

Registered Company No: 6451283

Registered Charity No:1133206

Huo Family Foundation (UK) Limited

Annual report and financial statements for the year ended 31 December 2016

Huo Family Foundation (UK) Limited

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Huo Family Foundation (UK) Limited

Charity details

Directors and Trustees

Yan Huo
Xue Fang (Chairman)
Philip Michaels
Samuel Xun-Wei Lowe (appointed 16th December 2016)

Secretary

Temple Secretarial Limited

Registered office

16 Old Bailey
London
EC4M 7EG

Independent auditors

Kingston Smith LLP
Chartered Accountants and Statutory Auditors
Devonshire House
60 Goswell Road
London
EC1M 7AD

Bankers

Citibank, N.A.
41 Berkeley Square
London
W1J 5AN

J. P. Morgan
1 Knightsbridge
London
SW1X 7LX

Solicitors

Withers LLP
16 Old Bailey
London
EC4M 7EG

Status

Huo Family Foundation (UK) Limited is a private limited company, company number 6451283. It is registered in the United Kingdom as a charity, number 1133206.

Huo Family Foundation (UK) Limited

Trustees' annual report for the year ended 31 December 2016

The directors, who are also the trustees of Huo Family Foundation (UK) Limited ("the Foundation"), present their report and audited financial statements for the year ended 31 December 2016, which have been prepared in accordance with the Statement of Recommended Practice, "Accounting and Reporting by Charities" revised in March 2005 and the Charities Act 2011, and applicable accounting standards in the United Kingdom.

The charity details on page 1 form part of this report.

Governing documents

The Foundation is a charitable company limited by shares governed by its Memorandum and Articles of Association. It was incorporated on 12 December 2007 and registered with the Charity Commissioners as a charity on 9 December 2009.

The Huo Family Foundation, a charity registered in the USA, owns the entire issued share capital of the Foundation. The Huo Family Foundation is a non-stock corporation incorporated in the State of Delaware and established exclusively for charitable purposes. Yan Huo and Xue Fang are common directors and trustees of both the Huo Family Foundation and the Foundation.

Objects and strategy

The objects of the Foundation are such exclusively charitable purposes as the trustees may in their absolute discretion determine.

The Foundation has been established as a grant making charity and the trustees intend to make grants primarily to charities that support the advancement of art and education for the public benefit.

The directors have referred to the guidance contained in the Charity Commission's general guidance on public benefit, as required by Section 17 of the Charities Act 2011, when reviewing the objects and strategy of the Foundation and in planning future activities. In particular, the directors consider how planned activities will contribute to the strategy of the Foundation.

Appointment of directors

As per the Articles of Association, the directors shall be appointed by ordinary resolution of the sole shareholder. The number of directors shall not be less than two but is not subject to any maximum number. A director is elected to serve the time that he or she is appointed or, in absence of such an appointment, until removed or retirement.

Trustee induction and training

New trustees are briefed on their legal obligations under charity and company law, the content of the Memorandum and Articles of Association, the decision making processes of the Foundation and the Foundation's future plans and objectives. The trustees are kept updated on any changes to their obligations and responsibilities.

Huo Family Foundation (UK) Limited

Trustees' annual report for the year ended 31 December 2016 (continued)

Organisation

The directors are responsible for the strategic direction and policy of the Foundation and make all decisions in relation to the Foundation. In furtherance of this, the directors meet as and when required. The directors may delegate any of their powers or functions to a committee of two or more directors but the terms of delegation must be agreed in advance.

Advisors

The names and addresses of the Foundation's advisors are shown on page 1.

Strategic Report

Review of activities

In 2016, the Foundation continued its commitment to supporting charitable organisations that concentrate on art and education, with a full list of beneficiaries shown in note 4 on page 17.

The Foundation issued a number grants to educational institutions around the World, with grants given to beneficiaries working to reduce education inequality as well as to improve facilities and broaden access to top educational establishments

During the year under review, the Foundation received donations of US\$35,000,000 (2015: US\$15,000,000).

Review of transactions and financial position

During the year, total income was US\$44,243,308 (2015: US\$19,055,511). This is represented by investment income of US\$493,308 (2015: US\$305,511), donations of US\$35,000,000 (2015: US\$15,000,000) from Yan Huo, one of the directors of the Foundation and gift aid on that donation of US\$8,750,000 (2015: US\$3,750,000).

The net movement in funds for the year, as shown in the statement of financial activities, amounted to a surplus of US\$40,742,313 (2015: US\$10,836,293).

