liquidity of some of the Group's loans, these investments are designated as 'Loans and Receivables' under IAS 39. These loans are measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees, transaction costs and other amounts paid between parties to the contract which constitute an integral part of the instrument. Not all loans are drawn down fully on closing. Any loan amount to which the Group is committed, but which are undrawn at the year end are disclosed in the notes to the financial statements as contingent liabilities.

Loans or loan equivalents should be classified as impaired (non-accrual) when, at any time, there is a deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss, but only to the extent that the impairment loss previously recognised has been reversed.

Origination fees relating to the Group's loans may be deferred and recognised as a liability on the consolidated balance sheet, and are amortised over the expected life of a loan to the consolidated statement of financial activities only once the loan is drawn down.

At 31 December 2016 the book value of the loans held was US$1,323,700k (2015: US$2,056,937k), all of which has been designated as loans and receivables by the Group.

UNFUNDED COMMITMENTS

The Group may invest in loans and securities which incorporate a commitment that it will be obliged to pay at a future date if called upon by the counterparty. The timing and amounts of settlement of these potential obligations are uncertain at the consolidated balance sheet date.

Due to these uncertainties the Group does not recognise these amounts as liabilities on its consolidated balance sheet, however these amounts are disclosed as contingent commitments in Note 20 to the financial statements. The total uncertain commitments as at 31 December 2016 was estimated as US$1,363,950k (2015: US$1,171,232k).

PROGRAMME RELATED INVESTMENT

Programme related investments are a type of social investment and are made directly in pursuit of our charitable purposes. The primary motivation for making a programme related investment is not for financial gain but to further our charitable objects. Programme related investments can generate some financial return, and the funding may or may not be provided on commercial terms.

DERIVATIVE CONTRACTS

Derivative contracts ("derivatives") are recognised at fair value on the date on which the derivative is entered into and are subsequently re-measured at their fair value on an ongoing basis. Fair values are obtained from quoted market prices in active markets, including recent market transactions. Where quoted prices are not available the investments are valued using information provided by brokers.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received). Subsequent changes in the fair value of any derivative instrument are recognised immediately in the SOFA.

CONTRACTS FOR THE DIFFERENCE ("CFDs")

A CFD is a derivative contract over an asset that bases its value on the price of the reference asset, without investing in the underlying physical asset. As such, the Group has no rights or obligations relating to the underlying asset. The CFD is a contract between two parties to exchange, at the close of the contract, the difference between the reset value or initial value of the reference asset and the closing value of the reference asset. The realised gain or loss depends upon the prices at which the underlying reference asset of the CFD is valued at the CFD's settlement date and is included in the Consolidated Statement of Financial Activities.

Unrealised gains or losses are fair valued based on the difference between the close of business value of the reference asset on the date of determination and the reset or initial value. The reset value is determined periodically on payment dates in accordance with the terms of the contracts and the resulting movement in the unrealised gain or loss is recorded in the Consolidated Statement of Financial Activities. As at 31 December 2016 the Group held CFDs with a net aggregate fair value of (US$12,646k) (2015: US$128,969k).

FORWARD FOREIGN EXCHANGE CONTRACTS

The Group enters into forward foreign exchange contracts. Forward foreign exchange contracts are fair valued on a daily basis using the forward contracted rate derived from readily available market data. When the contract is closed, the Group records a realised gain/loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. Forward foreign exchange contracts are fair valued using the forward contracted rate derived from readily available market data. At 31 December 2016 the Group held forward foreign exchange contracts with an aggregate fair value of US$52,176k (2015: US$51,904k).

OPTIONS

The Group uses options as part of its investment strategy. An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during the set period, a specified amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price. Over the counter options that are held by the Group are fair valued using quotes from counterparties.

PRIVATE PLACEMENT

Private placement securities are not registered for public sale and are carried at an estimated fair value at each valuation point, as determined by the Group, in consultation with the Investment Manager's portfolio management team, with reference to recent funding rounds and performance updates provided by the investment management's team. At 31 December 2016, the Group held one private placement position, which has been fair valued at US$nil (2015: one private placement position with a fair value of US$nil).

INVESTMENT FUND

The Group invests in investment funds ("Investee Funds") which are subject to the terms and conditions of the Investee Funds' offering documentation. The investment in the Investee Funds are primarily valued based on the latest available redemption price of such units for the Investee Fund, as determined by the administrator of the Investee Fund. Where a readily ascertainable market valuation is not available, the Investee Fund is valued at cost (see note 12). When a share/unit is sold the Group recognises the realised gain/(loss). Other changes in fair value of the Investee Funds are recorded as unrealised gains/(losses). At 31 December 2016, the Group held investment fund positions of US$220,790k (2015: US$242,210k).

INVESTMENT PROPERTIES

The Group has invested in a portfolio of investment properties (via its subsidiary company, TPL), comprising wholly of UK-based freehold land and buildings leased to third parties. The Group's policy is to include the investment properties in the consolidated balance sheet within investments at their fair value, which is usually equivalent to the open market value. Changes in the investment properties fair value is included under unrealised gains/(losses). Property transactions are recognised on the date of completion. Investment properties included in the Consolidated Balance Sheet as at 31 December 2016 was US$42,552k (2015: US$52,941k).

LEASED ASSETS

The annual rentals for operating leases are charged to the Consolidated Statement of Financial Activities on a straight-line basis over the lease term.

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are held at cost, less impairment.

FOREIGN CURRENCY TRANSLATIONS

Assets and liabilities denominated in foreign currencies are translated into US dollars at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences arising on currency differences are accounted for within the gains and losses on investments.

The period end rate prevailing on the balance sheet date was US$1 : £0.81 (2015: US$1 : £0.65). For consolidation purposes, balance sheets of subsidiaries reported in non-US dollar currencies have been converted into US dollar at the foreign exchange rate as at 31 December 2016. For all non-US dollar reported profit and loss accounts of subsidiaries, the average foreign exchange rate for the relevant period has been applied (USD rate $1 : £0.71).

(j) Tangible Fixed Assets and Depreciation

Tangible fixed assets are capitalised at cost.

Depreciation is calculated on a straight line basis so as to write off the cost of an asset over the estimated useful economic life. All assets are depreciated on a straight line basis: IT equipment over 3 years, office equipment over 5 years and fixtures and fittings over 5 years.

On the basis of materiality, tangible fixed assets are not reviewed annually for impairment.

(k) Intangible Assets and Amortisation

Other intangible assets that are acquired and developed by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment loss.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the Statement of Financial Activities as incurred.

(l) Cash and cash equivalents

Cash and cash equivalents include amounts due from the Group's counterparties and on demand and interest bearing deposits with original maturities of less than 3 months. For each separate account at each prime broker, cash can only be withdrawn so long as there is a sufficient collateral excess within the account.

(m) Cash pledged as collateral

Cash pledged as collateral includes balances held at period end with the Group's prime brokers and other counterparties. The use of these amounts is restricted based upon the Group's contractual margin requirements with each broker at the period-end date.

(n) Amounts due from/to brokers

Amounts due from brokers include cash from trades sold but which have not yet settled and cash for forward foreign exchange contracts closed but awaiting settlement.

(o) Funds

Unrestricted Funds comprise those funds which the Trustees are free to use in accordance with the charitable objectives of the Foundation. Designated Funds are the portion of the unrestricted funds that have been set aside for a particular purpose by the Trustees.

Restricted Funds comprise those funds that can only be used for particular restricted purposes within the objectives of the Foundation. Restricted Funds arise when the funds are specified as such by the donor or when funds are raised for particular restricted purposes.

The Expendable Endowment Fund represents those assets held by the Trustees principally in investments. Surplus unrestricted income is transferred to the Expendable Endowment Fund. If the Foundation is unable to meet its commitments from reserves of Unrestricted Funds, there would be a release of the Expendable Endowment to Unrestricted Funds to meet those commitments.

(p) Delayed drawdown variable rate notes ("the Notes")

The Notes are designated as financial liabilities at fair value through the Consolidated Statement of Financial Activities. A liability may be designated at fair value when it eliminates or significantly reduces a measurement or recognition inconsistency, "an accounting mismatch" that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on a different basis. Where an accounting mismatch would otherwise exist, financial liabilities are measured at fair value through the Consolidated Statement of Financial Activities. The Trustees consider that such approach to fair value liabilities is required to give a true and fair view of the financial performance of the Group. Where there is no accounting mismatch financial liabilities are measured at amortised cost

The Notes can be redeemed at the option of the note holder on any date in whole or in part upon giving ten business days' notice to the issuer. Save to the extent previously redeemed, the Notes will be redeemed on the maturity date at their principal amount outstanding.

2. Investment income

The investment income arises from interest received on cash deposits, fixed income securities and rental income within the investment portfolio held by the Group. Interest income and expense are recognised in the consolidated statement of financial activities on an effective interest rate basis. Interest income earned on corporate and convertible bond positions is classified within 'Other net changes in fair value on financial assets and financial liabilities'. Interest income on loans and receivables is recorded in interest income. Dividend income is from equity securities within the portfolio held by the Group and is recorded in the Consolidated Statement of Financial Activities on an ex-dividend date, gross of foreign withholding taxes. Withholding tax is recorded on an accruals basis. All rental income is derived from investment properties in the United Kingdom.

	group 16 months ended 31 Dec 2016 (US$ '000)	group 16 months ended 31 Aug 2015 (US$ '000)
Dividends from overseas equities	67,653	90,697
Interest on fixed interest securities	241,126	146,064
Interest on cash and cash deposits	162	94
Rental income	4,526	3,771
	313,467	240,626

3. Costs of generating funds

The administration fees incurred as costs of generating funds relate to the management fees paid to the investment managers who manage the private equity investments and Global Health Investment Fund ("GHIF") as well as the portfolio held by Talos. Outstanding capital commitments related to the private equity investments have been included in note 20.

4. Charitable activities

	grant funding of activities 2016 (2) (US$ '000)	activities undertaken directly 2016 (1) (US$ '000)	support costs 2016 (3) (US$ '000)	total charitable activities 2016 (US$ '000)
Survive & Thrive	139,192	926	21,785	**161,902**
Climate Change	64,580	176	8,822	**73,578**
Child Protection	6,017	216	812	**7,045**
Humanitarian Aid	(141)	-	-	**(141)**
Foundation approved programmes	60	113	4	**178**
	209,708	**1,431**	**31,423**	**242,562**

	grant funding of activities 2015 (US$ '000)	activities undertaken directly 2015 (US$ '000)	support costs 2015 (US$ '000)	total charitable activities 2015 (US$ '000)
Survive & Thrive	173,701	527	22,103	**196,331**
Climate Change	35,023	54	5,304	**40,381**
Child Protection	-	-	-	**-**
Humanitarian Aid	19,886	-	539	**20,425**
Foundation approved programmes	204	39	17	**260**
	228,814	**620**	**27,963**	**257,397**

(1) see note 5
(2) see note 6
(3) see note 7

The 2015 figures were re-presented to reflect the Foundation new structure. CIFF now has three sectors teams, Survive and Thrive, Climate Change and Child Protection.

