2018 ANNUAL REPORT

The Children's Investment Fund Foundation (UK) (CIFF)

Contents

CIFF

THE CHILDREN'S INVESTMENT FUND FOUNDATION (UK) (CIFF) ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Children's Investment Fund Foundation (UK) (CIFF) Company number: 4370006 | Charity number: 1091043

Website: ciff.org | Email: info@ciff.org

Chairman’s Message

In 2002, the Children’s Investment Fund Foundation (UK) (CIFF) was established as a philanthropic organisation, working to enable children and young people to survive and thrive across the globe. Seventeen years later, this mission remains the same. We continue to invest in delivering near term, measurable outcomes that improve children’s lives, as well as working towards the long-term security of children’s futures. We still take a disruptive approach and work to embolden the next generation to solve the difficult problems they face.

In 2018, CIFF continued on the path of localisation. In May, we signed a Memorandum of Understanding with the Ethiopian Government, allowing CIFF to open an office in Addis Ababa. We also commenced the recruitment process for our Executive Director of Africa to be based in our Nairobi office (which was finalised in Spring 2019), and we expanded our Climate work into India, appointing a Director for Climate to the Delhi office. We were also accorded Branch Office status for our Delhi office in 2018. Collectively, these developments further our efforts to empower local change-makers to deliver systemic change in their own communities.

Our development as an organisation continued, as our sector team of Survive and Thrive was split into two teams: Child Health & Development, and Adolescence. This enables a more dedicated approach to our programmes, with Child Health & Development focusing on nutrition, deworming, and maternal and newborn health, and Adolescence focusing on adolescent sexual health and rights. This past year also saw the development of the Strategic Engagement & Communications (SEC) team to support the development of staff and grantee capacity, in strategic communications, campaigning and stakeholder engagement.

Working with a wide range of partners in 2018, we saw significant progress in our key areas of work:

- CIFF partners BRAC and Global Alliance for Improved Nutrition (GAIN) created the largest commercial model for micronutrient powder in the world. Over 145 million sachets of the powder have been sold over the past five years, and an evaluation undertaken in 2018 shows a significant reduction in anaemia among children under five years of age.

- HIV self-testing massively increased from 500,000 users in 2017, to over 5 million in 2018. Increasing access to self-testing has enabled millions of women and men to safely test themselves for HIV, reducing stigma, and increasing the number of individuals seeking treatment.

- In September 2018, CIFF and its co-founder Sir Christopher Hohn agreed to donate US$500 million to climate action over the next five years, as part of a US$4 billion pledge from 30 philanthropies at the Global Climate Action Summit. This comes at a crucial time, when only 1% of philanthropic giving is targeted at climate change, despite evidence from the report of the Intergovernmental Panel on Climate Change released in October 2018 which clearly sets out the urgency with which we now need to act.

- CIFF partner Bachpan Bachao Andolan (BBA) continued to support access to justice for children and, as of December 2018, their work had led to the launch of prosecution in 9,177 cases of juvenile justice, child labour and commercial sexual exploitation of children. This is a huge increase against the 1,730 cases launched in 2015.

Overall in 2018, 186 new grants were approved and over US$232 million was disbursed between our London, Delhi, Nairobi and Addis Ababa offices.

Looking towards to 2019, we will have four local offices in operation in Delhi, Nairobi, Addis Ababa and Beijing by the end of the year, and almost 40 staff working from these offices including two Executive Directors, who will be responsible for overseeing our portfolios in India and Africa.

2018 has seen significant CIFF investments in machine learning, geo-spatial technology, bio-chemical sensors, biometrics and direct-to-consumer platforms. In 2019 we will continue to grow our understanding of – and investment in – technology-enabled solutions, supported by CIFF's EME team, and our new Organisational Development function which will work with grantees to do the same.

A related area of added value for CIFF in 2019 will be hypothesis testing where we believe the status quo to be failing. We are committed to advancing the state of knowledge in our target fields, and in converting that knowledge to action, new norms and policy as soon as possible. This rapid cycle of gap identification, hypothesis development, piloting, evidence generation and dissemination is not new, but we intend to follow through to advocacy more deliberately in the areas of air quality, integrated malnutrition prevention and the self-care revolution. CIFF will focus more efforts on strategic partners who we believe to be highly aligned with us on both strategy and approach, demonstrating a commitment to continuous improvement and collaborative problem solving.

None of this work would be possible without the generosity, commitment and vision of CIFF's co-founder Sir Christopher Hohn and CIFF partners, staff, trustees, co-funders and especially our grantees who continually strive for a safe and supportive environment for children and young people, and defend their rights, across the globe.

Graeme Sweeney
Chairman
25 July 2019

Trustees' Report

At a Glance: Portfolio Highlights

1 CIFF partners BRAC and GAIN have created the largest commercial model for micronutrient powder in the world. **2018 evaluation findings show a significant reduction in anaemia among children under five years of age.**

2 By the end of 2018, **1.8 billion treatments for parasitic worm infections were distributed to children across all CIFF deworming programmes.** CIFF is now piloting an innovative approach in Ethiopia which combines water, sanitation and hygiene behaviour change with community-wide treatment and biometric technology to break transmission of worm infections.

3 **HIV self-testing massively increased from 500,000 in 2017 to over 5 million in 2018.** This was spurred on by CIFF, the Bill & Melinda Gates Foundation, and OraSure, which lowered the price of its HIV self-tests to US$2.

4 CIFF completed the 'Choice4Change' programme in 2018, **providing contraception to over 165,000 teenage girls in Kenya,** half of whom opted for long-term, more effective methods.

5 **CIFF and its co-founder Sir Christopher Hohn agreed to donate US$500 million to climate action over the next five years**, as part of a US$4 billion pledge from 30 philanthropies at the Global Climate Action Summit.

6 CIFF helped to catalyse a coalition of eight philanthropies and four partner countries to announce **a new collaboration to accelerate energy transition in South East Asia**. This coalition represents over US$275 million in technical assistance, civil society engagement and capital investments.

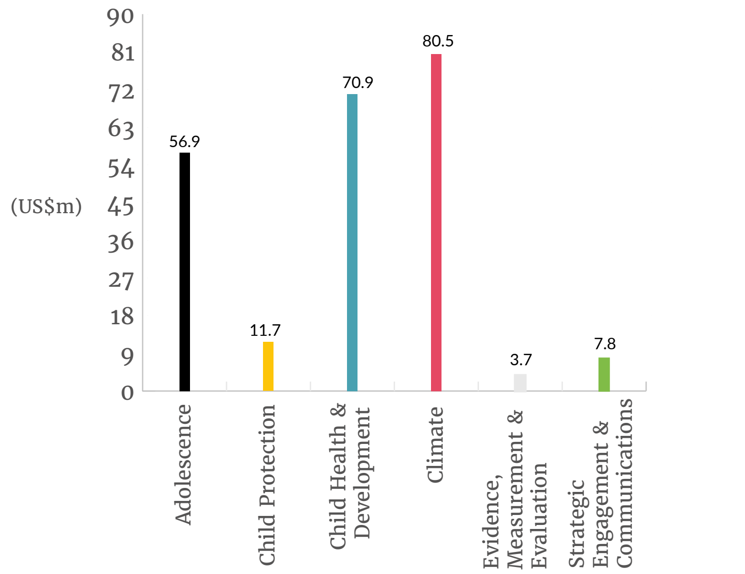
At a Glance: 2018 Financial Review

Total charity funds
US$5.1 billion

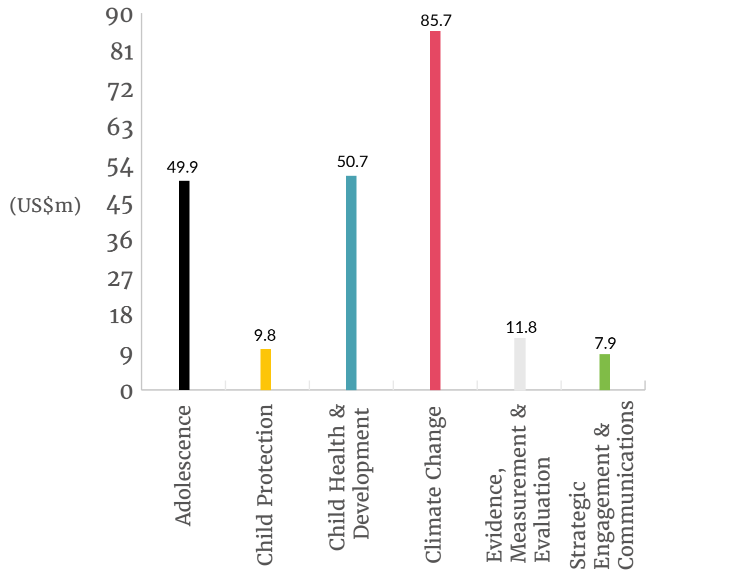
Total committed
US$216 million

Total disbursed
US$232 million

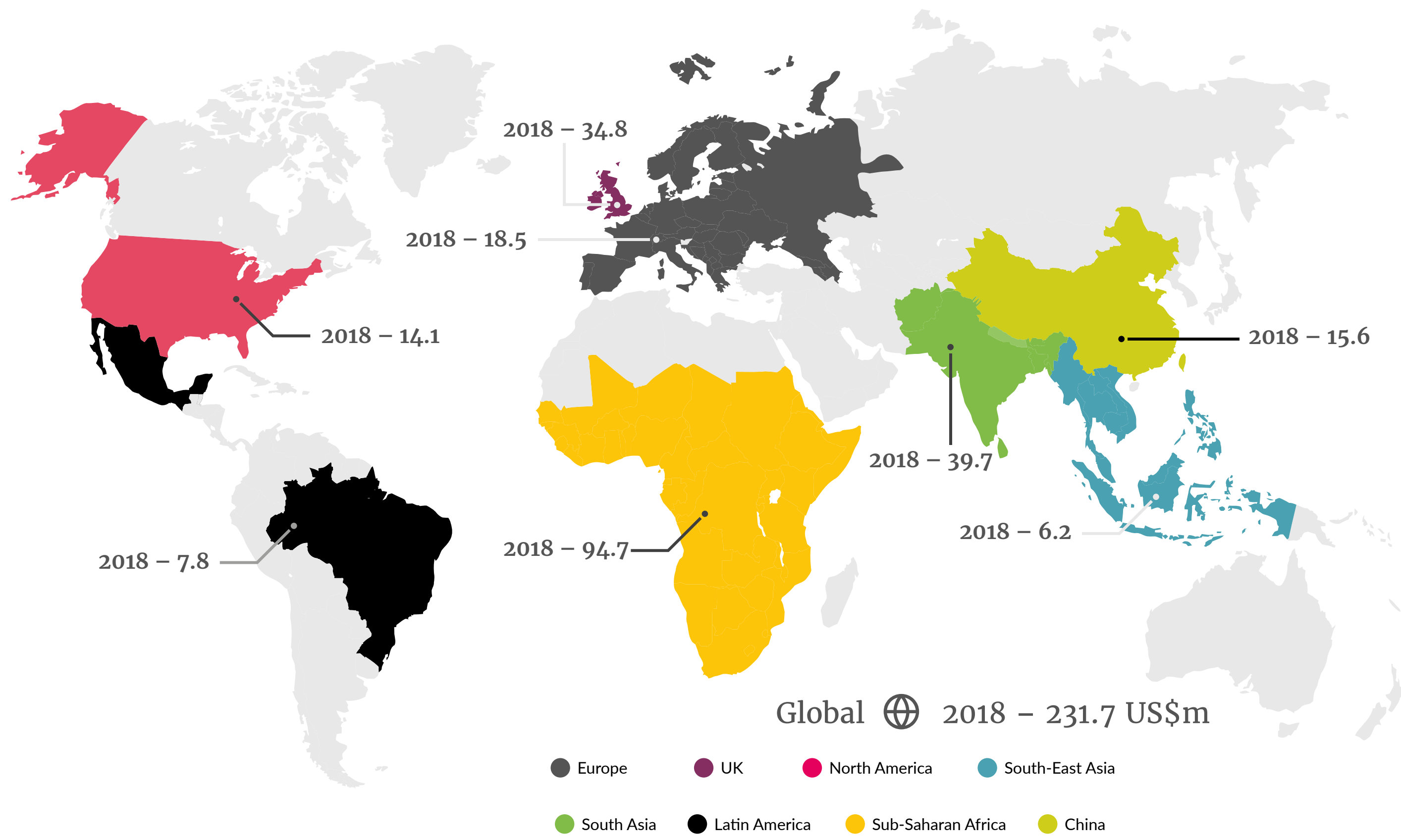
Charitable grant payments disbursed by sector (US$m)



Charitable grant by sector (US$m)

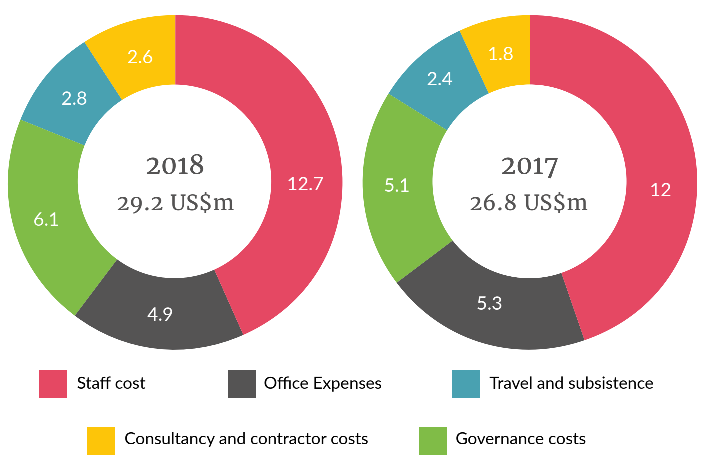


Distribution of charitable grant payments (US$m) by geographic focus

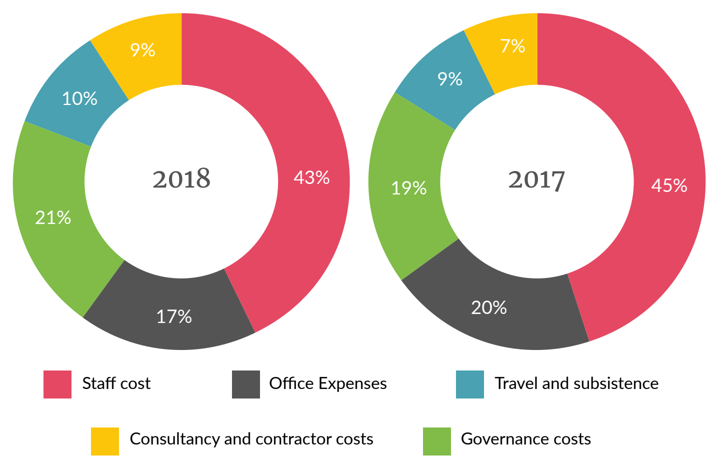


Note: Distribution according to location of grantee. This map does not reflect the location of grantee activity.

Support costs by type – 2018 and 2017



Support costs by % – 2018 and 2017



Child Health & Development

Child Health & Development

The new Child Health & Development team and its partners gained impressive ground in reducing anaemia in Bangladesh through the world's largest commercial model for micronutrient powders for children, expanding CIFF's commitment to deworming and nutrition.

In Bangladesh, **CIFF partners BRAC and GAIN created the largest commercial model for micronutrient powder (MNP) in the world** — selling over 145 million MNP sachets over five years. Evaluation findings show a significant reduction in anaemia among children under five years of age. Furthermore, under the leadership of the Government of Bangladesh, CIFF, UNICEF, and other partners supported efforts to strengthen the country's new costed National Action Plan for Nutrition and ensure high-level accountability through new district-level nutrition scorecards.

CIFF supported South-South collaboration between Peru and Bangladesh that led to both countries signing a Memorandum of Understanding for tracking country progress against the Sustainable Development Goals. This memorandum provides a framework for the two countries to exchange knowledge and expertise in monitoring and tracking progress.

In 2018, **CIFF partner, Power of Nutrition, raised US$20.6 million from diverse new donors**, including corporates, high net worth individuals, and the first-ever bilateral funders (the Governments of Norway and Australia). Its investments in Liberia, Tanzania and Ethiopia have **reached more than 22.1 million children, women of childbearing age, and adolescent girls** with vital nutrition services and products. With new investments in Benin and Nigeria, the total value of the organisation's investment portfolio now stands at US$374 million.

In 2018, CIFF expanded its commitment to deworming, which has so far delivered **1.8 billion treatments** for parasitic worm infections in India, Ethiopia and Kenya. Two innovative programmes were launched in 2018: Geshiyaro and AcceleraTE.

The **Geshiyaro** programme (meaning "clean inside and outside" in the local Ethiopian language) combines fingerprint-verified treatment of children and adults with provision of clean water, as well as the creation of a market and incentives for improved sanitation and hygiene. Launched by the Federal Ministry of Health with support from World Vision Ethiopia and technical partners, this programme aims to **break transmission of soil-transmitted helminths and schistosomiasis**.

AcceleraTE, a joint investment with SightSavers under Audacious Ideas seeks to eliminate blinding trachoma in 16 African countries. Led by Sightsavers in collaboration with national governments, AcceleraTE aims to improve understanding and the implementation of trachoma treatments within governments, to help reach and sustain elimination targets, and drive innovative research into the use of azithromycin to reduce child mortality.

Adolescence

Adolescence

The Adolescence team aims to place more power into the hands of users through self-care: equipping young people with new options to prevent unintended pregnancy, know their HIV status, and access safe abortion. Last year was a pivotal one, with programmes such as In Their Hands and Adolescents 360 scaling up, and market shaping interventions improving access to contraceptives and self-tests.

Global momentum on HIV self-testing continued to grow. Procurement increased from 500,000 tests in 2017 to over 5 million tests in 2018, spurred in part by the agreement between CIFF, the Bill & Melinda Gates Foundation, and OraSure to lower the price of the OraQuick self-test to US$2.

CIFF also generated insights about how to generate demand among men. Population Services International (PSI) piloted sales of self-tests in the private sector in Kenya, putting almost 10,000 tests in the hands of users by the end of 2018. In parallel, four design firms completed prototyping of innovative service delivery models to make self-testing appeal to men. We will scale several of these concepts in 2019.

In youth-centred service delivery, a major success in 2018 was **the completion of CIFF's 'Choice4Change' programme, that provided contraception to over 165,000 teenage girls in Kenya.** Nearly half opted for the most effective, long-acting methods at an average cost of US$40 per user. We built on this success in our flagship In Their Hands programme, which uses mobile technology and behavioural science to empower girls to take up contraception with the provider of their choice. In Their Hands reached substantial scale, serving over 140,000 girls in less than one year.

Last year also saw the **conclusion of the Implants Access Programme**, in which a volume guarantee from CIFF and partners halved the price of contraceptive implants from Bayer and Merck - making a contraceptive choice that has been in high demand from women more accessible. Uptake of implants double between 2012 and 2018, and saved procurers over US$500 million – with no payout required by the guarantors.

The self-injectable contraceptive DMPA-SC (Sayana Press) continues to make exciting progress, with **strong evidence and an increasing number of supportive policies** supporting user self-injection. A randomised study co-funded by CIFF in Malawi found that women self-injecting Sayana Press were **50% more likely to continue use** compared to injections by a health provider. A systematic review by the Human Reproductive Health Programme concluded that self-injection has proven to be a promising approach to increasing contraceptive use overall. Given the positive evidence base, **ten high-priority countries are in the advanced stages of national scale-up planning** for this next-generation injectable, including eight which have committed to including self-injection.

Climate Change

Climate Change

Over the course of 2018, the Climate team developed multiple new partnerships, increased programmes in Asia, and supported vital legal cases in the UK and Europe. One of the biggest successes for 2018 was the development of CIFF's air quality strategy and, more specifically, the establishment and incubation of the Clean Air Fund – a pooled fund dedicated to tackling air pollution and improving human health worldwide.

CIFF joined 29 other philanthropies at the Global Climate Action Summit at which US$4 billion was agreed to be donated over the next five years to combat climate change—the largest-ever philanthropic investment focused on climate change mitigation. CIFF and our co-founder Sir Christopher Hohn agreed to donate US$500 million over the next five years.

In September, CIFF helped to create a coalition of eight philanthropies and four partner countries to announce **a new collaboration to accelerate energy transition in South East Asia.** This collaboration between Canada, France, Germany, the United Kingdom and the philanthropic coalition represents over US$80 million in technical assistance and civil society engagement, and US$195 million in aligned capital investments. The partnership helps to promote the right market conditions for the region's private sector to ramp up investments in climate initiatives.

CIFF continues to support China's clean energy transition. With technical assistance from CIFF's partner China National Renewable Energy Centre and a wider group of partners, China's renewable energy continued to surge in 2018, with 20GW and 44GW of wind and solar power capacity added within the year, while the national average rate of renewable energy wastage (curtailment rate) dropped from 12.0% to 7.0% for wind and from 5.8% to 3.0% for solar (down from the 2017 averages)

Renewable energy, particularly solar energy, is expected to continue its rapid expansion in China, particularly as China is now producing power from renewable sources at a cost equal to power from the grid. On the other side of the energy transition, CIFF's partner Natural Resources Defence Council supported Henan province to adopt its own coal reduction target of 15% by 2020, compared to 2015. This is higher than the 10% target set by the central government. This makes Henan the first and only province to set a more ambitious target supported by a coal reduction action plan.

Child Protection

Child Protection

CIFF continues to work with an extraordinary set of partners, and in close partnership with local governments and authorities to fight child labour and commercial sexual exploitation of children.

