Global Alliance for Improved Nutrition, Geneva

Report of the Statutory Auditor on the Financial Statements to the Board of the Foundation

Consolidated Financial Statements 2015

KPMG SA
Geneva, 1st December 2015
Ref.: PHP/HM

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Report of the Statutory Auditor to the Board of the Foundation of

GLOBAL ALLIANCE FOR IMPROVED NUTRITION, GENEVA

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of GLOBAL ALLIANCE FOR IMPROVED NUTRITION, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and ***notes*** for the year ended 30 June 2015.

Board of Directors' Responsibility
The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. 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 Directors 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 and fair presentation 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 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Emphasis of Matter
We draw your attention to Note 3 to the financial statements, which describes the difficulties which the Company faces due to exceptional losses suffered in 2015, and the restructuring plan and measures approved by the Board to enable the Foundation to become financially sustainable. Our opinion is not qualified in respect to this matter.

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 article 11 AOA) 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 financial statements according to the instructions of the Board of the Foundation.

KPMG SA

Pierre Henri Pingeon
Licensed Audit Expert
Auditor in Charge

Henri Mwaniki

Geneva, 1st December 2015

Enclosure:
- Consolidated financial statements (balance sheet, income statement, cash flow statement, statement of changes in equity and notes)

GAIN Annual Financial Report 2015

The Global Alliance for Improved Nutrition ("GAIN" or "the Foundation") 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 26th March 2003.

Federal Registration Number CH-660-0653003-4.

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 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 organisations in over 30 countries.

Half of the beneficiaries are women and children. GAIN's goal is to reach 1 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, The Children's Investment Fund Foundation ("CIFF") and (“AIM FDOV”).

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 and GAIN UK. GAIN's worldwide presence includes an office in Washington D.C., as well as regional country representatives in New Delhi, Nairobi, Kabul, Abuja, Dhaka, Addis Ababa, Jakarta, London, Singapore, Maputo, Islamabad, Accra, Lahore 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 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.

1. Financial Overview

Balance Sheet

Financial statements 2014-2015

Consolidated Balance sheet as at 30 June 2015 in US$ *(with 2014 comparative figures)*	**Notes**	**2015**	**2014 (Restated *)**
ASSETS			
Current Assets			
Cash and cash equivalents	5	22'009'043	22'815'180
Deposits	5	2'218'363	10'260'176
Accrued Income - Restricted	8	169'150	284'155
Other receivables	7	8'083'563	13'079'112
Prepaid expenses		633'082	347'551
Deferred expenditure		5'638'756	6'721'746
Total Current Assets		38'751'957	53'507'920
Non-Current Assets			
Bonds	5	8'786'310	5'852'550
Fixed Assets	6	510'128	434'398
Total Non-Current Assets		9'296'438	6'286'948
TOTAL ASSETS		**48'048'395**	**59'794'868**
LIABILITIES, FUNDS & CAPITAL			
Current Liabilities			
Accounts payable		3'810'845	3'615'621
Accrued expenses		2'061'564	2'292'182
Deferred Unrestricted Income	8	773'734	121'086
Deferred Restricted Donor Income	8	33'496'668	42'485'663
Total Current Liabilities		40'142'811	48'514'553
Restricted Funds			
Restricted Income Funds		1'425	-
Premix Facility	7	6'800'000	6'800'000
Total Restricted Funds		6'801'425	6'800'000
Capital of the Foundation			
Paid-in Capital	13	36'187	36'187
Unrestricted surplus brought forward		4'444'128	3'179'548
Unrestricted (deficit) surplus for the year		(3'376'156)	1'264'580
Total Capital of the Foundation		1'104'159	4'480'315
TOTAL LIABILITIES, FUNDS & CAPITAL		**48'048'395**	**59'794'868**

