2017 ANNUAL REPORT

The Children's Investment Fund Foundation (UK)

CONTENTS

THE CHILDREN'S INVESTMENT FUND FOUNDATION (UK) TRUSTEES' ANNUAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017

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

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

CIFF

CHAIRMAN'S MESSAGE

Established sixteen years ago in 2002, The Children's Investment Fund Foundation (UK) (CIFF) was set up to improve the lives of children and young people living in poverty in developing countries. This mission has not changed. Indeed, we are holding firm to our disruptive approach and empowering the next generation to solve the seemingly intractable problems they face.

Much progress has been made during the twelve months covered in this Annual Report (January to December 2017). Keeping sustainability at the core of everything we do, in 2017 we renewed our emphasis on localisation – in our thinking, the insights we seek, our partnerships and in execution. And we continued to provide philanthropic leadership, building deeper collaborations with our current funding partners, while bringing new donors to the core issues we care about. In doing so, CIFF continues to pursue our founder's vision that the purpose of CIFF is as a catalyst of change. We exist "to solve problems not make grants."

Tackling Climate Change remained key to our work in 2017, working with a wide range of partners to speed up and scale up climate action to achieve the global transformation required to keep global warming below 1.5°C. We saw significant breakthroughs for our work in this area in 2017:

- Air quality litigation pursued by CIFF partner ClientEarth in order to compel European governments to comply with their own air quality regulations resulted in the UK government publishing its first Air Quality Plan. In Germany, ClientEarth's actions resulted in courts in Dusseldorf, Munich and Stuttgart ruling that cities should introduce significant restrictions on diesel vehicles.

- The growing anti-coal movement shepherded by CIFF partner PIE led to a number of Asian governments cancelling or delaying 100GW of coal pipeline, and the British and Canadian governments committing to a complete phasing out of coal.

- The China Renewable Energy Outlook (CREO), the 2017 flagship product of the CIFF China Renewable programme, was successfully launched at events in Beijing, California and COP23 in Bonn. For the first time in China, a think tank affiliated with the government concluded publicly that China must be more ambitious in accelerating its renewable energy transition, including in its short-term targets. China adopted CREO recommendations on curtailing coal consumption and for the first time set a target of 2020 for fully addressing curtailment.

Another major achievement from 2017 was the key role CIFF played in establishing *SheDecides*, a global movement to promote, protect and enhance the rights of women and girls worldwide. *SheDecides* was created as an immediate response to US President Donald Trump's reinstatement of the Mexico City Policy, also known as the Global Gag Rule, which prevents organisations outside the US from receiving US government funding if they provide safe abortions or information about abortions. CIFF hosted the movement's support unit and helped raise $500 million USD to compensate for the global impact of US policy change.

Within our Survive and Thrive portfolio, we continued to invest in research around effective contraception, including Sayana Press, an easy-to-use self-injected contraceptive. New evidence indicates that self-injected contraception may be a game-changer in dramatically increasing continuous use, which can therefore deliver demonstrably better health outcomes for women and girls. Thanks in part to the effectiveness study CIFF supported, several countries are introducing policies to permit self-injection.

We also continued to invest in nutrition, including through the Power of Nutrition (PON), a partnership of investors and implementers aiming to protect 10 million children from stunting and save at least 100,000 lives. In 2017, PON raised $34.2 million, far exceeding its target of $20-25 million, and expanded its programming to Asia. As of December 2017, PON maintained 3 active programmes across Sub-Saharan Africa reaching 7 million children and 1 million women with nutrition services. It also approved 3 additional programmes, representing a total of $216.4 million for nutrition programming in Madagascar, Cote d'Ivoire and Rwanda.

In India, CIFF's work on child protection made important progress. A combination of public outrage and intensive media coverage in 2017, spurred by a few high-profile incidents of child sexual abuse, created the potential for political momentum to grow. The government of India held the first ever national-level meeting on cutting off demand for the commercial sexual exploitation of children, at which a national-level action plan including stronger policing was developed. In addition, the Indian Cabinet approved an Anti Human Trafficking Bill for tabling in parliament, the first ever law of its kind in India. India's Minister of Women and Child Development acknowledged the efforts of several NGOs in helping the government draft this legislation, and CIFF is proud to partner with many of the NGOs involved.

During the period under review, we approved 64 new grants with a multi-year value of $165.3 million. Disbursements for the period totalled $208.3 million and our grant portfolio grew to $1,124.2 million of active multi-year investments.

None of this is possible without the generosity, energy and vision of CIFF's trustees, professional staff, grantees and partners who are constantly seeking ways to improve the lives of children and young people around the world.

Graeme Sweeney
Chairman
30 August 2018

AT A GLANCE: PORTFOLIO HIGHLIGHTS

1

Air quality litigation leads to first UK Air Quality Plan being published, and a ruling that Stuttgart – the German home of car manufacturing - should introduce restrictions on diesel vehicles.

2

Recommendations on **curtailing coal consumption** are adopted by the government of China, for the first time setting a target of 2020 for fully addressing curtailment.

3

CIFF helps to raise **USD$500m for SheDecides**, a global movement to protect the rights of women and girls worldwide.

4

Research indicates self-injected contraception, including Sayana Press, may be a game-changer in dramatically increasing continuous use. Several countries begin permitting self-injection.

5

With CIFF's support, the **Power of Nutrition** partnership exceeds its ambitious fundraising target, and expands its operations to Asia.

6

The government of **India holds its first ever national-level meeting on cutting off demand for children in the sex trade**, and develops a national action plan. **The Indian Cabinet approves the Anti Human Trafficking Bill** for tabling in parliament, the first law of its kind in India.

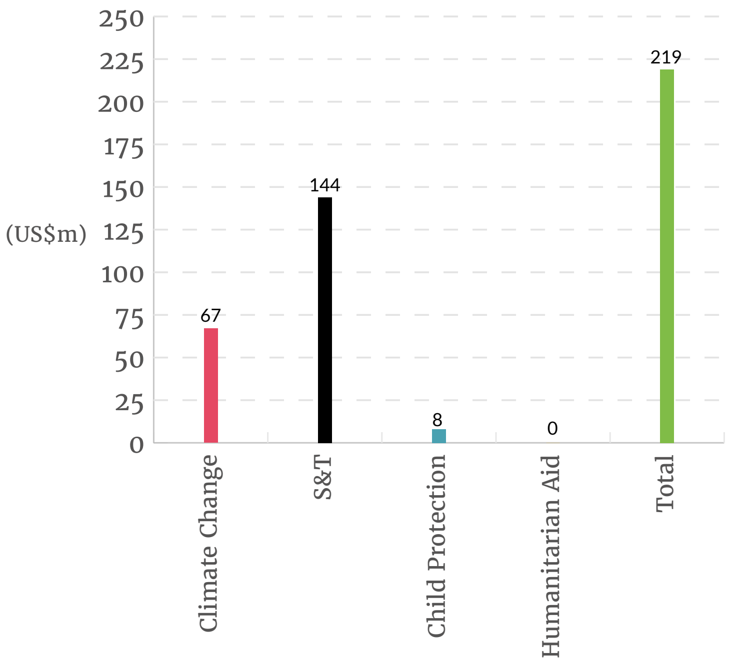
AT A GLANCE: 2017 FINANCIAL REVIEW

Total charity funds
US$5.2 billion

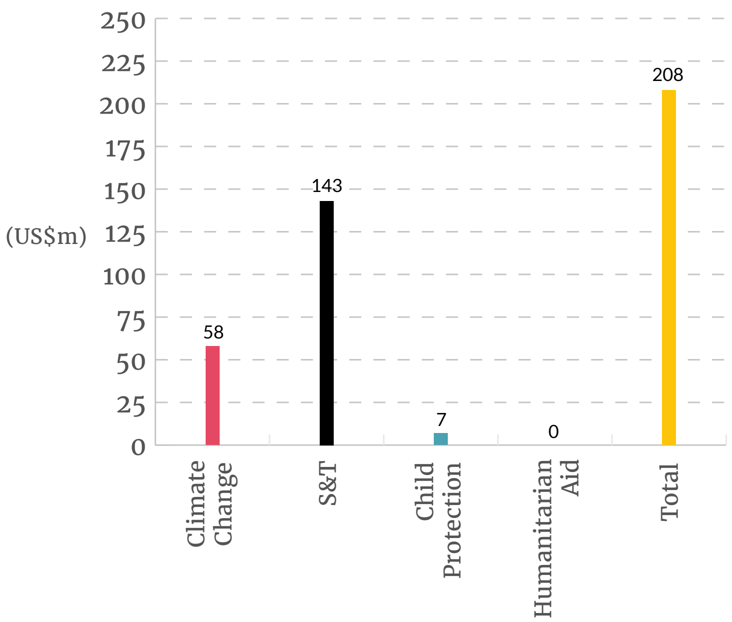
Total committed
US$219 million

Total disbursed
US$208.3 million

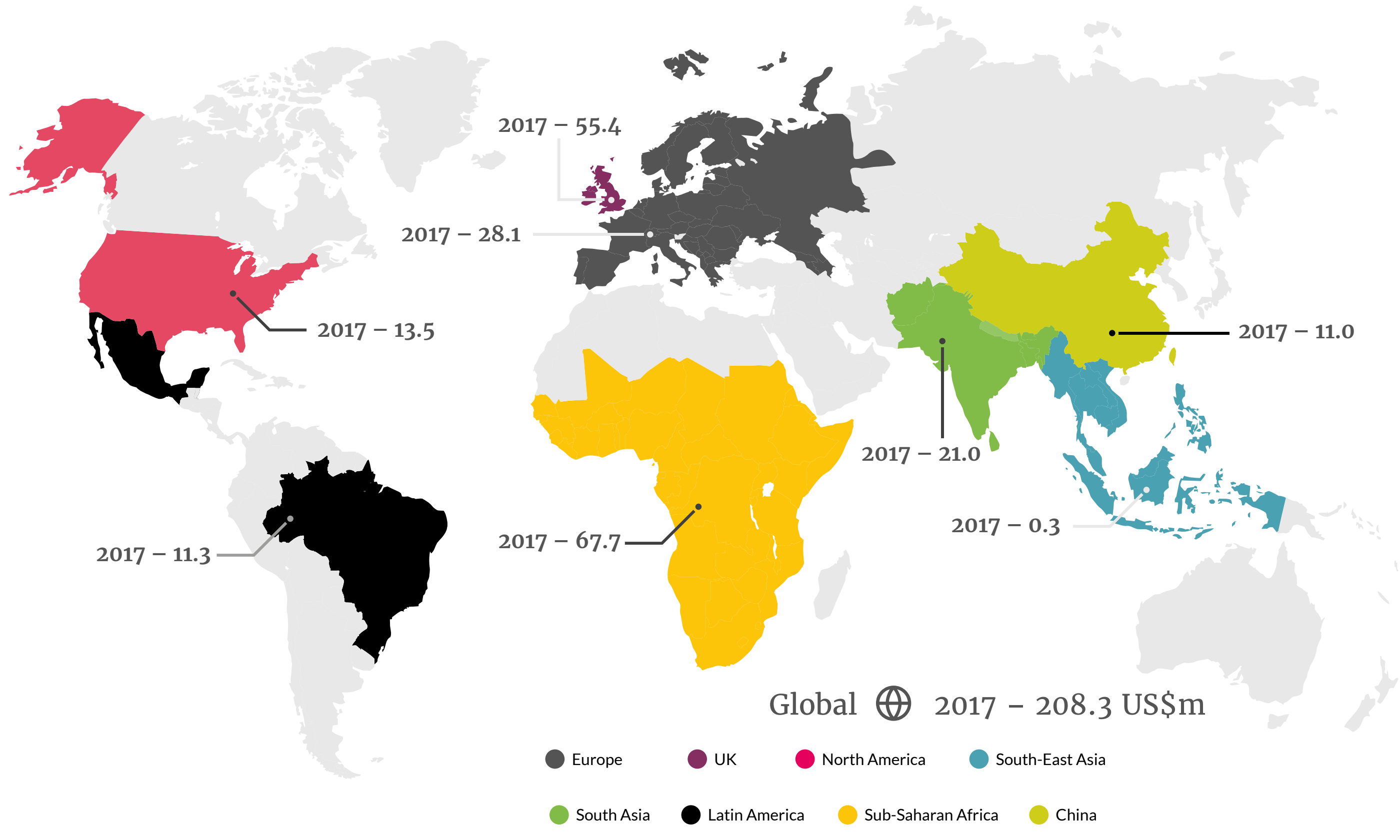
Grant commitments by sector (US$m)



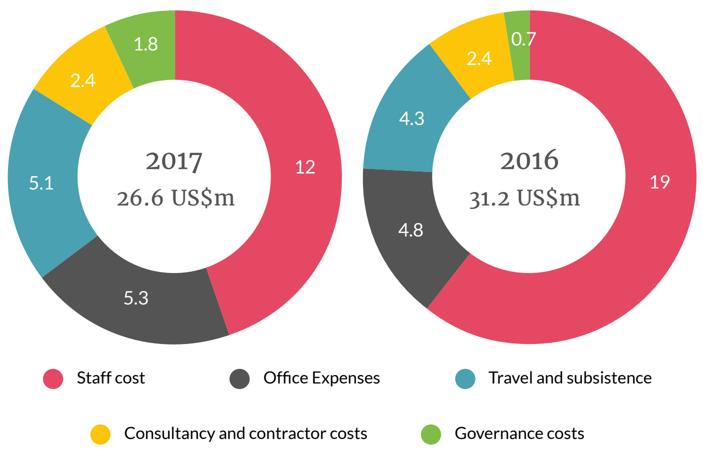
Charitable grant payments by sector (US$m)



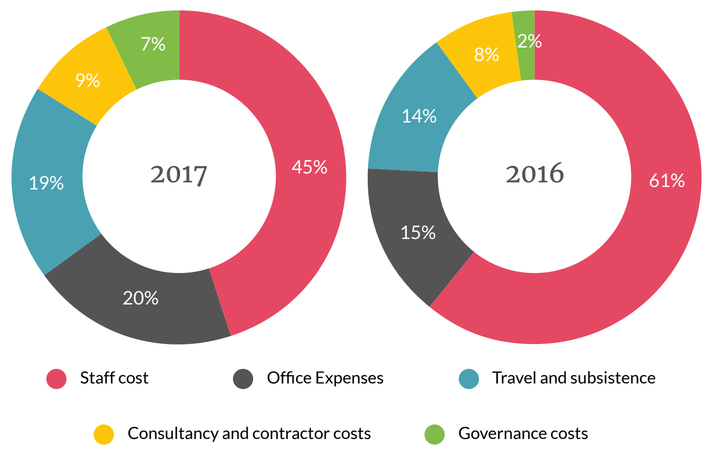
Distribution of charitable grant payments (US$m) by geographic focus



Support costs by type – 2017 and 2016



Support costs by % – 2017 and 2016



SURVIVE & THRIVE

SURVIVE & THRIVE

Mission

We believe that vast improvements in the survival, health and well-being of children and their mothers are urgent, achievable and affordable.

