
**GLOBAL ALLIANCE FOR IMPROVED
NUTRITION**, Geneva

*Financial Statements for the
Year ended June 30, 2006
and Auditors' Report*

REPORT OF THE STATUTORY AUDITORS

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, 2006.

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 Swiss Auditing Standards as well as with International Standards on Auditing, 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 presentation of the financial statements. 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 SA


Peter Quigley
Auditor in charge


Myriam Meissner

October 10, 2006

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

BALANCE SHEET AS AT JUNE 30, 2006
(with 2005 comparative figures)

(expressed in US dollars)

| | NOTES | 2006 | 2005 |
|-------------------------------|-------|--------------------------|--------------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash at bank | | 10,580,590 | 14,588,510 |
| Advances to UNDP and UNOPS | | 311,223 | 1,056,991 |
| Other receivables | | 236,108 | - |
| Prepaid expenses | | 62,626 | 322,388 |
| Total current assets | | <u>11,190,547</u> | <u>15,967,889</u> |
| FIXED ASSETS, net | 3 | 189,131 | 144,114 |
| TOTAL ASSETS | | <u>11,379,678</u> | <u>16,112,003</u> |
| LIABILITIES | | | |
| CURRENT LIABILITIES: | | | |
| Bank overdraft | | 47,859 | 164,757 |
| Accounts payable | | 240,120 | 362,872 |
| Other creditors | | 21,150 | - |
| Accrued expenses | | 608,802 | 440,492 |
| Grants payable | 4 | 6,797,524 | 1,965,643 |
| Project supervision fee | 4 | 328,793 | 479,057 |
| Total current liabilities | | <u>8,044,248</u> | <u>3,412,821</u> |
| LONG TERM LIABILITIES | | | |
| Grants payable after one year | | <u>2,344,997</u> | <u>5,747,796</u> |
| CAPITAL AND RESERVES | | | |
| Foundation capital | 5 | 36,187 | 36,187 |
| Surplus | | <u>954,246</u> | <u>6,915,199</u> |
| Total capital and reserves | | <u>990,433</u> | <u>6,951,386</u> |
| TOTAL LIABILITIES | | <u>11,379,678</u> | <u>16,112,003</u> |

See notes to financial statements

STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2006
(with 2005 comparative figures)

(expressed in US dollars)

| | 2006 | 2005 |
|--|--------------------|-------------------|
| INCOME: | | |
| Donations received | 7,053,713 | 9,550,000 |
| Bank interest | 554,490 | 98,377 |
| Sundry income | 77 | - |
| Total income | 7,608,280 | 9,648,377 |
| EXPENDITURE: | | |
| Project related costs: | | |
| Project grant expenditures | 6,148,260 | 4,452,951 |
| Project supervision fees | 25,000 | 405,248 |
| | 6,173,260 | 4,858,199 |
| General administration expenses: | | |
| Staff related expenses | 3,994,828 | 2,173,982 |
| Office rental | 177,367 | 170,832 |
| Secretariat operational expenses | 390,502 | 662,138 |
| Professional, technical and legal fees | 1,699,343 | 1,228,349 |
| Travel and meeting expenses | 953,540 | 874,208 |
| Depreciation | 72,938 | 47,608 |
| Other miscellaneous | 42,465 | 40,813 |
| Finance related expenses: | | |
| Bank charges | 35,936 | 34,991 |
| Exchange difference, net | 29,054 | 47 |
| Total expenditure | 13,569,233 | 10,091,167 |
| EXCESS OF EXPENDITURE OVER INCOME | (5,960,953) | (442,790) |
| Surplus, beginning of year | 6,915,199 | 7,357,989 |
| Surplus, end year | 954,246 | 6,915,199 |

See notes to financial statements

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(with 2005 comparative figures)**

(expressed in US dollars)

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 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 the 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.

Until June 30, 2005, GAIN had no direct employees. The majority of personnel and related costs, including current and post employment benefits were provided and managed by the UNPD and WHO (World Health Organization) and charged in full to GAIN, covered by written agreements. Following agreement with UNPD and WHO, GAIN starting employing staff directly is no longer relying on the services of UNPD and WHO.

Certain personnel and related cost 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 the 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, 2006, are as follows :

| | <u>Office equipment</u> | <u>Computer equipment</u> | <u>Total</u> |
|--------------------------|-----------------------------|-------------------------------|----------------|
| Gross Book value | 227,982 | 110,637 | 338,619 |
| Accumulated depreciation | (89,205) | (60,283) | (149,488) |
| Net book value | <u>138,777</u> | <u>50,354</u> | <u>189,131</u> |

The fire insurance cover amounts to : USD 160,400 - CHF200,000 (2005 - USD 158,128 -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 | 489'040 | | 489'040 |
| China Wheat Project | 3,000,000 | 1'459'517 | | 1'459'517 |
| Wheat Flour and Maize Meal Project | 2,800,000 | 250'000 | | 250'000 |
| Côte d'Ivoire Project | 3,050,000 | 1'513'008 | 584'074 | 2'097'082 |
| Mali Cooking oil Project | 1,010,000 | 294'472 | | 294'472 |
| Pakistan | 2,998,000 | 1'120'500 | 1'499'000 | 2'619'500 |
| Zambia | 2,400,000 | 1'487'937 | 261'923 | 1'749'860 |
| Morocco Project | 257,690 | 12'253 | - | 12'253 |
| Other small grants | 526,547 | 170'797 | - | 170'797 |
| Other fully disbursed Projects | 763,690 | - | - | - |
| Total grants | <u>19,805,927</u> | <u>6,797,524</u> | <u>2,344,997</u> | <u>9,142,521</u> |
| Project supervision fees | <u>960,248</u> | <u>328,793</u> | <u>-</u> | <u>328'793</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, 2006, the foundation had future minimum office rental commitments amounting to USD 821,295 (2004 - USD126,832), corresponding to expected rental fees until the end of the lease (April 30, 2011).

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 22,510 (2005 - USD 55,457).