CHILDREN'S INVESTMENT FUND FOUNDATION

Annual Report 2014

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Charity number: 1091043

The Children's Investment Fund Foundation (UK)

www.ciff.org

CONTENTS

EVERY CHILD DESERVES TO SURVIVE AND THRIVE

Investing in the next generation

Every child deserves to survive and thrive. From pregnancy, through early childhood and adolescence, all children should have the opportunity to fulfil their potential; to grow up healthy, productive and secure, no matter where they are born. This vision requires fundamental changes to the lives of hundreds of millions of children and their families. It requires a step change to the curve of history to speed up and share more widely the global progress in health, education and well-being.

The Children's Investment Fund Foundation (UK) ("CIFF" or "the Foundation") aims to make a significant and distinctive contribution towards this vision. Our mission is to transform the lives of poor and vulnerable children in developing countries by achieving large scale and sustainable impact. Working in cooperation with others, we can tackle preventable deaths, illness, abuse, and malnutrition. To protect the health gains achieved and to ensure smart stewardship of the planet's resources for future generations, we can also make a significant contribution to the Herculean task to slow-down and stop climate change.

Since CIFF's inception more than 10 years ago, the Foundation has committed over $500 million to further CIFF's mission of which over US$380 million was disbursed to our grantees.

As a funding organisation, all of CIFF's impact derives from supporting the work of others through partnership. Our programmes are designed to build on ideas and leadership on the ground, seeking to add value with funding, expertise and a distinctive approach. CIFF emphasises rigorous data analysis to measure impact, which can be shared and evaluated. Programme investments are driven by the best available evidence, with close attention to what is cost effective. We aim to use our leadership, expertise and collaborative work with partners to galvanise action on urgent challenges. The ability to take risks means we can approach seemingly intractable challenges with support for bold ideas. Close monitoring of interim results enables us to learn fast and to adapt with partners as we work together. All this, combined with creative ways to leverage the Foundation's financial resources, enables CIFF to play a distinctive role as an independent philanthropy towards achieving transformative and sustainable impact for children in the priority areas of nutrition, health, education and climate change.

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Overview of 2014

Building on strong foundations

CIFF stands on its own two feet. With an independent endowment of over US$4 billion and a professional executive team and staff, we are constantly seeking ways to further increase CIFF's impact at scale to benefit children and their families.

Transforming the lives of poor and vulnerable children is at the heart of the Foundation's mission. With a strong financial base, the Foundation increased its disbursements by almost 50% to US$122 million in the year to 31 August 2014. The money disbursed in 2014 goes towards improving children and mothers' health and nutrition, children's education and welfare, and smart ways to slow-down climate change. It will help some of the world's poorest and most vulnerable families. The grants are designed to not only help children survive and thrive, but also to contribute to the global knowledge bank of what works.

All of this builds on the extraordinary generosity and distinctive vision of the co-founders, Sir Chris Hohn and Jamie Cooper-Hohn, who created CIFF in 2003. Although the Foundation no longer relies on donations from Jamie and Sir Chris, they are deeply involved in CIFF's work as active trustees who take a strong personal interest in shaping key investments in CIFF's granting portfolio.

2014 was an important year for CIFF. There was significant growth of the portfolio of grants to a value in excess of half a billion dollars. In Nutrition we launched a new strategic plan, hired new staff, and initiated new programmes to implement the US$700 million funding commitment made in 2013. In April the Board approved an ambitious partnership to achieve a world free of worms and made a public pledge of US$50m to scale up deworming efforts to tackle soil-transmitted helminths. We have also forged strong relationships with key global influencers such as the World Bank and PEPFAR (the US Presidential Emergency Plan for AIDS Relief) for new global programmes to help transform the lives of children. It was also a pivotal year for climate change, with CIFF scaling up work in China, Europe, and Latin America to build effective change on the ground in advance of the 2015 international climate conference.

CIFF invested in its own capability, with Michael Anderson as a new CEO and Hunada Nouss as the new CFO implementing a number of changes within the foundation. Internally, CIFF re-organised its work into four sectoral teams – nutrition, health, education, and climate change. We have also increased the strength and depth of resources, with over 30 new staff members having joined in the past twelve months bringing the total to 78 across offices in London, Nairobi and New Delhi. We have given more attention to rigorous financial management, a new communications capacity, focus on best available evidence and scaling up independent evaluations. We have added to our deep technical expertise on topics such as nutrition and deworming and are investing in building durable partnerships.

As detailed in the rest of this report, the Foundation continued to work closely with partners to grow its portfolio of investments, delivering over 30 new programmes. Working in partnership with governments, businesses, international and local NGOs, other foundations and donors, universities, activists and others, is a crucial part of the way CIFF operates. These partnerships are critical, because it will take the combined efforts of the many to successfully tackle big challenges: such as preventing child and maternal deaths and removing climate changing carbon from the atmosphere.

CIFF Activities by Sector and Strategic Priority Areas

NUTRITION

Mission

Invisible yet deadly, under-nutrition is wrecking lives. Globally, 162 million chronically under-nourished children are not getting the right nutrients and care at the right time. Under-nutrition is the underlying cause of 45% of child deaths. For those who survive, there is overwhelming evidence that children grow up with bad health, poor education outcomes and that their children are more likely to be under-nourished. Good nutrition in the first 1,000 days from conception is especially important to avoid permanent cognitive impairment. There are also big economic costs.

Recognising that under-nutrition is one of the most significant issues preventing children and societies from reaching their full potential, we launched our 2014-2020 Nutrition Strategy in May 2014. Working with government and non-government partners, the strategy aims to support the transformation of how nutrition is prioritised, planned for, resourced and delivered with a view to reaching the Nutrition for Growth ("N4G") 2020 and World Health Assembly 2025 targets.

Approach

We work in partnership with others to:

- Support large scale programmes in five countries, with a focus on proven interventions to achieve a 30% stunting reduction, and increase by at least one million the number of children successfully treated for severe acute malnutrition every year.
- Work with key leaders and champions from government, business, civil society, traditional groups, communities and institutions at country and international levels to make the case for nutrition and to increase resources for- and support delivery of- nutrition services.
- Partner with business and innovators to develop new nutrition solutions, and to drive down the price and improve sustainability of known interventions.
- Build data and knowledge, to ensure that nutrition status indicators and interventions are measured in regular country-level surveys and that knowledge is documented and shared across countries.

Impact and achievements

Key nutrition achievements this year included:

- *Treating near-death malnutrition in Nigeria*: In Northern Nigeria, 251,314 children under five years of age suffering from Severe Acute Malnutrition were treated in partnership with the Federal and State Ministries of Health, UNICEF and other funders. Of the children admitted into the programme for community-based treatment of severe acute malnutrition, 81% were successfully cured. This exceeds the minimum international standard of 75% cure rate for such programmes in a non-emergency setting. Between June 2013 – June 2014 an estimated 24,100 lives were saved by the programme.
- *Tackling stunting in Malawi*: CIFF supported the World Food Programme to deliver an integrated package of high-impact interventions which reached 84% of eligible children under two years of age. The partnership with the World Food Programme includes distribution of a Lipid-based Nutrient Supplement, nutrition counselling and focused complementary interventions to demonstrate stunting prevention programming at scale in a high-prevalence region, where close to 53% of children are stunted.

- *Treating diarrhoea in Bihar*: In the first quarter of 2014, 170,422 cases of diarrhoea were treated in Bihar, India. 67% of these cases were treated with Zinc and ORS, as part of an effort to sustainably improve diarrhoea treatment in children under the age of 5. Programme partners are the State Government of Bihar and the Micronutrient Initiative.
- *Cheaper therapeutic food*: With a sales price of US$46.90 per carton, MANA achieved the lowest price in the world for Ready-to-Use Therapeutic Food (RUTF) in 2014, while building a sustainable business.

During the year, new investments totaling multi-year commitments of almost US$60 million were approved:

- *Ethiopia:* A stunting reduction programme in Ethiopia which aims to: (i) reduce stunting in children under 5 years by up to 26% by 2020; (ii) enhance the existing bundle of high impact feasible interventions in the Community Based Nutrition Programme with complementary feeding promotion; and (iii) support a nutrition programme at scale that will generate robust learnings for other regions, other countries and the global community.

- *Mobilising nutrition leadership:* A global nutrition advocacy programme which aims to transform the political, economic and institutional environment for nutrition by supporting leaders and champions, resource mobilisation and budgets, and communities and institutions.

- *Rwanda:* A stunting reduction programme in Rwanda which aims to demonstrate how it is possible to intervene systematically from early pregnancy through a child's second birthday to achieve a 30% reduction in stunting in a variety of ecological zones. The programme aims to benefit 279,000 women and their newborn infants directly.

- *Piloting new treatment combinations in Nigeria:* A pilot to combine nutrition supplementation and seasonal malaria chemoprevention in Kano state in Nigeria to prevent undernutrition and malaria in children 6-24 months of age. The pilot is being conducted in partnership with the Clinton Health Access Initiative (CHAI).

- *'Crowding-in' new funding for nutrition:* In addition, the Board approved the creation of a new catalytic financing facility for nutrition (of up to US$78 million) to attract new financing to nutrition programmes through high-impact and leveraged investments.



(1) © Farrah Mateen, (2) 2013 SPRING Project, (3) © 2012 Emiliano Albensi/Albefotografiche.net. All courtesy of Photoshare

HEALTH

Mission

CIFF aspires to a world in which every pregnancy is wanted, every birth celebrated, and women, babies and children survive and thrive to reach their full potential. We focus on three priority areas:

Child survival: Forty-four per cent of child deaths under the age of 5 take place during the neonatal period. And over 40% of maternal deaths and 45% of under-5 deaths and late stillbirths occur in the short window of time from the onset of labour to the first week – the "perinatal period". *Our aim is to ensure that every birth is safe and every woman and her child survives and thrives.*

Paediatric AIDS: In the 22 countries with high AIDS burden, childbirth presents a pernicious opportunity for the HIV virus to pass from infected mothers to their children. While the number of new infections among children has fallen from 550,000 to 199,000 over the past decade, more than 3 million children are currently living with HIV. Evidence suggests that antiretroviral therapy substantially reduces morbidity and mortality but only 22% of children under the age of 15 years are currently on this treatment. *Our aim is to end paediatric AIDS by preventing mother-to-child transmission and treating all infected children.*

Adolescent health: We also focus on adolescent reproductive health, recognizing that pregnancy during adolescence reduces life chances for girls. It affects their health and nutritional status and their educational and economic opportunities. Pregnancy-related complications are also a leading cause of death and disability among adolescents. Adolescent girls account for only 11% of births but more than 20% of maternal death and disability. *Our aim is to ensure that no girl dies or suffers mental or physical injury as a consequence of pregnancy.*

Approach

Working in partnership with others, we prioritize areas for children that have been relatively neglected within global health. We seek to demonstrate and bring to scale innovations in product design and service delivery, and we advocate for increased resources and action, both globally and in our priority geographies. In addition to our current priorities, we have been scoping out new area relating to the prevention of child exploitation and slavery.

Impact and achievements

Key health achievements this year have included:

- The CIFF Board approved a new Adolescent Reproductive Health landscape analysis in November 2013, which will be the basis for new investments to delay child marriage and improve adolescent family planning services.
- CIFF's investment in The Lancet Every Newborn Series (May 2014) and participation in the Every Newborn Steering Committee, helped raise the profile of newborn survival on the global agenda.
- CIFF's support for the Government of Zimbabwe and the Elizabeth Glaser Pediatric AIDS Foundation investment, continued to register impressive gains, with mother to child HIV transmission rates down from 28% to 9% in 2014.
- An external evaluation of the CIFF-supported Living Goods pilot in Uganda, which showed that under-five mortality in villages served by community health workers trained in business practices had declined by 26% between 2011 and 2013.

During the year, the CIFF Board approved new health investments totaling multi-year commitments of nearly US$50 million including:

- A $25 million grant to provide life-saving Human Papilloma vaccines to 40 million woman and girls by 2020 to protect them from cervical cancer. The money is being invested through the Global Alliance for Vaccines and Immunisation (GAVI Alliance).

- Innovative contraceptive products: US$17.8 million in support of Sayana Press, a new injectable contraception device. This funding supports research to understand the potential for self-injection in two countries, market shaping to reduce the price of Sayana Press, and roll-out of the product in ten countries across sub-Saharan Africa and Asia.

- Understanding child marriage: US$1.5 million to support modelling to estimate the economic and productivity losses attributable to child marriage.

- Improving insurance-based healthcare in India: US$4.7 million to harness government-sponsored health insurance schemes in India (Andhra Pradesh and Telangana) to improve the quality of maternal and newborn care facilities.

- New metrics for newborn care: US$150k to support the development of new indicators to measure key newborn interventions in low-resource settings.

Mamta Rajput SCC India © Jhpiego

EDUCATION

Mission

Early childhood education is the vaccine of education. It lasts forever. Our focus on early learning, in pre-school settings, in the home and in the community, aims to unlock the potential of every child. Our goal is to ensure that every child is ready for school – mentally, emotionally and physically – through the provision of quality early childhood education.

We also work in the crucial area of deworming. Over 800 million children are at risk of infections from worms such as hookworm and whipworm. These Soil Transmitted Helminths and Schistosomes cause the most common parasitic diseases in the world, but their treatment and prevention has been largely neglected. Deworming has been shown to improve children's physical growth and nutritional status, to improve school attendance, and even to enhance long- term earnings. CIFF's goal is a world where every child is free from worms forever.

Approach

In Early Learning, CIFF's approach is to support governments and non-state actors to scale up the delivery of quality services. CIFF is also working at the global level to raise the profile of early childhood education, to increase investment, and to develop easy-to-use measures of early childhood development. In Deworming, CIFF is expanding support to governments to institutionalise national deworming programmes, using those programmes for new scientific and operational research, and helping to build a new coalition to accelerate deworming globally.

Impact and achievements

FY14 has been a landmark year for Deworming. In March, the CIFF Board of Trustees agreed a new vision, to rapidly expand coverage of deworming and to test new possibilities to break the transmission of worms. This vision was backed by a public pledge to spend US$50 million over the next five years on deworming, and the approval of CIFF's largest ever deworming programme in India, with the potential to reach over 100 million children. In Kenya CIFF supported the Kenyan government and other partners to achieve a 68% reduction in the prevalence of worms in Kenya in the past year. At schools throughout the country, 5.9 million children were dewormed.

© Evidence Action

FY14 saw more than $100m of new multi-year commitments approved by the Board for new Early Learning investments, including:

- *High-impact children's media in India:* US$12 million investment in Sesame Workshop India to expand educational media to an estimated audience of up to 27 million children.
- *Focusing on learning outcomes, not just attendance:* US$22 million investment in the Global Partnership for Education paying for improvements in learning outcomes for up to 10-15 countries.
- *Developing and testing new early learning initiatives in 19 countries:* US$25 million investment in the World Bank 'Early Learning Partnership': supporting at least 19 countries to design and initiate early childhood education programmes; at least 5 countries to take programmes to scale; and funding 5-7 rigorous impact evaluations.
- *Testing and scaling cost effective delivery mechanisms for early childhood education:* US$19 million investment in Kenya working with the Government of Kenya, private providers and the Research Triangle Institute.
- *Development Impact Bond:* The world's first 'Development Impact Bond' in international education, in collaboration with Educate Girls and UBS Optimus.

Galli Gallii Sim Sim © Sesame Workshop

CLIMATE CHANGE

Mission

Climate change poses the single biggest threat to the future health and livelihood of today's children. CIFF supports the urgent global transition to a low carbon economy because providing a climate-safe future will deliver multiple benefits today such as cleaner air, improved health and better jobs. Children living in poverty in developing countries are particularly vulnerable to the impacts of climate change, such as increased incidences of vector borne diseases, droughts, floods and food insecurity. To protect health and wellbeing gains, and to ensure smart stewardship of the planet's resources for future generations, we are working to help slow-down and stop climate change.

Approach

In 2014, more overwhelming evidence demonstrated that investing in low-carbon ways of living can make a positive contribution to economic growth and human well-being, including significant co-benefits in public health, improved air quality, energy security and food security. CIFF's climate investments build on that evidence to promote ambitious carbon reduction that is good for business and communities as well as being politically feasible.

The best science tells us that climate security requires zero net greenhouse gas emissions by 2050. Consequently, CIFF's climate investments are not targeting incremental improvements but rather transformational change to entire systems, including energy, urban design and land use. We are also supporting the near-elimination of hydrofluorocarbons (HFCs), some of the most harmful greenhouse gases produced in the world today. We work in three regions that have already demonstrated the will and capacity for transformational leadership: Europe, China and Latin America. We seek to amplify their experience through global initiatives, including preparations for the 2015 international climate conference in Paris.

