www.gavialliance.org

GAVI Alliance Annual Financial Report 2011

The GAVI Alliance is a public-private global health partnership committed to saving children's lives and protecting people's health by increasing access to immunisation in poor countries.

The Alliance brings together developing country and donor country governments, the World Health Organization, UNICEF, the World Bank, the vaccine industry in both industrialised and developing countries, research and technical agencies, civil society organisations, the Bill & Melinda Gates Foundation and other private philanthropists.

unicef

BILL & MELINDA GATES foundation

World Health Organization

THE WORLD BANK

2 Chemin des Mines
1202 Geneva, Switzerland

+41 22 909 65 00

1776 I Street NW
Washington, DC 20006

+1 202 478 1050

Table of Contents

Discussion and Analysis

Structure and Governance

Structure

The GAVI Alliance (the "Alliance") is a global health partnership representing stakeholders in immunisation from both private and public sectors: developing world and donor governments, private sector philanthropists such as the Bill & Melinda Gates Foundation (the "Gates Foundation"), the financial community, developed and developing country vaccine manufacturers, research and technical institutes, civil society organisations and multilateral organisations like the World Health Organization (the "WHO"), the United Nations Children's Fund ("UNICEF") and the International Bank for Reconstruction and Development (the "World Bank").

Working together, Alliance members achieve objectives that no single agency or group could achieve. These objectives include accelerating access to new and underused vaccines, strengthening health and immunisation systems in countries and shaping the global vaccine market to the benefit of developing countries. This prevents millions of deaths worldwide and contributes to the achievement of the United Nations Millennium Development Goal for child health: a two-thirds reduction in the number of deaths of children under five by 2015.

In 2006, the Alliance incorporated the following two private companies in the United Kingdom. These companies were set up to rapidly accelerate the availability and enhance the predictability of funds for the Alliance's immunisation programmes:

- The International Finance Facility for Immunisation[1] ("IFFIm"), incorporated in June 2006. IFFIm uses long-term pledges from sovereign government donors as collateral to sell Vaccine Bonds in the global capital markets, making large amounts of funds immediately available for the Alliance's programmes.

- The GAVI Fund Affiliate[1] ("GFA"), incorporated in May 2006. GFA enters into pledge agreements with sovereign government donors and then assigns to IFFIm the right to receive cash payments under those agreements. Also, all cash payments from IFFIm to GAVI are channelled through GFA.

The Alliance's use of IFFIm and GFA as innovative financing mechanisms is discussed further in the *Innovative Financing Mechanisms* section on page 12 of this report.

In December 2011, the governing board of the GAVI Campaign[1] (the "Campaign") agreed to restructure the Campaign, with GAVI becoming the sole member of the Campaign. The restructuring of the Campaign resulted in closer integration of the Campaign's operations with those of GAVI. The Campaign will continue as a separate tax exempt organisation in order to facilitate private sector outreach in the United States and the integration and alignment of the Campaign's fundraising and advocacy efforts within the GAVI Alliance.

The Alliance prepared consolidated financial statements for GAVI, IFFIm, GFA and the Campaign. These financial statements commence at page 20 of this Annual Financial Report. In addition to the consolidated financial statements, the Alliance prepared standalone company financial statements for IFFIm, GFA and the Campaign. These standalone financial statements commence on pages 42, 66 and 82, respectively.

---

[1] Further information on the legal structures of GAVI, IFFIm, GFA and the Campaign on page 25 of this report.

The following table summarises the assets and liabilities of GAVI, IFFIm, GFA and the Campaign, on standalone and consolidated bases, as of 31 December 2011:

Year End Balances, in Millions of US$	GAVI	IFFIm	GFA	Campaign	Elim-inations	Consol-idated
Assets						
Cash and investments	1,963	852	245	47	-	3,107
Contributions receivable	3,835	3,404	417	-	(965)	6,691
Other assets	24	-	18	-	(19)	23
Total assets	5,822	4,256	680	47	(984)	9,821
Liabilities						
Programme grants payable	1,926	417	538	10	(983)	1,908
Bonds payable	-	2,573	-	-	-	2,573
Derivatives, accounts payable and other liabilities	58	489	-	-	(1)	546
Total liabilities	1,984	3,479	538	10	(984)	5,027
Total net assets	3,838	777	142	37	-	4,794
Total liabilities and net assets	5,822	4,256	680	47	(984)	9,821

The following table summarises the income and expenses of GAVI, IFFIm, GFA and the Campaign, on standalone and consolidated bases, for the year ended 31 December 2011:

Year End Balances, in Millions of US$	GAVI	IFFIm	GFA	Campaign	Elim-inations	Consol-idated
Revenue						
Contributions from donors	2,721	144	344	10	(563)	2,656
Investment and other income	30	8	1	-	-	39
Other revenue	9	-	-	-	-	9
Total revenue	2,760	152	345	10	(563)	2,704
Expenses						
Programme	1,231	200	208	24	(423)	1,240
Financing costs net of fair value (gains) losses	(69)	124	-	-	-	55
Administrative, fundraising and other	34	5	1	1	(4)	37
Total expenses	1,196	329	209	25	(427)	1,332
Increase (decrease) in net assets	1,563	(177)	136	(15)	(136)	1,371

Governance

The Alliance's Board of Directors (the "Board") establishes all of the Alliance's policies, oversees the operations of the Alliance and monitors programme implementation. The Alliance Board brings together experts from both the public and private sectors. Representative Board members from multilateral development agencies, donors, developing country governments, civil society, the pharmaceutical industry, and research and technical health communities help to shape the Alliance's strategic vision and policies. Independent individuals, including those with experience in the private sector, bring an innovative perspective to Board discussions and assist the Board in fulfilling its role as the Alliance's fiduciary.

The Board is supported by a secretariat with offices in Geneva, Switzerland and Washington, DC (the "Secretariat"). The Secretariat is responsible and accountable for the day-to-day operations of the Alliance, including mobilising resources to fund programmes, coordinating programme approvals and disbursements, developing policy and implementing strategic initiatives, monitoring and evaluation, legal and financial management, and administration for the Board and its Committees.

In November 2009, the Alliance established an independent internal audit function to evaluate and strengthen risk management, control and governance processes in the organisation. The work of the internal audit function extends not only to the Secretariat but also to the programmes and activities of the Alliance's grant recipients and partners.

The Alliance's internal audit function is led by a director who reports directly to both the Chief Executive Officer and the Board.

The IFFIm and GFA boards, working with the World Bank, oversee bond issuances and develop funding, liquidity and other strategies to safeguard and maximise the value of IFFIm proceeds. The IFFIm and GFA boards are comprised of experts in finance, global health, investment, auditing and accounting.

Mission and Strategic Goals

The Alliance's mission is to save children's lives and protect people's health by increasing access to immunisation in poor countries. Pursuant to this mission, in June 2010, the Board approved an Alliance strategy for 2011 to 2015 (the "Strategy"). The Strategy defines the Alliance's mission, operating principles, strategic goals, objectives and progress indicators. The GAVI Alliance Business Plan for 2011 to 2015 describes the actions to be undertaken to achieve the Strategy. It also lays out the context and challenges for the coming years. The Alliance's mission is supported by four strategic goals:

- <u>Strategic Goal 1 – the Vaccine Goal: Accelerate the uptake and use of underused and new vaccines ("SG1 Vaccines")</u>: Accelerating the uptake of new and underused vaccines is the Alliance's core business and represents the majority of its expenditure.

  In its second decade, the Alliance aims to confront the world's two biggest child killers, pneumonia and diarrhoea, by accelerating introduction of routine pneumococcal and rotavirus vaccines in the poorest countries; support will also be extended to vaccines against human papillomavirus and rubella. The Alliance will maintain momentum on yellow fever, hepatitis B and Haemophilus influenzae type b (Hib) vaccines while also supporting campaigns against yellow fever and meningitis A.

  All members of the Alliance work to support countries in their decision-making and vaccine-introduction processes by: (1) ensuring countries have the information, data, policy standards and systems they need, and (2) supporting the introduction process through technical assistance and training.

- <u>Strategic Goal 2 – the Health Systems Goal: Contribute to strengthening the capacity of integrated health systems to deliver immunisation ("SG2 Health Systems")</u>: While countries are responsible for their health systems, the Alliance's role is to help ensure that their health systems are effective in delivering vaccines. This is achieved through three strategic objectives: (1) contributing to resolving constraints in delivering immunisation, (2) increasing equity in access to services, including gender equity, and (3) strengthening civil society engagement in the health sector.

  The Alliance is working closely with other agencies including WHO, the World Bank, and the Global Fund to Fight AIDS, tuberculosis and malaria to better streamline and harmonise with country systems through the Health Systems Funding Platform.

  Through results-based financing approaches, the Alliance will ensure incentives exist at the sub-national/district levels to help countries with low immunisation coverage achieve and sustain greater than 70% coverage of the diphtheria-tetanus-pertussis vaccine.

  The Alliance will continue to raise awareness of the important role the Secretariat plays in immunisation and child health, and to encourage Secretariat engagement in the national planning and implementation processes.

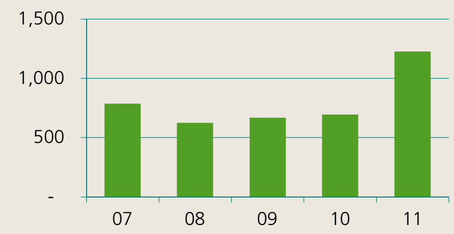
- <u>Strategic Goal 3 – the Financing Goal: Increase the predictability of global financing and improve the sustainability of national financing for immunisation ("SG3 Financing")</u>: The Alliance's resource mobilisation priorities entail: (1) working to secure timely receipt of funds pledged, (2) expanding and extending existing donor commitments, and ensuring further pledges to meet the rapidly accelerating demand for new vaccines, (3) maximising funds pledged conditional on additional funds being raised in the future, (4) broadening the public and private donor base and private sector engagement, and (5) developing and implementing new innovative financing mechanisms.

  Co-financing ensures financial commitment to vaccine introduction by requiring countries to share in the cost of vaccines. For the period 2011 to 2015, the Alliance's efforts will focus on ensuring political commitment for co-financing in low and lower-middle-income countries. The Alliance will also work towards full transition to sustainable financing in countries graduating from the Alliance support after 2015.

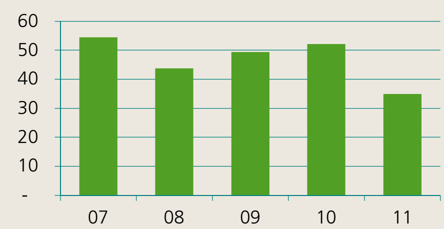
- Strategic Goal 4 – the Market Shaping Goal: Shape vaccine markets ("SG4 Market Shaping"): The Alliance's success depends upon the vaccine markets providing appropriate and affordable vaccines. Shaping markets has always been implicit in the Alliance's work but is an explicit goal in the Strategy for 2011 to 2015 to provide a renewed focus on this area of work. With plans to introduce a larger portfolio of vaccines in the poorest countries, it is imperative that the Alliance continues to innovate and shape a larger number of markets by: (1) ensuring adequate supply to meet demand, sourcing a sustainable supply through a diverse supplier base, and procuring products that best meet countries' needs, and (2) minimising costs of vaccines to the Alliance and countries by assuring a long-term affordable price that can be sustainably financed by developing countries.

  The Alliance aims to achieve the abovementioned objectives through: (1) continued strengthening and dissemination of forecasting to ensure credible signals to manufacturers, and (2) innovative approaches to making demand more predictable, accelerating vaccine development, increasing levels of production, and improving vaccine portfolio management to ensure efficient and effective vaccine procurement and supply-chain management.

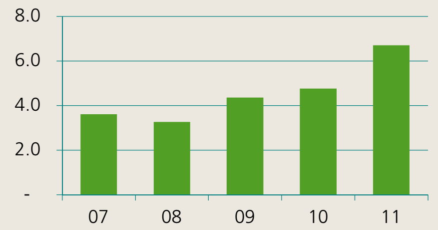
Key Performance Indicators

Indicator	Definition	Five-Year History
Cash proceeds from donors and investors **2011: US$ 1.2 billion** 2010: US$ 696 mil 2009: US$ 668 mil 2008: US$ 624 mil 2007: US$ 787 mil	Cash receipts from GAVI's direct donors plus cash receipts by GAVI through IFFIm. Direct cash receipts include cash received pursuant to the AMC innovative financing mechanism.	

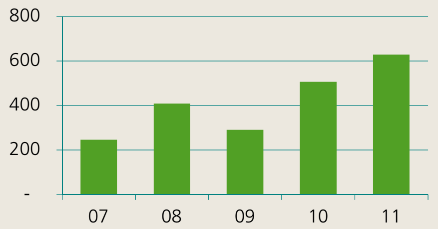
Continued support from donors and investors is fundamental to the achievement of all of the Alliance's strategic goals. Cash receipts from these donors and investors indicate that the Alliance has received a strong and consistent level of support. Cash receipts have increased steadily from 2008 to 2011 and the Secretariat forecasts that this trend will continue in the future.

Indicator	Definition	Five-Year History
Percentage of funds received from innovative financing mechanisms **2011: 35 percent** 2010: 52% 2009: 49% 2008: 44% 2007: 54%	Total cash receipts by GAVI through IFFIm and the AMC as a percentage of total cash receipts in each year from all of GAVI's donors and investors.	

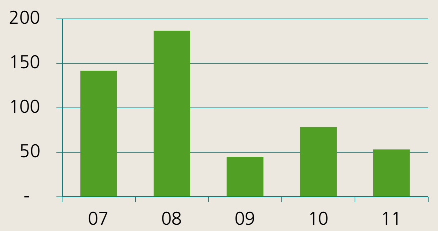
As described in the *Innovative Financing Mechanisms* section on page 12 of this report, the Alliance's innovative financing mechanisms are an integral part of its strategy for achieving all four of its strategic goals. Since the inception of IFFIm in 2006, the Alliance has generated over 30% of each year's cash receipts from innovative financing mechanisms. This reflects the Alliance's strong commitment to developing and maintaining its innovative financing mechanisms.

Indicator	Definition	Five-Year History
Total multi-year pledges **2011: US$ 6.7 billion** 2010: US$ 4.7 bil 2009: US$ 4.4 bil 2008: US$ 3.3 bil 2007: US$ 3.6 bil	Year-end fair value of multi-year pledges as presented on the Alliance's consolidated statements of financial position.	

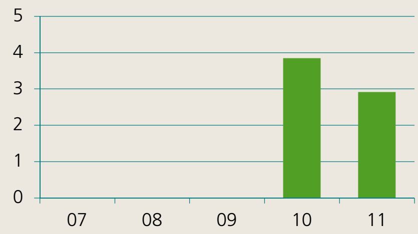
In order to achieve its SG3 Financing goal, the Alliance requires sufficient long-term multi-year pledges to provide implementing countries with a predictable and stable funding environment. The Alliance's multi-year pledges have increased by 86% from 2007 to 2011, enabling it to provide such a funding environment. The significant increase in multi-year pledges in 2011 resulted from the Alliance's first pledging conference in June 2011.

Indicator	Definition	Five-Year History
New and underused vaccines programme disbursements **2011: US$ 628 million** 2010: US$ 506 mil 2009: US$ 291 mil 2008: US$ 408 mil 2007: US$ 246 mil	Cash disbursed for vaccine procurement and to implementing countries for the purpose of accelerating the introduction and uptake of new and underused vaccines.	

Under its SG1 Vaccines goal, the Alliance aims to accelerate the uptake and use of underused and new vaccines ("NVS"). The level of NVS programme disbursements is directly correlated with the rate of uptake of these vaccines and, therefore, provides an indication of the Alliance's progress toward achieving its goal. NVS programme disbursements have increased by 155% from 2007 to 2011, reflecting significant progress in the last five years.

Indicator	Definition	Five-Year History
Health systems strengthening programme disbursements **2011: US$ 53 million** 2010: US$ 78 mil 2009: US$ 45 mil 2008: US$ 186 mil 2007: US$ 142 mil	Cash disbursements made to implementing countries for the purpose of strengthening their health systems.	

Under its SG2 Health Systems goal, the Alliance aims to help strengthen the capacity of implementing countries' integrated health systems. From 2007 to 2011, the Alliance has disbursed US$ 504 million to implementing countries to help bolster their health systems.

Indicator	Definition	Two-Year History
Percentage overhead expenses **2011: 2.90 percent** 2010: 3.69%	Overhead expenses as a percentage of total expenses. Note that, due to changes in the Alliance's expenses allocation methodology, overhead expenses for 2009 and prior are not comparable to current expenses and are, therefore not presented.	

In order to maximise the amount of funds available for programmatic activities, the Alliance's administrative overhead must be kept as low as possible. The Alliance's percentage overhead expenses were below 4% in both 2011 and 2010.

For the purposes of calculating the Alliance's percentage overhead expenses amounts above, overhead expenses are the aggregate of the Alliance's fundraising, management and general expenses. Overhead expenses exclude indirect programme expenses such as those expenses related to programme implementation and performance monitoring.

The components of the Alliance's percentage overhead expenses were:

Indicator	2011	2010
Management and general expenses percentage	1.17%	1.79%
Fundraising expenses percentage	1.72%	1.90%
Total overhead expenses percentage	2.90%	3.69%

The Alliance's fundraising, management and general expenses were as follows:

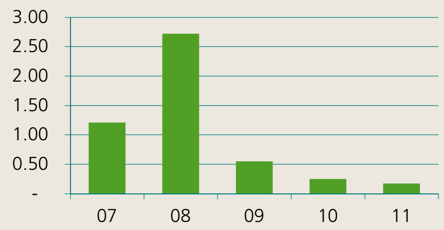
In Millions of US$	2011	2010
Management and general expenses	15	17
Fundraising overhead expenses	22	18
Total overhead expenses	37	35

Certain departments within the Secretariat conduct activities that have programmatic and fundraising, as well as management and general components. The cost of conducting these activities ("Joint Costs") were allocated as follows:

In Millions of US$	2011	2010
Joint Costs allocated to programmes	9	9
Joint Costs allocated to fundraising	8	8
Joint Costs allocated to management and general	6	6
Total Joint Costs	23	23

For the purposes of calculating the Alliance's percentage overhead expenses amounts above, total expenses are the aggregate of the Alliance's direct and indirect programme expenses, and overhead costs. Total expenses exclude financing costs and all fair value gains and losses. Total expenses were determined as follows:

In Millions of US$	2011	2010
Direct country programme expenses	1,153	835
Secretariat programme implementation expenses	25	21
Partners' programme implementation expenses	62	57
Total programme expenses	1,240	913
Total overhead expenses	37	35
Total non-programme expenses	37	35
Total expenses, excluding financing expenses and fair value gains and losses	1,277	948

Indicator	Definition	Five-Year History
Percentage net finance costs **2011: 0.17 percent** 2010: 0.25% 2009: 0.55% 2008: 2.72% 2007: 1.21%	Net interest expense as a percentage of average bonds payable balance for the year. Interest expense is net of the impact of swaps transaction. Average bond payable for the year is the average of the nominal monthly balances.	

The Alliance's net interest expense amounts and average bond balances were as follows:

In Millions of US$, except Percentages	2011	2010	2009	2008	2007
Net interest expense on bonds after impact of swaps	6	7	12	33	14
Average nominal value of bonds for the year	3,465	2,839	2,190	1,214	1,161
Percentage net financing costs	0.17%	0.25%	0.55%	2.72%	1.21%

The Alliance incurs financing costs on Vaccine Bonds issued by IFFIm. In order to minimise these financing costs, IFFIm has done the following:

- Put in place a liquidity policy that allows it to maintain a high credit rating. As a result of this high credit rating, IFFIm's borrowing rates to date have historically been better than if the donors had raised their share of IFFIm's funding individually in their own markets.

- Entered into currency and interest rate swaps to hedge against IFFIm's exposure to currency and interest rate fluctuations impacting its Vaccine Bonds and related interest expense.

The Alliance's low percentage net financing costs over the last four years indicates that IFFIm's liquidity and hedging policies have been appropriately designed and effectively executed.

Innovative Financing Mechanisms

Benefits of Innovative Financing Mechanisms

Innovative financing mechanisms help the Alliance to:

- Diversify its funding portfolio: Innovative financing mechanisms attract capital from a variety of public and private sources. They aim to attract funds that are committed for longer periods of time.

- Adapt to the needs of implementing countries, donors and investors: Innovative financing mechanisms help match the capacity and preferences of donors and investors with the needs of implementing countries to rapidly scale up vaccine coverage, lower disease prevalence and accelerate introduction of new and underused vaccines.

- Provide predictable and flexible resources: Funding predictability has enabled countries to implement multi-year programmes that fundamentally improve the quality of and access to health care services. Flexible resources allow the Alliance to access alternate funding resources as funding constraints emerge, avoiding programme disruption.

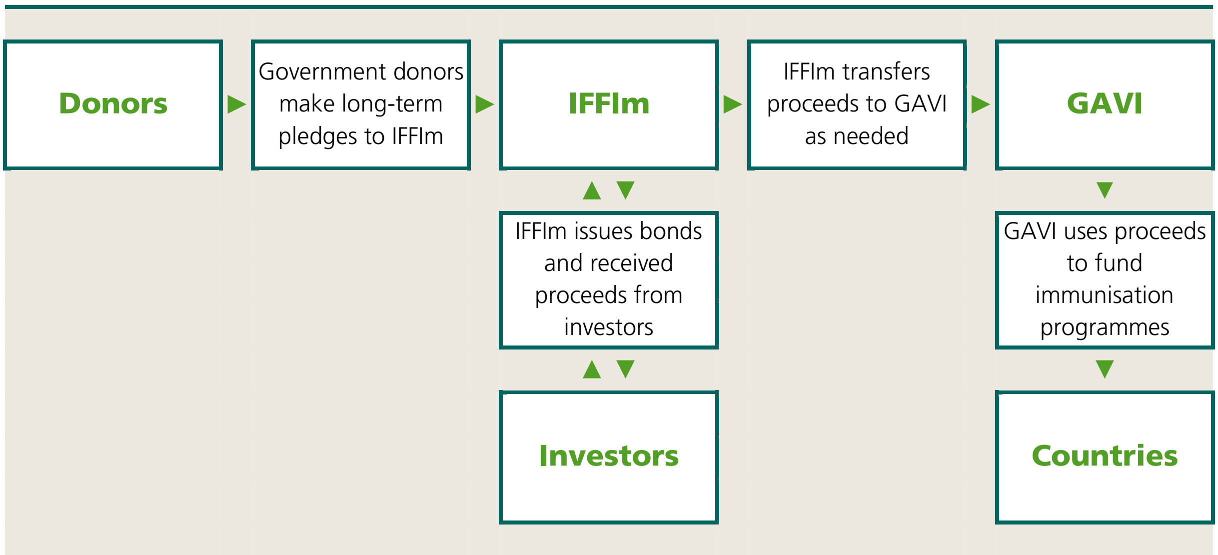
- Respond to the United Nations Millennium Development Goals: The Alliance and immunisation are critical to achieving the United Nations Millennium Development Goal for child health: a two-thirds reduction in the number of deaths of children under five by 2015. Additional resources provided from innovative financing mechanisms help the Alliance accelerate funding for the introduction of vaccines and strengthen health systems.