The value of the Foundation's net assets at 31 December 2016 is US\$72,537,717 (2015: US\$31,795,404). The Foundation is currently considering proposals for future grants.

Investment policy and performance

In accordance with the Memorandum and Articles of Association the directors have the power to invest in such stocks, shares and investments as they see fit. The directors can delegate the management of investments to a financial expert only on the terms set in the Articles of Association.

The assets are currently invested in fixed income markets and are held in custody by the investment managers.

The directors consider the grant requirements each year and the amount of investment income that will be generated from the investments held.

Huo Family Foundation (UK) Limited

Trustees' annual report for the year ended 31 December 2016 (continued)

Investment policy and performance (continued)

The directors have monitored the performance of investments in the financial year by reviewing monthly reports.

During the financial year, investments were disposed at a realised gain of US\$52,070 (2015: loss US\$60,728) and the portfolio has increased in value by US\$19,161,117 (2015: US\$9,218,192) due to net additions of US\$18,460,265 (2015: US\$9,792,054), unrealised gains of US\$648,782 (2015: losses US\$506,518) and foreign exchange losses of US\$Nil (2015: US\$6,616).

Policy statement on reserves

The policy of the directors is to maintain sufficient reserves in order to fulfil future expected funding requirements of projects that extend over several years. In determining the appropriate level of reserves, the directors take into account the young nature of the Foundation, as well as potential fluctuation of its income stream in future years. The policy is reviewed on an annual basis.

Having regard to these considerations, taking into account its foreseeable activity level and general operating environment, the Foundation currently targets free reserves not invested in fixed assets, designated for specific purposes or otherwise committed of between \$1.75m and \$2m, representing approximately six months of yearly ongoing expenditure. The Foundation's free reserves currently stand at \$26,199,915 and have exceeded the free reserves targets due to an unexpected increase in donations. The Foundation plans to invest excess funds not required for 2017 grant commitments to return free reserves towards our target range.

As at 31 December 2016, the Foundation has reserves of US\$72,537,717 (2015: US\$31,795,404), which is an increase of US\$40,742,313 relative to last year end which represents a significant investment in bonds and assets designed to generate an income to meet the Foundation's future needs. The directors are considering new grants for the coming year and anticipate that while reserves may fluctuate from year to year, over time they will remain close to the free reserves target. The free reserves target is designed to ensure that the Foundation can meet future grant commitments in line with our budgeted grant cash outflow for the following year of US\$3.5m, some of which will be met by 2016 donations to the charity. Our long term plan is to maintain grant expenditure of at least 5% of our assets each year, or more where resources allow, in order to maintain the real term value of the fund for future grant making activity.

The Foundation is not currently seeking to raise funds from the general public.

Grant making

The directors review applications and appeals, and then distribute funds in furtherance of the Foundation's objects. During the year the Foundation distributed US\$3,042,684 (2015: US\$7,520,334). Whilst the Foundation is considering possible future grant proposals, the Foundation does not accept unsolicited grant applications from the public.

Plans for future developments

In the coming year, the Foundation plans to provide charitable support in accordance with its objectives and strategy as described on page 2.

Huo Family Foundation (UK) Limited

Trustees' annual report for the year ended 31 December 2016 (continued)

Public benefit statement

In shaping our objectives for the year and planning our activities, the trustees have considered the Charity Commission's guidance on public benefit, including the 'public benefit: running a charity (PB2)'.

The trustees confirm that they have complied with the duty in section 17 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission.

The Foundation plans to provide charitable support for the public benefit in accordance with its objectives and strategy as described on page 2.

This is done through donations to charities that support the advancement of art and education for the public benefit.

Internal controls and the mitigation of major risks

The trustees have identified and reviewed the major risks of the Foundation such as foreign exchange movements and the Foundation's cash flow position, and have established internal controls to mitigate these risks. The trustees confirm that the controls implemented are appropriate to the size of the Foundation and the nature of its operations.

Statement of trustees' responsibilities

The trustees (who are also the directors of Huo Family Foundation (UK) Limited for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Huo Family Foundation (UK) Limited

Trustees' annual report for the year ended 31 December 2016 (continued)

Statement of trustees' responsibilities (continued)

In so far as the trustees are aware:

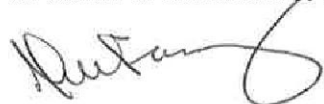
- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Independent auditors

The auditors, Kingston Smith LLP, is deemed to be re-appointed under section 487 (2) of the Companies Act 2006. A resolution to re-appoint Kingston Smith LLP will be proposed at the annual general meeting.