Impact and achievements

During FY14, CIFF has continued to support exciting policy developments in our focus geographies at national and city level. We embarked on new programmes with multi-year commitments totaling US$84 million.

Power Sector Transformation

- In China, our partnership with the Environmental Defense Fund and many local grantees has supported the design and implementation of carbon trading pilots in Shenzhen and Hubei, becoming among the first such initiatives to be implemented in the country.
- In Europe, member states agreed to reduce greenhouse gases by at least 40% on 1990 levels by 2030 – a result driven in part by our partnership with the European Climate Foundation for advocacy and technical work.
- In Mexico, our investments in the 21st Century Power Partnership and the Latin America Regional Climate Initiative have supported the development of a comprehensive framework for renewable energy and smart grid regulation and the introduction of a carbon tax.
- Our investment in the Mitigation Action Plans and Scenarios programme continues to enhance government and civil society understanding of and commitment to ambitious climate mitigation in Chile, Colombia, Peru and Brazil.

Climate-smart Urbanisation

The C40 Cities Climate Leadership Group is a network of the world's megacities taking action to reduce greenhouse gas emissions. Over the past two years, since our investment, the C40 has doubled to 8,000 the number of reported emission-reduction actions, policies, and methods through which cities are tackling climate change. The C40's networking strategy is working in a number of priority action areas: for example, in 2011 there were only six C40 cities that reported cycle share programmes, whereas 36 cities are now doing so. Moreover, best practice is flowing from the South to the North: Latin America leads the way in the development of bus rapid transit systems (a low cost alternative to metros) and now, of the 35 C40 cities that have or plan to develop a bus rapid transit system, 57% are cities in the developed world, which has been influenced by exemplars in Latin America.

HFCs

Our investment has supported advocacy to secure a world-leading regulation phasing down of HFCs and other fluorinated gases in the EU, and even banning some outright. This regulation will have an impact beyond the EU's borders due to the high levels of European imports of goods such as air conditioning units that carry HFCs.

Sustainable Land Use

Land use is the latest strategy developed by CIFF in the climate change area. After extensive research, the strategy was presented to the Board in July 2014. The first proposed intervention was approved in August 2014, with the objective to create the enabling conditions for implementation of the Forest Code, a key piece of land use regulation that can pave the way for Brazil to achieve Net Zero Deforestation by 2030.

C40 Mayors Summit in Johannesburg 2014 © J.P. Engelbrecht, courtesy of C40

Evaluation Report

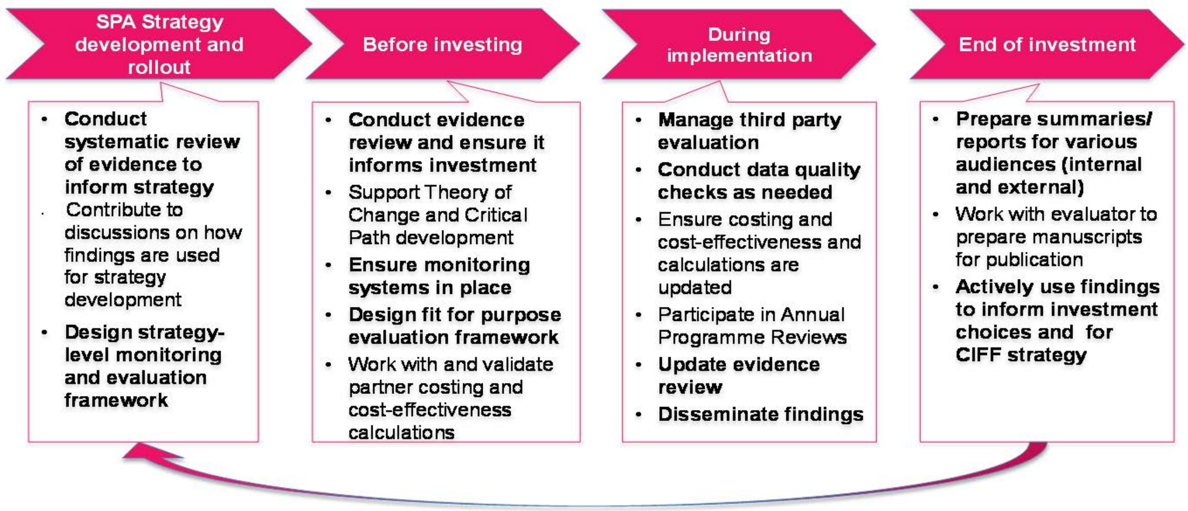
CIFF's Evaluation Mandate

The Foundation places evaluation at the core of all its programmes, with a team of dedicated Evidence, Measurement and Evaluation (EME) specialists overseeing a portfolio of third party evaluations with the specific objectives of:

- Providing rigorous assessment of evidence to inform decision making and generation of credible, robust evidence where needed.
- Ensuring robust monitoring systems to support our investments and generate data that can be used for programmatic decision making, including course-correction where necessary.
- Evaluating impact of our investments, both for learning and accountability purposes.
- Facilitating learning, within the organisation and externally, using evidence generated by us and others.

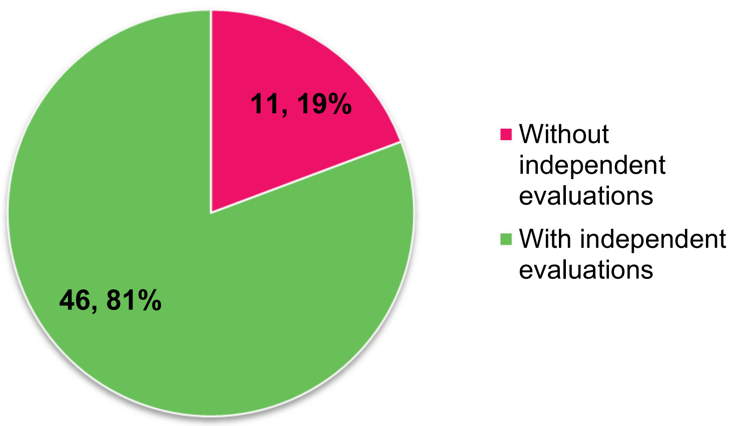
The EME team plays an important role throughout the investment lifecycle:

Figure 1: EME interface with investments throughout the investment lifecycle



The EME team considers the appropriateness of commissioning third party evaluators for each programme, utilising internal resources wherever possible. However, CIFF believes that investment in data is of key importance to maximise efficiency and sustainability of its investments. CIFF has supported 54 evaluations since 2006. Since 2010 (when the EME team was formed), the majority of our growing portfolio has independent evaluations (81%).

Figure 2: Percentage of investments with third party evaluators



EME Case Studies

HEALTH CASE STUDY: Living Goods

During the year we received results from the independent evaluation of the CIFF-supported investment in Living Goods, a three-year proof-of-concept investment initiated in Uganda in 2010. The investment aimed to test an innovative community health worker model, comprising of a network of women entrepreneurs. The Community Health Promoters go door-to-door offering free treatment and diagnosis of common childhood conditions and motivating households to adopt healthy behaviours. The entrepreneurs also sell consumer goods to make a small income and keep the model financially viable.

The evaluation found impressive results in terms of mortality reduction in children under-five. Sites where the Community Health Promoters were operating had 26% lower under five mortality compared to sites with no Community Health Promoters. Amongst the main drivers of the mortality reduction were: increased use of bed nets, ORS/Zinc to treat diarrhoea, diagnosis and treatment of pneumonia and home visit of the newborn within the first week. CIFF and its partners are currently engaging with the results of the evaluation to help inform future scale-up and replication options.

CLIMATE CHANGE CASE STUDY: Mitigation Action Plans and Scenarios (MAPS)

The MAPS investment aims to bring ambitious climate objectives into decisions about infrastructure investment in developing countries - Brazil, Chile, Colombia and Peru. It brings together stakeholders to consider scenarios and discuss options, and seeks to increase political commitment by working transparently across multiple ministries and with key business and civil society interests.

It is still early to determine if MAPS has been successful in achieving its goal. Nevertheless, the 2011-12 evaluation found that MAPS had helped countries launch strategic planning processes for low emission development. These are now embedded in government systems. Indications are that MAPS is accelerating political commitment for the formulation and implementation of ambitious mitigation action in Peru, Chile and Colombia.

The evaluation also compared performance across countries along five dimensions – government commitment, stakeholder engagement, data and analysis, knowledge sharing and management, and organisational capacity and governance. In Chile, the MAPS process was able to maintain momentum through political upheaval and progress to the stage of participation with government. In Colombia however, MAPS has found it challenging to go beyond sector-based data gathering and engagement. In Peru, despite a slow start, MAPS has been successful in aligning stakeholders and shaping the direction of the Climate Change programme using a robust evidence base. In Brazil, MAPS has only recently obtained the necessary political mandate and looks to learn from experiences in other countries.

Later this year, the findings and evaluation approach will be presented at the International Climate Change Evaluation Conference.

Lessons Learned from CIFF's Evaluation Approach

There are a number of lessons from our experience of measuring and evaluating CIFF's portfolio of investments. These lessons have helped us correct and modify our approach, from making decisions about investments to managing them and disseminating findings in order to maximize the potential impact for children.

When Designing Evaluations:

- Clear programme logic and hypothesis of change are essential for design of effective monitoring and evaluation (M&E) frameworks.
- Knowing 'how' change happens is just as important as knowing whether there is change.
- The audience for the evaluation should be identified at the outset by CIFF and our partners.
- Planning for measurement and evaluation needs to be built in early, and agreed with partners during the design and investment phase.
- It is important to plan for the dissemination of evaluation findings (even if the results are ultimately not statistically significant) from the outset: the point of an evaluation is to stimulate reflection and action, not to gather dust on the shelf.

When Implementing Evaluations:

- It is helpful to have the evaluation partner involved in programme work planning sessions.
- As far as possible, efforts should be made to enhance existing data systems and improve their quality as opposed to generating a parallel system to meet short-term data requirements.

When Identifying and Working with Evaluation Partners:

- The success of evaluations is determined by close management of the evaluation process.

Focus for the Future

Going forward, CIFF intends to focus on:

- Continuous improvement of our EME approaches based on internal lessons learned, future investment strategies and continued dialogue with other organizations – we are particularly keen to integrate cost effectiveness analysis into performance management.
- Pro-active dissemination, learning and follow-up from evaluation findings.
- For investments in the post-implementation phase, separate efforts to investigate whether changes (and implementation) are sustained beyond the life of CIFF's investment.
- Fostering partnerships with other donors / stakeholders for learning and for co-funded evaluations.
- Building long-term partnerships with in-country evaluation partners.

Future View

2015 has the potential to be a landmark year. For the world, it will be a critical year to deliver ambitious action to reduce carbon emissions at the international climate conference in Paris. And it will be a year for new UN Development Goals. Our commitments do not end when the Millennium Development Goals (MDGs) expire on 31 December 2015. CIFF's sizeable endowment of over US$4 billion and a rapidly growing portfolio of grants will seek to contribute to the success of the next generation of UN Development Goals. Like the MDGs, these should be concise, compelling and focused on measurable outcomes.

Looking ahead, the Foundation will continue to aspire for a higher level of impact. There will be very big challenges to meet in scaling-up work especially on nutrition, deworming, and adolescent family planning. At the same time, it will be a year to continue to strengthen our own capacity to deliver cost-effective and transformative investments at scale. We expect to develop new financial management tools, a new set of metrics for measuring the impact of our programmes and the effectiveness of our own work, and a new survey of stakeholders to assess CIFF's effectiveness as a global partner.

CIFF will also remain responsive to emerging needs. The Ebola outbreak in West Africa put at risk the tremendous progress that has been achieved over the past few decades. In October 2014, CIFF committed and quickly disbursed US$20 million to fight the disease and its consequences. The funding contributed to the global emergency response to support front line health workers and maintain wider primary and preventive health systems, particularly those needed to ensure that children are able to survive and thrive.

The Ebola funding was the biggest commitment that CIFF has ever made to a humanitarian crisis, reflecting the scale and urgency of the epidemic but also an example of how philanthropies can play an important role in times of crisis. Being nimble, flexible and collaborative on tough challenges can transform lives.

During 2014, CIFF embarked on a Strategy Refresh exercise that will conclude in 2015. The objectives are to define our investment principles and sharpen our approach to ultimately accelerate our impact. The Strategy Refresh should: set out clearly the investment principles that will guide CIFF's future work; focus the bulk of CIFF's effort on a limited number of ambitious long-term goals; clarify the parts of the development value chain (from upstream product development through policy change and last-mile delivery) that CIFF will engage in; and define new models for allocating staff time and resources to best fulfil our mission.

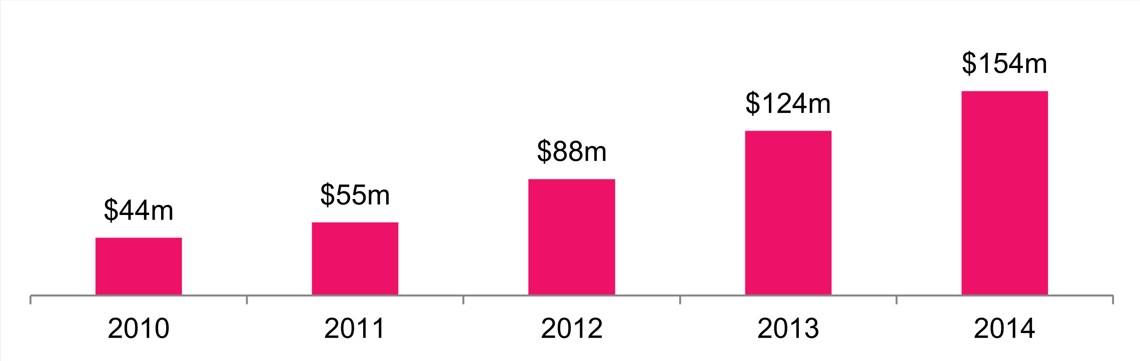
In conjunction with the Strategy Refresh, we are building a five-year strategy and business plan which will set an ambitious vision for growth by 2020. These projects are ongoing, but we hope to be able to provide further details in next year's Trustees' Report.

Financial Review

Key financials at a glance

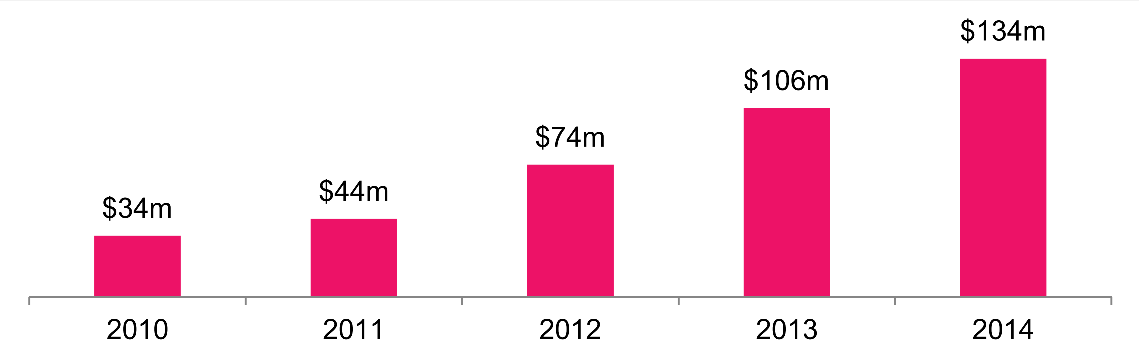
Charitable activities in year to August (US$m)

$154m



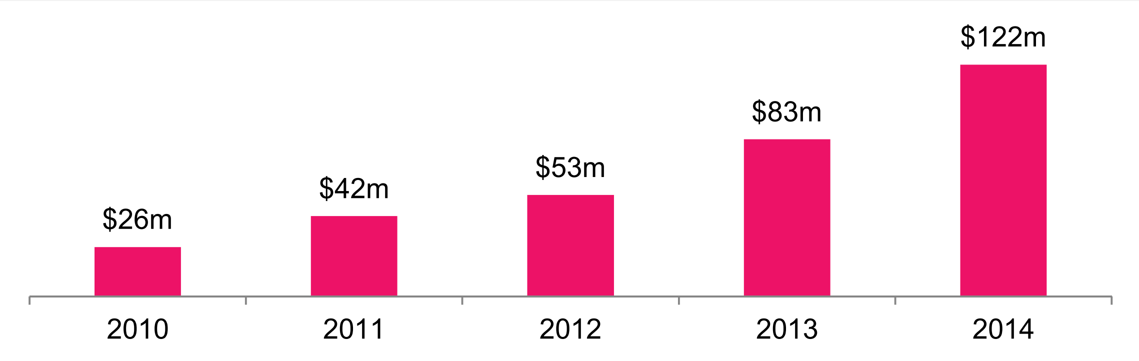
Grant commitments in year to August (US$m)

$134m



Grant disbursements in year to August (US$m)

$122m



Financial information for 2010-2012 has been converted from pounds sterling to US dollars using the average prevailing rate during the relevant period: 2010: 1.565; 2011: 1.604; 2012: 1.574.