- Shape markets: The Alliance's use of innovative financing helps meet country demand, grow markets, attract manufacturers and reduce prices. This makes donor resources go further and increases the ability of countries to fund vaccines in the long-term.

The International Finance Facility for Immunisation

IFFIm is an innovative financing mechanism that, working together with GFA, converts long-term government commitments into immediately available cash resources by issuing bonds on the capital markets. IFFIm was created in 2006 to accelerate the availability and predictability of funds for the Alliance's immunisation programmes. IFFIm has enabled the Alliance to double its spending on immunisation programmes.

IFFIm is backed by the Governments of the United Kingdom, France, Italy, Norway, Australia, Spain, the Netherlands, Sweden and South Africa, which together have pledged to contribute more than US$ 6 billion to IFFIm over 24 years[2]. These long-term government pledges are used as collateral to raise funds on the global capital markets by issuing Vaccine Bonds. Cash receipts from the donor governments are then used to repay IFFIm bonds.



[2] Further information on donor pledges to IFFIm is on page 96 of this report.

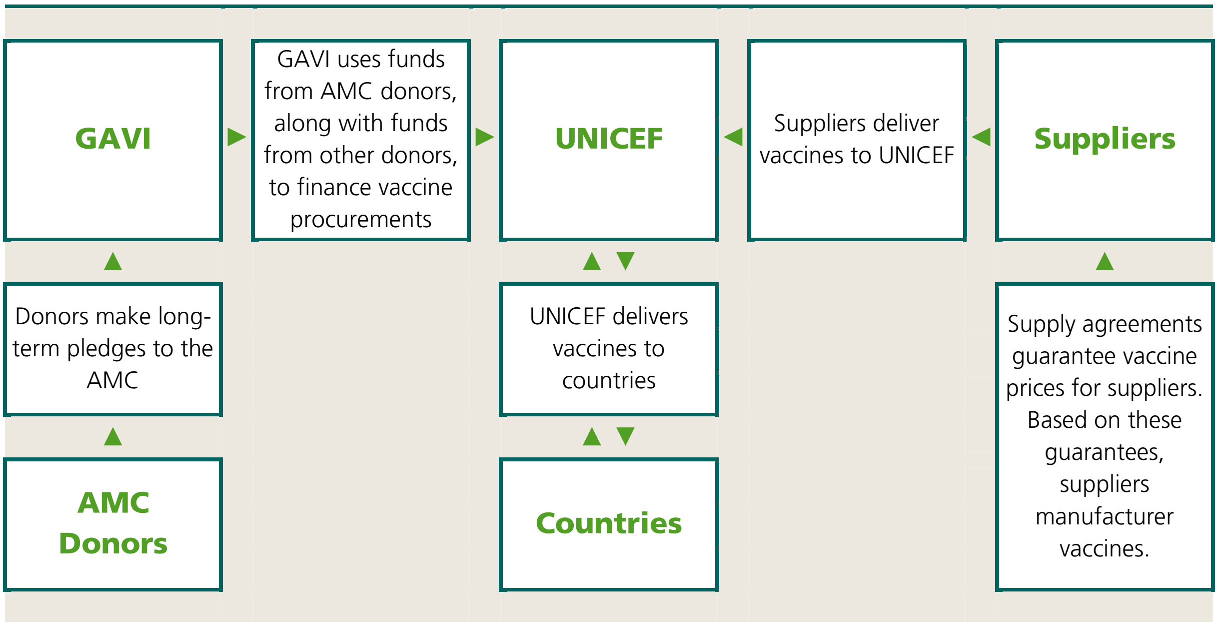
The conversion of long-term commitments into immediate cash produces a front-loading effect that is well suited to vaccination programmes. Having immediately available resources ensures a near-term positive impact on public health that strengthens and protects future generations.

Vaccine Bonds also provide investors with a socially responsible investment opportunity, and raise awareness about the Alliance and its mission. Vaccine Bonds have proved popular with both institutional and individual investors, raising US$ 3.6 billion since IFFIm's inception in 2006.

The Advance Market Commitment for Pneumococcal Vaccine

The Advance Market Commitment for Pneumococcal Vaccine (the "AMC") aims to encourage the development and production of affordable vaccines tailored to the needs of developing countries. Following the announcement of the governments of Italy, the United Kingdom, Canada, the Russian Federation, Norway and the Gates Foundation, who collectively pledged a total of US$ 1.5 billion to fund the programme, the AMC was designed to stimulate the late stage development and manufacture of affordable pneumococcal vaccines for the poorest countries.

Under the AMC arrangement, donors commit funds to guarantee the price of vaccines once they have been developed. These financial commitments provide vaccine manufacturers with an incentive to invest in late stage vaccine development, and expand manufacturing capacity. In exchange, the vaccine manufacturers sign legally-binding commitments to provide the vaccines at a pre-agreed long-term price to developing countries.



The overarching goal of the pilot AMC is to reduce morbidity and mortality from pneumococcal diseases, preventing an estimated 7 million childhood deaths by 2030. The objectives of the pneumococcal AMC are:

- To accelerate the development of pneumococcal vaccines to meet developing country needs.
- To bring forward the availability of effective pneumococcal vaccines for developing countries by guaranteeing the initial purchase price, for a limited quantity of the new vaccines, that represents value for money and incentivises manufacturers to invest in scaling-up production capacity to meet developing country vaccine demand.
- To accelerate vaccine uptake by ensuring predictable vaccine pricing for countries and manufacturers, for example through binding commitments by participating companies to supply vaccines at low, long-term and sustainable prices after the AMC's funding is depleted.
- To test the effectiveness of the AMC mechanism as an incentive for supplying much needed vaccines and to learn lessons for developing possible similar initiatives in the future.

The Matching Fund

The Matching Fund is a major new private sector fundraising programme designed to raise US$ 260 million for immunisation by the end of 2015.

Under the initiative, the United Kingdom Department for International Development ("DFID") and the Gates Foundation have pledged approximately US$ 130 million combined – £ 50 million and US$ 50 million, respectively - to match contributions from corporations, foundations and other organisations, as well as from their customers, members, employees and business partners.

The Matching Fund will allow the Alliance to deliver more life-saving vaccines to the lowest income countries. Healthy children lead to healthy communities and healthy societies.

The Matching Fund also attracts advocates for the cause of immunisation and who provide core business skills to help address technological and logistical challenges to immunisation.

The Matching Fund process comprises three key steps:

(1) A private sector partner makes a financial pledge to the Alliance.

(2) The Alliance works with the partner to find ways to engage customers, employees, business partners or others to contribute through the Matching Fund.

(3) Between now and the end of 2015, every donation to the Alliance through the Matching Fund by the private sector partner, its customers, employees and business partners is matched either by DFID, in the case of UK based entities, or by the Gates Foundation. 100% of the funds go to the Alliance for immunisation programmes in developing countries.

Financial Overview

Overview of Assets and Liabilities

The following table summarises GAVI's consolidated assets and liabilities as of 31 December 2011, 2010 and 2009:

In Millions of US$, except Percentages	2011	2010	2009	Change, 2010 to 2011	Change, 2009 to 2010
Assets					
Cash and investments	3,107	3,280	2,370	(5)%	38%
Contributions receivable	6,691	4,753	4,351	41%	9%
Derivatives and other assets	23	168	72	(86)%	134%
Total assets	9,821	8,201	6,793	20%	21%
Liabilities					
Programme grants payable	1,908	1,360	848	40%	60%
Bonds payable	2,573	3,408	2,609	(25)%	31%
Derivatives, accounts payable and other liabilities	547	10	12	5,580%	(19)%
Total liabilities	5,028	4,778	3,469	5%	38%
Total net assets	4,793	3,423	3,324	40%	3%
Total liabilities and net assets	9,821	8,201	6,793	20%	21%

The Alliance's financial position remained strong during 2010 and 2011. Its total assets increased by 20% during both 2010 and 2011. The increase during 2011 in the Alliance's total assets was due to a 41% increase in contributions receivable. This increase is discussed below:

- Increases in contributions receivable: In June 2011, major public and private donors committed US$ 4.3 billion to the Alliance at its first pledging conference. During the six months after the pledging conference until 31 December 2011, many of the donors who committed funds at the conference signed grant agreements with the Alliance pursuant to their pledges at the conference. Most notably, the Gates Foundation and the United Kingdom signed multi-year grant agreements for US$ 967 million and £ 874 million in November 2011 and December 2011, respectively. As described in the *Significant Accounting Policies* section on page 26 of this report, pledges from donors are recorded as assets on the dates that the donors sign the grant agreements. Therefore, US$ 667 million and £ 690 million were recognised as contributions receivable upon signing of the agreements by the Gates Foundation and the United Kingdom, respectively. Primarily as a result of the above, the Alliance's contributions receivable balance increased during 2011 by US$ 1.9 billion, or 41%, to US$ 6.7 billion as of 31 December 2011.

Other significant changes in the Alliance's assets were as follows:

- Changes in cash and investments: IFFIm has a liquidity policy requiring it to maintain sufficient cash and investments to redeem all bonds maturing within 12 months[3]. IFFIm's inaugural US$ 1 billion Vaccine Bond, which was issued in November 2006, matured in November 2011. Therefore, under its policy, IFFIm maintained elevated cash and investments of US$ 1.8 billion as of 31 December 2010 in order to have sufficient liquidity to redeem this bond while still meeting its commitments to GAVI. As bonds maturing during 2012 are approximately US$ 590 million, compared to US$ 1 billion in 2011, IFFIm was able to decrease its balance of cash and investments to US$ 1.1 billion as of 31 December 2011 while still being in compliance with its liquidity policy.

  The abovementioned decrease in IFFIm's cash and investments was offset by an increase GAVI's procurement account deposits. GAVI's programmatic activity increased steadily from 2009 to 2011. As a result, GAVI had to maintain higher balances in the procurement bank accounts used by UNICEF to purchase vaccines on GAVI's behalf. During 2010 and 2011, the total balances of cash in procurement bank accounts increased by 167% to US$ 420 million, and by 32% to US$ 556 million, respectively.

  The net effect of the abovementioned factors were a 38% increase in the Alliance's cash and investments during 2010 and 5% decreased in cash and investments during 2011.

The Alliance's total liabilities increased by 38% and 5% during 2010 and 2011, respectively. The 38% increase in 2010 was primarily due increases in programme grants payable and bonds payable. In 2011, programme grants payables and derivative liabilities increased, but these increases was partially offset by a decrease in bonds payable to give a net increase in liabilities of 5%:

- Changes in bonds payable: IFFIm has continued to raise funds on the global capital market. IFFIm issued six new bonds during 2010 and four new bonds in 2011[4]. IFFIm had relatively small bond redemptions offsetting new issuances during 2010 and, therefore, net bonds payables payable increased by 31% during 2010. However, during 2011, IFFIm redeemed its US$ 1 billion inaugural Vaccine Bond, resulting in a 25% net decrease in bonds payable during the year.

- Increases in programme grants payable: The Alliance continued to experience strong and increased demand from implementing countries for vaccine and related programmes. This increased demand, along with greatly increased financial resources from its June 2011 pledging conference, has allowed the Alliance to increase its programmatic activity in both 2010 and 2011. This increased programmatic activity is reflected in the Alliance's programme grants payable balances, which increased by 60% to US$ 1.4 billion during 2010, and by 40% to US$ 1.9 billion during 2011.

- Change in derivatives balance: The Alliance's derivatives position changes from the net asset position in 2010 to a net liability position in 2011. The change was primarily due to an increase in the derivative liability related to swaps used to by IFFIm to hedge its sovereign pledges. All else being equal, the abovementioned derivative liability shall reverse over time as payments are received from IFFIm donors and the swaps positions related to those payments are unwound. See the *Hedging Market Risks* section on page 17 of this report for further information on IFFIm's currency and interest swap arrangements.

---

[3] Further information on IFFIm's liquidity policy is on page 55 of this report.

[4] Further information on IFFIm's issued bonds is on page 53 of this report.

Overview of Income and Expenses

The following table summarises GAVI's consolidated income and expenses for the years ended 31 December 2011, 2010 and 2009:

In Millions of US$, except Percentages	2011	2010	2009	Change, 2010 to 2011	Change, 2009 to 2010
Revenue					
Contributions from government and private donors	2,656	668	2,360	298%	(72)%
Investment and other income	39	54	40	(28)%	36%
Other revenue	9	1	1	840%	22%
Total revenue	2,704	723	2,401	274%	(70)%
Expenses					
Programme	1,240	913	643	36%	42%
Net interest expense on bonds after impact of swaps	6	7	12	(14)%	(42)%
Other fair value (gains) losses	49	(264)	35	(118)%	(854)%
Administrative, fundraising and other	37	35	52	6%	(37)%
Total expenses	1,332	691	742	93%	(7)%
Increase (decrease) in net assets	1,372	32	1,659	4,188%	(98)%

The Alliance's recorded contribution revenue for 2009, 2010 and 2011 was driven primarily by the following:

- 2009 Contribution Revenue: At US$ 2.4 billion for the year, contribution revenue for 2009 was high primarily due to the launch of the pneumococcal AMC during that year. As discussed in the *Innovative Financing Mechanisms* section above, the AMC was launched in June 2009 with US$ 1.5 billion in multi-year pledges from several donors. The initial fair value of these pledges was recorded as contribution revenue in 2009.

- 2010 Contribution Revenue: Contribution revenue for 2010 of US$ 931 million[5] reflected continued support of the Alliance by government and private donors. In addition to direct contributions to GAVI, this support included new pledges to IFFIm from the United Kingdom and the Kingdom of Norway. The initial fair values of these pledges were US$ 226 million and US$ 176 million, respectively.

- 2011 Contribution Revenue: The Alliance recorded revenue of US$ 2.7 billion for 2011. This high contribution revenue amount was primarily due to grants agreements signed by several public and private donors, pursuant to the commitments these donors' made at the Alliance's June 2011 pledging conference. Some grant agreements, such as those from the United Kingdom and the Gates Foundation were multi-year pledges whose initial fair values were recorded as 2011 revenue in accordance with the Alliance's accounting policies. Other grants took the form of annual contributions, which were recorded as revenue as the funds were received by the Alliance.

The Alliance's investment and other income increased by 36% in 2010. In the latter part of 2008, there were severe downturns in the economies of the United States and other developed nations. As a result of this, the Alliance incurred investment losses during 2008. However, as the markets recovered in 2009 and 2010, the Alliance experienced positive returns on its investments. The Alliance recorded lower investment income in 2011 primarily due lower interest rates in United States and Europe.

The Alliance's programme expenses increased by 42% and 36% in 2010 and 2011, respectively. These increases are consistent with the increases in the related programme grants payable balance, which are discussed in the *Overview of Assets and Liabilities* section on page 14 of this report.

[5] This US$ 931 million revenue amount includes US$ 668 million of new pledges received during 2010, which is presented as contribution revenue in the table above. The US$ 931 million also includes fair value gains during 2010 on GAVI's contributions receivable, which are included in other fair value gains (losses) in the table above.

Overview of Cash Flows

The following table summarises GAVI's consolidated cash flows for the years ended 31 December 2011, 2010 and 2009:

In Millions of US$, except Percentages	2011	2010	2009	Change, 2010 to 2011	Change, 2009 to 2010
Net cash from (used in) operating activities	423	(6)	(105)	(10,875)%	(96)%
Net cash from (used in) investing activities	239	(523)	(948)	(146)%	(45)%
Net cash from (used in) financing activities	(615)	637	1,163	(198)%	(45)%
Net change in cash	47	108	110	(56)%	(2)%
Cash as of the beginning of the year	398	290	180	37%	61%
Cash as of the end of the year	445	398	290	12%	37%

Net cash from (used in) operating activities is driven mainly by cash receipts from donors and cash payments to implementing countries, procurement agents, partners and vendors for programmatic and administrative purposes. In 2009 and 2010, the Alliance had net cash outflows from operating activities, indicating that receipts from donors were marginally less than required to cover cash expenditures. This situation, however, improved in 2010 with a net cash inflow on operating activities of US$ 430 million. The 2011 net cash inflow was, in large part, due to cash received from donors pursuant to the commitments they made to the Alliance during its June 2011 pledging conference.

Net cash from financing activities is comprised of the proceeds from Vaccine Bond issuances, while net cash used in investing activities mainly relates to the investment of these bond proceeds before they are used to fund GAVI programmes or redeem bonds.

The Alliance's cash receipts from donors and investors were as follows:

In Millions of US$, except Percentages	2011	2010	2009	Change, 2010 to 2011	Change, 2009 to 2010
Sovereign governments and the European Community	513	253	256	103%	(1)%
Gates Foundation and other private donors	285	80	82	257%	(2)%
IFFIm and other innovative financing mechanisms	428	363	330	18%	10%
Total cash receipts from donors and investors	1,227	696	668	76%	4%

Hedging Market Risks

Several of IFFIm's contributions receivable and bonds payable are denominated in currencies other than the United States dollar. Therefore, IFFIm is exposed to the risk of financial loss or unpredictable cash flows resulting from fluctuations in foreign exchange rates. Since all of the Alliance's programme expenses are incurred in United States dollars and predictability of funding is essential to the Alliance's mission, IFFIm has entered into currency swap contracts with the World Bank to mitigate the aforementioned risks. Under these contracts, IFFIm has effectively swapped foreign currency receipts from its donors and payments to its investors with United States dollar receipts from, and payments to, the World Bank.

In addition to the abovementioned foreign exchange risks, IFFIm is also exposed to potential changes in the value of its contributions receivable and bonds payable resulting from fluctuation in interest rates. In order to mitigate this risk, IFFIm has entered into interest rate swap contracts with the World Bank. Under these contracts, IFFIm has effectively swapped its contributions receivable into floating rate receivables from the World Bank and its bonds payable into floating rate payables to the World Bank.

Recent Events

In January 2012, S&P downgraded IFFIm by one notch from AAA to AA+, following S&P's rating actions announced on 13 January 2012 for certain euro zone countries that provide grants to IFFIm. Details of these actions are included in Note 17 to the financial statements. S&P had earlier stated in an analysis of IFFIm that it considers IFFIm's credit rating to be closely associated with the rating of its largest Grantors. As of 14 June 2012, IFFIm was rated Aaa by Moody's Investor Services, AAA by Fitch Ratings, and AA+ by S&P.

The abovementioned downgrades of IFFIm's and Grantors' credit ratings have not had any significant adverse impact on IFFIm's current ability to raise funds, approve programmes or make disbursements to GFA for GAVI programmes. The trustees shall continue to monitor Grantors' credit ratings and manage the related risk in collaboration with GAVI and the World Bank.

Future Plans

Meeting Future Vaccine Demand

In June 2011 the Alliance's assured resources for 2011 to 2015 increased from US$ 3.3 billion to US$ 7.6 billion as a result of new commitments made by donors at the Alliance's pledging conference. Hence, the Alliance is now well placed to respond to the rising demand for GAVI vaccines and accelerate the introduction of new vaccines. The Alliance will also be able to respond to additional demand to reach more children faster than previously planned and to accelerate the introduction of new vaccines.

The following table summarises estimated future cash inflows from donors and investors:

In Millions of US$	**2012 to 2015**
Confirmed direct contributions to GAVI	4,156
Proceeds from IFFIm bond issuances	1,180
Proceeds from AMC contributions	905
Estimated investment and other income	100
Total estimated future cash inflows for donors and investors	6,341

The following table summarises estimated future cash outflows for programmatic and administrative activities:

In Millions of US$	**2012 to 2015**
Existing programmes	4,508
Future programmes	1,898
Partner programme implementation and overhead expenses	701
Total expected cash outflows	7,107

Response to Measles Outbreaks

At its June 2012 meeting, the Board approved, on an exceptional basis, the establishment of necessary arrangements to provide GAVI support to six large countries at high risk of measles outbreaks. The six countries are Afghanistan, Chad, the Democratic Republic of Congo, Ethiopia, Nigeria and Pakistan. GAVI will provide these countries with support for a measles vaccine and related operational costs. GAVI will contribute up to an additional US$ 162 million, from 2012 to 2017, to a global effort to control and prevent measles outbreaks in developing countries until countries roll out the combined measles-rubella vaccine with GAVI support. This funding will help the countries bridge critical gaps in their efforts to build sustainable systems to control this deadly disease.

Measles is highly infectious and can cause serious illness, life-long disability, and death. In 1980, before widespread use of a global vaccine, an estimated 2.6 million people died worldwide. Increased routine vaccination has led to a

74% drop in measles mortality, from an estimated 535 thousand in 2000 to 139 thousand in 2010. Rubella is the leading cause of vaccine-preventable birth defects leading to life-long disabilities.

Preparation of the Annual Financial Report

Responsibility for Financial Statements

The Secretariat is responsible for the preparation of the Alliance's financial statements and related information that is presented in this report. The consolidated financial statements and the Campaign financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The IFFIm and GFA financial statements have been prepared in conformity with accounting principles generally accepted in the United Kingdom. The Alliance's financial statements include amounts based on estimates and judgments made by the Secretariat. The Company engaged KPMG to audit and opine on the Alliance's financial statements.

The Alliance designs and maintains accounting and internal control systems to provide reasonable assurance at reasonable cost that assets are safeguarded against loss from unauthorised use or disposition, and that the financial records are reliable for preparing financial statements and maintaining accountability for assets. These systems are augmented by written policies, an organizational structure providing division of responsibilities, careful selection and training of qualified personnel, and a program of internal audits.

The Board, through its Audit and Finance Committee, meets periodically with the Secretariat, internal auditor, and KPMG to ensure that each is meeting its responsibilities, and to discuss matters concerning internal controls and financial reporting. KPMG and the internal auditor each have full and free access to the Audit and Finance Committee.

Forward-Looking Information

Certain information contained in this *Discussion and Analysis* constitutes forward-looking information. This forward-looking information relates to the future financial conditions and results of activities of the Alliance. The information represents the Secretariat's current expectations and estimates about the business environments in which the Alliance operates and the Secretariat's beliefs and assumptions regarding these environments. This forward-looking information is subject to important risks and uncertainties which are difficult to predict and assumptions which may prove to be inaccurate. The results or events predicted in the forward-looking information contained in this *Discussion and Analysis* may differ materially from actual results or events.

Presentation of Certain Information in Financial Statements

Change in Reporting Entity: In December 2009, Alliance completed a reorganisation of its legal and governance structure. This reorganisation resulted in the Alliance's financial reporting entity changing from the GAVI Fund, a United States based entity, to the GAVI Alliance, a Swiss entity. Therefore, for the purposes of this *Discussion and Analysis*, historical financial information for 2007 and 2008 is for the GAVI Fund reporting entity. For 2009 to 2011, the information relates to the GAVI Alliance reporting entity.

Presentation of Expenses: During 2010, the Board approved a change to the Alliance's process for budgeting and tracking its expenses. This change was effective 1 January 2011 and resulted in an all-inclusive Business Plan that placed increased emphasis on the Alliance's strategic priorities. Pursuant to this change in the budgeting process, the Secretariat revised how expenses are classified and presented in the Alliance's financial statements in order to align such presentation with how these expenses are being managed under the new Business Plan.

Reclassifications: Certain short-term money market accounts have been reclassified from investments to cash to better align their presentation with the way they are managed. The corresponding accounts in the prior year have also been reclassified to conform to the current year presentation.