Our work has focused on raising awareness about the problem – especially by giving a voice to children – working closely with governments to build local capacity, building coalitions to support grassroots organisations, piloting and scaling up high-impact interventions, and documenting and sharing evidence of what works and what doesn't.

We continue to believe that unless demand is reduced, there will always be a risk of vulnerable children being exploited. We remain particularly focused on India where we think there is the right mix of governmental, non-governmental, judicial and law enforcement leadership and capacity to drive the systems change required to tackle the issue.

In 2018, we helped increase access to justice for children in India. Our partner, Bachpan Bachao Andolan (BBA) has worked to strengthen child protection institutions in India to ensure that crimes against children are acknowledged, reported, and prosecuted. BBA has facilitated access to justice for children and their work led to the launch of prosecution in 9,177 cases of juvenile justice, child labour and commercial sexual exploitation of children. This is a huge increase from the 1,730 cases launched in 2015.

Globally, Freedom Fund works with more than 100 frontline organisations in seven hotspots to eradicate human exploitation and trafficking. **Since the fund's set-up, they have impacted over 511,000 lives and liberated 21,000 vulnerable individuals.** They have supported 7,000 community groups and enabled more than 46,000 children to go back to school. They currently work in India, Ethiopia, Nepal and Thailand.

In 2018, Freedom Fund had success in Thailand with the National Legislative Assembly approving the ratification of a new convention, which sets key standards for the working and living conditions of fisherman. In the lead up to this, Freedom Fund worked with civil society partners to engage the Government of Thailand on the importance of the issue, with a particular focus on helping to protect children.

Evidence, Measurement & Evaluation

Evidence, Measurement & Evaluation

Data and evidence is at the core of all CIFF's programmes and, as disruptive technologies are revolutionising lives around the world and providing unprecedented amounts of data, we are keen to harness these new capabilities and contribute to the development of technology as a force for good. In 2018, our Evidence, Measurement & Evaluation (EME) team focused on upscaling technologies to capture and use data more effectively, both as standalone projects and in support of measurement techniques within CIFF's investments.

In 2018, EME identified technology options for malnutrition diagnostics, for tracking the use of self-care products, and for point-of-care solutions for deworming testing. To do this, the EME team worked closely with local partners and governments. In many cases, including in Ethiopia, this led to overall data system strengthening work.

The EME team also continued efforts to generate robust evidence across CIFF sectors, to influence public policy as well as measuring the sustainability of CIFF programmes.

The importance of technology in data-capture and use has grown year on year. We are working with new partners to implement pilot studies. For example, Triggerise are working on the use of technology and Artificial Intelligence solutions for facial recognition and age identification, which can help better target programmes and services.

In Ethiopia, **CIFF helped launch a digital census, piloting the use of biometrics with partners like Simprints** to test the use of fingerprint technology in deworming programmes. This pilot will enable the tracking and improvement of coverage for mass drug administration treatment in deworming transmission break. Once the pilot is complete in 2019, it has potential for wider use – such as antenatal care and school attendance tracking.

A sustainability evaluation for the Zimbabwe prevention of mother-to-child transmission of HIV investment demonstrated that the impressive impact gains (bringing down the transmission to <5% from >15%) have been sustained years after the main CIFF investment. Strong government ownership, engaged management by the Elizabeth Glaser Pediatric AIDS Foundation in Zimbabwe and CIFF's focus on data for course-correction have been among the key contributing factors of success.

Strategic Engagement & Communications

Strategic Engagement & Communication

The Strategic Engagement & Communications (SEC) team was established in 2018, developing its first investments, and growing from its original function as a sector support team.

SEC's focus in 2018 was to continue supporting the programmes developed by the sector teams, while starting to build its own portfolio of investments focused on strategic communications, campaigning and stakeholder engagement. The SEC team also continued to oversee CIFF's corporate communications work, including the development of a Reputation Management strategy, related to CIFF's work on potentially contentious issues.

In Nigeria, SEC is piloting an integrated approach to increase political support and funding for the prevention and treatment of severe acute malnutrition (SAM). It has engaged four partners that bring together mass media campaigning, federal and state engagement, public mobilisation, and technical assistance. In the final months of 2018, the partners contributed to a joint effort with UNICEF that secured US$4.5 million for ready-to-use therapeutic food (RUTF) from federal and state governments.

SEC **played a crucial role in content and narrative development, for key events and opportunities for CIFF's programmes** during 2018. During the International Conference on Family Planning, SEC hosted a youth panel on the link between family planning and keeping girls in school, which secured the highest views and engagement on social media during the week of the conference. SEC also assisted the Climate team in developing core communication materials during the Global Climate Action Summit, at which US$4 billion was pledged for climate related action.

The SEC team **led CIFF's work with SheDecides, a global political movement driving change and united by the belief in the right of every girl and every woman, everywhere, to make the decisions only she should make.** During 2018, SheDecides laid the core foundations for the movement by developing its strategy and workplan, securing additional funding, hosting events across the world and expanding its group of SheDecides Champions. In addition, SheDecides developed a scorecard, to help fast track the Sexual and Reproductive Health and Rights strategy in the Southern African Development Community region, which was adopted by ministers. Finally, SEC worked with the SheDecides core team, which had been incubated within CIFF, to ensure its successful transition to IPPF in late 2018.

India

India

CIFF continues to broaden and deepen our partnerships in Rajasthan and across India – with governments, non-profit organisations and local philanthropies – to serve India's mothers and children by working on the toughest issues.

Local partners are essential. In particular, our close partnership with the Indian government has enabled strong progress across our portfolio, including health, nutrition, deworming and child protection. For example, we are proud to have partnered with and contributed to the Government of India's thinking on nutrition and the launch by the Indian Prime Minister of the National Nutrition Mission (NNM) in Rajasthan on 8 March 2018.

A major achievement in 2018 was the reduction in neonatal and maternal mortality rates in 21 districts of Jharkhand, supported by scaling up the Participatory Learning and Action model through the **Facilitating Learning and Action Groups** programme. The model empowers women to make independent decisions on family planning and health practices. A year from the start, the **neonatal mortality rate has decreased by 10% in the intervention area** as compared to the control area. We have also seen significant shifts in women's behaviours. They are making more independent decisions on birth preparedness including preparing finances, transport and community support. In recognition of this success, the Jharkhand Government earmarked an annual budget of US$1.3 million from 2018-2019 to support and scale up the model.

CIFF's Udaan investment, which seeks to delay the age of first pregnancy by keeping girls in school using cash transfers, has led to 63,500 girls being enrolled in Grades 9 and 10 (equivalent to ages 15-16) for the most recent academic year.

Three years ago, CIFF agreed to be the outcome payer for the **world's first Development Impact Bond (DIB)** in Rajasthan. Led by Educate Girls, the DIB aimed to increase enrolment, retention and learning outcomes for girls. In its third year, the DIB achieved a 160% increase in learning outcomes and a 116% increase in girls' enrolment in 140 villages of the Bhilwara District. The success of this DIB resulted in multiple new efforts and funding streams for education, including a billion-dollar fund to improve educational outcomes.

CIFF also supported the scale-up of deworming, from a pilot to a national mass drug administration programme. The government has set aside US$36 million for this in 2018-19, and the programme has reduced worm prevalence from 74% to 14% among school-aged children in Chhattisgarh. A roadmap is now being developed by the High-Level Scientific Committee (set up in 2018 and supported by CIFF) to break the transmission of worms for good.

Africa

Africa

In 2018, we took steps to expand and formalise our presence in Africa, adding a new permanent office in Addis Ababa, Ethiopia, in addition to our longstanding office in Nairobi, Kenya.

In mid-2018 **Ethiopia became CIFF's single largest geography for grant investment, with more than US$100 million of grant funding active in the country**. Recognising the importance of Ethiopia as a partner country, we formalised our partnership with the Government of Ethiopia under a Memorandum of Understanding, signed in May 2018.

At the end of 2018, we initiated the **recruitment of CIFF's first ever Executive Director for Africa** to oversee our expanding work in the region (the Executive Director for Africa joined CIFF in early 2019).

The portfolio of grants in Africa includes some of CIFF's most mature investments with results in 2018 showcasing success for CIFF's goals to catalyse sustainable change.

In Zimbabwe, a sustainability evaluation for the national prevention of mother-to-child transmission of HIV investment showed that impressive impact gains – **bringing down transmission to under 5% from over 15%** – have been sustained by the country, years after CIFF's main investment finished. Strong government ownership, continued support from the Elizabeth Glaser Paediatric Aids Foundation and willingness to continue using data for course correction have been amongst the key contributing factors for success.

In addition, a number of countries in East Africa are focus geographies for some of our most cutting-edge work, particularly in adolescent sexual health.

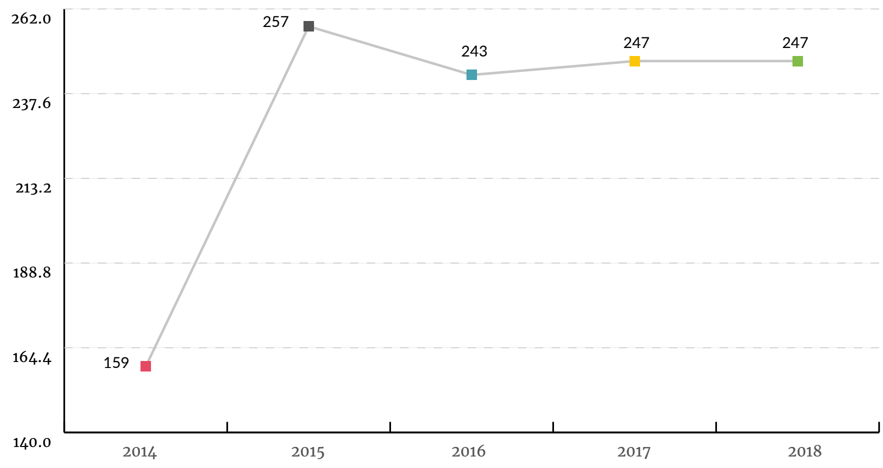
Data received at the start of 2018 from our Choice4Change programme – which aimed to reach adolescent girls at scale with long acting methods of contraception – showed excellent results, with **more than 90,000 girls in Kenya adopting contraception**. More than two-thirds of these girls opted for long-acting methods. In addition, cost per user has dropped more than 50% to just US$40.

CIFF also made the decision to reinvest in a more ambitious programme, building on this success, with **the approval of the second phase of the In Their Hands programme**. In Their Hands is designed to develop a movement, driven by youth, that can address the gap in contraception for millions of girls in Kenya. The health impact of In Their Hands combines scale with focused attention on shifting uptake of key sexual health services. Over three years, In Their Hands will reach 250,000 girls with contraception, HIV counselling, testing and care, and safe abortion or post-abortion care, averting 95,000 pregnancies and 30,000 abortions among girls aged 15 to 19.

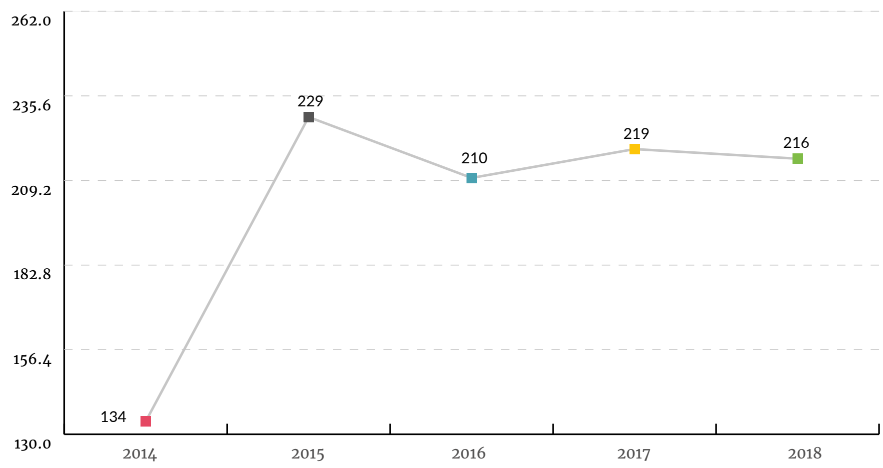
Strategic Report

Financial Review

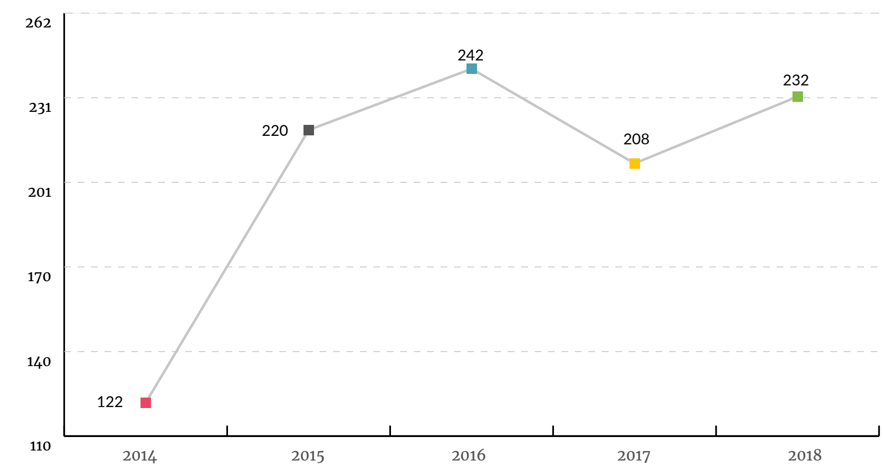
Charitable activities in the period to 31 December 2018 (US$m)



Grant commitments in the period to 31 December 2018 (US$m)



Grant disbursements in the period to 31 December 2018 (US$m)



Five-year summary of income and expenditure

Summary of income and expenditure

	2014	2015	2016	2017	2018
	US$m	US$m	US$m	US$m	US$m
Incoming resources	189.0	246.6	314.7	283.2	82.4
Net Investment gains	600.3	132.9	266.0	491.4	131.0
Foreign exchange	3.1	(3.7)	(14.6)	5.9	(2.9)
Total incoming resources including recognised gains and (losses)	**792.4**	**375.8**	**566.1**	**780.5**	**210.5**
Investment management costs	69.7	30.7	47.6	67.4	33.5
Charitable activities	159.4	257.4	242.6	247.3	247.0
Total resources expended	**229.1**	**288.1**	**290.2**	**314.7**	**280.5**
Net movement in funds	**563.3**	**87.7**	**275.9**	**465.8**	**(70)**

Summary of assets and liabilities

	2014	2015	2016	2017	2018
	US$m	US$m	US$m	US$m	US$m
Investments	3,545.7	4,328.1	4,813.0	5,233.3	5,342.2
Current assets	1,202.5	566.7	185.8	549.5	307.1
Total liabilities	(394.3)	(453.2)	(281.3)	(599.4)	(521.3)
Total assets less Total liabilities	**4,353.9**	**4,441.6**	**4,717.5**	**5,183.4**	**5,128.0**

Summary of financial and operational information

	2014	2015	2016	2017	2018
Grant disbursements (US$m)	122	220	242	208	232
Grant disbursements as a % of net assets	2.8%	5.0%	5.1%	4.0%	4.5%
5-Year disbursement ratio*	2.2%	3.1%	3.9%	4.4%	4.3%
Average headcount (FTE)	66	80	80	80	95
Support costs as a % of charitable activities**	16.4%	10.1%	11.5%	10.0%	11.8%
Support costs as a % of disbursements**	20.7%	11.8%	11.3%	11.7%	12.1%

* The 5-year disbursement ratio is defined as the average spend divided by the average assets over a 5-year rolling period.
** For this ratio, support costs do not include the exceptional expenses included in 2015, 2016, 2017 and 2018.

For the Income & Expenditure table, the information for 2014 – 2015 is for the 12 month period to 31 August; the 2016 data is for the 16 month period to 31 December. The Balance Sheet information for 2014 to 2015 is as at 31 August, and at 31 December 2016. The summary financial and operational information is consistent with the Income & Expenditure and Balance Sheet information.

Charitable activities

The Foundation committed US$247 million to charitable activities (2017:US$247 million), which consisted of US$216 million of charitable grant commitments (2017:US$219.3 million), US$1.9 million of activities undertaken directly (2017:US$1.1 million) and US$29.3 million of support cost (2017:US$26.8 million).

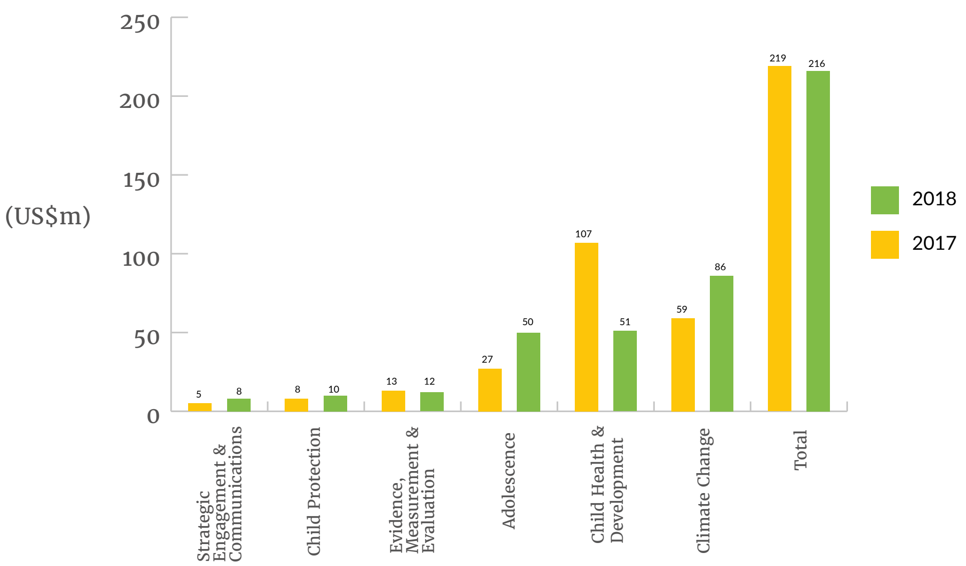
Activities undertaken directly

The Foundation also undertook activities directly. The direct expenditure of US$1.9 million (2017:US$1.1 million) on charitable activities was mainly to further CIFF's mission by convening conferences and events, providing technical assistance and training to grantees and other charitable organisations, and publishing and disseminating research findings.

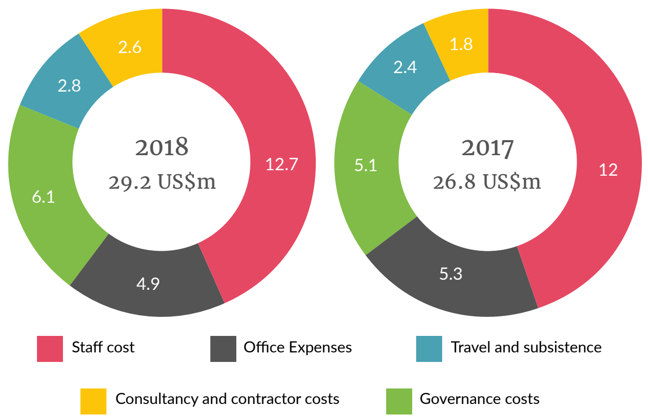
Grant commitments by sector

Please note that the CIFF Sector structure has changed during 2018 financial year. Accordingly, the 2017 figures are restated to reflect the comparatives based on the new structure.

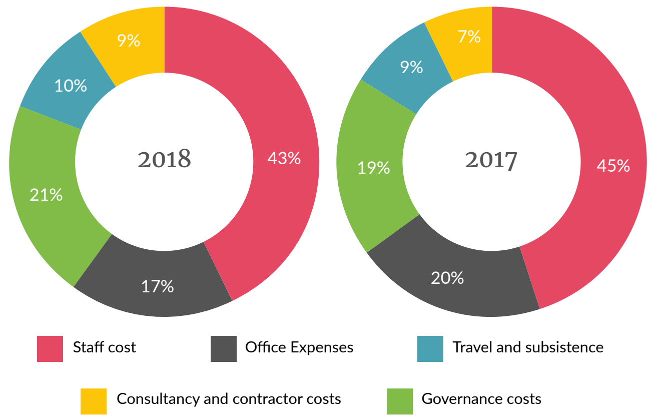
Grant commitments by sector (US$m)



Support costs by type – 2018 and 2017



Support costs by % – 2018 and 2017



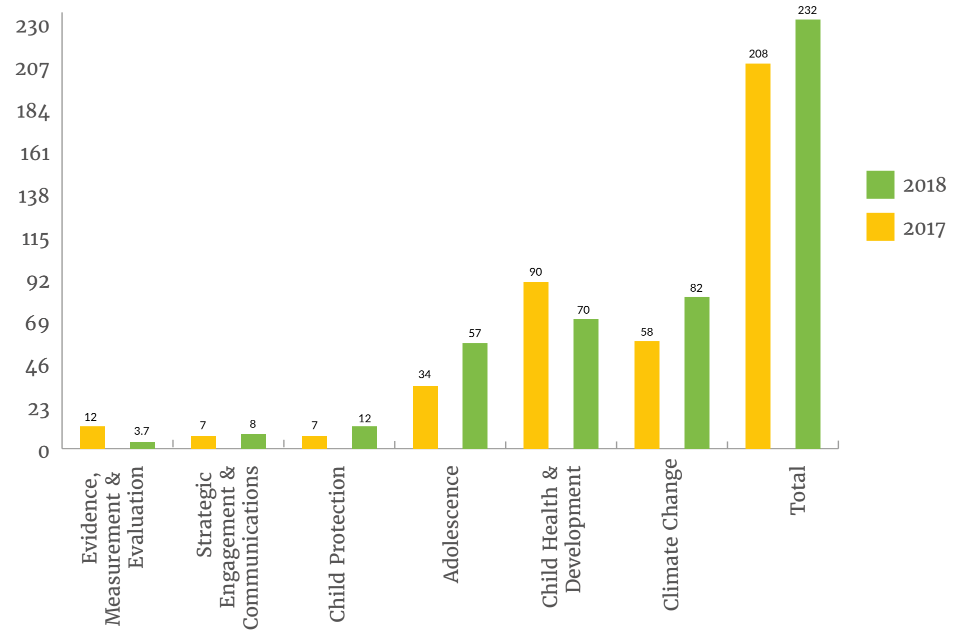
Grant disbursements

The Foundation made US$231.7 million of grant disbursements in 2018, which is the fourth financial year in a row the Foundation has made grant payments greater than US$200 million and represents a pro-rated 10% increase on prior year (2017:US$208 million). The charts below show the grant payments made in 2018 by sector and geographic focus.