Five-year financial summary

Table 1

Summary of income and expenditure

Years ended 31 August	2010	2011	2012	2013	2014
	US$m	US$m	US$m	US$m	US$m
Incoming resources	69.3	89.7	160.6	156.1	189.0
Recognised gains/(losses)	505.0	482.9	(12.3)	466.9	603.3
Total incoming resources including recognised gains and (losses)	**574.3**	**572.6**	**148.3**	**623.0**	**792.3**
Investment management costs	23.3	27.6	23.2	26.6	69.7
Charitable activities	43.6	55.2	87.8	123.8	153.8
Governance costs	2.4	2.2	3.8	3.0	5.5
Total resources expended	**69.3**	**84.9**	**114.8**	**153.4**	**229.1**
Net movement in funds	**505.0**	**487.7**	**33.5**	**469.6**	**563.3**

Table 2

Summary of assets and liabilities

Years ended 31 August	2010	2011	2012	2013	2014
	US$m	US$m	US$m	US$m	US$m
Fixed assets	3,293.6	3,940.8	3,164.8	3,471.8	3,545.7
Current assets	100.9	1,458.9	506.0	648.0	1,202.5
Current liabilities	(653.5)	(2,014.0)	(319.1)	(264.7)	(370.9)
Total assets less current liabilities	2,741.0	3,385.7	3,351.7	3,855.1	4,377.3
Non-current liabilities	(16.4)	(18.8)	(30.8)	(64.5)	(23.4)
Net assets	**2,724.6**	**3,366.9**	**3,320.9**	**3,790.6**	**4,353.9**

Table 3

Summary of financial and operational information

Years ended 31 August	2010	2011	2012	2013	2014
Grant disbursements (US$m)	26	42	53	83	122
Grant disbursements as a % of net assets	1%	1%	2%	2%	3%
Number of new grants approved in year	12	10	17	20	32
Number of grants under contract	15	15	32	37	53
Average headcount (FTE)	34	36	42	49	66
Support costs as a % of charitable activities	21%	20%	15%	14%	13%
Support costs as a % of disbursements	35%	27%	25%	21%	16%

The information above is prepared on a consolidated basis. Financial information relating to the statement of financial activities for 2010-2012 has been converted from pounds sterling to US dollars using the average prevailing rate during the relevant period: 2010: 1.565; 2011: 1.604; 2012: 1.574. Financial information for 2010-2012 relating to the balance sheet has been converted from pounds sterling to US dollars using the closing prevailing rate at the balance sheet date of the relevant period: 2010: 1.541; 2011: 1.625; 2012: 1.587.

Grant disbursements

The Foundation made US$122.0 million of grant disbursements in 2014, which was the first financial year that the Foundation had made grant payments greater than US$100m and represented a 48% increase on prior year (2013: US$82.7 million). The charts below show the grant payments made in 2014 by sector and geographic focus.

Figure 2
Charitable grant payments by sector (US$m)

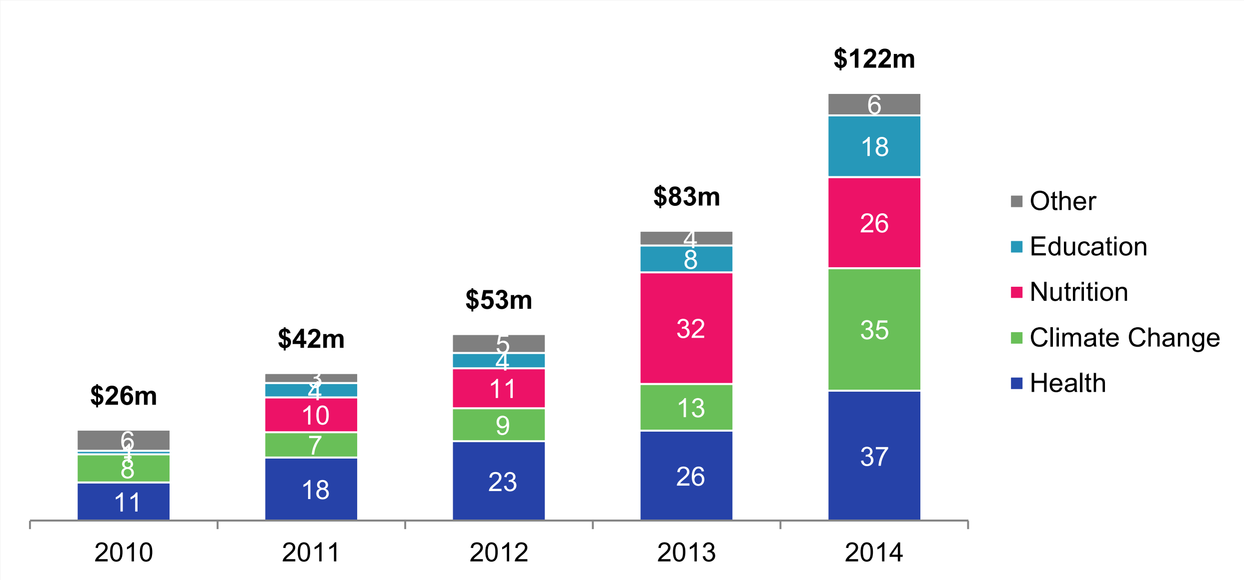
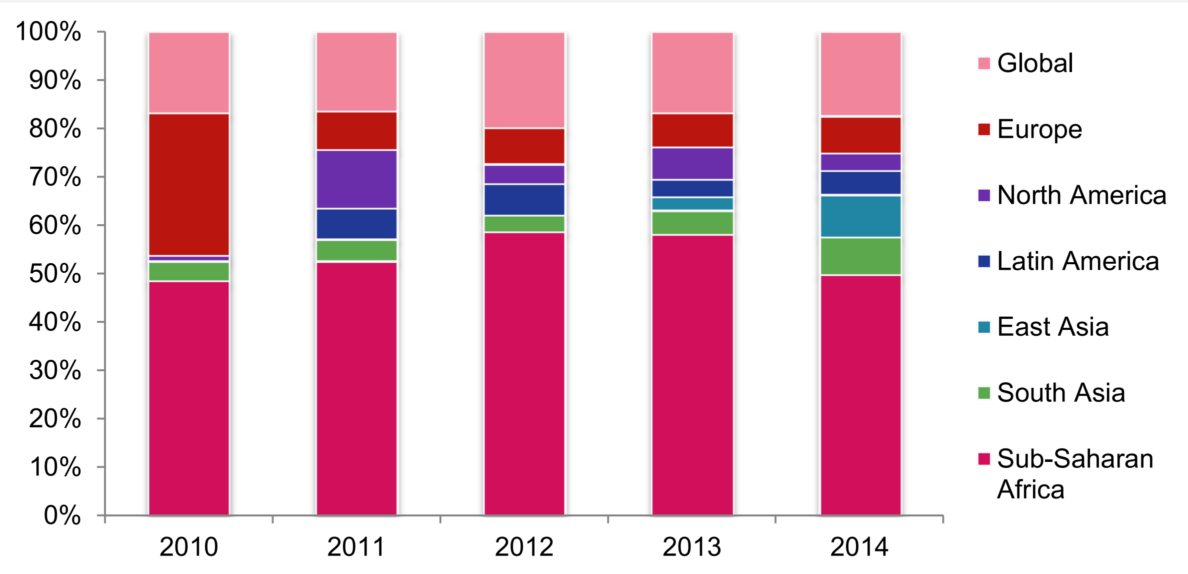


Figure 3
Distribution of charitable grant payments by geographic focus



Financial information relating to the statement of financial activities for 2010-2012 has been converted from pounds sterling to US dollars using the average prevailing rate during the relevant period: 2010: 1.565; 2011: 1.604; 2012: 1.574.

Charitable Activities

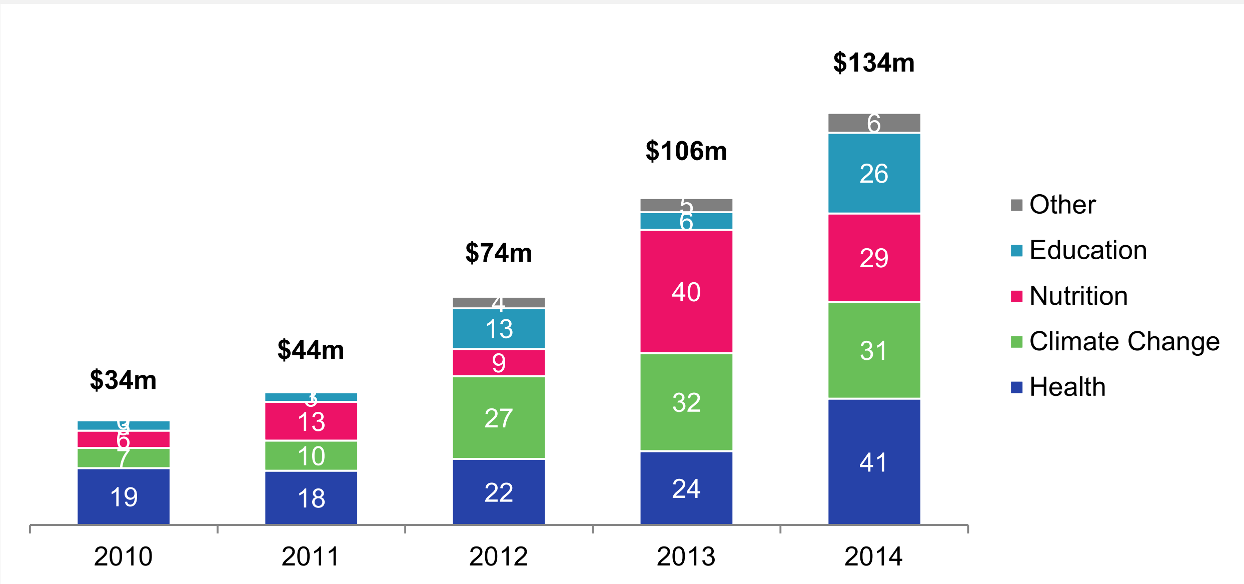
The Foundation committed US$153.8 million to charitable activities (2013: US$123.8 million), which consisted of US$134.2 million of charitable grant commitments (2013: US$106.4 million), US$0.5 million of activities undertaken directly (2013: US$1.2 million) and US$19.2million of support costs (2013: US$16.2 million).

Charitable grants

Total net programme grant commitments grew to US$134.2 million (after amendments to grant commitment contracts and the effects of foreign exchange) (2013: US$106.4 million), against a target for the year of $113m. The average value of new commitments in the year (excluding EME grants) was US$3.8 million (2013: US$3.1 million).

The chart below shows the breakdown of the grants made by sector (for further details on grant commitments see note 6).

Figure 4
Grant commitments activities by sector (US$m)



Financial information relating to the statement of financial activities for 2010-2012 has been converted from pounds sterling to US dollars using the average prevailing rate during the relevant period: 2010: 1.565; 2011: 1.604; 2012: 1.574.

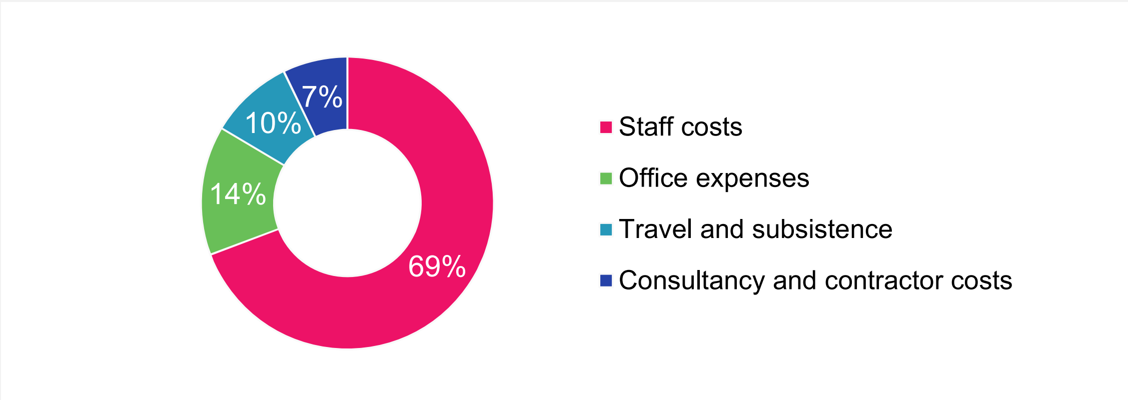
Activities Undertaken Directly

In addition, the Foundation undertook direct activities in relation to furthering the international agenda regarding global childhood malnutrition and school-based deworming, incurring direct costs of US$0.5 million (2013: US$1.2 million).

Support costs

Support costs have increased (although at a much slower rate than granting) mainly due to the continued growth in CIFF's staffing with the average number of full time employees for 2014 being 66 (2013: 49). Costs relating to travel, the Group's second largest operating cost, have increased commensurate with the increase in staffing.

Figure 5
Support costs by type (US$m)



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; and
- diversify its investments across a range of asset classes and industry sectors.

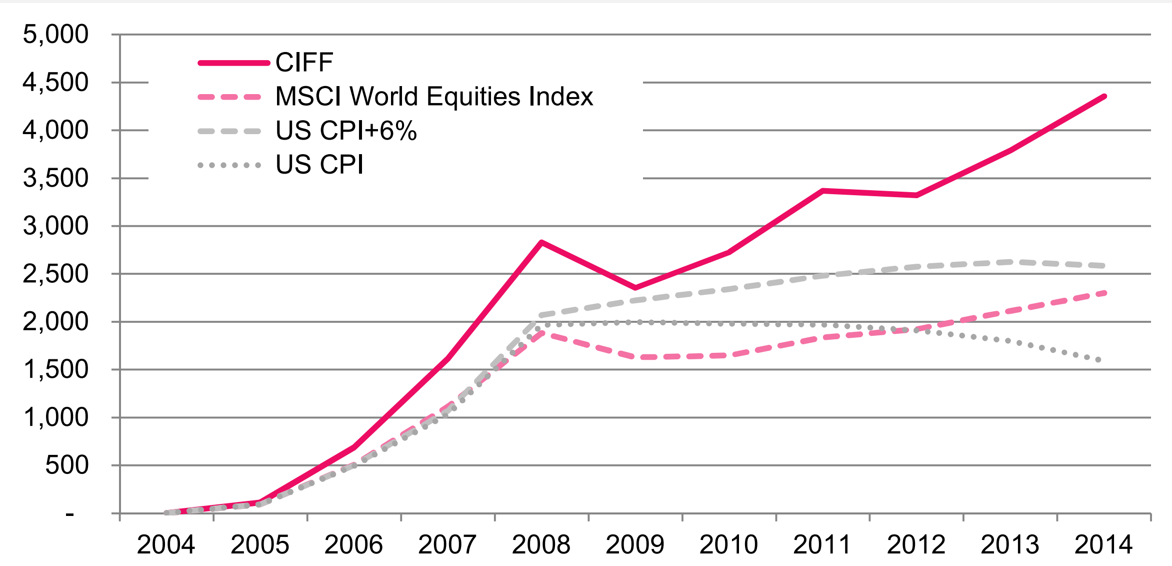
The intention of the Trustees is to maintain and increase the value of the endowment fund to be able to sustain annual charitable disbursements of at least US$200 million in 2015 and provide capacity for year-on-year growth in disbursements to continue in future years to above 4% of the value of the endowment fund.

Asset growth

Since inception, the Foundation has received voluntary income, donations and donations-in-kind of over US$2.0 billion. Over the last 10 years, the Foundation's net assets have grown through investing to US$4.4 billion (2013: US$3.8 billion), after charitable activities, governance costs and investment management costs of over US$790 million. Figure 6 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.

Figure 6

Total net asset growth since 2004 ($m)



Financial information for 2010-2012 relating to the Balance Sheet has been converted from pounds sterling to US dollars using the closing prevailing rate at the balance sheet date of the relevant period: 2010: 1.541; 2011: 1.625; 2012: 1.587. Please note that the above benchmarking analysis assumes compound growth on net assets in 2004 of US$3 million and includes voluntary income, donations and donations-in-kind received between 2005 and 2014.