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

We also need to build on the gains made in reducing newborn mortality to influence the uptake of good practices across countries and support champions to advocate for sustainability.
While there is growing recognition that adolescents are often ignored and face significant risks to their sexual health and reproductive rights, too many governments, communities and organisations are still reluctant to acknowledge adolescent sexuality. Too often they deny their sexual rights or allocate little more than token resources, with programmes which are frequently hindered by operating in silos.

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

We need to empower girls and boys. Ensuring that they can enjoy their fundamental human rights is a prerequisite for reaching all our broader goals on climate, health and nutrition.

Choice 4 Change

Choice 4 Change (C4C) is working to increase awareness of and access to comprehensive sexual and reproductive health services - including long-acting methods of contraception – in Kenya.

In just over 2 years, C4C has reached more than 100,000 Kenyan girls aged 15-19 using contraception. More than 65,000 were first-time adopters of the most effective long-acting reversible contraceptives (LARCs).

The programme is using innovative and cost-effective strategies and service delivery models that give girls and young women true choice and access. Using user-centred design to develop a unique brand (Future Fab), the programme has demonstrated that hard-to-reach adolescents can be effectively reached through multiple channels of mobilisation, removal of fees and adolescents/youth friendly services to increase modern contraceptive uptake.

C4C's support to the Government of Kenya has ensured the development and roll-out of a National Adolescent and Sexual Reproductive Health (ASRH) policy and costed implementation plan, as the country's political commitment to address the needs of young people. C4C has also supported concerted advocacy for domestic budgetary allocations for ASRH and family planning commodities.

Impact

SheDecides

A major achievement from 2017 was the key role CIFF played in establishing *SheDecides*, a global movement to promote, protect and enhance the rights of women and girls worldwide. SheDecides was created as an immediate response to US President Donald Trump's reinstatement of the Mexico City Policy, also known as the Global Gag Rule, which prevents organisations outside the US from receiving US government funding if they provide safe abortions or information about abortions. CIFF hosted the movement's support unit and helped raise $500 million USD to compensate for the global impact of US policy change.

Over the course of 2017, SheDecides developed a clear manifesto, signed by over 40,000 individuals and 140 organisations worldwide. The movement is also new led by 36 Champions from all over the world. As an example of on-the-ground impact, in 2017 the Southern African Development Community (SADC) began developing a scorecard to track progress against SheDecides indicators – a move spearheaded by the Minister of Health of South Africa, a 'champion' of the SheDecides movement.

Power of Nutrition

The Power of Nutrition (PON) is a partnership of investors and implementers aiming to protect 10 million children from stunting and save at least 100,000 lives. It is on track to meet and exceed its ambitious fundraising target and in 2017 was profiled by the Bill & Melinda Gates Foundation at the United Nations General Assembly as one of the most successful innovations among global actions addressing nutrition. As of December 2017, PON maintained 3 active programmes across Sub-Saharan Africa and had reached 7 million children and 1 million women with nutrition services. The PON Board approved 3 new programmes in the second half of 2017, collectively representing a total of $216.4 million mobilised for nutrition in Madagascar, Cote d'Ivoire and Rwanda.

CLIMATE CHANGE

CLIMATE CHANGE

Mission

Though the commitments made in the Paris Agreement in 2015 to keep global warming below 1.5°C were ground-breaking and ambitious, there is very little time to turn these into reality – climate change continues to pose the single biggest threat to the future of today's children and young people.

CIFF therefore continues to be driven by a vision of a climate-safe future for today's children and future generations, one which also carries the benefits of cleaner air, energy security and sustainable jobs.

We support the urgent global transition to a zero-carbon society. We are committed to strategies that get to the heart of the greatest climate challenges and are willing to support new approaches to accelerate action and a step-change in ambition.

We are increasing our focus on Asia. Coal consumption alone in Asia is at such a scale that we cannot address the global climate crisis without transformation of the power sectors in China, India and Southeast Asia. This will need to be supported by leadership from others, including from Europe and Latin America.

Innovation and new disruptive technologies are needed on all fronts and fast: from hyperlocal air quality monitoring and forestry satellites to enable radical transparency and enforcement, through to next-generation carbon removal technologies. Impact investing will support our grant-making to help us deliver this.

If keeping global warming below 1.5°C is to remain possible, businesses and national and local governments worldwide must deliver accelerated and more ambitious climate action as early as 2020. We will therefore continue to support and create new champions across all economic levels and sectors. We will also use the rule of law to hold them to account for action that supports the goals of the agreement.

Impact

Climate disclosure in financial reporting

Private companies account for a major share of global emissions, and fast action from them will underpin the delivery of a net-zero transition across the power, industry and land use sectors.
Despite growing evidence of losses and bankruptcies driven by climate-related factors, especially the widespread mispricing of climate risks in the global economy, many investors are still failing to act. Investment decisions are still being taken based on a narrow set of economic criteria that do not take account of climate risks to companies' share prices and cost of capital. Through the work of CIFF's partners CDP, ClientEarth and the Finance Dialogue promoting climate disclosure as a key aspect to financial reporting, this is changing.

In 2015, the G20 established the Taskforce on Climate-related Financial Disclosures (TCFD), which in 2017 launched a set of recommendations for voluntary corporate reporting on climate. These recommendations provide a consistent reporting framework for companies and investors to follow in order to evaluate the financial impacts of climate risk and take action.
The TCFD recommendations have been endorsed by companies with a combined market value of more than $3.3 trillion and investors with over $22 trillion in assets. A wave of regulatory and business initiatives have followed, including initial steps towards implementation by a number of early movers:

- The Dutch and German central banks have committed increasing identification of climate-related risks to financial institutions as part of their supervisory role.
- France and Sweden have pledged to support implementation of the recommendations. This builds on France's Energy Transition and Green Growth Law that includes strong carbon disclosure requirements for corporate and financial institutions and Sweden's disclosure requirements that are already in place.
- The UK and China announced as part of their China-UK Green Finance Taskforce that pilot projects on disclosure in line with the TCFD recommendations would be conducted by financial firms in both countries.

CDP, ClientEarth and the Finance Dialogue are now advocating for the TCFD recommendations to be made mandatory in more countries.

Greening transport in China's cities

Chinese cities are leading the electric vehicle (EV) revolution. As part of CIFF's ongoing China Air Quality programme, CIFF's partner Energy Foundation China (EFC) promoted EV as measure through which to co-control greenhouse gas emissions and air pollution in China's top coal province Shanxi. With technical support from EFC and a wider group of advisors, Taiyuan – the capital and largest city in Shanxi – replaced all of its 8,292 taxis with EVs in 2016, making it the first city in the world to do so. By electrifying the entire taxi fleet, 1.78 Metric tons of carbon dioxide equivalent will be saved in the eight service years of the vehicles' lifetime. Further carbon reductions could be achieved if the local grid is made cleaner via a higher share of renewable energy.

To maintain momentum, EFC produced a case study of Taiyuan's experiences and lessons learnt, and shared a comprehensive set of recommendations on transport electrification with other Chinese cities that expressed interest in following Taiyuan's steps.

A number of other cities in Shanxi have followed suit. Xinzhou replaced around 3,500 taxis and buses with EVs by the end of 2017. Similarly, Yangquan purchased 720 electric taxis and 526 electric buses.

Looking beyond Shanxi province, Shenzhen - a pioneer megacity in low-carbon development - electrified its bus fleet of 16,359 vehicles and 12,518 taxis by 2017.

Driving diesel out of European cities

Air pollution in Europe is linked with an estimated 400,000 premature deaths every year, with diesel vehicle emissions being a major source of the pollution. Transport is also Europe's top climate problem, accounting for one-fifth of the EU's total CO_2 emissions. It is the only major sector where greenhouse gas emissions are still rising. Fighting air pollution in European cities can accelerate the decarbonisation of transport in Europe.

With CIFF support, our partner ClientEarth is using strategic litigation to force governments across Europe to comply with European Union air quality rules.

In the UK, successful legal action by ClientEarth resulted in the High Court forcing the government to publish an Air Quality Plan. This resulted in publication of plans that included a framework for clean air zones in 28 cities and a commitment to phase out new diesel and petrol cars by 2040. But these plans still fell far short of what is needed to bring air pollution to within legal limits as soon as possible. ClientEarth took the UK government back to court in January 2018 and won again against the UK government in a ruling that found the government plans 'unlawful' and ordered ministers to require local authorities to investigate and identify measures to tackle illegal levels of pollution in 33 towns and cities as soon as possible.

In Germany, ClientEarth's legal actions in 2017 resulted in courts in Düsseldorf, Munich and Stuttgart ruling that cities should introduce drastic restrictions for diesel vehicles. Sales of new diesel cars plummeted in Europe in 2017 amid concerns about local driving restrictions. Demand for diesel vehicles in the UK decreased 17% year-on-year, while demand for Alternatively Fuelled Vehicles (AFV) hit a record high – a 34.8% uplift. Similarly, sales of diesel cars in Germany, Europe's largest auto market, declined about 13% amid the threat of court-ordered driving bans. These victories and others by ClientEarth and local partner Deutsche Umwelthilfe (DUH) in Germany laid the foundations for an even more significant ruling in February 2018, when Germany's top national court ruled that German cities have the power and duty to restrict diesel vehicles to protect human health. This ruling is a turning point for clean air in Europe. It will trigger a domino effect, paving the way to diesel restrictions in Germany. It will also represent the blueprint to fight air pollution in cities across Europe. Under the threat of looming diesel restrictions, sales of new diesel vehicles in Germany in February 2018 plummeted at 32.5%, marking a 19.5% drop from a year earlier.

CHILD PROTECTION

CHILD PROTECTION

Mission

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

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

Our objectives are to work with everyone who can contribute to driving down this demand and our hypothesis is that breaking the impunity surrounding it is the single most catalytic factor to stem it.

Our focus is to support the Government of India, law enforcement and the judiciary to improve and accelerate their work. We will support Indian grassroots organisations as they further the cause of children's welfare.

Impact

Over the last year, there has been a palpable increase in public perception of the scale of the problem in India and a growing understanding of the need for action. A combination of this public outrage and intensive media coverage in 2017, spurred by a few high-profile incidents of child sexual abuse, created the potential for political momentum to grow.

The government of India held the first ever national-level meeting on cutting off demand for the commercial sexual exploitation of children, at which a national-level action plan including stronger policing was developed. In addition, the Indian Cabinet approved an Anti Human Trafficking Bill for tabling in parliament, the first ever law of its kind in India. India's Minister of Women and Child Development acknowledged the efforts of several NGOs in helping the government draft this legislation, and CIFF is proud to partner with many of the NGOs involved.

In parallel, a number of Indian states are exploring stronger laws against the sexual abuse of children. These include a mix of stronger penalties, better rehabilitation services and compensation. These states include Madhya Pradesh, Telengana, Karnataka, Haryana and Maharasthra.

EVIDENCE, MEASUREMENT & EVALUATION

EVIDENCE, MEASUREMENT & EVALUATION

Mission

From the beginning, a defining characteristic of CIFF has been our emphasis on robust evidence – both for use in our decision-making and in generating it for others. The Evidence, Measurement and Evaluation (EME) team is therefore crucial to CIFF's ambition to deliver real and lasting change to the lives of children and young people.

EME operates across all three aspects of evidence, measurement and evaluation.

1. **Rigorous assessment of evidence** so that CIFF decisions on where to invest are guided by the most relevant and up-to-date evidence on the 'what' (eg. what is the scale of the problem, the burden on children's lives?) as well as the 'how' (eg. is the proposed approach to solving the problem effective and why?) and 'where' (in what settings will the approach work and can it be replicated?).

2. **Robust monitoring and verification systems** so that CIFF can track the performance of the investments in real-time and make course-corrections to maximise the impact potential of the investments.

3. **Evaluating the impact of our investments and strategies** so that CIFF can measure the impact of its investments and strategies for course-correction, learning and leverage. Independent evaluations are also a key avenue for accountability against our investment and strategic goals as well as a valuable tool for measuring how lasting our impact is through conducting post-exit sustainability assessments.

Impact

CIFF uses innovative data collection and verification, techniques, such as through mobile technology, to help improve timeliness, quality and cost-efficiency of data for better and faster decisions. As mobile connections become more common in low-income families, there is a growing opportunity to include beneficiaries in programmatic decisions – as end users, customers, distributors and promoters of products and services. In 2017, CIFF EME convened a design workshop with grantees and technology partners working in Africa and has partnered with Medic Mobile and Living Goods to develop an open-source mobile platform for real-time programme monitoring and beneficiary feedback tracking. Such targeted use of technology has the potential to make our programmes more responsive to the needs and expectations of the children, young people and beneficiaries we serve for greater impact.

CIFF has been championing the use of accountability tools, such as scorecards, to drive performance across key maternal and child health outcomes. The African Leaders Malaria Alliance (ALMA) comprises 49 African Heads of State and Government working together to end malaria-related deaths on the continent. ALMA, with CIFF support and working with country governments, WHO and UNICEF, has successfully embedded 29 country scorecards throughout Africa for Accountability and Action in malaria control and in reproductive, maternal, newborn, child and adolescent health (RMNCAH) interventions within their own countries and across the continent.