* See Note 4

Statement of Operations

Financial statements 2014-2015

Consolidated Statement of Operations for the year ended 30 June 2015 in US$ *(with 2014 comparative figures)*	**Notes**	**2015 Unrestricted**	**2015 Restricted**	**2015 Total**	**2014 Unrestricted**	**2014 Restricted**	**2014 Total**
Income							
Donors	8	5'306'806	44'105'683	49'412'489	5'132'499	44'794'847	49'927'346
Total income		5'306'806	44'105'683	49'412'489	5'132'499	44'794'847	49'927'346
Direct and administrative expenses							
Personnel costs	9	3'077'197	15'323'335	18'400'532	3'667'239	14'592'130	18'259'369
Consultants' costs		633'856	8'467'410	9'101'266	364'847	9'870'878	10'235'725
Sub-Awards	10	123'392	14'145'473	14'268'865	77'870	12'148'886	12'226'756
Travel costs		303'019	2'634'579	2'937'598	208'253	2'882'121	3'090'374
Operational costs		3'359'390	3'500'783	6'860'173	745'407	5'378'458	6'123'865
Foreign exchange differences		1'245'412	-	1'245'412	(1'086'942)	-	(1'086'942)
Depreciation	6	-	321'077	321'077	-	287'495	287'495
Total direct and administrative expenses		8'742'265	44'392'657	53'134'922	3'976'674	45'159'968	49'136'642
Intermediate Operating (deficit) surplus		(3'435'459)	(286'974)	(3'722'433)	1'155'825	(365'121)	790'704
Net financial income							
Financial income		87'288	288'399	375'687	-	215'908	215'908
Net financial income		87'288	288'399	375'687	-	215'908	215'908
Other income							
Business Alliance contributions		(27'907)	-	(27'907)	108'755	-	108'755
Net other income		(27'907)	-	(27'907)	108'755	-	108'755
Net Operating (deficit) surplus		(3'376'078)	1'425	(3'374'653)	1'264'580	(149'213)	1'115'367
Changes in unrestricted / restricted funds		-	-	-	-	-	-
(Deficit) surplus for the year prior to allocations		(3'376'078)	1'425	(3'374'653)	1'264'580	(149'213)	1'115'367
Allocations to restricted and unrestricted funds		3'376'156	(1'425)	3'374'731	(1'264'580)	149'213	(1'115'367)
Net Surplus for the year after allocation		-	-	-	-	-	-

Statement of Changes in Capital

Financial statements 2014-2015

Consolidated Statement of changes in capital for the year ended 30 June 2015 in US$	Opening balance	Prior year adjustments	Opening balance adjusted	Net result	Allocation	Internal Funds Transfers	Closing balance
Restricted funds							
Restricted income funds	-			-	1'425	-	1'425
Premix facility	6'800'000			-	-	-	6'800'000
Total restricted funds	6'800'000			-	1'425	-	6'801'425
Unrestricted funds							
Paid-in capital	36'187			-	-	-	36'187
Unrestricted surplus brought forward	4'444'128			-	(3'376'156)	-	1'067'972
(Deficit) for the year	-			(3'374'731)	3'374'731	-	-
Capital of the foundation	4'480'315			(3'374'731)	(1'425)	-	1'104'159

Consolidated Statement of changes in capital for the year ended 30 June 2014 in US$ (Restated*)	Opening balance	Prior years adjustments *	Opening balance restated *	Net result	Allocation	Internal Funds Transfers	Closing balance restated *
Restricted funds							
Restricted income funds (Restated *)	6'181'618	(6'032'405)	149'213	-	(149'213)	-	-
Premix facility	6'500'000		6'500'000	-	300'000	-	6'800'000
Total restricted funds	12'681'618	(6'032'405)	6'649'213	-	150'787	-	6'800'000
Unrestricted funds							
Paid-in capital	36'187		36'187	-	-	-	36'187
Unrestricted surplus brought forward (Restated *)	370'423	2'809'125	3'179'548	-	1'264'580	-	4'444'128
Surplus for the year				1'115'367	(1'115'367)	-	-
Capital of the foundation	406'610	2'809'125	3'215'735	1'115'367	149'213	-	4'480'315

* See Note 4

Cash Flow Statement

Financial statements 2014-2015

Consolidated Cash Flow Statement for the year ended 30 June 2015 in US$ ***(with 2014 comparative figures)***	**Note**	**2015**	**2014 (Restated *)**
Cash flow from operating activities			
Net Operating (deficit) surplus		(3'374'732)	1'115'367
Depreciation of fixed assets	6	321'077	287'495
(Increase) decrease in unrestricted current assets		5'862'617	(8'155'672)
(Increase) decrease in restricted current assets		115'005	(163'475)
(Decrease) increase in creditors		613'884	(773'626)
Change in restricted funds		-	(2'923'278)
(Decrease) increase in deferred donor income		(8'988'995)	(5'350'431)
Cash flow from operating activities		(5'451'143)	(15'963'620)
Cash flow from investing activities			
Purchase of fixed assets	6	(396'807)	(311'225)
Purchase of bonds		(3'000'000)	(3'852'550)
Cash flow from investing activities		(3'396'807)	(4'163'775)
(Decrease) increase in Cash and Deposits		(8'847'950)	(20'127'395)
Cash and deposits at 30 June 2014 (2013)	5	33'075'356	53'202'751
Cash and Deposits at 30 June 2015 (2014)	5	24'227'406	33'075'356
Changes in Cash and Deposits		**(8'847'950)**	**(20'127'395)**