Investment returns

Total incoming resources increased to US$189.0 million (2013 US$156.1 million), consisting primarily of investment income for the year from dividends and interest received from the Group's equity and fixed income investment portfolio. Investment gains in the year were US$600.3 million (2013: US$466.3 million). The combined net investment return for the financial year ended 31 August 2014 was 19.2% (2013: 17.3%), reflecting a continuation of strong investment performance in recent years, with a cumulative performance of 161.3% since April 2009, equivalent to 19.4% per annum return (net of fees).

Table 4
Investment net returns

	2014 Return	Return since 2009 Cumulative	Annualised
Nominal	19%	161%	19%
Real	18%	150%	17%
Inflation-adjusted target	7%	49%	8%
US CPI	1%	11%	2%
Real	**18%**	**150%**	**17%**

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

Investment management costs

Investment management costs in 2014 were US$69.7 million (2013: US$26.6 million), of which US$63.6 million related to investment management fees paid to the investment manager, The Children's Investment Fund Management (UK) LLP ("TCI") (2013: US$19.5 million) (see note 22 for further details of related party transactions). CIFF performs an annual review of TCI's fees, benchmarked against peers, and is comfortable that these fees are reasonable relative to the performance of the investment portfolio under the management of TCI.

Asset allocation

TCI invests in different asset classes and sectors within the parameters set by CIFF's investment management restrictions adopted by the Trustees and set out in the investment management agreement between CIFF's investment subsidiary, Talos Capital Limited, and the Investment Manager (see Note 13 for full details of the investment restrictions).

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 the specific prohibition of investments in the tobacco industry). At the period ended 31 August 2014, 31% of the portfolio (excluding cash) was invested in the Utilities sector (2013: 21.1%), with 32% of the portfolio in equities (2013: 39%).

Figure 7
Percentage asset allocation by asset type (including cash)

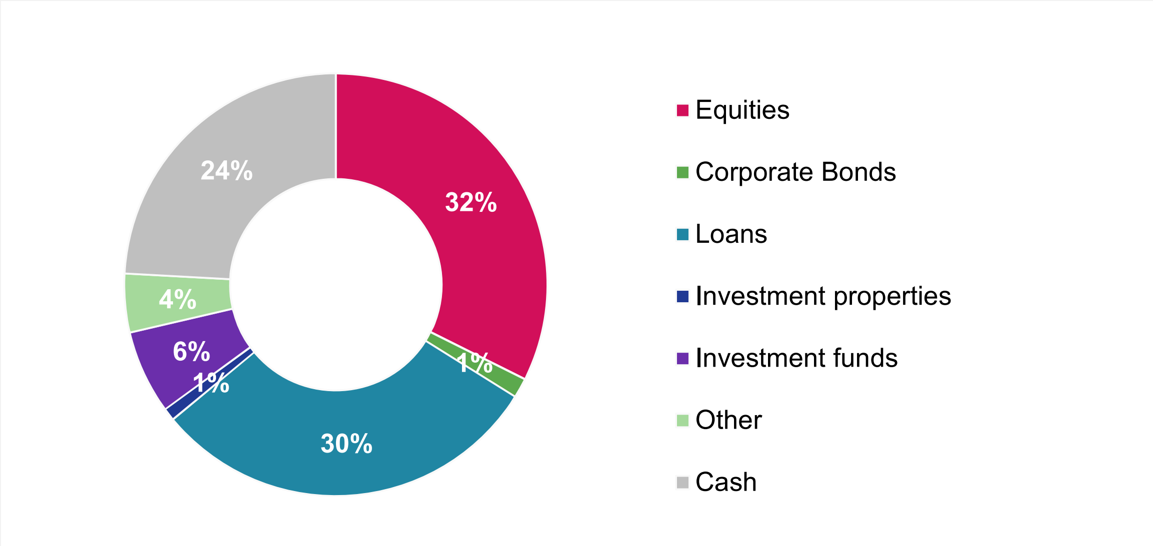
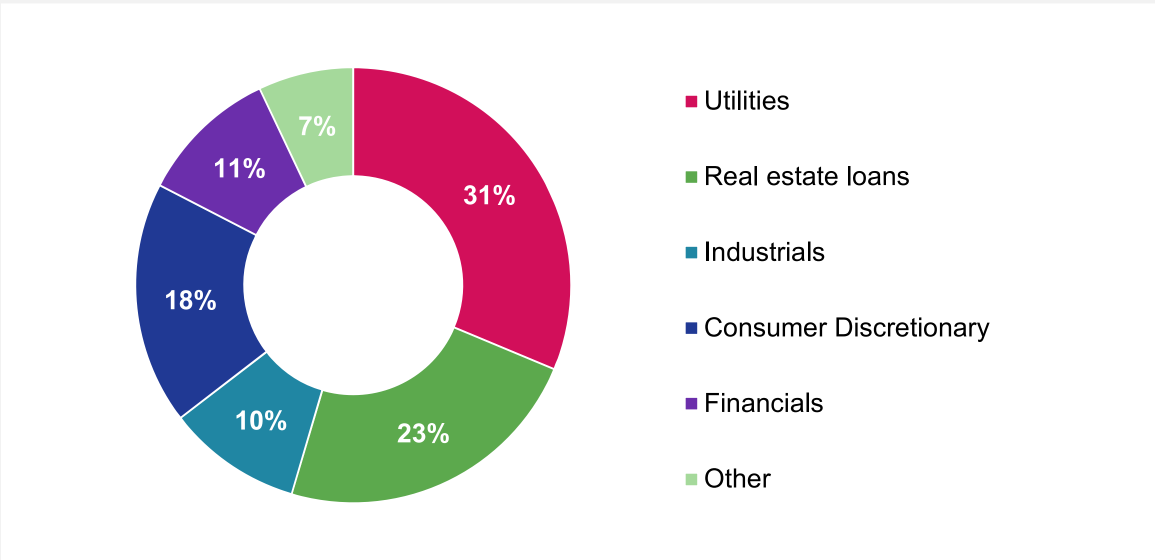


Figure 8
Top five asset allocation by sector (% of investment assets)



Risk Management and 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 risks identified by the Trustees are 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 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: governance risks, strategic risks, operational risks, financial risks, external risks, compliance with law and regulation and reputational 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 Limited, 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.

Given the Finance Committee's own assessment, the Board are 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 by the Foundation's Chief Financial Officer, Hunada Nouss.

In 2012, the Trustees requested that the Finance Committee lead a review of the Foundation's investment policy and financial strategy. The results of this review led to a revised investment asset allocation and a change to the investment restrictions, which have been reviewed from time-to-time during this financial year. Further details of the investment management restrictions can be found in note 13.

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).

Investment Policy (continued)

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 November 2014, 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 CIFF 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; and
- 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

CIFF's systems of 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 misstatement or loss. The Foundation performs an internal review annually to review internal operational and financial controls and where appropriate recommend improvements.

CIFF's budgets are prepared annually alongside the Annual Business Plan. Charitable spend targets are determined based on the long term investment target return of 6% + US CPI, but may be adjusted to take account of urgent need or changes in strategy. The Foundation's support and governance spend is set by reference to total planned charitable disbursements to ensure it remains reasonable and proportionate. On 22 September 2014, the Executive Team approved guidance for budget holders and staff to monitor and control support costs and governance-related expenditure.

Granting Policy

In February 2014, CIFF changed its approach to grant contracting for multi-year programmes from an annual basis to a "multi-year contracting" approach. The main reason for the change was to reduce administrative burden for CIFF and its grantees, as the revised approach will only require one contract for the life of the grant, whereas previously, CIFF required a separate contract for each year of the grant. The new multi-year contract permits, for example, a five-year programme to be contracted for the full five-year term of the programme, but subject to annual reviews 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, the Climate Change Advisory Board ("CCAB") or, in the case of investments of a programme with a budget of US$1m or less, the CEO (see Foundation and Governance Structure on page 29 for further details of grant expenditure approval procedures).

Upon approval by the Board, CCAB, or CEO, the full programme budget is contracted for the full term of the programme, subject to an Annual Programme Review ("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 contract 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 CFO. Once agreed with the grantee and approved by CIFF, they are treated as forming part of the multi-year contract 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 contract under the terms of the CIFF grant contract with the grantee.

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.

CIFF 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 ten-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 change of granting policy to multi-year contracting approach, 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 August 2014, the Trustees have earmarked US$172.3 million (2013: US$nil) 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
CIFF's unrestricted fund has also been used in 2014 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 August 2014 was US$nil (2013: US$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 co-operates and collaborates on various matters with The Children's Investment Fund Foundation, a not-for-profit organisation operating in the United States ("CIFF (US)"). CIFF receives restricted funds from CIFF (US) (see Relationships with other Charities page 30), which are disbursed by CIFF to section 501(c)3 registered US charitable entities on behalf of CIFF (US) under the agency agreement between CIFF and CIFF (US) signed 7 September 2011 and as amended 14 December 2012. During the year, the Group received US$3.9 million of restricted income from CIFF (US) (2013: US$5.6 million) which was disbursed to grantees in accordance with the agency agreement. As at 31 August 2014, the restricted fund was in a US$nil position (2013: US$nil).

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.

It is 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 to above US$200 million in the foreseeable future. At the year end, the value of the expendable endowment fund was US$4,181.6 million (2013: US$3,790.6 million).

Structure and Governance

Foundation Structure

CIFF is a company limited by guarantee, incorporated on 8 February 2002 and registered as a charity on 12 March 2002.

Subsidiary Companies

The Foundation had five wholly owned subsidiaries as at 31 August 2014 (2013: five). The Foundation has a wholly owned subsidiary, CIFF (UK) Trading Limited ("CIFF Trading") that during the financial year has been a member of both The Children's Investment Fund Management (UK) LLP ("TCI LLP") and TCI Fund Services LLP ("TCIFS LLP").

The Foundation has a second wholly owned subsidiary, CIFF (UK) Newco Limited ("CIFF Newco"), whose purpose is to hold an underlying investment in CIFF (UK) LLP in the form of partnership capital.

The Foundation has a third wholly owned subsidiary, Talos Capital Limited ("Talos") incorporated in Ireland, whose purpose is to hold an underlying investment portfolio that is managed to provide the Foundation with a regular return, therefore ensuring the ongoing achievement of the Foundation's objects.

The Foundation has a fourth wholly owned subsidiary, CIFF Nutrition (UK) Limited ("CIFF Nutrition (UK)"), whose principal activity is to promote the use of Ready-to-Use Therapeutic Foods ("RUTF") throughout developing countries. During the year CIFF Nutrition (UK) also acted as the parent of a wholly owned subsidiary CIFF Nutrition Limited, which was liquidated on 13 August 2014.

The Foundation has a fifth wholly owned subsidiary, Talos Properties Holdings Limited ("TPHL"), whose principal activity is to act as the parent of a wholly owned subsidiary, Talos Properties Limited ("TPL"). The purpose of TPL is the acquisition and management of a UK investment property portfolio. On 6 August 2013, TPL acquired a property portfolio of 14 investment properties.

For the year ended 31 August 2014, the reported results for the year 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 September 2013, Mr Michael Anderson CB joined CIFF as CEO. At that point Ms Jamie Cooper-Hohn stepped back from her executive responsibilities and was appointed Non–Executive Chair of the Foundation. As Non-Executive Chair, Ms Jamie Cooper-Hohn devoted more time to strengthening CIFF's links with other global development leaders.

The incoming CEO reviewed the organisational structure and reorganised resources to provide stronger alignment to the key strategic programme areas of Nutrition, Education, Health and Climate Change and our cross-cutting functions of Evidence Measurement and Evaluation, Strategy and Partnership and Finance and Operations. The reorganisation has provided clearer contact points for partners, with more continuity of teams with particular programmes.

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 year and up to the date of signing the financial statements were:

Ms Jamie Cooper-Hohn
Dr Mark Dybul (appointed 4 February 2014)
Mr Gerard Elias
Sir Christopher Hohn
Lord Mark Malloch-Brown
Mr Rajendra Pandhare (resigned 17 May 2014)
Ms Joy Phumaphi
Dr Graeme Sweeney (appointed 16 May 2014)

In May 2014, Jamie Cooper-Hohn stepped back from her role as Chair. Lord Malloch-Brown was appointed as Interim Chair.

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, comprising inter alia, 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 briefing from senior operational personnel and professional advisors. Governance training is carried out on an ongoing basis.

The Finance Committee

The Trustees are aware of the need to take expert advice in relation to investment matters. In May 2006, CIFF established a Finance, Audit and Investments Committee (the "Finance Committee") as a sub-committee of the board of Trustees for this purpose. Emmanuel Roman (CEO of Man Group) is the Chair of the Finance Committee and was appointed to the Finance Committee in February 2009.

The Finance Committee's role is to act as an advisory body to the Trustees on investment matters. The Finance Committee is not empowered to authorise specific investment transactions, which remains a matter for the Trustees. In particular, the Finance Committee's role is to:

- review in detail the performance, risk profile and management of the investment portfolio and to provide appropriate recommendations to the Trustees with regard to the investment portfolio from time-to-time as appropriate;
- formally report at least once per year on the outcome of the Finance Committee's review of the investment portfolio;
- recommend asset class ranges for the investment portfolio to the Trustees, including changes in the ranges from time-to-time;
- recommend to the Trustees any investment initiatives which fall outside the agreed investment policy, but which the Finance Committee considers appropriate for consideration by the Trustees;
- make recommendations to the Trustees on those areas in which the Trustees retain responsibility for determining policy, as well as providing expert advice on investment matters; and
- carry out certain reviews and checks and report, at least annually, to the Trustees upon the outcome of such reviews and checks, including with regard to the appointment, performance and remuneration of any investment managers.

The Finance Committee is also responsible for the appointment of external auditors, oversight of the audit process and safeguarding auditor independence. In this capacity, the Finance Committee undertook a process during the year to tender the audit of the Foundation and its subsidiary companies (the "Group"). Four audit firms were invited to participate in the tender process, including the incumbent auditors, PricewaterhouseCoopers LLP. The result of the audit tender was that the Finance Committee recommended to the Members of CIFF the appointment of KPMG as the auditors of the Group.

The Climate Change Advisory Board

CCAB was established in August 2010 to take delegated responsibility on behalf of the Board for certain grant-making activities, relating 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. The CCAB considers grant applications of up to and including US$10 million which fall within the scope of the CCAB's delegated authority.

CEO Delegated Authority

On 11 February 2014, the Board delegated to the CEO responsibility for receiving, considering and making decisions upon certain grant proposals up to and including US$1 million. The CEO may receive, consider and make decisions on certain grant proposals of a value of up to and including US$1 million over the duration of the proposed project, subject to a majority of the Executive Team having also reviewed and approved any such grant proposals. This authority is subject to a maximum aggregate limit of US$10 million during any financial year, unless the Board otherwise authorises an increase to this annual limit.

Trustees' and 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; and
- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Relationship with Other Charities

As mentioned previously the Foundation co-operates and collaborates on various matters with CIFF (US). During the fiscal period, Ms Jamie Cooper-Hohn, Ms Joy Phumaphi and Dr Mark Dybul were trustees of both CIFF and CIFF (US). Under an agency agreement dated 7 September 2011 and as amended 14 December 2012, CIFF (US) transfers restricted funds to the Foundation so that the Foundation can make annual grants and manage active programmes on behalf of CIFF (US), primarily in the area of combating HIV/AIDs.

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 and 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.

Consolidated Financial Statements

The Trustees present here their report and audited consolidated financial statements for the year ended 31 August 2014. 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 and Definitions and Abbreviations on pages 79 and 80 also forms part of this report.

Independent Auditors

On 24 July 2014 KPMG LLP were appointed independent auditors to the Foundation by the Members of the Foundation. PricewaterhouseCoopers LLP duly resigned from office. There were no circumstances connected to PricewaterhouseCoopers LLP ceasing to hold office as independent auditors that should be brought to the notice of the Members of the Foundation or its creditors.

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

Mark Malloch. Brown

Lord Mark Malloch-Brown
Trustee and Interim Chair
Date:

6 February 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF THE CHILDREN'S INVESTMENT FUND FOUNDATION (UK)

We have audited the financial statements of the Children's Investment Fund Foundation (UK) for the year ended 31 August 2014, set out on pages 34 to 78. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Statement of Trustees' Responsibilities Statement set out on page 30 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 August 2014 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; and
- have been prepared in accordance with the Companies Act 2006.