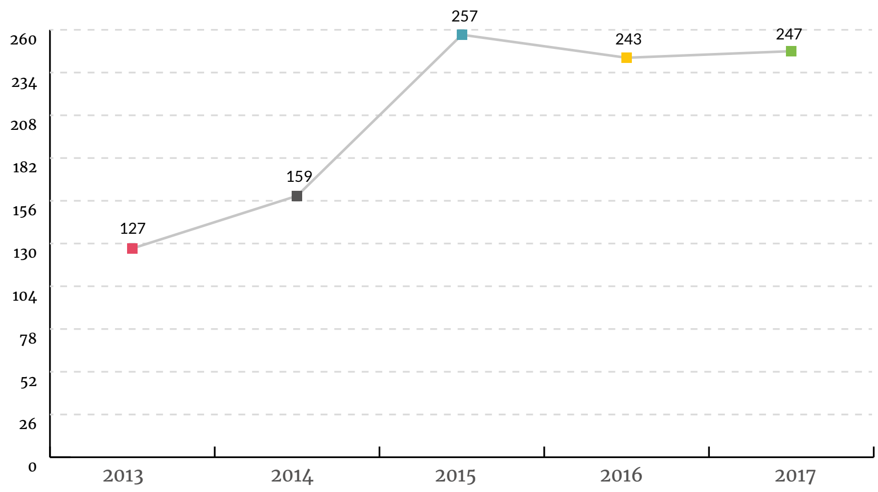
The country scorecards have enhanced accountability and been successful in driving action to improve performance for RMNCAH. The scorecards are a user-friendly tool to easily track and compare performance sub-nationally for key indicators. The data has been used to action tangible improvements at both policy as well as operational level, such as resolving stock outs on key commodities and supplies. The scorecards have provided much needed decentralised data and promote an integrated approach to maternal, child and adolescent health by combining indicators on a range of key sectors in a single scorecard. Regionally, ALMA has successfully championed a multi-country scorecard, which is reviewed by the Heads of State and senior decision-makers and enables cross-country comparison and South-to-South sharing of practical lessons on improving key maternal, child and adolescent health.

CIFF has been supporting a generation of critical evidence that is informing policy decisions. New evidence published in The Lancet Global Health indicates that self-injected contraception may truly be a "game-changer", especially for overcoming high contraceptive discontinuation rates. Results from a recent study by non-profit organisation, FHI 360, supported by CIFF, on the suitability of subcutaneous depot medroxyprogesterone acetate (DMPA-SC) for at-home self-injection show that self-administration led to a more than 50 percent increase in continuous pregnancy protection through 12 months compared to provider administration.

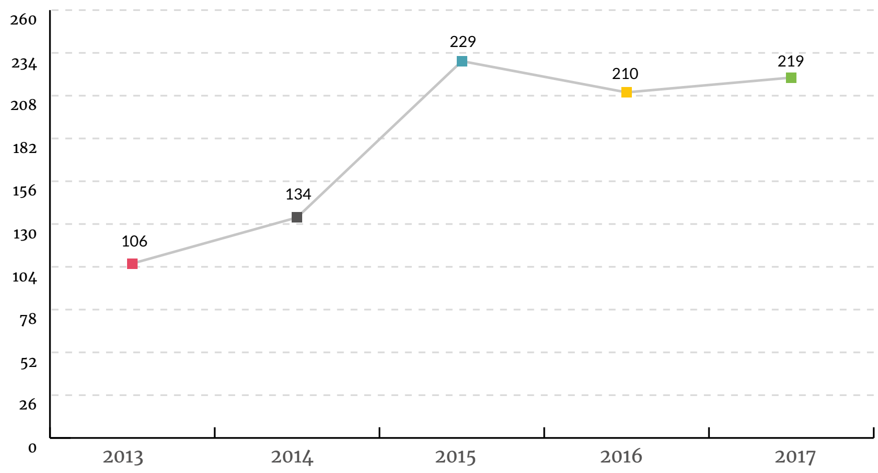
The study provides compelling evidence that community-based provision of DMPA-SC for self-injection is safe, feasible and improves continuation rates, even in low resource settings with high unmet need. Increasing user-controlled choices through self-administration empowers women and increases access. It has the potential to transform the family planning landscape and health systems more broadly, paving the way for more user-centred services in global health. Several countries, for example Malawi, are introducing policies to allow self-injection, in part based on critical evidence generated from the CIFF-supported effectiveness study.

Financial Review

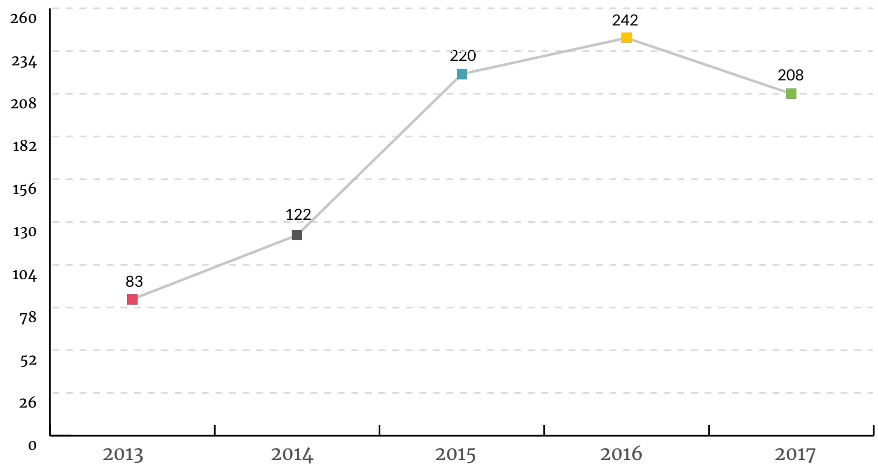
Charitable activities in the period to 31 December 2017 (US$m)



Grant commitments in the period to 31 December 2017 (US$m)



Grant disbursements in the period to 31 December 2017 (US$m)



Five-year financial summary

Summary of income and expenditure

	2013	2014	2015	2016	2017
	US$m	US$m	US$m	US$m	US$m
Incoming resources	156.1	189.0	246.6	314.7	283.2
Net Investments gains / (losses)	466.3	600.3	132.9	266.0	491.4
Foreign exchange	0.6	3.1	(3.7)	(14.6)	5.9
Total incoming resources including recognised gains and (losses)	**623.0**	**792.4**	**375.8**	**566.1**	**780.5**
Investment management costs	26.6	69.7	30.7	47.6	67.4
Charitable activities	126.8	159.4	257.4	242.6	247.3
Governance costs					
Total resources expended	**153.4**	**229.1**	**288.1**	**290.2**	**314.7**
Net movement in funds	**469.6**	**563.3**	**87.7**	**275.9**	**465.8**

Summary of assets and liabilities

	2013	2014	2015	2016	2017
	US$m	US$m	US$m	US$m	US$m
Investments	3,471.8	3,545.7	4,328.1	4,813.0	5,233.3
Current assets	648.0	1,202.5	566.7	185.8	549.5
Total liabilities	(329.2)	(394.3)	(453.2)	(281.3)	(599.4)
Total assets less Total liabilities	**3,790.6**	**4,353.9**	**4,441.6**	**4,717.5**	**5,183.4**

Summary of financial and operational information

	2013	2014	2015	2016	2017
Grant disbursements (US$m)	83	122	220	242	208
Grant disbursements as a % of net assets	2.2%	2.8%	5.0%	5.1%	4.0%
5-Year disbursement ratio*	1.8%	2.2%	3.1%	3.9%	4.4%
Number of new grants approved in year	20	32	38	50	64
Number of grants under contract	37	53	81	106	163
Average headcount (FTE)	49	66	80	80	80
Support costs as a % of charitable activities**	15.2%	16.4%	10.1%	11.5%	10.0%
Support costs as a % of disbursements**	23.2%	20.7%	11.8%	11.3%	11.7%

* 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 and 2017.

For the Income & Expenditure table the information for 2013 – 2015 is for the 12 month period to 31 August; the 2016 data is for the 16 month period to 31 December. The Balance Sheet information for 2012 to 2015 is as at 31 August, and at 31 December for 2016 and 2017. The summary financial and operational information is consistent with the Income & Expenditure and Balance Sheet information.

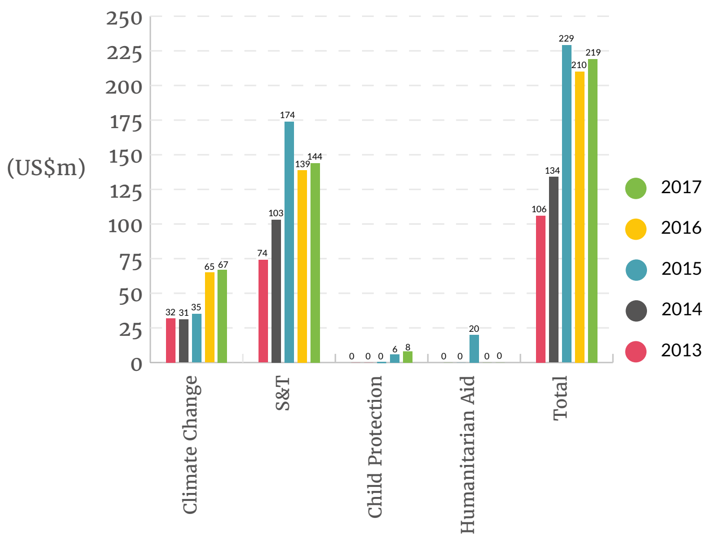
Charitable activities

The Foundation committed US$247 million to charitable activities (2016: US$242.6 million), which consisted of US$219.3 million of charitable grant commitments (2016: US$209.7 million), US$1.1 million of activities undertaken directly (2016: US$1.4 million) and US$26.8 million of support cost (2016: US$31.4 million)

Charitable grants

The chart below shows the breakdown of the grants made by sector. Further details of the Foundation's Grant Commitments can be found in Note 6.

Grant commitments by sector (US$m)

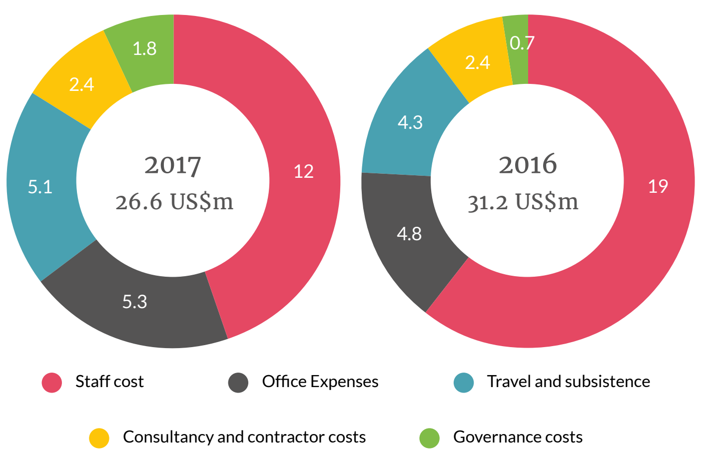


Activities undertaken directly

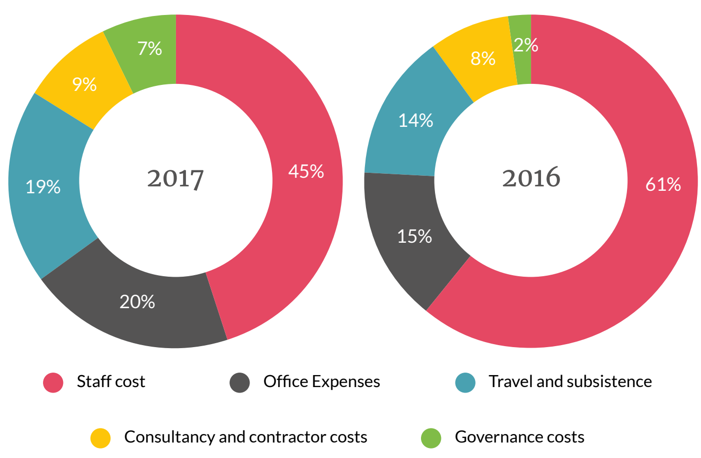
The Foundation also undertook activities directly. The direct expenditure of US$1.1 million (2016: US$0.6 million) charitable activities was mainly to further CIFF's mission by convening conferences and events, providing technical assistance and training to grantees and other charitable organisations and publishing and disseminating reports on research findings.