Consolidated Financial Statements

Consolidated Statements of Financial Position

In Thousands of US$	Note	As of 31 December 2011	As of 31 December 2010
Assets			
Cash		444,642	397,766
Receivables, prepaid expenses and other assets		23,365	27,344
Net receivable for currency and interest rate swaps	3	-	140,470
Investments	4	1,010,240	703,787
Pooled investments	4	1,095,646	1,757,966
Restricted cash	6	556,175	420,173
Contributions receivable	5	6,691,038	4,753,574
Total assets		9,821,106	8,201,080
Liabilities and net assets			
Liabilities			
Accounts payable and other liabilities		59,339	9,613
Programme grants payable	7	1,245,895	870,896
Procurement accounts payable	6	662,279	489,421
Net payable for currency and interest rate swaps	3	486,687	-
Bonds payable	8	2,573,414	3,408,509
Total liabilities		5,027,614	4,778,439
Net assets			
Unrestricted		(184,474)	390,739
Temporarily restricted	9	4,977,966	3,031,902
Total net assets		4,793,492	3,422,641
Total liabilities and net assets		9,821,106	8,201,080

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Activities

In Thousands of US$	Note	Year Ended 31 December 2011	Year Ended 31 December 2010
Unrestricted			
Revenue			
Contributions from government and private donors		421,416	250,972
Investment income	10	38,850	54,518
Net fair value gains on contributions receivable		-	21,884
Net fair value gains on derivatives	11	-	239,523
Other revenue		9,305	990
Release of net assets		654,864	599,341
Total revenue		1,124,435	1,167,228
Expenses			
Programme		1,240,130	913,060
Management and general		14,774	16,743
Net financing (income) expenses	12	(37,962)	300,159
Fundraising		22,378	18,699
Net fair value losses on derivatives	11	453,228	-
Foreign currency transaction adjustment		7,100	987
Total expenses		1,699,648	1,249,648
Change in unrestricted net assets		(575,213)	(82,420)
Temporarily restricted			
Contributions from government and private donors		2,234,225	416,815
Net fair value gains on contributions receivable		386,032	298,480
Foreign currency transaction adjustment		(19,329)	(722)
Release of net assets		(654,864)	(599,341)
Change in temporarily restricted net assets		1,946,064	115,232
Net assets as of the beginning of the year			
Unrestricted		390,739	473,159
Temporarily restricted		3,031,902	2,916,670
Total net assets as of the beginning of the year		3,422,641	3,389,829
Net assets as of the end of the year			
Unrestricted		(184,474)	390,739
Temporarily restricted	9	4,977,966	3,031,902
Net assets as of the end of the year		4,793,492	3,422,641

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

In Thousands of US$	Year Ended 31 December 2011	Year Ended 31 December 2010
Net cash flows from operating activities		
Change in net assets	1,370,851	32,812
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realised and unrealised foreign exchange transaction adjustment	19,933	184,100
Increase (decrease) in fair value of borrowings	(216,316)	172,572
(Increase) decrease in fair value of contributions receivable	(386,033)	130,887
Depreciation expense	2,123	2,536
Realised and unrealised gains on investments	(20,797)	(43,787)
Changes in assets and liabilities:		
Receivables, prepaid expenses and other assets	3,397	19,857
Receivable for currency and interest rate swaps	136,739	(129,461)
Contributions receivable	(1,571,364)	(723,222)
Accounts payable and accrued liabilities	49,726	(3,200)
Programme grants payable	374,999	(39,029)
Procurement accounts payable	172,858	389,594
Payable for currency and interest rate swaps	486,687	-
Net cash provided by (used in) operating activities	422,803	(6,341)
Cash flows from investing activities		
Restricted cash for long-term purposes	(136,002)	(302,967)
Purchase of fixed assets	(1,541)	(217)
Purchase of investments	(1,352,036)	(965,897)
Sales of investments	1,728,700	746,346
Net cash provided by (used in) investing activities	239,121	(522,735)
Cash flows from financing activities		
Proceeds from bond issuances	384,952	869,536
Redemption of bonds	(1,000,000)	(232,466)
Net cash provided by (used in) financing activities	(615,048)	637,070
Net change in cash	46,876	107,994
Cash as of the beginning of the year	397,766	289,772
Cash as of the end of the year	444,642	397,766
Supplemental disclosures		
Cash paid for interest	170,743	128,960

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Functional Expenses

Year Ended 31 December 2011, in Thousands of US$	Programme Expenses	Management and General Expenses	Financing Expenses	Fundraising Expenses	Total Expenses
Direct programme expenses	1,153,024	-	-	-	1,153,024
Programme implementation	61,625	-	-	-	61,625
Total programme expenses	1,214,649	-	-	-	1,214,649
Payroll and benefits	12,604	6,656	-	10,662	29,922
Training and recruitment	4	750	-	-	754
Professional fees	6,161	3,483	-	5,342	14,986
Media production and distribution	417	15	-	1,065	1,497
Events and meetings	1,079	299	-	1,109	2,487
Travel and representation	1,523	349	-	1,113	2,985
Facility and office costs	3,686	3,007	-	3,083	9,776
Supplies and minor equipment	7	215	-	4	226
Other borrowing expenses	-	-	(204,361)	-	(204,361)
Interest expense	-	-	166,399	-	166,399
Other operating expenses	25,481	14,774	(37,962)	22,378	24,671
Total expenses	1,240,130	14,774	(37,962)	22,378	1,239,320

Year Ended 31 December 2010, in Thousands of US$	Programme Expenses	Management and General Expenses	Financing Expenses	Fundraising Expenses	Total Expenses
Direct programme expenses	835,302	-	-	-	835,302
Programme implementation	56,496	-	-	-	56,496
Total programme expenses	891,798	-	-	-	891,798
Payroll and benefits	9,824	6,294	-	7,897	23,985
Training and recruitment	24	690	-	8	722
Professional fees	5,372	4,048	-	4,822	14,242
Media production and distribution	434	43	-	1,104	1,581
Events and meetings	956	295	-	686	1,937
Travel and representation	1,366	457	-	1,166	2,989
Facility and office costs	3,278	4,688	-	3,012	10,978
Supplies and minor equipment	8	258	-	4	270
Other borrowing expenses	-	-	167,722	-	167,722
Interest expense	-	-	132,437	-	132,437
Other operating expenses	21,262	16,743	300,159	18,699	356,863
Total expenses	913,060	16,743	300,159	18,699	1,248,661

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. Nature of Operations and Affiliations

These consolidated financial statements include the accounts of the following entities: (1) the GAVI Alliance ("GAVI"), (2) the GAVI Fund Affiliate ("GFA"), (3) the International Finance Facility for Immunisation Company ("IFFIm"), and (4) the GAVI Campaign (the "Campaign"). For the purposes of these consolidated financial statements, GAVI, GFA, IFFIm and the Campaign are collectively referred to as the Alliance. Each of the entities included in these consolidated financial statements is described below:

The GAVI Alliance: GAVI was formerly known as the Global Alliance for Vaccines and Immunisation. It was created in 2000 to respond to and combat declining immunisation rates in developing countries. GAVI was initially created as a non-juridical association of public and private sector organisations, institutions and governments, including the Bill and Melinda Gates Foundation (the "Gates Foundation"), the United Nations Children's Fund ("UNICEF"), the International Bank for Reconstruction and Development (the "World Bank"), the World Health Organisation ("WHO"), developing country governments, grantor country governments, vaccine manufacturers, civil society organisations and research and technical health institutes.

During a joint meeting in November 2007, the Global Alliance for Vaccines and Immunisation decided to centralise its governance and operations under the GAVI Alliance brand, using the legal platform of the GAVI Foundation, which was a Swiss not-for-profit foundation incorporated in July 2006 to assist in coordinating activities of the Global Alliance for Vaccines and Immunisation. Pursuant to this decision, certain organisational changes occurred during the year ended 31 December 2009. These changes were as follows:

- In January 2009, the GAVI Foundation changed its name to the GAVI Alliance.

- In January 2009, GAVI received recognition as an international institution under the Swiss Host State Act. Based on this status, GAVI benefits from privileges and immunities in Switzerland similar to those accorded to other international intergovernmental organisations.

- In January 2009, GAVI signed an agreement with the Campaign, formerly known as the GAVI Fund, to transfer substantially all of the Campaign's assets, rights, privileges, liabilities and obligations to GAVI (the "Campaign Grant Agreement"). The transfers under the Campaign Grant Agreement commenced in January 2009 and were completed in 2010.

- In March 2009, GAVI received tax-exempt status under section 501(c)(3) of the United States Internal Revenue Code.

- In August and December 2009, GAVI became the sole member of GFA and IFFIm, respectively. Prior to these dates, the Campaign was the sole member of GFA and IFFIm.

- In December 2009, all of the Campaign's rights and obligations under the Finance Framework Agreement, Procedures Memorandum and Administrative Support Agreements among the Campaign, GFA and IFFIm (the "IFFIm Governing Documents") were novated to GAVI.

In December 2011, the governing board of the Campaign agreed to restructure the Campaign with GAVI becoming the sole member of the Campaign. The Campaign will continue as a separate tax exempt organisation in order to facilitate private sector outreach in the United States and the integration and alignment of the Campaign's fundraising and advocacy efforts within the Alliance.

The International Finance Facility for Immunisation Company: IFFIm was incorporated in June 2006 as a private company limited by guarantee under the United Kingdom Companies Act 1985, with company registration number 5857343. It is also registered as a charity with the Charity Commission for England and Wales, with charity registration number 1115413. IFFIm is a multilateral development institution that raises funds by issuing bonds in the international capital markets. It then disburses the funds to GFA which subsequently uses the funds to support various GAVI vaccine procurement, immunisation and health systems strengthening ("HSS") programmes.

The GAVI Fund Affiliate: GFA was incorporated in May 2006 as a private company limited by guarantee under the United Kingdom Companies Act 1985, with company registration number 5830438. It is also registered as a charity with the Charity Commission for England and Wales, with charity registration number 1115297. GFA enters into pledge agreements with sovereign government donors and then assigns to IFFIm the right to receive cash payments under those agreements. Also, all cash payments from IFFIm to GAVI are channelled through GFA.

The GAVI Campaign: The Campaign is a charitable, not-for-profit organisation incorporated in October 1999 and changed its name from the GAVI Fund effective 2 April 2010. The Campaign serves to promote health by: (1) providing vaccines and the means to deliver such vaccines to children of the world in the poorest countries, (2) facilitating the research and development of vaccines of primary interest to the developing world, and (3) providing support in connection with achieving the foregoing purposes, by helping to strengthen health care systems and civil societies supporting such purposes in the developing world. The activities of the Campaign are funded primarily through contributions.

2. Significant Accounting Policies

Basis of Accounting: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("US GAAP").

Basis of Consolidation: The accompanying consolidated financial statements include the accounts of GAVI, IFFIm, GFA and the Campaign. All intra-entity balances and transactions have been eliminated on consolidation.

Cash: The Alliance reports all demand deposits as cash. Money market accounts managed by external advisors, with original maturities of three months or less, are reported in the Consolidated Statement of Financial Position as investments. At times, the balances in bank accounts held in Switzerland, the United Kingdom and the United States may exceed the respective deposit insurance limits. The Alliance has, however, not experienced any losses in these accounts, and does not believe it is exposed to any significant credit risk related to the accounts.

Contributions Receivable: The Alliance's contributions receivable comprise unconditional promises to give from donors. The Alliance records each unconditional promise to give at fair value on the date the donor signs the grant agreement. The techniques applied in determining the fair values of promises to give are described in the *Fair Values of Financial Instruments* section below.

Due to the nature of promises to give, changes in market and credit risk, vaccine demand and the economic environment may significantly impact the inputs used in the model and, consequently, the fair value of the contributions receivable. Although a secondary market may not exist for these transactions, it is reasonably possible that if GAVI were to sell these receivables in a secondary market a buyer may require a discount to the reported fair value, and the discount could be significant.

Changes in the fair values of contributions receivable are recognised in the Consolidated Statement of Activities in the period of change and included in net fair value gains on contributions receivable in the Consolidated Statement of Activities.

Investments: GAVI, GFA, IFFIm and the Campaign manage and record their investments in different ways as follows:

- Investments held by GAVI and the Campaign: These investments are governed by GAVI's and the Campaign's investment policies, respectively, and managed by external investment managers. The investments are recorded at fair value. Investment sales and purchases are recorded on a trade-date basis, which results in both investment receivables and payables on unsettled investment trades on individually held securities.

- Investments held by IFFIm and GFA: These investments are managed on a pooled basis by the World Bank, which maintains a single investment portfolio (the "Pool") for all of the trust funds it administers. The World Bank commingles GFA's and IFFIm's assets with other trust fund assets it administers. The amounts recorded in the Alliance's Consolidated Statement of Financial Position represent the Alliance's allocated share of the Pool's fair value at year-end. The fair value is based on market quotations, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

The Alliance records investments at fair value. The techniques applied in determining the fair values of investments are described in the *Fair Values of Financial Instruments* section below.

Gains and losses on investments as well as interest and dividend income are reported as investment income in the Consolidated Statement of Activities.

Bonds Payable: Bonds payable are recognised at fair value. The techniques applied in determining the fair values of bonds payable are described in the *Fair Values of Financial Instruments* section below.

Changes in the fair values of bonds payable are recognised in unrestricted net assets in the period of change and are included in financing expenses in the Consolidated Statement of Activities. Bond issuance costs, mark-to-market costs, and discounts are recognised in the period incurred and are also included in financing expenses in the Consolidated Statement of Activities.

Derivative Financial Instruments: IFFIm uses currency and interest swaps to manage its assets and liabilities. These derivative financial instruments are recognised at fair value in the Consolidated Statement of Financial Position. Receivables from currency and interest rate swaps are offset against payables on currency and interest rate swaps in the Consolidated Statement of Financial Position. The techniques applied in determining the fair values of derivative financial instruments are described in the *Fair Values of Financial Instruments* section below.

Changes in the fair values of derivatives are recognised in the Consolidated Statement of Activities in the period of change and included in net gains and losses from derivatives in the Statement of Activities.

Programme Grants Payable: Programme grants payable are recognised at fair value. The techniques applied in determining the fair values of programme grants payable are described in the *Fair Values of Financial Instruments* below.

Payments to programme implementing partners or procurement agents in advance of any service delivery are accounted for as prepayments for procurement and are included in receivables, prepaid expenses and other assets in the Consolidated Statement of Financial Position.

Procurement Accounts Payable: Procurement accounts payable are recognised at fair value. The techniques applied in determining the fair values of procurement accounts payable are described in the *Fair Values of Financial Instruments* below.

Fair Values of Financial Instruments: US GAAP establishes a framework for measuring fair value and prescribes disclosures about fair value measurements. It emphasises that fair value is a market-based measurement, not an entity-specific measurement and, therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participants' assumptions in fair value measurements, US GAAP establishes a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby the market participant assumptions are developed based on market data obtained from independent sources, and unobservable, whereby market participant assumptions are developed by the reporting entity based on the best information available in the circumstances.

The Alliance has elected to report its contributions receivable, programme grants payable, procurement accounts payable and bonds payable at fair value, with changes in fair value reported in the Consolidated Statement of Activities. With respect to IFFIm's contributions receivable and bonds payable, this election was made to better align the carrying values of these contributions receivable and bonds payable with the carrying values of currency and interest rate swap contracts that economically hedge them. With respect to programme grants payables and non-IFFIm contributions receivable, this election was made to ensure consistent accounting treatment of programme grants payable and contributions receivable across GAVI, GFA, IFFIm and the Campaign. The Alliance recognises all new contributions receivable, programme grants payable and bonds payable at fair value as these assets and liabilities are acquired or incurred.

US GAAP establishes a three-level fair value hierarchy under which financial assets and financial liabilities are categorised based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities, the next-highest priority to observable market-based inputs or inputs that are corroborated by market data and the lowest priority to unobservable inputs that are not corroborated by market data. US GAAP requires that the valuation techniques used to measure fair value maximise the use of observable inputs and minimise the use of unobservable inputs.

The Alliance's financial assets and financial liabilities recorded at fair value are categorised based on the inputs to the valuation techniques as follows:

- Level 1: Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in active markets.

- Level 2: Financial assets and liabilities whose values are based on either: (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in non-active markets, or (3) pricing models for which all significant inputs are observable, either directly or indirectly, for substantially the full term of the asset or liability.

- Level 3: Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorised is based on the lowest-level input that is significant to the fair value measurement of the asset or liability in its entirety.

The techniques applied in determining the fair values of assets and liabilities are summarised below:

- Cash: The carrying amount of the Alliance's cash approximates its fair value.

- Investments Managed by GAVI and the Campaign: The fair values of investments are calculated based on either quoted market prices per share, observable data such as ongoing redemption and subscription activity, or net asset values per share provided by GAVI's and the Campaign's investment managers, respectively

- Pooled Investments Managed by the World Bank: Pooled Investments managed by the World Bank are included in investments in the Consolidated Statement of Financial Position. The World Bank maintains a single, commingled investment portfolio (the "Pool") for GFA, IFFIm, certain trust funds and other entities administered by the World Bank, as well as assets held in trust for other World Bank Group institutions. The Pool's assets are maintained separate from the funds of the World Bank Group. The Pool is divided into sub-portfolios to which allocations were made based on funding specific investment horizons, risk tolerances and other eligibility requirements set by the World Bank.

  GFA's and IFFIm's shares of the Pool are not traded in any market. However, the Pool is a trading portfolio that is reported at fair value. Shares in the Pool represent GFA's and IFFIm's allocated share of the Pool's fair value at the end of the reporting period. If an active market exists, the market or quoted price is applied. If an active market does not exist, generally accepted valuation techniques, based on observable market data as of the reporting date, are used instead.

  Under investment strategies approved by the IFFIm and GFA boards, IFFIm is invested in high-grade fixed-income instruments with interest rate sensitivity matching that of the liabilities funding its investment portfolio and GFA is invested in highly rated liquid short-term money market instruments. For instruments for which market quotations are not available, fair values are determined using model-based valuation techniques, whether internally generated or vendor-supplied, including the standard discounted cash flow method using market observable inputs, such as yield curves, credit spreads and prepayment speeds. Unless quoted prices are available, money market instruments are reported at face value, which approximates fair value.

- Contributions Receivable from IFFIm Donors: The Alliance's contributions receivable include pledges to GFA from the following nine sovereign government donors: (1) the Commonwealth of Australia, (2) the Republic of France, (3) the Republic of Italy, (4) the Kingdom of Norway, (5) the State of the Netherlands, (6) the Republic of South Africa, (7) the Kingdom of Spain, (8) the Kingdom of Sweden, and (9) the United Kingdom (together the "IFFIm Donors"). These pledges are legally binding payment obligations to GFA, which were assigned to IFFIm. The pledges are irrevocable and are payable by the IFFIm Donors in several instalments in accordance with predetermined fixed payment schedules over time.

  The total amount paid by the IFFIm Donors is impacted by a grant payment condition ("GPC") that allows the donors to reduce their payment amounts. The GPC allows the IFFIm Donors to reduce their payments in the event that one or more eligible recipient countries, as defined by the transactional documents, enter into protracted arrears on their obligations to the International Monetary Fund ("IMF"). Each recipient country has been ascribed a weight within a reference portfolio, which represents the IMF's estimate of how likely the country will be to enter into protracted arrears. These weights remain static for the life of IFFIm, and are 1%, 3%, or 5%. The amounts are aggregated, and the IFFIm Donors reduce the amounts they pay by the aggregate percentage weights of countries that are in protracted arrears to the IMF. When countries clear their arrears to the IMF, future amounts payable by the IFFIm Donors are increased by the respective weights of those clearing countries. The final determination of each IFFIm Donor payment amount, as measured by the World Bank, is made 25 business days prior to the due date of the payment.

The reference portfolio is as follows:

Country	Country Weighting	Total Share
Afghanistan, Angola, Armenia, Azerbaijan, Benin, Bhutan, Bolivia, Burkina Faso, Burundi, Cambodia, Cameroon, Central African Republic, Chad, Comoros, Congo, Republic of Cote d'Ivoire, Djibouti, Eritrea, The Gambia, Georgia, Ghana, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Kenya, Kiribati, Kyrgyzstan, Lao PDR, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Moldova, Mongolia, Mozambique, Myanmar, Nepal, Nicaragua, Niger, Papua New Guinea, Rwanda, Sao Tome & Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sri Lanka, Sudan, Tajikistan, Tanzania, Timor-Leste, Togo, Uganda, Ukraine, Uzbekistan, Yemen Republic, Zambia, Zimbabwe	1%	62%
Vietnam	3%	3%
Bangladesh, Democratic Republic of Congo, Ethiopia, India, Indonesia, Nigeria, Pakistan	5%	35%

The fair values of contributions receivable from the IFFIm Donors are estimated using a discounted cash flow method. Each expected future cash flow is reduced by an estimated reduction amount due to the GPC. The GPC reduction amounts are calculated using a probabilistic model that estimates the likelihood and duration that any recipient member country might fall into arrears with the IMF. The probabilistic model uses inputs that are both unobservable and significant to the overall fair value of the contributions receivable. This model yielded reductions in expected future cash flows of 15.4% and 15.5% as of 31 December 2011 and 2010, respectively.

The reduced expected future cash flows are then discounted to present value using observable donor-specific risk-adjusted interest rates. Each IFFIm Donor's promise to give is discounted using the donor's sovereign government borrowing rate, which considers both market risk and the donor's credit risk.

The fair values of future cash flows from IFFIm Donors were US $3.4 billion and US$ 3.2 billion as of 31 December 2011 and 2010, respectively. These fair values were estimated using observable donor-specific risk adjusted annual discount rates ranging from 0% to 7.3% for 2011, and from 0.3% to 5.9% for 2010.

- Contributions Receivable from AMC Donors: Advance Market Commitments (each an "AMC") are designed to stimulate the development and manufacture of vaccines specifically for developing countries. Under AMC arrangements, donors pledge funds to guarantee the price of vaccines once they have been developed, thus creating the potential for a viable future market.

  In June 2009, the following sovereign government donors, government agencies and private donors: (1) the Canadian International Development Agency ("CIDA"), (2) the Republic of Italy, (3) the Kingdom of Norway, (4) the Russian Federation, (5) the United Kingdom, and (6) the Gates Foundation (together the "AMC Donors"), along with the World Bank, UNICEF and the WHO, launched the AMC pilot project against pneumococcal disease. Pursuant to the launch of this AMC, the AMC Donors entered into grant agreements of which GAVI is the beneficiary. The AMC Donor pledges made in these grant agreements are legally binding and guaranteed by the World Bank. They are irrevocable and are payable by the AMC Donors over ten years.

  The fair values of contributions receivable from AMC Donors are estimated using a discounted cash flow method. The timing and amounts of payment by AMC Donors are dictated by terms included in the various agreements entered into among GAVI, the World Bank and the AMC Donors that govern the operation of the pneumococcal AMC (the "AMC Governing Documents"). Therefore, these terms are taken into account when estimating future cash flows.

  The AMC Governing Documents terms that most significantly impact the timing and amounts of future cash flows are summarised below:

  - GAVI and the AMC Donors both contribute to the purchase of each pneumococcal vaccine dose. AMC Donor funds are not available to GAVI if it does not, or cannot, fund its portion of the purchases at the time that the funding is required.

