

**GLOBAL ALLIANCE FOR IMPROVED  
NUTRITION, Geneva**

*Financial Statements for the  
Year ended June 30, 2005  
and Auditors' Report*

## AUDITORS' REPORT

To the Board of  
**Global Alliance for Improved Nutrition, Geneva**

As auditors, we have audited the accounting records and the financial statements of the Global Alliance for Improved Nutrition for the year ended June 30, 2005.

These financial statements are the responsibility of the Board of the Foundation. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion, except for the point mentioned in the following paragraph.

The expenses made by the United Nations Development Programme (UNDP) and the United Nations Office for Project Services (UNOPS) on behalf of the Global Alliance for Improved Nutrition are audited by the official auditor of UNDP and UNOPS, respectively, and we do not have access to the underlying details. We therefore limited this part of the audit to the confirmation of balances as well as the statement of expenditures received from UNDP and UNOPS. In our opinion, except for the effects of adjustments, if any, as might be determined by the UNDP and UNOPS auditors regarding the expenses made by the UNDP and UNOPS on behalf of the Global Alliance for Improved Nutrition, the accounting records and financial statements comply with the financial regulations and the accounting principles of the Global Alliance for Improved Nutrition as described in the notes of the financial statements.

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

DELOITTE & TOUCHE SA

  
Peter Quigley

*Auditors in charge*

  
Myriam Meissner

October 14, 2005

Attached : Financial statements (balance sheet, statement of income and expenditure and notes)

**GLOBAL ALLIANCE FOR IMPROVED NUTRITION, Geneva**BALANCE SHEET AS AT JUNE 30, 2005  
(with 2004 comparative figures)

(expressed in US dollars)

	<u>NOTES</u>	<u>2005</u>	<u>2004</u>
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS :</b>			
Cash and bank		14,588,510	13,281,823
Advances to UNDP and UNOPS		1,056,991	1,767,055
Other advances		-	11,658
Prepaid expenses		322,388	3,597
Total current assets		<u>15,967,889</u>	<u>15,064,133</u>
FIXED ASSETS, net	3	<u>144,114</u>	<u>140,027</u>
<b>TOTAL ASSETS</b>		<u><u>16,112,003</u></u>	<u><u>15,204,160</u></u>
<b><u>LIABILITIES</u></b>			
<b>CURRENT LIABILITIES :</b>			
Bank overdraft		164,757	-
Accounts payable		362,872	34,637
Accrued expenses		440,492	628,697
Grants payable	4	1,965,643	3,108,483
Project supervision fees payable	4	479,057	530,000
Total current liabilities		<u>3,412,821</u>	<u>4,301,817</u>
<b>LONG TERM LIABILITIES</b>			
Grants payable after one year	4	<u>5,747,796</u>	<u>3,508,167</u>
<b>CAPITAL AND RESERVES</b>			
Foundation capital	5	36,187	36,187
Surplus		<u>6,915,199</u>	<u>7,357,989</u>
Total capital and reserves		<u>6,951,386</u>	<u>7,394,176</u>
<b>TOTAL LIABILITIES</b>		<u><u>16,112,003</u></u>	<u><u>15,204,160</u></u>

See notes to financial statements

**GLOBAL ALLIANCE FOR IMPROVED NUTRITION, Geneva****STATEMENT OF INCOME AND EXPENDITURE  
FOR THE YEAR ENDED JUNE 30, 2005  
(with 2004 comparative figures)**

(expressed in US dollars)

	<u>2005</u>	<u>2004</u> (March 26, 2003 to June 30, 2004)
<b>INCOME :</b>		
Donations received	9,550,000	20,989,823
Bank interest	98,377	-
Total income	<u>9,648,377</u>	<u>20,989,823</u>
<b>EXPENDITURE :</b>		
<b>Project related costs :</b>		
Project grant expenditures	4,452,951	9,252,716
Project supervision fees	405,248	530,000
	<u>4,858,199</u>	<u>9,782,716</u>
<b>General administration expenses :</b>		
Staff related expenses	2,173,982	1,524,816
Office rental	170,832	176,434
Secretariat operational expenses	662,138	441,477
Professional, technical and legal fees	1,228,349	971,731
Travel and meeting expenses	874,208	690,692
Depreciation	47,608	28,941
Other miscellaneous	40,813	9,674
	<u>5,197,930</u>	<u>3,843,765</u>
<b>Finance related costs :</b>		
Bank charges	34,991	5,244
Exchange difference, net	47	109
	<u>35,038</u>	<u>5,353</u>
Total expenditure	<u>10,091,167</u>	<u>13,631,834</u>
EXCESS OF EXPENDITURE OVER INCOME / SURPLUS OF INCOME OVER EXPENDITURE	(442,790)	7,357,989
SURPLUS, beginning of year	<u>7,357,989</u>	-
SURPLUS, end of the year	<u>6,915,199</u>	<u>7,357,989</u>

1. GENERAL

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

The Foundation has been established to support food fortification and other sustainable nutrition strategies in order to save and improve health, productivity and cognitive function. In pursuing this objective, the Foundation intends to improve the micronutrient status of individuals living in developing countries, contributing to the following goals :

- Reduce child and maternal morbidity and mortality ;
- Improve productivity ;
- Promote the ability of populations to achieve their physical and intellectual potential ;
- Reduce healthcare costs.