Support costs

Support costs by type – 2017 and 2016



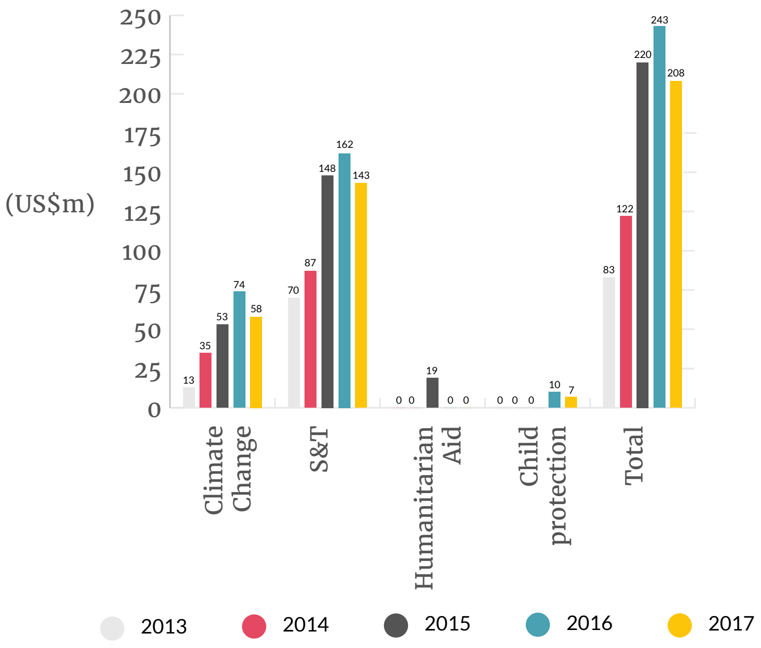
Support costs by % – 2017 and 2016



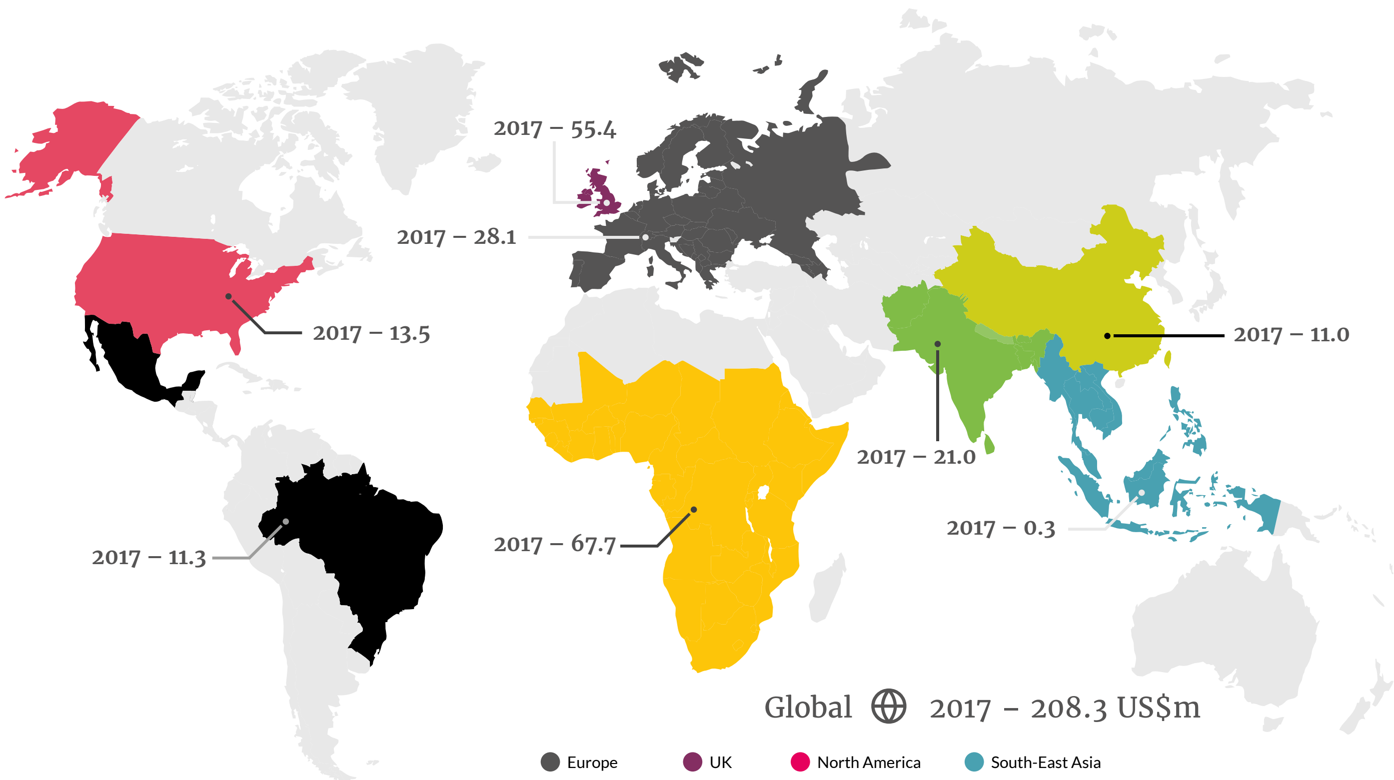
Grant disbursements

The Foundation made US$208.3 million of grant disbursements in 2017, which is the third financial year in a row the Foundation has made grant payments greater than US$200 million and represents a pro-rated 15% increase on prior year (2016: US$242 million). The charts below show the grant payments made in 2017 by sector and geographic focus.

Charitable grant payments by sector (US$m)



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



Investment Review

Investment strategy

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

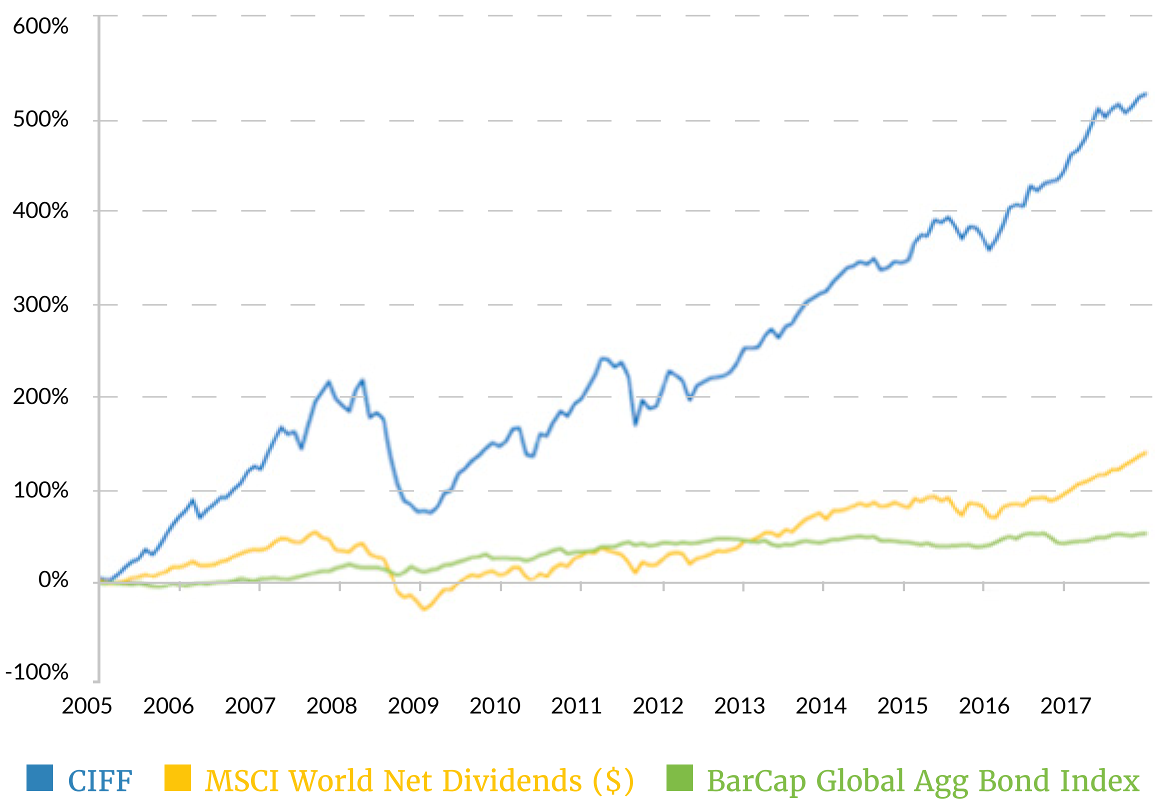
- seek an inflation-adjusted return of at least 6% per annum over a 10-year rolling period;
- manage its investment portfolio to ensure appropriate liquidity and risk controls while also permitting illiquid investments with the potential for a high return; and
- diversify its investments across a range 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 2018 and manage the overall spend in line with our spending target of distributing up to 5% of average assets over a five-year period, with an upper limit of 5.4%.

Asset growth

Since inception, the Foundation has received voluntary income, donations and donations-in-kind of over US$2.1 billion. Over the last 10 years, the Foundation's net assets have grown through investing to US$5.2 billion (2016 : US$4.7 billion), after charitable activities, governance costs and investment management costs of over US$1.6 billion. The chart below shows the growth in the Group's net assets since 2004.

Cumulative performance 1 February 2005 – 31 December 2017

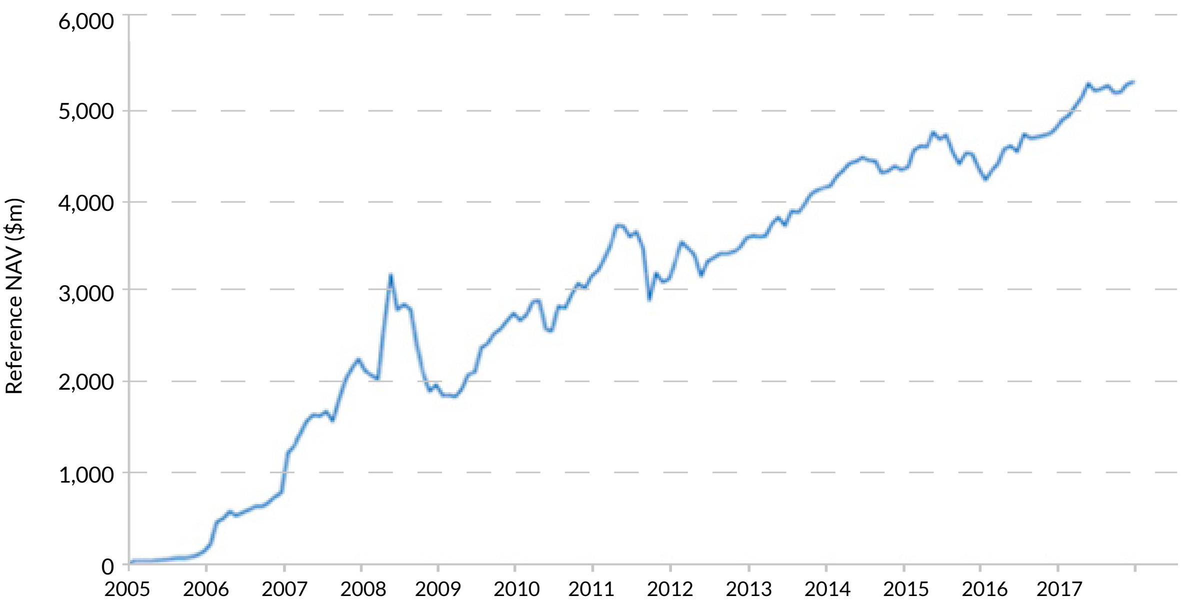


Investment returns

Total incoming resources were US$283.2 million (2016: US$315.0 million), consisting primarily of dividends and interest received from the Group's equity and fixed income investment portfolio. Investment gains in the year were US$491 million (2016: US$266.1 million). The combined net investment return for the financial year ended 31 December 2017 was 15.8% (2016: 12.5%), reflecting continued strong investment performance, with a cumulative performance of 273.34% since April 2009, equivalent to 16.3% 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 (U$m)



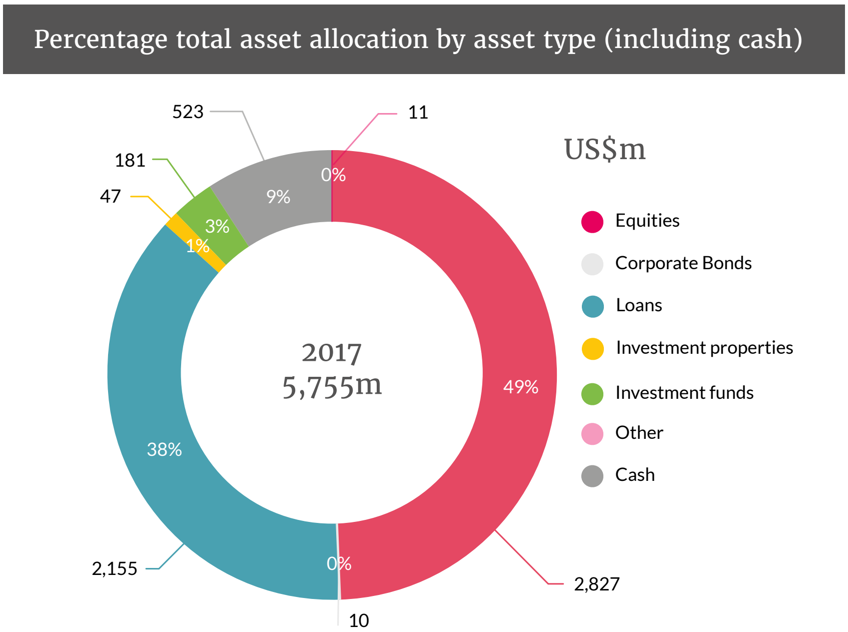
Investment management costs

Investment management costs in 2017 were US$67.4 million (2016: US$47.6 million), of which US$61.3 million (2016: US$40.3 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 indeed, great performance 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 (see also Note 23).

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 23). The allocation by asset type is set out in the chart below.



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 taken in response.

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

Investment risk management

Investment Policy

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

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

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

- Tobacco manufacturing and marketing;
- Food companies which do not commit to adopting the International Code of Marketing Breast Milk Substitutes;
- Companies that derive more than 10 per cent of revenue from extracting fossil fuels, excluding natural gas; 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 CIFF and Sir Christopher Hohn as both a Trustee and his position as Managing Partner of TCI, the investment manager of the CIFF Group, and accordingly carefully and appropriately manage the relationship (see Recent Developments, page 27, and note 22).

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 February 2017, the unconflicted members of the Board endorsed TCI as the sole investment manager of the assets of the CIFF Group.

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

Cash Management Policy

The procedures relating to cash held by the Foundation are governed by CIFF's Cash Management Policy, which was adopted by the Trustees on 11 March 2013 and was most recently updated by Trustees in December 2017. The Cash Management Policy is reviewed at least annually by the Finance Committee and the Trustees and, if necessary, amended.

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

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

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

Financial risk management

Internal controls

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

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

Granting Policy

The Foundation currently adopts a "multi-year agreement" approach for multi-year programmes. This multi-year agreement permits, for example, a five-year programme to be contracted for the full five-year term of the programme, but subject to Annual Programme Reviews ("APR") and conditionality such that it remains consistent with 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. The work-plans, budgets, KPIs, milestones and deliverables agreed under the APR process are recommended by the relevant sector team member and authorised by the relevant sector team Executive Director (ED) and the COO. Once agreed with the grantee and approved by the Foundation, they are treated as forming part of the multi-year agreement and new payment tranche dates are agreed with the Finance team for payment forecasting and cash flow management.

Failure to complete the APR process and 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 distribute 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 reserves

Designated funds

Following the move to multi-year grant agreements, the Board decided to earmark funds for the potential funding requirements in future years for the fulfilment of multi-year programmes approved by the Board of Trustees. As at 31 December 2017, the Trustees have earmarked US$438 million (2016: US$492 million) of reserves as designated funds in recognition of funds which may be called upon to fund multi-year programmes within the next 1 to 5 years.

Operational Reserves

The Foundation's unrestricted funds have also been used in 2017 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 unrestricted operational reserves as at 31 December 2017 was US$nil (2016: US$nil).

