

Registered Company No: 6451283

Registered Charity No:1133206

Huo Family Foundation (UK) Limited

Annual report and financial statements for the year ended 31 December 2018

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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

Registered office

16 Old Bailey
London
EC4M 7EG

Independent auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

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 2018

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 2018, which have been prepared in accordance with the 2015 Statement of Recommended Practice, "Accounting and Reporting by Charities" (FRS 102), the Companies Act 2006 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, Xue Fang, and Philip Michaels 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 2018 (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 2018, 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 18.

The Foundation issued a number of 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\$14,170,207 (2017: US\$nil). The Foundation expects to receive donations in future years (to support long term sustainability).

Review of transactions and financial position

During the year, total income was US\$18,693,527 (2017: US\$796,571). This is represented by investment income of US\$1,079,571 (2017: US\$772,745), donations of US\$14,170,207 (2017: US\$nil) from Yan Huo, one of the directors of the Foundation, and gift aid on that donation of US\$3,443,749 (2017: US\$23,826).

The net movement in funds for the year, as shown in the statement of financial activities, amounted to a surplus of US\$466,120 (2017: US\$3,412,072).

The value of the Foundation's net assets at 31 December 2018 is US\$76,480,057 (2017: US\$75,949,789). 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 primarily invested in fixed income securities and are held in custody by the investment managers at JP Morgan and Citibank. With the remaining assets invested in equities and hedgefunds and or held in cash.

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 2018 (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 loss of US\$34,089 (2017: US\$179,981) and the portfolio has increased in value by US\$10,653,704 (2017: US\$13,035,182) due to net additions of US\$13,086,445 (2017: US\$9,940,075) and unrealised loss of US\$2,398,652 (2017: gain US\$ 3,275,088).

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 nature of the Foundation ie one-off giving as well as multi-year grants in the form of endowments and scholarships, 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 up to \$10 million. The Foundation's free reserves defined as net current assets currently stand at US\$9,098,971, an amount that the directors believe would be sufficient to meet future needs while leaving some flexibility to evaluate new grant proposals and make new commitments. During the year the foundation distributed \$15,364,225. 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.

As at 31 December 2018, the Foundation has reserves of US\$76,415,909 (2017: US\$75,949,789), which is an increase of US\$466,120 relative to last year end. This difference was primarily driven by donation income in the year, offset by grants made throughout the year.

Charities Act 2016 requires charities to make a statement regarding fundraising activities. The legislation defines fundraising as 'soliciting or otherwise procuring money or other property for charitable purposes'. In relation to this statement, the Foundation does not undertake widespread fundraising from the general public and does not employ professional fundraisers to do so. The charity is therefore not bound by any regulatory scheme and does not consider it necessary to comply with any voluntary code of practice. The Foundation does not have policies in relation to fundraising activities nor do we consider it necessary to design specific policies and procedures to monitor activities.

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\$15,364,225, excluding support costs (2017: US\$857,286). Whilst the Foundation is considering possible future grant proposals, the Foundation does not accept unsolicited grant applications from the public.

Huo Family Foundation (UK) Limited

Trustees' annual report for the year ended 31 December 2018 (continued)

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.

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 and other organisations 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 directors of Huo Family Foundation (UK) Limited for the purposes of company law) are responsible for preparing the Trustees' Annual Report (including the Strategic Report) and the financial statements in accordance with applicable law and regulation.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year. 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 Statement of Recommended Practice: Accounting and Reporting by Charities (2015);
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and

Huo Family Foundation (UK) Limited

Trustees' annual report for the year ended 31 December 2018 (continued)

Statement of trustees' responsibilities (continued)

- 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 adequate accounting records that are sufficient to show and explain the charitable company's transactions and 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.

In so far as the trustees are aware:

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

Independent auditors

The auditors PricewaterhouseCoopers LLP is deemed to be re-appointed under section 487 (2) of the Companies Act 2006. A resolution to re-appoint PricewaterhouseCoopers 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: 08/05/19

Huo Family Foundation (UK) Limited

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

Report on the audit of the financial statements

Opinion

In our opinion, Huo Family Foundation (UK) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2018 and of its incoming resources and application of resources, including its income and expenditure, and cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the statement of financial activities (incorporating income and expenditure account), cash flow statement for the year then ended; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Charity's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, are not clear and it is difficult to evaluate all of the potential implications on the Charity's investments, beneficiaries, donors and the wider economy.