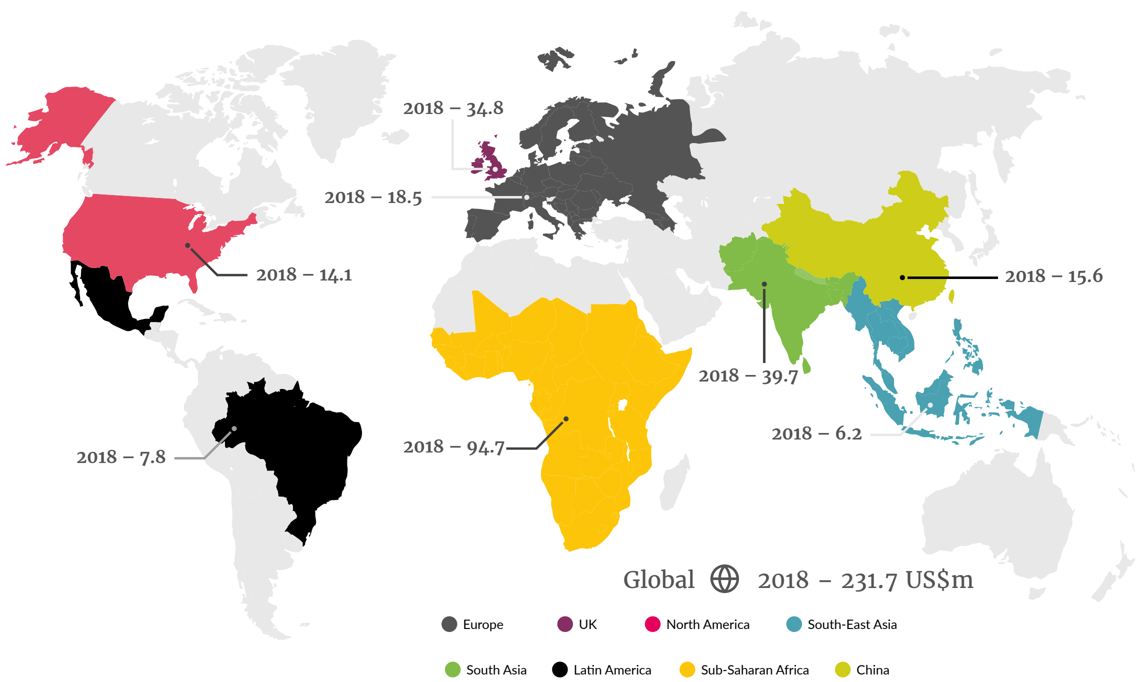
Charitable grant payments by sector

Please note that the CIFF Sector structure has changed during 2018 financial year. Accordingly, the 2017 figures are restated to reflect the comparatives based on the new structure.

Charitable grant payments by sector (US$m)



Distribution of charitable grant payments (US$m) by geographic focus



Note: Distribution according to location of grantee. This map does not reflect the location of grantee activity.

Investment Review

Investment strategy

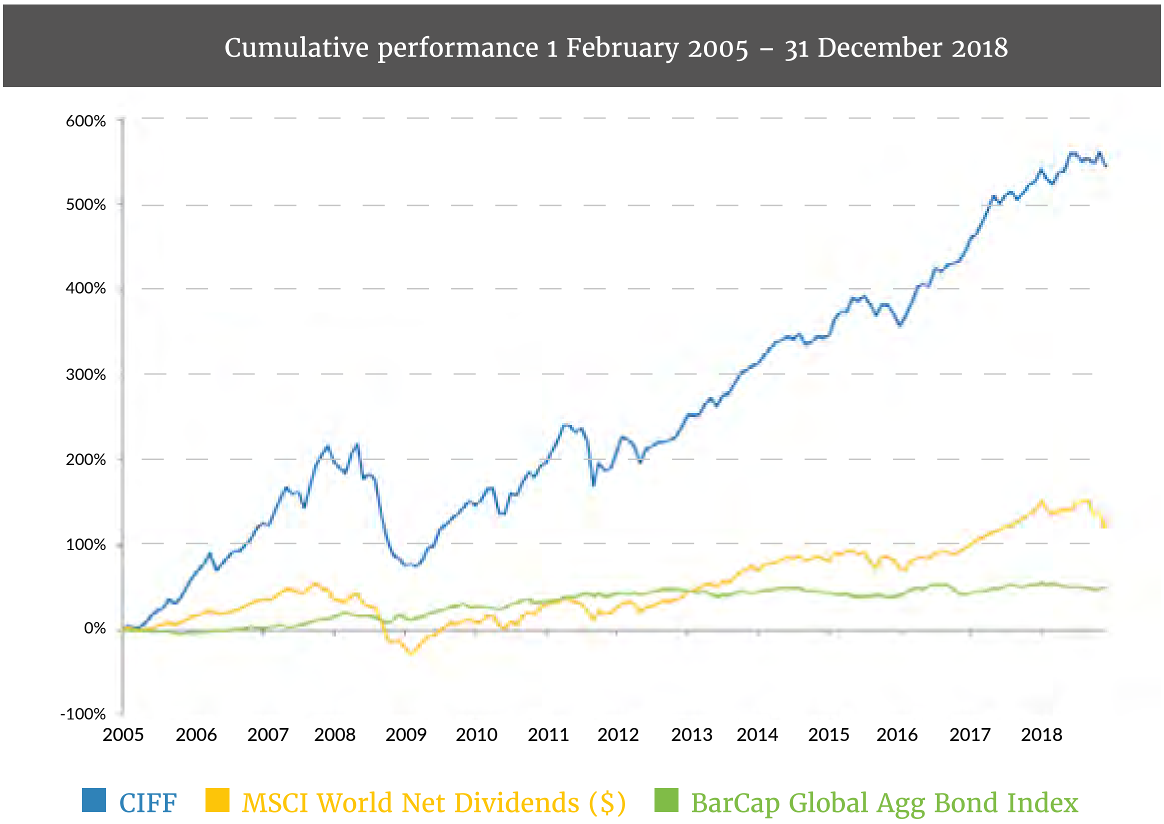
The Trustees have developed an investment strategy which provides for investing in a diverse portfolio of financial investments with a long-term investment horizon. The Foundation's investment objective is to:

- 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 2019 and manage the overall spend in line with our spending target of distributing up to 6% of average assets over a five-year period, with an upper limit of 6.4%.

Asset growth

Since inception, the Foundation has received voluntary income, donations and donations-in-kind of over US$2.1 billion. Over the last 10 years, the Foundation's net assets have grown through investing to US$5.1 billion (2017:US$5.2 billion), after charitable activities, governance costs and investment management costs of over US$1.9 billion (2017:US$1.6 billion). The chart below shows the growth in the Group's net assets since 2004.



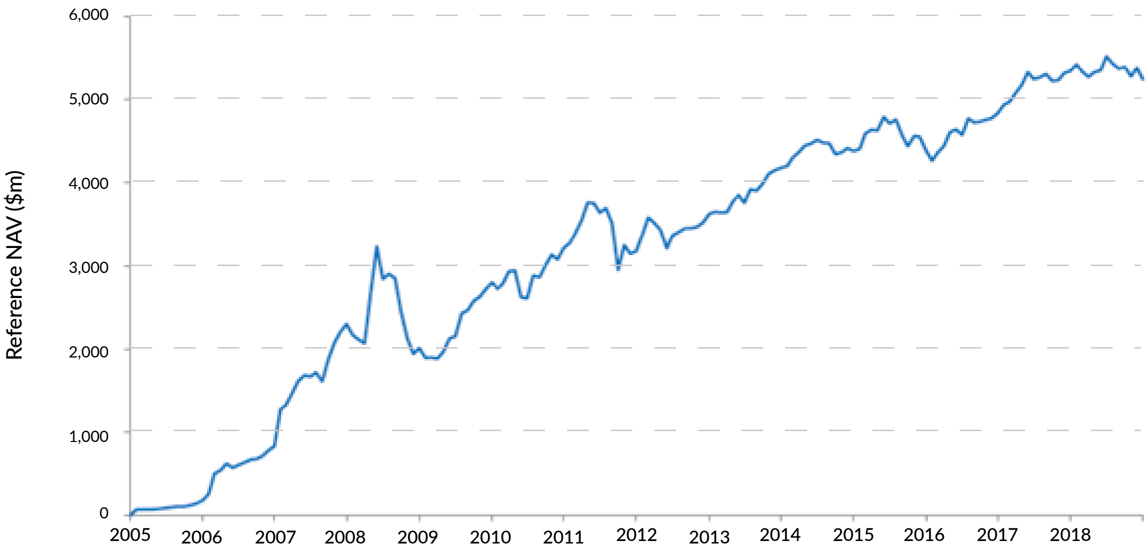
Source: Cito Fund Services (Ireland)Limited, TCI Fund Management Limited, Bloomberg LP.
Note: MSCI World Equity Index includes net dividends reinvested, and is unhedged against the US$.

Investment returns

Total incoming resources were US$82.4 million (2017: US$283.2 million), consisting primarily of dividends and interest received from the Group's equity and fixed income investment portfolio. Investment gains in the year were US$131 million (2017: gain of US$491 million). The combined net investment return for the financial year ended 31 December 2018 was 5% (2017: 15.8%), reflecting a strong performance relative to market average returns in debt markets and falling equity markets. Cumulative performance of 292% since April 2009, equivalent to 15% per annum return (net of fees).

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

Total Net Asset Growth since 2005 (US$m)



Source: Cito Fund Services (Ireland)Limited, TCI Fund Management Limited.
Note: Assets include CIFF private equity. December 2018 Reference NAV has been amended to reflect the write-down of IREO assets effective 31 December 2018.

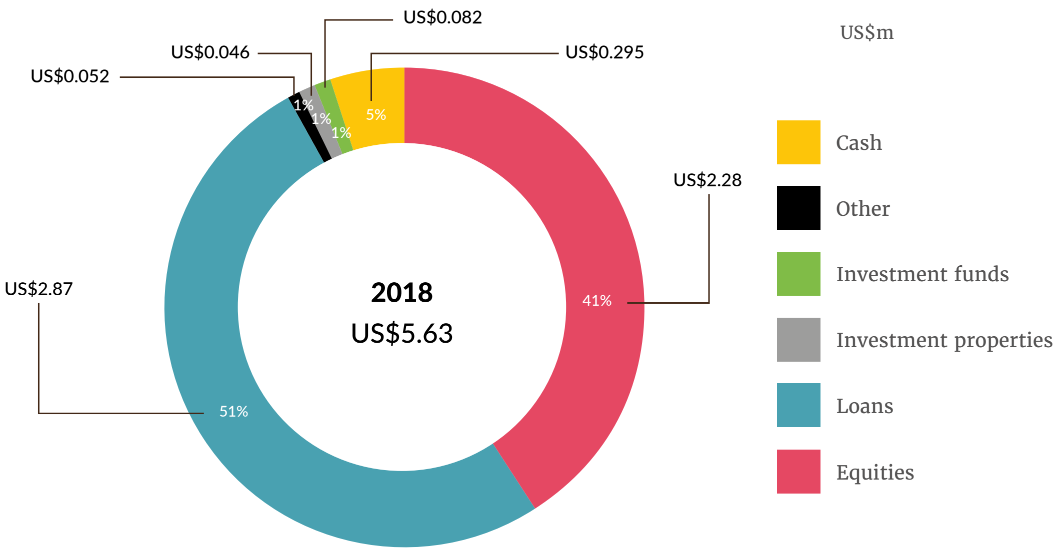
Investment management costs

Investment management costs in 2018 were US$33.5 million (2017: US$67.4 million), of which US$23.2million (2017:US$61.4 million) related to investment management fees paid to the investment manager, TCI Fund Management Limited ("TCI") (see note 22 for further details of related party transactions). The Foundation carries out an annual review of TCI's fees, benchmarked against peers, and has affirmed the fees are reasonable, and represents strong value for fees paid relative to the performance of the investment portfolio.

Asset allocation

TCI invests the Foundation's assets in different classes and sectors within the parameters set by the Foundation's investment management restrictions, adopted by the Trustees. The Foundation and its subsidiaries ("the CIFF Group") operate a diversified portfolio, invested in a number of different types of financial instruments across a wide range of sectors (with certain limitations – see investment policy on page 28). The allocation by asset type is set out in the chart below.

Percentage total asset allocation by asset type (including cash)



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 manageable risks identified by the Trustees are external risks including reputational risk (e.g. programmes do not deliver the impact required by the CIFF board), strategic risk (e.g. relationships with partners are not managed appropriately leading to a negative impact on existing or potential programmes) and financial risks (e.g. fraud and investment risk).

The Trustees are satisfied that sub-committees, systems, controls and policies are in place to mitigate and manage exposure to such major risks identified by the Trustees. They continue to review current processes, recognising that systems can only provide reasonable, but not absolute, assurance that major risks have been adequately managed. The Foundation is also exposed to external risks, including political risk. Management cannot directly manage this risk but the impact on the Foundation is monitored and action is taken in response.

The management of major risks is documented through a risk register, in accordance with guidance by the Charity Commission. The following categories are considered when classifying risks: strategic risk, governance risk, compliance with law and regulation, financial risks, operational risks, and external risks. Where major risks are identified, assurance is sought that adequate controls have been actioned so that the risk is within the Foundation's risk tolerance.

Over the course of 2018, the Foundation has been reviewing its various internal organisational policies and procedures in respect of compliance and regulatory requirements. In February 2018, the Foundation's Board of Trustees approved an updated Safeguarding & Child Protection Policy reflecting its commitment to recognising, promoting and protecting the rights of all children. The Foundation will seek to continue to review, provide training and monitor compliance issues within the Foundation and its programmes.

Investment risk management

Investment Policy

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

The Trustees remain mindful of their duty to review and monitor regularly the management of the Foundation's investments. 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. In addition, in February 2018, the Trustees established the Investments Sub-Committee ("Investments Sub-Committee") to take decisions in relation to the Foundation's endowment. The Investment Sub-Committee is comprised only of the non-conflicted and un-recused Trustees.

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

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

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

Based on the Finance Committee's own assessment, the Board is satisfied with the current investments and their allocation, although the Board will continue to monitor and review the investment strategy, through the Finance Committee.

The Trustees are aware of the potential conflict of interest which exists between the Foundation and Sir Christopher Hohn as both a Trustee and his position as Managing Partner of TCI Fund Management Limited ("TCI FM"), the investment manager to certain entities within the Foundation's Group, and accordingly carefully and appropriately manage the relationship (see Recent Developments, page 33, and note 22). As noted above, the Investments Sub-Committee was established in February 2018 to manage any potential conflicts.

The 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 last review in May 2018, the unconflicted members of the Board endorsed TCI FM as the sole investment manager of the assets of CIFF's Group. Further details of the investment portfolio can be seen in the notes to the consolidated financial statements.

Cash Management Policy

The Foundation has a Cash Management Policy, which was adopted by the Trustees on 11 March 2013 and was most recently updated by Trustees in March 2019. 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:

- 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. 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

The Foundation's internal controls are designed to provide assurance to the Board of Trustees that adequate procedures are in place and operating effectively to mitigate the risk of material financial loss or misstatement.

The Foundation reviews identifies internal operational and financial process controls on an ongoing basis, with external support where appropriate, and implements improvements.

The Foundation's budgets are prepared annually. The Foundation's support and governance spend is set by reference to total planned charitable disbursements to ensure it remains reasonable and proportionate. The Executive Team reviews and approves guidance for budget holders and staff to monitor and control support costs and governance-related expenditure. Further details of financial risk management can be seen in Note 13 of the consolidated financial statements.

Granting Policy

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

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

Upon approval by the Board or PICs, the full programme budget is agreed for the full-term of the programme, subject to the APR that 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, if appropriate, agrees the coming year's work-plan, budget, KPIs, milestones and deliverables.

The APR process is set out as a condition of the agreement with the grantee, with release of funding being conditional upon adherence to the work-plan, budget, KPIs, milestones and deliverables by a specific date set out in the multi-year contract.

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

Reserves Policy

The Foundation maintains three internal reserves to assist in achieving these financial objectives: Restricted Funds, an Expendable Endowment Fund and Unrestricted Funds. The level of these Reserves, considered on a five-year time horizon, is the key determinant in the amount of capital which the Group is able to disburse each year to charitable activities. The Trustees review reserves annually, and are satisfied that the CIFF group is in a position to meet all its current and anticipated future commitments.

Unrestricted Funds

Designated Funds

Designated funds represent the funds which are not committed but may be disbursed for approved multi-year programmes within the next five years. As at 31 December 2018 the Trustees have allocated $570m (2017: US$438m).

Operational Reserves

The Foundation's unrestricted funds have been used in 2018 and previous years as "Operational Reserves" to finance the Foundation's grant expenditure and direct charitable activity 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 referred to below, 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 operational reserves as at 31 December 2018 was US$nil (2017:US$nil).

Restricted Funds

Restricted funds are generated when a donor determines the activities their donation should fund. 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.

Expendable Endowment Funds

The Group's endowment is expendable at the Trustees' discretion. The Trustees have the power to transfer any required amount of this endowment into an income which can then be utilised by the Foundation to further its charitable objectives. The Trustees' monitor the value of the expendable endowment fund over a multiyear period to ensure that the Group can maintain its existing level of annual charitable expenditure and increase it gradually for future years. At the year end, the value of the expendable endowment fund was US$4,558.3 million (2017:US$4,745.5 million).

Structure and Governance

Foundation Structure

The Foundation is a company limited by guarantee, incorporated on 8 February 2002 and registered as an English charity on 12 March 2002. The company number is 4370006.

Subsidiary Companies

The Foundation had six directly owned subsidiaries as at 31 December 2018 (2017: five). The table below provides further details on all the subsidiary entities within the Group.

Entity	Incorporated in	% Holding	Purpose	Profit/(loss) US$ '000	
				2018	2017
CIFF (UK) Trading Limited ("CIFF Trading")	England & Wales	100	(1)	(8)	(13)
CIFF (UK) Newco Limited ("CIFF Newco")	England & Wales	100	(2)	(4)	87
Talos Capital Designated Activity Company ("Talos")	Ireland	100	(3)	4	4
Talos Properties Holdings Limited ("TPHL")	England & Wales	100	(4)	1,256	1,373
Talos Properties Limited ("TPL")	England & Wales	100 *	(5)	1,274	1,376
CIFF Nutrition (UK) Limited ("CIFF Nutrition")	England & Wales	100	(6)	0	–
CIFF UK LLP ("CIFF LLP") – dissolved	England & Wales	N/A	(7)	–	–
CIFF Capital UK LP ("CIFF Capital")	N/A	100**	(8)	–	–
CIFF Investments LLP ("CIFF Inv")	England & Wales	100*	(9)	–	–
CIFF IP CO Limited ("CIFF IP")	England & Wales	100	(10)	–	–

* Indirect holdings
** Economic entitlement only

(1) CIFF Trading was a designated member of CIFF LLP. In addition CIFF Trading holds an investment in TCI Fund Services LLP, and is a non participating member in CIFF Investment LLP.
(2) CIFF Newco was a designated member of CIFF LLP.
(3) Talos (company number: 464778) holds an underlying investment portfolio that is managed to provide the Foundation with investment return. At 31 December 2018, its total assets amounted to US$5,488,423k (2017: US$5,509,726k), total liabilities amounted to US$5,488,415k (2017: US$5,509,722k), and net assets amounted to US$8k (2017: US$4k).
(4) TPHL's principal activity is to act as the parent of a wholly owned subsidiary TPL.
(5) TPL acquires and manages a UK investment property portfolio.
(6) CIFF Nutrition promotes Ready to Use Therapeutic Foods in developing countries.
(7) CIFF LLP was dissolved on 12 April 2018.
(8) CIFF Capital was registered by limited partnership deed between the Foundation and TCI General Partner Limited. It has been established to hold investment assets for the Foundation. The entity is a limited partnership therefore not incorporated.
(9) CIFF Inv was incorporated by limited liability partnership deed between Talos and CIFF Trading in 2019 to hold assets from the investment portfolio. The first set of Financial statements will be produced for the period ending 31st January 2020.
(10) CIFF IP was incorporated on 19 September 2018 to hold intellectual property rights in support of the charitable activities of the Foundation. The first set of Financial statements will be produced for the period ending 31st December 2019.