The Trustees' annual report is approved by the trustees of the charity. The strategic report, which forms part of the Trustees annual report, is approved by the trustees in their capacity as directors in company law of the charity.

On behalf of the board of directors



Xue Fang
Director

Date: 7th August 2017

Huo Family Foundation (UK) Limited

Independent auditors' report to the members of Huo Family Foundation (UK) Limited

We have audited the financial statements of Huo Family Foundation (UK) Limited for the year ended 31 December 2016 which comprise the Statement of Financial Activities, the Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard Applicable in the UK and Ireland'.

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 and trustees those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charitable company and charitable company's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement, 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2016 and of the group's incoming/outgoing resources and application of resources, including its income and expenditure, for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Huo Family Foundation (UK) Limited

Independent auditors' report to the members of Huo Family Foundation (UK) Limited

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures or trustees' remunerations specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Kingston Smith LLP

Shivani Kothari, Senior Statutory Auditor
for and on behalf of Kingston Smith LLP, Statutory Auditor

Date: 1/8/2017

Devonshire House
60 Goswell Road
London EC1M 7AD

Huo Family Foundation (UK) Limited

Statement of financial activities for the year ended 31 December 2016

(incorporating income and expenditure account)

| | Notes | 2016 Unrestricted Funds US\$ | 2015 Unrestricted Funds US\$ |
|---|-------|---------------------------------------|---------------------------------------|
| Income from: | | | |
| Donations | 2 | 43,750,000 | 18,750,000 |
| Investments | 3 | 493,308 | 305,511 |
| Total | | <u>44,243,308</u> | <u>19,055,511</u> |
| Expenditure on: | | | |
| Charitable activities | 4 | (3,245,090) | (7,676,335) |
| Total | | <u>(3,245,090)</u> | <u>(7,676,335)</u> |
| Net unrealised gain/ (loss) on investment | 8 | 648,782 | (506,518) |
| Gain/(loss) on disposal of investment | 8 | 52,070 | (60,728) |
| Net Income | | <u>41,699,070</u> | <u>10,811,930</u> |
| Other recognised gains and losses | | | |
| Foreign exchange (loss)/ gain | | (956,757) | 24,363 |
| Net movement in funds | | <u>40,742,313</u> | <u>10,836,293</u> |
| Fund balances brought forward at 1 January | | 31,795,404 | 20,959,111 |
| Fund balances carried forward at 31 December | | <u>72,537,717</u> | <u>31,795,404</u> |

All of the Foundation's activities are derived from continuing operations.

The Foundation has no recognised gains and losses other than those shown above and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the net incoming resources and the net movement in the funds stated above and their historical costs equivalents.

Huo Family Foundation (UK) Limited
Registered Company No: 6451283
Registered Charity No: 1133206

Huo Family Foundation (UK) Limited

Balance sheet at 31 December 2016

| | Notes | 2016 US\$ | 2015 US\$ |
|--|-------|--------------|--------------|
| Fixed assets | | | |
| Investments | 8 | 48,269,425 | 29,108,308 |
| Current assets | | | |
| Debtors | 9 | 3,951,577 | 154,394 |
| Cash at bank and in hand | | 23,366,764 | 6,004,843 |
| Total current assets | | 27,318,341 | 6,159,237 |
| Creditors: amounts falling due within one year | 10 | (1,118,426) | (1,838,402) |
| Net current assets | | 26,199,915 | 4,320,835 |
| Total assets less current liabilities | | 74,469,340 | 33,429,143 |
| Creditors: amounts falling due after more than one year | 11 | (1,931,623) | (1,633,739) |
| Net assets | | 72,537,717 | 31,795,404 |
| The funds of the charity | | | |
| Unrestricted income funds | | | |
| - Share capital | 12 | 2 | 2 |
| - General | 13 | 71,829,638 | 31,736,107 |
| - Revaluation reserve | 13 | 708,077 | 59,295 |
| Total charity funds | 14 | 72,537,717 | 31,795,404 |

These financial statements have been prepared in accordance with the special provisions relating to small companies.