Restricted Funds

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

Expendable Endowment

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

The Trustees' intention is to monitor the value of the expendable endowment fund in real terms to ensure that the Group can maintain its existing level of annual charitable expenditure and increase it gradually for future years. At the year end, the value of the expendable endowment fund was US$4,745.5 million (2016: US$4,225.6 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 five directly owned subsidiaries as at 31 December 2017 (2016: five). The table below provides further details on all the subsidiary entities within the Group.

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

* Indirect holdings

(1) CIFF Trading is one of the designated members of CIFF LLP and in addition holds an investment in TCI Fund Services LLP.
(2) CIFF Newco is also a designated member of CIFF LLP and holds the majority of its partnership capital.
(3) Talos holds an underlying investment portfolio that is to be managed and provides the Foundation with a regular return.
(4) TPHL's principal activity is to act as the parent of a wholly owned subsidiary TPL.
(5) The purpose of TPL is the acquisition and management of a UK investment property portfolio. TPL made charitable gift aid donations to the Foundation in 2017, 2016 and 2015.
(6) CIFF Nutrition supports the development of solutions for malnutrition in developing countries.
(7) CIFF (UK) LLP held an underlying investment. This company was liquidated in April 2018 following a member voluntary liquidation approved by the designated members in September 2017.

For the period to 31 December 2017, 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.

Recent Developments

Proposed Grant to Big Win Philanthropy (UK)

As set out in the Foundation's annual report for the period 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 $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.

Subject to any further appeal to the Supreme Court, the Foundation is now awaiting the fulfilment of conditions of the order of the High Court, as varied by the Court of Appeal, before it knows whether the Proposed Grant will be paid to BWP. These conditions are: 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 2017 stand at US$ 7,297k (in the year ended 31 December 2017: US$2,361k (2016: US$2,799k (2015: US$2,050k).

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

As noted elsewhere in this report, TCI Fund Management Limited (TCI), an organisation controlled by Sir Christopher Hohn, provides investment management services to CIFF and its subsidiaries. In October 2016, the Charity Commission authorised the historic benefits which may have arisen to Sir Christopher Hohn by virtue of the investment management agreement between Talos and TCI. On 24 April 2017, the Charity Commission authorised, as being in the best interests of the Foundation, future benefits up to 30 November 2018 that may arise to Sir Christopher Hohn by virtue of the investment management agreement between Talos and TCI. The Foundation has to apply for re-authorisation from the Commission annually. The historic investment performance of TCI was benchmarked by an independent advisor in January 2017 and found to have been in the top 1pc of 90+ large endowments (value >$1bn) in the US and UK within their database. The benchmarking exercise will be repeated in 2018 to support the Foundation's application to the Commission in relation to the arrangement between the Foundation and TCI.

The Finance Committee

The Finance 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 four independent members of the Committee are Emmanuel Roman (Chair), Bobby Magee, Richard Hayden and Jacob Schimmel. CIFF's COO, Finance Director and Financial Controller are regular attendees of the Finance Committee.

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

Programme Investment Committee, Climate

The terms of reference of the Programme Investment Committee, Climate ("PIC Climate") were approved in October 2015 (its predecessor body, the Climate Change Advisory Board, was established in with terms of reference adopted by Trustees in 2010). 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 of advancing environmental protection or improvement, including preservation and conservation of the natural environment and the promotion of sustainable development to mitigate climate change ("Climate Purposes"). The PIC Climate has decision making authority for grant proposals regarding Climate Purposes up to and including US $20 million.

Programme Investment Committee, Children

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

CEO Delegated Authority

The Board has delegated to the CEO responsibility for receiving, considering and making decisions upon certain grant proposals up to and including US$1 million. 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. In 2017, this authority was subject to a maximum aggregate limit of 7.5% of forecast disbursements (US$18 million).

Remuneration Committee

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

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

	31 December 2017 US$'000	31 August 2016 US$'000
Executive Directors	2,061	2,290
Employer Pension Contributions	96	145
Employer National Insurance Contributions	250	308
Total Consideration	2,407	2,743

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

Foundation Objectives and Public Benefit

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

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

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 the principles in the Code. 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. This will be reviewed annually by Trustees.

Trustees' and Directors' Responsibilities

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

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

Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and charitable company and of the group's excess of income over expenditure for that period. In preparing each of the group and charitable company financial statements, the Trustees are required to:

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

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

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Financial Statements

The Trustees present here their report and audited consolidated financial statements for the period ended 31 December 2017. 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 also includes the Strategic Report prepared in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. The Company Information on page 69 also forms part of this report.

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

Independent Auditors

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

In approving this Trustees' Annual Report, the Trustees are also approving the Strategic Report in their capacity as company directors.
On behalf of the Board

Graeme Sweeney
Chairman
30 August 2018

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) for the year ended 31 December 2017 which comprise of the Consolidated Statement of Financial Activities, Consolidated and Foundation Balance Sheet, 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 charitable company’s affairs as at 31 December 2017 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

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The directors are responsible for the other information, which comprises of the Trustees' Annual Report, which incorporates the Strategic Report and the Directors 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' Annual Report, which constitutes the strategic report and the directors’ report for the financial year, is consistent with the financial statements; and
- In our opinion that report has 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 charitable company has not kept adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Trustees' & Directors' responsibilities

As explained more fully in their statement set out on page 29, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; 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 charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the charitable company or to cease operations, or have no realistic alternative but to do so.

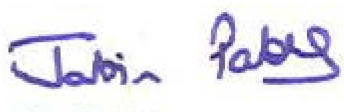
Auditor's responsibilities

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



Jatin Patel (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
30 August 2018

Consolidated Statement of Financial Activities

	notes	unrestricted funds (US$ '000)	restricted funds (US$ '000)	expendable endowment (US$ '000)	Year ended 31 Dec 2017 total (US$ '000)	16 Months ended 31 Dec 2016 total (US$ '000)
Income and endowments from						
Donations & legacies		876	–	–	876	1,021
Investments	2	245,444	–	–	245,444	313,467
Charitable activities		–	36,916	–	36,916	175
Total incoming resources		**246,320**	**36,916**	**–**	**283,236**	314,663
Expenditure on						
Raising funds	3	67,413	–	–	67,413	47,643
Charitable activities		210,386	36,916	–	247,302	242,562
Total resources expended		**277,799**	**36,916**	**–**	**314,715**	290,205
Net gains on investments	12	**–**	**–**	**491,408**	**491,408**	266,066
Net Income		**(31,479)**	**–**	**491,408**	**459,929**	290,524
Transfers	18	(23,375)	–	23,375	–	–
Net incoming/(outgoing) resources before other recognised gains & losses		**(54,854)**	**–**	**514,783**	**459,929**	290,524
Foreign exchange (gains/losses)	12	856	–	1,105	1,961	(4,003)
Exchange differences on translating foreign operations		–	–	3,959	3,959	(10,515)
Net movement in funds		**(53,998)**	**–**	**519,847**	**465,849**	276,006
Fund balances carried forward at 31 December 2016		**491,959**	**–**	**4,225,618**	**4,717,577**	4,441,571
Fund balances carried forward at 31 December 2017		**437,961**	**–**	**4,745,465**	**5,183,426**	4,717,577

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

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

The accounting policies and the notes on pages 37 to 68 form part of the Consolidated Financial Statements.

Consolidated and foundation balance sheets

	notes	group 31 Dec 2017 (US$ '000)	group 31 Dec 2016 (US$ '000)	foundation 31 Dec 2017 (US$ '000)	foundation 31 Dec 2016 (US$ '000)
Fixed assets					
Tangible assets	11	**1,290**	768	**1,290**	768
Intangible assets		**–**	275	**–**	275
Investments	12	**5,232,037**	4,811,944	**5,229,155**	4,735,257
Total fixed assets		**5,233,327**	4,812,987	**5,230,445**	4,736,300
Current Assets					
Debtors	14	**26,179**	10,359	**3,720**	4,616
Cash at bank and in hand	15	**361,074**	175,461	**59,447**	84,266
Cash pledged as collateral	15	**162,264**	–	**–**	–
Total current assets		**549,517**	185,820	**63,167**	88,882
Creditors: amounts falling due within one year	16	**(592,667)**	(280,161)	**(110,561)**	(108,385)
Net current assets		**(43,150)**	(94,341)	**(47,394)**	(19,503)
Total Assets less current liabilities		**5,190,177**	4,718,646	**5,183,051**	4,716,797
Creditors: amounts falling due after one year	17	**(6,751)**	(1,069)	**(6,751)**	(1,069)
Net assets	18	**5,183,426**	4,717,577	**5,176,300**	4,715,728
Total funds of the charity:					
Endowment Fund	18	**4,745,465**	4,225,618	**4,738,339**	4,223,769
Restricted Income Funds	18	**–**	–	**–**	–
Unrestricted Funds:		**–**	–	**–**	–
Designated Funds	18	**437,961**	491,959	**437,961**	491,959
Total charity funds		**5,183,426**	4,717,577	**5,176,300**	4,715,728

The accounting policies and the notes on pages 37 to 68 form part of the Consolidated Financial Statements.

Consolidated cash flow statement

	31 Dec 2017 (US$ '000)	31 Dec 2016 (US$ '000)
Net cash used in operating activities	**(460,793)**	(445,344)
Cash flow from Investing activities:		
Dividends received (unrestricted)	**59,998**	96,354
Interest income (unrestricted and restricted)	**170,832**	208,415
Proceeds from the sale of:		
Investments	**3,366,640**	3,760,513
Purchase of:		
Tangible fixed assets	**(1,345)**	(150)
Intangible	**–**	(195)
Investments	**(2,950,372)**	(3,959,978)
Net cash provided by investing activities	**645,753**	104,959
Cash flows from financing activities		
Interest paid	**(5,267)**	(2,794)
Cash flow from new borrowing	**–**	12,620
Repayment of borrowing	**–**	3,267
Net cash (used in)/provided by financing activities	**(5,267)**	13,093
Change in cash and cash equivalents in the reporting year/period	**179,693**	(327,292)
Cash and cash equivalents at the beginning of the reporting year/period	**175,461**	503,785
Effect of exchange rate movements on cash and cash equivalents	**5,920**	(1,032)
Cash and cash equivalents at the end of the reporting year/period	**361,074**	175,461

The accounting policies and the notes on pages 37 to 68 form part of the Consolidated Financial Statements.

i. Reconciliation of incoming resources to net cash flows

	31 Dec 2017	31 Dec 2016
	(US$ '000)	(US$ '000)
Net income for the reporting period (as per the statement of financial activities)	**459,929**	**290,524**
Adjustments for:		
Net gains on investments	**(836,361)**	(266,066)
Dividends received	**(59,842)**	(67,653)
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 received on investments	**(182,098)**	(241,288)
Interest expense	**5,293**	2,804
Depreciation charges	**162**	632
(Increase)/decrease in debtors	**(4,720)**	52,669
Increase in cash pledged as collateral	**(162,264)**	–
Increase/(decrease) in creditors	**318,172**	(216,966)
Net cash used in operating activities	**(460,793)**	**(445,344)**

The financial statements on pages 33 to 36 were approved by the Trustees and authorised for issue on 4 June 2018, and signed on their behalf by:

Graeme Sweeney
Chairman
30 August 2018

The accounting policies and the notes on pages 37 to 68 form part of the Consolidated Financial Statements.

Notes to the Consolidated Financial Activities

1. Accounting Policies

(a) Basis of accounting

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

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

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

(b) Functional currency and presentational currency

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

(c) Basis of consolidation

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

(d) Accounting policies

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

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

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

(f) Incoming resources

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

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

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

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

The Group received donations during the period amounting to US$439k (2016: US$1,021k) from TCI.

(g) Resources expended

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

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

	2017	2016
Survive & Thrive	**65.8%**	66.3%
Climate Change	**30.5%**	30.8%
Child protection	**3.7%**	2.9%

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 the fund and therefore can be allocated to the restricted funds.

(h) Financial assets & liabilities

CLASSIFICATION

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

RECOGNITION/DE-RECOGNITION

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

MEASUREMENT

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

(i) Investments

LISTED & UNLISTED SECURITIES

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

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

At 31 December 2017 US$249,071k (4.81%) (2016: US$610,473k (12.65%)) of net assets excluding obligations under the senior delayed drawdown variable rate notes ("Adjusted Assets") were held in positions which were not regularly traded or had pricing inputs in markets that were not considered to be active. Of this amount, US$9,930k (2016: US$358,814k) was fair valued by reference to multiple indicative broker quotes. The remaining US$191,393k (2016: US$208,147k) was fair valued based on information provided by the Investment Manager's portfolio valuations team and as further explained in the "Investment Fund" and "Private Placement" accounting policies and US$47,748k (2016: US$42,552k) was held at fair value as explained in the Investment Properties accounting policy.

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

INVESTMENTS AT AMORTISED COST

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

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

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

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

At 31 December 2017 the book value of the loans held was US$2,155,150k (2016: US$1,323,700k), all of which has been designated as loans and receivables by the Group.

UNFUNDED COMMITMENTS

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

Due to these uncertainties the Group does not recognise these amounts as liabilities on its consolidated balance sheet, however these amounts are disclosed as contingent commitments in Note 20 to the financial statements. The total uncertain commitments as at 31 December 2017 was estimated as US$1,507,679k (2016: US$1,363,950k).

PROGRAMME RELATED INVESTMENT

Programme related investments are a type of social investment and are made directly in pursuit of our charitable purposes. The primary motivation for making a programme related investment is not for financial gain but to further our charitable objectives. 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 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 Consolidated Statement of Financial Activities. As at 31 December 2017 the Group held CFDs with a net aggregate fair value of US$(131,346k) (2016: US$(12,646k)).

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 2017 the Group held forward foreign exchange contracts with an aggregate fair value of US$(52,038k) (2016: US$52,176k).

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 2017, the Group held one private placement position, which has been fair valued at US$nil (2016: US$nil).

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 Investee Fund is valued at cost (see note 12). When a share/unit is sold the Group recognises the realised gain/(loss). Other changes in fair value of the Investee Funds are recorded as unrealised gains/(losses). At 31 December 2017, the Group held investment fund positions of US$181,143k (2016: US$220,790k).