Reporting on other information

The other information comprises all of the information in the *Annual Report* other than the financial statements and our auditors' report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express

Huo Family Foundation (UK) Limited

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

an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Trustees' Annual Report

In our opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report, including the Strategic Report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic Report and the Trustees' Annual Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Trustees' Annual Report. We have nothing to report in this respect.

Responsibilities for the financial statements and the audit

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Trustees' Responsibilities set out on pages 5 and 6, the trustees are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Huo Family Foundation (UK) Limited

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

Use of this report

This report, including the opinions, has been prepared for and only for the charity's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

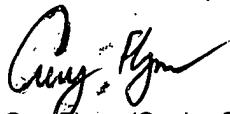
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Guy Flynn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date: 9 May 2019

Huo Family Foundation (UK) Limited

Statement of financial activities for the year ended 31 December 2018

(incorporating income and expenditure account)

	Notes	2018 Unrestricted Funds US\$	2017 Unrestricted Funds US\$
Income from:			
Donations	2	17,613,956	23,826
Investments	3	1,079,571	772,745
Total		18,693,527	796,571
Expenditure on:			
Charitable activities	4	(15,702,432)	(1,170,138)
Total		(15,702,432)	(1,170,138)
Net unrealised (loss)/gain on investment	8	(2,334,504)	3,275,088
Loss on disposal of investment	8	(34,089)	(179,981)
Net Income		622,502	2,721,540
Other recognised gains and losses			
Foreign exchange (loss)/gain		(92,234)	690,532
Net movement in funds		530,268	3,412,072
Fund balances brought forward at 1 January		75,949,789	72,537,717
Fund balances carried forward at 31 December		76,480,057	75,949,789

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 income and expenditure account has been presented.

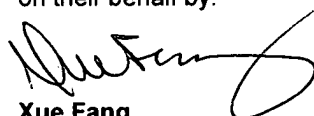
Huo Family Foundation (UK) Limited
Registered Company No: 6451283
Registered Charity No: 1133206

Huo Family Foundation (UK) Limited

Balance sheet As at 31 December 2018

	Notes	2018 US\$	2017 US\$
Fixed assets			
Investments	8	<u>71,958,311</u>	<u>61,304,607</u>
Current assets			
Debtors	9	1,168,390	275,129
Cash at bank and in hand		<u>13,902,272</u>	<u>16,672,494</u>
Total current assets		<u>15,070,662</u>	<u>16,947,623</u>
Creditors: amounts falling due within one year	10	<u>(5,907,543)</u>	<u>(1,452,441)</u>
Net current assets		<u>9,163,119</u>	<u>15,495,182</u>
Total assets less current liabilities		81,121,430	76,799,789
Creditors: amounts falling due after more than one year	11	<u>(4,641,373)</u>	<u>(850,000)</u>
Net assets		<u><u>76,480,057</u></u>	<u><u>75,949,789</u></u>
The funds of the charity			
Unrestricted income funds			
- Share capital	12	2	2
- General	13	74,809,935	71,945,163
- Revaluation reserve	13	1,670,120	4,004,624
Total charity funds	14	<u><u>76,480,057</u></u>	<u><u>75,949,789</u></u>

The financial statements on pages 10 to 22 were approved by the directors on 8/5/2019 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 2018

	US\$	2018 US\$	US\$	2017 US\$
Cash flows from operating activities				
Net cash provided by operating activities		9,375,797		2,557,081
Cash Flow from Investing activities				
Investment income – bank interest	1,018,790		721,594	
Investment income – dividends	60,781		51,151	
Bank fees and charges	(139,145)		(84,021)	
Purchase of investments	(31,898,505)		(19,013,622)	
Sale of investments	18,812,060		9,073,547	
Net cash (used in) investing activities		(12,146,019)		(9,251,351)
Change in cash and cash equivalents		(2,770,222)		(6,694,270)
Cash and cash equivalents at the beginning of the year		16,672,494		23,366,764
Cash and cash equivalents at the end of year		13,902,272		16,672,494
Reconciliation of operating Profit to net Cash inflow from Operating Activities		2018 US\$		2017 US\$
Net income		622,502		2,721,540
Interest received		(1,018,790)		(721,594)
Bank fees and charges		139,145		84,021
Dividend receivable		(60,781)		(51,151)
Net unrealised loss/(gain) on investment		2,334,504		(3,275,088)
Gain/(loss) on disposal of investment		34,089		179,981
Foreign exchange gains/(losses)		(92,234)		690,532
Increase/(decrease) in debtors		(829,113)		3,676,448
Increase/(decrease) in creditors		8,246,475		(747,608)
Net cash inflow from operating activities		9,375,797		2,557,081