5. Activities undertaken directly

The direct expenditure of US$1,431k (2015: US$620k) charitable activities was mainly to further CIFF's mission by convening conference and events, providing technical assistance and training to grantees and other charitable organisations and publishing and disseminating reports on research findings. The Foundation's largest activity in the period was to further the international agenda for accelerating children's HIV/AIDS treatment (US$400k).

6. Grant funding of activities

Group & Foundation 2016	Survive & Thrive (US$ '000)	Climate Change (US$ '000)	Child Protection (US$ '000)	Humani-tarian Aid (US$ '000)	FAPs (US$ '000)	TOTAL (US$ '000)
Grantees receiving charitable grants						
Power of Nutrition	15,000	-	-	-	-	**15,000**
World Bank (Carbon Pricing Leadership Coalition)	-	811	-	-	-	**811**
World Bank (Early Learning Partnership)	12,546	-	-	-	-	**12,546**
EME grants	8,548	2,420	-	-	-	**10,968**
Evidence Action	9,586	-	-	-	-	**9,586**
Federal Ministry of Health (Ethiopia)	9,092	-	-	-	-	**9,092**
PATH	7,239	-	-	-	-	**7,239**
Energy Foundation	-	7,193	-	-	-	**7,193**
The Global Fund	6,160	-	-	-	-	**6,160**
European Climate Foundation	-	6,128	-	-	-	**6,128**
Institute of Governance and Sustainable Development	-	5,433	-	-	-	**5,433**
Living Goods	5,074	-	-	-	-	**5,074**
Population Services International	5,066	-	-	-	-	**5,066**
Elizabeth Glaser Paediatric AIDS Foundation	4,983	-	-	-	-	**4,983**
UNICEF	4,767	-	-	-	-	**4,767**
Client Earth	-	4,710	-	-	-	**4,710**
C40 Cities Climate Leadership Group	-	4,556	-	-	-	**4,556**
DKT International	4,500	-	-	-	-	**4,500**
Global Alliance for Improved Nutrition	4,353	-	-	-	-	**4,353**
Well Told Story	4,260	-	-	-	-	**4,260**
World Resources Institute	-	3,483	-	-	-	**3,483**
IPE Global	3,413	-	-	-	-	**3,413**
Natural Resources Defense Council	-	3,329	-	-	-	**3,329**
Justice & Care	3,228	-	-	-	-	**3,228**
World Food Program	3,020	-	-	-	-	**3,020**
Sesame Workshop (GGSS)	-	-	2,840	-	-	**2,840**
ALMA - African Leaders Malaria Alliance	2,721	-	-	-	-	**2,721**
Sino Carbon Innovation and Investment Co	-	2,552	-	-	-	**2,552**
CDP	-	2,541	-	-	-	**2,541**
One Acre Fund	2,539	-	-	-	-	**2,539**
Climate Policy Initiative	-	2,532	-	-	-	**2,532**
Alliance for Sustainable Energy	-	2,515	-	-	-	**2,515**
Environmental Defense Fund	-	2,340	-	-	-	**2,340**
Freedom Fund	-	-	2,296	-	-	**2,296**
Initiative for Climate Action Transparency	-	2,193	-	-	-	**2,193**

Group & Foundation 2016 (cont'd)	Survive & Thrive (US$ '000)	Climate Change (US$ '000)	Child Protection (US$ '000)	Humani-tarian Aid (US$ '000)	FAPs (US$ '000)	TOTAL (US$ '000)
Grantees receiving charitable grants						
Action Against Hunger (UK)	2,151	-	-	-	-	**2,151**
Save the Children Fund	1,911	-	-	-	-	**1,911**
China National Renewable Energy Centre	-	3,947	-	-	-	**3,947**
ACCESS Health International	1,628	-	-	-	-	**1,628**
Jhpiego (affiliate of John Hopkins University)	1,603	-	-	-	-	**1,603**
Climate Works Foundation	-	1,530	-	-	-	**1,530**
End Fund	1,402	-	-	-	-	**1,402**
Washington University	1,210	-	-	-	-	**1,210**
IPAS	1,074	-	-	-	-	**1,074**
Institute Clima e Sociedade	-	1,045	-	-	-	**1,045**
Institute for Transport & Development Policy	-	1,020	-	-	-	**1,020**
Weber Shandwick	1,006	-	-	-	-	**1,006**
Harvard School of Public Health	1,000	-	-	-	-	**1,000**
Bachpan Bachao Andolan	989	-	-	-	-	**989**
African ECD Network	950	-	-	-	-	**950**
Results for Development Institute	932	-	-	-	-	**932**
Research Triangle Institute International	932	-	-	-	-	**932**
Transparentem	-	-	900	-	-	**900**
Environmental Investigation Agency	-	891	-	-	-	**891**
Absolute Returns for Kids	881	-	-	-	-	**881**
Jamie Oliver Food Foundation	799	-	-	-	-	**799**
Baylor College of Medicine Children's Foundation	795	-	-	-	-	**795**
China General Certification Centre	-	692	-	-	-	**692**
Crown Agents	580	-	-	-	-	**580**
Results Education Fund	520	-	-	-	-	**520**
Windfall Films (The Hole)	-	515	-	-	-	**515**
Natural Resources Defense Council	-	500	-	-	-	**500**
Indian Institute of Health Management Research	500	-	-	-	-	**500**
John Hopkins University	485	-	-	-	-	**485**
Purpose	683	(339)	-	-	-	**344**
Oxford Policy Management	319	-	-	-	-	**319**
New Venture Fund	-	316	-	-	-	**316**
Family Health International	300	-	-	-	-	**300**
The Antara Foundation	257	-	-	-	-	**257**
The Nature Conservancy	-	230	-	-	-	**230**
Eat Foundation	-	200	-	-	-	**200**
United Nations Foundation	-	200	-	-	-	**200**

Group & Foundation 2016 (cont'd)	Survive & Thrive (US$ '000)	Climate Change (US$ '000)	Child Protection (US$ '000)	Humanitarian Aid (US$ '000)	FAPs (US$ '000)	TOTAL (US$ '000)
Grantees receiving charitable grants						
International Planned Parenthood Federation	200	-	-	-	-	**200**
Halteres Associates	185	-	-	-	-	**185**
Other Grantees	2,069	1,336	-	-	-	**3,405**
Foundation Approved Programmes ("FAPs")	-	-	-	-	60	**60**
Red Cross [(1)]	-	-	-	(140)	-	**(140)**
United Nations Educational, Scientific and Cultural Organisation [(1)]	(303)	-	-	-	-	**(303)**
ICAP - The trustees of Columbia University in the City of New York [(1)]	(351)	-	-	-	-	**(351)**
ITAD Ltd [(1)]	(375)	-	-	-	-	**(375)**
Doctors with Africa (CUAMM) [(1)]	(706)	-	-	-	-	**(706)**
Foreign exchange losses on grants [(2)]	(529)	(238)	(19)	-	-	**(786)**
Total charitable grants	**139,192**	**64,580**	**6,017**	**(141)**	**60**	**209,708**

(1) Grant commitments originally recognised in a previous financial year, cancelled during this financial year and written back.
(2) Foreign exchange losses on grants: foreign exchange losses incurred on commitments made that were outstanding during the period ended 31 December 2016.

Group & Foundation 2015	Survive & Thrive (US$ '000)	Climate Change (US$ '000)	Child Protection (US$ '000)	Humanitarian Aid (US$ '000)	FAPs (US$ '000)	TOTAL (US$ '000)
Grantees receiving charitable grants						
UNICEF	22,856	-	-	2,500	-	**25,356**
Elizabeth Glaser Pediatric AIDS Foundation	15,952	-	-	-	-	**15,952**
The Carter Center	15,000	-	-	-	-	**15,000**
Power of Nutrition	15,000	-	-	-	-	**15,000**
World Bank (Carbon Pricing Leadership Coalition)	-	200	-	-	-	**200**
World Bank (Early Learning Partnership)	8,438	-	-	-	-	**8,438**
World Resources Institute	-	8,161	-	-	-	**8,161**
Red Cross	-	-	-	7,186	-	**7,186**
Crown Agents	5,500	-	-	-	-	**5,500**
IMC - International Medical Corps	-	-	-	5,355	-	**5,355**
Global Alliance for Improved Nutrition	4,628	-	-	-	-	**4,628**
PATH	4,587	-	-	-	-	**4,587**
Living Goods	4,195	-	-	-	-	**4,195**
Research Triangle Institute International	4,148	-	-	-	-	**4,148**
Baylor College of Medicine Children's Foundation	4,025	-	-	-	-	**4,025**
Pfizer	3,500	-	-	-	-	**3,500**
Columbia University in the City of New York	3,467	-	-	-	-	**3,467**
Save the Children Federation	1,698	-	-	1,744	-	**3,442**

