The Global Alliance for Improved Nutrition,
Geneva

Consolidated Financial Statements for the Year ended 30 June 2012
and Report of the Statutory Auditor

Deloitte.

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Report of the statutory auditor

To the Board of the Foundation of
The Global Alliance for Improved Nutrition, Geneva

Report on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of The Global Alliance for Improved Nutrition (the "Foundation"), which comprise the balance sheet, income statement and notes for the year ended 30 June 2012.

Board of the Foundation's Responsibility
The Board of the Foundation is responsible for the preparation of the consolidated financial statements in accordance with the requirements of Swiss law and the Foundation's statutes and the consolidation and valuation principles as set out in the notes. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of the Foundation is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended 30 June 2012 comply with Swiss law and the Foundation's statutes and the consolidation and valuation principles as set out in the notes.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of the Foundation.

We recommend that the consolidated financial statements submitted to you be approved.

Deloitte SA

Peter Quigley
Licensed audit expert
Auditor in charge

Elisabeth Vidal
Licensed audit expert

Geneva, 26 November 2012
PBQ/EVI/jh

Enclosures :
Consolidated financial statements (balance sheet, income statement and notes)

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2012
(with 2011 comparative figures)

	Note	2012 USD	2011 USD
ASSETS			
CURRENT ASSETS			
Cash and deposits	3	46,780,710	58,895,554
Accrued income	6	2,332,354	4,208,353
Debtors	5	2,333,807	2,611,484
Deferred expenditure	9	10,066,973	7,792,946
Total current assets		**61,513,844**	**73,508,337**
Fixed Assets, net	4	**602,712**	**735,446**
TOTAL ASSETS		**62,116,556**	**74,243,783**
LIABILITIES			
CURRENT LIABILITIES			
Creditors	7	3,727,373	5,877,559
Deferred income	6	33,870,414	45,699,325
Total current liabilities		**37,597,787**	**51,576,884**
LONG TERM LIABILITIES			
Grants payable after one year	8	320,365	1,294,565
Total Long Term Liabilities		**320,365**	**1,294,565**
CAPITAL AND RESERVES			
Foundation capital	11	36,187	36,187
Surplus		24,162,217	21,336,147
Total Capital and Reserves		**24,198,404**	**21,372,334**
TOTAL LIABILITIES		**62,116,556**	**74,243,783**

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2012
(with 2011 comparative figures)

	Note	2012 USD	2011 USD
INCOME			
Donor income	6	43,212,830	39,086,894
Other income		231,667	410,640
Bank interest		305,306	418,673
TOTAL INCOME		**43,749,803**	**39,916,207**
OPERATING EXPENDITURE			
Staff Costs		14,738,808	13,151,479
Consultants		8,664,765	8,794,549
Travel		3,331,444	4,128,847
Sub-Awards	9	9,505,573	8,001,113
Operational Costs		4,241,009	2,724,817
Depreciation	4	442,134	513,047
TOTAL EXPENDITURE	10	**40,923,733**	**37,313,852**
Surplus of income		2,826,070	2,602,355
Surplus, beginning of year		21,336,147	18,733,792
SURPLUS, END OF YEAR		**24,162,217**	**21,336,147**

Notes to the financial statements for the year ended 30 June 2012

1. GENERAL

The Global Alliance for Improved Nutrition (GAIN) is an independent non-profit Swiss Foundation, headquartered in Geneva, created under Article 80 of the Swiss Civil Code, and is registered with the Geneva Registry of Commerce under statutes dated 26 March 2003.

The Global Alliance for Improved Nutrition (GAIN) is an alliance driven by the vision of a world without malnutrition. Created in 2002 at a Special Session of the UN General Assembly on Children, GAIN supports public-private partnerships to increase access to the missing nutrients in diets necessary for people, communities and economies to be stronger and healthier. In less than a decade, GAIN has been able to scale up its operations by working in partnership with governments and international agencies, and through projects involving more than 600 companies and civil society organizations in 30 countries, reaching over 610 million people with nutritionally enhanced food products. Half of the beneficiaries are women and children. GAIN's goal is to reach 1.5 billion people with fortified foods that have sustainable nutritional impact. GAIN is a Swiss foundation headquartered in Geneva with a special international status granted by the Swiss government.
GAIN has received funding from a number of public and private sector donors including: The Bill and Melinda Gates Foundation (BMGF), United States Agency for International Development (USAID), Khalifa Bin Zayed Al Nahyan Foundation (KBZF), The Government of the Netherlands Ministry of Foreign Affairs (Dutch MFA), United Kingdom Aid Department for International Development (UK DFID), Irish Aid, Dubai Cares and The Children's Investment Fund Foundation (CIFF).