The financial statements on pages 9 to 21 were approved by the directors on 7th August 2017 and were signed on their behalf by:



Xue Fang
Director

Huo Family Foundation (UK) Limited
Registered Company No: 6451283
Registered Charity No: 1133206

Huo Family Foundation (UK) Limited

Cash flow statement for the year ended 31 December 2016

| | 2016 | 2015 |
|--|---------------------|--------------------|
| | US\$ | US\$ |
| Cash flows from operating activities | | |
| Net cash provided by operating activities | 35,410,520 | 13,573,051 |
| Cash Flow from Investing activities | | |
| Investment income – bank interest | 452,149 | 259,831 |
| Investment income – dividends | 41,159 | 45,680 |
| Interest paid | (81,642) | (70,624) |
| Purchase of investments | (23,490,616) | (17,421,010) |
| Sale of investments | 5,030,351 | 7,628,956 |
| Foreign exchange losses | - | 6,616 |
| Net cash (used in) investing activities | (18,048,599) | (9,550,551) |
| Change in cash and cash equivalents | 17,361,921 | (4,022,500) |
| Cash and cash equivalents at the beginning of the year | 6,004,843 | 1,982,343 |
| Cash and cash equivalents at the end of year | 23,366,764 | 6,004,843 |
| Reconciliation of operating Profit to net Cash inflow from Operating Activities | 2016 US\$ | 2015 US\$ |
| Operating surplus | 41,699,070 | 10,811,930 |
| Interest received | (452,149) | (259,831) |
| Interest paid | 81,642 | 70,624 |
| Dividend receivable | (41,159) | (45,680) |
| Net unrealised losses on investment | (648,782) | 506,518 |
| Gain/(loss) on disposal of investment | (52,070) | 60,728 |
| Foreign exchange gains/(losses) | (956,757) | 24,363 |
| Increase in debtors | (3,797,183) | (91,674) |
| Increase/(decrease) in creditors | (422,092) | 2,496,073 |
| Net cash inflow from operating activities | 35,410,520 | 13,573,051 |

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2016

1. Principal accounting policies

Company information

Huo Family Foundation (UK) Limited is a limited company domiciled and incorporated in England and Wales. The registered office is 16 Old Bailey, London, EC4M 7EG.

Accounting Convention

The charity constitutes a public benefit entity as defined by FRS102. These financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice (SORP) applicable to charities preparing their financial statements in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Charities Act 2011 and the requirements of the Companies Act 2006.

The financial statements have been prepared on the historical cost convention, modified by the recognition of certain financial assets and liabilities measured at fair value. The principal accounting policies adopted are set out below.

Functional currency

The financial statements are prepared in US\$, which is the functional currency of the Foundation, since this is the currency of the primary economic environment in which the Foundation operates. All donations receivable are expected to be denominated in US\$.

Going concern

The Foundation has adequate financial resources and as a consequence, the trustees believe that the Foundation is well placed to manage its business risks successfully.

The trustees have a reasonable expectation that the Foundation has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis has been adopted in preparing these financial statements.

Income

Income is credited to the statement of financial activities on a receivable basis and valued on date of receipt. Investment income is stated inclusive of recoverable taxation.

Donated goods, facilities or services are recognised in income only when the charity has entitlement, it is probable that the charity will benefit and that the value can be reliably measured at fair value.

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

1. Principal accounting policies (continued)

Expenditure

Liabilities are recognised as resources expended when there is a legal or constructive obligation committing the Foundation to the expenditure.

Grants, both single and multi-year, are recognised in the financial statements as liabilities after they have been approved by the directors, the recipients have been notified and there are no further terms and conditions to be fulfilled which are within the control of the Foundation. In these circumstances there is a valid expectation by the recipients that they will receive the grant, even if the recipients must meet further conditions.

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the Foundation and are included with support costs allocated to charitable activities.

Investments

Investments are stated at market value as at the Balance Sheet date.

Investment gains and losses

Realised gains and losses on investments are calculated as the difference between sales proceeds and opening market value (or purchase date if later). Unrealised gains and losses on investments are calculated as the difference between opening (or purchase date if later) and closing market values for the year.

All gains and losses are taken to the Statement of Financial Activities as they arise.

Foreign currencies

Transactions in foreign currencies are translated into US\$ at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated into US\$ at the rate of exchange ruling at the balance sheet date. Exchange differences are charged / credited to the statement of financial activities and hence are taken into account in arriving at the net movement in funds.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

1. Principal accounting policies (continued)

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

1. Principal accounting policies (continued)

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in or immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in or depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

Fund accounting

The unrestricted fund comprises general funds, which may be used towards meeting the charitable objects of the Foundation at the discretion of the directors, and share capital.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Taxation

The Foundation is a registered charity, and therefore is not liable for income tax or corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities. VAT is included within expenditure where it is not recoverable.