Group & Foundation 2015 (cont'd)	Survive & Thrive (US$ '000)	Climate Change (US$ '000)	Child Protection (US$ '000)	Humanitarian Aid (US$ '000)	FAPs (US$ '000)	TOTAL (US$ '000)
Grantees receiving charitable grants						
LSHTM - London School of Hygiene and Tropical Medicine	3,434	-	-	-	-	**3,434**
Natural Resources Defense Council	-	3,273	-	-	-	**3,273**
Marie Stopes International	3,136	-	-	-	-	**3,136**
Management Sciences for Health	2,989	-	-	-	-	**2,989**
University of California, San Francisco	2,884	-	-	-	-	**2,884**
C40 Cities Climate Leadership Group	-	2,736	-	-	-	**2,736**
Sino Carbon Innovation and Investment Co	-	2,511	-	-	-	**2,511**
Energy Foundation	-	2,489	-	-	-	**2,489**
Institute of Governance and Sustainable Development	-	2,306	-	-	-	**2,306**
Doctors with Africa (CUAMM)	2,279	-	-	-	-	**2,279**
Environmental Defense Fund	-	2,251	-	-	-	**2,251**
Jhpiego (affiliate of John Hopkins University)	2,238	-	-	-	-	**2,238**
CDP	-	2,136	-	-	-	**2,136**
Henry M. Jackson Foundation for the Advancement of Military Medicine	2,050	-	-	-	-	**2,050**
Deutsche Gesellschaft fur Internationale Zusammenarbeit	2,018	-	-	-	-	**2,018**
The Freedom Fund	2,000	-	-	-	-	**2,000**
Medecins Sans Frontieres	-	-	-	1,983	-	**1,983**
IPAS	1,679	-	-	-	-	**1,679**
Kenya Conference of Catholic Bishops	1,640	-	-	-	-	**1,640**
Sesame Workshop (GGSS)	1,557	-	-	-	-	**1,557**
Washington University	1,523	-	-	-	-	**1,523**
Tides Foundation	-	1,500	-	-	-	**1,500**
DKT International	1,500	-	-	-	-	**1,500**
Alliance for Sustainable Energy	-	1,389	-	-	-	**1,389**
Action Against Hunger (UK)	1,325	-	-	-	-	**1,325**
Client Earth	-	1,254	-	-	-	**1,254**
Harvard School of Public Health	1,249	-	-	-	-	**1,249**
BRAC	1,200	-	-	-	-	**1,200**
BBC Media Action	1,196	-	-	-	-	**1,196**
Innovation of Poverty Action	1,159	-	-	-	-	**1,159**
EKJUT Woman's Participatory Group	1,096	-	-	-	-	**1,096**
Justice & Care	1,072	-	-	-	-	**1,072**
Other grantees	9,628	6,590	-	1,109	-	**17,327**
Federal Ministry of Health (Ethiopia)	8,175	-	-	-	-	**8,175**
Evidence, Measurement and Evaluation Grants ("EME")	5,445	1,455	-	-	-	**6,900**

Group & Foundation 2016 (cont'd)	Survive & Thrive (US$ '000)	Climate Change (US$ '000)	Child Protection (US$ '000)	Humanitarian Aid (US$ '000)	FAPs (US$ '000)	TOTAL (US$ '000)
Grantees receiving charitable grants						
Foundation Approved Programmes ("FAPs")	-	-	-	-	204	**204**
Institute Development Studies (GBP & USD) (1)	(83)	-	-	-	-	**(83)**
Imperial College of Science, Technology and Medicine (1)	(122)	-	-	-	-	**(122)**
SAMBA - Diagnostics for the Real World Ltd (1)	(152)	-	-	-	-	**(152)**
Energy Research Institute (1)	-	(343)	-	-	-	**(343)**
UWEZO - Taweza East Africa (1)	(352)	-	-	-	-	**(352)**
Micronutrient Initiative (1)	(416)	-	-	-	-	**(416)**
UNILEVER - Bhavishya Alliance Child Nutrition Initiatives (1)	(504)	-	-	-	-	**(504)**
Institute for Transport and Development Policy (1)	-	(1,450)	-	-	-	**(1,450)**
Foreign exchange losses on grants (2)	(136)	(1,435)	-	9	-	**(1,562)**
Total charitable grants	**173,701**	**35,023**	**-**	**19,886**	**204**	**228,814**

(1) Grant commitments originally recognised in a previous financial year, cancelled during this financial year and written back.
(2) Foreign exchange losses on grants: foreign exchange losses incurred on commitments made that were outstanding during the financial year ended 31 August 2015.

7. Allocation of support costs

2016	Survive & Thrive (US$ '000)	Climate Change (US$ '000)	Child Protection (US$ '000)	Humani-tarian Aid (US$ '000)	FAPs (US$ '000)	TOTAL 2016 (US$ '000)
Support costs						
Staff costs	13,451	5,137	467	-	3	**19,058**
Office expenses	3,200	1,484	138	-	1	**4,823**
Governance expenses	2,911	1,352	126	-	-	**4,389**
Travel & subsistence	1,700	688	58	-	-	**2,446**
Consultancy & contractor costs	523	161	23	-	-	**707**
Total support costs allocated to charitable activities	**21,785**	**8,822**	**812**	**-**	**4**	**31,423**

2015	Survive & Thrive (US$ '000)	Climate Change (US$ '000)	Child Protection (US$ '000)	Humani-tarian Aid (US$ '000)	FAPs (US$ '000)	TOTAL 2015 (US$ '000)
Support costs						
Staff costs	11,461	2,902	-	-	6	**14,369**
Office expenses	3,418	720	-	-	4	**4,142**
Governance expenses	4,710	950	-	539	6	**6,205**
Travel & subsistence	1,780	583	-	-	1	**2,364**
Consultancy & contractor costs	734	149	-	-	-	**883**
Total support costs allocated to charitable activities	**22,103**	**5,304**	**-**	**539**	**17**	**27,963**

See note 1(g) on explanation on the allocation method of the support costs

8. Governance costs

	group 16 months ended 31 Dec 2016 (US$ '000)	group year ended 31 Aug 2015 (US$ '000)
Auditors' remuneration	**191**	221
Legal fees	**1,706**	2,367
Professional fees	**2,199**	3,179
Other	**294**	438
	4,390	6,205

The auditors' remuneration, for the period ended 31 December 2016 is split between KPMG LLP US$165k (2015: US$215k) and S.P. Nagrath (India liaison office auditors) $26k (2015:US$6k). In 2016, non-audit fees paid to KPMG LLP were US$70k in relation to other professional services (2015: US$6k to KPMG LLP).

9. Staff costs

	group & foundation 16 months ended 31 Dec 2016 (US$ '000)	group & foundation year ended 31 Aug 2015 (US$ '000)
Wages and salaries	**14,487**	11,328
Social security costs	**1,387**	1,218
Other pension costs	**409**	309
	16,283	12,855
Other staff costs	**2,775**	1,514
Total staff costs	**19,058**	14,369

Other staff costs includes a one off payment total of $1,131k relating to the restructure of the Foundation during 2016.

The average monthly number of FTE employees (based on the 16 month period) who were employed during the period totalled: 80 (2015: 80). The staff numbers were split between direct activities: 56 (2015: 58) and support: 24 (2015: 22). The numbers of employees of the Foundation whose remuneration paid in the financial year fell within the following bands were:

Total remuneration bandings (1)	group & foundation 2016	group & foundation 2015
$85k - $99k	**8**	7
$99k - $113k	**2**	-
$113k - $127k	**8**	7
$127k - $141k	**5**	2
$141k - $155k	**3**	-
$155k - $169k	**5**	2
$169k - $183k	**3**	5
$183k - $197k	**2**	1
$197k - $211k	**2**	5
$211k - $225k	**4**	-
$225k - $239k	**-**	3
$239k - $254k	**-**	4
$254k - $268k	**3**	1
$268k - $282k	**4**	1
$282k - $296k	**1**	-
$296k - $310k	**2**	1
$324k - $338k	**-**	2
$394k - $408k	**1**	-
$423k - $437k	**-**	1
$451k - $465k	**1**	-
$521k - $535k	**-**	1

The above salaries were paid mainly in GBP and include benefits in kind and have been translated at the average rate of US$1:£0.71.

(1) The banding reflects total remuneration for a 12 month period. The staff remuneration applied in the bandings is for the 16 month period to 31 December 2016

The contributions in the period for the provision of a defined contribution scheme to employees of the Foundation whose emoluments were above US$84k were US$783k (2015: US$259k). The number of staff who were members of the scheme was 54 (2015: 39).

The Trustees did not receive any remuneration for their services during the period (2015: US$nil). The Trustees' expenses reimbursed amounted to US$1k for travel and subsistence during the period (2015: US$40k). In 2016, the reimbursed expenses related to two trustees (2015: four).

10. Taxation

The Foundation is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Foundation is exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

A Group company, TPL, has made Gift Aid payment to the Foundation, which removes its tax liability. The Group Companies, CIFF Newco, CIFF Trading, CIFF Nutrition (UK), CIFF LLP and TPHL, did not realise any taxable profit in this financial period, therefore have no tax liability. The subsidiary company, Talos, incurred no tax charges (2015: US$1k) under Irish taxation, due to a loss of US$24k. During the period, Talos incurred US$5.4 million of withholding tax (2015: US$3.9 million).

11. Tangible fixed assets

	it equipment (US$ '000)	office equipment (US$ '000)	fixtures & fittings (US$ '000)	total (US$ '000)
Cost brought forward	889	303	1,620	**2,812**
Additions during the period	102	16	32	**150**
Disposals during the period	(180)	(125)	(706)	**(1,011)**
At 31 December 2016	**811**	**194**	**946**	**1,951**
Depreciation brought forward	396	151	843	**1,390**
Charge for the period	325	54	253	**632**
Reversal on disposals	(117)	(103)	(619)	**(839)**
At 31 December 2016	**604**	**102**	**477**	**1,183**
Net book value				
At 31 December 2016	**207**	**92**	**469**	**768**
At 31 August 2015	493	152	777	1,422

12. Investments

Group	fair value at 31/08/15 (US$ '000)	additions (US$ '000)	disposals (US$ '000)	investment gains/(losses) (US$ '000)	fair value at 31/12/16 (US$ '000)	cost at 31/12/16 (US$ '000)
UK	268,095	61,413	(288,588)	2,674	43,594	(156,102)
Overseas	2,033,997	1,262,130	(1,687,770)	(99,697)	1,508,660	434,830
Total unquoted	**2,302,092**	**1,323,543**	**(1,976,358)**	**(97,023)**	**1,552,254**	**278,728**
UK	170,366	152,457	(74,213)	1,827	250,437	331,667
Overseas	1,800,917	2,483,978	(1,709,942)	391,748	2,966,701	1,992,218
Total quoted	**1,971,283**	**2,636,435**	**(1,784,155)**	**393,575**	**3,217,138**	**2,323,885**
UK	52,941	-	-	(10,389) (2)	42,552	41,846
Total property	**52,941**	**-**	**-**	**(10,389)**	**42,552**	**41,846**
Total	**4,326,316**	**3,959,978**	**(3,760,513)**	**286,163** (1)	**4,811,944**	**2,644,459**

(1) The difference between total gains above US$286,163k and the SOFA (gain of US$262,063k) is due to the unrealised gain on short swaps and forwards of US$-24,100k), which are classified under creditors and foreign exchange movements on the cash balances held by the Group throughout the period as well as gains and losses incurred through the foreign exchange overlay. Cash balances have been disclosed separately in the balance sheet.
(2) The total losses above (US$10,389k) include exchange differences on translating foreign operations.