For the period to 31 December 2018, the reported results of the subsidiary undertakings of CIFF are disclosed in the attached financial statements, note 12. These results of the CIFF Group are consolidated and are presented in the attached consolidated financial statements.

Foundation Governance Structure

The Board of Trustees

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

Ms Jamie Cooper (recused)
Sir Christopher Hohn
Dr Graeme Sweeney
Mr Ben Goldsmith
Mr Masroor Siddiqui

The Trustees are selected on the basis of their skills and expertise, in particular in the areas of business management. The Trustees determine the strategy and policies of the Foundation and monitor implementation and impact. 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 and review the Board Members' Register of Interests at each Board meeting. Trustees must register all relevant interests with the Company Secretary and, in accordance with the Foundation's policy, withdraw from decisions where a conflict of interest arises.

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

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

The Finance Audit and Investment Committee

The Finance Audit and Investment Committee was established in May 2006 and is constituted by not less than four members appointed by the Board, one of whom must be a Trustee. Other members with appropriate skills and expertise, who need not be Trustees, may be appointed to the Committee by the Board. The current trustee member is Masroor Siddiqui and the three independent members of the Committee are Emmanuel Roman (Chair), Richard Hayden and Jacob Schimmel. CIFF's CFO, Finance Director and Financial Controller are regular attendees of the Committee. The Finance Audit and Investment Committee has delegated responsibility on behalf of the Board for advising the Trustees on audit, finance and investment matters.

Investments Sub-Committee

The Investments Sub-Committee was established in February 2018 and is constituted by the Foundation's non-conflicted and un-recused trustees, being Graeme Sweeney (Chair), Masroor Siddiqui and Ben Goldsmith. The Investments Sub-Committee has delegated responsibility on behalf of the Board to take decisions in relation to the Foundation's endowment.

Programme Investment Committee, Climate

The terms of reference of the Programme Investment Committee, Climate **("PIC Climate")** were approved in October 2015. The PIC Climate is constituted by at least three Trustees, the Foundation's CEO and at least three (but no more than eight) independent advisers. The PIC Climate has delegated responsibility on behalf of the Board for advising on grant-making activities in relation to the Foundation's environmental objectives (advancing environmental protection or improvement, including preservation and conservation of the natural environment) and the promotion of sustainable development to mitigate climate change ("Climate Purposes"). The PIC Climate has decision making authority for grant proposals regarding Climate Purposes up to and including US$20 million.

Programme Investment Committee, Children

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

CEO Delegated Authority

The Board has delegated to the CEO responsibility for receiving, considering and making decisions upon certain grant proposals up to and including US$1 million. The Terms of Reference for the CEO's delegated authority were approved by the Board on 11 February 2014 and amended on 4 February 2015 and 15 August 2015 and 23 March 2018. In 2018, this authority was subject to a maximum aggregate limit of 10% of forecast multi-year value ("MYV") of new programmes set out in the relevant financial year's business plan.

Remuneration Committee

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

Recent Developments

Proposed Grant to Big Win Philanthropy (UK)

As set out in the Foundation's annual report for the year ended 31 December 2016, the Trustees of the Foundation entered into the conditional agreement, in April 2015, to make a charitable endowment grant (the Proposed Grant) of US$360m to Big Win Philanthropy (UK) (BWP), an English registered charity. BWP was founded by Ms Jamie Cooper, who is a trustee and member of CIFF and who is the sole member of BWP.

The payment of the Proposed Grant by the Foundation to BWP was conditional upon approval by the High Court. By an order dated 31 July 2017, the High Court approved the Proposed Grant as being in the best interests of the Foundation, subject to certain conditions.

One of the conditions of the order of the High Court was appealed by CIFF's independent member to the Court of Appeal. The Court of Appeal upheld the appeal by an order dated 6 July 2018. Ms Cooper has since sought and obtained permission to appeal to the Supreme Court. The Supreme Court hearing is expected to occur in January 2020.

The Foundation is now awaiting: (i) the final determination of these proceedings in the Supreme Court; and (ii) fulfilment of conditions of the order of the High Court, as varied by the Court of Appeal, which may or may not be varied further following the outcome of the Supreme Court proceedings, before it knows whether the Proposed Grant will be paid to BWP. These conditions are presently: the provision of consent by the Charity Commission pursuant to s.201 Charities Act 2011 and Clause 5.2.5 of the Foundation's Memorandum of Association; and a vote by the independent member of the Foundation under s217 of the Companies Act 2006.

If approved, the Proposed Grant is to be made in equal quarterly instalments over five years, and would not have a significant impact on the Foundation's ability to meet its current obligations.

The total legal costs incurred by the Foundation in relation to the governance issues affecting the Foundation (over which its Governance Committee had oversight from its establishment in April 2015), including in relation to the Proposed Grant, from year ended August 2014 up to the year ended 31 December 2018 stand at US$7,780k (in the year ended 31 December 2018:US$570k (2017:US$2,361k; 2016:US$2,799k; 2015:US$2,050k)).

Investment management agreement with TCI – benefits authorised by the Charity Commission

TCI FM, an organisation ultimately controlled by Sir Christopher Hohn, provides investment management services to the Foundation and its subsidiaries **(Investment Management Arrangements)**, including to its main investment holding vehicle, Talos Capital Designated Activity Company **(Talos)**. In October 2016, the Charity Commission authorised the historic benefits which may have arisen to Sir Christopher Hohn by virtue of the Investment Management Arrangements. On 8 November 2018, the Charity Commission re-authorised, as being in the best interests of the Foundation, the Investment Management Arrangements up to 30 November 2019. In accordance with CIFF's Investment Policy, the historic investment performance of TCI was benchmarked by an independent advisor in May 2018 and in March 2019. In both instances, the Foundation's returns were found to have been in the top decile of more than 90 peers (in each case having assets greater than US$1bn) in their database.

Remuneration report

The principles of the remuneration policy

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

Remuneration of Key Management Personnel

	2018 31 December US$'000	**2017 31 December US$'000**
Executive Directors	2,152	2,061
Employer Pension Contributions	183	96
Employer National Insurance Contributions	289	250
Total Consideration	**2,624**	**2,407**

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

- The Board of Trustees (who are not remunerated in their capacity as Trustees)
- The Executive Directors of the Foundation, who are responsible for the day to day running of the organisation.

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

Relationship with Other Charities

The Foundation is a co-founder 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 objectives, 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.

Charity Governance Code

The Board has reviewed CIFF's governance practices against the principles set out in the Charity Governance Code (Code). For the majority of principles, CIFF is already applying these principles. In some cases, including trustee engagement, decision-making and evaluation of charity impact, CIFF is in many ways exceeding the best practice stated in the Code. There are other areas, such as Board composition and Board diversity, where CIFF is not fully applying the Code, reflecting that charitable foundations with a single donor often have different considerations from other types of charities. Where CIFF is not applying an aspect of the Code, it continues to consider whether and how it may choose to move towards applying it. In October 2018, the Board conducted a self-assessment of its performance.

Trustees' Responsibilities

The Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law they are required to prepare the group and parent foundation financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 foundation and of the group's excess of expenditure over income for that period. In preparing each of the group and charitable foundation 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
- assess the group's and the charitable foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the charitable foundation or to cease operations, or have no realistic alternative but to do so.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable foundation's transactions and disclose with reasonable accuracy at any time the financial position of the charitable foundation and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 foundation's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Financial Statements

The Trustees present here their report and audited consolidated financial statements for the year ended 31 December 2018. This Trustees' Report, required by the Charities Act 2011, is also the Directors' Report prepared in accordance with Section 415 of the Companies Act 2006. This Trustees' Report which commenced on page 4 also includes the Strategic Report prepared in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. The foundation information on page 80 also forms part of this report.

Each of the directors confirms he/she has taken all steps that he/she should have taken as a Trustee to make themselves aware of any relevant audit information and to establish that the foundation's auditors are aware of that information.

Independent Audit

Independent Auditors

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

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

On behalf of the Board
Graeme Sweeney
Chairman
25 July 2019

Independent auditor's report to the members of the Children's Investment Fund Foundation (UK)

Opinion

We have audited the financial statements of the Children's Investment Fund Foundation (UK) (the "Foundation") and its subsidiaries (the "Group") for the year ended 31 December 2018 which comprise the Consolidated Statement of Financial Activities, Consolidated and Foundation Balance Sheets, Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Foundation's affairs as at 31 December 2018 and of the Group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The trustees have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Foundation or to cease their operations, and as they have concluded that the Group and Foundation's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the trustees' conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and Foundation's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the Foundation will continue in operation.

Other information

The trustees are responsible for the other information, which comprises Trustees' Report, which incorporates the Strategic Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Trustees' Report, which constitutes the strategic report for the financial year, is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- the Group or the Foundation have not kept adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the Group or the Foundation 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

We have nothing to report in these respects.

Trustees' responsibilities

As explained more fully in their statement set out on page 35, the trustees (who are also the directors of the Foundation 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group's and the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Foundation or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

Brian Clavin

Brian Clavin (Senior Statutory Auditor) for and on behalf of KPMG, Statutory Auditor

Chartered Accountants
1 Harbourmaster Place
IFSC
Dublin 1
Ireland

25 July 2019

Consolidated statement of financial activities

	Notes	Unrestricted Funds US$ '000	Restricted Funds US$ '000	Expendable Endowment US$ '000	Year ended 31 Dec 2018 Total US$ '000	Year ended 31 Dec 2017* Total US$ '000
Income and endowments from						
Donations and legacies		-	10,000	-	10,000	37,792
Income from investments	2	-	-	72,392	72,392	245,444
Total incoming resources		-	10,000	72,392	82,392	283,236
Expenditure on						
Expenditure on raising funds	3	33,507	-	-	33,507	67,413
Expenditure on charitable activities	4	237,019	10,000	-	247,019	247,302
Total resources expended		270,526	10,000	-	280,526	314,715
Net gains on investments	12	-	-	131,027	131,027	491,408
Foreign Exchange gains/(losses)	12	(1,528)	-	1,458	(70)	1,961
Exchange differences on translating foreign currency operations		-	-	(2,838)	(2,838)	3,959
Net Income/Expenditure		(272,054)	-	202,039	(70,015)	465,849
Transfers	18	403,862	-	(403,862)	-	-
Net movement in funds		131,808	-	(201,823)	(70,015)	465,849
Fund balances carried forward at 31 December 2017		437,961	-	4,745,465	5,183,426	4,717,577
Impact from application of IFRS 9		-	-	14,665	14,665	-
Fund balances carried forward at 1 January 2018		437,961	-	4,760,130	5,198,091	4,717,577
Fund balances carried forward at 31 December 2018		569,769	-	4,558,307	5,128,076	5,183,426

* Please refer to note 26 for the breakdown of 2017 figures.

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 SOFA.
The accounting policies and the notes on pages 42 to 79 form part of the Consolidated Financial Statements.

Consolidated and foundation balance sheets

	Notes	Group 31 Dec 2018 (US$ '000)	Group 31 Dec 2017 (US$ '000)	Foundation 31 Dec 2018 (US$ '000)	Foundation 31 Dec 2017 (US$ '000)
Fixed Assets					
Tangible assets	**11**	**1,022**	1,290	**1,022**	1,290
Investments	**12**	**5,341,198**	5,232,037	**5,193,451**	5,229,155
of which loans		*2,878,438*	*2,155,150*	*-*	*-*
of which other investments		*2,462,760*	*3,076,887*	*5,193,451*	*5,229,155*
Total fixed assets		**5,342,220**	5,233,327	**5,194,473**	5,230,445
Current Assets					
Debtors	**14**	**12,031**	26,179	**3,052**	3,720
Cash at bank and in hand	**15**	**147,150**	361,074	**30,084**	59,447
Cash pledged as collateral	**15**	**148,015**	162,264	**–**	–
Total current assets		**307,196**	549,517	**33,136**	63,167
Creditors: amounts falling due within one year	**16**	**(476,325)**	(592,667)	**(105,277)**	(110,561)
Net Current Assets/Liabilities		**(169,129)**	(43,150)	**(72,141)**	(47,394)
Total Assets less Current Liabilities		**5,173,091**	5,190,177	**5,122,332**	5,183,051
Creditors: amounts falling due after one year	**17**	(45,015)	(6,751)	–	(6,751)
Net Assets		**5,128,076**	5,183,426	**5,122,332**	5,176,300
		–	–	–	–
Total funds of the charity:					
Expendable Endowment Fund	**18**	4,558,307	4,745,465	4,552,563	4,738,339
Restricted Funds	**18**	–	–	–	–
Unrestricted Funds:					
Designated Funds	**18**	569,769	437,961	569,769	437,961
Total charity funds		**5,128,076**	5,183,426	**5,122,332**	5,176,300

The financial statements on pages 39 to 79 were approved by the Trustees and authorised for issue on 25 July 2019, and signed on their behalf by:

Graeme Sweeney
Chairman
25 July 2019

The accounting policies and the notes on pages 42 to 79 form part of the Consolidated Financial Statements.

Consolidated cash flow statement

	31 Dec 2018 (US$ '000)	31 Dec 2017 (US$ '000)
Net cash used in operating activities	**(103,557)**	(460,793)
Cash flow from investing activities:		
Dividends received	**57,805**	59,998
Interest received	**43,400**	170,832
Dividends paid on investments sold short	**(1,436)**	-
Proceeds from the sale of:		
Investments	**2,690,162**	3,366,640
Purchase of:		
Tangible fixed assets	-	(1,345)
Investments	**(2,896,681)**	(2,950,372)
Net cash (used in)/provided by investing activities	**(106,750)**	645,753
Cash flows from financing activities		
Interest paid	**(709)**	(5,267)
Net cash used in financing activities	**(709)**	(5,267)
Change in cash and cash equivalents in the reporting year	**(211,016)**	179,693
Cash and cash equivalents at the beginning of the reporting year	**361,074**	175,461
Effect of exchange rate movements on cash and cash equivalents	**(2,908)**	5,920
Cash and cash equivalents at the end of the reporting year	**147,150**	361,074

The accounting policies and the notes on pages 42 to 79 form part of the Consolidated Financial Statements.

i. Reconciliation of incoming resources to net cash flows

	31 Dec 2018 (US$ '000)	31 Dec 2017 (US$ '000)
Net (loss)/income for the reporting year (as per the statement of financial activities)	**(70,015)**	465,849
Adjustments for:		
Net loss/(gain) on investments	**97,358**	(836,361)
Dividends income	**(58,108)**	(59,842)
Dividends expense	**3,521**	-
Foreign exchange movements	**2,908**	(5,920)
Gain on the sale of fixed assets	**-**	(1,292)
Loss on the disposal of tangible fixed assets	**-**	1,953
Loss on the disposal of intangible assets	**-**	275
Interest income on investments	**(10,662)**	(182,098)
Interest expense	**977**	5,293
Depreciation charges	**268**	162
Increase in debtors	**(3,622)**	(4,720)
Decrease/(increase) in cash pledged as collateral	**14,249**	(162,264)
(Decrease)/increase in creditors	**(80,431)**	318,172
Net cash used in operating activities	**(103,557)**	(460,793)

The accounting policies and the notes on pages 42 to 79 form part of the Consolidated Financial Statements.

Notes to 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' (published 2015), the Charities Act 2011, Financial Reporting Standard 102,The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102") and the requirements of the Companies Act 2006.

The Foundation is a public benefit entity and has adapted the Companies Act formats to reflect the Charities SORP and the nature of the Foundation's activities.

The Foundation meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements.

b) Functional currency and presentational currency

These financial statements are presented in United States Dollar ("US$"), which is the Group's functional currency.`Functional currency' is the currency of the primary economic environment in which the Group operates. If indicators of the primary economic environment are mixed, then the Board uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Group's investments and transactions are denominated in USD. The grants and expenditures (including management fees, custodian fees and administration fees) are denominated and paid mostly in US$. Accordingly, the Board has determined that the functional currency of the Group is United States Dollar. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

c) Basis of consolidation

The Consolidated Statement of Financial Activities, Balance Sheets and Cash Flow Statement 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"), Talos Capital Designated Activity Company ("Talos"), Talos Properties Limited ("TPL"), Talos Properties Holdings Limited ("TPHL"), CIFF Nutrition (UK) Limited ("CIFF Nutrition"), CIFF IP Co Limited ("CIFF IP"), CIFF Capital UK LP ("CIFF Capital") and CIFF Investments LLP ("CIFF Inv"). The consolidated entity is referred to as the "Group". No separate Statement of Financial Activities has been presented for the Foundation alone as permitted by Section 408 of the Companies Act 2006 and SORP. No separate Cash Flow Statement has been prepared as permitted under the qualifying entity exemption noted above. Intra-group balances are eliminated fully on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to align the accounting policies used with those used by the Group.

d) Accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate Financial Statements are set out below in paragraphs (e) to (t). The policies have been consistently applied to all periods presented, unless otherwise stated.

e) Critical accounting estimates and judgements in applying accounting policies

In preparing the financial statements, 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.

f) New and amended standards and interpretations

Before 1 January 2018 and as per paragraphs 11.2 and 12.2 of FRS 102 the Group elected to adopt the recognition and measurement requirements of IAS 39. From 1 January 2018 the Group has elected to adopt the recognition and measurement requirements of IFRS 9.

IFRS 9 'Financial Instruments' became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39 'Financial instruments: Recognition and Measurement', with a single model that has three classification categories: amortised cost, fair value through other comprehensive income and fair value through profit or loss.

Classification and measurement of debt assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest ("SPPI"). A debt instrument is measured at fair value through other comprehensive income (with recycling through profit or loss) if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss.

1. ACCOUNTING POLICIES (CONTINUED)

An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income (without subsequent recycling to profit or loss).

IFRS 9 also introduces a new expected credit loss ("ECL") model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. On initial recognition, entities will record a day-1 loss equal to the 12 month ECL, unless the assets are considered credit impaired.

Impact of adoption of IFRS 9

IFRS 9 does not require an entity to restate prior periods and the Group has elected not to restate comparative figures. The difference between previous carrying amounts and those determined under IFRS 9 at the date of initial application is included in opening retained earnings. When considering the classification of loan investments from amortised cost to fair value through profit or loss ("FVPL") the Group assessed its business model, considering, the intention to hold loans until maturity or repayment, the absence of history of selling loans and the reporting requirements at fair value of the Group. The Group then considered the contractual terms of each of the loan assets to determine if the cashflows are SPPI on the principal amount outstanding. Certain fee and minimum interest terms fail the SPPI definition resulting in such loan assets being measured at FVPL.

Classification and measurement

The directors assessed the classification of financial instruments as at the date of initial application. Based on that assessment, all investments in loans previously held at amortised cost do not satisfy the SPPI test under IFRS 9. Therefore, the directors have determined that under IFRS 9 all debt instruments previously classified as investments at amortised cost no longer qualify to be classified as such and will be classified as financial assets at FVPL. As a result of this change, origination fees, which were previously amortised over the life of the loan, have been recognised in full in the current year.

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018:

	IAS 39 Classification	IAS 39 Measurement US$ '000	IFRS 9 Classification	IFRS 9 Measurement US$ '000
Financial assets				
Loans	Amortised cost	2,155,150	FVPL	2,169,815
Other investments	FVPL (Held for trading)	3,076,887	FVPL	3,076,887
Debtors	Amortised cost	26,179	Amortised cost	26,179
Cash at bank and in hand	Amortised cost	361,074	Amortised cost	361,074
Cash pledged as collateral	Amortised cost	162,264	Amortised cost	162,264
Financial liabilities				
Delayed drawdown variable rate notes	FVPL (designated at inception)	87,624	Designated at FVPL	87,624
Other financial liabilities	FVPL (Held for trading)	265,854	FVPL	265,854
Other Creditors: amounts falling due within one year	Amortised cost	239,189	Amortised cost	239,189
Creditors: amounts falling due after one year	Amortised cost	6,751	Amortised cost	6,751

		US$ '000
Fund balances carried forward at 31 December 2017		**5,183,426**
Change in financial assets at fair value through profit or loss from application of IFRS 9	14,665	
Interest on senior delayed drawdown variable rate notes at fair value from application of IFRS 9		–
Fund balances carried forward at 1 January 2018		**5,198,091**

1. ACCOUNTING POLICIES (CONTINUED)

Impairment

The application of the ECL model under IFRS 9 has not materially impacted the carrying amounts of the Group's financial assets held at amortised cost.

The Group classifies the following financial assets under amortised cost: cash at bank and in hand, cash pledged as collateral and debtors. Those assets held at amortised cost are subject to IFRS 9's expected credit loss model "ECL model" and the entity adopted the simplified approach as described in IFRS 9. Cash at bank and in hand and cash pledged as collateral comprise cash at banks and in hand, on demand and interest bearing deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value and their carrying amounts approximate amortised cost. The loss allowance is based on lifetime expected credit losses. All of the counterparties have an investment grade credit rating by Moody's/S&P of A1/A+ or higher and there is no history of defaults/non payment and all receivables' balances are short term (<1 year).

IFRS 9 requires the Group to record ECLs on all of financial assets at amortised cost, either on a 12-month or lifetime basis. Given the limited exposure of the Group to credit risk on the financial assets held at amortised cost this amendment has not had a material impact on the financial statements. The Group only holds receivables with no financing component which have maturities of less than 12 months at amortised cost and therefore has adopted the simplified approach to ECLs. No ECL impairment allowance has been recorded against the Group's receivables.