  - The aggregate amount funded by AMC Donors is limited to the total vaccine demand over the ten year life of the AMC. This vaccine demand is estimated through strategic demand forecasts that are compiled by the Program for Appropriate Technologies for Health, and published semi-annually by GAVI.

- Payments by Gates Foundation, the Republic of Italy and the Russian Federation are made in accordance with fixed payment schedules included in the AMC Governing Documents. Payments by CIDA, the Kingdom of Norway and the United Kingdom are made only when GAVI submits funding requests. These funding requests are based on projected future vaccine demand.

Each AMC Donor's promise to give is discounted using rates determined by either adjusting the supranational yield curve to reflect increased risk, if any, or identifying securities with similar risk profiles and using the yield curves for those securities.

The fair values of future cash flows from AMC Donors were US$ 1.2 billion and US$ 1.3 billion as of 31 December 2011 and 2010, respectively. This fair value was estimated using observable and unobservable risk adjusted annual discount rates ranging from 0.5% to 3.8% for 2011, and from 0.4% to 5.1% for 2010.

- Other Contributions Receivable: Contributions receivable other than those from IFFIm Donors or AMC Donors are estimated using a discounted cash flow method. The fair values of future cash flows as of 31 December 2011 and 2010 were US$ 2 billion and US$ 323 million, respectively. This fair value was estimated using observable donor-specific risk adjusted annual discount rates ranging from 0.2% to 3.2% for 2011, and from 0.5% to 3.4% for 2010.

- Programme Grants Payable: The fair value of each country programme grant payable is the estimated cost of the vaccine and supplies to be procured plus shipping, or the actual cash value to be paid to the country.

  The fair values of grants payable to programme implementing partners are estimated using a discounted cash flow method. Future cash flows are discounted using inputs from the United States treasury bonds and notes Bloomberg Fair Values ("BFV") yield curve.

- Procurement Accounts Payable: The fair value of each procurement account payable is the estimated cost of the vaccine and supplies to be procured plus shipping, or the actual cash value to be paid to the country.

- Bonds Payable: The fair value of IFFIm's bonds payable is determined using a discounted cash flow method, which relies on market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads.

- Derivatives: The fair values of derivatives are estimated using a discounted cash flow method. All model inputs are based on readily observable market parameters such as yield curves, foreign exchange rates, and basis spreads.

Fixed Assets: Furniture, equipment and leasehold improvements that were purchased by the Alliance are stated at cost. Depreciation for furniture and equipment is calculated using the straight-line method over their estimated useful lives of three to five years. Depreciation for leasehold improvements is calculated using the straight-line method over the shorter of the asset's useful life or the term of the lease. Net fixed assets of US$ 4.3 million and US$ 4.2 million are included in receivables, prepaid expenses and other assets in the Consolidated Statement of Financial Position as of 31 December 2011 and 2010, respectively.

Income Taxes: US GAAP requires that financial statements reflect the expected future tax consequences of uncertain tax positions that an entity has taken or expects to take on a tax return, presuming the tax authorities' full knowledge of the position and all relevant facts. US GAAP also requires that an entity recognise the benefit of tax positions when it is more likely than not that the provision will be sustainable based on the merits of the position. The Alliance performed an evaluation of uncertain tax positions for the years ended 31 December 2011 and 2010 and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status. As of 31 December 2011, the statutes of limitations for tax years 2008 through 2010 remain open with the United States Federal jurisdiction or the various states and local jurisdictions in which the Alliance files tax returns. It is the Alliance's policy to recognise interest or penalties related to uncertain tax positions, if any, in income tax expense. As of 31 December 2011 and 2010, the Alliance had no accrued interest or penalties.

Contingencies: The Alliance's programmes include investment cases. An investment case is a proposal that is prepared jointly by GAVI and one or more partners to fund a special vaccine related programme, such as rapid response to outbreaks through stockpiling vaccines or prevention campaigns. Due to uncertainty around when or where outbreaks will occur and how much GAVI will be required to fund, it is difficult to estimate the costs involved with such programmes. Therefore, such costs are recorded at the time they are incurred, and there will be future costs associated with investment case programmes.

Foreign Currency Transactions: These financial statements are presented in United States dollars, which is the reporting currency of the Alliance. The assets and liabilities held in foreign currency are converted to United States dollars at the prevailing average interbank exchange rate as of 31 December 2011 and 2010. Foreign currency transactions are translated at the prevailing average interbank exchange rates on the date of the transaction. The resulting foreign exchange gains and losses are recognised in the Consolidated Statement of Activities.

Classification of Net Assets: Net assets are reported as follows:

- Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations.

- Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that are expected to be met by actions of the Alliance, the passage of time, or both.

- Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that must be maintained permanently by the Alliance. As of 31 December 2011 and 2010, the Alliance did not have any permanently restricted net assets.

Revenue Recognition: Contributions are reported as revenue in the year in which payments are received or unconditional promises are made. GAVI reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets for specific purposes or use in future years. When a donor restriction expires, that is when the time or purpose of the restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions expire within the same year are reported as unrestricted net assets.

Revenue from cost-reimbursable contracts and grants is recognised as the related costs are incurred, or as the related activities occur and any conditions stipulated in the grant agreements are met, on the basis of direct costs, plus allowable indirect costs.

Expenses: The Alliance records expenses in the periods to which the transactions, events and circumstances relate.

Allocation of Functional Expenses: The cost of programmes and supporting activities is summarised by their functional classification in the Consolidated Statement of Activities and by their natural classification in the Consolidated Statement of Functional Expenses. Accordingly, certain costs have been allocated among programme activities and supporting services, as shown in the Consolidated Statement of Functional Expenses.

Use of Estimates: The preparation of the consolidated financial statements, in conformity with US GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements: In December 2011, the FASB issued ASU No. 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities.* ASU 2011-11 requires an entity to disclose information about offsetting and related arrangements to enable users of financial statements to understand the effects of those arrangements on its financial position, and to allow investors to better compare financial statements prepared under U.S. GAAP with financial statements prepared under International Financial Reporting Standards (IFRS). The new standards are effective for annual periods beginning 1 January 2013, and interim periods within those annual periods. Retrospective application is not required. The Alliance will implement the provisions of ASU 2011-11 as of 1 January 2013.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.* The new standards do not extend the use of fair value but, rather, provide guidance about how fair value should be applied where it already is required or permitted under U.S. GAAP or IFRS. For U.S. GAAP, most of the changes are clarifications of existing guidance or wording changes to align with IFRS. A non-public entity is required to apply the ASU prospectively for annual periods beginning after 15 December 2011. The Alliance expects that the adoption of ASU 2011-04 in 2012 will not have a material impact on its consolidated financial statements.

Reclassifications: Effective 1 January 2011, the Alliance changed its process for budgeting and tracking its expenses. This change resulted in an all-inclusive Business Plan that placed increased emphasis on the Alliance's strategic priorities. Pursuant to this change, the Alliance revised how expenses are classified and presented in the Consolidated Statement of Functional Expenses and Consolidated Statement of Activities in order to align such presentation with how these expenses are being managed under the new Business Plan. The corresponding prior year amounts have been reclassified to conform to the current year presentation.

Certain short-term money market accounts have been reclassified from investments to cash to better align their presentation with the way they are managed. The corresponding accounts in the prior year have also been reclassified to conform to the current year presentation.

3. Derivative Financial Instruments

Through IFFIm, the Alliance is exposed to the market risk that its net assets or its ability to meet its objectives may be adversely affected by changes in the level of, or volatility in, market rates or prices. IFFIm's market risk is comprised primarily of foreign exchange rate risk and interest rate risk. Each of these is described further below.

Foreign Exchange Rate Risk: During the years ended 31 December 2011 and 2010, IFFIm was exposed to foreign exchange risks from currency mismatches as well as timing differences between receipt of donor payments, payment of bond obligations, disbursements to GFA and issuance of IFFIm bonds. To mitigate these risks, donor pledges were swapped into United States dollar floating rate assets and, at issuance, IFFIm's bonds payable were swapped into United States dollar floating rate liabilities.

Interest Rate Risk: IFFIm was exposed to interest rate risk from differences in the interest rate bases of the bonds payable and funds held in trust. IFFIm used interest rate swaps to mitigate this exposure.

The notional amounts and fair values of interest rate and currency swaps were:

	31 December 2011		31 December 2010	
In Thousands of US$	**Notional Amount**	**Fair Value**	**Notional Amount**	**Fair Value**
Currency and interest rate swaps receivable related to contributions receivable	76,629	2,232	464,858	10,085
Currency and interest rate swaps receivable related to bonds payable	3,425,309	266,875	4,255,788	450,370
Interest rate overlay swap	-	-	1,000,000	285
Total currency and interest rate swaps receivable		269,107		460,740
Currency and interest rate swaps payable related to contributions receivable	4,685,100	(713,032)	4,297,327	(317,434)
Currency and interest rate swaps payable related to bonds payable	1,227,671	(42,762)	603,768	(2,836)
Total currency and interest rate swaps payable		(755,794)		(320,270)
Net receivable for currency and interest rate swaps		(486,687)		140,470

IFFIm maintains a minimum liquidity equivalent to its cumulative contracted debt service payments for the next twelve months. Therefore, as of 31 December 2010, IFFIm maintained US$ 1 billion in cash and pooled investments to cover the redemption of its US$ 1 billion inaugural bond in November 2011. In December 2010, the World Bank executed, on IFFIm's behalf, an interest rate overlay swap contract to lock in an 11-month fixed rate for the US$1 billion in additional cash and pooled investments. Under this contract and for the period from December 2010 to November 2011, IFFIm made interest payments at 3-month LIBOR floating rates and received fixed-rate interest payments totalling US$ 4 million. As of December 2011, IFFIm's calculated minimum liquidity was US$ 595 million and the value of IFFIm's cash and pooled investments was US$ 852 million.

4. Investments

The fair values of the Alliance's investments were:

In Thousands of US$	2011	2010
Money market funds	43,391	50,718
Certificates of deposit	143,016	-
Collective investment trusts	240,143	231,836
Registered investment companies	346,547	236,553
Limited liability companies and limited partnerships	237,143	184,680
Pooled investments	1,095,646	1,757,966
Total investments	2,105,886	2,461,753

The Alliance invests a portion of its assets in limited partnerships and limited liability companies that calculate net asset value per share amounts and do not have readily determinable fair values (the "Underlying Funds"). As a practical expedient, the Alliance measures the fair values of the Underlying Funds on the basis of their calculated NAVPS amounts. Investments in the abovementioned Underlying Funds are redeemable at their current net asset value upon written notice by the Alliance.

The redemption frequencies, redemption notice periods and fair values of the Alliance's investments in Underlying Funds were:

As of 31 December 2011, In Thousands of US$	Redemption Frequency	Redemption Notice Period	Fair Value
Collective investment trusts[1]	Daily	2 days	240,143
Limited liability companies and limited partnerships[2]	Daily	5 days	59,851
Limited liability companies and limited partnerships[3]	Monthly	5 days	137,800
Limited liability companies and limited partnerships[4]	Monthly	15 days	39,492
Total investments in Underlying Funds			477,286

As of 31 December 2010, In Thousands of US$	Redemption Frequency	Redemption Notice Period	Fair Value
Collective investment trusts[1]	Daily	2 days	231,836
Limited liability companies and limited partnerships[2]	Daily	5 days	59,623
Limited liability companies and limited partnerships[3]	Monthly	5 days	125,057
Total investments in Underlying Funds			416,516

[1] This category is comprised of several Underlying Funds that invest primarily in fixed income debt securities. Effective 1 January 2010, the investment objectives of the Underlying Funds were to approximate as closely as practicable, before expenses, the performances of various Barclays Capital United States Bond Indices over the long term.

[2] This category is comprised of one Underlying Fund that invests primarily in fixed income debt securities. The investment objective of this Underlying Fund is to maximize long-term total return, primarily by investing at least 50% of its assets in investment grade debt and fixed income securities rated at least Baa3 or BBB- at the time of purchase by a rating agency recognised nationally in the United States.

[3] This category is comprised of one Underlying Fund that invests primarily in global inflation-linked bonds and commodities. However, on a small portion of its portfolio, this Underlying Fund also seeks to enhance returns by taking long, short and spread positions on fixed income securities, equity securities, currencies and commodities.

[4] This category is comprised of one Underlying Fund that invests primarily in fixed and floating rate debt securities and debt obligations of governments, government-related or corporate issuers worldwide, as well as derivative financial instruments. The investment objective is to maximize total investment return consisting of a combination of interest income, capital appreciation and currency gains.

5. Contributions Receivable

The Alliance's contributions receivable consisted of the following unconditional promises to give:

In Thousands of US$	2011	2010
Unconditional promises due in less than one year	351,623	359,502
Unconditional promises due in two to five years	4,184,879	2,060,967
Unconditional promises due thereafter	3,797,109	4,306,911
Contributions receivable before unamortised discount and grant payment condition	8,333,611	6,727,380
Unamortised discount	(881,890)	(1,207,806)
Reduction due to grant payment condition	(760,683)	(766,000)
Total contributions receivable	6,691,038	4,753,574

6. Restricted Cash and Procurement Accounts Payable

The Alliance established separate bank accounts into which it transfers cash as needed for the benefit of UNICEF to procure vaccines and other supplies on the Alliance's behalf (the "Procurement Accounts"). All cash deposited into the Procurement Accounts is irrevocable and may only be withdrawn by UNICEF, with the exception of investment income, which may be remitted to the Alliance. As collateral security for the prompt payment and performance when due of Alliance's obligations, the Alliance has granted to UNICEF a security interest in all of Alliance's rights, titles, interests in, and proceeds from, the Procurement Accounts and all financial assets credited thereto. As of 31 December 2011 and 2010, $556 million and $420 million, respectively, were available to UNICEF in the Procurement Accounts.

Amounts committed to UNICEF for the procurement of vaccines are presented as procurement accounts payable in the Consolidated Statement of Financial Position.

7. Programme Grants Payable

The Alliance's committed but unpaid grants were:

In Thousands of US$	2011	2010
Grants payable due in less than one year	1,244,061	866,643
Grants payable due in two to five years	1,837	4,286
Grants payable before unamortised discount	1,245,898	870,929
Less unamortised discount	(3)	(33)
Total programme grants payable	1,245,895	870,896

8. Bonds Payable

IFFIm borrows in the worldwide capital markets by offering its bonds to fund the Alliance's programmes. IFFIm's outstanding bonds payable were:

Issue Date	Maturity Date	Coupon Interest Rate	Nominal Amount, in Thousands of US$		Fair Value as of 31 December 2011, in Thousands of US$	Fair Value as of 31 December 2010, in Thousands of US$
14 November 2006	14 November 2011	5.00%	US$	1,000,000	-	1,048,155
19 February 2009	21 February 2012	2.60%	A$	45,000	46,085	44,885
19 February 2009	21 February 2012	2.65%	NZ$	179,000	139,733	139,226
19 February 2009	21 February 2012	6.26%	R	3,170,000	400,654	491,078
15 May 2009	15 May 2014	3.38%	£	250,000	414,620	414,272
15 May 2009	13 June 2014	0.00%	£	16,227	28,329	27,333
27 May 2009	25 May 2012	3.51%	A$	50,000	50,929	49,796
27 May 2009	25 May 2012	1.00%	US$	105,000	105,360	105,880
24 June 2009	24 June 2013	4.36%	A$	70,592	72,179	69,616
24 June 2009	24 June 2013	6.85%	R	239,000	30,026	36,527
24 June 2009	24 June 2024	0.50%	R	800,000	40,226	42,019
23 March 2010	27 March 2013	7.15%	R	2,500,000	319,671	391,485
28 June 2010	27 June 2014	4.77%	A$	17,200	17,755	16,875
28 June 2010	27 June 2014	8.30%	R$	103,300	57,167	63,286
28 June 2010	29 June 2020	0.50%	R	430,000	30,762	31,604
15 October 2010	15 October 2015	5.50%	A$	35,000	37,288	34,960
8 December 2010	8 December 2015	5.75%	A$	400,000	427,537	401,512
30 March 2011	24 March 2014	7.81%	R$	371,100	206,332	-
28 September 2011	26 September 2014	6.00%	R$	105,000	55,273	-
29 September 2011	30 September 2015	3.40%	A$	12,000	11,892	-
29 September 2011	29 September 2016	6.10%	R	650,000	81,596	-
Total bonds payable					2,573,414	3,408,509

9. Temporarily Restricted Net Assets

The Alliance's temporarily restricted net assets consisted of the following:

In Thousands of US$	2011	2010
Due to time restriction	4,964,084	3,020,700
Due to programme restriction	13,883	11,202
Total temporarily restricted net assets	4,977,967	3,031,902

10. Investment Income

Investment income was as follows:

In Thousands of US$	2011	2010
Investment income on investments held by GAVI and the Campaign	32,227	49,695
Investment fees on investment held by GAVI and the Campaign	(1,962)	(1,635)
Net investment income on investments held by GAVI and the Campaign	30,265	48,060
Investment income on pooled investments held by IFFIm and GFA	8,585	6,458
Total investment income	38,850	54,518

Investment income on investments held by GAVI and the Campaign included net gains on investments of US$ 21 million and US$ 37 million for the years ended 31 December 2011 and 2010, respectively. US$ 18 million and US$ 32 million of the net gains were unrealised as of 31 December 2011 and 2010, respectively.

11. Net Gains from Derivatives

Net gains in the fair values of derivatives, which have been recognised in the Consolidated Statement of Activities, include the following:

In Thousands of US$	2011	2010
Net losses from swaps related to contributions receivable	(420,122)	(54,487)
Net gains (losses) from swaps related to borrowings	(34,543)	293,725
Net gains from other derivatives	1,437	285
Net gains (losses) from derivatives	(453,228)	239,523

12. Net Financing (Income) Expenses

Financing expenses were as follows:

In Thousands of US$	2011	2010
Interest expense on bonds	166,399	132,437
Net fair value (gains) losses on bonds	(208,570)	161,136
Other financing charges	4,209	6,586
Net financing (income) expenses	(37,962)	300,159

13. Retirement Plans

The Alliance sponsors the following retirement plans:

Employees Based in Geneva, Switzerland: GAVI sponsors a defined contribution term savings plan with Zurich International Life Limited ("the Geneva Plan"). Membership in the Geneva Plan is mandatory for all employees with GAVI employment contracts of four or more months. The Geneva Plan is funded by both GAVI and employees' contributions that are based on the employees' gross annual salaries. GAVI makes monthly employer contributions to the Geneva Plan at 16% of the employee gross salary. Each employee has a compulsory 5% contribution. The total amount expensed for GAVI's contributions was US$ 3.4 million and US$ 2.7 million for the years ended 31 December 2011 and 2010, respectively.

Employees Based in Washington, DC: GAVI and the Campaign sponsor 401(k) defined contribution plans (the "Washington Plans"), which are United States retirement savings plans under the United States Internal Revenue Code, for all eligible employees. Employees become eligible upon being hired and may participate starting on the first day of any month. Employees may contribute voluntary salary deferrals to the Washington Plans, subject to United States Internal Revenue Service limitations. GAVI's and the Campaign's annual matching contributions equal 1% of each vested participant's compensation and a 3% contribution due to a safe harbour provision. For the years ended 31 December 2011 and 2010, the participants were fully vested after one thousand hours of employment. Effective 1 January 2012, participants are always fully vested during the plan year. In addition, GAVI's and the Campaign's boards approved discretionary spending equalling 12% of each participant's compensation in order to better align the Washington Plans with the Geneva Plan. The amount expensed for GAVI's and the Campaign's contributions were US$ 598 thousand and US$ 543 thousand for the years ended 31 December 2011 and 2010, respectively.

14. Leases

GAVI had a five-year lease agreement for office space in Geneva, Switzerland, which commenced in January 2007 and ended in December 2011. This lease was renewed for a five-year period, under the same terms, commencing in January 2012. GAVI also has a ten-year lease agreement for office space in Washington, DC, which commenced in November 2003. In September 2007, the Campaign moved out of its then leased office space in Washington, DC and has sublet the space for the remainder of the lease term. GAVI then entered into a new ten-year lease agreement with a five-year option to renew at its current branch address, which commenced in June 2007.

GAVI's future minimum lease payments and related sublessor income are as follows:

In Thousands of US$	Expenses	Income	Net Expense
Year Ending 31 December 2012	3,175	1,021	2,154
Year Ending 31 December 2013	3,533	906	2,627
Year Ending 31 December 2014	3,591	494	3,097
Year Ending 31 December 2015	3,650	291	3,359
Thereafter	4,535	430	4,105
Total	18,484	3,142	15,342

Rent expense for these leases is recognised on a straight-line basis over the term of the leases. Rental expense was US$ 3.6 million and US$ 3.7 million for the years ended 31 December 2011 and 2010, respectively.

15. Concentrations of Credit Risk

Financial instruments that potentially subject the Alliance to concentrations of credit risk consist of deposits in banks in excess of deposit insurance limits in Switzerland, the United Kingdom and the United States. Bank deposits in these countries are insured up to limits guaranteed by the Swiss Banks' and Securities Dealers' Depositor Protection Association, the United Kingdom's Financial Services Compensation Scheme ("FSCS") and the United States Federal Deposit Insurance Corporation ("FDIC") respectively. The Alliance also invests its excess cash in money market and debt instruments and has established guidelines relative to diversification and maturities aimed at maintaining safety and liquidity.

The deposit insurance limits in Switzerland and the United Kingdom are SFr 100 thousand and £ 85 thousand per depositor, per insured depository institution. On 21 July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act permanently raised the standard maximum FDIC deposit insurance amount per depositor, per insured depository institution for each account ownership category, from US$ 100 thousand to US$ 250 thousand. While amounts in the Alliance's demand deposit accounts at times exceed the amounts guaranteed in the respective jurisdictions and therefore bear some risk, the Alliance has not experienced, nor does it anticipate, any credit losses on these financial instruments.

The World Bank manages IFFIm's credit risk related to its derivative contracts by serving as the counterparty for all IFFIm's swaps. No collateral or other security is held in support of IFFIm's financial assets or liabilities. To manage credit risk related to investments, the World Bank invests the pooled assets in liquid instruments such as money market deposits, government and agency obligations. The World Bank is limited to investments with minimum credit ratings as follows:

- Money market deposits issued or guaranteed by financial institutions whose senior debt securities are rated at least A-.

- Government and agency obligations issued or unconditionally guaranteed by government agencies rated at least AA- if denominated in a currency other than the home currency of the issuer, otherwise no rating is required. Obligations issued by an agency or instrumentality of a government, a multilateral organisation or any other official entity require a minimum credit rating of AA-.

- Mortgage-backed securities, asset-backed securities and corporate securities whose minimum rating is AAA.

As of 31 December 2011, the Alliance had the following concentrations of credit risk with respect to contributions receivable:

- The Alliance's contributions receivable as of 31 December 2011 included US$ 3.4 billion and US$ 2.1 billion of pledges received, either directly or through IFFIm, from the United Kingdom and euro zone countries, respectively. This represented 41% and 26%, respectively, of the Alliance's total contributions receivable as of 31 December 2011.

- The Alliance's contributions receivable as of 31 December 2011 included US$ 1.3 billion of pledges from AMC Donors and guaranteed by the World Bank. This represented 16% of the Alliance's total contributions receivable as of 31 December 2011.