The consolidated financial statements include GAIN offices and those entities over which GAIN has the power to govern the financial and operating policies so as to obtain benefits from their activities. The consolidated entities comprise GAIN and GAIN NoSCA LLC. GAIN's worldwide presence includes an office in Washington D.C. as well as regional and country representatives in New Delhi, Johannesburg, Nairobi, Kabul, Shanghai, Abuja, Dhaka and Amsterdam. GAIN is composed of a Board and a Secretariat. The Board is comprised of leaders from the donors, UN, development, research, business and civil society communities. The Secretariat is a team of professionals and support staff who manage the day-to-day operations of the foundation. GAIN NoSCA LLC's objective is to provide global program support and raise GAIN's profile in North America.

Notes to the financial statements for the year ended 30 June 2012, *continued*

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation: The financial statements have been prepared in accordance with its articles of association and the applicable provisions of the Swiss Code of Obligations. The foundation is consolidated according to the full consolidation method. All intercompany investments, balances and transactions have been eliminated.

b) Income Recognition**:** Grants, contributions and donations received are recorded in accordance with the principle of matching related revenues and expenses, enabling an accurate recording and reporting of utilization of funds over time. Grants received are initially treated as deferred income and shown as a liability on the balance sheet. On fulfillment of the conditions and obligations governing each individual grant, the funds are released to the income statement in the period to which they relate and are recognized as income to the extent and amount of actual expenses incurred during each financial year. Income is accrued where expenses incurred during the financial year exceed grant receipts and there is a contractual obligation to receive donor funds. Interest income and membership income are recognized on an accrual basis. Prior to 1 July 2008, GAIN recognized all income on a cash basis.

c) Sub-Awards**:** Sub-awards consists of sub-grants and sub-contracts. Sub-contracts are recognized as current period expense upon disbursement. Sub-grants are governed by a written agreement and disbursements are generally phased over the lifetime of the project. Each disbursement is initially treated as an advance and subsequently recognized as an expense upon the submission of utilization reports by sub-grantees or on the basis of reasonable estimates based on the percentage of completion of the project. The disbursements paid over but not utilized by sub-grantees are included in assets as deferred expenditure. Sub-grant disbursements made by GAIN that have not been received by the sub-grantee at the balance sheet date are included in creditors.

Prior to 1 July 2008, all sub-grants were recognized in full in the income statement when the agreement was signed regardless of when the liability became due. GAIN continues to administer a number of these sub-grants and the undisbursed portion at the balance sheet date is recorded as either short or long-term payables, with the liability reducing each year until these grants are fully disbursed. In order to consistently account for these sub-grants, the sub-grant expense in the income statement is adjusted each year to accounts for transactions related to this methodology.

Notes to the financial statements for the year ended 30 June 2012, *continued*

***d) Direct and Support Costs*:** Expenditure is recorded in the financial statements in the period in which it is incurred and is inclusive of any VAT which cannot be reclaimed. Direct costs are those expenses that directly relate to GAIN's mission of reducing malnutrition through sustainable strategies aimed at improving the health and nutrition of populations at risk.

Support costs include costs such as facilities, governance, depreciation and administration. Support costs that are fully attributable to activities are recorded as direct costs. Support costs deemed indirect are apportioned to activities based on staff time.

***e) Foreign currencies*:** Accounting records are maintained in US dollars. Monetary assets and liabilities denominated in other currencies are recorded at the rates ruling at the date of the transactions. Foreign currency assets and liabilities are translated into US dollars at rates of exchange prevailing at balance sheet date. Exchange gains and losses are included in the income statement.

***f) Fixed assets*:** Fixed assets are stated at cost less accumulated depreciation. The Foundation applies the straight-line method for the depreciation of these assets using a rate of 20% per annum for furniture and fixtures and 50% per annum for office equipment.

3. CASH AND DEPOSITS

Amounts held by GAIN but not required for immediate use are invested in instruments approved by the Board of the Foundation.

	2012	2011
	USD	**USD**
Cash and Call Accounts	15,354,794	18,266,125
Total Cash	15,354,794	18,266,125
Time Deposits: Held between 3 - 12 months	31,400,000	40,600,000
Rent Guarantee	25,916	29,429
Total Deposits	31,425,916	40,629,429
Total Cash and Deposits	**46,780,710**	**58,895,554**

Notes to the financial statements for the year ended 30 June 2012, *continued*

4. FIXED ASSETS, net

	Furniture & Fixtures	Office Equipment	WIP*	Total
COST				
At 1 July 2011	943,964	1,351,162	3,367	**2,298,493**
Additions	146,976	182,560	-	**329,536**
Disposals/Transfers	(78,715)	-	(3,367)	**(82,082)**
Cost 30 June 2012	**1,012,225**	**1,533,722**	-	**2,545,947**
Accumulated Depreciation				
At 1 July 2011	514,734	1,048,312	-	**1,563,046**
Depreciation	144,244	297,890	-	**442,134**
Disposals/Transfers	(61,945)	-	-	**(61,945)**
At 30 June 2012	597,033	1,346,202	-	**1,943,235**
Net Book Value				
At 30 June 2012	**415,192**	**187,520**	-	**602,712**
At 1 July 2011	**429,230**	**302,850**	**3,367**	**735,446**

The fire insurance cover amounts to USD 3,279,153 (2011 - USD 3,596,330).