Opinion on other matter 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF THE CHILDREN'S INVESTMENT FUND FOUNDATION (UK)

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

Kevin Clark

Kevin Clark
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
Date: 6 FEBRUARY 2015

THE CHILDREN'S INVESTMENT FUND FOUNDATION (UK)
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 AUGUST 2014

	Notes	Unrestricted Funds US$ '000	Restricted Funds US$ '000	Expendable Endowment US$ '000	2014 Total US$ '000	2013 Total US$ '000
Incoming Resources						
Incoming resources from Generated Funds						
Voluntary income		**918**	**-**	**-**	**918**	785
Investment income	**2**	**184,149**	**-**	**-**	**184,149**	149,702
Incoming resources from Charitable Activities		**-**	**3,940**	**-**	**3,940**	5,632
Total incoming resources		**185,067**	**3,940**	**-**	**189,007**	156,119
Resources Expended						
Costs of generating funds						
Investment Management Costs	**3**	**69,687**	-	**-**	**69,687**	26,569
Charitable activities	**4**	**149,891**	**3,940**	**-**	**153,831**	123,836
Governance costs	**8**	**5,540**	**-**	**-**	**5,540**	2,975
Total resources expended		**225,118**	**3,940**	**-**	**229,058**	153,380
Net incoming resources before transfers		**(40,051)**	**-**	**-**	**(40,051)**	2,739
Transfers	**18**	**212,367**	**-**	**(212,367)**	**-**	-
Net incoming resources before other recognised gains and losses		**172,316**	**-**	**(212,367)**	**(40,051)**	2,739
Realised gains on investment assets	**12**	**-**	**-**	**356,989**	**356,989**	3,885
Unrealised gains on investment		**-**	**-**	**243,359**	**243,359**	462,415
Foreign Exchange gains/(losses)	**12**	**11**	**-**	**(1)**	**10**	601
Total recognised gains		**11**	**-**	**600,347**	**600,358**	466,901
Exchange differences on translating foreign operations		**-**	**-**	**2,960**	**2,960**	-
Net movement in funds		**172,327**	**-**	**390,940**	**563,267**	469,640
		-	**-**	**3,790,619**	**3,790,619**	3,320,979
Fund balances carried forward at 31 August 2014		**172,327**	**-**	**4,181,559**	**4,353,886**	3,790,619

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 year are included in the Statement of Financial Activities. There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

The accounting policies and the notes on pages 37 to 78 form part of the Consolidated Financial Statements

THE CHILDREN'S INVESTMENT FUND FOUNDATION (UK) (no. 4370006)
CONSOLIDATED AND FOUNDATION BALANCE SHEETS
AS AT 31 AUGUST 2014

	Notes	Group 2014 US$ '000	Group 2013 US$ '000	Foundation 2014 US$ '000	Foundation 2013 US$ '000
Fixed Assets					
Tangible assets	11	**1,141**	835	**1,141**	835
Investments	12	**3,544,548**	3,470,981	**4,328,303**	3,778,340
Total fixed assets		**3,545,689**	3,471,816	**4,329,444**	3,779,175
Current Assets					
Debtors	14	**73,194**	48,693	**10,222**	13,910
Cash at bank and in hand	15	**1,129,342**	599,284	**132,282**	105,400
Total current assets		**1,202,536**	647,977	**142,504**	119,310
Creditors: amounts falling due within one year	16	**(370,904)**	(264,652)	**(109,757)**	(73,970)
Net Current Assets		**831,632**	383,325	**32,747**	45,340
Total Assets less Current Liabilities		**4,377,321**	3,855,141	**4,362,191**	3,824,515
Creditors: amounts falling due after one year	17	(23,435)	(64,522)	(12,481)	(35,488)
Net Assets	18	**4,353,886**	3,790,619	**4,349,710**	3,789,027
Total funds of the charity:					
Endowment Fund	18	4,181,559	3,790,619	4,177,383	3,789,027
Restricted Income Funds	18	-	-	-	-
Unrestricted Funds:					
Income Funds	18	-	-	-	-
Designated Funds	18	172,327	-	172,327	-
Total charity funds		**4,353,886**	3,790,619	**4,349,710**	3,789,027

The financial statements on pages 34 to 78 were approved by the Trustees and authorised for issue on 4 February 2015, and signed on their behalf by:

Mark Malloch. Brown

Lord Mark Malloch-Brown

Date:

6 February 2015

The accounting policies and the notes on pages 37 to 78 form part of the Consolidated Financial Statements.

THE CHILDREN'S INVESTMENT FUND FOUNDATION (UK)
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2014

	2014 US$'000	2014 US$'000	2013 US$'000
Cash outflow from Incoming Resources (i)		**(175,588)**	(152,291)
Returns on investments and servicing finance			
Dividends received (unrestricted)	90,155		87,274
Interest income (unrestricted and restricted)	53,545		55,247
		143,700	142,521
Capital expenditure and financial investment			
Payments to acquire fixed asset investments	(2,324,267)		(2,205,399)
Payments to acquire tangible fixed assets	(734)		(304)
Disposal of tangible fixed assets	-		-
Disposal of fixed asset investments	2,852,753		2,353,801
Net movement in cash flows attributable to endowment investments	(528,486)		(148,402)
		(734)	(304)
Financing			
Cash into endowment	528,486		148,402
Interest paid	(3,542)		(2,959)
Draw down of loans	23,922		18,547
Repayment of part of loans	13,814		-
		562,680	163,990
Increase in cash in the year (ii)		**530,058**	153,916

NOTES TO THE CASH FLOW STATEMENT

i. RECONCILIATION OF INCOMING RESOURCES TO NET CASH FLOWS	2014 US$'000	2013 US$'000
Net incoming resources before investment gains and losses	**(40,051)**	2,739
Dividends received	**(110,785)**	(93,890)
Interest received on investments	**(69,334)**	(55,437)
Interest expense	**3,532**	2,756
Depreciation charges	**386**	283
(Increase) / decrease in debtors	**(24,501)**	11,980
Increase / (decrease) in creditors	**65,165**	(20,722)
	(175,588)	(152,291)

ii. ANALYSIS OF NET CHANGES IN NET FUNDS

	At 1 September 2013 US$'000	Cash flow 2014 US$'000	Non-cash changes 2014 US$'000	At 31 August 2014 US$'000
Cash in hand and at bank	599,284	530,058	**-**	**1,129,342**
Debt due within 1 year	(203,740)	-	20,062	**(183,678)**
Net cash	395,544	530,058	20,062	**945,664**

The accounting policies and the notes on pages 37 to 78 form part of the Consolidated Financial Statements.

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' (revised 2005), the Charities Act 2011, applicable accounting standards in the United Kingdom and the requirements of the Companies Act 2006. The principal accounting policies, which have been applied consistently, are set out below. The Foundation has adapted the Companies Act formats to reflect the Charities SORP and the special nature of the Foundation's 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, as defined in SSAP 20, is US dollars, reflecting the currency of both the grants awarded and the on-going costs incurred.

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"), Talos Capital Limited ("Talos"), Talos Property Limited ("TPL"), Talos Property Holdings Limited ("TPHL"), and CIFF Nutrition (UK) Limited ("CIFF Nutrition (UK)"). 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 paragraph 397 of the 2005 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

Accounting policies have been reviewed in accordance with Financial Reporting Standards ('FRS') 18 'Accounting policies'. The Foundation and the Group have adopted FRS 29 'Financial Instruments: Disclosures' (see notes 12 and 13). The Foundation and Group also apply FRS 25 'Financial Instruments: Disclosure and Presentation' and FRS 26 'Financial Instruments: Recognition and Measurement'.

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 year. 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.

1. ACCOUNTING POLICIES (continued)

f) Incoming resources

All incoming resources are included in the respective line items of the Consolidated Statement of Financial Activities 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 on an effective interest rate basis. Dividend income and expenses, when the underlying security is held directly by the Group, is recognised in the Consolidated Statement of Financial Activities on an ex-dividend basis, gross of foreign withholding taxes when receivable. Withholding tax is recorded on an accruals basis. For those securities held via an intermediary, non-subsidiary entity, the dividends are recognised when notified.

Endowment and investment income is credited to the Income and Expenditure Account 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 donated services, are recognised in the Consolidated Statement of Financial Activities in voluntary income when the Group is legally entitled to the income and the amount can be quantified with reasonable accuracy.

The Group received donations during the year amounting to US$918k (2013: US$785k) 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 year. 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 crtieria for recognising the liability are met.

Support costs, 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:

	2014	2013
Nutrition	**21.5%**	36.6%
Health	**35.2%**	27.2%
Education	**19.4%**	5.5%
Climate change	**23.8%**	30.3%
Foundation Approved Programs	**0.1%**	0.4%

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.

1. ACCOUNTING POLICIES (continued)

h) Governance Costs

Governance costs are those costs incurred in compliance with constitutional and statutory requirements, including related professional fees, and are accounted for on an accruals basis.

i) Financial assets and liabilities held for trading

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 at fair value through the Consolidated Statement of Financial Activities ("SOFA"). These financial assets and financial liabilities are classified as held for trading. 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 through the Consolidated SOFA at inception.

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 measured at fair value through the Consolidated SOFA. Gains and losses arising from changes in the fair value of the "financial assets or financial liabilities at fair value through the SOFA" category are included in the Consolidated SOFA 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 through the Consolidated SOFA is recognised in the Consolidated SOFA. Dividend income from financial assets at fair value through the Consolidated SOFA is recognised in the Consolidated SOFA when the Group's right to receive payment is established.

j) Investments

Listed and 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 August 2014 US$403,800k (8.98%) (2013: US$909,107k (20.51%)) 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$92,290k (2013: US$580,426k) was fair valued by reference to multiple indicative broker quotes. The remaining US$266,705k (2013: US$286,835k) 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$44,805k (2013: US$41,846k) was held at fair value as explained in the Investment Properties accounting policy.

1. ACCOUNTING POLICIES (continued)

j) Investments (continued)

Listed and unlisted securities (Continued)
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
Due to the lack of liquidity and esoteric nature of some of the Group's loans, these investments are designated as 'Loans and Receivables'. 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. The total uncertain commitments as at 31 August 2014, was estimated as US$1,236,628k (2013: US$556,152k).

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. No impairment adjustment is required at this time.

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 August 2014 the book value of the loans held was US$1,407,930k (2013: US$773,359k), 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 liabilities in Note 20 to the financial statements. The total uncertain commitments as at 31 August 2014 was estimated as US$1,236,628k (2013: US$556,152k).

1. ACCOUNTING POLICIES (continued)

j) Investments (continued)

Embedded derivatives
Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the statement of financial activities unless the Group chooses to designate the hybrid contracts at fair value through profit or loss. Included within 'Investments at amortised cost' are loans which include options for the borrower to extend the loans beyond their original maturity date. As at 31 August 2014, the value of these embedded derivatives was US$nil (2013: US$nil).

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 Consolidated Statement of Financial Activities.

Contracts for 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 August 2014 the Group held CFDs with a net aggregate fair value of US$147,349k (2013: US$27,142k).

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 August 2014 the Group held forward foreign exchange contracts with an aggregate fair value of (US$1,769k) (2013: US$117,013k).

1. ACCOUNTING POLICIES (continued)

j) Investments (continued)

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. As at 31 August 2014, the Group did not hold any option contracts (2013: US$(32,816k)), excluding embedded derivatives as referenced on page 40.

Cash pledged as collateral

As at 31 August 2014, the Group had US$177,235k (2013: US$191,992k) cash pledged as collateral in relation to its forward foreign exchange contracts and CFDs.

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's management team. At 31 August 2014, the Group held one private placement position, which has been fair valued at US$nil (2013: one private placement position with a fair value of US$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 August 2014, the Group held investment fund positions of US$299,242k (2013: US$286,835k).

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 August 2014 was US$44,805k (2013: US$41,846k).

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.

1. ACCOUNTING POLICIES (continued)

j) Investments (continued)

Investments in subsidiaries
Investments in subsidiaries are held at cost, less impairment.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the Consolidated Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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 are taken to the Consolidated Statement of Financial Activities within the gains and losses on investments. See note 13 for disclosure of the exchange rates applied.

The year end rate prevailing on the balance sheet date was US$1.66 : £1 (2013: US$1.55 : £1). 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 August 2014. 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 1.649 : £1).

k) 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.

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 collateral balances held at year 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 year-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. Amounts due to brokers includes cash from trades purchased which have not yet settled and cash for forward foreign exchange contracts closed but awaiting settlement.

1. ACCOUNTING POLICIES (continued)

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 a portion of the unrestricted funds that has 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(s) 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 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 2014 US$ '000	Group 2013 US$ '000
Dividends from overseas equities	110,785	93,890
Interest on fixed interest securities	69,231	55,437
Interest on cash and cash deposits	103	61
Rental income	4,030	314
	184,149	149,702

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 2014 US$ '000	Activities Undertaken Directly 2014 US$ '000	Support Costs 2014 US$ '000	Total Charitable Activities 2014 US$ '000
Nutrition	28,787	265	4,124	**33,176**
Health	47,242	156	6,768	**54,166**
Education	26,006	32	3,725	**29,763**
Climate Change	31,994	-	4,583	**36,577**
Foundation Approved Programmes	130	-	19	**149**
	134,159	**453**	**19,219**	**153,831**

	Grant funding of activities 2013 US$ '000	Activities Undertaken Directly 2013 US$ '000	Support Costs 2013 US$ '000	Total Charitable Activities 2013 US$ '000
Nutrition	38,969	1,220	6,068	**46,257**
Health	28,965	-	4,373	**33,338**
Education	5,828	-	880	**6,708**
Climate Change	32,236	-	4,867	**37,103**
Foundation Approved Programmes	374	-	56	**430**
	106,372	**1,220**	**16,244**	**123,836**

Until August 2013 the Group analysed its charitable activity by Priority Investment Area ("PIA"). In 2014 the Foundation re-organised its charitable activities into four sectorial teams: Nutrition, Health, Education and Climate Change. The 2013 comparative have been reclassified, applying the sectorial method of analysing charitable activity.

5. ACTIVITIES UNDERTAKEN DIRECTLY

Activities undertaken directly expenditure of US$453k (2013: US$1,220k) was mainly incurred in relation to furthering the international agenda regarding global childhood malnutrition (US$326k) and school-based deworming (US$156k). In 2013, the costs incurred related to the Foundation co-hosting the Nutrition for Growth Summit (N4G) in June 2013, with the Governments of the UK and Brazil, to bring together business leaders, governments and civil society to tackle undernutrition.

6. GRANT FUNDING OF ACTIVITIES

Group and Foundation 2014	Nutrition	Health	Education	Climate Change	FAPs	Total
Charitable Grants	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**
GAVI	-	25,306	-	-	-	**25,306**
UNICEF	16,598	-	-	-	-	**16,598**
Ethiopian Federal Ministry of Health	9,263	-	-	-	-	**9,263**
The World Bank	-	478	8,338	-	-	**8,816**
EGPAF	-	7,686	-	-	-	**7,686**
Sesame Workshop	-	-	6,153	-	-	**6,153**
Evidence Action	-	-	5,958	-	-	**5,958**
RTI	-	-	4,132	-	-	**4,132**
European Climate Foundation	-	-	-	3,961	-	**3,961**
ALMA	-	3,224	-	-	-	**3,224**
Justice and Care	-	2,963	-	-	-	**2,963**
NRDC	-	-	-	2,838	-	**2,838**
World Resources Institute	-	-	-	2,660	-	**2,660**
Climate Policy Initiative	-	-	-	2,500	-	**2,500**
CDP Worldwide	-	-	-	2,411	-	**2,411**
The Energy Foundation	-	-	-	2,346	-	**2,346**
SouthSouthNorth Trust	-	-	-	2,215	-	**2,215**
Client Earth	-	-	-	2,138	-	**2,138**
Harvard School of Public Health	-	1,979	-	-	-	**1,979**
China National Renewable Energy Centre	-	-	-	1,900	-	**1,900**
Jhpeigo	-	1,615	-	-	-	**1,615**
Rwanda Ministry of Health	1,340	-	-	-	-	**1,340**
ACCESS Health International	-	1,324	-	-	-	**1,324**
Alliance for Sustainable Energy	-	-	-	1,246	-	**1,246**
Institute of Transport and Development Policy	-	-	-	1,100	-	**1,100**
Climate Analytics	-	-	-	1,071	-	**1,071**
IGSD	-	-	-	960	-	**960**
IDDRI	-	-	-	873	-	**873**
Environmental Investigation Agency	-	-	-	804	-	**804**
National Renewable Energy Laboratory	-	-	-	800	-	**800**
MANA	750	-	-	-	-	**750**
Results for Development	682	-	-	-	-	**682**
UNESCO	-	-	657	-	-	**657**
CHAI	726	(245)	-	-	-	**481**
PM&E grants	449	2,243	719	95	-	**3,506**
Other grantees	1,454	671	905	2,093	-	**5,123**
Foundation Approved Programmes ("FAPs")	-	-	-	-	130	**130**
[1] Milken Institute	(88)	-	-	-	-	**(88)**
[1] C40 Cities Climate Leadership Group Inc.	-	-	-	(200)	-	**(200)**
[1] Institute of Development Studies	(752)	-	-	-	-	**(752)**
[1] Innovations for Poverty Action	-	-	(971)	-	-	**(971)**
[1] World Food Programme	(1,738)	-	-	-	-	**(1,738)**
[2] Foreign exchange losses on grants	103	(2)	115	183	-	**399**
Total charitable grants	**28,787**	**47,242**	**26,006**	**31,994**	**130**	**134,159**

[1] Grant commitments originally recognised in a previous financial year, cancelled or amended during this financial year and written back.