In order to attain these goals, the Foundation shall support developing countries in food fortification efforts, undertaken in the context of broader micronutrient strategies that will reduce micronutrient malnutrition in developing countries, particularly through increased consumption of micronutrient-rich foods.

The Bill and Melinda Gates Foundation and certain governments and other contributors have made available initial resources to support the projects and programs to be supported by GAIN.

These resources are managed by the International Bank for Reconstruction and Development (World Bank) via a Trust Fund to be administered by the World Bank as trustee on behalf of GAIN.

Donations may also be received directly by GAIN.

The initial projects satisfactorily appraised by the World Bank and approved by the GAIN Board of Directors shall be administered and supervised directly by the World Bank in accordance with the written agreement between the World Bank and GAIN. With respect to each such project, the World Bank shall, as administrator on behalf of GAIN, enter into a grant agreement with the recipient of such grant. The World Bank shall solely be responsible for the supervision of the project activities under the Grant Agreement. Any other projects approved by the GAIN Board of Directors shall be administered and supervised by GAIN.

The World Bank shall provide to GAIN an amount equal to the budgeted annual operating costs of the GAIN Secretariat as approved by the GAIN Board of directors.

At June 30, 2005, GAIN has no direct employees. The majority of personnel and related costs, including current and post employment benefits are provided and managed by the UNDP and WHO (World Health Organization) and charged in full to GAIN, covered by written agreements. Following agreement with UNDP and WHO, GAIN will employ its own employees directly and will no longer rely on the services of UNDP and WHO.

Certain personnel and related costs are provided and managed by the World Bank, and are paid directly from the Trust Fund and are not charged to GAIN.

NOTES TO FINANCIAL STATEMENTS  
(continued)

(expressed in US dollars)

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The accounting policies comply with the Swiss Code of Obligations.

Donations received - The donations received are recorded on a cash basis.

Foreign currency - Accounting records are maintained in US dollars. Income and expenditures in other currencies are recorded at the rates ruling at the date of the transactions. Period-end balances for assets and liabilities in other currencies are translated into US dollars at rates of exchange prevailing at balance sheet date. Exchange gains and losses are included in the determination of the net income.

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 rate of 20% per year for office equipment and 50% per year for computer equipment.

Grants committed for projects - All grants are governed by a written grant agreement. All expenses are accounted for at the moment of the signature of the agreement. Grants or portions of grants that have not been disbursed at the balance sheet date are recorded as short and long-term liabilities. Certain agreements provide that the payments of part of the grants occur when defined milestones have been met.

3. FIXED ASSETS, net

Fixed assets held at June 30, 2005, are as follows :

	<u>Office equipment</u>	<u>Computer equipment</u>	<u>Total</u>
Gross book value	56,206	164,458	220,664
Accumulated depreciation	<u>(22,958)</u>	<u>(53,592)</u>	<u>(76,550)</u>
Net book value	<u>33,248</u>	<u>110,866</u>	<u>144,114</u>

The fire insurance cover amounts to USD 158,128 (CHF 200,000) (2004 - USD 159,859 - CHF 200,000).

NOTES TO FINANCIAL STATEMENTS  
(continued)

(expressed in US dollars)

4. GRANTS AND PROJECT SUPERVISION FEES PAYABLE

	<u>Cumulative total Grant expenditure</u>	<u>Short term</u>	<u>Long term (after one year)</u>	<u>Total undisbursed</u>
China Soy Sauce Project	3,000,000	405,790	1,376,500	1,782,290
China Wheat Project	3,000,000	127,850	1,331,667	1,459,517
Wheat Flour and Maize Meal Project	2,800,000	-	800,000	800,000
Côte d'Ivoire Project	2,999,694	1,081,535	1,918,159	2,999,694
Mali cooking oil Project	1,010,000	218,195	321,470	539,665
Morocco Project	257,690	57,690	-	57,690
Other small grants	347,998	74,583	-	74,583
Other fully disbursed projects	290,398	-	-	-
Total grants	<u>13,705,780</u>	<u>1,965,643</u>	<u>5,747,796</u>	<u>7,713,439</u>
Project supervision fees	<u>935,248</u>	<u>479,057</u>	<u>-</u>	<u>479,057</u>

5. FOUNDATION CAPITAL

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

6. RENT AND LEASING COMMITMENTS

At June 30, 2005, the Foundation had future minimum office rental commitments amounting to USD 126,832 (2004 - USD 258,370), corresponding to expected rental fees until the end of the lease (April 30, 2006).

The Foundation has also entered into a leasing contract for computer equipment for which the remaining commitments as at June 30, 2005 amount to USD 55,457 (2004 - USD 89,704).

7. OTHER COMMITMENTS

The Fondation had signed a long term agreement with UNDP regarding staff and other expenses. This contract has been cancelled and will terminate in December 2005.