Foundation	fair value at 31/08/15 (US$ '000)	additions (US$ '000)	disposals (US$ '000)	investment gains/(losses) (US$ '000)	fair value at 31/12/16 (US$ '000)	cost at 31/12/16 (US$ '000)
UK	36	-	-	-	36	22
Overseas	4,381,331	49,139	(266,200)	529,105	4,693,375	4,098,190
Total unquoted	**4,381,367**	**49,139**	**(266,200)**	**529,105**	**4,693,411**	**4,098,212**
UK	41,846	-	-	-	41,846	41,860
Total property	**41,846**	**-**	**-**	**-**	**41,846**	**41,860**
Total	**4,423,213**	**49,139**	**(266,200)**	**529,105**	**4,735,257**	**4,140,072**

The trustees consider that the carrying value of the investments is supported by the fair value of the underlying net assets.

Group financial assets	31 Dec 2016 (US$ '000)	31 Aug 2015 (US$ '000)
Equities - Overseas	2,694,978	1,722,243
Equities - UK	109,407	129,352
Convertibles - UK	-	-
Corporate bonds - Overseas	258,524	66,100
Corporate bonds - UK	100,290	629
Investment Properties	42,552	52,941
Investment Funds	220,790	242,210
Bank debt	960	-
Programme related investment	6,813	2,946
	3,434,314	2,216,421
Contracts for difference	1,507	399
Forward currency contracts	52,423	52,559
	53,930	52,958
Amortised cost		
Loans - Overseas	1,323,700	2,056,937
Total Financial Assets	**4,811,944**	**4,326,316**

Financial liabilities	Notes	31 Dec 2016 (US$ '000)	31 Aug 2015 (US$ '000)
Senior delayed drawdown variable rate notes	16	108,015	148,587
Contract for difference		14,153	129,368
Forward currency contracts	16	247	655
Derivative financial instrument liabilities		14,400	130,023
Total Financial Liabilities		**122,415**	**278,610**

Gains recognised in relation to financial assets & liabilities at fair value through the SOFA	16 months ended 31 Dec 2016 (US$ '000)	year ended 31 Aug 2015 (US$ '000)
Realised gains on financial assets & liabilities	(95,150)	676,131
Unrealised gains on financial assets & liabilities	361,216	(543,271)
	266,066	132,860
Foreign Exchange gains on financial assets & liabilities	(4,003)	(170)
	262,063	**132,690**

Foundation	investment in subsidiaries (US$ '000)	programme related investments (US$ '000)	variable rate notes (US$ '000)	unquoted investments (US$ '000)	total (US$ '000)
As at 31 August 2015	41,882	2,946	4,174,066	204,319	4,423,213
Additions	-	3,867	44,614	655	49,136
Disposals	-	-	(240,377)	(25,819)	(266,196)
Investment gains	-	-	522,483	6,621	529,104
As at 31 December 2016	**41,882**	**6,813**	**4,500,786**	**185,776**	**4,735,257**
Cost as at 31 December 2016	**41,882**	**6,813**	**3,979,356**	**112,021**	**4,140,072**

Investments in subsidiaries

The table below details the investments held by the Foundation in its subsidiaries.

Entity	incorporated in	% holding	purpose	Profit/(loss) (US$ '000) 2016	2015
CIFF (UK) Trading Limited ("CIFF Trading")	England & Wales	100	(1)	(122)	(133)
CIFF Newco (UK) Trading Limited ("CIFF Newco")	England & Wales	100	(2)	(7)	(151)
Talos Capital Designated Activity Company ("Talos")	Ireland	100	(3)	(24)	4
Talos Properties Holdings Limited ("TPHL")	England & Wales	100	(4)	421	20
Talos Properties Limited ("TPL")	England & Wales	100*	(5)	423	6,532
CIFF Nutrition (UK) Limited ("CIFF Nutrition")	England & Wales	100	(6)	-	-
CIFF UK (UK) LLP ("CIFF LLP")	England & Wales	100	(7)	283	(196)
CIFF D Incorporated ("CIFF D")	USA	100*	(8)	196	9

* Indirect holdings

(1) CIFF Trading is one of the designated members of CIFF LLP and in addition holds an investment in TCI Fund Services LLP. During the period CIFF Trading was also acting as the parent company of CIFF D.

(2) CIFF Newco is also a designated member of CIFF LLP and holds the majority of its partnership capital.

(3) Talos holds an underlying investment portfolio that is to be managed and provide the Foundation with a regular return.

(4) TPHL's principal activity is to act as the parent of a wholly owned subsidiary TPL.

(5) The purpose of TPL, is the acquisition and management of a UK investment property portfolio. TPL made a charitable gift aid donation to the Foundation in 2016 and 2015.

(6) CIFF Nutrition is supporting and promoting Ready to Use Therapeutic Foods throughout developing countries.

(7) CIFF LLP held an underlying investment through an agreement with a third party investment manager.

(8) CIFF D was a consultancy company providing services to CIFF UK. On 20 December 2016 CIFF D Incorporated was dissolved following the termination of the consulting agreement with the Foundation.

Programme related investments

The Foundation invested US$6.8million in the Global Health Investment Fund ("GHIF"). GHIF intends to provide funding to support the development of drugs, vaccines and other technologies that address global health challenges that disproportionately impact developing countries, while also generating a financial return consistent with its charitable objectives. GHIF's structure includes a partial loss protection to investors. The Foundation classified the investment as a Programme Related Investment ("PRI"), as the primary motivation for making the investment is not financial, but to further the objects of the Foundation. In 2014, the Foundation committed $20m to GHIF, of which $11.8m remains outstanding to be drawn down as of 31 December 2016 (see note 20).

Variable rate notes

Variable rate notes related to one investment in a Senior Delayed Drawdown Variable Rate Note ('Notes'). The Notes are admitted to the Global Exchange Market of the Irish Stock Exchange Limited and to trading on its unregulated market. The Notes pay a variable return based on the return of the underlying investments of Talos, plus any income received, less expenses incurred. The terms of the Notes are such that any positive interest is determined as a further drawdown, whereas any negative interest is determined as a reduction in the principal of the Notes outstanding. Such movements are shown in the table above in investment gains. The Foundation has committed to funding the Notes up to the aggregate principal amount of US$4.5 billion.

Unquoted investments

As at 31 December 2016, unquoted investments of US$185.8 million (2015: US$204.3 million) included US$145.9 million (2015: US$145.2 million) of investments in an investment fund investing in development properties in India. The properties are being constructed for sale.

Where the underlying assets are under construction, the fair value of the investment cannot be reliably determined and so the investment fund is held at the lower of cost and net realisable value. Where sufficient progress has been made such that a readily ascertainable market value can be obtained for the underlying assets, the investment fund is valued at fair value using third party valuations prepared by independent experts CBRE South Asia Pvt. Ltd. Fair value is determined using a combination of valuation methodologies, including comparable precedent transactions and discounted cash flows. Key sensitivities include timing of future cash flows and the discount rate used to determine the net present value of future cash flows. The Finance Committee have conducted an impairment review and are satisfied that the investment is not materially impaired.

Unquoted investments also comprised US$39.9 million (2015: US$59.1 million) of investments in underlying assets held with an unquoted investment fund. The investments are held at market value, based on the valuation report supplied by the investment fund as at 31 December 2016, with any gains and losses being taken to the Statement of Financial Activities.

13. Financial risk management

Principles of risk management

CIFF Group's investment programme seeks to maximise the returns derived for the level of risk to which the Group is exposed and seeks to minimise potential adverse effects on the Group's financial performance (the "Investment Programme").

CIFF Group has appointed an Investment Manager to provide investment management services in relation to the portfolio of investments it holds. These services, as part of the investment management agreement, include monitoring and managing the risks associated with holding such investments through the application of the Investment Programme as agreed with the Foundation's Trustees.

CIFF Group's Investment Programme seeks to diversify its investments across a range of asset classes, industry sectors, and counterparties, and also to limit the use of leverage and off balance sheet commitments. Further details of the Investment Programme that relate to the management of certain risks are provided below.

All investments present a risk of loss of capital. The maximum loss of capital on purchased options, long equity and debt securities is limited to the fair value of those positions. The maximum loss of capital on investments carried at amortised cost is the carrying value of those investments as well as any associated accrued interest receivable. On written call options, short positions on equity and debt sold short the maximum loss of capital can be unlimited. The maximum loss of capital on written put options, equity swaps and forward foreign exchange contracts is limited to the notional contract values of those positions. For loans and securities which incorporate a future commitment there is a risk of loss of capital in excess of the carrying amount of those positions on the consolidated Group balance sheet. The Group may be obliged to settle these commitments at a time when the investment is impaired and therefore the maximum additional loss is the total amount of commitments as disclosed in note 20.

The Group is exposed to operational risks such as settlement and custody risk. Custody risk is the risk of loss of financial assets and liabilities held in custody occasioned by the insolvency or negligence of the custodian. Settlement risk is the risk that a counterparty does not deliver a security or its value in cash as agreed when the security was traded after the Group has already delivered security or cash as per the trade agreement. Although an appropriate legal framework is in place that reduces the risk of loss of value of the financial assets and liabilities held by the custodian or counterparty, in the event of its failure, any cash balances held by the Group are at risk of being lost and the ability of the Group to transfer securities might be temporarily impaired.

With respect to the privately placed loan agreements the Group is exposed to a wide variety of operational risks specific to such investments. These risks are mitigated by the engagement of industry experts, legal advisors and independent loan servicing agents during the pre-commitment due diligence process and throughout the life of the deal.

The Group invests in readily tradeable equity securities and their derivatives, corporate bonds and foreign exchange derivatives. These investments are generally traded in active secondary markets and the time taken to exit a position and the value received would depend upon factors including the size of the position relative to the total issue size, the daily average traded volume and the prevailing market trends of the period in which the trade is executed. The Group also invests in privately traded equity securities, bank debt and loans. The market for these types of investments is illiquid and secondary market transactions are infrequent. It is more difficult to predict the time and exit price of these type of investments.

The Group's activities expose it to a variety of financial risks: market risk (including other price risk, interest rate risk and foreign currency risk), credit risk and liquidity risk. In accordance with the Investment Programme, the Investment Manager uses different methods to measure and manage the various types of risk to which the Group's investments are exposed; these methods are explained below.