[2] Foreign exchange losses on grants: foreign exchange losses incurred on prior commitments made that were outstanding during the financial year ended 31 August 2014.

6. GRANT FUNDING OF ACTIVITIES

Group and Foundation 2013	Nutrition	Health	Education	Climate Change	FAPs	Total
Charitable Grants	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**
UNICEF	15,461	-	-	-	-	**15,461**
EGPAF	-	14,006	-	-	-	**14,006**
World Food Programme	12,520	-	-	-	-	**12,520**
C40 Cities Climate Leadership Group Inc.	-	-	-	9,100	-	**9,100**
European Climate Foundation	-	-	-	8,838	-	**8,838**
The Energy Foundation	-	-	-	8,000	-	**8,000**
Innovations for Poverty Action	-	-	3,858	-	-	**3,858**
Nutrition Global Advocacy Campaign	3,827	-	-	-	-	**3,827**
Hindustan Unilever	3,781	-	-	-	-	**3,781**
Ethiopian Federal Ministry of Health	-	3,477	-	-	-	**3,477**
Jhpeigo	-	3,262	-	-	-	**3,262**
SouthSouthNorth Trust	-	-	-	3,228	-	**3,228**
MANA	3,000	-	-	-	-	**3,000**
Action Against Hunger	2,750	-	-	-	-	**2,750**
PATH	-	2,568	-	-	-	**2,568**
ALMA	-	2,368	-	-	-	**2,368**
IGSD	-	-	-	2,198	-	**2,198**
SAMBA	-	1,868	-	-	-	**1,868**
Sightsavers International	-	-	1,370	-	-	**1,370**
Sesame Workshop	-	-	1,000	-	-	**1,000**
Harvard School of Public Health	-	978	-	-	-	**978**
Mary Robinson Foundation - Climate Justice	-	-	-	180	-	**180**
PM&E grants	1,489	982	205	100	-	**2,776**
Other grantees	526	900	40	336	-	**1,802**
Foundation Approved Programmes ("FAPs")	-	-	-	-	370	**370**
(1) Family Health International	-	(78)	-	-	-	**(78)**
(1) Living Goods	-	(293)	-	-	-	**(293)**
(1) The World Bank	-	-	(691)	-	-	**(691)**
(1) CHAI	-	(1,195)	-	-	-	**(1,195)**
(1) GAIN	(4,469)	-	-	-	-	**(4,469)**
(2) Foreign exchange losses on grants	84	122	46	256	4	**512**
Total charitable grants	**38,969**	**28,965**	**5,828**	**32,236**	**374**	**106,372**

(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 prior commitments made that were outstanding during the financial year ended 31 August 2013.

7. ALLOCATION OF SUPPORT COSTS

	Nutrition	Health	Education	Climate Change	FAPs	Total
	2014	2014	2014	2014	2014	2014
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Support costs						
Staff costs	2,857	4,688	2,581	3,175	13	**13,314**
Office expenses	587	966	532	654	3	**2,742**
Travel and subsistence	383	629	346	427	2	**1,787**
Consultancy and contractor costs	295	485	267	328	1	**1,376**
Total support costs allocated to charitable activities	**4,122**	**6,768**	**3,726**	**4,584**	**19**	**19,219**

	Nutrition	Health	Education	Climate Change	FAPs	Total
	2013	2013	2013	2013	2013	2013
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Support costs						
Staff costs	3,722	2,682	540	2,986	35	**9,965**
Office expenses	794	572	115	636	7	**2,124**
Travel and subsistence	839	605	122	673	7	**2,246**
Consultancy and contractor costs	713	514	103	572	7	**1,909**
Total support costs allocated to charitable activities	**6,068**	**4,373**	**880**	**4,867**	**56**	**16,244**

8. GOVERNANCE COSTS

	Group	Group
	2014	2013
	US$ '000	US$ '000
Auditors' remuneration	**209**	267
Legal fees	**2,342**	1,350
Professional fees	**2,659**	1,358
Other	**330**	-
	5,540	2,975

The auditors' remuneration, for the year ended 31 August 2014 is split between the following external audit firms: KPMG LLP US$201k (US$129k to KPMG LLP, London and US$72k to KPMG, Dublin) (2013: PricewaterhouseCoopers LLP US$233k (US$135k to PricewaterhouseCoopers LLP, London and US$99k to PricewaterhouseCoopers LLP, Dublin)) and S.P. Nagrath (India liaison office auditors) US$8k (2013: US$4k). In 2014, non-audit fees paid to KPMG were US$2k in relation to tax advice (2013: US$80k to PricewaterhouseCoopers LLP, London).

9. STAFF COSTS

	Group and Foundation 2014 US$ '000	Group and Foundation 2013 US$ '000
Wages and salaries	**10,874**	7,948
Social security costs	**1,238**	938
Other pension costs	**229**	53
	12,341	8,939
Recruitment and other staff costs	**973**	1,026
Total staff costs	**13,314**	9,965

The average monthly number of FTE employees who were employed during the year totalled: 66 (2013: 49). The staff numbers were split between direct activities: 52 (2013: 37) and support: 14 (2013: 12). The numbers of employees of the Foundation whose remuneration paid in the financial year fell within the following bands were:

	Group and Foundation 2014	Group and Foundation 2013
$99k - $115k	**6**	4
$115k - $132k	**4**	2
$132k - $148k	**3**	2
$148k - $165k	**4**	2
$165k - $181k	**4**	4
$181k - $198k	**3**	3
$198k - $214k	**2**	2
$214k - $231k	**2**	2
$231k - $247k	**4**	1
$247k - $264k	**1**	1
$264k - $280k	**1**	-
$280k - $297k	**1**	2
$297k - $313k	**1**	-
$313k - $330k	**1**	1
$330k - $346k	**-**	1
$346k - $363k	**-**	1
$379k - $396k	**1**	-
$445k - $462k	**1**	-
$561k - $577k	**1**	1

The above salaries were paid mainly in GBP and include benefits in kind and have been translated at the average rate of £1:US$1.60.

The contributions in the year for the provision of a defined contribution scheme to employees of the Foundation whose emoluments were above US$99K were US$190k (2013: US$45k). The number of staff whose emoluments were above US$99k and received contributions in the year for the provision of a defined contribution scheme were 32 (2013: 25).

The Trustees did not receive any remuneration for their services during the year (2013: US$nil). The Trustees' expenses reimbursed amounted to US$100k for travel and subsistence during the year (2013: US$119k). The amount reimbursed to the Trustees in 2013 included US$82k, which related to one of the trustees whose costs were incurred whilst performing the duties of Chief Executive Officer. In 2014, the reimbursed expenses related to five trustees (2013: three).

10. TAXATION

As a registered charity, the Foundation is exempt from taxation on income and gains to the extent that these are applied in furtherance of its charitable objectives. No tax charge has arisen in the year for the Foundation.

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 potentially 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.

The subsidiary company, Talos Properties Limited, has made Gift Aid payments to the Foundation, which eliminates its tax liability. The subsidiaries, CIFF (UK) Newco, CIFF (UK) Trading Limited and Talos Properties Holdings Limited, did not realise any taxable profit in this financial year and, therefore have no tax liability. The subsidiary CIFF Nutrition (UK) Limited utilised losses brought forward to eliminate its tax liability. The subsidiary entity, CIFF (UK) LLP has made no provision for taxation within its financial statements. This is because taxation on the partnership's profits is the liability of its individual members. The subsidiary company, Talos Capital Limited, incurred a tax charge of US$1k (2013: US$1k) under Irish taxation, arising on a profit of US$5k. During the year, Talos Capital Limited incurred US$4.5 million of withholding tax (2013: US$7.2 million).

11. TANGIBLE FIXED ASSETS

Group and Foundation 2014

	IT Equipment US$' 000	Office Equipment US$' 000	Fixtures and Fittings US$' 000	Total US$' 000
Cost brought forward	239	249	1,075	**1,563**
Additions during the year	569	3	162	**734**
Disposals during the year	(90)	(35)	(178)	**(303)**
At 31 August 2014	**718**	**217**	**1,059**	**1,994**
Depreciation brought forward	136	91	501	**728**
Charge for the year	138	44	204	**386**
Reversal on disposals	(67)	(33)	(161)	**(261)**
At 31 August 2014	**207**	**102**	**544**	**853**
Net book value				
At 31 August 2014	**511**	**115**	**515**	**1,141**
At 31 August 2013	103	158	574	835

12. INVESTMENTS

Group

	Fair value At 31/08/13 US$ '000	Additions US$ '000	Disposals US$ '000	Investment gains/(losses) US$ '000	Fair value At 31/08/14 US$ '000	Cost At 31/08/14 US$ '000
UK	69,793	597,418	(443,981)	40,346	263,576	224,509
Overseas	990,402	1,189,867	(815,199)	80,832	1,445,902	1,235,138
Total unquoted	**1,060,195**	**1,787,285**	**(1,259,180)**	**121,178**	**1,709,478**	**1,459,647**
UK	367,767	195,055	(496,340)	107,414	173,896	57,726
Overseas	2,001,173	341,927	(1,097,233)	370,502	1,616,369	462,876
Total quoted	**2,368,940**	**536,982**	**(1,593,573)**	**477,916**	**1,790,265**	**520,602**
UK	**41,846**	-	**-**	**2,959** (2)	44,805	41,846
Total property	**41,846**	**-**	**-**	**2,959**	**44,805**	**41,846**
Total	**3,470,981**	**2,324,267**	**(2,852,753)**	**602,053** (1)	**3,544,548**	**2,022,095**

(1) The difference between total gains/(losses) above (gain of US$602,053k) and the SOFA (gain of US$600,358k) is due to the foreign exchange movements on the cash balances held by the Group throughout the year 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 gains/(losses) above (gain of US$602,053k) including exchange differences on translating foreign operations.

Foundation

	Fair value At 31/08/13 US$ '000	Additions US$ '000	Disposals US$ '000	Investment gains/(losses) US$ '000	Fair value At 31/08/14 US$ '000	Cost At 31/08/14 US$ '000
UK	36	-	-	-	36	22
Overseas	3,736,458	2,306	(160,373)	708,030	4,286,421	3,521,623
Total unquoted	**3,736,494**	**2,306**	**(160,373)**	**708,030**	**4,286,457**	**3,521,645**
UK	**41,846**	-	**-**	**-**	41,846	41,860
Total property	**41,846**	**-**	**-**	**-**	**41,846**	**41,860**
Total	**3,778,340**	**2,306**	**(160,373)**	**708,030**	**4,328,303**	**3,563,505**

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

12. INVESTMENTS (continued)

Group	**2014**	2013
Financial assets	**US$ '000**	US$ '000
Held for trading		
Equities - Overseas	1,380,406	1,504,248
Equities - UK	133,047	94,734
Convertibles - UK	-	234,650
Corporate bonds - Overseas	29,123	307,393
Corporate bonds - UK	40,848	38,383
Investment Properties	44,805	41,846
Investment Funds	299,242	286,835
Bank debt	22,319	-
Programme related investment	2,306	-
	1,952,096	2,508,089
Contracts for difference	151,876	65,243
Forward currency contracts	32,646	124,290
	184,522	189,533
Amortised cost		
Loans - Overseas	1,407,930	773,359
Total Financial Assets	**3,544,548**	**3,470,981**

Financial Liabilities		**2014**	2013
	Notes	**US$ '000**	US$ '000
Held for trading			
Unfunded bank debt - Overseas	**16**	-	-
Senior delayed drawdown variable rate notes	**16**	144,736	125,546
Option contracts		-	32,816
Contract for difference		4,527	38,101
Forward currency contracts	**16**	34,415	7,277
Total Financial Liabilities		**183,678**	**203,740**

Gains recognised in relation to financial assets and liabilities at fair value through the SOFA	**2014**	2013
	US$ '000	US$ '000
Realised gains on financial assets and liabilities	356,989	3,885
Unrealised gains on financial assets and liabilities	243,359	462,415
Foreign Exchange gains on financial assets and liabilities	10	601
	600,358	466,901

12. INVESTMENTS (continued)

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 2013	41,882	-	3,497,439	239,019	3,778,340
Additions	-	2,306	-	-	2,306
Disposals	-	-	(131,800)	(28,573)	(160,373)
Investment gains	-	-	666,985	41,045	708,030
As at 31 August 2014	**41,882**	**2,306**	**4,032,624**	**251,491**	**4,328,303**
Cost as at 31 August 2014	**41,882**	**2,306**	**3,365,641**	**155,982**	**3,565,811**

Investments in subsidiaries

The Foundation owns 100% of the issued ordinary share capital of CIFF Trading (incorporated in England and Wales), CIFF Newco (incorporated in England and Wales), Talos (incorporated in Ireland), CIFF Nutrition (UK) (incorporated in England and Wales) and Talos Properties Holdings Limited ("TPHL", incorporated in England and Wales). CIFF Trading and CIFF Newco are the designated members of CIFF (UK) LLP (incorporated in England and Wales), TPHL owns 100% of the issued ordinary share capital of Talos Properties Limited ("TPL", incorporated in England and Wales) and CIFF Nutrition (UK) owned 100% of the issued ordinary share capital of CIFF Nutrition Limited (BVI) (incorporated in the British Virgin Islands). On 13 August 2014, Nutrition Limited (BVI) was dissolved.

The purpose of each of the subsidiaries is as follows: CIFF Trading is one of the designated members of CIFF (UK) LLP and in addition holds an investment in TCI LLP. CIFF Newco is also a designated member of CIFF (UK) LLP and holds the majority of its partnership capital. CIFF (UK) LLP holds an underlying investment through an agreement with a third party investment manager. Talos holds an underlying investment portfolio that is to be managed and provide the Foundation with a regular return. CIFF Nutrition (UK) supporting and promoting Ready to Use Therapeutic Foods ("RUTF") throughout developing countries. TPHL's principal activity is to act as the parent of a wholly owned subsidiary TPL. 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 2014.

For the year ended 31 August 2014, CIFF Trading reported a loss of US$41k (2013: loss of US$58k), CIFF Newco Ltd reported a loss of US$5k (2013: profit of US$4,002k), CIFF (UK) LLP reported a profit of US$563k (2013: profit of US$756k), Talos reported a profit of US$4k (2013: profit of US$4k), CIFF Nutrition (UK) reported a profit of US$8k (2013: loss of US$1k), CIFF Nutrition (BVI) reported a result of US$nil (2013: US$nil), TPHL reported a loss of US$12k (2013: US$nil) and TPL reported a loss of US$296k (2013: profit of US$296k).

Variable rate notes related to one 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 Capital Limited, 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.

12. INVESTMENTS (continued)

Unquoted Investments

As at 31 August 2014, unquoted investments of US$251.5 million (2013: US$239.0 million) included US$168.1 million (2013: US$147.0 million) of investments in an investment fund investing in development properties in India. The investment 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.

The Foundation invested US$2,306k during 2014 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 disproportinately 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 2013, the Foundation committed $20 million to GHIF (see note 20).

Unquoted investments also comprised US$83.4 million (2013: US$92.0 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 August 2014, with any gains and losses being taken to the Statement of Financial Activities.

13. FINANCIAL RISK MANAGEMENT

Principles of Risk Management

The 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").

The Group has appointed the 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 Group's Trustees.

The 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 13, uncertain liabilities.

13. FINANCIAL RISK MANAGEMENT (continued)

Principles of Risk Management (continued)

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.

The Group invests in readily tradable equity securities and their derivatives, corporate bonds and foreign exchange derivates. 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 fair value of financial assets and liabilities exposed to price risk at year end is presented on page 56.

The Investment Programme contains restrictions on overall market exposure (the "Exposure Policy").