INVESTMENT PROPERTIES

The Group has invested in a portfolio of investment properties (via its subsidiary company, TPL), comprising wholly of UK-based freehold land and buildings leased to third parties. The Group's policy is to include the investment properties in the consolidated balance sheet within investments at their fair value, which is usually equivalent to the open market value. Changes in the investment properties fair value is included under unrealised gains/(losses). Property transactions are recognised on the date of completion. Investment properties included in the consolidated Balance Sheet as at 31 December 2017 were US$47,748k (2016: US$42,552k).

LEASED ASSETS

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

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are held at cost, less impairment.

FOREIGN CURRENCY TRANSLATIONS

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

The year end rate prevailing on the balance sheet date was US$1: £0.74 (2016: US$1: £0.81). 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 2017. For all non-US dollar reported profit and loss accounts of subsidiaries, the average foreign exchange rate for the relevant period has been applied (USD rate $1 : £0.78).

(j) Tangible Fixed Assets and Depreciation

Tangible fixed assets are accounted for at cost.

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

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

(k) Intangible Assets and Amortisation

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

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

(l) Cash at bank and in hand

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

(m) Cash pledged as collateral

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

(n) Amounts due from/to brokers

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

(o) Debtors

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

(p) Creditors

Amounts due to creditors are measured at the transaction price.

(q) Funds

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

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

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

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

The Notes are designated as financial liabilities at fair value through the Consolidated Statement of Financial Activities. 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 (FVTPL) category when an entity chooses, on initial recognition, to designate such instrument ad at FVTPL 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 2019, 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 accrual in the notes is recognised in the Consolidated Statement of Financial Activities on an effective interest rate basis. As at 31 December 2017, interest accrued on the Notes was US$706,734k (2016: US$539,357k).

2. Investment Income

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

	group year ended 31 Dec 2017 (US$ '000)	group year ended 31 Dec 2016 (US$ '000)
Dividends from overseas equities	59,842	67,653
Interest on fixed interest securities	182,098	241,126
Interest on cash and cash deposits	347	162
Rental income	3,157	4,526
	245,444	313,467

3. Costs of generating funds

The fees of US$67,413k (2016: US$47,643k) were incurred as costs of generating funds relate to the management fees paid to the investment managers who manage the private equity investments and Global Health Investment Fund ("GHIF") as well as the portfolio held by Talos. Outstanding capital commitments related to the private equity investments have been included in note 20.

4. Charitable activities

	grant funding of activities 2017 [2] (US$ '000)	activities undertaken directly 2017 [1] (US$ '000)	support cost 2017 [3] (US$ '000)	total charitable activities 2017 (US$ '000)
Survive & thrive	144,282	641	17,619	**162,542**
Climate Change	66,988	179	7,714	**74,881**
Child Protection	8,051	213	1,500	**9,764**
Foundation approved programmes	–	115	–	**115**
	219,321	**1,148**	**26,833**	**247,302**

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

[1] see note 5
[2] see note 6
[3] see note 7

5. Activities undertaken directly

The direct expenditure of US$1,148k (2016: US$1,431k) 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. Main areas of expenditure were in relation to the She Decides conference (US$100k) and Child Protection (US$164k).

6. Grant funding of activities

Group & Foundation 2017	Survive & Thrive (US$ '000)	Climate Change (US$ '000)	Child Protection (US$ '000)	Humanitarian Aid (US$ '000)	FAPS (US$ '000)	Total (US$ '000)
Grantees receiving charitable grants						
Federal Ministry of Health, Ethiopia	19,710	–	–	–	–	**19,710**
UNICEF	18,669	–	–	–	–	**18,669**
Marie Stopes International	16,734	–	–	–	–	**16,734**
Power of Nutrition	15,000	–	–	–	–	**15,000**
European Climate Foundation	–	13,066	–	–	–	**13,066**
PM&E grants	12,027	–	430	–	–	**12,457**
World Vision	269	7,119	–	–	–	**7,388**
RTI International	5,836	–	–	–	–	**5,836**
Living Goods	5,762	–	–	–	–	**5,762**
Other Grantees	3,496	2,092	100	–	–	**5,688**
IGSD	–	5,447	–	–	–	**5,447**
World Resources Institute	–	5,437	–	–	–	**5,437**
C40	–	4,818	–	–	–	**4,818**
Global Alliance for Improved Nutrition	4,784	–	–	–	–	**4,784**
Pfizer	4,738	–	–	–	–	**4,738**
Freedom Fund	–	–	4,233	–	–	**4,233**
Carbon Disclosure Project	–	3,862	–	–	–	**3,862**
Client Earth	–	3,763	–	–	–	**3,763**
Jhpiego	3,453	–	–	–	–	**3,453**
Climate Policy Initiative	–	3,395	–	–	–	**3,395**
PATH	3,283	–	–	–	–	**3,283**
Energy Foundation	–	3,000	–	–	–	**3,000**
Evidence Action	2,965	–	–	–	–	**2,965**
Environmental Defense Fund	–	2,901	–	–	–	**2,901**
Alliance for Sustainable Energy	–	2,638	–	–	–	**2,638**
CUAMM	2,518	–	–	–	–	**2,518**
Options	2,500	–	–	–	–	**2,500**
LSHTM - London School of Hygiene and Tropical Medicine	2,196	–	–	–	–	**2,196**
World Food Program	2,125	–	–	–	–	**2,125**
Natural Resources Defense Council	–	2,108	–	–	–	**2,108**
Elizabeth Glaser Pediatric AIDS Foundation	1,891	–	–	–	–	**1,891**
Action Against Hunger (UK)	1,801	–	–	–	–	**1,801**
UBS Optimus Foundation	1,769	–	–	–	–	**1,769**

Group & Foundation 2017 (continued)

	Survive & Thrive (US$ '000)	Climate Change (US$ '000)	Child Protection (US$ '000)	Humanitarian Aid (US$ '000)	FAPS (US$ '000)	Total (US$ '000)
Grantees receiving charitable grants						
Crown Agents	1,742	–	–	–	–	**1,742**
Results Education Fund (Nut Adv I)	1,600	–	–	–	–	**1,600**
Bachpan Bachao	–	–	1,575	–	–	**1,575**
Population Services International	1,567	–	–	–	–	**1,567**
Instituto Clima e Sociedade	–	1,500	–	–	–	**1,500**
EKJUT	1,364	–	–	–	–	**1,364**
IPAS	1,247	–	–	–	–	**1,247**
Washington University	1,240	–	–	–	–	**1,240**
Iniciativa Climatica de Mexico	–	1,037	–	–	–	**1,037**
WORLD BANK - Global Partnership for Education Fund MTO	1,000	–	–	–	**–**	**1,000**
Apco India	–	–	995	–	–	**995**
Imperial College of Science, Technology and Medicine	–	993	–	–	–	**993**
Kailash Satyarthi Children's Foundation of America	–	–	993	–	–	**993**
The Nature Conservancy	–	980	–	–	–	**980**
UNAIDS	849	–	–	–	–	**849**
Purpose	432	417	–	–	–	**849**
Institute for Transport and Development Policy	–	830	–	–	–	**830**
Sesame Workshop (GGSS)	–	–	820	–	–	**820**
Triggerise	815	–	–	–	–	**815**
EIA	–	763	–	–	–	**763**
Africa Early Childhood Network	750	–	–	–	–	**750**
Guttmacher Institutute	750	–	–	–	–	**750**
Last Mile Health	750	–	–	–	–	**750**
Miljostiftelsen Bellona	–	709	–	–	–	**709**
United Nations Population Fund	696	–	–	–	–	**696**
Centre for the Study of Adolescence	680	–	–	–	–	**680**
IPE GLOBAL	641	–	–	–	–	**641**
Global Health Strategies	–	600	–	–	–	**600**
The Partnership for Maternal, Newborn & Children	599	–	–	–	–	**599**
China National Renewable Energy Centre	–	594	–	–	–	**594**
Green Alliance	–	593	–	–	–	**593**
Concept Foundation	588	–	–	–	–	**588**
International Center for Journalists	585	–	–	–	–	**585**
Change.org Charitable Foundation	–	–	574	–	–	**574**
Danish Energy Agency (Energistyrelsen)	–	450	–	–	–	**450**

Group & Foundation 2017 (continued)

	Survive & Thrive (US$ '000)	Climate Change (US$ '000)	Child Protection (US$ '000)	Humanitarian Aid (US$ '000)	FAPS (US$ '000)	Total (US$ '000)
Grantees receiving charitable grants						
Schistosomiasis Control Initiative (Imperial College)	439	–	–	–	–	**439**
Speak Up Africa	439	–	–	–	–	**439**
Girls Not Brides Secretariat	400	–	–	–	–	**400**
Culture Machine Media Private Limited	–	–	369	–	–	**369**
International HIV/AIDS Alliance	362	–	–	–	–	**362**
University of Nebraska Medical Center	350	–	–	–	–	**350**
E3G Third Generation Environmentalism Ltd	–	313	–	–	–	**313**
Torchlight Collective LLC	300	–	–	–	–	**300**
DASRA	300	–	–	–	–	**300**
Chatham House	–	300	–	–	–	**300**
Institute Development Studies	298	–	–	–	–	**298**
George Washington University – Sabrina McCormick	177	–	–	–	–	**177**
ClimateWorks Foundation [1]	–	(108)	–	–	–	**(108)**
Halteres Associates [1]	(185)	–	–	–	–	**(185)**
Eat Foundation [1]	–	(200)	–	–	–	**(200)**
IPPF [1]	(200)	–	–	–	–	**(200)**
UNF [1]	–	(200)	–	–	–	**(200)**
Windfall Films (The Hole) [1]	–	(224)	–	–	–	**(224)**
The Nature Conservancy [1]	–	(230)	–	–	–	**(230)**
Harvard School of Public Health [1]	(257)	–	–	–	–	**(257)**
Transparentem [1]	–	–	(450)	–	–	**(450)**
Indian Institute of Health Management Research [1]	(500)	–	–	–	–	**(500)**
NRDC [1]	–	(500)	–	–	–	**(500)**
UNILEVER - Bhavishya Alliance Child Nutrition Initiatives [1]	(576)	–	–	–	–	**(576)**
SinoCarbon Innovation and Investment Co [1]	–	(638)	–	–	–	**(638)**
World Bank [1]	–	(811)	–	–	–	**(811)**
AFECN [1]	(950)	–	–	–	–	**(950)**
Justice & Care [1]	–	–	(1,614)	–	–	**(1,614)**
Well Told Story [1]	(2,389)	–	–	–	–	**(2,389)**
DKT International [1]	(3,576)	–	–	–	–	**(3,576)**
Foreign exchange losses on grants [2]	429	174	26	–	–	**629**
Total charitable grants	**144,282**	**66,988**	**8,051**	**–**	**–**	**219,321**

[1] Grant commitments originally recognised in a previous financial year, cancelled during this financial year and written back.
[2] Foreign exchange losses on grants: foreign exchange losses incurred on commitments made that were outstanding during the year ended 31 December 2017.

Group & Foundation 2016

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

Group & Foundation 2016 (continued)

	Survive & Thrive (US$ '000)	Climate Change (US$ '000)	Child Protection (US$ '000)	Humanitarian Aid (US$ '000)	FAPS (US$ '000)	Total (US$ '000)
Grantees receiving charitable grants						
Grantees receiving charitable grants						
Initiative for Climate Action Transparency	–	2,193	–	–	–	**2,193**
Action Against Hunger (UK)	2,151	–	–	–	–	**2,151**
Save the Children Fund	1,911	–	–	–	–	**1,911**
China National Renewable Energy Centre	–	3,947	–	–	–	**3,947**
ACCESS Health International	1,628	–	–	–	–	**1,628**
Jhpiego (affiliate of John Hopkins University)	1,603	–	–	–	–	**1,603**
Climate Works Foundation	–	1,530	–	–	–	**1,530**
End Fund	1,402	–	–	–	–	**1,402**
Washington University	1,210	–	–	–	–	**1,210**
IPAS	1,074	–	–	–	–	**1,074**
Institute Clima e Sociedade	–	1,045	–	–	–	**1,045**
Institute for Transport & Development Policy	–	1,020	–	–	–	**1,020**
Weber Shandwick	1,006	–	–	–	–	**1,006**
Harvard School of Public Health	1,000	–	–	–	–	**1,000**
Bachpan Bachao Andolan	989	–	–	–	–	**989**
African ECD Network	950	–	–	–	–	**950**
Results for Development Institute	932	–	–	–	–	**932**
Research Triangle Institute International	932	–	–	–	–	**932**
Transparentem	–	–	900	–	–	**900**
Environmental Investigation Agency	–	891	–	–	–	**891**
Absolute Returns for Kids	881	–	–	–	–	**881**
Jamie Oliver Food Foundation	799	–	–	–	–	**799**
Baylor College of Medicine Children's Foundation	795	–	–	–	–	**795**
China General Certification Centre	–	692	–	–	–	**692**
Crown Agents	580	–	–	–	–	**580**
Results Education Fund	520	–	–	–	–	**520**
Windfall Films (The Hole)	–	515	–	–	–	**515**
Natural Resources Defense Council	–	500	–	–	–	**500**
Indian Institute of Health Management Research	500	–	–	–	–	**500**
John Hopkins University	485	–	–	–	–	**485**
Purpose	683	(339)	–	–	–	**344**
Oxford Policy Management	319	–	–	–	–	**319**
New Venture Fund	–	316	–	–	–	**316**
Family Health International	300	–	–	–	–	**300**
The Antara Foundation	257	–	–	–	–	**257**
The Nature Conservancy	–	230	–	–	–	**230**

Group & Foundation 2016 (continued)	**Survive & Thrive (US$ '000)**	**Climate Change (US$ '000)**	**Child Protection (US$ '000)**	**Humanitarian Aid (US$ '000)**	**FAPS (US$ '000)**	**Total (US$ '000)**
Grantees receiving charitable grants						
Grantees receiving charitable grants						
Eat Foundation	–	200	–	–	–	**200**
United Nations Foundation	–	200	–	–	–	**200**
International Planned Parenthood Federation	200	–	–	–	–	**200**
Halteres Associates	185	–	–	–	–	**185**
Other Grantees	2,069	1,336	–	–	–	**3,405**
Foundation Approved Programmes ("FAPs")	–	–	–	–	60	**60**
Red Cross [1]	–	–	–	(140)	–	**(140)**
United Nations Educational, Scientific and Cultural Organisation [1]	(303)	–	–	–	–	**(303)**
ICAP - The trustees of Columbia University in the City of New York [1]	(351)	–	–	–	–	**(351)**
ITAD Ltd [1]	(375)	–	–	–	–	**(375)**
Doctors with Africa (CUAMM) [1]	(706)	–	–	–	–	**(706)**
Foreign exchange losses on grants [2]	(529)	(238)	(19)	–	–	**(786)**
Total charitable grants	**139,192**	**64,581**	**6,017**	**(140)**	**60**	**209,710**