Market risk

(a) Other price risk

The Group is exposed to securities price risk and derivative price risk. This arises from investments held by the Group for which prices in the future are uncertain. Where non-monetary financial instruments, for example, equity securities are denominated in currencies other than the US dollar, the price initially expressed in foreign currency and then converted into US dollar will also fluctuate because of changes in foreign exchange rates.

Price risk is managed through diversification and selection of securities and other financial instruments within specified limits set in the Investment Programme.

The Investment Programme contains restrictions on overall market exposure (the "Exposure Policy"). The Exposure Policy regarding overall exposure states that the market exposure shall not exceed 100% of the Reference NAV.

The use of the term "Reference NAV" within the risk management policies refers to the value of the net assets of the Group, excluding any obligations under the Delayed Drawdown Variable Rate Notes. With effect from 1 January 2013 the Exposure Policy regarding overall exposure was amended to state that market exposure shall not exceed 100% of the Reference NAV. The Investment Programme seeks to manage the Group's exposure to price risk by analysing the investment portfolio by industrial sector. The top five exposures by sector at 31 December 2016 were as show in the table below.

	% of adjusted assets	
	31 Dec 2016	31 Aug 2015
Sector		
Real estate loans	26.8%	34.3%
Industrials	26.5%	24.1%
Consumer Services [1]	12.3%	-
Consumer discretionary	5.0%	17.2%
Utilities	5.0%	6.5%
Financial [1]	-	5%
	75.6%	87.1%

At 31 December 2016, the net exposure of the Group to Equity Investments was US$2,681,922k (2015: US$2,023,155k).

(b) Foreign currency risk

The Group operates internationally and holds both monetary and non-monetary assets denominated in currencies other than its functional currency, the US dollar. Foreign currency risk as defined, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. The table below shows the concentration of assets and liabilities denominated in currencies other than the US dollar at 31 December 2016 and 31 August 2015 and has been analysed between monetary and non-monetary items.

31 Dec 2016	monetary (US$ '000)	non-monetary (US$ '000)	currency forward (US$ '000)	net exposure (US$ '000)
Currency				
Australian Dollar	(59)	554,294	(544,445)	9,790
Brazilian Real	1	(535)	-	(534)
Canadian Dollar	-	7,193	-	7,193
Chinese Renminbi	-	-	(125,755)	(125,755)
Euro	104,613	1,040,126	(947,099)	197,640
Indian Rupee	72	-	-	72
Pound Sterling	55,659	151,959	(212,794)	(5,176)
Japanese Yen	-	-	(35,117)	(35,117)
Swiss Franc	-	218,631	-	218,631

31 Aug 2015	monetary (US$ '000)	non-monetary (US$ '000)	currency forward (US$ '000)	net exposure (US$ '000)
Currency				
Australian Dollar	9,267	418,626	(421,760)	6,133
Brazilian Real	19,056	101,681	-	120,737
Canadian Dollar	160	7,091	-	7,251
Chinese Renminbi	-	-	(105,282)	(105,282)
Euro	370,247	635,158	(920,281)	85,124
Indian Rupee	4	-	-	4
Pound Sterling	274,329	182,293	(450,435)	6,187

The US dollar exchange rates used at 31 December 2016 and 31 August 2015 were as follows:

	exchange rates	
	31 Dec 2016	31 Aug 2015
Australian Dollar	1.386	1.406
Brazilian Real	3.255	3.620
Canadian Dollar	1.343	1.314
Chinese Renminbi	6.973	6.442
Euro	0.951	0.892
Indian Rupee	7.755	7.750
Hong Kong dollar	67.955	66.412
Pound Sterling	116.900	121.230
Japanese Yen	0.810	0.652
Swiss Franc	9.109	8.473

Currencies are managed by the Investment Manager within set limits. The investment process focuses on fundamental and systematic factors. The Investment Manager monitors the currency risk on an ongoing basis and reports to the Noteholders and management on at least a quarterly basis.

(c) Interest rate risk

The Group holds liquid, interest-bearing assets and liabilities such as cash and brokerage accounts, where changes in interest rates would change the amount of interest received or paid in relation to these balances.

The Group invests in corporate and convertible bonds which can impact its interest rate sensitivity. The Investment Manager's rationale for investing in the corporate and convertible bonds is based upon the relative value of the bonds held and future capital gains expected due to changes in the perceived credit quality of the underlying businesses, as such, the interest rate sensitivity of the positions is not actively managed. Changes in interest rates do affect the value of these positions as the fundamental driver of their value is the present value of their future cash flows.

The Group also invests in privately placed loans and uses the amortised cost method to account for the carrying value and income recognised for these positions. Using this method the Group recognises income at a rate based upon the effective interest rate of all expected cash flows over the life of the loan. The calculations of carrying value and income are insensitive to reasonably possible changes in interest rates. Therefore, given a reasonably possible change in interest rates of 1%, the interest rate sensitivity of the privately placed loans is assessed to be negligible. An extreme change in the interest rates reflecting broader economic issues may impact the borrower's ability to repay the loans and impede the market for the assets securing the loan. This change was not considered to be reasonably possible at period end.

The table below includes the Group's investment assets and liabilities at fair value, categorised by the earlier of contractual re-pricing and maturity dates.

31 Dec 2016	< 3 months (US$ '000)	3 months - 1 year (US$ '000)	> 1 year (US$ '000)	non-interest rate sensitive (US$ '000)	total (US$ '000)
Investment assets/ (liabilities)	-	-	359,774	4,452,170	**4,811,944**

31 Aug 2015	< 3 months (US$ '000)	3 months - 1 year (US$ '000)	> 1 year (US$ '000)	non-interest rate sensitive (US$ '000)	total (US$ '000)
Investment assets/ (liabilities)	-	52,644	14,085	4,259,587	**4,326,316**

Credit risk

The Group is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Group's approach to managing credit risk recognises that there is a risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default, rating transition and credit spread movements. The Group's credit risks arise principally through exposures to corporate debt investments, loans, bank deposits, and derivative counterparties.

Corporate debt investments may retain some value in the event of a default of the underlying business through claims against any residual value or assets held at the time of default. The Group would expect to realise a loss of the majority of the face value of the investment in the event of a default. Any recovery would be governed by bankruptcy law in the relevant jurisdiction and would be likely to take several years to realise.

All of the loan investments held by the Group are secured against physical assets including real estate and property. The value of the security relating to a loan investment may become equal to or less than the value of the loan that it secures. Accordingly, in the event of a default the Group may incur a loss after all costs relating to obtaining and selling secured assets have been taken into account. Although the Group monitors the value of the secured assets on a periodic basis (see "Credit Enhancements" below), as there is no active market for the positions, their risk is managed on an exposure basis, with not more than 50% of the Reference NAV to be drawn under loans classified as Real Estate Debt (as outlined in the Investment Management Agreement). Due to the illiquid nature of such loans and the variety of risks attached including property development and concentration risk, significant losses could arise.

Credit enhancements

At 31 December 2016, the Group held investments in privately placed loans valued at US$1,323,700k (2015: US$2,056,937k). The key risk relating to each of these loans is the possibility that the borrower will not repay the interest and principal relating to the loan in full. To protect the Group against this possibility of default, security is sought from the borrower over assets worth more than the value of the loan outstanding. This security normally takes the form of prime real estate assets in developed markets. The Group monitors the value of the assets pledged as security by engaging independent experts to provide valuations on the assets on a periodic basis and considers metrics such as loan-to-value or loan-to-commitment ratio.

Through the assets against which the loans are secured, the Group has an indirect exposure to reductions in asset valuations as a result of a market crash or other tail events. This may result in the amount lent under a loan being greater than the value of the secured assets and increase the probability of the loans becoming impaired or going into default.

Two of the debt investments held by the Group were considered to be impaired at the period end. One of these positions was impaired due to the devaluation of the asset pledged as collateral, which resulted in an impairment charge of US$25,901k (2015: US$39,872k) during the period. The other position was considered to be impaired due to a deterioration in the ability of the guarantor company to obtain financing to meet its obligations, which resulted in an impairment charge of US$114,780k (2015: US$11,686k) during the period.

The Group is also protected by covenants built into its loan agreements which require immediate repayment in the event that the borrower breaches certain covenants. These are agreed on a loan-by-loan basis at the origination of each deal and may include metrics such as loan-to-value ratio, interest cover and other performance based metrics. As at 31 December 2016 there was no loan in breach of its covenants. As at 31 August 2015, one of the loans was in breach of their loan covenants and the Group had initiated enforcement proceedings to recover the amount of its investment plus accrued interest under the loan documents. On 23 November 2015 the Group received an amount from the borrower to repay the loan in full, all accrued interest and certain costs relating to the enforcement process. As a result of this payment no amounts were remaining to be paid to the Group under this loan agreement.

The Group is also exposed to counterparty credit risk through the trading of derivative products, cash and cash equivalents, cash pledged as collateral, amounts due from brokers and other receivable balances.

One element of counterparty credit risk is the monitoring of the credit ratings of parties where all amounts due from brokers, cash and short-term deposits are held by parties with a credit rating A1/A or higher with the exception of Citco Bank Nederland NV and Standard Bank which are not rated.

The analysis below summarises the Group's exposure by counterparty credit rating at 31 December 2016:

	Credit rating at 31 Dec 2016		Credit exposure 31 Dec 2016	
	(Moody's)	(S&P)	(US$ '000)	% of assets
Counterparty				
HSBC Bank Plc	Aa2	AA-	128,254	2.66%
JP Morgan Chase	Aa3	A+	44,342	0.92%
UBS AG	A1	A+	811	0.02%
Barclays Bank	A1-	A-	1,681	0.03%
Standard Bank	n/a	n/a	10	-
Wells Fargo	Aa2	AA-	3	-
Citco Bank Nederland NV	n/a	n/a	154	-
			175,255	3.63%

The analysis below summarises the Group's exposure by counterparty credit rating at 31 August 2015:

	Credit rating at 31 Aug 2015		Credit exposure 31 Aug 2015	
	(Moody's)	(S&P)	(US$ '000)	% of assets
Counterparty				
HSBC Bank Plc	Aa2	AA-	452,014	9.85%
JP Morgan Chase	Aa2	A+	19,300	0.42%
UBS AG	A2	A	5,192	0.11%
Barclays Bank	A2	A-	27,399	-
Standard Bank	Aa2	AA-	18	-
Wells Fargo	Aa2	A+	3	0.60%
Citco Bank Nederland NV	n/a	n/a	103	-
			504,029	10.98%

Credit risk is also managed by a policy contained in the Investment Programme to maintain exposures to any one counterparty to less than 15% of its Reference NAV.