16. Fair Values of Financial Instruments

The following table summarises the Alliance's assets measured at fair value along with their valuation hierarchy:

As of 31 December 2011, in Thousands of US$	Level 1	Level 2	Level 3	Total
Pooled investments:				
Government and agency securities	21,213	715,867	-	737,080
Mortgage and asset-backed securities	-	112	-	112
Money market securities	64,939	293,515	-	358,454
Other investments:				
Money market funds	43,391	-	-	43,391
Certificates of deposit	143,016	-	-	143,016
Collective investment trusts	-	240,143	-	240,143
Registered investment companies	346,547	-	-	346,547
Limited partnerships and limited liability companies		237,143	-	237,143
Contributions receivable	-	2,686,677	4,004,361	6,691,038
Total assets at fair value	619,106	4,173,457	4,004,361	8,796,924

As of 31 December 2010, in Thousands of US$	Level 1	Level 2	Level 3	Total
Pooled investments:				
Government and agency securities	18,060	1,210,237	-	1,228,297
Mortgage and asset-backed securities	-	206	-	206
Money market securities	20,463	509,000	-	529,463
Other investments:				
Money market funds	50,718	-	-	50,718
Collective investment trusts	-	231,836	-	231,836
Registered investment companies	236,553	-	-	236,553
Limited partnerships and limited liability companies	-	184,680	-	184,680
Contributions receivable	-	1,003,151	3,750,423	4,753,574
Receivable for currency and interest swaps	-	140,470	-	140,470
Total assets at fair value	325,794	3,279,580	3,750,423	7,355,797

The following table summarises the Alliance's liabilities measured at fair value along with their valuation hierarchy:

As of 31 December 2011, in Thousands of US$	Level 1	Level 2	Level 3	Total
Programme grants payable	-	1,245,895	-	1,245,895
Bonds payable	-	2,573,414	-	2,573,414
Net payable for currency and interest rate swaps	-	486,687	-	486,687
Total liabilities at fair value	-	4,305,996	-	4,305,996

As of 31 December 2010, in Thousands of US$	Level 1	Level 2	Level 3	Total
Programme grants payable	-	870,896	-	870,896
Bonds payable	-	3,408,509	-	3,408,509
Total liabilities at fair value	-	4,279,405	-	4,279,405

The following table provides a summary of changes in the fair value of Level 3 financial assets:

In Thousands of US$	Contributions Receivable as of 31 December 2011
Fair value as of 1 January 2011	3,750,423
Net realised fair value gains	52,794
Net unrealised fair value gains	321,420
New contributions	144,137
Contributions received	(264,413)
Total assets at fair value	4,004,361

In Thousands of US$	Contributions Receivable as of 31 December 2010
Fair value as of 1 January 2010	3,323,250
Net realised fair value gains	39,871
Net unrealised fair value gains	191,398
New contributions	401,608
Contributions received	(205,704)
Total assets at fair value	3,750,423

The techniques applied in determining the fair values of financial instruments are described in the *Fair Values of Financial Instruments* section of Note 2 to the financial statements.

17. Subsequent Events

In preparing these consolidated financial statements, the Alliance evaluated subsequent events through 29 September 2012, which represents the date that the consolidated financial statements were issued. The Alliance identified the following significant subsequent events:

- On 17 January 2012, S&P downgraded its credit rating on IFFIm from AAA to AA+ with a negative outlook. The action followed its 13 January 2012 downgrade of the sovereign credit ratings on France to AA+ from AAA, Italy to BBB+ from A and Spain to A from AA-.

- On 27 January 2012, Fitch Ratings downgraded its credit ratings on Italy to A- from A+ and Spain to A from AA-.

- On 13 February 2012, Moody's Investor Service downgraded its credit ratings on Italy to A3 from A2 and Spain to A3 from A1.

- On 26 April 2012, S&P further downgraded its credit rating on Spain to BBB+ from A.

See Note 15 for information on the Alliance's exposure to credit risk on euro zone donors, including France, Italy and Spain.

KPMG SA
Audit
111, rue de Lyon
CH-1203 Geneva

P.O. Box 347
1211 Geneva 13

Telephone +41 22 704 15 15
Fax +41 22 347 73 13
Internet www.kpmg.ch

Independent Auditors' Report

The Board of Directors

The GAVI Alliance, Geneva

We have audited the accompanying consolidated statements of financial position of the GAVI Alliance as of 31 December 2011 and 2010, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended. These consolidated financial statements are the responsibility of the GAVI Alliance's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the GAVI Alliance's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the GAVI Alliance as of 31 December 2011 and 2010, and the change in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG SA

Pierre Henri Pingeon	Karina Vartanova
Licensed Audit Expert	*Licensed Audit Expert*

Geneva, 29 September 2012

IFFIm Financial Statements

Statements of Income and Expenditures

In Thousands of US$	Note	Year Ended 31 December 2011 Restricted Funds	Year Ended 31 December 2010 Restricted Funds
Turnover			
Contribution revenue	19	144,137	401,608
Operating expenses			
Programme grants to GFA	21	200,000	400,000
Treasury manager's fees	21	2,569	2,212
Governance costs	21	2,749	2,934
Total operating expenses		205,318	405,146
Other operating income			
Donated services	19	820	835
Operating loss		(60,361)	(2,703)
Financing and investment income (expenses)			
Financing income (expenses) on bonds and bond swaps:			
Net fair value gains on bonds and bond swaps	22	174,027	132,589
Interest expense on bonds	22	(166,399)	(132,437)
Net financing income (expenses) on bonds and bond swaps		7,628	152
Other financing income (expenses):			
Net fair value gains (losses) on pledges and pledge swaps	22	(130,291)	18,074
Other foreign exchange gains (losses)	22	1,068	940
Other financing charges		(4,209)	(6,586)
Net other financing income (expenses)		(133,432)	12,428
Investment income:			
Investment and interest income	20	8,046	5,670
Fair value gain on interest rate overlay swap	22	1,437	285
Total financing and investment income (expenses)		(116,321)	18,535
Surplus (Deficit) for the year		(176,682)	15,832

The accompanying notes are an integral part of these financial statements.

Statements of Financial Activities

In Thousands of US$	Note	Year Ended 31 December 2011 Restricted Funds	Year Ended 31 December 2010 Restricted Funds
Incoming resources from generated funds			
Voluntary income:			
Contribution revenue	19	144,137	401,608
Donated services	19	820	835
Total voluntary income		144,957	402,443
Investment and interest income	20	8,046	5,670
Total incoming resources from generated funds		153,003	408,113
Resources expended			
Cost of generating funds:			
Treasury manager's fee	21	2,569	2,212
Financing charges	21	170,608	139,023
Total cost of generating funds		173,177	141,235
Charitable activities	21	200,000	400,000
Governance costs	21	2,749	2,934
Total resources expended		375,926	544,169
Net resources expended		(222,923)	(136,056)
Net fair value gains on pledges, bonds and swaps	22	46,241	151,888
Net change in funds		(176,682)	15,832
Total funds as of the beginning of the year		953,175	937,343
Total funds as of the end of the year		776,493	953,175

The accompanying notes are an integral part of these financial statements.

All incoming resources and resources expended derive from continuing operations and there are no gains or losses other than those included in this statement.

Balance Sheets

In Thousands of US$	Note	As of 31 December 2011	As of 31 December 2010
Noncurrent assets			
Sovereign pledges due after more than one year	23	3,192,651	3,007,991
Derivative financial instruments due after more than one year	25	97,329	413,821
Current assets			
Sovereign pledges due within one year	23	211,286	163,588
Derivative financial instruments due within one year	25	171,778	46,919
Prepayments		272	424
Cash and funds held in trust:			
Cash		692	2,442
Funds held in trust	24	850,958	1,565,302
Total cash and funds held in trust		851,650	1,567,744
Total current assets		1,234,986	1,778,675
Current liabilities			
Creditors falling due within one year	26	766,565	1,079,932
Derivative financial instruments due within one year	25	2,023	692
Grants payable to GFA		417,064	517,064
Total current liabilities		1,185,652	1,597,688
Net current assets		49,334	180,988
Total assets less current liabilities		3,339,314	3,602,799
Creditors falling due after more than one year	27	1,809,050	2,330,046
Derivative financial instruments due after more than one year	25	753,771	319,578
Net assets		776,493	953,175
Restricted funds		776,493	953,175

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

In Thousands of US$	Note	Year Ended 31 December 2011 Restricted Funds	Year Ended 31 December 2010 Restricted Funds
Net cash outflows from operating activities		68,784	(26,461)
Returns on investments and servicing of financing			
Investment and interest income received	20	8,046	5,670
Interest paid on bonds		(170,743)	(128,960)
Management of liquid resources			
(Increase) decrease in funds held in trust	33	714,344	(483,017)
Net cash outflows before financing activities		551,647	(606,307)
Cash inflows (outflows) from financing activities			
Proceeds from bond issuances	33	377,819	866,904
Redemption of bonds	33	(1,000,000)	(232,466)
Net change in cash		(1,750)	1,670
Cash as of the beginning of the year		2,442	772
Cash as of the end of the year		692	2,442

Reconciliation of net change in funds to net cash outflows from operating activities:

In Thousands of US$	2011	2010
Net change in funds	(176,682)	15,832
Investment and interest income	(8,046)	(5,670)
Bond interest expense	166,399	132,437
Fair value gains on sovereign pledges	(289,831)	(72,561)
Fair value (gains) losses on bonds	(208,570)	161,136
Initial fair value of pledges	(144,137)	(401,608)
Payments received from donors	201,610	184,693
(Increase) decrease in prepayments	152	(28)
(Increase) decrease in derivative financial instruments	627,157	(118,870)
Increase (decrease) in trade creditors and amounts due to related parties	390	(2,583)
Increase in advances received on pledges	342	761
Increase (decrease) in grants payable to GFA	(100,000)	80,000
Net cash outflows from operating activities	68,784	(26,461)

The accompanying notes are an integral part of these financial statements.

Notes to the Annual Financial Statements

18. Significant Accounting Policies

The principal accounting policies of the International Finance Facility for Immunisation Company ("IFFIm") are summarised below. These accounting policies were consistently applied from prior years. IFFIm's financial statements have been prepared on a going concern basis and approved by its trustees in accordance with applicable law and United Kingdom Accounting Standards.

Basis of Accounting: The financial statements are prepared:

- on the accruals basis of accounting, under the historical cost convention, with the exception of sovereign pledges, funds held in trust, derivative financial instruments, bonds payable and grants payable, which are included at fair value,

- in accordance with the *Statement of Recommended Practice: Accounting and Reporting by Charities*, issued in March 2005, applicable United Kingdom Accounting Standards and the Companies Act 2006,

- in accordance with FRS26 *Financial Instruments: Recognition and Measurement*, sovereign pledges, funds held in trust, derivative financial instruments, bonds payable and grants payable are measured at fair value with changes in fair value recognised in the income statement. These assets and liabilities are recorded at fair value based on the methodologies described in Note 32.

Contribution Revenue: Voluntary income received by way of contributions and grants that are for a defined portfolio of programme implementing countries or specified purposes is recognised as revenue in the restricted net asset class when there is a contractual obligation, certainty of receipt and when it can be reliably measured. Contributions and grants are reported as contribution revenue at fair value in the year in which payments are received or unconditional promises to give or pledges are made. See Notes 19 and 23 for more details on revenue calculation and recognition of pledges.

Donated Services: Donated services are included at the value to IFFIm of the service provided.

Charitable Activities: Charitable expenses comprise the direct costs of immunisation, vaccine procurement and health systems strengthening ("HSS") grants by IFFIm. They are recognised as expenses in the Statements of Financial Activities when indicative funding confirmations to the GAVI Fund Affiliate ("GFA") have been signed by any trustee on behalf of IFFIm's board.

Governance Costs: Governance costs include the expenditure associated with meeting the constitutional and statutory requirements of IFFIm and include audit fees, legal fees as well as the costs of providing strategic direction to IFFIm.

Costs of Generating Funds: Any costs of securing the sovereign pledges that are borne by IFFIm are expensed through its Statements of Financial Activities in the periods in which they are incurred. IFFIm is allocated a percentage of the fundraising costs with the assignment of the pledges from GFA to IFFIm. Consequently, IFFIm's costs of generating funds comprise the treasurer manager's fees for managing IFFIm's funds held in trust that generate its investment income and for managing IFFIm's borrowings that generate the funds that IFFIm grants to GFA for immunisation, vaccine procurement and HSS programmes of the GAVI Alliance ("GAVI").

The bond issuance costs are presented as finance charges in the Statements of Financial Activities.

Interest Income and Expense: Investment and interest income is recognised during the period in which it is earned. Interest expense is recognised during the period in which it is incurred.

Sovereign Pledges: Sovereign pledges are recognised as contribution revenue and as receivables upon assignment of donor contributions to IFFIm by GFA. Sovereign pledges are initially recognised at fair value then subsequently remeasured at fair value as of each reporting date. Gains and losses due to changes in fair market values are reported in fair value gains (losses) in the Statements of Financial Activities. Contribution amounts received from donors depend on a Grant Payment Condition ("GPC") which allows the donors to reduce such amounts. See Note 32 for details of the GPC.

Funds Held in Trust: IFFIm's share in the pooled investment portfolio is measured at fair value on initial recognition, and then subsequently remeasured at fair value at the reporting date in accordance with FRS 26 *Financial Instruments: Measurements* and FRS 29 *Financial Instruments: Disclosure*. Gains or losses due to changes in fair market values are reported in fair value gains (losses) in the Statements of Financial Activities. See Notes 24 and 32 for further details.

Cash: Cash consists of cash at depository bank accounts. Cash does not include IFFIm's pooled investment portfolio, which is presented separately as funds held in trust in the Balance Sheets.

Derivative Financial Instruments: IFFIm uses derivatives to manage its assets and liabilities. Derivative financial instruments are accounted for at fair value. Changes in the fair values of derivatives are recognised as changes in restricted net assets in the periods of the changes and reported in fair value gains (losses) in the Statements of Financial Activities.

In applying FRS 26 *Financial Instruments: Measurements*, IFFIm has elected not to apply hedge accounting.

IFFIm has both: (1) a master netting agreement with the International Bank for Reconstruction and Development (the "World Bank") that legally provides for net settlement of receivables and payables on IFFIm's currency and interest rate swaps, and (2) the intention to settle such receivables and payables on a net basis. As such, IFFIm offsets derivative assets against derivative liabilities and presents the net amounts in the Balance Sheets.

Bonds Payable: Bonds payable are recognised at fair value at the time of issuance and subsequently remeasured at fair value at each reporting date. Bonds payable have been elected to be fair valued as IFFIm manages all its assets and liabilities on a fair value basis. The bond issuance costs are written off in the year of issue and are reported in other resources expended as finance charges in the Statements of Financial Activities. Gains or losses due to changes in fair market values are reported in fair value gains (losses) in the Statements of Financial Activities.

As IFFIm's bonds payable are measured at fair value with changes in fair value recognised in the income statement, bond issuance costs are expensed as incurred.

Grants Payable: Grants payable are recognised at fair value when an indicative funding confirmation to GFA has been signed by one of IFFIm's trustees on behalf of the IFFIm's board. They are subsequently remeasured at fair value at each reporting date. Gains or losses due to changes in fair market values are reported in fair value gains (losses) in the Statements of Financial Activities.

Funds: Funds, revenues, gains and losses are classified based on the existence of grantor-imposed restrictions. IFFIm receives its funding from grantors or by raising funds by borrowing in worldwide capital markets. Proceeds are used to fund programmes for a defined portfolio of eligible countries or specified purposes. Therefore all funds are treated as restricted funds. See Note 32 for IFFIm's defined portfolio of eligible countries.

Foreign Currency Remeasurement: The financial statements are presented in United States dollars which is IFFIm's functional and reporting currency. All financial assets are monetary assets. As such, foreign currency transactions are translated into the functional currency using the exchange rates in effect on the dates on which they occur. Exchange gains and losses arising on settled transactions are included in other incoming funds in the Statements of Financial Activities. Gains and losses on the translation of foreign currency denominated assets and liabilities at year end exchange rates are included in fair value gains (losses) in the Statements of Financial Activities.

Use of Estimates: The preparation of the annual financial statements in conformity with United Kingdom accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of the revenues and expenses during the year. Actual results could differ from these estimates.

Significant estimates are used in determining the fair values of IFFIm's sovereign pledges receivable, bonds payable and derivative financial instruments. The natures of these significant estimates are described in Note 32.

19. Contribution Revenue

Contribution Revenue: Several governments (the "Grantors") have entered into legally binding obligations to make scheduled grant payments to GFA over periods of up to 20 years. GFA has assigned the right to receive these grant payments to IFFIm in consideration for IFFIm's agreement to assess for approval immunisation, vaccine procurement and HSS programmes presented to IFFIm by GFA, and to use its reasonable endeavours to raise funds for such programmes if approved.

The details of the grant obligations entered into by the Grantors are as follows:

Grantor	Grant Date	Payment Period	Grant Amount, in Thousands	
Commonwealth of Australia	28 March 2011	19 years	A$	250,000
Republic of France[1]	2 October 2006	15 years	€	372,800
Republic of France[2]	7 December 2007	19 years	€	867,160
Republic of Italy	2 October 2006	20 years	€	473,450
Republic of Italy	14 November 2011	14 years	€	25,500
State of the Netherlands	18 December 2009	7 years	€	80,000
Kingdom of Norway	2 October 2006	5 years	US$	27,000
Kingdom of Norway	31 August 2010	10 years	Nkr	1,500,000
Republic of South Africa	13 March 2007	20 years	US$	20,000
Kingdom of Spain	2 October 2006	20 years	€	189,500
Kingdom of Sweden	2 October 2006	15 years	Skr	276,150
United Kingdom	2 October 2006	20 years	£	1,380,000
United Kingdom	5 August 2010	19 years	£	250,000

[1] Acting through Agence Française de Développement.

[2] Acting through the Ministry of Economy, Industry and Employment.

Contribution revenue recognised was comprised of:

In Thousands of US$	2011	2010
Initial fair value of pledge received from the Commonwealth of Australia	124,303	-
Initial fair value of pledge received from the Republic of Italy	19,834	-
Initial fair value of pledge received from the Kingdom of Norway	-	175,868
Initial fair value of pledge received from the United Kingdom	-	225,740
Total contribution revenue	144,137	401,608

Donated Services: IFFIm received donated administrative services from GAVI in 2011 and 2010. The services donated by GAVI were valued by using a comprehensive cost allocation model to calculate a single administrative support amount.

The following donated services were recorded as both income and expense and valued at an amount equal to the cost incurred by GAVI and the GAVI Campaign:

In Thousands of US$	2011	2010
Administrative support	820	835
Total donated services	820	835

20. Investment and Interest Income

In Thousands of US$	2011	2010
Income from funds held in trust	8,040	5,653
Bank account interest	6	17
Total investment and interest income	8,046	5,670

21. Total Resources Expended

In Thousands of US$	2011	2010
Cost of generating funds		
Treasury manager's fees:		
Financial operations management	2,569	2,212
Finance charges:		
Bond interest expense	166,399	132,437
Other financing charges	4,209	6,586
Total finance charges	170,608	139,023
Total cost of generating funds	173,177	141,235
Charitable activities		
Country-specific programmes:		
New and underused vaccines	175,000	400,000
Health systems strengthening and immunisation services	25,000	-
Total charitable activities	200,000	400,000
Governance costs		
Professional services:		
Consultancy fees	590	510
GAVI administrative support fee	820	835
Legal fees	450	783
Auditor's remuneration:		
Statutory audit	137	122
Audit related assurance services	165	136
Tax compliance services	20	8
Other assurance services	13	-
Other governance costs:		
Trustees' indemnity insurance premiums	470	469
Trustees' meeting and travel expenses	84	71
Total governance costs	2,749	2,934

Administrative and Financial Management Support: Pursuant to the *Finance Framework Agreement* entered into by IFFIm, the Grantors, the World Bank, GAVI and GFA, IFFIm has no employees. IFFIm outsources all administrative support to GAVI, and outsources its treasury function, together with certain accounting and financial reporting support, to the World Bank.

Trustees' Expenses: IFFIm's trustees are not remunerated. They are, however, reimbursed for expenses they incur in attending meetings and performing other functions directly related to their duties as trustees. IFFIm also incurs professional indemnity insurance premium expenses for the trustees. IFFIm had seven trustees as of 31 December 2011.

22. Fair Value Gains and Losses

In Thousands of US$	2011	2010
Fair value gains (losses) on bonds		
Fair value gains (losses) on bonds	208,570	(161,136)
Net fair value gains (losses) on bond swaps	(34,543)	293,725
Interest expense on bonds	(166,399)	(132,437)
Net fair value gains on bonds and bond swaps	7,628	152
Fair value gains (losses) on pledges and pledge swaps		
Fair value gains on sovereign pledges	289,831	72,561
Net fair value losses on pledge swaps	(420,122)	(54,487)
Net fair value gains (losses) on pledges and pledge swaps	(130,291)	18,074
Fair value gain on interest rate overlay swap	1,437	285
Other foreign exchange gains	1,068	940
Net fair value gains on pledges, bonds and swaps	(120,158)	19,451

Note 25 provides details of IFFIm's interest rate overlay swap.

23. Sovereign Pledges

IFFIm's sovereign pledges represent grants from the Grantors. These legally binding payment obligations are irrevocable by the Grantors and are paid in several instalments according to predetermined fixed payment schedules.

The total amounts paid by the Grantors to IFFIm are impacted by the GPC. See Note 32 for further details.

Sovereign pledges, like contribution revenue, are recognised upon assignment of the Grantor contributions to IFFIm by GFA. Fair value adjustments due to changes in interest rates, the GPC, discounting and exchange rates are recognised from inception until year end.

Sovereign pledges were comprised of:

In Thousands of US$	2011	2010
Balance as of the beginning of the year	3,171,579	2,882,103
Initial fair value of pledges	144,137	401,608
Payments received from donors	(201,610)	(184,693)
Fair value gains	289,831	72,561
Balance as of the end of the year	3,403,937	3,171,579
Sovereign pledges due within one year	211,286	163,588
Sovereign pledges due after more than one year	3,192,651	3,007,991
Total sovereign pledges	3,403,937	3,171,579

Note 22 provides details on fair value gains from interest rate and currency swaps that were recognised related to the sovereign pledges due.

24. Funds Held in Trust

Funds held in trust represent cash, money market instruments, government and agency obligations, asset-backed securities and corporate securities (together "Liquid Assets") that are managed by the World Bank. The World Bank maintains a single investment portfolio (the "Pool") for IFFIm, GFA and other trust funds it administers. The World Bank maintains the Pool's assets separate and apart from the funds owned by the World Bank Group.

The Pool is divided into sub-portfolios to which allocations were made based on fund specific investment horizons, risk tolerances and other eligibility requirements set by the World Bank. Under an investment strategy approved by

IFFIm's trustees, IFFIm's Liquid Assets were invested in high-grade fixed-income instruments with interest rate sensitivity matching that of the liabilities funding the portfolio.

In Thousands of US$	2011	2010
IFFIm's share in the Pool's fair value	850,958	1,565,302

The Pool's fair value is based on market quotations. Gains, losses and investment income are recognised in the period in which they occurred and are allocated to IFFIm on a daily basis. These net gains totalled US$ 8 million and US$ 5.7 million for the years ended 31 December 2011 and 2010, respectively, and were reported as investment income in the Statements of Financial Activities.