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2018

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 FRS 102. These financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice (SORP 2015) 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 2018 (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 reporting conditions, which are not considered performance obligations.

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 (bid price) 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 2018 (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 debtors 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 Statement of Financial Activities, 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 the Statement of Financial Activities.

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 creditors 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.

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1. Principal accounting policies (continued)

Trade creditors 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 creditors 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 immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition 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.

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 2018 (continued)

1. Principal accounting policies (continued)

Judgements and key sources of estimation uncertainty

In the application of the charity'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 in applying the Foundation's accounting policies

The Trustees do not consider grant reporting requirements within grant agreements to be grant performance obligations.

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, office space, and staff time 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.

Key Accounting estimates and assumptions

Fair value of investments are stated at the quoted market price of the listed asset. For unlisted investments, the fair value is based on the valuation estimates from custodians and investment managers.

2. Donations

	2018 Unrestricted Funds US\$	2017 Unrestricted Funds US\$
Monetary donations	14,170,207	-
Gift aid recoverable	3,443,749	23,826
	<u>17,613,956</u>	<u>23,826</u>

In the year, monetary donations of US \$14,170,207 (2017: US\$Nil) represent donations received from Yan Huo, one of the trustees of the Foundation.

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

3. Investments

	2018 US\$	2017 US\$
Bank interest receivable	1,018,790	721,594
Dividend receivable	60,781	51,151
	<u>1,079,571</u>	<u>772,745</u>

4. Charitable activities

Amounts payable and paid in the year comprises:

	2018 US\$	2017 US\$
Ashmolean Museum of Art & Archaeology	-	26,558
Grant to ARK	-	135,290
Groton School (Grant)	-	250,000
Princeton University	5,950,000	-
Teach for China	3,175,000	-
Absolute Return for Kids	1,559,699	-
Youth Communication	80,000	20,000
Tate Gallery	140,360	103,288
University of Cambridge	3,879,978	-
Teach First	252,047	322,150
Teach for All	200,000	-
Policy Exchange	127,141	-
Support costs (Note 5)	338,207	312,852
	<u>15,702,432</u>	<u>1,170,138</u>

All 9 grants made payable during the year were to institutions.

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

5. Support costs

	2018 US\$	2017 US\$
Audit fees – current year	35,793	31,988
Accountancy fees	21,295	16,682
Tax fees	5,000	5,024
Legal fees	27,140	21,754
Governance costs	89,228	75,448
Bank interest and charges	139,145	84,021
Custody fees	99,014	114,772
Professional fees	4,144	6,605
Patronage contributions	-	26,082
Insurance	6,676	5,924
	<u>338,207</u>	<u>312,852</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.

6. Net income

Net income for the year is stated after charging:

	2018 US\$	2017 US\$
Auditors' remuneration		
- Audit)	35,793	31,988
- Other services - tax compliance	-	-
- Other services - accountancy	-	-

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

No staff were employed by the Foundation during the year (2017: 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 (2017: US\$nil). No trustee received any reimbursement of expenses during the year (2017: US\$nil).