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

7. Allocation of support costs

2017	**Survive & Thrive (US$ '000)**	**Climate Change (US$ '000)**	**Child Protection (US$ '000)**	**Humanitarian Aid (US$ '000)**	**FAPS (US$ '000)**	**Total 2017 (US$ '000)**
Support costs						
Staff costs	7,902	3,420	750	–	–	**12,072**
Office expenses	3,527	1,638	197	–	–	**5,362**
Governance expenses	3,366	1,562	188	–	–	**5,116**
Travel & subsistence	1,613	620	204	–	–	**2,437**
Consultancy & contractor costs	1,211	474	161	–	–	**1,846**
Total support costs allocated to charitable activities	**17,619**	**7,714**	**1,500**	**–**	**–**	**26,833**
2016						
Support costs						
Staff costs	13,451	5,137	467	–	3	**19,058**
Office expenses	3,200	1,484	138	–	1	**4,823**
Governance expenses	2,911	1,352	126	–	–	**4,389**
Travel & subsistence	1,700	688	58	–	–	**2,446**
Consultancy & contractor costs	523	161	23	–	–	**707**
Total support costs allocated to charitable activities	**21,785**	**8,822**	**812**	**–**	**4**	**31,423**

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

8. Governance costs

	group year ended 31 Dec 2017 (US$ '000)	group year ended 31 Dec 2016 (US$ '000)
Statutory audit, tax and advisory services	**185**	191
Legal fees	**2,508**	1,706
Professional fees	**2,423**	2,199
Other non-audit services	**–**	294
	5,116	4,390

The auditors' remuneration, for the year ended 31 December 2017 is split between KPMG LLP US$179k (2016: US$165k) and S.P. Nagrath (India liaison office auditors) $7k (2016: US$26k). In 2017, non-audit fees paid to KPMG LLP were US$42k in relation to other professional services (2016: US$70k to KPMG LLP).

9. Staff costs

	group & foundation year ended 31 Dec 2017 (US$ '000)	group & foundation 16 months ended 31 Dec 2016 (US$ '000)
Wages and salaries	**9,448**	14,487
Social security costs	**877**	1,387
Defined contribution pension scheme	**248**	409
	10,573	16,283
Other staff costs	**1,499**	2,775
Total staff costs	**12,072**	**19,058**

The average monthly number of full time employees ("FTE") who were employed during the year totalled: 80 (2016: 80(based on the 16 month period). The staff numbers were split between direct activities: 58 (2016: 56) and support: 22 (2016: 24). The number of employees of the Foundation whose remuneration paid in the financial year fell within the following bands were:

	group & foundation 2017	group & foundation 2016
Total remuneration bandings [1]		
$85k - $99k	**7**	8
$99k - $113k	**4**	2
$113k - $127k	**7**	8
$127k - $141k	**4**	5
$141k - $155k	**3**	3
$155k - $169k	**2**	5
$169k - $183k	**–**	3

	group & foundation 2017	group & foundation 2016
Total remuneration bandings [1] continued		
$183k - $197k	**1**	2
$197k - $211k	**2**	2
$211k - $225k	**–**	4
$254k - $268k	**–**	3
$268k - $282k	**–**	4
$282k - $296k	**–**	1
$296k - $310k	**–**	2
$338k - $352k	**1**	–
$352k - $366k	**1**	–
$394k - $408k	**–**	1
$437k - $451k	**1**	–
$451k - $465k	**–**	1

The above salaries were paid mainly in GBP and include benefits in kind and have been translated at the average rate of US$1:£0.74 (2016: US$1:£0.71).

(1) The banding reflects total remuneration for a 12 month period. The staff remuneration applied in the bandings is for the years ended to 31 December 2017 and 31 December 2016.

The contributions in the period for the provision of a defined contribution pension scheme to employees of the Foundation were US$479k (2016: US$783k). The number of staff who were members of the scheme was 83 (2016: 102).

The Trustees did not receive any remuneration for their services during the year (2016: US$nil). The Trustees' expenses reimbursed amounted to US$20k for travel and subsistence during the year (2016: US$1k). In 2017, the reimbursed expenses related to one Trustee (2016: two Trustees).

10. Taxation

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

A Group company, TPL, has made Gift Aid payment to the Foundation, which removes its tax liability. The Group Companies, CIFF Newco, CIFF Trading, CIFF Nutrition (UK), CIFF LLP and TPHL, did not realise any taxable profit in this financial year, therefore have no tax liability. The subsidiary company, Talos, incurred no tax charges (2016: US$Nil) under Irish taxation, due to losses brought forward from prior years of US$4k (2016: loss of US$(24k). During the year, Talos incurred US$35k of withholding tax (2016: US$5,338k).

11. Tangible fixed assets

	it equipment (US$ '000)	office equipment (US$ '000)	fixture & 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**
At 31 December 2016	207	92	469	**768**

12. Investments

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**

(1) The difference between total gains above US$836,361k (2016: US$286,163k) and the SOFA gain of US$493,369k, sum of net gains on investments of $491,408 and foreign exchange gains of $1,961 (2016: gain of US$262,063k) is due to the unrealised gain on short swaps and forwards of US$342,992k (2016: US$(24,100k)), which are classified under creditors and foreign exchange movements on the cash balances held by the Group throughout the year as well as gains and losses incurred through the foreign exchange overlay. Cash balances have been disclosed separately in the balance sheet.

(2) The total gains above US$5,197k (2016: losses of US$(10,389k)) include exchange differences on translating foreign operations.

Investments (continued)

Foundation	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	36	–	–	–	36	22
Overseas	4,693,375	3,437	(164,400)	654,862	5,187,273	4,101,627
Total unquoted	**4,693,411**	**3,437**	**(164,400)**	**654,862**	**5,187,309**	**4,101,649**
UK	41,846	–	–	–	41,846	41,860
Total property	**41,846**	**–**	**–**	**–**	**41,846**	**41,860**
Total	**4,735,257**	**3,437**	**(164,400)**	**654,862**	**5,229,155**	**4,143,509**

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

Investments (continued)

Group financial assets	31/12/17 (US$ '000)	31/12/16 (US$ '000)
Equities – Overseas	2,739,031	2,694,978
Equities – UK	87,858	109,407
Convertibles – UK	–	–
Corporate bonds - Overseas	9,930	258,524
Corporate bonds – UK	–	100,290
Investment Properties	47,748	42,552
Investment Funds	181,143	220,790
Bank debt	–	960
Programme related investment	10,250	6,813
	3,075,960	3,434,314
Contracts for difference	–	1,507
Forward currency contracts	927	52,423
	927	53,930
Amortised cost	–	
Loans	2,155,150	1,323,700
	–	
Total Financial Assets	**5,232,037**	**4,811,944**

Group financial liabilities	Notes	31/12/17 (US$ '000)	31/12/16 (US$ '000)
Listed equities	16	81,543	–
Senior delayed drawdown variable rate notes	16	87,624	108,015
		169,167	108,015
Contract for difference		131,346	14,153
Forward currency contracts	16	52,965	247
Derivative financial instrument liabilities		184,311	14,400
Total Financial Liabilities		**353,478**	**122,415**

Gains recognised in relation to financial assets and liabilities at fair value through the SOFA	year ended 31/12/17 (US$ '000)	16 months ended 31/12/16 (US$ '000)
Realised gains on financial assets & liabilities	700,318	(95,150)
Unrealised gains on financial assets & liabilities	(208,910)	361,216
	491,408	266,066
Foreign exchange gains/(losses) on financial assets & liabilities	1,961	(4,003)
Total gains on financial assets & liabilities	**493,369**	**262,063**

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 2016	41,882	6,813	4,500,786	185,776	4,735,257
Additions	–	3,435	–	–	3,435
Disposals	–	–	(164,400)	–	(164,400)
Investment gains/losses	–	–	694,136	(39,274)	654,862
As at 31 December 2017	**41,882**	**10,248**	**5,030,522**	**146,502**	**5,229,154**
Cost as at 31 December 2017	**41,882**	**10,250**	**3,979,356**	**112,021**	**4,143,509**

Investments in subsidiaries

Entity	incoprporated in	% holding	purpose	profit/(loss) (US$ ‘000) 2017	profit/(loss) (US$ ‘000) 2016
CIFF (UK) Trading Limited (“CIFF Trading”)	England & Wales	100	(1)	(13)	(122)
CIFF (UK) Newco Limited (“CIFF Newco”)	England & Wales	100	(2)	87	(7)
Talos Capital Designated Activity Company (“Talos”)	Ireland	100	(3)	4	(24)
Talos Properties Holdings Limited (“TPHL”)	England & Wales	100	(4)	1,373	421
Talos Properties Limited (“TPL”)	England & Wales	100 *	(5)	1,376	423
CIFF Nutrition (UK) Limited (“CIFF Nutrition”)	England & Wales	100	(6)	–	–
CIFF (UK) LLP (“CIFF LLP”)	England & Wales	100	(7)	–	283

* Indirect holdings

(1) CIFF Trading is one of the designated members of CIFF LLP and in addition holds an investment in TCI Fund Services LLP.

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

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

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

(5) The purpose of TPL, is the acquisition and management of a UK investment property portfolio. TPL made a charitable gift aid donation to the Foundation in 2017 and 2016.

(6) CIFF Nutrition supports the development of solutions for malnutrition in developing countries.

(7) CIFF LLP held an underlying investment. Placed into members voluntary liquidation in September 2017. The entity was liquidated in April 2018.

Programme related investments

The Foundation invested US$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 classified the investment as a Programme Related Investment ("PRI"), as the primary motivation for making the investment is not financial, but to further the objects of the Foundation. In 2014, the Foundation committed US$20m (2016: US$20m) to GHIF, of which US$7.9m (2016: US$11.8m) remains outstanding to be drawn down as of 31 December 2017 (see note 20).

Variable rate notes

Variable rate notes related to one investment in a Senior Delayed Drawdown Variable Rate Note ('Notes'). The Notes were admitted to the Global Exchange Market of the Irish Stock Exchange Limited. The Notes pay a variable return based on the return of the underlying investments of Talos, plus any income received, less expenses incurred. The terms of the Notes are such that any positive interest is determined as a further drawdown, whereas any negative interest is determined as a reduction in the principal of the Notes outstanding. Such movements are shown in the table above in investment gains. The Foundation has committed to funding the Notes up to the aggregate principal amount of US$4.7 billion.

Unquoted investments

As at 31 December 2017, unquoted investments of US$112.02m (2016: US$185.8m) included US$111.84m (2016: US$145.9m) of investments in an investment fund investing in development properties in India. The properties are being constructed for sale.

Where the underlying assets are under construction, the fair value of the investment cannot be reliably determined and so the investment fund is held at the lower of cost and net realisable value. Where sufficient progress has been made such that a readily ascertainable market value can be obtained for the underlying assets, the investment fund is valued at fair value using third party valuations prepared by independent experts CBRE South Asia Pvt. Ltd. Fair value is determined using a combination of valuation methodologies, including comparable precedent transactions and discounted cash flows. Key sensitivities include timing of future cash flows and the discount rate used to determine the net present value of future cash flows. The Finance Committee have conducted an impairment review. Please refer to "Credit Enhancement" in note 13.

Unquoted investments also comprised US$34.66m (2016: US$39.9m) 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 2017 with any gains and losses being taken to the Statement of Financial Activities.

13. Financial risk management

Principles of risk management

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

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

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

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

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

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

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

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

Market risk

(a) Other price risk

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

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

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

The use of the term "Reference NAV" within the risk management policies refers to the value of the net assets of the Group, excluding any obligations under the Delayed Drawdown Variable Rate Notes. With effect from 1 January 2013 the Exposure Policy regarding overall exposure was amended to state that market exposure shall not exceed 100% of the Reference NAV. The Investment Programme seeks to manage the Group's exposure to price risk by analysing the investment portfolio by industrial sector. The top five exposures by sector at 31 December 2017 and 2016 were as shown in the table below.

	% of adjustment assets	
	31 Dec 2017	**31 Dec 2016**
Sector		
Real estate loans	41.6%	26.8%
Industrials	30.0%	26.5%
Financial	11.1%	–
Information technology	3.0%	–
Utilities	2.8%	5.0%
Consumer services	–	12.3%
Consumer discretionary	–	5.0%
	88.5%	**75.6%**

At 31 December 2017, the net exposure of the Group to equity investments was US$2,502,132k (2016: US$2,681,922k).

(b) Foreign currency risk

The Group operates internationally and holds both monetary and non-monetary assets denominated in currencies other than its functional currency, the US dollar. Foreign currency risk as defined, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. The table below shows the concentration of assets and liabilities denominated in currencies other than the US dollar at 31 December 2017 and 31 December 2016 and has been analysed between monetary and non-monetary items.

31 Dec 2017 **Currency**	**monetary (US$ '000)**	**non-monetary (US$ '000)**	**currency forward (US$ '000)**	**net exposure (US$ '000)**
Australian Dollar	1	249,963	(264,104)	(14,140)
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

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

The US dollar exchange rates used at 31 December 2017 and 31 December 2016 were as follows:

	exchange rates	
	31 Dec 2017	**31 Dec 2016**
Australian Dollar	1.281	1.386
Brazilian Real	3.313	3.255
Canadian Dollar	1.257	1.343
Chinese Renminbi	6.514	6.973
Euro	0.833	0.951
Hong Kong dollar	7.814	67.955
Indian Rupee	63.873	7.755
Japanese Yen	112.694	0.810
Pound Sterling	0.740	116.900
Swiss Franc	8.183	9.109

(c) Interest rate risk

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

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

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

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

31 Dec 2017	**< 3 month (US$ '000)**	**3 months – 1 year (US$ '000)**	**> 1 year (US$ '000)**	**non-interest rate sensitive (US$ '000)**	**total (US$ '000)**
Investment assets/(liabilities)	–	–	9,800	5,222,237	**5,232,037**

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

Credit risk

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

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

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

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

Credit enhancements

At 31 December 2017, the Group held investments in privately placed loans valued at US$2,155,150k (2016: US$1,323,700k). 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 impairment on the debt investments held by the Group during the year ended 31 December 2017 (2016: two). As at 31 December 2016, one of these positions was impaired due to the devaluation of the asset pledged as collateral, which resulted in an impairment charge of US$25,901k. The other position was considered to be impaired due to a deterioration in the ability of the guarantor company to obtain financing to meet its obligations, which resulted in an impairment charge of US$114,780k.