In the event of any breach of the above restrictions not remedied within 3 business days of the date of such breach, the Foundation management shall in their sole discretion determine the action and will seek to achieve, where practicable, a rectification of the breach within a reasonable timeframe and/or a commercial economic advantage.

In addition, the Group also restricts its exposure to credit losses on the trading derivative instruments it holds by including netting agreements with counterparties (approved brokers) with whom it undertakes a significant volume of transactions. These netting provisions do not result in an offset on the Consolidated Balance Sheet, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by netting to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis.

The Group's overall exposure to credit risk on derivative instruments subject to a netting arrangement can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the counterparty has received payment. Payment is made on a purchase once the securities have been received by the Group. The trade will fail if either party fails to meet its obligation.

The Group has appointed HSBC Bank plc ("HSBC") as custodian and prime broker and provider of other services (including financing) under the terms of the HSBC Prime Custody Agreement (the "HSBC Prime Custody Agreement"). HSBC will act as banker, custodian and prime broker of the cash and securities delivered to HSBC and will be responsible for receipt and disbursement of cash on behalf of the Group, for the receipt and safe custody and registration of securities of the Group and for the transfer of securities for the Group. The Group has both a custody and collateral account with HSBC. HSBC will also provide financing and securities lending to the Group pursuant to the HSBC Prime Custody Agreement. The collateral required to support any financing, securities lending or other exposure of HSBC to the Group will be held in the collateral account with HSBC in the name of the Group. At 31 December 2016, 89% of cash and cash pledged as collateral and investments were placed in custody with HSBC (2015: 87%).

The prime brokerage agreement with UBS AG states that the counterparty has the right to utilise, re-hypothecate or otherwise appropriate the Group's assets subject to a limit equal to 100% of the indebtedness of the Group to the counterparty. The agreement also includes a net settlement provision in the event of an end to the prime brokerage agreement.

The prime brokerage agreement with JP Morgan Chase Bank N.A. states that, to the extent permitted under the laws, rules and regulations of the United States Securities and Exchange Commission and other exchanges and dealer associations by which certain of the JP Morgan Chase entities are regulated (collectively, the "US Rules"), the Group's assets that are not required to be segregated by US Rules, may be borrowed, lent or otherwise used by such JP Morgan Chase entities who may hold such assets for their own purposes subject to a limit equal to 140% of the indebtedness of the Group to the counterparty. Certain JP Morgan Chase entities may not be subject to the US Rules and assets held by such entities may be borrowed, lent or otherwise used by such entities without the limitations imposed under the US Rules. The credit exposure with JP Morgan Chase N.A at 31 December 2016, relates primarily to cash and cash equivalents.

The Group has entered into ISDA master agreements with Barclays Bank plc, Goldman Sachs International, HSBC Bank plc, UBS AG, Deutsche Bank AG London, Credit Suisse Securities (Europe) Limited and JP Morgan Chase, for the purpose of trading over the counter derivative instruments. The ISDA master agreements ensure that the Group has the ability to call cash to cover any unrealised mark to market gains prior to settlement, and is therefore able to limit credit exposure to the initial margin posted on any particular trade.

Liquidity risk

Liquidity risk is the risk that the Group may be unable to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. The Group is exposed to the daily settlement of margin calls on derivatives, settlement of funding requests on loans with an unfunded commitment (see note 1(i) accounting policy on "Unfunded Commitments" for further details), Note repayment requests and the annual payment of interest due to the Noteholders.

The Investment Manager monitors the Group's liquidity position on a daily basis, and in accordance with agreed risk framework reports to the Group on a monthly basis. The liquidity report has been designed to confirm that the Group has sufficient resources to cover projected outflows in a stress scenario given preset liquidity haircuts for each asset class.

As part of the management of liquidity risk, the Investment Programme prescribes a limit to the amount of unfunded commitments as a certain percentage of its Reference NAV.

On 21 October 2014, an Investment Programme waiver was approved to allow the total unlisted instruments and undrawn commitments exposure to exceed 75% of the Groups Reference NAV for the purpose of, and to the percentage required for, proceeding with a certain loan deal. The waiver is specific to this loan deal and as part of the agreement, the investment manager cannot increase such exposure further until it is back below the 75% limit following the signing of the loan deal specified in the waiver request.

The Group's main sources of liquidity are listed equity securities, actively traded corporate debt and cash deposits. The asset class investment restrictions ensure a proportion of the Group's assets are invested in these types of assets, which can be readily disposed. The Group also has the ability to meet Note repayments obligations by an in specie delivery of a Noteholder's pro rata share of the investments in the portfolio at the redemption date.

The Group may also invest in derivative contracts that are traded over-the-counter, debt securities and unlisted equity investments that are not traded in an active market. As a result, the Group may not be able to quickly liquidate these investments at an amount close to their fair value to meet its liquidity requirements, or be able to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

The below tables analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the maturity date.

Group	less than 1 month (US$ '000)	1 to 3 months (US$ '000)	3 months to 1 year (US$ '000)	1 to 5 years (US$ '000)	more than 5 years (US$ '000)	total (US$ '000)
31 Dec 2016						
Creditors: amounts falling due within one year	261,983	247	17,931	-	-	280,161
Creditors: amounts falling due in more than one year	-	-	-	1,069	-	1,069
Total liabilities	**261,983**	**247**	**17,931**	**1,069**	**-**	**281,230**

Group	less than 1 month (US$ '000)	1 to 3 months (US$ '000)	3 months to 1 year (US$ '000)	1 to 5 years (US$ '000)	more than 5 years (US$ '000)	total (US$ '000)
31 Aug 2015						
Creditors: amounts falling due within one year	320,233	36,511	84,530	-	-	441,274
Creditors: amounts falling due in more than one year	-	-	-	11,933	-	11,933
Total liabilities	**320,233**	**36,511**	**84,530**	**11,933**	**-**	**453,207**

Uncertain liabilities, which are not recognised on the statement of financial position are not included in the table above for the purpose of analysing the Company's liquidity risk.

Delayed drawdown variable rate notes analysis

On 10 July 2009, the Group issued Delayed Drawdown Variable Rate Notes to The Children's Investment Fund Foundation (which subsequently changed its name to 'Big Win Philanthropy (US)' ("BWP")) with an aggregate commitment balance of US$92,643k which will mature on 10 July 2019. The Second Issue Notes are asset backed notes, and have been issued in definitive fully registered form, without principal receipts attached. The Issue Notes are listed on the Irish Stock Exchange Alternative Securities Market.

On 11 December 2009, by deed of amendment, the aggregate commitment balance of the Second Issue Notes was increased from US$92,643k to US$178,665k.

On 25 July 2015, The Foundation signed a purchase agreement to purchase the Second Issue Notes from BWP (US). The purchase will be over 20 quarterly instalments commencing on the 15th working day of September 2015. The purchase amount will be determined according to the principal amount outstanding of the seller notes on the valuation date, being the last business day of the month preceding the purchase instalment. As at 31 December 2016 the capital commitment is US$108,035k.

As at 31 December, the aggregate commitment balance of the Issue Notes to BWP (US) was US$109,351k (2015: US$161,563k), of which US$95,396k (2015: US$136,864k) had been drawn down.

The below table analyses the valuation of the Issue Notes drawn down at the period end:

	31 Dec 2016 (US$ '000)	31 Aug 2015 (US$ '000)
Balance drawn down at beginning of period	136,864	120,813
Drawdowns of notes	8,618	22,054
Prepayment of notes	(5,348)	(4,852)
Redemptions notes	(44,614)	(1,151)
Revaluation of notes	(124)	-
Balance drawn down at end of period	95,396	136,864

Interest will accrue on the Notes and will be payable annually, in arrears, on 20 May (the "determination date") in respect of each annual accounting year. The interest payment date changed from 20 January to 20 May due to a change in financial year end. The amount of interest will be calculated as the product of:

(a) the fraction which is equal to the principal amount outstanding of such note over the aggregate principal amount outstanding for all notes issued by the Group on the relevant determination date; and

(b) the excess, if any, of the profits of the issuer for tax purposes for such interest period, as determined in accordance with the accounting principles adopted by the issuer for tax purposes for that interest period before taking into account, interest payable hereunder over the issuer retained amount and shall be payable only with approval by the directors.

At 31 December 2016, interest accrued on the Notes was US$12,619k (2015: US$11,745k). In the event of a deficit prior to the calculation of the interest expense, the profit participating note agreement provides that the principle value of the profit participating notes are written down by an amount equal to the value of that deficit.

Uncertain liabilities

As disclosed in note 12, the Group has invested in loans and securities which incorporate an uncertain commitment that it may be obliged to pay at a future date. The likelihood that these commitments are paid by the Group is unknown at the balance sheet date. The total uncertain commitments as at 31 December 2016 have been estimated as US$1,363,950k (2015: US$1,171,232k).

14. Debtors

	group 31 Dec 2016 (US$ '000)	group 31 Aug 2015 (US$ '000)	foundation 31 Dec 2016 (US$ '000)	foundation 31 Aug 2015 (US$ '000)
Interest receivable	7,546	24,817	-	-
TCI LLP	348	363	348	363
Dividends receivable	156	28,986	-	-
Amounts due from brokers	86	6,436	-	-
Other Debtors (3)	1,877	1,963	728	85,170
CIFF Newco Ltd (1)	-	-	-	607
Talos Properties Ltd (2)	-	-	3,195	1,913
Prepayments	346	378	345	374
	10,359	62,943	4,617	88,427

(1) There was an outstanding loan between CIFF (UK) and CIFF (UK) Newco Limited of US$607k included in debtors as receivable on the 2015 balance date as repayable on demand by CIFF (UK). This loan has since been repaid by CIFF (UK) Newco Limited.

(2)The outstanding amount between CIFF (UK) and Talos Properties Limited ("TPL") of US$3,195k is due to a charitable donation made by TPL. On 9th February 2016, CIFF (UK) received a Gift Aid payment of US$1,537K from TPL. On May 5 2017, after the balance sheet date, CIFF (UK) received the Gift Aid payment of $3,195k.

(3)At 31 August 2015, there was outstanding amount between CIFF (UK) and Talos relating to unpaid redemptions of US$84.3million. This amount was repaid on 1 September 2015.

15. Cash at bank and in hand

Cash at bank includes amounts due from the Group's custodian and other counterparties, on demand and interest bearing deposits with original maturities of less than 3 months.