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

1. Principal accounting policies (continued)

Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

We are not aware of any critical judgements or estimates that have had a significant effect on amounts recognised in the financial statements.

2. Donations

| | 2016 Unrestricted Funds US\$ | 2015 Unrestricted Funds US\$ |
|----------------------|---------------------------------------|---------------------------------------|
| Monetary donations | 35,000,000 | 15,000,000 |
| Gift aid recoverable | 8,750,000 | 3,750,000 |
| | <u>43,750,000</u> | <u>18,750,000</u> |

In the year, monetary donations of US\$35,000,000 (2015: US\$15,000,000) represent donations received from Yan Huo, one of the trustees of the Foundation.

3. Income from investments

| | 2016 US\$ | 2015 US\$ |
|--------------------------|----------------|----------------|
| Bank interest receivable | 452,149 | 259,831 |
| Dividend receivable | 41,159 | 45,680 |
| | <u>493,308</u> | <u>305,511</u> |

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

4. Charitable activities

Amounts payable and paid in the year comprises:

| | 2016 US\$ | 2015 US\$ |
|--------------------------|------------------|------------------|
| Princeton University | - | 4,000,000 |
| Grant to ARK | 124,980 | 155,110 |
| NSPCC | - | 73,817 |
| Kings College School | 727,800 | - |
| Teach for China | 161,146 | 1,000,000 |
| Fudan University | 1,000,000 | 1,000,000 |
| Tate Americas Foundation | - | 31,522 |
| Tate Gallery | 28,758 | - |
| Columbia University | 1,000,000 | - |
| Teach First | - | 1,259,885 |
| Support costs (Note 5) | 202,406 | 156,001 |
| | <u>3,245,090</u> | <u>7,676,335</u> |

All grants made payable during the year were to institutions.

5. Support costs

| | 2016 US\$ | 2015 US\$ |
|---------------------------|----------------|----------------|
| Audit fees | 12,559 | 12,446 |
| Accountancy fees | 18,224 | 11,664 |
| Tax fees | 6,024 | 16,405 |
| Legal fees | 8,477 | 13,104 |
| | <u>45,284</u> | <u>53,619</u> |
| Governance costs | 45,284 | 53,619 |
| Bank interest and charges | 81,642 | 70,624 |
| Custody fees | 69,469 | 29,778 |
| Professional fees | 7,024 | 1,980 |
| Tax charges | (1,013) | - |
| | <u>202,406</u> | <u>156,001</u> |

The value of facilities provided to the Foundation free of charge, that would otherwise have had to be purchased, such as the use of office equipment and office space have not been recognised in the statement of financial activities because it is not practical to quantify the value of the benefit accurately and the cost of doing so would outweigh the value to users of the financial statements.

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

6. Net income

Net income for the year is stated after charging:

| | 2016 US\$ | 2015 US\$ |
|--|--------------|--------------|
| Auditors' remuneration | | |
| - Audit (net of VAT) | 8,921 | 10,372 |
| - Other services - tax compliance (net of VAT) | 867 | 867 |
| - Other services - accountancy (net of VAT) | 17,233 | 9,537 |

7. Staff costs, directors' remuneration and Key Management Personnel

No staff were employed by the Foundation during the year (2015: none), hence trustees are the only key management personnel.

The Trustees received no remuneration in respect of their services to the Foundation during the year (2015: US\$nil). No trustee received any reimbursement of expenses during the year (2015: US\$nil).

8. Fixed asset investments

| | 2016 US\$ | 2015 US\$ |
|---|--------------|--------------|
| Movement in market value | | |
| Opening market value | 29,108,308 | 19,890,116 |
| Additions at cost | 23,490,616 | 17,421,010 |
| Disposals at carrying value | (5,030,351) | (7,628,956) |
| Net unrealised gain/(loss) on revaluation | 648,782 | (506,518) |
| Net realised gain/(loss) on disposal | 52,070 | (60,728) |
| Foreign exchange losses | - | (6,616) |
| Closing market value | 48,269,425 | 29,108,308 |

The historic cost of the remaining investments is US\$47,373,658 (2015: US\$29,004,114)