13. FINANCIAL RISK MANAGEMENT (continued)

Market Risk (continued)

(a) Other price risk (continued)

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 August 2014 were:

	% of Adjusted Assets	
Sector	**2014**	2013
Utilities	24.7%	21.1%
Real estate loans	18.3%	19.7%
Industrials	14.2%	15.1%
Consumer Discretionary	8.1%	-
Financials	7.9%	18.7%
	73.2%	74.6%

The table below summarises the sensitivity of the Group's equity and CFD positions (the "Equity Investments") to equity price movements, against the daily returns of the MSCI World Equity Index including net dividends reinvested, and including the effect of movements in foreign currency exchange rates on equity prices, as at 31 August 2014.

At 31 August 2014, the exposure of the Group to Equity Investments was US$1,995,370k (2013: US$1,961,057k).

The impact below arises an estimation of a reasonable possible change in the fair value of the Group's Equity Investments over the period of one year, based on the Board's best estimate of a reasonable possible shift in the index over one year.

	2014 US$ '000	**2013 US$ '000**
Predicted effect on the Group's Equity Investments of an increase in the index	46,165	113,839
Predicted effect on the Group's Equity Investments of a decrease in the index	(46,165)	(113,839)

The MSCI World Equity Index has been used as the reference point in determining the effect of price risk only. The Investment Manager does not manage the Group's investment strategy to track this index or any other index or external benchmark. The sensitivity analysis presented is based upon the Equity Investments composition as at 31 August 2014 and the historical correlation of the returns from the securities comprising the Equity Investments to the MSCI World Equity Index returns. The composition of the Group's Equity Investments, and the correlation thereof to the MSCI World Equity Index, is expected to change over time. The sensitivity analysis prepared as of 31 August 2014 is not necessarily indicative of the effect on the Group's investments of future movements in the level of the MSCI World Equity Index.

13. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

(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 August 2014 and 31 August 2013 and has been analysed between monetary and non-monetary.

Currency	2014 Monetary US$ '000	2014 Non-Monetary US$ '000	2014 Currency forward US$ '000	2014 Net exposure US$ '000
Australian Dollar	6,424	534,232	(530,869)	9,787
Brazilian Real	28,498	471,240	(217,592)	282,146
Canadian Dollar	343	49,214	-	49,557
Euro	29,849	1,192,117	(1,081,040)	140,926
Indian Rupee	62	3,402	-	3,464
Pound Sterling	8,180	441,429	(490,508)	(40,899)
Japanese Yen	-	-	(3,802)	(3,802)

Currency	2013 Monetary US$ '000	2013 Non-Monetary US$ '000	2013 Currency forward US$ '000	2013 Net exposure US$ '000
Australian Dollar	258	523,894	(517,784)	6,368
Brazilian Real	15,766	311,958	(198,241)	129,483
Canadian Dollar	355	32,755	-	33,110
Euro	16,258	1,040,644	(715,736)	341,166
Indian Rupee	-	2,594	-	2,594
Pound Sterling	9,158	679,713	(738,220)	(49,349)
Japanese Yen	-	-	(1,461)	(1,461)

The US dollar exchange rates used at 31 August were as follows:

	Exchange rates at 31 August **2014**	2013
Australian Dollar	**1.071**	1.124
Brazilian Real	**2.236**	2.386
Canadian Dollar	**1.088**	1.054
Euro	**0.761**	0.756
Indian Rupee	**60.520**	65.705
Japanese Yen	**104.080**	98.165
Pound Sterling	**1.660**	1.550

13. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

(b) Foreign currency risk (continued)

The following table summarises the amount of the increase or decrease in net assets arising from an increase/ decrease of the exchange rate in line with the historical volatility rates, with all other variables held constant. The analysis below presents the changes in net assets for each currency in their absolute values.

Change in net assets	**2014 US$ '000**	2013 US$ '000
Australian Dollar	**781**	602
Brazilian Real	**32,701**	14,114
Canadian Dollar	**2,726**	1,993
Euro	**7,187**	25,963
Indian Rupee	**331**	286
Pound Sterling	**7,933**	50,053
Japanese Yen	**260**	175

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. These assets and liabilities are presented in the table below.

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 bank debt, corporate and convertible bonds and their predicted change to interest rate sensitivity are presented in the table overleaf.

13. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

(c) Interest rate risk (continued)

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 fixed 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 and are presented within the "Investments at amortised cost" category overleaf. 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 year end.

The table below summarises the Group's exposure and sensitivity to interest rates. It includes the Group's investment assets and liabilities at fair value, categorised by the earlier of contractual re-pricing and maturity dates. The sensitivity analysis presented is based upon the composition of the Group's assets and liabilities at 31 August 2014 and is not necessarily indicative of the effect on the Group's assets and liabilities of the future movements in interest rates.

2014	< 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) at fair value	-	63,167	29,123	3,452,258	**3,544,548**
Pro rata effect of a +/-1% move in interest rates (1)	0.125%	0.288%	2.600%	0%	
Interest sensitivity	**-**	**182**	**757**	**-**	**939**

2013	< 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) at fair value	497,402	-	580,426	2,393,153	**3,470,981**
Pro rata effect of a +/-1% move in interest rates (1)	0.125%	0.375%	3.139%	0%	
Interest sensitivity	**622**	**-**	**18,217**	**-**	**18,839**

(1) These percentages are calculated by multiplying 1% by the average length of the period as a proportion of one year. This calculation time apportions the effect of a linear increase in interest rates of 1% over the course of the whole year. 1% is deemed to be a reasonable possible shift in interest rates over the period of one year.

13. FINANCIAL RISK MANAGEMENT (continued)

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. Prior to 1 January 2013, the Group's investment policy included a restriction which limited investments in non-investment grade debt to no more than 25% of its Reference NAV. With effect from 1 January 2013 this restriction was removed.

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" on page [61]), 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 secured over real estate (as outlined in the Investment Management Agreement). Prior to 1 December 2013, the Group's investment policy included a restriction preventing more than 65% of the Reference NAV being exposed to loans secured over real estate inclusive of undrawn amounts. With effect from 1 January 2013, this restriction was removed.

Financial instrument	2014 BBB+ to BBB- US$ '000	2014 Not rated US$ '000	2014 Total US$ '000
Bonds	69,971	-	69,971
Bank debt		22,319	22,319
Loans	-	1,407,254	1,407,254
	69,971	**1,429,573**	**1,499,544**

Financial instrument	2013 BBB+ to BBB- US$ '000	2013 Not rated US$ '000	2013 Total US$ '000
Bonds	580,426	-	580,426
Loans	-	773,359	773,359
	580,426	**773,359**	**1,353,785**

None of the debt securities held by the fund at 31 August 2014 are impaired or past due but not impaired (2013: none).

13. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Credit Enhancements

At 31 August 2014, the Group held investments in privately placed loans valued at US$1,407,254k (2013: US$773,359k). 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. As part of the Group's impairment review policy, it has been determined that no indication of impairment of the assets used as security had become apparent 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. At the year-end, none of the loans were in breach of their loan covenants and no loans were repaid in this manner during the year (2013: none).

Counterparty Credit Risk

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 which is not rated.

The analysis below summarises the Group's exposure by counterparty credit rating at 31 August 2014:

Counterparty	Credit rating at 31 August 2014 (Moody's)	(S&P)	Credit exposure 31 August 2014 US$ '000	% of Assets
HSBC Bank Plc	Aa3	AA-	450,283	10.01%
UBS AG	A2	A	3,752	0.08%
JP Morgan Chase	Aa3	A+	610,562	13.57%
Wells Fargo	Aa3	AA-	5	-
Credit Suisse	A1	A	23,440	0.52%
Barclays Bank	A2	A	25,910	0.58%
Standard Bank	Baa2	n/a	20	-
Citco Bank Nederland NV	n/a	n/a	38	-
			1,114,010	24.76%

13. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

The analysis below summarises the Group's exposure by counterparty credit rating at 31 August 2013:

Counterparty	Credit rating at 31 August 2013 (Moody's)	(S&P)	Credit exposure 31 August 2013 US$ '000	% of Assets
HSBC Bank Plc	Aa3	AA-	461,926	11.80%
UBS AG	A2	A	2,434	0.06%
JP Morgan Chase	AA3	A+	106,543	2.72%
Deutsche Bank	A2	A+	12,110	0.31%
Credit Suisse	A1	A+	12,366	0.32%
Barclays Bank	A2	A	16,550	0.42%
Standard Bank	Baa1	BBB	32	-
Citco Bank Nederland NV	n/a	n/a	28	-
			611,989	15.63%

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.

13. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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. HSBC is a member of the London Stock Exchange and at 31 August 2014 had a Standard & Poor's Credit Rating of AA- (2013: AA-). At 31 August 2014, 75% of cash and cash pledged as collateral; and investments were placed in custody with HSBC (2013: 82%).

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 at 31 August 2014, 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 J.P. Morgan, 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(j) 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.

13. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

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. Prior to 1 December 2013, the exposure to undrawn commitments is limited by reference to the drawn amounts of loans secured by real estate assets as follows:

With effect from 1 December 2013 the Group amended its investment restriction policies. The changes agreed were as follows (all percentages given below refer to the exposure of such asset type as a percentage of the Reference NAV):

Removal of the two thirds adjustment ratio between the drawn amounts under loans secured by real estate assets and undrawn commitments with the undrawn commitments limit, for all assets types, to be fixed at 35%.

Introduction of a combined limit of 75%, incorporating all unlisted instruments (Real Estate Equity + Real Estate Debt + Private Equity + Unlisted Corporate Debt) and all unfunded commitments.

Introduction of a combined limit incorporating Equity + Drawn Private Equity + Drawn Real Estate Equity of 61.5%.

Introduction of a combined limit incorporating Drawn Real Estate Debt and Drawn Real Estate Equity of 50%.

Increase in the combined Drawn and Undrawn Private Equity limit from 6.5% to 20%.

Introduction of a combined Drawn and Undrawn Real Estate Equity limit of 20%.

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.

13. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

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**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
31 August 2014	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**
Creditors: amounts falling due within one year	234,075	29,887	106,942	-	-	370,904
Creditors: amounts falling due in more than one year	-	-	-	23,435	-	23,435
Total liabilities	**234,075**	**29,887**	**106,942**	**23,435**	**-**	**394,339**

Group	**Less than 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
31 August 2013	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**	**US$ '000**
Creditors: amounts falling due within one year	161,796	16,789	86,067	-	-	264,652
Creditors: amounts falling due in more than one year	-	-	-	64,522	-	64,522
Total liabilities	**161,796**	**16,789**	**86,067**	**64,522**	**-**	**329,174**

Uncertain liabilities, as discussed in more detail in page 69, 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 ("CIFF US") 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.

13. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

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.

As at 31 August 2014, the aggregate commitment balance of the Issue Notes to CIFF US was US$161,563k (2013: US$161,563k), of which US$120,813k (2013: US$106,999k) had been drawn down.

The below tables analyse the valuation of the Issue Notes drawn down at the year end:

	2014	2013
	US$ '000	US$ '000
Balance drawn down at beginning of year	106,999	117,930
Drawdowns of notes	16,398	-
Writedown of notes due to principal deficit amount	-	393
Redemptions notes	(2,584)	(11,324)
Balance drawn down at end of year	120,813	106,999

Interest will accrue on the Notes and will be payable annually, in arrears, on 20 January (the "determination date") in respect of each annual accounting year. 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 all cumulative positive net income, profits and gains of the issuer (if any) less the issuer retained amount (US$5,000), for such interest period, taking into account any interest expense incurred (for the avoidance of doubt, including interest paid and interest accrued but not yet paid) on any senior indebtedness and all other expenses.

At 31 August 2014, interest accrued on the Notes was US$23,923k (2013: US$18,547k). 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.

13. FINANCIAL RISK MANAGEMENT (continued)

Fair value measurement

Fair value measurement establishes a hierarchical disclosure framework which prioritises and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgement used in measuring fair value.

Investments measured and reported at fair value are classified in one of the following categories:

Level 1 - Quoted prices that are available in active markets for identical investments as of the reporting date. The type of investments included in level 1 include listed equities.

Level 2 - Pricing inputs are observable for the investment (the underlying information used to calculate the price) and can include inputs in markets that are not considered to be active. Investments which are included in this category include convertible bonds, corporate bonds, contracts for difference, option contracts and forward foreign exchange contracts.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant judgement or estimation. Investments that are included in this category include a private placement investment, investment funds, investment properties and embedded derivatives.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement, and considers factors specific to the investment. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities.

Level 3 investments not listed or quoted on any securities exchange or similar electronic system or if, being so listed or quoted, is not regularly traded thereon, will be valued at its fair value as determined in good faith having regard to its cost price, the price at which any recent transaction in the security may have been affected and any other such factors which are deemed relevant in considering a positive or negative adjustment to the valuation of the investment.

Any OTC derivatives that have low liquidity or for which inputs are unobservable are classified within level 3. While the valuations of these less liquid OTC derivatives may utilise some level 1 and/or level 2 inputs, they also include other unobservable inputs which are considered significant to the fair value determination. At each measurement date, the Investment Manager updates the level 1 and level 2 inputs to reflect observable inputs, though the resulting gains and losses are reflected within level 3 due to the significance of the unobservable inputs.

13. FINANCIAL RISK MANAGEMENT (continued)

Fair value measurement

The following table summarises the valuation of the Group's financial assets and liabilities by the above fair value hierarchy levels as of 31 August 2014:

	2014 Level 1 US$ '000	2014 Level 2 US$ '000	2014 Level 3 US$ '000	2014 Total US$ '000
Assets				
Debt securities at fair value	-	92,290	-	92,290
Investment funds at fair value	-	-	301,548	301,548
Investment property at fair value	-	-	44,805	44,805
Equity securities at fair value	1,513,453	-	-	1,513,453
Derivatives at fair value	-	184,522	-	184,522
Total	**1,513,453**	**276,812**	**346,353**	**2,136,618**
Liabilities				
Debt securities at fair value	-	-	144,736	144,736
Derivatives at fair value	-	38,942	-	38,942
Total	**-**	**38,942**	**144,736**	**183,678**

The following table summarises the valuation of the Group's financial assets and liabilities by the above fair value hierarchy levels as of 31 August 2013:

	2013 Level 1 US$ '000	2013 Level 2 US$ '000	2013 Level 3 US$ '000	2013 Total US$ '000
Assets				
Debt securities at fair value	-	580,426	-	580,426
Investment funds at fair value	-	-	286,835	286,835
Investment property at fair value	-	-	41,846	41,846
Equity securities at fair value	1,598,982	-	-	1,598,982
Derivatives at fair value	-	189,533	-	189,533
Total	**1,598,982**	**769,959**	**328,681**	**2,697,622**
Liabilities				
Debt securities at fair value	-	-	125,546	125,546
Derivatives at fair value	-	78,194	-	78,194
Total	**-**	**78,194**	**125,546**	**203,740**

There were no significant movements between level 1 and level 2 investments during the year or prior year. For level 3 valuations, excluding the Notes, held at the year-end, it has been determined that the possible change in valuation of these positions would be immaterial to the Group if reasonably possible alternative inputs and assumptions had been used in the valuation process. The total value of level 3 investments, excluding the Notes, as at 31 August 2013 was US$346,353k (2013: US$328,681k).

13. FINANCIAL RISK MANAGEMENT (continued)

Fair value measurement

The changes in investments measured at fair value for which level 3 inputs have been used to determine fair value are as follows:

	Assets Investment Properties US$ '000	Assets Investment Funds US$ '000	Assets Private Placement US$ '000	Liabilities Debt US$ '000
Balance at 31 August 2013	41,846	286,835	-	125,546
Purchases	-	2,933	899	-
Sales	-	(35,157)	-	(4,732)
Realised gains	-	-	-	23,922
Change in unrealised gains/(losses)	-	46,937	(899)	-
Exchange differences on translating Foreign operations	2,959	-	-	-
Balance at 31 August 2014	**44,805**	**301,548**	**-**	**144,736**
Total gains/(losses) for the year included in the Statement of Finance Activities at the end of the year	-	46,937	(899)	23,922

	Assets Corporate Bonds US$ '000	Assets Investment Funds US$ '000	Assets Private Placement US$ '000	Liabilities Debt US$ '000
Balance at 31 August 2012	-	216,775	2,767	117,930
Purchases	41,846	33,626	1,762	-
Sales	-	(12,820)	-	(11,324)
Realised gains	-	1	-	18,547
Change in unrealised gains/(losses)	-	49,253	(4,529)	393
Balance at 31 August 2013	**41,846**	**286,835**	**-**	**125,546**
Total gains/(losses) for the year included in the Statement of Finance Activities at the end of the year	-	49,524	(4,529)	18,940

All net realised and unrealised gains in the tables above are reflected in the accompanying Consolidated Statement of Financial Activities. Net unrealised appreciation relates to those financial instruments held by the Group at 31 August 2014.