The ECL is not relevant to FVPL through profit or loss and financial liabilities designated at FVPL.

g) Incoming resources

All incoming resources are accounted for when the Group is legally entitled to the income and the amount can be quantified with reasonable certainty. Income from charitable activities in 2017 have been reclassified to income from donations and legacies to conform to the presentation of the current year financial statements. This reclassification had no effect on the previously reported net income.

Interest income and expense are recognised in the Consolidated Statement of Financial Activities ("SOFA") on an effective interest rate basis. Interest income earned on corporate bond positions and loans is classified within 'Net gains on investments'. Interest income on cash balances is recorded in 'Interest income from financial instruments at amortised cost'. Dividend income and expenses, when the underlying security is held directly by the Group, is recognised in SOFA on an ex-dividend basis, gross of receivable foreign withholding taxes. Withholding tax is accounted for on an accruals basis. For those securities held via an intermediary, the dividends are accounted for when notified. Endowment and investment income is accounted for on a receivable basis. Any realised gains and losses from dealing in the related assets are retained within the endowment in the consolidated Group Balance Sheet.

Donations and gifts-in-kind, are recognised when the Group is legally entitled to the income and the amount can be quantified with reasonable accuracy.

h) Resources expended

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

	2018	2017
Climate Change	**39.8%**	27.0%
Child Health and Development	**23.5%**	49.0%
Adolescence	**23.1%**	12.3%
Child Protection	**4.5%**	3.5%
Evidence, Measurement and Evaluation	**5.5%**	5.8%
Strategic Engagement and Communications	**3.6%**	2.4%

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 restrictions assigned to those activities and therefore can be allocated to the restricted funds.

i) Financial assets and liabilities

Initial recognition and measurement

From 1 January 2018 and as per paragraphs 11.2 and 12.2 of FRS 102 the Group has elected to adopt the recognition and measurement requirements of IFRS 9.

1. ACCOUNTING POLICIES (CONTINUED)

Under IFRS 9 financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss. 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 risks and rewards of ownership.

Subsequent to initial recognition, financial assets are measured at fair value through profit or loss. Gains and losses arising from changes in the fair value of the investments category are included in the SOFA in the year in which they arise and are based on the First-In, First-Out ("FIFO") method.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

The Group classifies its financial assets as subsequently measured at amortised cost or measured at FVPL on the basis of both:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

In accordance with IFRS 9, the Group classifies its financial assets at initial recognition into the categories discussed below.

Financial assets measured at fair value through profit or loss

A financial asset is measured at FVPL if:

(a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest ("SPPI") on the principal amount outstanding; or

(b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

Before 1 January 2018, the Group included in this category investments held for trading. In applying that classification, a financial asset was considered to be held for trading if:

(i) It was acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or

(ii) On initial recognition, it was part of a portfolio of identified financial instruments that were managed together and for which, there was evidence of a recent actual pattern of short-term profit-taking; or

(iii) It was a derivative (except for a derivative that was a financial guarantee contract or a designated and effective hedging instrument).

The Group classified its investments in debt securities (other than those classified as loans and receivables), equity securities, derivatives as financial assets at FVPL. These financial assets were classified as held for trading or designated by the directors at FVPL at inception. Financial assets held for trading were acquired or incurred principally for the purpose of selling or repurchasing in the short term. The Group designated these debt and equity instruments at FVPL on initial recognition because it managed these securities on a fair value basis in accordance with its documented investment strategy. Internal reporting and performance measurement of these securities were on a fair value basis. Derivatives were also categorised as financial assets as held for trading as the Group did not designate any derivatives as hedges in a hedging relationship.

From 1 January 2018, the Group includes in the FVPL category all investments in real estate loans (principal amount plus accrued interest receivable), listed equities, corporate bonds, private placement and investment funds. This category also includes derivative contracts in an asset position.

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. The Group includes in this category short-term non-financing receivables including cash at bank and in hand, cash pledged as collateral and debtors.

Impairment of financial assets

Before 1 January 2018 under IAS 39 a financial asset not classified at fair value through profit or loss was assessed at each reporting date to determine whether there was objective evidence of impairment. A financial asset or a group of financial assets was impaired if there was objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset, and that any such event had a negative impact on the estimated future cash flows of the asset that can be estimated reliably. Objective evidence that financial assets were impaired included significant or prolonged decline in the fair value of the security below its cost, significant financial difficulty of the borrower, default or delinquency by a borrower, restructuring of amount due on terms that the Group would not consider otherwise, indications that a borrower will enter bankruptcy, devaluation of the assets used as collateral under the loan agreement or adverse changes in the payment status of the borrowers. Loans or loan equivalents were classified as impaired when, in the opinion of the directors, at any time, there was deterioration in credit quality to the extent that there was no longer reasonable assurance of timely collection of the full amount of principal and interest. When an event occurring after the impairment

1. ACCOUNTING POLICIES (CONTINUED)

was recognised caused the amount of impairment loss to decrease, the decrease in impairment loss was reversed through the SOFA, but only to the extent that the impairment loss previously recognised had been reversed. From 1 January 2018, the Group assesses on a forward looking basis the ECL associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For these financial assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the SOFA under 'Net gains on investments'. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial liabilities measured at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in SOFA in the year in which they arise and are based on the FIFO method. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

The senior delayed drawdown variable rate notes were designated at fair value through profit or loss at inception. In the Foundation Balance Sheet as the majority of the Group's financial assets are classified as financial assets at FVPL, the Notes have been classified as financial liabilities at FVPL in order to eliminate an accounting mismatch. The Group did not designate any derivatives as hedges in a hedging relationship and includes in this category derivative contracts in a liability position.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost include all financial liabilities, other than those measured at FVPL.

The Group includes in this category amounts due to brokers, grants, accruals and deferred income and other payables.

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.

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

Unfunded commitments

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

Due to these uncertainties the Group does not recognise these amounts as liabilities on its consolidated balance sheet, however these amounts are disclosed as contingent commitments in Note 20 to the financial statements. The total uncertain commitments as at 31 December 2018 was estimated as US$918,540k (2017: US$1,507,679k).

Programme related investment

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

Derivative contracts

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

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The best evidence of the fair value of a derivative at initial

1. ACCOUNTING POLICIES (CONTINUED)

recognition is the transaction price (i.e. the fair value of the consideration given or received). Subsequent changes in the fair value of any derivative instrument are recognised immediately in the SOFA.

Contracts for 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 SOFA. As at 31 December 2018 the Group held CFDs with a net aggregate fair value of US$134k (31 December 2017: US$(131,346k)).

Forward foreign exchange contracts
The Group enters into forward foreign exchange contracts. Forward foreign exchange contracts are fair valued on a daily basis using the forward contracted rate derived from readily available market data. When the contract is closed, the Group records a realised gain/loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. Forward foreign exchange contracts are fair valued using the forward contracted rate derived from readily available market data. At 31 December 2018 the Group held forward foreign exchange contracts with an aggregate fair value of US$30,283k (31 December 2017: US$(52,038k)).

Investment Funds
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 directors are required to exercise judgement in their estimation of the fair value (see note 12). When a share/unit is sold the Group recognises the realised gain/(loss). Other changes in fair value of the Investee Funds are recorded as unrealised gains/(losses). At 31 December 2018, the Group held investment fund positions of US$82,241k (2017: US$181,143k).

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. The Directors use an external party to provide valuations of the properties. The Group originates secured loans to fund real estate developments which are accounted 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 Balance Sheet as at 31 December 2018 were US$46,422k (2017: US$47,749k).

Leased assets
The annual rentals for operating leases are charged to the SOFA on a straight-line basis over the lease term.

Investments in subsidiaries
Investments in subsidiaries are held at cost, less impairment in the foundation balance sheet, other than variable rate notes.

Loans
The Group invests in Real Estate and Corporate Loans which are accounted for on a fair value basis post implementation of IFRS 9 on the 1 January 2018, having been accounted for at amortised cost under IAS 39. Fair value gains and losses are calculated with reference to discounted cash flow models on the expected future cash flows of each loan investment constructed by external valuers. The fair value gains and losses are included within "Net gains on investments" in the Consolidated Statement of Financial Activities. Please refer to note 1 (i) for details of the impact of IFRS 9 on these loan investments. Please also refer to note 12 which details information surrounding the significant unobservable inputs of these loan investments.

Private Placement
Private placement securities are not registered for public sale and are carried at an estimated fair value at each valuation point, as determined by the Group, in consultation with the Investment Manager's portfolio management team, with reference to recent funding rounds and performance updates provided by the investment management's team. At 31 December 2018, the Group held one private placement position, which has been fair valued at US$nil (2017: US$nil).

k) Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into US dollars at the foreign currency spot rate of exchange at the balance sheet date. Transactions in foreign currencies are recorded at the foreign currency spot rates of exchange at the date of the transaction. Differences arising on settlement and translation of monetary items are recognised in the SOFA.

1. ACCOUNTING POLICIES (CONTINUED)

The year end rate prevailing on the balance sheet date was US$1: £0.78 (2017: US$1: £0.74). For consolidation purposes, balance sheets of subsidiaries reported in
non-US dollar currencies have been converted into US dollar at the foreign exchange rate as at 31 December 2018. For all non-US dollar reported profit and loss accounts of subsidiaries, the average foreign exchange rate for the relevant period has been applied at USD rate of US$1:£0.75 (2017: USD$1:£0.78).

l) *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. Fixtures and fittings over 5 years or the remaining life of the lease whichever is shorter.

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

m) *Cash and cash equivalents*

Cash and cash equivalents include amounts due from the Group's counterparties 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.

n) *Cash pledged as collateral*

Cash pledged as collateral includes 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.

o) *Amounts due from/to brokers*

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

p) *Debtors*

Amounts due from debtors are measured at transaction price, less any impairment.

q) *Creditors*

Amounts due to creditors are measured at the transaction price.

r) *Funds*

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

Restricted funds comprise those funds that can only be used for particular restricted purposes within the objectives of the Foundation. Restricted funds arise when the funds are specified as such by the donor or when funds are raised for particular restricted purposes. The Expendable Endowment Fund represents those assets held by the Trustees principally in investments. Income on investments is accounted for within the Expendable Endowment Fund. When the Foundation is unable to meet its commitments from reserves of Unrestricted Funds, there would be a transfer from the Expendable Endowment to Unrestricted Funds to meet those commitments.

s) *Delayed drawdown variable rate notes ("the Notes")*

The Notes are designated as financial liabilities at fair value through profit or loss. The Notes are financial instruments that contain an embedded derivative. It is the view of the Trustees that the economic characteristics and risks of the embedded derivative are closely related to the economic characteristics and risks of the host contract. The Notes are presented as

Financial liabilities at fair value through profit or loss on the Balance Sheet. Financial liabilities are classified in the fair value through profit or loss category when an entity chooses, on initial recognition, to designate such instrument as at FVPL using the fair value option. An entity may use this designation when the combined instrument (the host contract plus the embedded derivative) contain an embedded derivative.

The Notes mature on 31 March 2024, however they 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.

The issuer may, if it gives the noteholders ten business days (or such shorter period as may be agreed between the issuer and the noteholders) prior notice at any time elect to make a prepayment of the whole or any part of the principal amount outstanding (but, if in part, being an amount that reduces the principal amount outstanding by a minimum of US$1,000,000). Any amounts prepaid may be re-borrowed by the issuer.

Interest accrued on the notes is recognised in the SOFA on an effective interest rate basis. As at 31 December 2018, interest accrued on the Notes was US$954,971k (2017: US$706,734k).

This is presented within Note 16 Creditors due within one year.

t) Taxation

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

2. INVESTMENT INCOME

The investment income arises from interest received on cash deposits, fixed interest securities and rental income within the investment portfolio held by the Group. Interest income on financial instruments at amortised cost is recorded in interest income. Dividend income is from equity securities within the portfolio held by the Group and is recorded in the SOFA 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 year ended 31 December 2018 US$ '000	**Group year ended 31 December 2017 US$ '000**
Dividends from overseas equities	58,108	59,842
Interest from financial instruments at amortised cost	10,939	182,445
Rental income	3,345	3,157
	72,392	245,444

3. EXPENDITURE ON RAISING FUNDS

The expenditure of raising funds of US$33,507k (2017: US$67,413k) relate to the fees paid to the investment managers who manage both the Foundation's directly held investments as well as the portfolio held by Talos.

4. CHARITABLE ACTIVITIES

	Grant Funding of Activities 2018 (2) (US$ '000)	Activities Undertaken Directly 2018 (1) (US$ '000)	Support Cost 2018 (3) (US$ '000)	Total Charitable Activities 2018 (US$ '000)
Climate Change	85,721	345	9,351	**95,417**
Child Health and Development	50,671	573	7,958	**59,202**
Adolescence	49,941	269	4,338	**54,548**
Child Protection	9,805	359	2,117	**12,281**
Evidence, Measurement and Evaluation	11,773	256	3,059	**15,088**
Strategic Engagement and Communications	7,872	148	2,463	**10,483**
	215,783	**1,950**	**29,286**	**247,019**

	Grant Funding of Activities 2017 (US$ '000)	Activities Undertaken Directly 2017 (US$ '000)	Support Cost 2017 (US$ '000)	Total Charitable Activities 2017 (US$ '000)
Climate Change	59,269	180	6,188	**65,637**
Child Health and Development	107,377	202	11,820	**119,399**
Adolescence	27,070	234	2,980	**30,284**
Child Protection	7,621	215	1,350	**9,186**
Evidence, Measurement and Evaluation	12,635	108	2,646	**15,389**
Strategic Engagement and Communications	5,349	209	1,849	**7,407**
	219,321	**1,148**	**26,833**	**247,302**

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

5. ACTIVITIES UNDERTAKEN DIRECTLY

The direct expenditure of US$1,950k (2017: US$1,148k) on charitable activities was mainly to further CIFF's mission by convening conferences and events; providing technical assistance and training to grantees and other charitable organisations; and publishing and disseminating reports on research findings.

6. GRANT FUNDING OF ACTIVITIES

Group and Foundation 2018	Climate Change (US$ '000)	Child Health & Development US$ '000	Adolescence US$ '000	Child Protection US$ '000	Evidence, Measurement & Evaluation US$ '000	Strategic Engagement & Communica-tions US$ '000	Total (US$ '000)
Grantees receiving charitable grants							
Alliance for Sustainable Energy	4,827	-	-	-	-	-	**4,827**
Access Health International	-	582	-	-	-	-	**582**
Action Against Hunger (AAH)	-	1,399	-	-	-	-	**1,399**
Africaid	-	37	409	-	-	-	**446**
Africa Population	-	-	532	-	150	-	**682**
Aisha Buhari Foundation	-	335	-	73	-	-	**408**
ALMA - African Leaders Malaria Alliance	-	-	-	-	3,621	-	**3,621**
AMREF Health Africa	-	-	-	-	-	990	**990**
Bachpan Bachao	-	-	-	2,064	-	-	**2,064**
Behavioural Insights Team	-	-	-	-	380	-	**380**
Beijing Jike Energy New Technology Development Company [1]	(496)	-	-	-	-	-	**(496)**
Bill and Melinda Gates Foundation	-	-	5,262	-	-	-	**5,262**
C40	11,997	-	-	-	-	-	**11,997**
Camber Collective LLC	-	-	1,490	-	-	-	**1,490**
Carbon Disclosure Project	2,923	-	-	-	-	-	**2,923**
Carter Centre	-	2,500	-	-	-	-	**2,500**
Center for Study of Science Tech and Policy	650	-	-	-	-	-	**650**
Centre for Health Solutions Kenya	-	850	-	-	-	-	**850**
Chatham House	567	-	-	-	-	-	**567**
China National Renewable Energy Centre	373	-	-	-	-	-	**373**
China Renewable Energy Society	1,615	-	-	-	-	-	**1,615**
Civil Society Legislative Advocacy Centre	-	450	-	-	-	-	**450**
Clean Air Strategy	2,000	-	-	-	-	-	**2,000**
Client Earth	3,710	-	-	-	-	-	**3,710**
Climate Policy Initiative	400	-	-	-	-	-	**400**
ClimateWorks Foundation	428	-	-	-	350	-	**778**
Concept Foundation	-	-	1,781	-	-	-	**1,781**
Crown Agents	-	-	1,100	-	-	-	**1,100**
CUAMM	-	458	-	-	-	-	**458**
Dalberg	-	-	315	-	-	-	**315**
Danish Energy Agency (Energistyrelsen)	500	-	-	-	-	-	**500**
DASRA	-	-	288	-	-	604	**892**
Environmental Defense Fund	4,213	-	-	-	-	-	**4,213**
EIA UK	470	-	-	-	-	-	**470**
EKJUT	-	1,198	-	-	-	-	**1,198**
Elizabeth Glaser Pediatric AIDS Foundation	-	3,315	(1,649)	-	-	-	**1,666**
End Fund	-	2,731	-	-	-	-	**2,731**
Energy Foundation	6,800	-	-	-	-	-	**6,800**
European Climate Foundation	18,746	-	-	-	703	600	**20,049**
Evidence Action	-	1,604	-	-	-	-	**1,604**
Federal Ministry of Health (Ethiopia) [1]	-	(6,928)	-	-	-	-	**(6,928)**
Federal Ministry of Health (Rwanda) [1]	-	(473)	-	-	-	-	**(473)**
Foundation for International Law for the Environment	5,168	-	-	-	-	-	**5,168**
Foundation of Civil Society	-	-	720	-	-	-	**720**
Freedom Fund	-	-	-	2,082	-	200	**2,282**
Ghana Remedial - GES & IPA [1]	-	(913)	-	-	-	-	**(913)**
Global Alliance for Improved Nutrition	-	518	-	-	-	-	**518**
Global Health Strategies [1]	-	(600)	-	-	-	-	**(600)**
Global Impact Advisors	-	-	-	-	672	-	**672**
Guttmacher Institute [1]	-	-	(375)	-	-	-	**(375)**
Harvard School of Public Health	-	328	-	-	-	-	**328**
Humanitas Gobal	-	275	-	-	-	-	**275**
Imperial College of Science, Technology and Medicine	298	705	-	-	-	-	**1,003**

Group and Foundation 2018

Group and Foundation 2018	Climate Change (US$ '000)	Child Health & Development US$ '000	Adolescence US$ '000	Child Protection US$ '000	Evidence, Measurement & Evaluation US$ '000	Strategic Engagement & Communica-tions US$ '000	Total (US$ '000)
IGSD	5,018	-	-	-	-	-	**5,018**
Incepta Pharmaceuticals Ltd	-	-	1,750	-	-	-	**1,750**
Iniciativa Climatica de Mexico	1,697	-	-	-	-	-	**1,697**
Instituto Clima e Sociedade	3,625	-	-	-	-	-	**3,625**
International Rescue Committee	-	300	-	-	-	-	**300**
IPA (from LG)	-	445	-	-	-	-	**445**
IPE Global	-	1,610	1,936	-	-	728	**4,274**
ITAD Ltd	-	-	-	-	324	-	**324**
Jan Sahas Social Development Society	-	-	-	316	-	-	**316**
Jhpiego	-	1,067	-	-	-	-	**1,067**
Johns Hopkins University	-	-	-	-	413	-	**413**
Kailash Satyarthi Children's Foundation of America	-	-	-	681	-	-	**681**
Kamonohashi Project	-	-	-	531	-	-	**531**
Kenya Red Cross Society	-	196	941	-	-	-	**1,137**
Last Mile Health	-	550	-	-	-	-	**550**
Living Goods	-	4,186	-	-	-	-	**4,186**
London School of Hygiene and Tropical Medicine	-	2,664	-	-	337	-	**3,001**
LTS International	408	-	-	-	-	-	**408**
MANA [1]	-	(750)	-	-	-	-	**(750)**
Management Sciences for Health [1]	-	-	(329)	-	-	-	**(329)**
Marie Stopes International	-	-	8,507	-	-	-	**8,507**
Mathematica Policy Research	92	207	-	-	145	-	**444**
Medic Mobile	-	103	-	-	245	-	**348**
Metrics for Management	-	-	421	-	-	-	**421**
Miljostiftelsen Bellona	699	-	-	-	-	-	**699**
MTV Staying Alive Foundation	-	-	1,000	-	-	-	**1,000**
Natural Resources Defense Council	3,093	-	-	-	-	-	**3,093**
Network for Health Equity and Development	-	375	-	75	-	-	**450**
One Acre Fund	-	6,255	-	-	-	-	**6,255**
Options Consultancy Services	-	-	2,668	-	-	-	**2,668**
Oxford Policy Management	-	-	-	-	1,774	-	**1,774**
PATH	-	347	1,554	-	-	-	**1,901**
Pfizer	-	-	3,500	-	-	-	**3,500**
Public Health Foundation of India	-	-	547	-	-	104	**651**
Power of Nutrition	-	8,738	-	-	-	-	**8,738**
Population Council	-	-	658	-	-	-	**658**
Population Foundation of India	-	-	300	-	-	405	**705**
Prayas FC	650	-	-	-	-	-	**650**
Population Services International	-	366	5,541	-	-	400	**6,307**
Regulatory Assistance Project	600	-	-	-	-	-	**600**
Royal Commonwealth Society of Blind	-	4,039	-	-	-	-	**4,039**
RTI International	-	2,516	-	-	-	-	**2,516**
Save the Children Federation [1]	-	(103)	-	-	-	(309)	**(412)**
Sedia Biosciences Corporation	-	-	3,500	-	-	-	**3,500**
She Decides	-	-	-	-	-	1,850	**1,850**
Sight & Life	-	460	-	-	-	-	**460**
Simprint	-	504	-	-	-	-	**504**
Social Science Research Council	-	-	-	-	-	1,000	**1,000**
Sophoi Ltd	290	-	-	-	-	-	**290**
South Pole Carbon Asset Managemen	276	-	-	-	-	-	**276**
The Global Fund	-	3,726	-	-	-	-	**3,726**
Transparentem	-	-	-	2,200	-	-	**2,200**
Triggerise	-	-	2,721	-	249	-	**2,970**
UBS Optimus Foundation	-	422	-	-	-	69	**491**
UNICEF	-	2,952	-	735	-	-	**3,687**
Univ of California Berkeley	-	161	-	-	110	-	**271**
University College London	-	(145)	-	315	145	-	**315**
University of Cape Town	500	-	-	-	-	-	**500**

Group and Foundation 2018	Climate Change (US$ '000)	Child Health & Development US$ '000	Adolescence US$ '000	Child Protection US$ '000	Evidence, Measurement & Evaluation US$ '000	Strategic Engagement & Communica-tions US$ '000	Total (US$ '000)
Well Told Story	-	-	1,396	-	-	-	**1,396**
World Bank - Global Partnership for Education Fund MTO	-	2,000	2,000	-	-	-	**4,000**
World Food Program	-	781	-	-	-	-	**781**
World Health Organisation	-	733	850	-	-	-	**1,583**
World Resources Institute	2,203	-	-	-	-	-	**2,203**
World Vision (UK) [1]	-	(3,915)	-	-	-	-	**(3,915)**
Young Lives India	-	-	-	-	-	424	**424**
Other Grantees	1,381	1,510	607	733	2,155	807	**7,193**
Total charitable grants	**85,721**	**50,671**	**49,941**	**9,805**	**11,773**	**7,872**	**215,783**

[1] Grant commitments expensed in a previous financial year, cancelled during this financial year and written back.