* See Note 4

2. Significant Accounting Policies

A) Basis of preparation: The consolidated financial statements have been prepared in accordance with its articles of association and the applicable provisions of the Swiss GAAP FER Framework and Recommendations and specifically Swiss GAAP FER 21 (Accounting for charitable, social non-profit organisations).

Statement of compliance

The consolidated financial statements have been prepared in accordance with Swiss GAAP FER, in particular Swiss GAAP FER 21. These include:

I) Balance Sheet;

II) Statement of Operations (Period Based);

III) Cash flow statement;

IV) Statement of Changes in capital;

V) Notes;

VI) Performance Report.

These consolidated financial statements present all activities by the Foundation. The consolidated financial statements have been prepared on a historical cost basis. The principal accounting policies are set forth below.

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 instalments related to the fiscal year are initially treated as deferred income and shown as a liability on the balance sheet. On fulfilment of the conditions and obligations governing each individual grant, the funds are released to 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 accruals basis.

C) Sub-Awards: Sub-Awards consist of sub-grants and sub-contracts. Sub-contracts are recognized as a 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 current assets as deferred expenditure.

D) Direct and Support Costs: Expenditure is recorded in the consolidated 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 transaction. Foreign currency assets and liabilities are translated into US dollars at rates of exchange prevailing at the 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. GAIN 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.

G) Credit risk and cash-flow management: GAIN's liquid assets are maintained in cash, low-risk short-term deposits, or capital guaranteed investments. At the balance sheet dates, there are no significant concentrations of credit risk. The maximum exposure is primarily represented by the carrying amounts of the financial assets in the balance sheet, including accounts receivable and cash.

H) Bank guarantee deposits: Guarantees are included within current assets. Currently GAIN has two guarantees representing deposits related to premises in Geneva. These are recoverable, subject to prevailing contract terms, upon vacating the premises.

I) Provisions: A provision is recognized on the balance sheet when the organization has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the management's best estimates of the expenditure required to settle that obligation at the balance sheet date.
The Operations Committee regularly review projects and may make provisions where necessary for cost that may impact the Unrestricted Reserves if GAIN is unable to find a donor for a particular cost component of a project.

J) Restricted and unrestricted reserves: Restricted and unrestricted reserves represent the excess of income over expenditure since GAIN's inception. Restricted reserves are available to GAIN for future operations and project funding costs as its evolving project pipeline dictates. However should these funds not be expensed in line with donor requirements and underspend would be returned to the donor and would not be available to support general organisational activity.

K) Classification of Activity: Income and expense which is subject to donor-imposed stipulations are reported as restricted activity. All other income and expense not subject to restrictions and for general use are reported as unrestricted activity.

L) Consolidated entities: The following entities' results have been included in the consolidated financial statements:

GAIN NoSCA LLC Headquarters Washington DC, USA, 100% owned.
Global Alliance for Improved Nutrition, UK, 100% owned
Global Alliance for Improved Nutrition Ltd, Nigeria, 100% owned
Global Alliance for Improved Nutrition (Singapore) Ltd, Singapore, 100% owned

The foundation's financial statements are consolidated according to the full consolidation method. All inter-company investments, balances and transactions have been eliminated.

3. Restructuring Plan

During the Financial Year, GAIN suffered two exceptional items: a significant foreign exchange loss ($1.2M) and a one off adjustment of costs after a realignment of indirect cost policies ($1.7M). These costs were passed fully through the Statement of Operations with the resulting impact being the $3.3M deficit for the year. This deficit has been offset by historic reserves that have been reclassified as per note 4. However, in anticipation of the evolution of GAIN's business model whereby sources of funding need to be diversified, a detailed restructuring plan was presented to the Board in December 2015. The Board also introduced special measures to closely monitor costs in the short term. The combined effect of these will result in GAIN becoming financially sustainable.

Based on the analysis of the current business model, the restructuring plan and the new business pipeline, the Board considers the current basis of preparation as appropriate.