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 August 2014 have been estimated as US$1,236,628k (2013: US$556,152k).

14. DEBTORS

	Group 2014 US$ '000	Group 2013 US$ '000	**Foundation 2014 US$ '000**	Foundation 2013 US$ '000
Interest receivable	31,426	15,636	-	-
TCI LLP [1]	614	1,529	614	1,529
Dividends receivable	36,539	15,909	-	-
Amounts due from brokers	749	13,648	-	-
Other debtors	3,503	1,591	699	1,440
VAT recoverable	-	128	-	-
CIFF (UK) Newco Ltd due in <1yr [2]	-	-	4,234	10,688
Talos Properties Ltd [3]	-	-	4,310	-
CIFF Nutrition (UK) Ltd	-	-	1	1
Prepayments	363	252	364	252
	73,194	**48,693**	**10,222**	**13,910**

(1) US$448k was repaid to the Group on 4 September 2014.

(2) The outstanding loan between CIFF (UK) and CIFF (UK) Newco Limited of US$4,234k has been included in debtors as receivable within one year of the balance sheet date as it is repayable on demand by CIFF (UK). On 18 March 2014, CIFF (UK) Newco Limited repaid US$7,000k of the loan. The loan between CIFF (UK) and CIFF (UK) Newco Limited is secured by way of a floating charge over the assets of CIFF Newco (UK) Limited and is interest bearing at a rate of 7% per annum.

(3) The outstanding amount between CIFF (UK) and Talos Properties Limited ("TPL") of US$4,310k is due to a charitable donation made by TPL. After the balance sheet date, on 6 October 2014, CIFF (UK) received a Gift Aid payment of US$3,193K from TPL.

15. CASH AT BANK AND IN HAND

Bank and cash include 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 year 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 year-end date.

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

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

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.

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

15. CASH AT BANK AND IN HAND (continued)

The following table shows the breakdown of the amounts with custodians and other counterparties at 31 August 2014:

Group	Cash and cash equivalents 2014 US$ '000	Cash pledged as collateral 2014 US$ '000	**Cash at bank and in hand 2014 US$ '000**	Amounts due from brokers 2014 US$ '000	Amounts due to brokers 2014 US$ '000	**Net counterparty position 2014 US$'000**	
Custodian							
HSBC Bank Plc	313,498	152,117	**465,615**	749	(16,081)	**450,283**	(1)
Other counterparties							
JP Morgan Chase	610,562	-	**610,562**	-	-	**610,562**	
UBS AG	3,752	-	**3,752**	-	-	**3,752**	
Credit Suisse	10,924	12,516	**23,440**	-	-	**23,440**	
Barclays Bank plc	13,308	12,602	**25,910**	-	-	**25,910**	
Standard Bank	20	-	**20**	-	-	**20**	
Wells Fargo	5	-	**5**	-	-	**5**	
Citco Bank Nederland NV	38	-	**38**	-	-	**38**	
Total	952,107	177,235	**1,129,342**	749	(16,081)	**1,114,010**	

(1) Of this amount, (US$15,332k) was due to amounts due on forwards pending settlement at the year end date.

The following table shows the breakdown of the amounts with custodians and other counterparties at 31 August 2013:

Group	Cash and cash equivalents 2013 US$ '000	Cash pledged as collateral 2013 US$ '000	**Cash at bank and in hand 2013 US$ '000**	Amounts due from brokers 2013 US$ '000	Amounts due to brokers 2013 US$ '000	**Net counterparty position 2013 US$'000**	
Custodian							
HSBC Bank Plc	343,221	106,000	**449,221**	13,648	(943)	**461,926**	(1)
Other counterparties							
JP Morgan Chase	60,031	46,512	**106,543**	-	-	**106,543**	
UBS AG	2,434		**2,434**	-	-	**2,434**	
Credit Suisse	-	12,366	**12,366**	-	-	**12,366**	
Deutsche Bank	-	12,110	**12,110**	-	-	**12,110**	
Citco Bank Nederland NV	28		**28**	-	-	**28**	
Barclays Bank plc	1,546	15,004	**16,550**	-	-	**16,550**	
Standard Bank	32		**32**	-	-	**32**	
Total	407,292	191,992	**599,284**	13,648	(943)	**611,989**	

(1) Of this amount, US$2,970k was due to amounts due on forwards pending settlement at the year end date.

15. CASH AT BANK AND IN HAND (continued)

The following table shows the breakdown of the cash and cash equivalents of the Foundation held with counterparties as at 31 August:

Foundation	**Cash and cash equivalents 2014 US$ '000**	Cash and cash equivalents 2013 US$ '000
HSBC Bank plc	119,980	44,239
JP Morgan Chase	10,049	60,029
Barclays Bank plc	2,233	1,099
Standard Bank	20	33
	132,282	105,400

16. CREDITORS: amounts falling due within one year

	Group 2014 US$ '000	Group 2013 US$ '000	**Foundation 2014 US$ '000**	Foundation 2013 US$ '000
Amounts due to brokers (2)	16,081	943	-	-
Financial liabilities (1,2)	138,309	167,429	-	-
Grants	106,679	71,568	106,680	71,568
Creditors	73,154	15,727	1,526	1,084
Derivative financial instrument liabilities (2)	34,415	7,277	-	-
Accruals and deferred income	1,625	1,330	1,212	972
Interest payable	121	131	-	-
Taxes and social security costs	520	247	339	247
CIFF (UK) Newco Ltd	-	-	-	99
	370,904	264,652	**109,757**	73,970

(1) Financial liabilities of US$120,813k (2013: US$106,999k) due on senior delayed drawdown variable rate note owned by CIFF (US) and US$23,941k (2013: US$18,547k) 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 2014 US$ '000	Group 2013 US$ '000	**Foundation 2014 US$ '000**	Foundation 2013 US$ '000
Creditors payable between 1 and 2 years	23,361	60,332	12,407	31,298
Creditors payable between 2 and 5 years	74	4,190	74	4,190
Creditors payable after 5 years	-	-	-	-
	23,435	64,522	**12,481**	35,488

18. MOVEMENT IN FUNDS

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

Group	2013 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	2014 US$ '000
Unrestricted: [1]								
Income funds	-	185,067	(225,118)	-	11	-	40,040	**-**
Designated funds	-	-	-	-	-	-	172,327	**172,327**
Restricted	-	3,940	(3,940)	-	-	-	-	**-**
Expendable Endowment Fund	3,790,619	-	-	600,348	(1)	2,960	(212,367)	**4,181,559**
Total funds	**3,790,619**	**189,007**	**(229,058)**	**600,348**	**10**	**2,960**	**-**	**4,353,886**

Group	2012 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	2013 US$ '000
Unrestricted: [1]								
Income funds	-	150,487	(147,748)	-	602	-	(3,341)	**-**
Designated funds	-	-	-	-	-	-	-	**-**
Restricted	-	5,632	(5,632)	-	-	-	-	**-**
Expendable Endowment Fund	3,320,979	-	-	466,300	(1)	-	3,341	**3,790,619**
Total funds	**3,320,979**	**156,119**	**(153,380)**	**466,300**	**601**	**-**	**-**	**3,790,619**

(1) Reserves retained by subsidiary undertakings and general unrestricted funds are disclosed in total in the tables above and total US$90,987k (2013: US$95,713k).

CHILDREN'S INVESTMENT FUND FOUNDATION

18. MOVEMENT IN FUNDS (continued)

Foundation	2013	Incoming Resources	Resources Expended	Investment gains/ (losses)	FX gains/ (losses)	Transfer between funds	2014
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Unrestricted							
Income funds	-	6,994	(152,942)	-	(12)	145,960	**-**
Designated funds	-	-	-	-	-	172,327	**172,327**
Restricted	-	3,940	(3,940)	-	-	-	**-**
Expendable Endowment Fund	3,789,027	-	-	706,643	-	(318,287)	**4,177,383**
Total funds	**3,789,027**	**10,934**	**(156,882)**	**706,643**	**(12)**	**-**	**4,349,710**

Foundation	2012	Incoming Resources	Resources Expended	Investment gains/ (losses)	FX gains/ (losses)	Transfer between funds	2013
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Unrestricted							
Income funds	-	2,888	(121,698)	-	614	118,196	**-**
Designated funds	-	-	-	-	-	-	**-**
Restricted	-	5,632	(5,632)	-	-	-	**-**
Expendable Endowment Fund	3,297,751	21,500	-	587,972	-	(118,196)	**3,789,027**
Total funds	**3,297,751**	**30,020**	**(127,330)**	**587,972**	**614**	**-**	**3,789,027**

Following the change of granting policy to multi-year contracting approach, 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 August 2014, the Trustees have earmarked US$172,327 (2013: US$nil) 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 2014 US$ '000**	Total 2013 US$ '000
Tangible fixed assets	1,141	-	-	**1,141**	835
Investments	3,372,221	172,327	-	**3,544,548**	3,470,981
Current assets	1,202,536	-	-	**1,202,536**	647,977
Current liabilities	(370,904)	-	-	**(370,904)**	(293,686)
Long term liabilities	(23,435)	-	-	**(23,435)**	(35,488)
	4,181,559	**172,327**	**-**	**4,353,886**	3,790,619

20. COMMITMENTS

At 31 August 2014, the Group had outstanding commitments amounting to US$18,694k (2013: US$1,000k) 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 August 2014 have been estimated as US$1,236,628k (2013: US$556,152k).

21. OPERATING LEASES

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

	Group 2014 US$ '000	Group 2013 US$ '000	**Foundation 2014 US$ '000**	Foundation 2013 US$ '000
Rent	**1,176**	919	**1,176**	919

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

	Group 2014 US$ '000	Group 2013 US$ '000	**Foundation 2014 US$ '000**	Foundation 2013 US$ '000
Land and Building				
Expiring within 1 year	**-**	19	**-**	19
Expiring within 2 to 5 years [(1)]	**1,091**	834	**1,091**	834
Expiring after 5 years	**54**	-	**54**	-
	1,145	853	**1,145**	853

[(1)] Includes a commitment under an operating lease with TCI LLP to pay rentals during the year following the year of these accounts of US$774k.

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

	Group 2014 US$ '000	Group **2013** US$ '000	**Foundation 2014 US$ '000**	Foundation **2013** US$ '000
After five years	**4,027**	3,792	**4,027**	3,792
	4,027	3,792	**4,027**	3,792

22. RELATED PARTIES

CIFF Trading holds an investment in TCI LLP. TCI LLP did not distribute any profit share to CIFF Trading during 2014 and 2013. 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 Group received donations during the year amounting to US$918k (2013: US$785k) 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 year were US$889k (2013: US$941k).

Talos (a wholly owned subsidiary of the Foundation) paid US$63,577k to TCI UK LLP in respect of management fees for the investment management of the portfolio (2013: US$19,539k). The TCI UK LLP investment management fees have been agreed on an arm's length basis.

During the year, Directors' fees of US$34k (2013: US$36k) for Jackie Gilroy were charged to Talos. John Donohoe and Edward Collier were not entitled to receive a fee. Edward Collier was an employee of the parent company, CIFF UK, throughout the financial year. There were no transactions between Edward Collier and Talos during the year (2013: 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-operates and collaborates on various matters with CIFF (US), a not for profit organisation operating in the United States and registered as a 501(c)3 organisation. Whilst Ms Jamie Cooper-Hohn, Dr Mark Dybul and Ms Joy Phumaphi were Trustees of the Foundation during the financial year as well as Trustees of CIFF (US), they are run as separate organisations. Neither charity has any duty to report to the other. During the year to 31 August 2014, CIFF US donated funds of US$3,940k (2013: US$5,632k) to be distributed under the agency agreement with the Foundation. All of the funds were disbursed as at 31 August 2014.

The Foundation has taken advantage of the exemption contained in Financial Reporting Standard 8 'Related Party Transactions' to not 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 Foundation's registered office.

23. SERVICE PROVIDERS

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 year totalled US$340k (2013: US$482k) of which US$27k (2013: US$37k) was payable at the year end.

Investment Manager Fees

The Children's Investment Fund Management (UK) LLP ("TCI LLP") is the appointed Investment Manager to the Group. Prior to 2012, the investment management fee payable to TCI had three main fee components: base, annual and liquidity management fees. In 2012 and 2013 the Group simplified the management fee structure with the investment manager. The new fee agreement has been intentionally structured so that it is more performance-based, with no base or liquidity management fees, which in the previous fee arrangement were not performance-based. In the Trustees' opinion the new management fee structure better correlates investment manager fees with performance and consequently reduces the financial risk to the Group.

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

(a) Base Management Fee

The base management fee ceased as at 30 April 2013, as mentioned above the Group and the Investment Manager have agreed an alternative, performance-based fee structure in respect of the portfolio other than the Real Estate Loans (see (c) below). Consequently there was no base management fee in 2014 (2014:US$nil; 2013: US$10,739k).

(b) Liquidity Management Fee

With effect from 1 May 2012, the Group paid the Investment Manager, monthly in arrears, a liquidity management fee. The liquidity management fee for the prior year was US$58k. It was agreed to cease the liquidity management fee effective 1 January 2013.

(c) 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 Capital Limited during the Hurdle Rate Period. The total non-real estate performance fee for the year was US$55,297k (2012: US$3,086k), of which US$55,297k (2013: US$3,086k) was payable at year end.

23. SERVICE PROVIDERS (continued)

(d) 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$7,249k (2013: US$5,418k), of which US$11,453k (2013: US$5,418k) was payable at year end. The payable amount at year end was US$11,453k due to the current year fee (US$7,249k) and an outstanding amount from 2013 (US$4,204k).

(e) 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 year was US$1,013k (2013: US$238k), of which US$81k (2013: US$64k) was payable at year end. It was also agreed that the Investment Manager would pay to the Group such balancing amount as necessary to give effect to the Real Estate Management Fee as of 1 May 2012 (i.e. repaying sums received from the Group under the previous fee arrangement in relation to Real Estate Loans in the period from 1 May 2012).

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

24. POST BALANCE SHEET EVENTS

Subsequent to the year end, on 1 December 2014 the Group prepaid US$634k of accrued interest on the loan notes with CIFF US.

25. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent undertaking and controlling party is The Children's Investment Fund Foundation (UK), a company incorporated in England and Wales. The Children's Investment Fund Foundation (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.

The Children's Investment Fund Foundation (UK) is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 August 2013. The consolidated financial statements of Children's Investment Fund Foundation (UK) is available from 7 Clifford Street, London, W1S 2FT.

List of Definitions and Abbreviations

CaFin	Catalytic Financing Facility for Nutrition
CIFF	The Children's Investment Fund Foundation (UK)
Foundation	The Children's Investment Fund Foundation (UK)
CIFF (US)	The Children's Investment Fund Foundation, a US-based s501(c)3 charitable private foundation
EME	Evidence, Measurement and Evaluation
FY14	The financial year ended 31 August 2014
FY15	The financial year ended 31 August 2015
SAM	Severe Acute Malnutrition
PEPFAR	President's Emergency Plan for AIDS Relief
HFCs	Hydrofluorocarbons
TCI	The Children's Investment Fund Management (UK) LLP
Charitable Activities	As defined in SORP 188, charitable activities are all the resources expended by the charity including its programme and project work. Such costs include the direct costs of the charitable activities together with those support costs incurred that enable these activities to be undertaken.
Designated Funds	As defined in SORP AP3.1, designated funds are unrestricted funds that have been earmarked for a particular project and to be applied at the discretion of the trustees.
Investment Management Costs	As defined in SORP GL38, investment management costs include the costs of portfolio management of financial investments, obtaining investment advice, administration of the investments, and rent collection, property repairs and maintenance charges.
Support Costs	As defined in SORP GL54, support costs are those that, whilst necessary to deliver an activity, do not themselves produce or constitute the output of the charitable activity.
Governance Costs	As defined in SORP GL28, these are the costs associated with the governance arrangements of the charity which relate to the general running of the charity. The costs will normally include internal and external audit, legal advice for trustees and costs associated with constitutional and statutory requirements.

COMPANY INFORMATION
FOR THE YEAR ENDED 31 AUGUST 2014

CONSTITUTION	A Company limited by guarantee and a registered charity governed by its Memorandum and Articles of Association
COMPANY NUMBER	4370006
REGISTERED CHARITY NUMBER	1091043
TRUSTEES	Sir Christopher Hohn Ms Jamie Cooper-Hohn Mr Gerard Elias Lord Mark Malloch-Brown Mr Rajendra Pandhare (resigned 17 May 2014) Ms Joy Phumaphi Mr Mark Dybul (appointed 4 February 2014) Mr Graeme Sweeney (appointed 16 May 2014)
COMPANY SECRETARY	Mr Edward Collier
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