Group and Foundation 2017	Climate Change (US$ '000)	Child Health & Development US$ '000	Adolescence US$ '000	Child Protection US$ '000	Evidence, Measurement & Evaluation US$ '000	Strategic Engagement & Communica-tions US$ '000	Total (US$ '000)
Grantees Receiving Charitable Grants							
Action Against Hunger (AAH)	-	1,801	-	-	-	-	**1,801**
AFECN [1]	-	(950)	-	-	-	-	**(950)**
Africa Early Childhood Network	-	750	-	-	-	-	**750**
Africa Population	-	-	-	-	789	-	**789**
Alliance for Sustainable Energy	2,638	-	-	-	-	-	**2,638**
Apco India	-	-	-	995	-	-	**995**
Bachpan Bachao	-	-	-	1,575	-	-	**1,575**
C40	4,818	-	-	-	-	-	**4,818**
Carbon Disclosure Project	3,862	-	-	-	-	-	**3,862**
Centre for the Study of Adolescence	-	-	-	-	-	680	**680**
Change.org Charitable Foundation	-	-	-	574	-	-	**574**
Chatham House	300	-	-	-	-	-	**300**
China National Renewable Energy Centre	594	-	-	-	-	-	**594**
Client Earth	3,763	-	-	-	-	-	**3,763**
Climate Policy Initiative	3,395	-	-	-	-	-	**3,395**
ClimateWorks Foundation [1]	(108)	-	-	-	-	-	**(108)**
Concept Foundation	-	-	587	-	-	-	**587**
Crown Agents	-	-	1,742	-	-	-	**1,742**
CUAMM	-	2,518	-	-	-	-	**2,518**
Culture Machine Media Private Limited	-	-	-	369	-	-	**369**
Dalberg India	-	-	-	-	410	-	**410**
Danish Energy Agency (Energistyrelsen)	450	-	-	-	-	-	**450**
DASRA	-	-	-	-	-	300	**300**
DKT International [2]	-	-	(3,576)	-	-	-	**(3,576)**
E3G Third Generation Environmentalism Ltd	313	-	-	-	-	-	**313**
Eat Foundation [1]	(200)	-	-	-	-	-	**(200)**
EIA	763	-	-	-	-	-	**763**
EKJUT	-	1,364	-	-	-	-	**1,364**
Elizabeth Glaser Pediatric AIDS Foundation	-	1,891	-	-	-	-	**1,891**
Energy Foundation	3,000	-	-	-	-	-	**3,000**
Environmental Defense Fund	2,901	-	-	-	-	-	**2,901**
European Climate Foundation	13,066	-	-	-	-	-	**13,066**
Evidence Action	-	2,965	-	-	-	-	**2,965**
Federal Ministry of Health	-	19,710	-	-	-	-	**19,710**
Freedom Fund	-	-	-	4,233	-	-	**4,233**
George Washington University - Sabrina McCormick [1]	-	-	-	-	177	-	**177**
Girls Not Brides Secretariat	-	-	-	-	-	400	**400**
Global Alliance for Improved Nutrition	-	4,784	-	-	-	-	**4,784**

Group and Foundation 2017	Climate Change (US$ '000)	Child Health & Development US$ '000	Adolescence US$ '000	Child Protection US$ '000	Evidence, Measurement & Evaluation US$ '000	Strategic Engagement & Communica-tions US$ '000	Total (US$ '000)
Global Health Strategies	-	600	-	-	-	-	**600**
Global Impact Advisors	-	-	-	-	647	-	**647**
Green Alliance	593	-	-	-	-	-	**593**
Guttmacher Institute	-	-	750	-	-	-	**750**
Halteres Associates [1]	-	-	(185)	-	-	-	**(185)**
Harvard School of Public Health [1]	-	-	-	-	-	(257)	**(257)**
IInterntional Centre for Diarrhoeal Disease Research	-	-	-	-	536	-	**536**
IGSD	5,447	-	-	-	-	-	**5,447**
Imperial College of Science, Technology and Medicine	993	439	-	-	-	-	**1,432**
Indian Institute of Health Management Research [1]	-	(500)	-	-	-	-	**(500)**
Iniciativa Climatica de Mexico	1,037	-	-	-	-	-	**1,037**
Institute Development Studies	-	-	-	-	-	298	**298**
Institute for Transport and Development Policy	830	-	-	-	-	-	**830**
Instituto Clima e Sociedade	1,500	-	-	-	226	-	**1,726**
International Center for Journalists	-	-	-	-	-	585	**585**
International Center for Research on Women	-	-	-	-	383	-	**383**
International HIV/AIDS Alliance	-	-	-	-	-	362	**362**
IPAS	-	-	1,247	-	-	-	**1,247**
IPE Global	-	-	641	-	-	-	**641**
IPPF [1]	-	-	-	-	-	(200)	**(200)**
ITAD Ltd	-	-	-	-	536	-	**536**
Jarco Consulting	-	-	-	-	315	-	**315**
Jhpiego	-	3,453	-	-	-	-	**3,453**
Johns Hopkins University	-	-	-	-	761	-	**761**
Justice & Care [1]	-	-	-	(1,614)	-	-	**(1,614)**
Kailash Satyarthi Children's Foundation of America	-	-	-	993	-	-	**993**
Kenya Medical Research Institute	-	-	-	-	402	-	**402**
Last Mile Health	-	750	-	-	-	-	**750**
Living Goods	-	5,762	-	-	-	-	**5,762**
London School of Hygiene and Tropical Medicine	-	2,196	-	-	291	-	**2,487**
Marie Stopes International	-	-	16,734	-	-	-	**16,734**
Mathematica Policy Research	-	-	-	-	452	-	**452**
Miljostiftelsen Bellona	709	-	-	-	-	-	**709**
Natural Resources Defense Council	2,108	-	-	-	-	-	**2,108**
NRDC [1]	(500)	-	-	-	-	-	**(500)**
Options - Consultancy Services	-	-	2,500	-	-	-	**2,500**
Oxford Policy Management	-	-	-	-	1,299	-	**1,299**
Oxford University	-	-	-	-	713	-	**713**
PATH	-	2,078	1,204	-	-	-	**3,282**
Pfizer	-	-	4,737	-	-	-	**4,737**
Population Services International	-	-	1,567	-	-	-	**1,567**
Power of Nutrition	-	15,000	-	-	-	-	**15,000**
Purpose	417	-	-	-	-	432	**849**
Rabin Martin	-	-	-	-	525	-	**525**
Results Education Fund (Nut Adv I)	-	-	-	-	-	1,600	**1,600**
RTI International	-	5,836	-	-	-	-	**5,836**
Sesame Workshop (GGSS)	-	-	-	820	-	-	**820**
SinoCarbon Innovation and Investment Co [1]	(638)	-	-	-	-	-	**(638)**
Speak Up Africa	-	439	-	-	-	-	**439**
TD Health	-	-	-	-	302	-	**302**
The Nature Conservancy [1]	750	-	-	-	-	-	**750**
The Partnership for Maternal, Newborn & Children	-	599	-	-	-	-	**599**
Torchlight Collective LLC	-	-	-	-	-	300	**300**
Transparentem [1]	-	-	-	(450)	-	-	**(450)**
Triggerise	-	-	815	-	-	-	**815**
UBS Optimus Foundation	-	1,769	-	-	1,437	-	**3,206**

Group and Foundation 2017	Climate Change (US$ '000)	Child Health & Development US$ '000	Adolescence US$ '000	Child Protection US$ '000	Evidence, Measurement & Evaluation US$ '000	Strategic Engagement & Communica-tions US$ '000	Total (US$ '000)
UNAIDS	-	-	-	-	-	849	**849**
UNF [(1)]	(200)	-	-	-	-	-	**(200)**
UNICEF	-	18,669	-	-	-	-	**18,669**
UNILEVER - Bhavishya Alliance Child Nutrition Initiatives [(1)]	-	(576)	-	-	-	-	**(576)**
United Nations Population Fund	-	-	696	-	-	-	**696**
University College London	-	-	-	-	416	-	**416**
University of Nebraska Medical Center	-	350	-	-	-	-	**350**
University of Warwick	-	-	-	-	265	-	**265**
Washington University	-	1,241	-	-	-	-	**1,241**
Well Told Story [(1)]	-	-	(2,389)	-	-	-	**(2,389)**
Windfall Films (The Hole) [(1)]	(224)	-	-	-	-	-	**(224)**
World Bank- Global Partnership for Education Fund MTO [(1)]	(811)	1,000	-	-	-	-	**189**
World Food Program	-	2,125	-	-	-	-	**2,125**
World Resources Institute	5,437	-	-	-	-	-	**5,437**
World Vision	-	7,389	-	-	-	-	**7,389**
Other Grantees	2,092	3,496	-	100	1,753	-	**7,441**
Foreign exchange gains/losses on grants[2]	174	429	-	26	-	-	**629**
	59,269	**107,377**	**27,070**	**7,621**	**12,635**	**5,349**	**219,321**

[(1)] Grant commitments expensed in a previous financial year, cancelled during this financial year and written back.
[(2)] Foreign exchange losses on grants: foreign exchange losses incurred on commitments made that were outstanding during the financial year ended 31 December 2018.

7. ALLOCATION OF SUPPORT COSTS

2018	Climate Change US$ '000	Child Health & Development US$ '000	Adolescence US$ '000	Child Protection US$ '000	Evidence, Measurement & Evaluation US$ '000	Strategic Engagement & Communi-cations US$ '000	Total US$ '000
Support costs							
Staff costs (Note 9)	3,321	3,753	1,264	1,229	1,891	1,277	**12,735**
Office expenses	1,955	1,155	1,139	224	268	179	**4,920**
Governance costs (Note 8)	2,438	1,441	1,420	279	335	224	**6,137**
Travel and subsistence	808	887	285	262	347	282	**2,871**
Consultancy and contractor costs	829	722	230	123	218	501	**2,623**
Total support costs allocated to charitable activities	**9,351**	**7,958**	**4,338**	**2,117**	**3,059**	**2,463**	**29,286**

2017	Climate Change US$ '000	Child Health & Development US$ '000	Adolescence US$ '000	Child Protection US$ '000	Evidence, Measurement & Evaluation US$ '000	Strategic Engagement & Communi-cations US$ '000	Total US$ '000
Support costs							
Staff costs (Note 9)	2,483	4,786	1,207	645	1,666	1,285	12,072
Office expenses	1,449	2,625	662	186	309	131	5,362
Governance costs (Note 8)	1,382	2,505	631	178	295	125	5,116
Travel and subsistence	462	1,028	259	186	273	229	2,437
Consultancy and contractor costs	412	876	221	155	103	79	1,846
Total support costs allocated to charitable activities	**6,188**	**11,820**	**2,980**	**1,350**	**2,646**	**1,849**	**26,833**

See note 1(h) on explanation on the allocation method of the support cost.

8. GOVERNANCE COSTS

	Group year ended 31 Dec 2018 US$ '000	Group year ended 31 Dec 2017 US$ '000
Auditors' remuneration	**223**	185
Legal fees	**3,866**	2,508
Professional fees	**2,048**	2,423
	6,137	5,116

The auditors' remuneration, for the year ended 31 December 2018 is split between KPMG US$204k (2017: US$179k) and S.P. Nagrath (India liaison office auditors) US$19k (2017:US$7k). In 2018, non-audit fees paid to KPMG were US$11k (2017: US$42k to KPMG) in relation to other professional services .

9. STAFF COSTS

	Group and Foundation year ended 31 Dec 2018 US$ '000	Group and Foundation year ended 31 Dec 2017 US$ '000
Wages and salaries	**9,664**	9,448
Social security costs	**1,125**	877
Other pension costs	**362**	248
	11,151	10,573
Other staff costs	**1,584**	1,499
Total staff costs	**12,735**	12,072

The average monthly number of FTE employees (based on the 12 month period) who were employed during the year totalled: 95 (2017: 80). The staff numbers were split between direct activities: 66 (2017: 58) and support: 29 (2017: 22). The number of employees of the Group and Foundation whose remuneration paid in the financial year fell within the following bands were:

Total remuneration bandings	Group & Foundation 2018	Group & Foundation 2017
US$85k – US$99k	**8**	7
US$99k – US$113k	**8**	4
US$113k – US$127k	**3**	7
US$127k – US$141k	**6**	4
US$141k – US$155k	**4**	3
US$155k – US$169k	**2**	2
US$169k – US$183k	**2**	-
US$183k – US$197k	**4**	1
US$197k – US$211k	**3**	2
US$211k – US$225k	**3**	-
US$254k – US$268k	**1**	-
US$296k – US$310k	**1**	-
US$310k – US$324k	**1**	-
US$338k – US$352k	**–**	1
US$352k – US$366k	**–**	1
US$437k – US$451k	**1**	1

The staff remuneration applied in the bandings is for the years ended 31 December 2018 and 31 December 2017. The above salaries were paid mainly in GBP and include benefits in kind and have been translated at the average rate of US$1:£0.75.

The contributions in the period for the provision of a defined contribution pension scheme to employees of the Foundation were US$533k (2017: US$479k). The number of staff who were members of the scheme was 114 (2017: 83).

The Trustees did not receive any remuneration for their services during the period (2017: US$nil). The Trustees' expenses reimbursed amounted to US$25k for travel and subsistence during the year (2017: US$20k). In 2018, the reimbursed expenses related to one trustee (2017: one trustee).

Remuneration of Key Management Personnel

	2018 31 December US$'000	2017 31 December US$'000
Executive Directors	2,152	2,061
Employer Pension Contributions	183	96
Employer National Insurance Contributions	289	250
Total Consideration	**2,624**	**2,407**

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

- The Board of Trustees (who are not remunerated in their capacity as Trustees)
- The Executive Directors of the Foundation, who are responsible for the day to day running of the organisation.

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

10. TAXATION

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

A Group Company, Talos Property Limited, has made Gift Aid payment to the Foundation, which removes its tax liability. The Group Companies, CIFF Newco, CIFF Trading, CIFF Nutrition (UK), CIFF LLP and Talos Property Holding Limited, did not realise any taxable profit in this financial year, therefore have no tax liability. The subsidiary company, Talos, incurred no tax charges (2017: US$Nil) under Irish taxation, due to a profit of US$4k (2017: loss of US$4k). During the year, Talos incurred US$1,902k of withholding tax (2017: US$35k).

11. TANGIBLE FIXED ASSETS

Group and Foundation 2018	IT Equipment US$' 000	Office Equipment US$' 000	Fixtures and Fittings US$' 000	Total US$' 000
Cost brought forward	-	-	1,343	**1,343**
Additions during the year	-		-	**-**
Disposals during the year	-	-	-	**-**
At 31 December 2018	-	-	**1,343**	**1,343**
Depreciation brought forward	-	-	53	**53**
Charge for the year	-	-	268	**268**
Reversal on disposals	-	-	-	**-**
At 31 December 2018	-	-	321	**321**
Net book value				
At 31 December 2018	-	-	1,022	**1,022**

Group and Foundation 2017

	IT Equipment US$' 000	Office Equipment US$' 000	Fixtures and Fittings US$' 000	Total US$' 000
Cost brought forward	811	194	946	**1,951**
Additions during the year	-		1,345	**1,345**
Disposals during the year	(811)	(194)	(948)	**(1,953)**
At 31 December 2017	-	-	**1,343**	**1,343**
Depreciation brought forward	604	102	477	**1,183**
Charge for the year	-	-	162	**162**
Reversal on disposals	(604)	(102)	(586)	**(1,292)**
At 31 December 2017	-	-	53	**53**
Net book value				
At 31 December 2017	-	-	**1,290**	**1,290**

12. INVESTMENTS

Group	Fair value at 31/12/17 US$ '000	Additions (US$ '000)	Disposals (US$ '000)	Investment gains/(losses) (US$ '000)	Fair value at 31/12/18 (US$ '000)	Cost at 31/12/18 (US$ '000)
UK	89,231	493,350	-	(860)	581,721	583,221
Overseas	2,257,307	631,149	(479,535)	(16,998)	2,391,923	2,320,118
Total unquoted	**2,346,538**	**1,124,499**	**(479,535)**	**(17,858)**	**2,973,644**	**2,903,339**
UK	87,861	-	(89,038)	1,177	-	-
Overseas	2,749,889	1,772,182	(2,121,589)	(79,350)	2,321,132	2,087,461
Total quoted	**2,837,750**	**1,772,182**	**(2,210,627)**	**(78,173)**	**2,321,132**	**2,087,461**
UK	47,749	-	-	(1,327) [2]	46,422	41,846
Total property	**47,749**	**-**	**-**	**(1,327)**	**46,422**	**41,846**
Total	**5,232,037**	**2,896,681**	**(2,690,162)**	**(97,358)** [1]	**5,341,198**	**5,032,646**

[1] The difference between total losses above of US$(97,358)k and the SOFA gain of US$130,957k (sum of net gains on investments of US$131,027k and foreign exchange losses of US$(70)k) is due to the unrealised loss on short swaps and forwards of US$(228,315)k which are disclosed within creditors: amounts falling due within one year and foreign exchange movements on the cash balances held by the Group throughout the period as well as gains and losses incurred through the Foreign exchange overlay.

[2] The total losses above of US$1,327k include exchange differences on translating foreign operations.

Foundation – Investments Held at Fair Value

	Fair value At 31/12/17 US$ '000	Additions US$ '000	Disposals US$ '000	Investment gains/(losses) US$ '000	Fair value At 31/12/18 US$ '000	Cost At 31/12/18 US$ '000
Overseas	5,187,273	2,715	(209,071)	170,652	5,151,569	4,261,403
Total unquoted	**5,187,273**	**2,715**	**(209,071)**	**170,652**	**5,151,569**	**4,261,403**

Foundation – Investments Held at Cost

	Cost At 31/12/17 US$ '000	Additions US$ '000	Disposals US$ '000	Cost At 31/12/18 US$ '000
UK	41,882	-	-	41,882
Total	**41,882**	**-**	**-**	**41,882**

Group	Fair value at 31/12/16 US$ '000	Additions (US$ '000)	Disposals (US$ '000)	Investment gains/(losses) (US$ '000)	Fair value at 31/12/17 (US$ '000)	Cost at 31/12/17 (US$ '000)
UK	43,594	46,190	(8,151)	7,598	89,231	109,112
Overseas	1,508,660	1,251,959	(533,147)	29,835	2,257,307	1,579,282
Total unquoted	**1,552,254**	**1,298,149**	**(541,298)**	**37,433**	**2,346,538**	**1,688,394**
UK	250,437	119,167	(315,278)	33,535	87,861	89,020
Overseas	2,966,701	1,533,056	(2,510,064)	760,196	2,749,889	241,174
Total quoted	**3,217,138**	**1,652,223**	**(2,825,342)**	**793,731**	**2,837,750**	**330,194**
UK	42,552	-	-	5,197	47,749	41,846
Total property	**42,552**	**-**	**-**	**5,197**	**47,749**	**41,846**
Total	**4,811,944**	**2,950,372**	**(3,366,640)**	**836,361**	**5,232,037**	**2,060,434**

Foundation – Investments Held at Fair Value

	Fair value At 31/12/16 US$ '000	Additions US$ '000	Disposals US$ '000	Investment gains/(losses) US$ '000	Fair value At 31/12/17 US$ '000	Cost At 31/12/17 US$ '000
Overseas	4,693,375	3,437	(164,400)	654,862	5,187,274	4,101,627
Total unquoted	**4,693,375**	**3,437**	**(164,400)**	**654,862**	**5,187,274**	**4,101,627**

Foundation – Investments Held at Cost

	Cost At 31/12/16 US$ '000	Additions US$ '000	Disposals US$ '000	Cost At 31/12/17 US$ '000
UK	41,882	-	-	41,882
Total	**41,882**	**-**	**-**	**41,882**

Group Financial Assets	31 December 2018 (US$ '000)	31 December 2017 (US$ '000)
Equities - Overseas	2,281,715	2,739,031
Equities - UK	-	87,858
Corporate bonds - Overseas	-	9,930
Investment properties	46,422	47,749
Investment funds	82,241	181,143
Programme related investment	12,965	10,250
	2,423,343	3,075,960
Contracts for difference	134	-
Forward currency contracts	39,283	927
	39,417	927
Loans and receivables	2,878,438	2,155,150
Total Financial Assets	**5,341,198**	**5,232,037**

Group Financial Liabilities	Notes	31 December 2018 (US$ '000)	31 December 2017 (US$ '000)
Securities sold short – listed equities		259,831	81,543
Senior delayed drawdown variable rate notes		52,655	87,624
	16	312,486	169,167
Contract for difference		-	131,346
Forward currency contracts		9,000	52,965
Derivative financial instrument liabilities	**16**	9,000	184,311
Total Financial Liabilities		**321,486**	**353,478**

Gains / (Losses) recognised in relation to financial assets and liabilities at fair value through the SOFA	Year ended 31 December 2018 US$ '000	Year ended 31 December 2017 US$ '000
Realised gains / (losses) on financial assets and liabilities	626,546	700,318
Unrealised gains/ (losses) on financial assets and liabilities	(495,519)	(208,910)
	131,027	491,408
Foreign Exchange gains / (losses) on financial assets and liabilities	(70)	1,961
	130,957	**493,369**

Foundation Financial Assets	31 December 2018 US$ '000	31 December 2017 US$ '000
Investment subsidiaries	41,882	41,882
Investment funds	65,189	146,501
Investment In fixed variable rate note	5,073,415	5,030,522
Programme related investment	12,965	10,250
Total Financial Assets	**5,193,451**	**5,229,155**

* There are no Financial Liabilities in the Foundation for 2017 & 2018.