25. Derivative Financial Instruments

IFFIm entered into interest rate and currency swaps that economically hedged certain risks as discussed below.

For financial reporting purposes, IFFIm elected not to define any qualifying hedge relationships as defined by FRS 26 *Financial Instruments: Measurements*. All derivatives were valued at fair value recognising the resulting gains and losses in the Statements of Financial Activities during the period in which they occur. Net gains on derivatives were recognised as changes in restricted net assets.

The World Bank, as IFFIm's treasury manager, executed certain swaps to lock in the total present value of pledges. The locked-in values of the pledges were determined: (1) using the market exchange and interest rates at the time the swap contracts were written, (2) considering the different payment profiles in different grant currencies and, (3) assuming that the reduction amounts due to the GPC will remain at the levels they were as of the time the swap contracts were written, (4) assuming no Grantor defaults.

At issuance, IFFIm's fixed rate bond obligations have been swapped simultaneously on a back-to-back basis into United States dollar 3-month LIBOR, floating-rate liabilities.

As described in Note 30, IFFIm maintains a minimum liquidity equivalent to its cumulative contracted debt service payments for the next twelve months.

The notional amounts and fair values of the interest rate and currency swaps were:

	31 December 2011		31 December 2010	
In Thousands of US$	Notional Amount	Fair Value	Notional Amount	Fair Value
Currency and interest rate swaps receivable related to sovereign pledges	76,629	2,232	464,858	10,085
Currency and interest rate swaps receivable related to bonds payable	3,425,309	266,875	4,255,788	450,370
Interest rate overlay swap	-	-	1,000,000	285
Total currency and interest rate swaps receivable		269,107		460,740
Currency and interest rate swaps payable related to sovereign pledges	4,685,100	(713,032)	4,297,327	(317,434)
Currency and interest rate swaps payable related to bonds payable	1,227,671	(42,762)	603,768	(2,836)
Total currency and interest rate swaps payable		(755,794)		(320,270)
Total fair value of interest rate and currency swaps		(486,687)		140,470

26. Creditors Falling Due within One Year

In Thousands of US$	2011	2010
Bonds payable falling due within one year	764,364	1,078,463
Trade creditors	732	458
Amounts due to GAVI	366	250
Advances received on pledges	1,103	761
Total creditors falling due within one year	766,565	1,079,932

27. Creditors Falling Due after More than One Year

Creditors falling due after more than one year are comprised of bonds payable. IFFIm issues bonds on worldwide capital markets to meet IFFIm's primary objective of funding GAVI's immunisation, vaccine procurement and HSS programmes. IFFIm's outstanding bonds payable were:

Issue Date	Maturity Date	Coupon Interest Rate	Nominal Amount, in Thousands		Fair Value as of 31 December 2011, in Thousands of US$	Fair Value as of 31 December 2010, in Thousands of US$
14 November 2006	14 November 2011	5.00%	US$	1,000,000	-	1,048,155
19 February 2009	21 February 2012	2.60%	A$	45,000	46,085	44,885
19 February 2009	21 February 2012	2.65%	NZ$	179,000	139,733	139,226
19 February 2009	21 February 2012	6.26%	R	3,170,000	400,654	491,078
15 May 2009	15 May 2014	3.38%	£	250,000	414,620	414,272
15 May 2009	13 June 2014	0.00%	£	16,227	28,329	27,333
27 May 2009	25 May 2012	3.51%	A$	50,000	50,929	49,796
27 May 2009	25 May 2012	1.00%	US$	105,000	105,360	105,880
24 June 2009	24 June 2013	4.36%	A$	70,592	72,179	69,616
24 June 2009	24 June 2013	6.85%	R	239,000	30,026	36,527
24 June 2009	24 June 2024	0.50%	R	800,000	40,226	42,019
23 March 2010	27 March 2013	7.15%	R	2,500,000	319,671	391,485
28 June 2010	27 June 2014	4.77%	A$	17,200	17,755	16,875
28 June 2010	27 June 2014	8.30%	R$	103,300	57,167	63,286
28 June 2010	29 June 2020	0.50%	R	430,000	30,762	31,604
15 October 2010	15 October 2015	5.50%	A$	35,000	37,288	34,960
8 December 2010	8 December 2015	5.75%	A$	400,000	427,537	401,512
30 March 2011	24 March 2014	7.81%	R$	371,100	206,332	-
28 September 2011	26 September 2014	6.00%	R$	105,000	55,273	-
29 September 2011	30 September 2015	3.40%	A$	12,000	11,892	-
29 September 2011	29 September 2016	6.10%	R	650,000	81,596	-
Total bonds payable					2,573,414	3,408,509
Due within one year					(764,364)	(1,078,463)
Due after more than one year					1,809,050	2,330,046

28. Movement of Funds

In Thousands of US$	As of 31 December 2010	Incoming Resources	Resources Expended	As of 31 December 2011
Sovereign pledges assigned from GFA	3,297,177	144,137	(1,929)	3,439,385
Investment and interest income	49,900	8,046	-	57,946
Other gains (losses) and other income (expenses)	(1,154)	46,241	(173,177)	(128,090)
Donated services:				
Administrative support	-	820	(820)	-
Programme funding to GFA:				
Country-specific programmes	(1,651,058)	-	(200,000)	(1,851,058)
Yellow fever stockpile investment case	(57,140)	-	-	(57,140)
Polio eradication investment case	(191,280)	-	-	(191,280)
Measles mortality reduction investment case	(139,000)	-	-	(139,000)
Maternal and neonatal tetanus investment case	(61,620)	-	-	(61,620)
Pentavalent payment guarantee	(181,050)	-	-	(181,050)
Yellow fever continuation investment case	(43,881)	-	-	(43,881)
Meningitis eradication investment case	(67,719)	-	-	(67,719)
Total restricted funds	953,175	199,244	(375,926)	776,493

In Thousands of US$	As of 31 December 2009	Incoming Resources	Resources Expended	As of 31 December 2010
Sovereign pledges assigned from GFA	2,897,668	401,608	(2,099)	3,297,177
Investment and interest income	44,230	5,670	-	49,900
Other gains (losses) and other income (expenses)	(11,807)	151,888	(141,235)	(1,154)
Donated services:				
Administrative support	-	835	(835)	-
Programme funding to GFA:				
Country-specific programmes	(1,251,058)	-	(400,000)	(1,651,058)
Yellow fever stockpile investment case	(57,140)	-	-	(57,140)
Polio eradication investment case	(191,280)	-	-	(191,280)
Measles mortality reduction investment case	(139,000)	-	-	(139,000)
Maternal and neonatal tetanus investment case	(61,620)	-	-	(61,620)
Pentavalent payment guarantee	(181,050)	-	-	(181,050)
Yellow fever continuation investment case	(43,881)	-	-	(43,881)
Meningitis eradication investment case	(67,719)	-	-	(67,719)
Total restricted funds	937,343	560,001	(544,169)	953,175

29. Credit Risk

Credit risk is the risk that IFFIm may suffer financial loss should the Grantors, market counterparties or implementing countries fail to fulfil their contractual obligations. The carrying amounts of financial assets represent IFFIm's maximum credit exposures. These maximum exposures were:

In Thousands of US$	2011	2010
Sovereign pledges	3,403,937	3,171,579
Cash, investments and derivatives	364,963	1,708,214
Total credit exposure	3,768,900	4,879,793

Credit Risk Related to Sovereign Pledges: IFFIm was exposed to Grantor credit risk on pledges from highly rated governments. This exposure is detailed by Grantor in Note 19 above. With the exception of the Republic of South Africa, all of the Grantors' credit ratings were between A+ and AAA as of 31 December 2011.

The Grantors' credit ratings as of 31 December 2011 and 2010, as determined by Standard and Poor's Ratings Service ("S&P"), were:

Grantor	2011	2010
Commonwealth of Australia	AAA	AAA
Republic of France	AAA	AAA
Republic of Italy	A	A+
State of the Netherlands	AAA	AAA
Kingdom of Norway	AAA	AAA
Republic of South Africa	BBB+	BBB+
Kingdom of Spain	AA-	AA
Kingdom of Sweden	AAA	AAA
United Kingdom	AAA	AAA

IFFIm was also indirectly exposed to implementing country credit risk embodied in the GPC. IFFIm took this risk into account when determining the fair value of sovereign pledges. See Note 32 for details.

Credit Risk Related to Cash, Investments and Derivatives: The World Bank, an AAA credit-rated institution, managed IFFIm's credit risk related to cash, investments and derivatives. The World Bank managed the risk on derivative contracts by serving as the counterparty for all IFFIm's swaps.

To manage credit risk related to investments, the World Bank invests in highly rated Liquid Assets. The World Bank was limited to investments with the following minimum credit ratings:

- Investments in money market instruments were limited to instruments issued or guaranteed by financial institutions whose senior debt securities were rated at least A- by the major rating agencies.

- Investments in government and agency obligations were limited to obligations issued or unconditionally guaranteed by government agencies rated at least AA- by the major rating agencies if denominated in a currency other than the issuers' home currencies. Obligations denominated in issuers' home currencies required no rating. Obligations issued by an agency or instrumentality of a government, a multilateral organisation or any other official entity required a minimum credit rating of AA-.

- Investments in asset-backed securities and corporate securities were limited to securities with a minimum rating of AAA.

IFFIm's investments in money market instruments, government and agency obligations, asset-backed securities and corporate securities had the following credit ratings:

In Thousands of US$	2011	2010
Instruments and securities rated AAA	485,364	561,196
Instruments and securities rated AA+	57,720	-
Instruments and securities rated AA-	244,824	644,097
Instruments and securities rated AA	2,976	318,826
Instruments and securities rated A+	59,717	41,174
Instruments and securities rated A	358	-
Instruments and securities rated BB+	-	9
Total funds held in trust	850,959	1,565,302

30. Liquidity Risk

Liquidity risk is the risk that IFFIm may be unable to meet its obligations, when they fall due, as a result of a sudden, and potentially protracted, increase in cash outflows. Under its liquidity policy, IFFIm seeks to maintain an adequate level of liquidity to meet its operational requirements, provide predictability of programme funding and support its AAA credit rating. Taking these factors into account, IFFIm maintains a minimum liquidity equivalent to its cumulative contracted debt service payments for the next twelve months. This minimum liquidity level is recalculated and reset on a quarterly basis. As of 31 December 2011, the calculated minimum liquidity was US$ 595 million and the value of IFFIm's Liquid Assets was US$ 852 million. As of 31 December 2010, the calculated minimum liquidity was US$ 1 billion and the value of IFFIm's Liquid Assets was US$ 1.6 billion.

Based on factors such as the strength of its financial base, its conservative financial policies and the strong support of the Grantors, IFFIm's Global Debt Issuance Programme is rated AAA by S&P and Fitch Ratings, and Aaa by Moody's Investor Service.

Also, from time to time, IFFIm's trustees set a limit on IFFIm's gearing ratio. The gearing ratio is calculated using IFFIm's net financial liabilities as a percentage of the net present value of pledges due from the Grantors, after the impact of amounts due on swaps held.

The following were the contractual undiscounted maturities of IFFIm's financial liabilities, including estimated interest payments:

As of 31 December 2011, in Thousands of US$	**Total Cash Outflows**	**Due in Less than One Year**	**Due in 2013**	**Due in 2014**	**Due from 2015 through 2029**
Bonds payable	(2,816,497)	(842,610)	(490,350)	(754,881)	(728,656)
Grants payable to GFA	(417,064)	(417,064)	-	-	-
Derivative financial liabilities	(954,402)	(12,171)	(19,096)	(97,249)	(825,886)
Total undiscounted maturities	(4,187,963)	(1,271,845)	(509,446)	(852,130)	(1,554,542)

As of 31 December 2010, in Thousands of US$	**Total Cash Outflows**	**Due in Less than One Year**	**Due in 2012**	**Due in 2013**	**Due from 2014 through 2026**
Bonds payable	(3,808,573)	(1,165,142)	(913,944)	(545,093)	(1,184,394)
Grants payable to GFA	(517,064)	(517,064)	-	-	-
Derivative financial liabilities	(383,803)	(9,821)	(17,910)	(22,402)	(333,670)
Total undiscounted maturities	(4,709,440)	(1,692,027)	(931,854)	(567,495)	(1,518,064)

The trustees' expect that IFFIm will receive cash inflows upon maturity of its derivative financial assets. The following are the expected undiscounted inflows from derivative financial assets and the expected undiscounted net cash flows from all of IFFIm's derivative financial instruments:

As of 31 December 2011, in Thousands of US$	**Total Cash Inflows (Outflows)**	**Due in Less than One Year**	**Due in 2013**	**Due in 2014**	**Due from 2015 through 2029**
Derivative financial assets	474,050	264,519	79,745	57,977	71,809
Derivative financial liabilities	(954,402)	(12,171)	(19,096)	(97,249)	(825,886)
Net cash inflows (outflows)	(480,352)	252,348	60,649	(39,272)	(754,077)

As of 31 December 2010, in Thousands of US$	**Total Cash Inflows (Outflows)**	**Due in Less than One Year**	**Due in 2012**	**Due in 2013**	**Due from 2014 through 2026**
Derivative financial assets	748,545	161,845	331,250	121,365	134,085
Derivative financial liabilities	(383,803)	(9,821)	(17,910)	(22,402)	(333,670)
Net cash inflows (outflows)	364,742	152,024	313,340	98,963	(199,585)

The trustees do not expect that the cash flows included in the above maturity analyses could occur significantly earlier, or at significantly different amounts.

31. Market Risk

Market risk is the risk that IFFIm's net assets or deficit for the year, or its ability to meet its objectives, may be adversely affected by changes in the level of, or volatility in, market rates or prices. IFFIm's market risk objectives are: (1) understanding the components of IFFIm's market risk, (2) controlling IFFIm's market risk through the use of currency and interest swaps, and (3) facilitating predictable funding of GAVI programmes within a controlled and transparent risk management framework.

IFFIm's market risk is comprised primarily of foreign exchange rate risk and interest rate risk. Each of these is described further below.

Foreign Exchange Rate Risk: IFFIm was exposed to foreign exchange risks from currency mismatches as well as timing differences between receipt of Grantor payments, payment of bond obligations, disbursements to GFA and issuance of IFFIm bonds. To mitigate these risks, Grantor pledges were swapped into United States dollar floating rate assets and, at issuance, IFFIm's bonds payable were swapped into United States dollar floating rate liabilities.

The carrying amounts of IFFIm's foreign currency assets and liabilities, including derivatives, were:

As of 31 December 2011, in Thousands of US$	Foreign Currency Assets	Foreign Currency Liabilities	Net Exposure
Australian dollar	815,116	(821,433)	(6,317)
Brazilian real	319,352	(318,772)	580
Euro	1,384,339	(1,811,037)	(426,698)
British pound	2,149,091	(2,381,302)	(232,211)
Norwegian krone	175,679	(194,179)	(18,500)
New Zealand dollar	139,735	(139,733)	2
Swedish krona	21,348	(23,238)	(1,890)
South African rand	909,751	(902,935)	6,816

As of 31 December 2010, in Thousands of US$	Foreign Currency Assets	Foreign Currency Liabilities	Net Exposure
Australian dollar	619,938	(617,577)	2,361
Brazilian real	63,425	(63,286)	139
Euro	1,456,402	(1,757,151)	(300,749)
British pound	1,981,617	(2,203,767)	(222,150)
Norwegian krone	173,910	(194,332)	(20,422)
New Zealand dollar	138,955	(139,226)	(271)
Swedish krona	22,027	(24,258)	(2,231)
South African rand	997,019	(992,712)	4,307

The following exchange rates applied during the year:

In US$	Average Rate for the Year Ended 31 December 2011	Spot Rate as of 31 December 2011	Average Rate for the Year Ended 31 December 2010	Spot Rate as of 31 December 2010
Australian dollar	1.0327	1.0174	0.9198	1.0164
Brazilian real	0.5977	0.5360	0.5681	0.6026
Euro	1.3925	1.2938	1.3270	1.3384
British pound	1.6037	1.5454	1.5458	1.5528
Norwegian krone	0.1784	0.1664	0.1654	0.1714
New Zealand dollar	0.7916	0.7734	0.7215	0.7770
Swedish krona	0.1540	0.1451	0.1388	0.1491
South African rand	0.1377	0.1235	0.1365	0.1506

Sensitivity to Foreign Exchange Rates: Strengthening of the above currencies, against the United States dollar, as of 31 December 2011 and 2010 would have increased (decreased) IFFIm's net assets and deficits for those years by the amounts shown below. This analysis is based on foreign currency exchange rate variances that IFFIm considered to be reasonably possible at the end of the year. The analysis assumes that all other variables, in particular interest rates, remain unchanged:

	Increase (Decrease) in Deficit for the Year Ended and Net Assets as of 31 December 2011		Increase (Decrease) in Deficit for the Year Ended and Net Assets as of 31 December 2010	
In Thousands of US$	10% Strengthening against US$	10% Weakening against US$	10% Strengthening against US$	10% Weakening against US$
Australian dollar	574	(702)	(208)	255
Brazilian real	(53)	64	(13)	15
Euro	39,915	(48,785)	27,497	(33,607)
British pound	21,189	(25,898)	20,270	(24,775)
Norwegian krone	1,682	(2,056)	1,857	(2,269)
New Zealand dollar	-	-	25	(30)
Swedish krona	174	(213)	206	(251)
South African rand	(620)	757	(391)	478

Interest Rate Risk: IFFIm was exposed to interest rate risk from differences in the interest rate bases of the bonds payable and funds held in trust. IFFIm used interest rate swaps to mitigate this exposure. The interest rate profiles of IFFIm's interest-bearing financial instruments, including derivatives, with the exception of funds held in trust, were:

In Thousands of US$	2011 Carrying Amount	2010 Carrying Amount
Fixed rate instruments		
Financial assets	2,160,825	2,217,012
Financial liabilities	(6,365,099)	(7,030,868)
Net fixed rate instruments	(4,204,274)	(4,813,856)
Variable rate instruments		
Financial assets	3,794,576	3,315,594
Financial liabilities	(2,650,402)	(2,044,375)
Net variable rate instruments	1,144,174	1,271,219

Sensitivity to Interest Rates: Changes of 25 basis points in interest rates as of 31 December 2011 and 2010 would have increased (decreased) IFFIm's net assets and deficits for those years by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain unchanged:

In Thousands of US$	Increase (Decrease) in Deficit for the Year Ended and Net Assets as of 31 December 2011	Increase (Decrease) in Deficit for the Year Ended and Net Assets as of 31 December 2010
25 basis point increase	13,012	(26,675)
25 basis point decrease	(13,451)	27,519

Value at Risk ("VaR") for Funds Held in Trust: VaR measures, in terms of fair value changes, the potential losses due to adverse market movements over a given interval at a given confidence level. VaR is conceptually applicable to all financial risk types with valid regular price histories. The annual VaR at 95% confidence level for IFFIm's funds held in trust was US$ 2.6 million and US$ 5.0 million for the years ended 31 December 2011 and 2010, respectively. IFFIm uses a three-year historical dataset to compute VaR.

32. Fair Values of Financial Instruments

Fair Values Compared to Carrying Amounts: The fair values of IFFIm's financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, were as follows:

In Thousands of US$	31 December 2011		31 December 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets carried at fair value				
Sovereign pledges	3,403,937	3,403,937	3,171,579	3,171,579
Funds held in trust	850,958	850,958	1,565,302	1,565,302
Derivative financial instruments	269,107	269,107	460,740	460,740
Total assets carried at fair value	4,524,002	4,524,002	5,197,621	5,197,621
Assets carried at amortised cost				
Prepayments	272	272	424	424
Cash	692	692	2,442	2,442
Total assets carried at amortised cost	964	964	2,866	2,866
Liabilities carried at fair value				
Bonds payable	2,573,414	2,573,414	3,408,509	3,408,509
Grants payable to GFA	417,064	417,064	517,064	517,064
Derivative financial instruments	755,794	755,794	320,270	320,270
Total liabilities carried at fair value	3,746,272	3,746,272	4,245,843	4,245,843
Liabilities carried at amortised cost				
Accounts payable	2,201	2,201	1,469	1,469
Total liabilities carried at amortised cost	2,201	2,201	1,469	1,469

Fair Value Hierarchy: The table below analyses IFFIm's financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Financial instruments that were valued using unadjusted prices quoted in active markets for identical assets and liabilities.
- Level 2: Financial instruments that were valued using inputs, other than quoted prices included with Level 1, which were observable for the asset or liability, either directly or indirectly.
- Level 3: Financial instruments whose valuation incorporated inputs for the asset or liability that were not based on observable market data.

As of 31 December 2011, in Thousands of US$	Level 1	Level 2	Level 3	Total
Financial assets				
Sovereign pledges	-	-	3,403,937	3,403,937
Funds held in trust	26,952	824,006	-	850,958
Derivative financial instruments	-	269,107	-	269,107
Total financial assets	26,952	1,093,113	3,403,937	4,524,002
Financial liabilities				
Bonds payable	-	2,573,414	-	2,573,414
Grants payable to GFA	-	417,064	-	417,064
Derivative financial instruments	-	755,794	-	755,794
Total financial liabilities	-	3,746,272	-	3,746,272

As of 31 December 2010, in Thousands of US$	Level 1	Level 2	Level 3	Total
Financial assets				
Sovereign pledges	-	-	3,171,579	3,171,579
Funds held in trust	23,370	1,541,932	-	1,565,302
Derivative financial instruments	-	460,740	-	460,740
Total financial assets	23,370	2,002,672	3,171,579	5,197,621
Financial liabilities				
Bonds payable	-	3,408,509	-	3,408,509
Grants payable to GFA	-	517,064	-	517,064
Derivative financial instruments	-	320,270	-	320,270
Total financial liabilities	-	4,245,843	-	4,245,843

The changes in the aggregate fair value of IFFIm's Level 3 financial assets and liabilities were:

In Thousands of US$	2011	2010
Balance as of the beginning of the year	3,171,579	2,882,103
Initial fair value of pledges	144,137	401,608
Donor payments	(201,610)	(184,693)
Fair value gains (losses)	289,831	72,561
Balance as of the end of the year	3,403,937	3,171,579

The bases for techniques that IFFIm applied in determining the fair values of financial assets and liabilities are summarised below.

Funds Held in Trust: The World Bank, as treasury manager, maintains IFFIm's investments on a pooled accounting basis and the pooled investments are reported at fair value. IFFIm's share in pooled cash and investments represents IFFIm's allocated share of the Pool's fair value at the end of the year. The fair value is based on market quotations where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. The corresponding proportionate interest income and investment gains or losses are recognised by IFFIm in the year in which they occur.

Sovereign Pledges Receivable: Fair values are estimated using a discounted cash flow method. Each cash flow is reduced by an estimated reduction amount due to the GPC and the reduced cash flows are discounted to present value using observable Grantor-specific interest rates.