4. Restatement of prior year disclosure of elements of financial statements

As a result of the transition from Swiss Code of Obligations to Swiss GAAP, GAIN generated a surplus of US$ 8.8M which was classified as restricted funds in the 2012 accounts. The loss generated this year required GAIN to carry out a thorough review of its balance sheet to ensure that all balances were classified correctly. As part of this review, we identified that US$ 6.0M in restricted reserves was made up of US$ 2.8M interest income, earned from unrestricted grants pre 2012, and US$ 3.2M of deferred restricted donor income. These amounts have been reclassified and are now accurately disclosed as unrestricted reserves (US$ 2.8M) and current liabilities (US$ 3.2M) in the balance sheet.

The key impacts are:

-The increase in the current liabilities from US$ 45.3M to US$ 48.5M - this is a reclassification from restricted funds.
-The reduction in the restricted funds from US$ 12.8M to US$ 6.8M - this is a reclassification to current liabilities and capital of the foundation.
-The increase in the capital of the Foundation from US$ 1.7M to US$ 4.5M - this is a reclassification from restricted funds.

Consolidated Balance sheet as at 30 June 2014 in US$	**June 2014 as previously reported**	**Restatements (see Note 4)**	**June 2014 as restated**
ASSETS			
Current Assets			
Cash and cash equivalents	22'815'180		22'815'180
Deposits	10'260'176		10'260'176
Accrued Income - Restricted	284'155		284'155
Other receivables	13'079'112		13'079'112
Prepaid expenses	347'551		347'551
Deferred expenditure	6'721'746		6'721'746
Total Current Assets	53'507'920		53'507'920
Non-Current Assets			
Bonds	5'852'550		5'852'550
Fixed Assets	434'398		434'398
Total Non-Current Assets	6'286'948		6'286'948
TOTAL ASSETS	**59'794'868**		**59'794'868**
LIABILITIES, FUNDS & CAPITAL			
Current Liabilities			
Accounts payable	3'615'621		3'615'621
Accrued expenses	2'292'182		2'292'182
Deferred Unrestricted Income	121'086		121'086
Deferred Restricted Donor Income	39'262'384	3'223'280	42'485'664
Total Current Liabilities	45'291'273	3'223'280	48'514'553
Restricted Funds			
Restricted Income Funds	6'032'405	(6'032'405)	-
Premix Facility	6'800'000		6'800'000
Total Restricted Funds	12'832'405	(6'032'405)	6'800'000
Capital of the Foundation			
Paid-in Capital	36'187		36'187
Unrestricted surplus brought forward	370'423	2'809'125	3'179'548
Unrestricted surplus for the year	1'264'580		1'264'580
Total Capital of the Foundation	1'671'190	2'809'125	4'480'315
TOTAL LIABILITIES, FUNDS & CAPITAL	**59'794'868**	-	**59'794'868**

5. Cash, Deposits & Bonds

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

Cash and Deposits in US$	**2015**	**2014**
Cash and cash equivalents	19'590'432	22'337'901
Cash held by local offices	2'418'611	477'279
Total Cash and cash equivalents	22'009'043	22'815'180
Time Deposits*	2'000'000	10'154'785
Rent Guarantee	218'363	105'391
Total Deposits	2'218'363	10'260'176
Total Cash and Deposits	**24'227'406**	**33'075'356**

*These time deposits are deposits of short term maturity ranging up to one year. These can be liquidated immediately with a loss of interest. They are considered as cash for that reason.

Bonds in US$

Issue Date	**Maturity Date**	**Coupon Interest Rate**	**Nominal Amount**	**Book Value as of 30 June 2015**	**Book Value as of 30 June 2014**
16 May 2013	16 May 2016	1.15% - 4%	USD 2'000'000	2'000'000	2'000'000
15 July 2013	16 July 2016	1.2% - 4%	USD 1'000'000	1'000'000	1'000'000
14 August 2013	14 August 2016	1.1% - 4%	USD 1'000'000	1'000'000	1'000'000
9 January 2014	14 January 2017	0.82%	GBP 500'000	786'310	852'550
23 April 2014	23 April 2017	0.9% - 4%	USD 1'000'000	1'000'000	1'000'000
12 February 2015	18 February 2018	1% - 3%	USD 1'500'000	1'500'000	-
18 February 2015	18 February 2018	1.3% - 1.5%	USD 1'500'000	1'500'000	-
Total Bonds				**8'786'310**	**5'852'550**

GAIN's investment policy allows the use of such products over a 3 year time line.