Cash pledged as collateral includes collateral balances held at period end with the Group's custodian and prime broker and other counterparties. The use of these amounts is restricted based upon the Group's contractual margin exposures at the period-end date.

The total of cash at bank and cash pledged as collateral is shown on the face of the balance sheet and the movement reflected within the cash flow statement.

The debtor amounts due from brokers (note 14) include cash from forward foreign exchange contracts closed but awaiting settlement, cash from trades sold but which have not yet settled and interest receivable.

The creditor amounts due to brokers (note 16) include cash from trades purchased which have not yet settled and cash for forward foreign exchange contracts closed but awaiting settlement.

Note 13 Financial Risk Management provides details on assets subject to a security interest for the discharge of any obligations and re-hypothecation.

The following table shows the breakdown of the amounts with custodians and other counterparties at 31 December 2016:

Group	cash & cash equivalents 31 Dec 2016 (US$ '000)	cash pledged as collateral 31 Dec 2016 (US$ '000)	cash at bank and in hand 31 Dec 2016 (US$ '000)	amounts due from brokers 31 Dec 2016 (US$ '000)	amounts due to brokers 31 Dec 2016 (US$ '000)	net counterparty position 31 Dec 2016 (US$ '000)
Custodian						
HSBC Bank	128,460	-	**128,460**	86	(292)	**128,254**
Other counterparties						
JP Morgan Chase	44,342	-	**44,342**	-	-	**44,342**
UBS AG	811	-	**811**	-	-	**811**
Credit Suisse	-	-	**-**	-	-	**-**
Barclays Bank	1,681	-	**1,681**	-	-	**1,681**
Standard Bank	10	-	**10**	-	-	**10**
Wells Fargo	3	-	**3**	-	-	**3**
Citco Bank Nederland NV	154	-	**154**	-	-	**154**
Total	175,461	-	**175,461**	86	(292)	**175,255**

The following table shows the breakdown of the amounts with custodians and other counterparties at 31 August 2015:

Group	cash & cash equivalents 31 Aug 2015 (US$ '000)	cash pledged as collateral 31 Aug 2015 (US$ '000)	cash at bank and in hand 31 Aug 2015 (US$ '000)	amounts due from brokers 31 Aug 2015 (US$ '000)	amounts due to brokers 31 Aug 2015 (US$ '000)	net counterparty position 31 Aug 2015 (US$ '000)
Custodian						
HSBC Bank	325,890	125,868	**451,758**	6,436	(6,180)	**452,014** (1)
Other counterparties						
JP Morgan Chase	19,300	-	**19,300**	-	-	**19,300**
UBS AG	5,192	-	**5,192**	-	-	**5,192**
Credit Suisse	-	-	**-**	-	-	**-**
Barclays Bank	4,884	22,515	**27,399**	-	-	**27,399**
Standard Bank	18	-	**18**	-	-	**18**
Wells Fargo	3	-	**3**	-	-	**3**
Citco Bank Nederland NV	103	-	**103**	-	-	**103**
Total	355,390	148,383	**503,773**	6,436	(6,180)	**504,029**

The following table shows the breakdown of the cash and cash equivalents of the Foundation held with counterparties as at period end:

Foundation	cash & cash equivalents 31 Dec 2016 (US$ '000)	cash & cash equivalents 31 Aug 2015 (US$ '000)
HSBC Bank plc	38,811	25,376
JP Morgan Chase	44,041	19,000
Barclays Bank plc	1,405	1,660
Standard Bank	9	18
	84,266	46,054

16. Creditors: amounts falling due within one year

	group 31 Dec 2016 (US$ '000)	group 31 Aug 2015 (US$ '000)	foundation 31 Dec 2016 (US$ '000)	foundation 31 Aug 2015 (US$ '000)
Amounts due to brokers (2)	292	6,180	-	-
Financial liabilities (1) (2)	108,015	148,587	-	-
Grants	96,703	116,035	96,703	116,036
Creditors	56,499	38,079	8,297	1,308
Derivative financial instrument liabilities (2)	14,400	130,023	-	-
Accruals and deferred income	3,993	2,263	3,188	1,110
Interest payable	62	52	-	-
Interest payable	197	55	197	-
	280,161	441,274	**108,385**	118,454

(1) Financial liabilities of US$95,396k (2015: US$136,864k) due on senior delayed drawdown variable rate note owned by BWP and US$12,619k (2015: US$11,723k) due to accrued interest on this note (see note 12).

(2) See note 13 for details of interest and maturity.

17. Creditors: amounts falling due after one year

	group 31 Dec 2016 (US$ '000)	group 31 Aug 2015 (US$ '000)	foundation 31 Dec 2016 (US$ '000)	foundation 31 Aug 2015 (US$ '000)
Creditors payable between 1 & 2 years	1,069	11,797	1,069	11,642
Creditors payable between 2 and 5 years	-	136	-	136
	1,069	11,933	**1,069**	11,778

18. Movement in funds

Funds were transferred from the Expendable Endowment Fund to the Designated Funds at the period end.

Group	balance as at 31 Aug 2015 (US$ '000)	incoming resources (US$ '000)	resources expended (US$ '000)	investment gains/(losses) (US$ '000)	fx gains/(losses) (US$ '000)	exchange difference reserve (US$ '000)	transfer between funds (US$ '000)	balance as at 31 Dec 2016 (US$ '000)
Unrestricted: [1]								
Income funds	-	314,488	(290,030)	-	(4,001)	-	(20,457)	**-**
Designated funds	507,600	-	-	-	-	-	(15,641)	**491,959**
Restricted	-	175	(175)	-	-	-	-	**-**
Expendable Endowment Fund	3,933,971	-	-	266,066	(2)	(10,515)	36,098	**4,225,618**
Total funds	**4,441,571**	**314,663**	**(290,205)**	**266,066**	**(4,003)**	**(10,515)**	**-**	**4,717,577**

Group	balance as at 31 Aug 2014 (US$ '000)	incoming resources (US$ '000)	resources expended (US$ '000)	investment gains/(losses) (US$ '000)	fx gains/(losses) (US$ '000)	exchange difference reserve (US$ '000)	transfer between funds (US$ '000)	balance as at 31 Aug 2015 (US$ '000)
Unrestricted: [1]								
Income funds	-	241,507	(282,998)	-	(171)	-	41,662	**-**
Designated funds	172,327	-	-	-	-	-	335,273	**507,600**
Restricted	-	5,063	(5,063)	-	-	-	-	**-**
Expendable Endowment Fund	4,181,559	-	-	132,860	1	(3,514)	(376,935)	**3,933,971**
Total funds	**4,353,886**	**246,570**	**(288,061)**	**132,860**	**(170)**	**(3,514)**	**-**	**4,441,571**

(1) Reserves retained by subsidiary undertakings and general unrestricted funds are disclosed in total in the tables above and total US$41,974k (2015: US$85,198k).

Foundation	balance as at 31 Aug 2015 (US$ '000)	incoming resources (US$ '000)	resources expended (US$ '000)	investment gains/(losses) (US$ '000)	fx gains/(losses) (US$ '000)	transfer between funds (US$ '000)	balance as at 31 Dec 2016 (US$ '000)
Unrestricted:							
Income funds	-	4,880	(244,174)	-	(3,573)	242,867	**-**
Designated funds	507,600	-	-	-	-	(15,641)	**491,959**
Restricted	-	175	(175)	-	-	-	**-**
Expendable Endowment Fund	3,921,608	-	-	529,387	-	(227,226)	**4,223,769**
Total funds	**4,429,208**	**5,055**	**(244,349)**	**529,387**	**(3,573)**	**-**	**4,715,728**

Foundation	balance as at 31 Aug 2014 (US$ '000)	incoming resources (US$ '000)	resources expended (US$ '000)	investment gains/(losses) (US$ '000)	fx gains/(losses) (US$ '000)	transfer between funds (US$ '000)	balance as at 31 Aug (US$ '000)
Unrestricted:							
Income funds	-	3,316	(251,381)	-	(147)	248,212	**-**
Designated funds	172,327	-	-	-	-	335,273	**507,600**
Restricted	-	5,063	(5,063)	-	-	-	**-**
Expendable Endowment Fund	4,177,383	-	-	327,710	-	(583,485)	**3,921,608**
Total funds	**4,349,710**	**8,379**	**(256,444)**	**327,710**	**(147)**	**-**	**4,429,208**

As at 31 December 2016, the Trustees have allocated US$491,959 (2015: US$507,600) of reserves as designated funds in recognition of funds which may be called upon to be disbursed to multi-year programmes.

19. Analysis of net assets between funds

	expendable endowment (US$ '000)	unrestricted funds – designated (US$ '000)	restricted funds (US$ '000)	total 31 Dec 2016 (US$ '000)	total 31 Aug 2015 (US$ '000)
Tangible fixed assets	768	-	-	**768**	1,422
Intangible Assets	275	-	-	**275**	324
Investments	4,319,985	491,959	-	**4,811,944**	4,326,316
Current assets	185,820	-	-	**185,820**	566,716
Current liabilities	(280,161)	-	-	**(280,161)**	(441,274)
Long term liabilities	(1,069)	-	-	**(1,069)**	(11,933)
	4,225,618	**491,959**	**-**	**4,717,577**	4,441,571

20. Commitments

At 31 December, the Group had outstanding commitments of US$119,787k (2015: US$165,898k), US$108,015 (2015: US$148,609) of this is related to the purchase note agreement, and US$11,751k (2015:US$17,289k) is in relation to the unquoted investments held within the investment portfolio.

The Group has invested in loans and securities which incorporate an uncertain commitment that it may be obliged to pay at a future date. The likelihood that these commitments are paid by the Group is unknown at the balance sheet date. The total uncertain commitments as at 31 December 2016 have been estimated as US$1,363,950k (2015: US$1,171,232k).

21. Operating leases

The total rent charged as an expense in the Consolidated Statement of Financial Activities, is disclosed below:

	group 16 months 31 Dec 2016 (US$ '000)	group year ended 31 Aug 2015 (US$ '000)	foundation 16 months 31 Dec 2016 (US$ '000)	foundation year ended 31 Aug 2015 (US$ '000)
Rent	**1,647**	1,478	**1,647**	1,478

Commitments under leases to pay rentals during the year following the period of these accounts are given in the table below, analysed to the period in which each lease expires.

	group 16 months 31 Dec 2016 (US$ '000)	group year ended 31 Aug 2015 (US$ '000)	foundation 16 months 31 Dec 2016 (US$ '000)	foundation year ended 31 Aug 2015 (US$ '000)
Land and Building				
Expiring within one year (1)	**425**	-	**425**	-
Expiring within 2 to 5 years	**65**	1,035	**65**	1,035
Expiring after 5 years	**40**	525	**40**	525
	530	1,560	**530**	1,560

(1) Includes a commitment under an operating lease with TCI LLP to pay rentals during the period following the period of these accounts of US$335k.