The GPC allows the Grantors to reduce their payments in the event that an IFFIm-eligible country falls into protracted arrears on its obligations to the International Monetary Fund (the "IMF"). Each implementing country has been ascribed a weight in a reference portfolio that will remain static for the life of IFFIm. Donors reduce the amounts they pay IFFIm by the aggregate percentage weights of countries that are in protracted arrears to the IMF. When countries clear their arrears to the IMF, future amounts payable by donors to IFFIm are increased by the respective weights of those clearing countries. The reference portfolio comprises 70 predetermined IFFIm-eligible countries. Each implementing country has been given a weighting of either 1%, 3% or 5%, totalling of 100%, as shown in the table below. The amount of each Grantor payment is determined 25 business days prior to the due date of such payment.

The reference portfolio is as follows:

Country	Country Weighting	Total Share
Afghanistan, Angola, Armenia, Aserbaijan, Benin, Bhutan, Bolivia, Burkina, Faso, Burundi, Cambodia, Cameroon, Central African Republic, Chad, Comoros, Congo, Republic of Cote d'Ivoire, Djibouti, Eritrea, The Gambia, Georgia, Ghana, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Kenya, Kiribati, Kyrgyzstan, Lao PDR, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Moldova, Mongolia, Mozambique, Myanmar, Nepal, Nicaragua, Niger, Papua New Guinea, Rwanda, Sao Tome & Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sri Lanka, Sudan, Tajikistan, Tanzania, Timor-Leste, Togo, Uganda, Ukraine, Uzbekistan, Yemen Republic, Zambia, Zimbabwe	1%	62%
Vietnam	3%	3%
Bangladesh, Democratic Republic of Congo, Ethiopia, India, Indonesia, Nigeria, Pakistan	5%	35%

The fair values of the contributions receivable are estimated using a discounted cash flow method. Each cash flow is reduced by an estimated reduction amount due to the grant payment condition and the reduced cash flows are discounted to present value at donor-specific interest rates. The reduction amount is calculated using a probabilistic model, which estimates the likelihood and duration that any implementing country might fall into arrears with the IMF. This probabilistic model is based on the assumption that the performance of the implementing countries since 1981 is a reasonable proxy for their future performance.

The initial GPC reduction rate used in October 2006 was 17.6%. The rate was 15.4% and 15.5% as of 31 December 2011 and 2010 respectively. 1% decreases in the GPC reduction rates as of 31 December 2011 and 2010 would have resulted in increases in the fair values of sovereign pledges of US$ 40 million and US$ 38 million, respectively. 1% increases in the GPC reduction rates would have had equal but opposite effects on the fair values of sovereign pledges.

During the year ended 31 December 2011, three reference portfolio countries, each with 1% weighting, were in protracted arrears to the IMF. Those countries were Somalia, Sudan and Zimbabwe.

For the above sovereign pledges as of 31 December 2011, market based discount rates ranging from 0% to 7.3% were applied, as appropriate, depending on the donor, payment schedule and currency of the grant payments.

<u>Bonds Payable</u>: The fair values of IFFIm's bonds payable are determined using a discounted cash flow method, which relies on market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads.

For the years ended 31 December 2011 and 2010, the changes in the fair values of bonds payable that were attributable to IFFIm's own credit spreads were decreases of US$ 11 million and US$ 5 million, respectively.

<u>Grants Payable to GFA</u>: These liabilities are short-term in nature and, therefore, their carrying values are deemed to be reasonable estimates of their fair values.

<u>Derivative Financial Instruments</u>: The fair values of derivatives are estimated using a discounted cash flow method representing the estimated cost of replacing these contracts on that date. All model inputs are based on readily observable market parameters such as yield curves, foreign exchange rates, and basis spreads.

33. Notes to the Statements of Cash Flows

The following table analyses changes in net debt:

In Thousands of US$	Fair Value as of 31 December 2010	Cash Flows and Fair Value Movements	Fair Value as of 31 December 2011
Cash	2,442	(1,750)	692
Bonds payable	(3,371,675)	830,751	(2,540,924)
Funds held in trust	1,565,303	(714,344)	850,959
Total	(1,803,930)	114,657	(1,689,273)

In Thousands of US$	Fair Value as of 31 December 2009	Cash Flows and Fair Value Movements	Fair Value as of 31 December 2010
Cash	772	1,670	2,442
Bonds payable	(2,576,101)	(795,574)	(3,371,675)
Funds held in trust	1,082,286	483,017	1,565,303
Total	(1,493,043)	(310,887)	(1,803,930)

The following table reconciles net cash flows to movement in net debt:

In Thousands of US$	2011	2010
Increase (Decrease) in cash	(1,750)	1,670
Increase (Decrease) in funds held in trust	(714,344)	483,017
Cash (inflows) outflows from financing activities	622,181	(634,438)
Fair value gains (losses) on bonds	208,570	(161,136)
Movement in net debt in the period	114,657	(310,887)
Net debt as of the beginning of the year	(1,803,930)	(1,493,043)
Net debt as of the end of the year	(1,689,273)	(1,803,930)

34. Related Party Transactions

IFFIm's related parties are:

- GAVI: GAVI is a not-for-profit organisation based in Switzerland. GAVI is IFFIm's sole member.
- GFA: GFA is a private company limited by guarantee and incorporated in the United Kingdom under the Companies Act 1985. GFA receives irrevocable and legally binding pledges from donor governments and assigns the pledges to IFFIm.

Balances due to or from related parties are non-interest bearing and do not have specific terms of repayment.

IFFIm's related party balances and transactions were:

In Thousands of US$	2011	2010
GAVI		
Accounts payable to GAVI	366	250
In-kind contributions received from GAVI	820	835
GFA		
Assignment of donor pledges from GFA	144,137	401,608
Program grants to GFA	200,000	400,000
Program grants payable to GFA	417,064	517,064

35. Commitment and Contingencies

The trustees are not aware of any commitments or contingencies as of 31 December 2011 or 2010.

36. Current Tax

IFFIm is a registered United Kingdom charity and, as such, is exempt from United Kingdom taxation of income and gains falling within s478-489 Corporation Tax Act 2010 and s256 Taxation of Chargeable Gains Act 1992 on its charitable activities. No tax charges arose during the years ended 31 December 2011 or 2010.

37. Subsequent Events

On 17 January 2012, S&P downgraded its credit rating on IFFIm to AA+ from AAA. The action was the result of its 13 January 2012 downgrade of the sovereign credit ratings on France to AA+ from AAA, Italy to BBB+ from A and Spain to A from AA-.

On 27 January 2012, Fitch Ratings downgraded its credit ratings on Italy to A- from A+ and Spain to A from AA-.

On 13 February 2012, Moody's Investor Service downgraded its credit ratings on Italy to A3 from A2 and Spain to A3 from A1.

On 26 April 2012, S&P further downgraded its credit rating on Spain to BBB+ from A.

KPMG

Independent auditor's statement to the members of the International Finance Facility for Immunisation

We have examined the summary financial statements (summary financial statements are full financial statements excluding the trustees' report) for the year ended 31 December 2011 which comprises the Statements of Income and Expenditure, Statements of Financial Activities, Balance Sheets, Statements of Cash Flows And Notes to the Annual Financial Statements set out on pages 43 to 63.

This statement is made solely to the company's members, as a body, in accordance with section 427 of the Companies Act 2006. Our work has been undertaken so that we might state to the company's members those matters we are required to state to them in such a statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the summarised financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the annual report with the full annual financial statements and its compliance with the relevant requirements of section 427 of the Companies Act 2006 and the regulations made thereunder.

We also read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Basis of opinion

We conducted our work in accordance with Bulletin 2008/3 *The auditor's statement on the summary financial statement in the United Kingdom* issued by the Auditing Practices Board. Our report on the company's full annual financial statements describes the basis of our audit.

Opinion on summary financial statement

In our opinion the summary financial statement is consistent with the full annual financial statements of the International Finance Facility for Immunisation for the year ended 31 December 2011 and complies with the applicable requirements of section 427 of the Companies Act 2006 and the regulations made thereunder.

We have not considered the effects of any events between the date on which we signed our report on the full annual financial statements 28 June 2012 and the date of this statement.

M.G. Fallon (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

1 Forest Gate
Brighton Road
Crawley RH11 9PT

GFA Financial Statements

Statements of Financial Activities

In Thousands of US$	Note	Year Ended 31 December 2011 Restricted Funds	Year Ended 31 December 2010 Restricted Funds
Incoming resources from generated funds			
Voluntary income:			
Contribution revenue	39	344,137	801,608
Donated services	39	838	1,329
Total voluntary income		344,975	802,937
Investment and interest income	40	539	788
Total incoming resources from generated funds		345,514	803,725
Resources expended			
Charitable activities:			
Direct programme costs	41	207,782	457,256
Pledges assigned to IFFIm	41	144,138	401,608
Total charitable activities		351,920	858,864
Governance costs	41	1,675	2,266
Total resources expended		353,595	861,130
Net resources (expended) generated		(8,081)	(57,405)
Foreign currency exchange losses		(6)	(11)
Net change in funds		(8,087)	(57,416)
Total funds as of the beginning of the year		150,036	207,452
Total funds as of the end of the year		141,949	150,036

The accompanying notes are an integral part of these financial statements.

All incoming resources and resources expended derive from continuing operations and there are no gains or losses other than those included in this statement.

Balance Sheets

In Thousands of US$	Note	As of 31 December 2011	As of 31 December 2010
Current assets			
Funds held in trust	42	244,688	192,664
Grants receivable from IFFIm	43	417,064	517,064
Other current assets	44	17,868	19,142
Due from related parties		810	637
Total cash and funds held in trust		680,430	729,507
Current liabilities			
Creditors falling due within one year	45	538,479	579,469
Total current liabilities		538,479	579,469
Net assets	46	141,951	150,038
Restricted funds	46	141,951	150,038

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

In Thousands of US$	Note	Year Ended 31 December 2011 Restricted Funds	Year Ended 31 December 2010 Restricted Funds
Net cash inflows (outflows) from operating activities	49	51,485	(86,180)
Returns on investments			
Investment and interest income received	40	539	789
Management of liquid resources			
Decrease (Increase) in funds held in trust		(52,024)	85,391
Net cash inflows (outflows) before financing activities		(51,485)	86,180
Net change in cash		-	-
Cash as of the beginning of the year		-	-
Cash as of the end of the year		-	-

The accompanying notes are an integral part of these financial statements.

Notes to the Annual Financial Statements

38. Significant Accounting Policies

The principal accounting policies of the GAVI Fund Affiliate ("GFA") are summarised below. These accounting policies were consistently applied from prior years.

Basis of Accounting: The financial statements are prepared:

- on the accruals basis of accounting, under the historical cost convention, with the exception of grants receivable, funds held in trust and grants payable, which are included at fair value,

- in accordance with the *Statement of Recommended Practice: Accounting and Reporting by Charities*, issued in March 2005, applicable United Kingdom Accounting Standards and the Companies Act 2006,

In accordance with FRS26 *Financial Instruments: Recognition and Measurement*, grants receivable, funds held in trust and grants payable are measured at fair value, based on the methodologies described in Note 48, with changes in fair value recognised in the statement of financial activities.

Contribution Revenue: Voluntary income received by way of contributions and grants that are for a defined portfolio of programme recipient countries or specified purposes is recognised as revenue in the restricted net asset class when there is a contractual obligation, certainty of receipt and when it can be reliably measured. Contributions and grants are reported as contribution revenue at fair value in the year in which payments are received or unconditional promises to give or pledges are made.

Donated Services: Donated services are included at the value to GFA of the service provided.

Charitable Activities: Charitable expenses comprise the direct costs of immunisation, vaccine procurement and health systems strengthening ("HSS") grants ("Country-Specific Programmes") as well as the direct costs of grants for non-country specific programmes managed by implementing partner organisations ("Investment Cases").

Contributions payable to fund Country-Specific Programmes and the related programme expenses are recognised after: (1) the commitment is made and approved by GFA's board of directors, and (2) the International Finance Facility for Immunisation ("IFFIm") has approved the related GFA financing approval and request for funding by issuing an indicative funding confirmation to GFA.

Programme grants payable to fund Investment Cases and the related programme expenses are recognised when the requisite programme implementation services are legally obligated and conditions are fulfilled, as advised by the GAVI Alliance ("GAVI").

Charitable expenditure also includes GFA's assignment to IFFIm of the right to receive grant payments from the Sovereign donors in consideration for IFFIm's agreement to assess for approval, programmes of immunisation and vaccine procurement submitted to IFFIm by GFA and to use its reasonable endeavours to raise funds for such programmes if approved.

Governance Costs: Governance costs include the expenditure associated with meeting the constitutional and statutory requirements of GFA and include audit fees, legal fees as well as the costs of providing strategic direction to GFA.

Costs of Generating Funds: The costs of securing the sovereign pledges are borne by GFA and IFFIm and expensed through its Statements of Financial Activities in the periods in which they are incurred.

Funds Held in Trust: GFA's share in the pooled investment portfolio is measured at fair value on initial recognition, and then subsequently remeasured at fair value at the reporting date in accordance with FRS 26 *Financial Instruments: Measurements* and FRS 29 *Financial Instruments: Disclosure*. Gains or losses due to changes in fair market values are reported in fair value gains (losses) in the Statements of Financial Activities. See Notes 42 and 48 for further details.

Funds: Funds, revenues, gains and losses are classified based on the existence of grantor-imposed restrictions. GFA receives its funding from grantors or by raising funds by borrowing in worldwide capital markets. Proceeds are used to fund programmes for a defined portfolio of eligible countries or specified purposes. Therefore, all funds are treated as restricted funds.

Foreign Currency Remeasurement: The financial statements are presented in United States dollars which is GFA's functional and reporting currency. All financial assets are monetary assets. As such foreign currency transactions are translated into the functional currency using the exchange rates in effect on the dates on which they occur. Exchange gains and losses arising on settled transactions are included in other incoming funds in the Statements of Financial Activities. Gains and losses on the translation of foreign currency denominated assets and liabilities at year end exchange rates are included in fair value gains (losses) in the Statements of Financial Activities.

Use of Estimates: The preparation of the annual financial statements in conformity with United Kingdom accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period. Actual results could differ from these estimates.

39. Contribution Revenue

Contribution Revenue: Several governments (the "Grantors") have entered into legally binding obligations to make scheduled grant payments to GFA over periods of up to 20 years. GFA has assigned the right to receive these grant payments to IFFIm in consideration for IFFIm's agreement to assess for approval immunisation, vaccine procurement and health systems strengthening ("HSS") programmes presented to IFFIm by GFA, and to use its reasonable endeavours to raise funds for such programmes if approved.

The details of the grant obligations entered into by the Grantors are as follows:

Grantor	Grant Date	Payment Period	Grant Amount, in Thousands	
Commonwealth of Australia	28 March 2011	19 years	A$	250,000
Republic of France[1]	2 October 2006	15 years	€	372,800
Republic of France[2]	7 December 2007	19 years	€	867,160
Republic of Italy	2 October 2006	20 years	€	473,450
Republic of Italy	14 November 2011	14 years	€	25,500
State of the Netherlands	18 December 2009	7 years	€	80,000
Kingdom of Norway	2 October 2006	5 years	US$	27,000
Kingdom of Norway	31 August 2010	10 years	Nkr	1,500,000
Republic of South Africa	13 March 2007	20 years	US$	20,000
Kingdom of Spain	2 October 2006	20 years	€	189,500
Kingdom of Sweden	2 October 2006	15 years	Skr	276,150
United Kingdom	2 October 2006	20 years	£	1,380,000
United Kingdom	5 August 2010	20 years	£	250,000

[1] Acting through Agence Française de Développement.

[2] Acting through the Ministry of Economy, Industry and Employment.

Contribution revenue recognised was comprised of:

In Thousands of US$	2011	2010
Grants from IFFIm	200,000	400,000
Sovereign donor grants	144,137	401,608
Total contribution revenue	344,137	801,608

Donated Services: GFA received donated administrative services from GAVI in 2011 and 2010. The services donated by GAVI in 2011 and 2010 were valued by using a comprehensive cost allocation model to calculate a single administrative support amount. GFA also recognised certain procurement service fees incurred by GAVI in 2011 and 2010 as donated services. Procurement service fees for the purchase of meningitis and yellow fever vaccines, funded by GFA, were paid for by GAVI.

The following donated services were recorded as both income and expense and valued at an amount equal to the cost incurred by GAVI:

In Thousands of US$	2011	2010
Procurement service fee	580	870
Administrative support	258	460
Total donated services	838	1,330

40. Investment and Interest Income

In Thousands of US$	2011	2010
Income from funds held in trust	539	741
Allocated bank account interest	-	47
Total investment and interest income	539	788

Allocated Bank Account Interest: GFA interest and investment income included interest earned on deposits it made into bank accounts owned by the GAVI Campaign and used for the procurement of vaccines. Per the terms of Procurement Account Transfer agreements between GFA and the GAVI Campaign, the GAVI Campaign held the deposited funds in its procurement bank accounts, on GFA's behalf, until the funds were withdrawn by UNICEF for vaccine procurements. The GAVI Campaign, therefore, allocated a portion of the interest earned on its procurement bank accounts to GFA and periodically transferred the allocated interest into GFA's funds held in trust. This agreement with the GAVI Campaign was terminated during 2010.

41. Total Resources Expended

In Thousands of US$	2011	2010
Charitable activities		
Country-Specific Programmes:		
New and underused vaccines	175,000	400,000
Health systems strengthening and immunisation services	25,000	-
Investment Cases:		
Yellow fever stockpile	6,161	24,355
Meningitis eradication	1,621	32,901
Total direct programme costs	207,782	457,256
Pledges assigned to IFFIm	144,138	401,608
Total charitable activities	351,920	858,864
Governance costs		
Professional services:		
Accounting support fees	250	130
GAVI administrative support	258	460
Legal fees	380	566
Auditor's remuneration:		
Statutory audit	58	91
Audit related assurance services	107	118
Tax compliance services	12	11
Other governance costs:		
Procurement service fee	580	870
Trustees' expenses	30	20
Total governance costs	1,675	2,266

Administrative and Financial Management Support: Pursuant to the Finance Framework Agreement entered into by IFFIm, the Grantors, the World Bank, GAVI and GFA, GFA has no employees. GFA outsources all administrative support to GAVI and outsources its treasury function, together with certain accounting and financial reporting support, to the World Bank.

Trustees' Expenses: GFA's trustees are not remunerated. They are, however, reimbursed for expenses they incur in attending meetings and performing other functions directly related to their duties as trustees. GFA had four trustees during the year ended 31 December 2011.

42. Funds Held in Trust

Funds held in trust represent cash and money market instruments with terms of three months or less ("Liquid Assets"). GFA's Liquid Assets are managed by the World Bank. The World Bank maintains a single investment portfolio (the "Pool") for GFA, IFFIm and other trust funds it administers. The World Bank maintains the Pool's assets separate from the funds owned by the World Bank Group.

In Thousands of US$	2011	2010
GFA's share in the Pool's fair value	244,688	192,664

The Pool's fair value is based on market quotations where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Gains, losses and investment income are recognised in the period in which they occurred and are allocated to GFA on a daily basis. These net gains and investment income totalled US$ 539 thousand and US$ 741 thousand for the years ended 31 December 2011 and 2010, respectively, and were reported as investment income in the Statements of Financial Activities.

43. Grants Receivable from IFFIm

In Thousands of US$	2011	2010
Balance as of the beginning of the year	517,064	437,063
Grants approved by IFFIm	200,000	400,000
Payments received from IFFIm	(300,000)	(320,000)
Net receivable from IFFIm	417,064	517,063

44. Other Current Assets

Other current assets include guarantee deposits for a multi-year vaccine procurement contract with the United Nations Children's Fund. The guarantee deposit funds were held in interest earning bank accounts managed by the GAVI Campaign until 30 September 2010, with interest earned on the accounts returned to GFA. Effective 1 October 2010, the guarantee deposit funds are held in interest earning bank accounts managed by GAVI.

In Thousands of US$	2011	2010
Vaccine guarantee deposits	17,868	19,142

45. Creditors Falling Due within One Year

In Thousands of US$	2011	2010
Grants payable as of the beginning of the year	579,165	529,693
Country-Specific Programme approvals:		
New and underused vaccines	175,000	400,000
Health systems strengthening and immunisation services	25,000	-
Total Country-Specific Programme approvals	200,000	400,000
Disbursements to GAVI	(247,153)	(350,864)
Increases (Reductions) to previously approved programmes	6,207	336
Grants payable at the end of the year	538,219	579,165
Accounts payable	260	304
Total creditors falling due within one year	538,479	579,469

46. Movement of Funds

In Thousands of US$	As of 31 December 2010	Incoming Resources	Resources Expended	As of 31 December 2011
Sovereign donor grants	-	144,138	(144,138)	-
Other contributions	12,325	-	-	12,325
Donated services	(1)	838	(838)	(1)
Investment and interest income	25,403	539	(844)	25,098
Country-Specific programmes	67,248	200,000	(200,000)	67,248
Yellow fever Investment Cases	17,897	-	(6,161)	11,736
Maternal neonatal tetanus elimination Investment Case	82	-	-	82
Meningitis Investment Cases	27,082	-	(1,621)	25,461
Total restricted funds	150,036	345,515	(353,602)	141,949

In Thousands of US$	As of 31 December 2009	Incoming Resources	Resources Expended	As of 31 December 2010
Sovereign donor grants	-	401,608	(401,608)	-
Other contributions	12,325	-	-	12,325
Donated services	-	1,329	(1,330)	(1)
Investment and interest income	25,562	788	(947)	25,403
Programme funding:				
Country-Specific programmes	67,248	400,000	(400,000)	67,248
Yellow fever Investment Cases	42,252	-	(24,355)	17,897
Maternal neonatal tetanus elimination Investment Case	82	-	-	82
Meningitis Investment Cases	59,983	-	(32,901)	27,082
Total restricted funds	207,452	803,725	(861,141)	150,036

47. Financial Risks

Credit Risk: Credit risk is the risk that GFA may suffer financial loss should market counterparties fail to fulfil their contractual obligations. The carrying amounts of financial assets represent GFA's maximum credit exposures. These maximum exposures were:

In Thousands of US$	2011	2010
Maximum credit exposure on funds held in trust	244,688	192,664

The World Bank, an AAA credit-rated institution, managed GFA's credit risk related to funds held in trust. To manage this risk, the World Bank invests in highly rated liquid short-term money market instruments. As of 31 December 2011 and 2010, GFA's investments in money market instruments were deposited with financial institutions that had the following credit ratings:

In Thousands of US$	2011	2010
Money market instruments deposited with institutions rated AAA	29,363	7,671
Money market instruments deposited with institutions rated AA+	17,128	-
Money market instruments deposited with institutions rated AA-	70,960	69,947
Money market instruments deposited with institutions rated AA	31,809	45,498
Money market instruments deposited with institutions rated A+	90,534	69,548
Money market instruments deposited with institutions rated A	4,894	-
Total funds held in trust	244,688	192,664

Liquidity Risk: Liquidity risk is the risk that GFA may be unable to meet its obligation when they fall due as a result of a sudden, and potentially protracted, increase in cash outflows. Under its liquidity policy, GFA seeks to maintain an adequate level of liquidity to meet its operational requirements and provide predictability of programme funding.