Investments included in the above table with a market value greater than 5% of the total portfolio market value at 31 December 2016 are as follows:

| | 2016 US\$ | 2015 US\$ |
|----------------------|--------------|--------------|
| US Treasury Notes 27 | 5,750,509 | 5,591,574 |
| US Treasury Notes 18 | 7,983,128 | - |
| US Treasury Notes 40 | 6,883,137 | - |
| High Vista III | 5,487,027 | 5,386,301 |

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

9. Debtors

| | 2016 US\$ | 2015 US\$ |
|--|------------------|----------------|
| Amounts falling due within one year | | |
| Derivatives | 30,646 | 45,403 |
| Prepayments | 1,213 | 825 |
| Gift aid receivable | 3,750,000 | - |
| Accrued income | 169,716 | 108,164 |
| Called up share capital not paid | 2 | 2 |
| | <u>3,951,577</u> | <u>154,394</u> |

The normal currency deposits held above are secured against the charity's investments.

10. Creditors: amounts falling due within one year

| | 2016 US\$ | 2015 US\$ |
|------------------------------|------------------|------------------|
| Trade creditors | 9,478 | 1,218 |
| Grants payable | 1,081,624 | 1,804,999 |
| Accruals and deferred income | 27,324 | 32,185 |
| | <u>1,118,426</u> | <u>1,838,402</u> |

11. Creditors: amounts falling due after more than one year

| | 2016 US\$ | 2015 US\$ |
|------------------------------|------------------|------------------|
| Grants payable | 1,931,623 | 1,633,739 |
| | <u>1,931,623</u> | <u>1,633,739</u> |
| Due in one to two years | 1,081,623 | 716,870 |
| Due within two to five years | 850,000 | 916,869 |
| | <u>1,931,623</u> | <u>1,633,739</u> |

12. Share capital

| | 2016 US\$ | 2015 US\$ |
|----------------------------------|--------------|--------------|
| Allotted and called up | | |
| 1 (2015: 1) ordinary share of £1 | 2 | 2 |
| | <u>2</u> | <u>2</u> |

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

13. Unrestricted income funds

| | 1 January 2016 US\$ | Incoming resources US\$ | Resources expended US\$ | Other recognised gains/(losses) US\$ | 31 December 2016 US\$ |
|---------------------|---------------------------|-------------------------------|-------------------------------|---|--------------------------------|
| Share capital | 2 | - | - | - | 2 |
| General funds | 31,736,107 | 44,243,308 | (3,245,090) | (904,687) | 71,829,638 |
| Revaluation reserve | 59,295 | - | - | 648,782 | 708,077 |
| Total | <u>31,795,404</u> | <u>44,243,308</u> | <u>(3,245,090)</u> | <u>(255,905)</u> | <u>72,537,717</u> |

14. Analysis of net assets between funds

| | 2016 Unrestricted Funds US\$ | 2015 Unrestricted Funds US\$ |
|---|---------------------------------------|---------------------------------------|
| Fund balances at 31 December 2016 are represented by: | | |
| Investments | 48,269,425 | 29,108,308 |
| Debtors | 3,951,577 | 154,394 |
| Cash at bank and in hand | 22,366,764 | 6,004,843 |
| Creditors: amounts falling due within one year | (1,118,426) | (1,838,402) |
| Creditors: amounts falling due after more than one year | (1,931,623) | (1,633,739) |
| | <u>72,537,717</u> | <u>31,795,404</u> |

15. Reconciliation of movements in funds

| | 2016 US\$ | 2015 US\$ |
|------------------------|-------------------|-------------------|
| Net movements in funds | 40,742,313 | 10,836,293 |
| Net addition to funds | <u>40,742,313</u> | <u>10,836,293</u> |
| Opening funds | 31,795,404 | 20,959,111 |
| Closing funds | <u>72,537,717</u> | <u>31,795,404</u> |

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2016 (continued)

16. Related party transactions

During the year, the Foundation received a donation of US\$35,000,000 (2015: US\$15,000,000) from Yan Huo, a director of the Foundation.

17. Ultimate controlling party

The ultimate controlling party is the Huo Family Foundation, a charity registered in the USA.

18. Financial instruments

| | 2016 US\$ | 2015 US\$ |
|---|------------------|------------------|
| Carrying amount of financial assets | | |
| Debt instruments measured at amortised cost | <u>169,716</u> | <u>108,166</u> |
| Instruments measured at fair value through profit or loss | <u>30,646</u> | <u>45,405</u> |
| Carrying amount of financial liabilities | | |
| Measured at amortised cost | <u>3,050,049</u> | <u>3,477,141</u> |