Foundation	Investment in subsidiaries US$ '000	Programme related investment US$ '000	Variable Rate notes US$ '000	Unquoted Investment US$ '000	Total US$ '000
As at 31 December 2017	41,882	10,250	5,030,522	146,501	5,229,155
Additions	-	2,715	-	-	2,715
Disposals	-	-	(187,096)	(21,975)	(209,071)
Investment gains / (losses)	-	-	229,986	(59,334)	170,652
As at 31 December 2018	**41,882**	**12,965**	**5,073,412**	**65,192**	**5,193,451**
Cost as at 31 December 2018	**41,882**	**12,965**	**4,128,251**	**120,187**	**4,303,285**

Investments in subsidiaries

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

Entity	Incorporated in	% Holding	Purpose	Profit/(loss) US$ '000) 2018	2017
CIFF (UK) Trading Limited ("CIFF Trading")	England & Wales	100	(1)	(8)	(13)
CIFF (UK) Newco Limited ("CIFF Newco")	England & Wales	100	(2)	(4)	87
Talos Capital Designated Activity Company ("Talos")	Ireland	100	(3)	4	4
Talos Properties Holdings Limited ("TPHL")	England & Wales	100	(4)	1,256	1,373
Talos Properties Limited ("TPL")	England & Wales	100 *	(5)	1,274	1,376
CIFF Nutrition (UK) Limited ("CIFF Nutrition")	England & Wales	100	(6)	0	-
CIFF UK LLP ("CIFF LLP") - dissolved	England & Wales	N/A	(7)	-	-
CIFF Capital UK LP ("CIFF Capital")	N/A	100**	(8)	-	-
CIFF Investments LLP ("CIFF Inv")	England & Wales	100 *	(9)	-	-
CIFF IP CO Limited ("CIFF IP")	England & Wales	100	(10)	-	-

* Indirect holdings
** Economic entitlement only

(1) CIFF Trading was a designated member of CIFF LLP. In addition CIFF Trading holds an investment in TCI Fund Services LLP, and is a non participating member in CIFF Investment LLP.
(2) CIFF Newco was a designated member of CIFF LLP.
(3) Talos (company number: 464778) holds an underlying investment portfolio that is managed to provide the Foundation with investment return. At 31 December 2018, its total assets amounted to US$5,488,423k (2017: US$5,509,726k), total liabilities amounted to US$5,488,415k (2017: US$5,509,722k), and net assets amounted to US$8k (2017: US$4k).
(4) TPHL's principal activity is to act as the parent of a wholly owned subsidiary TPL.
(5) TPL acquires and manages a UK investment property portfolio.
(6) CIFF Nutrition promotes Ready to Use Therapeutic Foods in developing countries.
(7) CIFF LLP was dissolved on 12 April 2018.
(8) CIFF Capital was registered by limited partnership deed between the Foundation and TCI General Partner Limited. It has been established to hold investment assets for the Foundation. The entity is a limited partnership therefore not incorporated.
(9) CIFF Inv was incorporated by limited liability partnership deed between Talos and CIFF Trading in 2019 to hold assets from the investment portfolio. The first set of Financial statements will be produced for the period ending 31st January 2020.
(10) CIFF IP was incorporated on 19 September 2018 to hold intellectual property rights in support of the charitable activities of the Foundation. The first set of Financial statements will be produced for the period ending 31st December 2019.

The following table presents additional information about valuation techniques and significant unobservable inputs used for unlisted assets and liabilities, which are measured at fair value, as at 31 December 2018:

Asset category	Valuation method	Fair value at 31 December 2018 US$ '000	Significant unobservable input	Range of estimated (weighted average) for unobservable input	Sensitivity to changes in significant unobservable input
Loans	Discounted cash flow	2,878,438	Discount rate	9.8% to 13.3%	A significant increase in the discount rate would result in a lower fair value
Investment Funds	Discounted cash flow	57,580	Weighted Discount rate	18%	A significant increase in the discount rate would result in a lower fair value
Investment Funds	Distribution notices and quarterly statements	24,661	Illiquid and hard to value underlying investments held by fund	N/A	N/A
Investment Properties	Initial yield	46,422	Net Initial Yield	5.9% to 7.5%	N/A
Programme Related Investments	Distribution notices and quarterly statements	12,965	Illiquid and hard to value underlying investments held by fund	N/A	N/A
Senior delayed drawdown variable rate notes	Carrying value less accumulated losses	(52,655)	N/A	N/A	N/A

Unobservable inputs used in measuring fair value.

When determining fair value, the Group uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. The valuation techniques used by the Group to determine the fair value are considered to be an income approach.

Income Approach provides an estimation of the fair value of an investment based on expectations about the cash flows that the investment would generate over time. The Group used the Yield calibration method to derive the discount rates of the loan investments. In applying the Yield calibration method, discount rate is determined by first estimating the implied yield-to-maturity, yield-to-exit, or yield-to-worst as of the latest date where the loan investment was involved in an arm's-length transaction (the "Transaction Date"). The yield as of the Transaction Date provides an observable measurement of compensation a market participant requires to hold a security. Qualifying transactions often consist of: (1) the initial primary market transaction, (2) secondary transactions and (3) amendments where the investment was re-priced. In addition, inputs used under the Yield calibration method include assessment of the credit spread of comparable securities and indices and changes in credit quality of the borrower as at 31 December 2018.

Refer to note 13 for the measurement of delayed drawdown variable rate notes.

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

The Group believes that use of different methodologies or assumptions in determining the fair value of the above financial instruments would result to immaterial changes in fair value.

The Group's reporting systems and the nature of the instruments and the valuation models do not allow it to accurately analyse the total annual amounts of gains/losses that are attributable to observable and unobservable inputs.

Programme Related Investments

The Foundation had an investment of US$12.4million (2017: USD$10.25m) in the Global Health Investment Fund ("GHIF"). GHIF intends to provide funding to support the development of drugs, vaccines and other technologies that address global health challenges that disproportionately impact developing countries, while also generating a financial return consistent with its charitable objectives. GHIF's structure includes a partial loss protection to investors.

The Foundation invested US$0.53m (2017: Nil) in Working Capital GP, LLP. Working Capital is an early stage venture fund that invests in scalable innovations to meet the growing corporate demand for more transparent and ethical supply chains, addressing the urgent need to protect vulnerable workers and source responsibly. It was created by Humanity United, part of The Omidyar Group. In 2018, the Foundation committed US$2m to Working Capital GP, LLP of which US$1.47m (2017: Nil) remains outstanding to be drawn down as of 31 December 2018 (see note 20).

Variable Rate Notes

The Delayed drawdown variable rate notes (the "Notes") are admitted to the Global Exchange Market of the Euronext Dublin and to trading on its unregulated market. The Notes pay a variable return based on the return of the underlying investments of Talos, plus any income received, less expenses incurred. The terms of the Notes are such that any positive interest is determined as a further drawdown, whereas any negative interest is determined as a reduction in the principal of the Notes outstanding. Such movements are shown in the table in investment gains / (losses). Since the balance sheet date, the Foundation has further committed to funding the Notes up to the aggregate principal amount of US$5 billion pursuant to an amended and restated Notes Purchase Agreement dated 19 February 2019.

Unquoted Investments

As at 31 December 2018, unquoted investments of US$65.2 million (2017 US$112.0 million) included US$43.9million (2017: US$111.8 million) of investments in an investment fund investing in development properties in India. The properties are being constructed for sale.

Where the underlying assets are under construction, the fair value of the investment cannot be reliably determined, the directors are required to make their best estimate of the fair 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.

Unquoted investments also comprised US$21.3 million (2017: US$34.7 million) of investments in underlying assets held with an unquoted investment fund. The investments are held at market value based on the valuation report supplied by the investment fund as at 31 December 2018 with any gains and losses being taken to the Statement of Financial Activities.

Loans

Refer to page 69 for details of loans.

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

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.

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

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

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

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

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

A) Market Risk

(i) 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 such as 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. Paragraph (b) 'Foreign exchange risk' sets out how this component of price risk is managed and measured.

The Group's policy is to manage price risk through diversification and selection of securities and other financial instruments within specified limits set by the directors in the Investment Programme. The Investment Programme contains restrictions on overall market exposure (the "Exposure Policy"). The Exposure Policy regarding overall exposure states that market exposure shall not exceed 100% of the Reference NAV.

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

The table below is a summary of the sector exposures which are included in the Reference NAV for the purpose of monitoring the investment restrictions.

	% of Reference NAV	
	31 December	**31 December**
Sector	**2018**	**2017**
Real estate loans	46.0%	39.8%
Industrials	21.0%	28.8%
Consumer services	12.4%	-0.1%
Corporate debt	8.2%	0.0%
Information technology	3.2%	3.0%
Other	4.6%	21.0%
	95.4%	**92.5%**

At 31 December 2018, the net exposure of the Group to Equity Investments was US$2,030,014k (2017: US$2,502,132k).

The paragraph below summarises the sensitivity of the Group's equity and CFD positions (the "Equity Investments") to equity price movements, derived by regressing the daily returns of the Group's Equity Investments against the daily returns of the MSCI World Equity Index including net dividends reinvested (the "Index") (Bloomberg ticker "NDDUWI"), and including the effect of movements in foreign currency exchange rates on equity prices, as at 31 December 2018 and 31 December 2017.

The analysis uses the arithmetic mean of the absolute one year moves of the Index aligned with the Group's financial year since the Group's inception as an estimate for the reasonably possible annual move in global equity prices. For 31 December 2018, this is 12.9% (31 December 2017: 5.1%). This represents the best estimate of a reasonable possible shift in the Index over a period of one year, having regard to the historical volatility of the index. As at 31 December 2018, the exposure of the Group to Equity Investments was US$2,030,014k (31 December 2017: US$2,502,132k).

In 2018, the beta of the Group's Equity Investments against movements in the Index was 0.30 (31 December 2017: 0.37). The figures below give an estimation of a reasonable possible change in the fair value of the Group's Equity Investments over the period of one year, using the beta value stated above.

	2018	**2017**
	US$ '000	**US$ '000**
Predicted effect on the Group's Equity Investments of an increase in the index	78,256	47,103
Predicted effect on the Group's Equity Investments of a decrease in the index	(78,257)	(47,103)

The 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 December 2018 and 31 December 2017 and the historical correlation of the returns from the securities comprising the Equity Investments to the Index returns. The composition of the Group's Equity Investments, and the correlation thereof to the Index, is expected to change over time. The sensitivity analysis prepared as at 31 December 2018 and 31 December 2017 is not necessarily indicative of the effect on the Group's investments of future movements in the level of the Index.

(ii) Foreign currency risk

The Group operates internationally and holds both monetary and non-monetary assets denominated in currencies other than its functional currency, the US dollar. Foreign currency risk as defined, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. The table below shows the concentration of assets and liabilities denominated in currencies other than the US dollar at 31 December 2018 and 2017 and has been analysed between monetary and non-monetary items.

31 Dec 2018 Currency	Monetary (US$ '000)	Non Monetary (US$ '000)	Currency forward (US$ '000)	Net exposure (US$ '000)
Australian Dollar	-	55,606	(52,895)	2,711
Brazilian Real	1	-	-	1
Canadian Dollar	(1,596)	52,909	(57,791)	(6,478)
Chinese Renminbi	-	-	-	-
Euro	286,648	952,919	(1,151,797)	87,770
Indian Rupee	50	-	-	50
Japanese Yen	-	-	(2,548)	(2,548)
Pound Sterling	590,811	46,422	(865,688)	(228,455)
Swiss Franc	307	-	-	307

31 Dec 2017 Currency	Monetary (US$ '000)	Non Monetary (US$ '000)	Currency forward (US$ '000)	Net exposure (US$ '000)
Australian Dollar	1	249,963	(264,963)	(14,109)
Brazilian Real	1	-	-	1
Canadian Dollar	-	8,373	-	8,373
Chinese Renminbi	-	-	(44,365)	(44,365)
Euro	263,370	1,534,160	(1,664,050)	133,480
Indian Rupee	23	-	-	23
Japanese Yen	-	-	(49,333)	(49,333)
Pound Sterling	102,771	135,606	(314,497)	(76,120)
Swiss Franc	309	-	-	309

The following table shows the 260 day historical volatility rates between the US dollar and a range of currencies. These rates provide a best estimate of a potential move in the exchange rate over a period of 12 months as at the statement of financial position date.

Historical volatility rates	2018 %	2017 %
Australian Dollar	8.67	7.73
Brazilian Real	15.67	14.03
Canadian Dollar	6.9	7.35
Chinese Renminbi	-	3.45
Euro	7.23	7.34
Indian Rupee	6.56	4.18
Japanese Yen	6.5	8.46
Pound Sterling	8.24	8.86
Swiss Franc	6.45	7.11

The following table summarises the amount of the increase/(decrease) in net assets arising from an increase/ (decrease) of the exchange rate in line with the above 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	2018 US$'000	2017 US$'000
Australian Dollar	235	(1,091)
Brazilian Real	-	-
Canadian Dollar	(447)	615
Chinese Renminbi	-	(1,531)
Euro	6,346	9,797
Indian Rupee	3	1
Japanese Yen	(166)	(4,174)
Pound Sterling	(18,825)	(6,744)
Swiss Franc	20	22

The objective of the Group's currency risk management policy is to allow the Group to retain its purchasing power and minimise the risk that its purchasing power is reduced as a result of foreign exchange rate fluctuations. The investment process focuses on fundamental and systematic factors. The Investment Manager monitors the currency risk on an ongoing basis and reports to the Finance Committee on a quarterly basis.

(iii) Interest rate risk

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

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

The Group invests in privately placed loans and until 31 December 2017 it accounted for these loans under the amortised cost method. Using this method, the Group recognised income at a rate based upon the effective interest rate of all expected cash flows over the life of the loan. The loans were subject to fixed interest rates or were linked to LIBOR with a contractual interest rate floor and as such were not exposed to interest rate risk. From 1 January 2018, the Group applied the requirements of IFRS 9 as detailed in note 2 and reclassed all its investments in private loans as financial assets at fair value through profit or loss.

Effective 1 January 2018, the Group's investments in privately placed loans are carried at fair value. In determining fair value, the Group uses discounted cash flow techniques and recognises income at a rate based upon the effective interest rate of all expected cash flows over the life of the loan. For all loan investments, the discount rate used in the fair valuation model is calibrated against movements in market interest rates and changes in credit quality of the borrower. For the purpose of assessing interest rate risk and the impact of market interest rates on the discount rate used in the valuation, the loan investments held by the Group should be divided into two sets; 1) those loans whose yield (coupon rate) is linked to LIBOR, and 2) those loans whose yield is not linked to LIBOR.

All loan investments whose yield is linked to LIBOR also have a contractual interest rate floor. Therefore, the risk of a decrease in fair value (due to rising market interest rates) has been mitigated by the floating interest rate, because, assuming all other factors remaining constant, a rise in market rates causes an equal rise in the loan's yield. The risk of a decrease in the rate of income earned (due to a fall in market interest rates) has been mitigated by the contractual interest rate floor.

31 Dec 2018	< 3 months US$ '000	3 months – 1 year (US$ '000)	> 1 year (US$ '000)	Non-interest rate sensitive (US$ '000)	Non- interest bearing US$ '000	total (US$ '000)
Cash at bank and in hand	147,150	-	-	-	-	147,150
Cash pledged as collateral	103,000	-	45,015	-	-	148,015
Investment assets/(liabilities)	-	-	-	2,878,438	2,462,760	5,341,198

31 Dec 2017	< 3 months US$ '000	3 months – 1 year (US$ '000)	> 1 year (US$ '000)	Non-interest rate sensitive (US$ '000)	Non- interest bearing US$ '000	total (US$ '000)
Cash at bank and in hand	361,074	-	-	-	-	361,074
Cash pledged as collateral	118,000	-	44,264	-	-	162,264
Investment assets/(liabilities)	-	-	9,800	2,155,150	3,067,087	5,232,037

B) Credit risk

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

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

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

All of the loan investments held by the Group are secured against physical assets including real estate and property. The value of the security relating to a loan investment may become equal to or less than the value of the loan that it secures. Accordingly, in the event of a default the Group may incur a loss after all costs relating to obtaining and selling secured assets have been taken into account. Although the Group monitors the value of the secured assets on a periodic basis (see "Credit Enhancements" below), as there is no active market for the positions, their risk is managed on an exposure basis, with not more than 50% of the Reference NAV to be drawn under loans classified as Real Estate Debt (as outlined in the Investment Management Agreement). Due to the illiquid nature of such loans and the variety of risks attached including property development and concentration risk, significant losses could arise. The 50% threshold increased to 55% in March 2019.

Privately Placed Loans

At 31 December 2018, the Group held investments in privately placed loans valued at US$2,878,438k (2017: US$2,155,150k). 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.

There was no default on the debt investments held by the Group during the year ended 31 December 2018 (2017: none).

The Group is also protected by covenants built into its loan agreements which require immediate repayment in the event that the borrower breaches certain covenants. These are agreed on a loan-by-loan basis at the origination of each deal and may include metrics such as loan-to-value ratio, interest cover and other performance based metrics. As at 31 December 2018 and 2017, there was no loan in breach of its covenants.

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 and Standard Bank which are not rated.

The analysis below summarises the Group's exposure by counterparty credit rating at 31 December 2018:

	Credit rating at 31 Dec 2018		Credit exposure 31 Dec 2018	
Counterparty	**Moody's**	**(S&P)**	**(US$ '000)**	**% of assets**
HSBC Bank Plc	Aa3	AA-	278,509	4.93%
JP Morgan Chase	Aa2	A+	13,439	0.24%
UBS AG	Aa3	A+	2,358	0.04%
Barclays Bank	A2	A	968	0.02%
Wells Fargo	Aa2	A+	2	-
Citco Bank Nederland NV	n/a	n/a	96	-
			295,372	5.23%

The analysis below summarises the Group's exposure by counterparty credit rating at 31 December 2017:

	Credit rating at 31 Dec 2017		Credit exposure 31 Dec 2017	
Counterparty	**Moody's**	**(S&P)**	**(US$ '000)**	**% of assets**
HSBC Bank Plc	Aa3	AA-	485,251	8.39%
JP Morgan Chase	Aa3	A+	27,390	0.47%
Barclays Bank	A2	A	3,857	0.07%
UBS AG	A1	A+	492	0.01%
Wells Fargo	Aa2	A+	2	-
Citco Bank Nederland NV	n/a	n/a	130	-
			517,122	8.94%

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

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

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

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

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

The Group has appointed HSBC Bank plc ("HSBC") as custodian and prime broker and provider of other services (including financing) under the terms of the HSBC Prime Custody Agreement. HSBC will act as banker, custodian and prime broker of the cash and securities delivered to HSBC and will be responsible for receipt and disbursement of cash on behalf of the Group, for the receipt and safe custody and registration of securities of the Group and for the transfer of securities for the Group. The Group has both a custody and collateral account with HSBC. HSBC will also provide financing and securities lending to the Group pursuant to the HSBC Prime Custody Agreement. The collateral required to support any financing, securities lending or other exposure of HSBC to the Group will be held in the collateral account with HSBC in the name of the Group. At 31 December 2018, 81% of cash and cash pledged as collateral and investments were placed in custody with HSBC (2017: 91%).