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 2017 there was no loan in breach of its covenants.

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 2017:

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

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

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

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

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

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

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

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

The Group has appointed HSBC Bank plc ("HSBC") as custodian and prime broker and provider of other services (including financing) under the terms of the HSBC Prime Custody Agreement (the "HSBC Prime Custody Agreement"). HSBC will act as banker, custodian and prime broker of the cash and securities delivered to HSBC and will be responsible for receipt and disbursement of cash on behalf of the Group, for the receipt and safe custody and registration of securities of the Group and for the transfer of securities for the Group. The Group has both a custody and collateral account with HSBC. HSBC will also provide financing and securities lending to the Group pursuant to the HSBC Prime Custody Agreement. The collateral required to support any financing, securities lending or other exposure of HSBC to the Group will be held in the collateral account with HSBC in the name of the Group. At 31 December 2017, 91% of cash and cash pledged as collateral and investments were placed in custody with HSBC (2016: 89%).

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

Liquidity risk

Liquidity risk is the risk that the Group may be unable to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Group is exposed to the daily settlement of margin calls on derivatives, settlement of funding requests on loans with an unfunded commitment (see note 1(i) accounting policy on "Unfunded Commitments" for further details), Note repayment requests and the annual payment of interest due to the Noteholders.

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

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

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

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

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

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

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	57,091	–	–	612,202
Creditors: amounts falling due in more than one year	–	–	–	–	–	–
Total liabilities	**544,642**	**10,469**	**57,091**	**–**	**–**	**612,202**

31 Dec 2016	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	261,983	247	17,931	–	–	280,161
Creditors: amounts falling due in more than one year	–	–	–	1,069	–	1,069
Total liabilities	**261,983**	**247**	**17,931**	**1,069**	**–**	**281,230**

Uncertain liabilities, which are not recognised on the consolidated and Foundation Balance Sheets 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 (which subsequently changed its name to 'Big Win Philanthropy (US)' ("BWP")) with an aggregate commitment balance of US$92,643k which will mature on 10 July 2019. The Second Issue Notes are asset backed notes, and have been issued in definitive fully registered form, without principal receipts attached. The Issue Notes are listed on the Irish Stock Exchange GEM.

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

On 25 July 2015, The Foundation signed a purchase agreement to purchase the Second Issue Notes from BWP (US). The purchase will be over 20 quarterly instalments commencing on the 15th working day of September 2015. The purchase amount will be determined according to the principal amount outstanding of the seller notes on the valuation date, being the last business day of the month preceding the purchase instalment. As at 31 December 2017, the capital commitment is US$79,802k (2016: US$108,035k).

As at 31 December 2017, the aggregate commitment balance of the Issue Notes to BWP (US) was US$82,763k (2016: US$109,351k), of which US$76,069k (2016: US$95,396k) had been drawn down.

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

	31 Dec 2017 (US$ '000)	31 Dec 2016 (US$ '000)
Balance drawn down at beginning of year	95,396	136,864
Drawdowns of notes	10,878	8,618
Prepayment of notes	(2,315)	(5,348)
Redemptions notes	(30,707)	(44,614)
Revaluation of notes	2,817	(124)
Balance drawn down at end of year	**76,069**	**95,396**

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

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

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

At 31 December 2017, interest accrued on the Notes was US$11,555k (2016: US$12,619k). 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 20, 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 2017 have been estimated as US$1,507,679k (2016: US$1,363,950k).

14. Debtors

	group 31 Dec 2017 (US$ ‘000)	group 31 Dec 2016 (US$ ‘000)	foundation 31 Dec 2017 (US$ ‘000)	foundation 31 Dec 2016 (US$ ‘000)
Interest receivable	19,158	7,546	–	–
TCI	82	348	82	348
Dividends receivable	–	156	–	–
Amounts due from brokers	251	86	–	–
Other Debtors	6,121	1,877	241	728
Talos Properties Ltd [1]	–	–	2,829	3,195
Prepayments	567	346	568	345
	26,179	**10,359**	**3,720**	**4,616**

[1] The outstanding amount between CIFF (UK) and Talos Properties Limited (“TPL”) of US$2,829k (2016: US$3,195k) is due to a charitable donation made by TPL.

15. Cash at bank in hand

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

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

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

The 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.

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

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

The following table shows the breakdown of the amounts with custodians and other counterparties at 31 December 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 and prime broker						
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**
Barclays Bank	3,857	–	**3,857**	–	–	**3,857**
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 amounts with custodians and other counterparties at 31 December 2016:

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

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

Foundations	cash & cash equivalents 31 Dec 2017 (US$ '000)	cash & cash equivalents 31 Dec 2016 (US$ '000)
HSBC Bank plc	28,765	38,811
JP Morgan Chase	27,087	44,041
Barclays Bank plc	3,595	1,405
Standard Bank	–	9
	59,447	**84,266**

16. Creditors: amounts falling due within one year

	group 31 Dec 2017 (US$ '000)	group 31 Dec 2016 (US$ '000)	foundation 31 Dec 2017 (US$ '000)	foundation 31 Dec 2016 (US$ '000)
Amounts due to brokers [(2)]	6,467	292	–	–
Financial liabilities [(1) (2)]	169,167	108,015	–	–
Grants	110,722	96,703	110,722	96,703
Creditors	115,190	56,499	809	8,297
Derivative financial instrument liabilities [(2)]	184,311	14,400	–	–
Accruals and deferred income	6,496	3,993	5,538	3,188
Interest payable	71	62	–	–
Interest payable	243	197	243	197
	592,667	**280,161**	**117,312**	**108,385**

(1) Financial liabilities of US$76,069k (2016: US$95,396k) due on senior delayed drawdown variable rate note owned by BWP and US$12,619k (2016: US$12,619k) due to accrued interest on this note (see note 12).

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

17. Creditors: amounts falling due after one year

	group 31 Dec 2017 (US$ '000)	group 31 Dec 2016 (US$ '000)	foundation 31 Dec 2017 (US$ '000)	foundation 31 Dec 2016 (US$ '000)
Creditors payable between 1 & 2 years	6,751	1,069	6,751	1,069
Creditors payable between 2 and 5 years	–	–	–	–
Creditors payable after 5 years	–	–	–	–
	6,751	**1,069**	**6,751**	**1,069**

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 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	–	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**

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

[1] Reserves retained by subsidiary undertakings and general unrestricted funds are disclosed in total in the tables above and total US$46,266k (2016: US$41,974k).

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)	transfer between funds (US$ '000)	balance as at 31 Dec 2017 (US$ '
Unrestricted:							
Income funds	–	4,393	(210,146)	–	716	205,037	**–**
Designated funds	491,959	–	–	–	–	(53,998)	**437,961**
Restricted	–	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**

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

As at 31 December 2017, the Trustees have allocated US$437,961 (2016: US$491,959) of reserves as designated funds in recognition of funds which may be called upon to be disbursed to multi-year programmes.

19. Analysis of net assets between funds

	expendable endowment (US$ '000)	unrestricted funds – designated (US$ '000)	total 31 Dec 2017 (US$ '000)	total 31 Dec 2016 (US$ '000)
Tangible fixed assets	1,290	–	**1,290**	768
Intangible Assets	–	–	**–**	275
Investments	4,794,076	437,961	**5,232,037**	4,811,944
Current assets	549,527	–	**549,527**	185,820
Current liabilities	(599,428)	–	**(599,428)**	(280,161)
Long term liabilities	–	–	**–**	(1,069)
	4,745,465	**437,961**	**5,183,426**	**4,717,577**

20. Commitments

At 31 December, the Group had outstanding commitments of US$95,569k (2016: US$119,787k), US$87,622k (2016: US$108,036k) of this is related to the note purchase agreement, and US$7,947k (2016: US$11,751k) 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 2017 have been estimated as US$1,507,679k (2016: US$1,363,950k).

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 2017 (US$ '000)	group 16 months 31 Dec 2016 (US$ '000)	foundation year ended 31 Dec 2017 (US$ '000)	foundation 16 months 31 Dec 2016 (US$ '000)
Rent	**1,922**	1,647	**1,922**	1,647
	1,922	1,647	**1,922**	1,647

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 year ended 31 Dec 2017 (US$ '000)	group 16 months 31 Dec 2016 (US$ '000)	foundation year ended 31 Dec 2017 (US$ '000)	foundation 16 months 31 Dec 2016 (US$ '000)
Land and Building				
Expiring within one year	**–**	425	**–**	425
Expiring within 2 to 5 years	**270**	65	**270**	65
Expiring after 5 years	**755**	40	**755**	40
	1,025	530	**1,025**	530

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

	group year ended 31 Dec 2017 (US$ '000)	group 16 months 31 Dec 2016 (US$ '000)	foundation year ended 31 Dec 2017 (US$ '000)	foundation 16 months 31 Dec 2016 (US$ '000)
After five years	**3,278**	2,994	**–**	–
	3,278	2,994	**–**	–

22. Related parties

TCI, 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 consent is valid until 30 November 2018.

CIFF's investment subsidiary, Talos, made payments of USD 61.4mn (2016: USD 40.4mn) to TCI in respect of fees for the management services in relation to the Group's investment portfolio held by Talos. TPL also made payments of USD 45k (2016: USD 824k) to TCI 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 of USD 757k in respect of reimbursements of costs in relation to investment management services provided by TCI and payments of USD658k to TCI's holding company, TCI Fund Management (UK) Limited, in respect of rent, information technology support and telecommunications.

TCI made donations to CIFF of USD 10.4mn, of which USD 10mn was a restricted donation to support the charitable activities of CIFF.

During the year, directors' fees of US$30k (2016: US$41k) for Jackie Gilroy were charged to Talos. The other directors, John Donohoe and Hunada Nouss, were not entitled to receive a fee. Talos made an unprompted voluntary disclosure in respect of PAYE/PRSI/USC and payment of Eur 22.5k to the Irish revenue in respect of donations made by CIFF on behalf Mr Donohoe. Hunada Nouss was an employee of the parent company, CIFF. There were no transactions between Hunada Nouss and Talos during the year (2016: none).

CIFF, through its subsidiary CIFF Trading, has a membership interest in TCI Fund Services LLP ("TCI FS"), a vehicle providing support function services to TCI. TCI FS did not distribute any profit share to CIFF Trading during 2017 or 2016.

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 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 at CIFF's registered office.

23. Service providers

Administrator

The Group has entered into an administration agreement with the Administrator, Citco Fund Services (Ireland) Limited. The Administrator receives from the Group a monthly administration fee which is calculated as a percentage of Talos' and Talos Properties Limited's Adjusted Assets on a sliding scale. The total administration fee for the year was US$1,621k (2016: US$1,977k), of which US$146k (2016: US$133k) 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 period totalled US$459k (2016: US$422k) of which US$36k (2015: US$35k) was payable at year end.

Investment Manager Fees

TCI Fund Management Limited is the appointed Investment Manager to the Group. The fee agreement has been structured so that it is performance-based, with no base or liquidity management fees. In the Trustees' opinion the management fee structure correlates investment manager fees with performance and consequently reduces the financial risk to the Group. During this financial year, TCI Fund Management Limited received investment management fees from the Group comprising the following fees:

(a) Non-Real Estate Performance Fee

With effect from 1 May 2013, the Group will pay the Investment Manager a performance fee above a specified hurdle rate equal to 10% of the net realised and unrealised appreciation of the Adjusted Net Asset Value of the Group's investments in Talos during the Hurdle Rate Period. The total non-real estate performance fee for the year was US$47,511k (2016: US$26,838k), of which US$47,511k (2016: US$26,838k) was payable at year end.

(b) Real Estate Performance Fee

With effect from 1 May 2013, the Group will pay the Investment Manager a performance fee above a specified hurdle rate equal to 10% of the net realised and unrealised appreciation of the Adjusted Net Asset Value of the Group's investments in Talos during the Hurdle Rate Period. The total real estate performance fee for the year was US$12,273k (2016: US$12,406k), of which US$28,477k (2016: US$18,472k) was payable at period end.

(c) Real Estate Management Fee

On 30 January 2013, it was agreed that the Group will pay to the Investment Manager, monthly in arrears, a Real Estate Management Fee for managing a portfolio of Real Estate Loans managed by the Investment Manager. The total Real Estate Management Fee for the year was US$1,741k (2016: US$1,875k), of which US$181k (2016: US$110k) was payable at year end.

Other counterparties

The Group has amounts due from other counterparties as detailed in note 14.

24. Post balance sheet events

There are no post balance sheet events to report.

25. Ultimate parent undertaking & controlling party

The ultimate parent undertaking and controlling party is The Children's Investment Fund Foundation (UK), a company limited by guarantee in England and Whales and without a share capital. The company is registered as a charity with the charity commission in England and Wales. Pursuant to article 7 of the charitable company's memorandum of Association, every member promises that if the charitable company is dissolved while he, she or it remains a member or within 12 months afterwards, to pay up to one pound sterling towards the costs of dissolution and the liabilities incurred by the charitable company while the contributor was a member.

CIFF is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2017. The consolidated financial statements of CIFF (UK) are available from the Company Secretary at 7 Clifford Street, London, W1S 2FT.

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/DIRECTORS	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)
REGISTERED OFFICE	7 Clifford Street London W1S 2FT
BANKERS	HSBC Bank plc Level 18 8 Canada Square London E14 2HQ
SOLICITORS	Mills & Reeve Botanic House 100 Mills Road Cambridge CB2 1PH
INDEPENDENT AUDITORS AUDITORS	KPMG LLP 15 Canada Square London E14 5GL

CIFF

CHILDREN'S INVESTMENT FUND FOUNDATION

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