*Work in Progress represents leasehold improvements in the Washington Office placed in service fiscal year 2011-12

5. DEBTORS

	2012 USD	2011 USD
Receivables	1,872,931	2,263,899
Prepaid Expenses	460,876	347,585
	2,333,807	**2,611,484**

Notes to the financial statements for the year ended 30 June 2012, *continued*

6. DONOR INCOME – RECEIVED, ACCRUED, DEFERRED AND RECOGNIZED

Total receipts from donors amounted to USD 33.2M (2011 - USD 13.7M). Total income from donors recognized amounted to USD 43.2M (2011 – USD 39.1M).

	2011 USD		2012 USD			
Donor	Income Accrued	Income Deferred	Funds Received	Income Accrued	Income Deferred	Income Recognized
BMGF	2,399,083	36,468,485	17,610,175	1,999,346	23,757,681	29,921,242
U.K. DfID	1,261,304	-	6,322,225	-	-	5,060,921
Dutch MFA	547,966	1,735,894	1,820,929	255,655	-	3,264,512
KBZF	-	3,962,623	-	-	2,630,554	1,332,069
U.S. AID	-	774,934	3,000,000	-	2,510,005	1,264,929
Other Donors < $1million	-	2,757,389	4,506,588	77,353	4,972,173	2,369,157
Total	**4,208,353**	**45,699,325**	**33,259,917**	**2,332,354**	**33,870,414**	**43,212,830**

7. CREDITORS

	2012 USD	2011 USD
Accounts payable	1,599,985	2,172,422
Grants payable, old methodology	70,000	368,029
Grants payable, new methodology	300,848	1,414,005
Other creditors	57,350	59,016
Accrued expenses	1,699,190	1,864,087
	3,727,373	**5,877,559**

Notes to the financial statements for the year ended 30 June 2012, *continued*

8. SUB-AWARDS, PRE-JULY 2008 METHODOLOGY

2011	2012				
USD	USD	USD	USD	USD	USD
Payable	Disbursed	Amended*	Payable	Short-Term	Long-Term
1,662,594	315,900	(956,329)	390,365	70,000	320,365

*Amounts previously allocated as a sub-award under the old accounting methodology that have been reprogrammed for future operations.

9. SUB-AWARDS, POST JULY 2008 METHODOLGY

9. (a) Sub-Grants - Commitments

2011	2012		
USD	USD	USD	USD
Undisbursed	Awarded	Disbursed	Undisbursed
31,142,644	9,793,109	11,554,471	29,381,282

9. (b) Sub-Grants – Deferred Expenditure

2011	2012		
USD	USD	USD	USD
Deferred Expenditure	Disburse-ment	Expenditure	Deferred Expenditure
7,792,946	11,554,471	9,280,444	10,066,973

9. (c) Sub-Awards - Reconciliation of Sub-Awards Expenditure

	2012	2011
	USD	USD
Disbursements (old methodology) (8.)	315,900	1,327,064
Disbursements (new methodology) (9.(a))	11,554,471	10,398,097
Disbursements Other Sub-Awards*	1,181,458	764,645
Total Disbursements	**13,051,829**	**12,489,806**
Less:		
Net change in deferred expenditure (9.(b))	2,274,027	3,161,629
Sub-awards expenses (old methodology)	1,272,229	1,327,064
Sub-Awards Expenditure	**9,505,573**	**8,001,113**

*Recognized as current period expense upon disbursement

Notes to the financial statements for the year ended 30 June 2012, *continued*

10. DIRECT COSTS and SUPPORT COSTS

	2012			2011
	USD			USD
	Direct	Support	**TOTAL**	**TOTAL**
Staff Costs	11,781,989	2,956,819	**14,738,808**	**13,151,479**
Consultants	8,037,692	627,073	**8,664,765**	**8,794,549**
Travel	2,591,483	739,961	**3,331,444**	**4,128,847**
Sub-Awards	9,505,573	-	**9,505,573**	**8,001,113**
Operational Costs*	2,940,092	1,022,253	**3,962,345**	**3,813,375**
	34,856,829	5,346,106	**40,202,935**	**37,889,363**
Foreign exchange (gains) and losses	84,952	635,846	720,798	**(575,511)**
TOTAL EXPENDITURE	**34,941,781**	**5,981,952**	**40,923,733**	**37,313,852**

* Operational Costs excluding foreign exchange gains and losses

11. FOUNDATION CAPITAL

The Foundation capital amounts to CHF 50,000 (equivalent at USD 36,187 at the 26 March 2003 exchange rate).

12. RENT AND LEASING COMMITMENTS

At June 30, 2012, the Foundation has future minimum office rental commitments amounting to USD 4,535,366 (2011 - USD 5,837,167) corresponding to expected rental fees until the end of lease contracts expiring from December 31, 2012 through June 30, 2020.

The Foundation has three leasing contracts for office equipment amounting to USD 134,406 (2011 - USD 97,205) expiring June 2014 through December 2015.

13. RELATED PARTY TRANSACTIONS

There were no related party transactions during the year.