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

8. Fixed asset investments

	2018 US\$	2017 US\$
Movement in market value		
Opening market value	61,304,607	48,269,425
Additions at cost	31,898,505	19,013,622
Disposals at carrying value	(18,812,060)	(9,073,547)
Net unrealised (loss)/gain on revaluation	(2,398,652)	3,275,088
Net realised (loss) on disposal	(34,089)	(179,981)
Closing market value	<u>71,958,311</u>	<u>61,304,607</u>

The historic cost of the remaining investments is US\$71,857,125 (2017: US\$57,508,436)

Investments included in the above table with a market value greater than 5% of the total portfolio market value at 31 December 2018 are as follows:

	2018 US\$	2017 US\$
US Treasury Notes 27	5,774,560	5,870,151
US Treasury Notes 18	-	7,996,608
US Treasury Notes 40	13,816,546	14,852,065
US Treasury Notes 20	7,455,662	7,465,709
US Treasury Bonds 40	6,874,768	7,422,397
US Treasury Notes 19	6,980,312	-
US Treasury Notes 19	9,891,406	-
US Treasury Notes 19	9,935,156	-
High Vista III	-	6,048,488

9. Debtors

	2018 US\$	2017 US\$
Amounts falling due within one year		
Derivatives	513,362	-
Prepayments	-	1,244
Debtors	354,556	-
Accrued income	300,470	273,883
Called up share capital not paid	2	2
	<u>1,168,390</u>	<u>275,129</u>

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

10. Creditors: amounts falling due within one year

	2018 US\$	2017 US\$
Trade creditors	7,035	1,144
Grants payable	5,848,733	1,111,546
Derivatives	-	285,384
Accruals and deferred income	51,775	54,367
	<u>5,907,543</u>	<u>1,452,441</u>

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

	2018 US\$	2017 US\$
Grants payable	4,641,373	850,000
	<u>4,641,373</u>	<u>850,000</u>
Due in one to two years	4,361,373	650,000
Due within two to five years	280,000	200,000
	<u>4,641,373</u>	<u>850,000</u>

12. Share capital

	2018 US\$	2017 US\$
Allotted and called up		
1 (2017: 1) ordinary share of £1	<u>2</u>	<u>2</u>

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

13. Unrestricted income funds

	1 January 2018 US\$	Incoming resources US\$	Resources expended US\$	Other recognised (losses) US\$	31 December 2018 US\$
Share capital	2	-	-	-	2
General funds	71,945,163	18,693,527	(15,702,432)	(126,323)	74,809,935
Revaluation reserve	4,004,624	-	-	(2,334,504)	1,670,120
Total	<u>75,949,789</u>	<u>18,693,527</u>	<u>(15,702,432)</u>	<u>(2,460,827)</u>	<u>76,480,057</u>

14. Total charity funds

	2018 Unrestricted Funds US\$	2017 Unrestricted Funds US\$
Fund balances at 31 December are represented by:		
Investments	71,958,311	61,304,607
Debtors	1,168,390	275,129
Cash at bank and in hand	13,902,272	16,672,494
Creditors: amounts falling due within one year	(5,907,543)	(1,452,441)
Creditors: amounts falling due after more than one year	(4,641,373)	(850,000)
	<u>76,480,057</u>	<u>75,949,789</u>

15. Reconciliation of movements in funds

	2018 US\$	2017 US\$
Net movements in funds	530,268	3,412,072
Net addition to funds	<u>530,268</u>	<u>3,412,072</u>
Opening funds	75,949,789	72,537,717
Closing funds	<u>76,480,057</u>	<u>75,949,789</u>

Huo Family Foundation (UK) Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

16. Related party transactions

During the year, the Foundation received a donation of US\$14,170,207 (2017: US\$ Nil) from Yan Huo, a director of the Foundation.

During the year, the Foundation awarded grants of US\$5,950,000 (2017:US\$ Nil) to Princeton University, where Yan Huo is a Trustee with the outstanding amount payable at year end being US\$3,770,000 (2017:US\$ Nil).

During the year, the Foundation awarded grants of US\$3,175,000 (2017: US\$ Nil) to Teach for China where Yan Huo is a Director with outstanding amount payable at year end with the outstanding amount payable at year end being US\$2,116,666 (2017:US\$ Nil).

The value of facilities provided to the Foundation free of charge by Yan Huo and Xue Fang, that would otherwise have had to be purchased, such as the use of office equipment, office space and staff time 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."

17. Ultimate controlling party

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

18. Financial instruments

	2018 US\$	2017 US\$
Carrying amount of financial assets		
Debt instruments measured at amortised cost	1,168,388	273,833
Instruments measured at fair value through profit or loss	-	-
Carrying amount of financial liabilities		
Measured at amortised cost	10,548,916	2,302,441