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

The prime brokerage agreement with JP Morgan Chase Bank N.A. states that, to the extent permitted under the laws, rules and regulations of the United States Securities and Exchange Commission and other exchanges and dealer associations by which certain of the JP Morgan Chase entities are regulated (collectively, the "US Rules"), the Group's assets that are not required to be segregated by US Rules, may be borrowed, lent or otherwise used by such JP Morgan Chase entities who may hold such assets for their own purposes subject to a limit equal to 140% of the indebtedness of the Group to the counterparty. Certain JP Morgan Chase entities may not be subject to the US Rules and assets held by such entities may be borrowed, lent or otherwise used by such entities without the limitations imposed under the US Rules. The credit exposure with JP Morgan Chase N.A at 31 December 2018 and 2017, 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, Credit Suisse Securities (Europe) Limited and JP Morgan Chase, for the purpose of trading over the counter derivative instruments. The ISDA master agreements ensure that the Group has the ability to call cash to cover any unrealised mark to market gains prior to settlement, and is therefore able to limit credit exposure to the initial margin posted on any particular trade.

C) 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.

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

On 21 October 2014, an Investment Programme waiver was approved to allow the total unlisted instruments and undrawn commitments exposure to exceed 75% of the Groups Reference NAV for the purpose of, and to the percentage required for, proceeding with a certain loan deal. The waiver is specific to this loan deal and as part of the agreement, the Investment Manager cannot increase such exposure further until it is back below the 75% limit following the signing of the loan deal specified in the waiver request. The percentage threshold will change to 80% in June 2018.

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

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

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

Group **31 Dec 2018**	**Less than 1 month (US$ '000)**	**1 to 3 months (US$ '000)**	**3 months to 1 year (US$ '000)**	**1 to 5 years (US$ '000)**	**More than 5 years (US$ '000)**	**Total (US$ '000)**
Creditors: amounts falling due within one year	457,515	8,054	10,756	-	-	476,325
Creditors: amounts falling due in more than one year	-	-	-	45,015	-	45,015
Total liabilities	**457,515**	**8,054**	**10,756**	**45,015**	**-**	**521,340**

Group **31 Dec 2017**	**Less than 1 month (US$ '000)**	**1 to 3 months (US$ '000)**	**3 months to 1 year (US$ '000)**	**1 to 5 years (US$ '000)**	**more than 5 years (US$ '000)**	**total (US$ '000)**
Creditors: amounts falling due within one year	544,642	10,469	37,556	-	-	592,667
Creditors: amounts falling due in more than one year	-	-	-	6,751	-	6,751
Total liabilities	**544,642**	**10,469**	**37,556**	**6,751**	**-**	**599,418**

Uncertain liabilities, which are not recognised on the statement of financial position are not included in the table above for the purpose of analysing the Group'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 (US) a charitable trust created under the laws of the USA and (which subsequently changed its name to 'Big Win Philanthropy' ("BWP")) with an aggregate commitment balance of US$92,643k ("Second Issue Notes"). 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 Euronext Dublin Global Exchange Market.

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

On 25 July 2015, The Foundation signed a purchase agreement to purchase the Second Issue Notes from BWP (US). The purchase was over 20 quarterly instalments commencing on the 15th working day of September 2015. The purchase amount will be determined according to the net asset value of the second issue notes on the valuation date, being the last business day of the month preceding the purchase instalment. As at 31 December 2018, the capital commitment is US$49,658k (2017: US$79,802k).

Subsequent to 31 December 2018, the maturity of the Delayed Drawdown Variable Rate Notes were extended until 31 March 2024; however, they are callable by the Noteholder with 10 days notice.

As at 31 December 2018, the aggregate commitment balance of the Second Issue Notes to BWP (US) was US$49,658k (2017: US$82,763k), of which US$42,846k (2017: US$75,525k) had been drawn down.

On 24 January 2019, CIFF acquired the Second Issue Notes from BWP (US) (see Note 24).

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

	31 Dec 2018 (US$ '000)	**31 Dec 2017 (US$ '000)**
Balance drawn down at beginning of year	75,525	94,852
Adjustment at 1 January 2018	-	2,149
Drawdowns of notes	-	10,878
Prepayment of notes	(3,416)	(2,315)
Transfer of notes	(29,263)	(30,707)
Revaluation of notes*	-	668
Balance drawn down at end of year	42,846	75,525

* The revaluation of the Notes occurred due to the change in the calculation of interest payable on the Notes, which is based on the taxable profits of the Group.

Interest will accrue on the Notes and will be payable annually, in arrears, on 20 May (the "determination date") in respect of each annual accounting year. The amount of interest will be calculated as the product of:

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

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

At 31 December 2018, interest accrued on the Notes was US$9,810k (2017: US$12,100k). In the event of a deficit prior to the calculation of the interest expense, the profit participating note agreement provides that the principle value of the profit participating notes are written down by an amount equal to the value of that deficit.

Uncertain liabilities

As disclosed in note 12, the Group has invested in loans and securities which incorporate an uncertain commitment that it may be obliged to pay at a future date. The likelihood that these commitments are paid by the Group is unknown at the balance sheet date. The total uncertain commitments as at 31 December 2018 have been estimated as US$918,540k (2017: US$1,507,679k).

14. DEBTORS

	Group 31 Dec 2018 US$ '000	Group 31 Dec 2017 US$ '000	Foundation 31 Dec 2018 US$ '000	Foundation 31 Dec 2017 US$ '000
Interest receivable	594	19,158	-	-
TCI LLP	-	82	-	82
Dividends receivable	142	-	-	-
Amounts due from brokers	2,059	251	-	-
Other Debtors	8,679	6,121	-	241
Talos Properties Ltd	-	-	2,540	2,829
Prepayments	557	567	512	568
	12,031	**26,179**	**3,052**	**3,720**

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

15. CASH AT BANK AND IN HAND

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

Cash pledged as collateral includes collateral balances held at 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 cash at bank and cash pledged as collateral is shown on the face of the balance sheet and the movement reflected within the cash flow statement.

The following table shows the breakdown of the amounts with custodians and other counterparties as at 31 December 2018:

Group	**Cash & cash equivalents 31 Dec 2018 US$ '000**	**Cash pledged as collateral 31 Dec 2018 US$ '000**	**Cash at bank and in hand 31 Dec 2018 US$ '000**	**Amounts due from brokers 31 Dec 2018 US$ '000**	**Amounts due to brokers 31 Dec 2018 US$ '000**	**Net counter-party position 31 Dec 2018 US$ '000**
Custodian and prime broker						
HSBC Bank Plc	130,287	148,015	278,302	2,059	(1,852)	**278,509**
Other counterparties						
JP Morgan Chase	13,439	-	13,439	-	-	**13,439**
UBS AG	2,358	-	2,358	-	-	**2,358**
Barclays Bank	968	-	968	-	-	**968**
Wells Fargo	2	-	2	-	-	**2**
Citco Bank Nederland NV	96	-	96	-	-	**96**
Total	147,150	148,015	**295,165**	2,059	(1,852)	**295,372**

The following table shows the breakdown of the amounts with custodians and other counterparties as at 31 December 2017:

Group	**Cash & cash equivalents 31 Dec 2017 US$ '000**	**Cash pledged as collateral 31 Dec 2017 US$ '000**	**Cash at bank and in hand 31 Dec 2017 US$ '000**	**Amounts due from brokers 31 Dec 2017 US$ '000**	**Amounts due to brokers 31 Dec 2017 US$ '000**	**Net counter-party position 31 Dec 2017 US$ '000**
Custodian						
HSBC Bank Plc	329,203	162,264	491,467	251	(6,467)	**485,251**
Other counterparties						
JP Morgan Chase	27,390	-	27,390	-	-	**27,390**
UBS AG	492	-	492	-	-	**492**
Credit Suisse	-	-	-	-	-	**-**
Barclays Bank	3,857	-	3,857	-	-	**3,857**
Standard Bank	-	-	-	-	-	**-**
Wells Fargo	2	-	2	-	-	**2**
Citco Bank Nederland NV	130	-	130	-	-	**130**
Total	361,074	162,264	**523,338**	251	(6,467)	**517,122**

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

Foundations	**Cash & cash equivalents 31 Dec 2018 US$ '000**	**Cash & cash equivalents 31 Dec 2017 US$ '000**
HSBC Bank plc	16,238	28,765
JP Morgan Chase	13,132	27,087
Barclays Bank plc	714	3,595
	30,084	**59,447**

16. CREDITORS: amounts falling due within one year

	Group 31 Dec 2018 US$ '000	Group 31 Dec 2017 US$ '000	Foundation 31 Dec 2018 US$ '000	Foundation 31 Dec 2017 US$ '000
Amounts due to brokers [2]	1,852	6,467	-	-
Financial liabilities [1] [2]	312,486	169,167	-	-
Grants	99,019	110,722	99,019	103,971
Creditors	46,375	115,190	-	809
Derivative financial instrument liabilities [2]	9,000	184,311	-	-
Accruals and deferred income	7,140	6,496	6,161	5,538
Interest payable	356	71	-	-
Taxes and social security costs	97	243	97	243
	476,325	592,667	**105,277**	110,561

[1] Financial liabilities of US$42,846k (2017: US$76,069k) due on senior delayed drawdown variable rate note owned by BWP and US$9,810k (2017: US$12,619k) due to accrued interest on this note (see note 13).
[2] See note 13 for details of interest and maturity.

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

17. CREDITORS: amounts falling due after one year

	Group 31 Dec 2018 US$ '000	Group 31 Dec 2017 US$ '000	Foundation 31 Dec 2018 US$ '000	Foundation 31 Dec 2017 US$ '000)
Creditors payable between 1 and 2 years	45,015	6,751	-	6,751
Creditors payable between 2 and 5 years	-	-	-	-
Creditors payable after 5 years	-	-	-	-
	45,015	**6,751**	**-**	**6,751**

18. MOVEMENT IN FUNDS

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

Group	**Balance as at 31 Dec 2017 US$ '000**	**Incoming resources US$ '000**	**Resources expended US$ '000**	**Investment gains/(losses) US$ '000**	**FX gains/(losses) US$ '000**	**Exchange difference reserve US$ '000**	**Transfer between funds US$ '000**	**Balance as at 31 Dec 2018 US$ '000**
Unrestricted: (1)								
Income funds	-	-	(270,526)	-	(1,528)	-	272,054	-
Designated funds	437,961	-	-	-	-	-	131,808	569,769
Restricted Income funds	-	10,000	(10,000)	-	-	-	-	-
Expendable Endowment Fund	4,760,130	72,392	-	131,027	1,458	(2,838)	(403,862)	4,558,307
Total funds	**5,198,091**	**82,392**	**(280,526)**	**131,027**	**(70)**	**(2,838)**	**-**	**5,128,076**

Group	**Balance as at 31 Dec 2016 US$ '000**	**Incoming resources US$ '000**	**Resources expended US$ '000**	**Investment gains/(losses) US$ '000**	**FX gains/(losses) US$ '000**	**Exchange difference reserve US$ '000**	**Transfer between funds US$ '000**	**Balance as at 31 Dec 2017 US$ '000**
Unrestricted: (1)								
Income funds	-	246,320	(277,799)	-	856	-	30,623	-
Designated funds	491,959	-	-	-	-	-	(53,998)	**437,961**
Restricted Income funds	-	36,916	(36,916)	-	-	-	-	-
Expendable Endowment Fund	4,225,618	-	-	491,408	1,105	3,959	23,375	**4,745,465**
Total funds	**4,717,577**	**283,236**	**(314,715)**	**491,408**	**1,961**	**3,959**	**-**	**5,183,426**

(1) Reserves retained by subsidiary undertakings and general unrestricted funds are disclosed in total in the tables above and total US$44,963k (2017: US$46,266k).

Foundation	**Balance as at 31 Dec 2017 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**	**Balance as at 31 Dec 2018 US$ '000**
Unrestricted							
Income funds	-	-	(240,852)	-	(1,411)	242,263	-
Designated funds	437,961	-	-	-	-	131,808	569,769
Restricted Income funds	-	10,000	(10,000)	-	-	-	-
Expendable Endowment Fund	4,738,339	2,978	-	185,317	-	(374,071)	4,552,563
Total funds	**5,176,300**	**12,978**	**(250,852)**	**185,317**	**(1,411)**	**-**	**5,122,332**

Foundation	Balance as at 31 Dec 2016 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	Balance as at 31 Dec 2017 US$ '000
Unrestricted							
Income funds	-	4,393	(210,146)	-	716	205,037	-
Designated funds	491,959	-	-	-	-	(53,998)	**437,961**
Restricted Income funds	-	36,916	(36,916)	-	-	-	-
Expendable Endowment Fund	4,223,769	-	-	665,609	-	(151,039)	**4,738,339**
Total funds	**4,715,728**	**41,309**	**(247,062)**	**665,609**	**716**	**-**	**5,176,300**

As at 31 December 2018, the Trustees have allocated US$569,769k (2017: US$437,961k) of reserves as designated funds which represents funds that 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	Total 31 Dec 2018 US$ '000	Total 31 Dec 2017 US$ '000
Tangible fixed assets	-	1,022	1,022	1,290
Investments	4,710,410	630,788	5,341,198	5,232,037
Current assets	274,060	33,136	307,196	549,517
Liabilities	(426,163)	(95,177)	(521,340)	(599,418)
	4,558,307	**569,769**	**5,128,076**	**5,183,426**

20. COMMITMENTS

At 31 December 2018, the Group had outstanding commitments of US$68,746k (2017: US$95,569k), US$65,204 (2017: US$87,622k) of this is related to the notes agreement, and US$3,542k (2017:US$7,947k) is in relation to the unquoted investments held within the investment portfolio.

The Group has invested in loans and securities which incorporate an uncertain commitment that it may be obliged to pay at a future date. The likelihood that these commitments are paid by the Group is unknown at the balance sheet date. The total uncertain commitments as at 31 December 2018 have been estimated as US$918,540k (2017: US$1,507,679k).

Please refer to recent developments for BWP on Page 33.

21. OPERATING LEASES

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

	Group Year ended 31 Dec 2018 (US$ '000)	Group 16 months 31 Dec 2017 (US$ '000)	Foundation Year ended 31 Dec 2018 (US$ '000)	Foundation 16 months 31 Dec 2017 (US$ '000)
Rent	**1,020**	1,922	**1,020**	1,922

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

	Group 31 December 2018 US$ '000	**Group 31 December 2017 US$ '000**	**Foundation 31 December 2018 US$ '000**	**Foundation 31 December 2017 US$ '000**
Land and Building				
Expiring within 1 year	28	-	28	-
Expiring within 2 to 5 years	266	270	266	270
Expiring after 5 years	716	755	716	755
	1,010	1,025	1,010	1,025

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

	Group 31 December 2018 US$ '000	**Group 31 December 2017 US$ '000**	**Foundation 31 December 2018 US$ '000**	**Foundation 31 December 2017 US$ '000**
Less than one year	**3,218**	3,351	-	-
Between one and five years	**16,928**	17,502	-	-
More than five years	**88,372**	96,883	-	-
	108,519	117,735	-	-

The leases are due to expire in 2044 and include a provision for rent review.

22. RELATED PARTIES

TCI Fund Managment Limited, and its various group entities, is ultimately controlled by Sir Christopher Hohn, a member and trustee of CIFF. On an annual basis, CIFF seeks the approval of the Charity Commission in respect of any benefits accruing to Sir Christopher Hohn from the investment management relationship. The current approval is valid until 30 November 2019.

CIFF's principal investment subsidiary, Talos, made payments of US$23.2mn (2017: US$61.4mn) to TCI FM in respect of fees for the management services in relation to CIFF's investment portfolio held by Talos. TPL also made payments of US$56k (2017: US$45k) to TCI FM in respect of fees for the investment management services in relation to the UK real estate investment held by TPL. These fees have been agreed on an arm's length basis.

CIFF made payments to TCI FM of US$589k (2017: US$757k) in respect of reimbursements of costs in relation to investment management services provided by TCI FM and payments of US$1.2mn (2017: US$658k) to TCI's holding company, TCI Fund Management (UK) Limited, in respect of rent.

TCI FM made donations to CIFF of US$10m (2017: US$10.4m), as a restricted donation to support the charitable activities of CIFF.

During the year, directors' fees of US$30K (2017: US$30K) for Jackie Gilroy were charged to Talos. Refer to Note 9 for the remuneration of key management personnel.

CIFF, through its subsidiary CIFF Trading, has a membership interest in TCI Fund Services LLP ("TCI FS"), a vehicle providing support function sevices to TCI FM. This is a historic position and TCI FS did not distribute any profit share to CIFF Trading during 2018 or 2017.
In the normal course of charitable granting, there are instances where CIFF grants to charities with common trustees as CIFF. CIFF 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.

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

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. The total administration fee for the year was US$1,656k (2017: US$1,621k), of which US$140k (2017: US$146k) was payable at year end.

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$412k (2017: US$459k) of which US$30k (2017: US$36k) was payable at the year end.

Investment Manager Fees

As stated above, TCI FM is the appointed Investment Manager to certain members of the Group. The fee agreement has been structured so that it is performance-based, with no base or liquidity management fees. In the Trustees' opinion the management fee structure correlates investment manager fees with performance and consequently reduces the financial risk to the Group.

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

(a) Non-Real Estate Performance Fee
With effect from 1 May 2013, the Group would pay the Investment Manager a performance fee above a specified hurdle rate equal to 10% of the net realised and unrealised appreciation of the Adjusted Net Asset Value of the Group's investments in Talos during the Hurdle Rate Period. The total non-real estate performance fee for the year was US$Nil (2017: US$47,511k), of which US$Nil (2017: US$47,511k) was payable at year end.

(b) Real Estate Performance Fee
With effect from 1 May 2013, the Group would pay the Investment Manager a performance fee above a specified hurdle rate equal to 10% of the net realised and unrealised appreciation of the Adjusted Net Asset Value of the Group's investments in Talos during the Hurdle Rate Period. The total real estate performance fee for the year was US$20,748k (2017: US$12,273k), of which US$41,950k (2017: US$28,477k) was payable at year end.

(c) Real Estate Management Fee
On 30 January 2013, it was agreed that the Group would 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$2,444k (2017: US$1,741k), of which US$241k (2017: US$181k) was payable at year end.

The Group has amounts due from other related counterparties, refer to note 14 for further details

24. POST BALANCE SHEET EVENTS

On 24 January 2019, CIFF made a payment of US$51.8m to (BWP US) to buyout its remaining interest in the Notes issued by Talos. The terms and conditions for the transaction are contained in an Amended and Restated Sale & Purchase Deed in respect of the Notes issued by Talos.

Subsequent to the year end, the maturity date of the Notes was extended to March 2024. The consolidated financial statements were authorised on the 25 July 2019.

25. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent undertaking and controlling party is The Children's Investment Fund Foundation (UK), a charitable company limited by guarantee (without a share capital) incorporated in England and Wales. Pursuant to article 7 of the Foundation'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 Foundation is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2018. The consolidated financial statements of the foundation is available from the Company Secretary at 7 Clifford Street, London, W1S 2FT.

26. 2017 STATEMENT OF FINANCIAL ACTIVITIES

	31 December 2018 Total	Unrestricted Funds US$ '000	Restricted Funds US$ '000	Expendable Endowment US$ '000	31 Dec 2017 Total
Income and endowments from					
Donations and legacies	**10,000**	**876**	**36,916**	**-**	**37,792**
Income from investments	**72,392**	**245,444**	**-**	**-**	**245,444**
Total incoming resources	**82,392**	**246,320**	**36,916**	**-**	**283,236**
Expenditure on					
Expenditure on raising funds	**33,507**	**67,413**	**-**	**-**	**67,413**
Expenditure on charitable activities	**247,019**	**210,386**	**36,916**	**-**	**247,302**
Total resources expended	**280,526**	**277,799**	**36,916**	**-**	**314,715**
Net gains on investments	**131,027**	**-**	**-**	**491,408**	**491,408**
Foreign Exchange gains/(losses)	**(70)**	**856**	**-**	**1,105**	**1,961**
Exchange differences on translating foreign operations	**(2,838)**	**-**	**-**	**3,959**	**3,959**
Net Income/ Expenditure	**(70,015)**	**(30,623)**	**-**	**496,472**	**465,849**
Transfers		**(23,375)**	**-**	**23,375**	**-**
Net movement in funds	**(70,015)**	**(53,998)**	**-**	**519,847**	**465,849**
Fund balances carried forward at 31 December 2016	**5,198,091**	**491,959**	**-**	**4,225,618**	**4,717,577**
Fund balances carried forward at 31 December 2017	**5,128,076**	**437,961**	**-**	**4,745,465**	**5,183,426**

The Children's Investment Fund Foundation (UK)
Group information for the year ended 31 December 2018

CONSTITUTION	A Company limited by guarantee and an English registered charity governed by its Memorandum and Articles of Association
COMPANY NUMBER	4370006
REGISTERED CHARITY NUMBER	1091043
TRUSTEES	Ms Jamie Cooper (recused) Sir Christopher Hohn Dr Graeme Sweeney Mr Ben Goldsmith Mr Masroor Siddiqui
COMPANY SECRETARY	Ms Eleanor Boddington (Resigned 24 May 2018) Mr Shalin Punn (Appointed 24 May 2018; Resigned 9 November 2018) Cargil Management Services Limited (Appointed 9 November 2018)
REGISTERED OFFICE	7 Clifford Street London W1S 2FT
BANKERS	HSBC Bank plc Level 18 8 Canada Square London E14 2HQ
SOLICITORS	Mills & Reeves LLP Botanic House 100 Hills Road Cambridge CB2 1PH
INDEPENDENT AUDITORS	KPMG 1 Harbourmaster Place International Financial Services Centre Dublin 1, Ireland
INVESTMENT MANAGER	TCI Fund Management Limited 7 Clifford Street London W1S 2FT England

CIFF

CHILDREN'S
INVESTMENT FUND
FOUNDATION

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