The Group is a lessor of UK investment properties. The total non-cancellable future minimum lease payments expected to be received are:

	group 16 months 31 Dec 2016 (US$ '000)	group year ended 31 Aug 2015 (US$ '000)	foundation 16 months 31 Dec 2016 (US$ '000)	foundation year ended 31 Aug 2015 (US$ '000)
After five years	**2,994**	3,725	**-**	-
	2,994	3,725	**-**	-

22. Related parties

CIFF Trading held an investment in TCI LLP. TCI LLP did not distribute any profit share to CIFF Trading during 2016 and 2015. TCI LLP, whose managing partner is Sir Christopher Hohn, a member and Trustee of the Foundation, is the investment manager for the majority of the investments of the Group. The Foundation ceased to hold an investment in TCI Fund Management LLP on 24 June 2015. The Foundation, through its subsidiary CIFF Trading, holds an investment in TCI Fund Services LLP.

The Group received donations during the period amounting to US$1,021k (2015: US$881k) from TCI LLP that was used to pay TCI LLP for services received including items such as rent, information technology support and telecommunications. Payments made to TCI LLP during the period were US$965k (2015: US$992k).

Talos and Talos Properties Limited (wholly owned subsidiaries of the Foundation) paid US$40,326k and US$824k respectively to TCI UK LLP in respect of management fees for the investment management of the portfolio (2015: US$24,523k and US$1,251k). The TCI UK LLP investment management fees have been agreed on an arm's length basis.

During the period, Directors' fees of US$41k (2015: US$34k) for Jackie Gilroy were charged to Talos. The other directors, John Donohoe and Edward Collier and Hunada Nouss were not entitled to receive a fee. Edward Collier and Hunada Nouss were employees of the parent company, CIFF UK. There were no transactions between Edward Collier (resigned 9 December 2015) Hunada Nouss and Talos during the period (2015: none).

In the normal course of charitable granting, there are instances where the Foundation grants to charities with common trustees as CIFF (UK). The Foundation does not disclose grants to these charities as related party transactions, as the trustees as part of a collective of non-related trustees are not considered to be in a significant position of influence. The Trustees are satisfied that appropriate procedures are in place to ensure that any potential conflicts of interest are appropriately managed and avoided.

The Foundation co-operated and collaborated on various matters with BWP US, a not for profit organisation operating in the United States and registered as a 501(c)3 organisation. Whilst Ms Jamie Cooper and Dr Mark Dybul were Trustees of the Foundation during the financial period as well as Trustees of BWP US, the two foundations are run as separate organisations. Neither charity has any duty to report to the other. During the period to 31 December 2016, BWP US donated funds of US$175k (2015: US$5,063k) to be distributed under the agency agreement with the Foundation. All of the funds were disbursed as at 31 December 2016. On 1 July 2015, CIFF (UK) ended the agency agreement whereby it administered and managed grants on behalf of BWP US.

The Foundation has taken advantage of the exemption contained in FRS 102, paragraph 33.A, not to disclose other transactions with group companies as all are wholly owned subsidiaries of the Foundation and the consolidated financial statements are publicly available. Copies can be requested from the company secretary at the Foundation's registered office.

Administrator

The Group has entered into an administration agreement with the Administrator, Citco Fund Services (Ireland) Limited. The Administrator receives from the Group a monthly administration fee which is calculated as a percentage of Talos' and Talos Properties Limited's Adjusted Assets on a sliding scale.

Custodian and Prime Broker

The Group has a custody agreement with HSBC. The Group retains beneficial ownership of assets held by HSBC. Cash and securities deposited with HSBC are repayable on demand. In addition, the Group's cash held with HSBC will be segregated from HSBC's own cash. HSBC is not permitted to utilise, re-hypothecate or otherwise appropriate the assets of the Group, however HSBC will acquire a security interest in any assets that are provided as collateral to HSBC by the Group.

Custodian and prime broker fees to HSBC for the period totalled US$422k (2015: US$313k) of which US$35k (2015: US$26k) was payable at the period end.

Investment Manager Fees

The Children's Investment Fund Management (UK) LLP (""TCI LLP"") is the appointed Investment Manager to the Group. The fee agreement has been structured so that it is performance-based, with no base or liquidity management fees. In the Trustees' opinion the management fee structure correlates investment manager fees with performance and consequently reduces the financial risk to the Group.

During this financial period, TCI LLP received investment management fees from the Group comprising the following fees:

(a) Non-Real Estate Performance Fee

With effect from 1 May 2013, the Group will pay the Investment Manager a performance fee above a specified hurdle rate equal to 10% of the net realised and unrealised appreciation of the Adjusted Net Asset Value of the Group's investments in Talos during the Hurdle Rate Period. The total non-real estate performance fee for the period was US$26,838k (2015: US$10,465k), of which US$26,838k (2015: US$10,465k) was payable at period end.

(b) Real Estate Performance Fee

It was agreed that with effect from 1 May 2012, the Group would pay to the Investment Manager a performance fee in relation to the realised profits on Real Estate Loans above an annual internal rate of return of 9.67% per annum. The total Real Estate Performance Fee for the year was US$12,406k (2015: US$13,727k), of which US$19,039k (2015: US$20,795k) was payable at year end.

With effect from 1 May 2013, the Group will pay the Investment Manager a performance fee above a specified hurdle rate equal to 10% of the net realised and unrealised appreciation of the Adjusted Net Asset Value of the Group's investments in Talos during the Hurdle Rate Period. The total non-real estate performance fee for the period was US$12,406k (2015: US$13,727k), of which US$18,472k (2015: US$20,795k) was payable at period end.

(c) Real Estate Management Fee

On 30 January 2013, it was agreed that the Group will pay to the Investment Manager, monthly in arrears, a Real Estate Management Fee for managing a portfolio of Real Estate Loans managed by the Investment Manager. The total Real Estate Management Fee for the period was US$1,875k (2015: US$1,581k), of which US$110k (2015: US$163k) was payable at period end.

Other counterparties

The Group has amounts due from other counterparties as detailed in note 13.

24. Post balance sheet events

On 9 June 2017, the High Court ruled that the Foundation should pay a $360 million grant (Payment) to BWP (UK) (another English charity with similar objects). The preconditions for the Payment are contained in a Court Order dated 31 July 2017. One application for permission to appeal the judgement was heard in the High Court and was dismissed on 26 July 2017. A further application for permission to appeal the judgement has been made to the Court of Appeal by the independent membership of CIFF.

Given the time-frame for hearing the permission application, and for the hearing of any appeal if leave is granted, it is unlikely that any part of the Payment will be made in the 2017 financial year. If payable, the Payment is to be made in equal quarterly instalments over five years. The Payment would not have a significant impact on the Foundation's ability to meet its current obligations.

25. Ultimate parent undertaking & controlling party

The ultimate parent undertaking and controlling party is The Children's Investment Fund Foundation (UK), a company incorporated in England and Wales. CIFF (UK) (the ""charitable company""), is a company limited by guarantee and does not have share capital. Pursuant to article 7 of the charitable company's Articles of Association, every member promises that if the charitable company is dissolved while he, she or it remains a member or within 12 months afterwards, to pay up to one pound sterling towards the costs of dissolution and the liabilities incurred by the charitable company while the contributor was a member.

CIFF (UK) is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2016. The consolidated financial statements of CIFF (UK) is available from the Company Secretary at 7 Clifford Street, London, W1S 2FT.

26. Restatement

(a) Transition for FRS 102 and the SORP

These accounts for the period ended 31 December 2016 are the first accounts of the Group that comply with Financial Reporting Standard 102: The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland. The following disclosure is required in the period of transition. The last Financial Statements under previous UK GAAP were for the period ended 31 August 2015 and the date of transition to FRS 102 was therefore 1 September 2014.

(b) Statement of Financial Activities for the year ended 31 August 2015

	year ended previously reported UK GAAP (US$ '000)	(i) (US '000)	year ended previously reported FRS102 (US$ '000)
Income and endowments from			
Donations and Legacies	**881**	-	881
Income from investments	**240,626**	-	240,626
Income from Charitable Activities	**5,063**	-	5,063
Total incoming resources	**246,570**	-	246,570
Expenditure on			
Expenditure on raising funds	**30,664**	-	30,664
Expenditure on charitable activities	**251,192**	6,205	257,397
Governance costs	**6,205**	(6,205)	-
Total resources expended	**288,061**	-	288,061
Net gains on investments*	**132,860**	-	132,860
Net Income/(expenditure)	**91,369**	-	91,369
Foreign Exchange gains/(losses)	**(170)**	-	(170)
Exchange differences on translating foreign operations	**(3,514)**	-	(3,514)
Net movement in funds	**87,685**	-	87,685
Funds at the start of the year	**4,353,886**	-	4,353,886
Fund balances carried forward at 31 August 2015	**4,441,571**	-	4,441,571

* Previously shown below net outgoing resources before net gains on investments.

Nature of adjustment

(i) Under the FRS 102 SORP governance costs previously shown on the SOFA are now included as a support cost and allocated as such. Accordingly governance costs have been allocated using a direct expenditure allocation methodology against activities in the SOFA.

CONSTITUTION	A Company limited by guarantee and an English registered charity governed by its Memorandum and Articles of Association
COMPANY NUMBER	4370006
REGISTERED CHARITY NUMBER	1091043
TRUSTEES	Ms Jamie Cooper Sir Christopher Hohn Dr Graeme Sweeney Mr Ben Goldsmith (appointed on 18 November 2015) Mr Masroor Siddiqui (appointed on 18 November 2015) Dr Mark Dybul (resigned on 2 March 2016) Mr Gerard Elias (resigned on 2 March 2016) Lord Mark Malloch-Brown (resigned on 2 March 2016)
COMPANY SECRETARY	Ms Eleanor Boddington
REGISTERED OFFICE	7 Clifford Street London W1S 2FT
BANKERS	HSBC Bank plc Level 18 8 Canada Square London E14 2HQ
SOLICITORS	Bircham Dyson Bell 50 Broadway London SW1H 0BL
INDEPENDENT AUDITORS	KPMG LLP 15 Canada Square London E14 5GL

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