The following were the contractual undiscounted maturities of GFA's financial liabilities, including estimated interest payments:

As of 31 December 2011, in Thousands of US$	Total Cash Outflows	Due in Less than One Year	Due in 2013	Due in 2014	Due from 2015 through 2026
Grants payable	538,219	538,219	-	-	-

As of 31 December 2010, in Thousands of US$	Total Cash Outflows	Due in Less than One Year	Due in 2012	Due in 2013	Due from 2014 through 2026
Grants payable	579,165	579,165	-	-	-

The trustees do not expect that the cash flows included in the above maturity analysis could occur significantly earlier, or at significantly different amounts.

Market Risk: Market risk is the risk that GFA's net assets or its ability to meet its objectives, may be adversely affected by changes in the level of, or volatility in, market rates or prices. GFA invests solely in highly rated liquid short-term money market instruments and it typically does not hold funds instruments for extended periods before liquidating them to fund GAVI's vaccine procurement, immunisation and HSS programmes. For these reasons, GFA's market risk is minimal.

48. Fair Values of Financial Instruments

Fair Values Compared to Carrying Amounts: The fair values of GFA's assets and liabilities, together with the carrying amounts shown in the statements of financial position, were as follows:

	31 December 2011		31 December 2010	
In Thousands of US$	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Assets carried at fair value				
Funds held in trust	244,688	244,688	192,664	192,664
Grants receivable from IFFIm	417,064	417,064	517,063	517,063
Total assets carried at fair value	661,752	661,752	709,727	709,727
Assets carried at amortised cost				
Prepayments	17,868	17,868	19,142	19,142
Due from related parties	810	810	636	636
Total assets carried at amortised cost	18,678	18,678	19,778	19,778
Liabilities carried at fair value				
Grants payable	538,219	538,219	579,165	579,165
Total liabilities carried at fair value	538,219	538,219	579,165	579,165
Liabilities carried at amortised cost				
Creditors	260	260	304	304
Total liabilities carried at amortised cost	260	260	304	304

Fair Value Hierarchy: The table below analyses GFA's financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Financial instruments that were valued using unadjusted prices quoted in active markets for identical assets and liabilities.
- Level 2: Financial instruments that were valued using inputs, other than quoted prices included with Level 1, which were observable for the asset or liability, either directly or indirectly.
- Level 3: Financial instruments whose valuation incorporated inputs for the asset or liability that were not based on observable market data.

As of 31 December 2011, in Thousands of US$	Level 1	Level 2	Level 3	Total
Financial assets				
Funds held in trust	59,201	185,487	-	244,688
Grants receivable from IFFIm	-	417,064	-	417,064
Total financial assets	59,201	602,551	-	661,752
Financial liabilities				
Grants payable	-	538,218	-	538,218
Total financial liabilities	-	538,218	-	538,218

As of 31 December 2010, in Thousands of US$	Level 1	Level 2	Level 3	Total
Financial assets				
Funds held in trust	15,153	177,511	-	192,664
Grants receivable from IFFIm	-	517,064	-	517,064
Total financial assets	15,153	694,575	-	709,728
Financial liabilities				
Grants payable	-	579,165	-	579,165
Total financial liabilities	-	579,165	-	579,165

The techniques that GFA applied in determining the fair values of financial assets and liabilities are summarised below.

Funds Held in Trust: The World Bank, as treasury manager, maintains GFA's investments on a pooled accounting basis and the pooled investments are reported at fair value. GFA's share in pooled cash and investments represents GFA's allocated share of the Pool's fair value at the end of the reporting period. The fair value is based on market quotations where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. The corresponding proportionate interest income and investment gains or losses recognised to GFA in the year in which they occur.

Grants Receivable from IFFIm and Grants Payable: These assets and liabilities are short-term in nature and, therefore, their carrying values are deemed to be reasonable estimates of their fair values.

49. Notes to the Statements of Cash Flows

Reconciliation of net change in funds to net cash inflows from operations:

In Thousands of US$	2011	2010
Net change in funds	(8,087)	(57,414)
Investment and interest income received	(539)	(789)
(Increase) Decrease in other current assets	1,274	(2,413)
(Increase) Decrease in grants receivable from IFFIm	100,000	(80,000)
(Increase) Decrease in amounts due from related parties	(173)	4,979
Increase (Decrease) in grants payable	(40,946)	49,472
Decrease in accounts payable	(44)	(15)
Net cash (outflows) inflows from operating activities	51,485	(86,180)

50. Related Party Transactions

GFA's related parties are:

- The GAVI Alliance: GAVI is a not-for-profit organisation based in Switzerland. GAVI is GFA's sole member.
- The GAVI Campaign: The GAVI Campaign is a not-for-profit organisation based in the United States. It was formerly known the GAVI Fund. GAVI is the GAVI Campaign's sole member.

- The International Finance Facility for Immunisation: IFFIm is a private company, limited by guarantee incorporated under the Companies Act 1985, which raises funds by issuing bonds in the international capital market. IFFIm then disburses the funds to GFA which subsequently uses the funds to support various GAVI vaccine procurement, immunisation and HSS programmes.

Balances due to or from related parties are non-interest bearing and do not have specific terms of repayment.

GFA's related party transactions were:

In Thousands of US$	2011	2010
The GAVI Alliance		
Prepayment for procurement held by GAVI	17,868	19,142
Net receivable from GAVI	810	366
In-kind contributions received from GAVI	838	1,329
The GAVI Campaign		
Net receivable from the GAVI Campaign	-	271
Allocated bank account interest from the GAVI Campaign	-	48
The International Finance Facility for Immunisation		
Assignment of donor pledges to IFFIm	144,138	401,608
Program grants from IFFIm	200,000	400,000
Grants receivable from IFFIm	417,064	517,063

51. Commitment and Contingencies

The trustees are not aware of any commitments or contingencies as of 31 December 2011 or 2010.

52. Current Tax

GFA is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

KPMG

Independent auditor's statement to the members of the GAVI Fund Affiliate

We have examined the summary financial statements (summary financial statements are full financial statements excluding the trustees' report) for the year ended 31 December 2011 which comprises the Statements of Income and Expenditure, Statements of Financial Activities, Balance Sheets, Statements of Cash Flows And Notes to the Annual Financial Statements set out on pages 67 to 79.

This statement is made solely to the company's members, as a body, in accordance with section 427 of the Companies Act 2006. Our work has been undertaken so that we might state to the company's members those matters we are required to state to them in such a statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the summarised financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the annual report with the full annual financial statements and its compliance with the relevant requirements of section 427 of the Companies Act 2006 and the regulations made thereunder.

We also read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Basis of opinion

We conducted our work in accordance with Bulletin 2008/3 *The auditor's statement on the summary financial statement in the United Kingdom* issued by the Auditing Practices Board. Our report on the company's full annual financial statements describes the basis of our audit.

Opinion on summary financial statement

In our opinion the summary financial statement is consistent with the full annual financial statements of the GAVI Fund Affiliate for the year ended 31 December 2011 and complies with the applicable requirements of section 427 of the Companies Act 2006 and the regulations made thereunder.

We have not considered the effects of any events between the date on which we signed our report on the full annual financial statements 20 September 2012 and the date of this statement.

M.G. Fallon (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

1 Forest Gate
Brighton Road
Crawley RH11 9PT

GAVI Campaign Financial Statements

Statements of Financial Position

In Thousands of US$	Note	As of 31 December 2011	As of 31 December 2010
Assets			
Cash		3,499	426
Receivables, prepaid expenses and other assets		48	78
Investments	3	43,391	50,718
Total assets - continuing operations		46,938	51,222
Total assets - discontinued operations	10	-	57
Total assets		46,938	51,279
Liabilities and net assets			
Liabilities			
Accounts payable and other liabilities		430	438
Programme grants payable	5 & 8	10,000	-
Total liabilities - continuing operations		10,430	438
Total liabilities - discontinued operations	10	-	57
Total liabilities		10,430	495
Net assets			
Unrestricted		33,515	46,492
Temporarily restricted	6	2,993	4,292
Total net assets		36,508	50,784
Total liabilities and net assets		46,938	51,279

The accompanying notes are an integral part of these financial statements.

Statements of Activities

In Thousands of US$	Note	Year Ended 31 December 2011	Year Ended 31 December 2010
Unrestricted			
Revenue			
Contributions from government and private donors	8	3,807	1,569
Investment income	3	37	112
Foreign currency transaction adjustment		12	(1)
Other revenue		-	(4)
Release of net assets		4,291	6,189
Total revenue		8,147	7,865
Expenses			
Programme		20,052	8,240
Management and general		533	504
Fundraising		539	868
Total expenses		21,124	9,612
Change in unrestricted net assets - continuing operations		(12,977)	(1,747)
Change in unrestricted net assets - discontinued operations	10	-	410
Loss due to discontinued operations		-	(11,191)
Change in unrestricted net assets		(12,977)	(12,528)
Temporarily restricted			
Contributions from government and private donors		2,992	4,168
Release of net assets		(4,291)	(6,189)
Change in temporarily restricted net assets - continuing operations		(1,299)	(2,021)
Change in temporarily restricted net assets - discontinued operations	10	-	(752)
Change in temporarily restricted net assets		(1,299)	(2,773)
Change in net assets		(14,276)	(15,301)
Net assets as of the beginning of the year			
Unrestricted		46,492	59,020
Temporarily restricted		4,292	7,065
Total net assets as of the beginning of the year		50,784	66,085
Net assets as of the end of the year			
Unrestricted		33,515	46,492
Temporarily restricted		2,993	4,292
Net assets as of the end of the year		36,508	50,784

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

In Thousands of US$	Note	Year Ended 31 December 2011	Year Ended 31 December 2010
Net cash flows from operating activities			
Change in net assets		(14,276)	(15,301)
Adjustments to reconcile change in net assets to net cash from operating activities:			
Realised and unrealised foreign exchange transaction adjustment		(12)	-
Depreciation expense		3	12
Loss due to discontinued operations		-	11,191
Realised and unrealised gains on investments		2	1
Changes in assets and liabilities:			
Receivables, prepaid expenses and other assets		27	109
Accounts payable and accrued liabilities		(8)	(838)
Programme grants payable		10,000	-
Net cash used in operating activities - continuing operations		(4,264)	(4,826)
Net cash used in operating activities - discontinued operations	10	-	(179,385)
Net cash used in operating activities		(4,264)	(184,211)
Cash flows from investing activities			
Purchase of investments		(11,180)	(246)
Sales of investments		18,505	4,768
Net cash provided by investing activities - continuing operations		7,325	4,522
Net cash provided by investing activities - discontinuing operations	10	-	179,727
Net cash provided by investing activities		7,325	184,249
Effect of exchange rate changes on cash		12	-
Net change in cash		3,073	38
Cash as of the beginning of the year		426	388
Cash as of the end of the year		3,499	426

The accompanying notes are an integral part of these financial statements.

Statements of Functional Expenses

Year Ended 31 December 2011, in Thousands of US$	Programme Expenses	Management and General Expenses	Fundraising Expenses	Total Expenses
Direct programme expenses	17,562	-	-	17,562
Total programme expenses	17,562	-	-	17,562
Payroll and benefits	1,390	94	131	1,615
Training and recruitment	4	-	-	4
Professional fees	459	362	353	1,174
Media production and distribution	30	2	14	46
Events and meetings	20	3	-	23
Travel and representation	150	14	6	170
Facility and office costs	437	58	35	530
Total operating expenses	2,490	533	539	3,562
Total expenses	20,052	533	539	21,124

Year Ended 31 December 2010, in Thousands of US$	Programme Expenses	Management and General Expenses	Fundraising Expenses	Total Expenses
Direct programme expenses	6,046	-	-	6,046
Total programme expenses	6,046	-	-	6,046
Payroll and benefits	1,242	120	99	1,461
Training and recruitment	24	6	8	38
Professional fees	374	320	429	1,123
Media production and distribution	25	3	135	163
Events and meetings	20	1	3	24
Travel and representation	48	11	151	210
Facility and office costs	461	43	43	547
Total operating expenses	2,194	504	868	3,566
Total expenses	8,240	504	868	9,612

The accompanying notes are an integral part of these financial statements.

Notes to the Annual Financial Statements

1. Nature of Operations and Affiliates

The GAVI Campaign (the "Campaign") is a charitable, not-for-profit organisation incorporated in October 1999 and changed its name from the GAVI Fund effective 2 April 2010. The Campaign serves to promote health by: (1) providing vaccines and the means to deliver such vaccines to children of the world in the poorest countries, (2) facilitating the research and development of vaccines of primary interest to the developing world, and (3) providing support in connection with achieving the foregoing purposes, by helping to strengthen health care systems and civil societies supporting such purposes in the developing world. The activities of the Campaign are funded primarily through contributions.

In November 2007, the governing boards of the GAVI Alliance ("GAVI") and the Campaign agreed to reorganise activities and transfer immunisation operations to GAVI. Organisational changes that resulted from this action and occurred in 2009 were as follows:

- In October 2008, the Campaign board approved the transfer of nearly all of its assets and liabilities to GAVI. The Campaign retained US$ 50,000,000 in assets to fulfil its charitable purposes. This transfer was performed in seven tranches. These transfers began in January 2009 and were completed by the end of 2010.

- In January 2009, the Campaign shifted its focus to concentrate on private sector engagement, mobilising resources and raising the profile of immunisation within the sector, in support of GAVI and other partner organisations that share its mission to save lives and protect health through increased access to immunisation.

- In December 2009, the Campaign was replaced by GAVI as the sole member of the International Finance Facility for Immunisation ("IFFIm") and the GAVI Fund Affiliate ("GFA") based on an amendment to the Finance Framework Agreement and Procedures Memorandum, the governing documents of the entities. As part of the implementation of the governance change, GAVI replaced the Campaign in the Procedures Memorandum for Programme Approval and Monitoring, and the Financial Framework Agreement and Administrative Support Agreements.

In December 2011, the governing board of the Campaign agreed to restructure the Campaign with GAVI becoming the sole member of the Campaign. The Campaign will continue as a separate tax exempt organisation in order to facilitate private sector outreach in the United States and the integration and alignment of the Campaign's fundraising and advocacy efforts within the GAVI Alliance.

2. Significant Accounting Policies

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("US GAAP").

Cash: The Campaign reports all demand deposits as cash. Money market accounts managed by external advisors, with original maturities of three months or less, are reported in the statement of financial position as investments. At times, the balances in bank accounts held in the United States may exceed United States federally insured limits. The Campaign has, however, not experienced any losses in these accounts, and does not believe it is exposed to any significant credit risk related to the accounts.

Investments: The Campaign's investments are governed by its investment policy, and management is handled by external investment managers. The Campaign's investments are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment sales and purchases are recorded on a trade-date basis, which results in both investment receivables and payables on unsettled investment trades on individually held securities.

Realised and unrealised gains and losses and interest and dividend income are reported as investment income in the statement of activities.

Contributions Receivable: The Campaign's contributions receivable comprise unconditional promises to give from donors. The Campaign records unconditional promises to give at fair value on the date the donor signs the grant agreement. Unconditional promises to give to be collected in more than one year are recorded at the present value of their estimated future cash flows, using risk-adjusted discount rates.

Conditional promises to give are recorded when the conditions are met.

Programme Grants Payable: Programme grants payable are recognised at fair value upon board approval of the related programme commitments.

Fair Value of Financial Instruments: The Campaign measures financial instruments at fair value in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820 *Fair Value Measurements and Disclosures*. ASC 820 establishes a framework for measuring fair value and prescribes disclosures about fair value measurements. It emphasises that fair value is a market-based measurement, not an entity-specific measurement and, therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820 also establishes a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby the market participant assumptions are developed based on market data obtained from independent sources, and unobservable, whereby market participant assumptions are developed by the reporting entity based on the best information available in the circumstances.

The Campaign has elected to report its contributions receivable and programme grants payable at fair value, with changes in fair value reported in the statement of activities. After the abovementioned initial adoption, an election is made at the acquisition of each financial asset or incurrence of each financial liability. This election is irrevocable.

ASC 820 establishes a three-level fair value hierarchy under which financial assets and liabilities are categorised based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities, the next-highest priority to observable market-based inputs or inputs that are corroborated by market data and the lowest priority to unobservable inputs that are not corroborated by market data. ASC 820 requires that the valuation techniques used to measure fair value maximise the use of observable inputs and minimise the use of unobservable inputs.

The Campaign's financial assets and financial liabilities recorded at fair value are categorised based on the inputs to the valuation techniques as follows:

- Level 1: Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in active markets.

- Level 2: Financial assets and liabilities whose values are based on either: (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in non-active markets, or (3) pricing models for which all significant inputs are observable, either directly or indirectly, for substantially the full term of the asset or liability.

- Level 3: Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorised is based on the lowest-level input that is significant to the fair value measurement of the asset or liability in its entirety.

The techniques applied in determining the fair values of assets and liabilities are summarised below:

- Cash: The carrying amount approximates the fair value.

- Programme grants payable: These liabilities are short-term in nature and, therefore, their carrying amounts are deemed to be reasonable estimates of their fair values.

- Investments: The fair values of investments are calculated based on quoted market prices per share in active markets (Level 1).

Classification of Net Assets: Net assets are reported as follows:

- Unrestricted Net Assets: Net assets that are not subject to donor-imposed stipulations.

- Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that are expected to be met by actions of the Campaign, the passage of time, or both.

- Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that must be maintained permanently by the Campaign. As of 31 December 2011 and 2010, the Campaign did not have any permanently restricted net assets.

Revenue Recognition: Contributions are reported as revenue in the year in which payments are received and/or unconditional promises are made. The Campaign reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets for specific purposes or use in future periods. When a donor restriction expires, that is, when the time or purpose of the restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same year are reported as unrestricted support.

Donated goods and services are included in contributions in the statement of activities at their estimated fair values at the date of their receipt. The Campaign received US$ 3.8 million and US$ 23.5 million in donated goods, recorded as discontinued operations, and US$ 632 thousand and US$ 701 thousand in donated services, recorded as professional fees, for the years ended 31 December 2011 and 2010, respectively. Donated goods represent approximately 255 thousand doses of Prevanar vaccines by Wyeth to two Campaign-eligible countries, Rwanda and Gambia. Donated services also represent an allocation to the Campaign from GAVI for expenses incurred by GAVI in providing the Campaign with administrative support including incremental salaries and related benefits recorded as professional fees, incremental rent, and miscellaneous office and facility costs.

Expenses, Accounts Payable and Accrued Expenses: The Campaign records expenses in the periods to which the transactions, events and circumstances relate.

Transfers of Assets and Liabilities to the GAVI Alliance: During 2009, under the terms of the grant agreement between the Campaign and GAVI, the Campaign began the process of transferring assets and liabilities to GAVI in a series of tranches which was completed in 2010. The value of the assets net of the liabilities transferred to GAVI is US$ 0 and US$ 11.2 million as of 31 December 2011 and 2010, respectively. This amount is reflected as loss due to discontinued operations in the statements of activities.

Allocation of Functional Expenses: The cost of programmes and supporting activities is summarised by their functional classification in the statement of activities and by their natural classification in the statement of functional expenses. Accordingly, certain costs have been allocated among programme activities and supporting services, as shown in the statement of functional expenses.

Income Taxes: The Campaign is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and, therefore, has made no provision for federal income taxes.

Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the financial statements. As of 31 December 2011, the statutes of limitations for tax years 2008 through 2010 remain open with the United States federal jurisdiction or the various states and local jurisdictions in which the Campaign files tax returns.

Foreign Currency Transactions: These financial statements are presented in United States dollars, which is the reporting currency of the Campaign. Foreign currency transactions are translated at the prevailing average interbank exchange rates on the date of the transaction. The resulting foreign exchange gains and losses are recognised in the statement of activities.

Use of Estimates: The preparation of the financial statements, in conformity with US GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain reclassifications have been made to prior year amounts to conform to current year presentation.

3. Investments

The fair values of the Campaign's investments as of 31 December 2011 and 2010 were:

In Thousands of US$	2011	2010
Money market funds	43,391	50,718

Investment income for the years ended 31 December 2011 and 2010 was as follows:

In Thousands of US$	2011	2010
Interest	39	113
Net realised and unrealised losses	(2)	(1)
Net investment income	37	112

4. Fair Values of Financial Instruments

The following table summarises the Campaign's assets and liabilities measured at fair value along with their valuation hierarchy:

As of 31 December 2011, in Thousands of US$	Level 1	Level 2	Level 3	Total
Financial assets				
Money market funds	43,391	-	-	43,391
Total financial assets	43,391	-	-	43,391
Financial liabilities				
Programme grants payable	-	10,000	-	10,000
Total financial liabilities	-	10,000	-	10,000

As of 31 December 2010, in Thousands of US$	Level 1	Level 2	Level 3	Total
Financial assets				
Money market funds	50,718	-	-	50,718
Total financial assets	50,718	-	-	50,718

5. Programme Grants Payable

The Campaign's unconditional grants committed, but unpaid as of 31 December 2011 were US$ 10 million. The 2011 programme grants payable are due in less than one year. There were no unpaid grant commitments as of 31 December 2010.

6. Temporarily Restricted Net Assets

The Campaign's temporarily restricted net assets due to programme restrictions as of 31 December 2011 and 2010 were US$ 2.9 million and US$ 4.3 million, respectively.

7. Retirement Plan

The Campaign sponsors a 401(k) defined contribution plan for all eligible employees. Employees become eligible upon being hired and may participate starting on the first day of any month. Employees may contribute voluntary salary deferrals to the plan, subject to Internal Revenue Service limitations.

The Campaign's annual matching contribution equals 1% of each vested participant's compensation and a 3% contribution due to a safe harbor provision. For the years ended 31 December 2011 and 2010, the participants were fully vested after one thousand hours of employment. Effective 1 January 2012, participants are always fully vested during the plan year. An additional discretionary amount for 2011 and 2010, equalling 12% of the participant's compensation, was provided. For the years ended 31 December 2011 and 2010, the Campaign's contributions to the plan totalled US$ 126 thousand and US$ 113 thousand, respectively.

8. Related Party Transactions

The Campaign's related parties are:

- Fundación Caja de Ahorros y Pensiones de Barcelona (The "la Caixa" Foundation): The "la Caixa" Foundation is a not-for-profit organisation whose goal is to promote and foster international aid and development projects. A director of the "la Caixa" Foundation was a member of the Campaign's board through July 2011.

- The GAVI Alliance: GAVI is a not-for-profit organisation based in Switzerland committed to saving children's lives and protecting people's health by increasing access to immunisation in poor countries. Effective December 2011, GAVI became the Campaign's sole member.

Related party transactions included in contributions in the statements of activities for the years ended 31 December 2011 and 2010 were as follows:

In Thousands of US$	2011	2010
The "la Caixa" Foundation		
Unrestricted contributions	154	-
Temporarily restricted contributions	2,792	4,168
The GAVI Alliance		
Donated goods and services	632	701

Balances due to related parties included in accounts payable and other liabilities in the statements of financial position as of 31 December 2011 and 2010 were as follows:

In Thousands of US$	2011	2010
The GAVI Alliance		
Payable to GAVI for expenses incurred on behalf of the Campaign	5	-
Programme grants payable to GAVI	10,000	-

9. Concentration of Credit Risk

Financial instruments that potentially subject the Campaign to concentrations of credit risk consist of deposits in banks and investments in excess of the United States Federal Deposit Insurance Corporation ("FDIC") and other privately insured limits. The Campaign invests its excess cash in money market and debt instruments and has established guidelines relative to diversification and maturities aimed at maintaining safety and liquidity.

On 21 July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act permanently raised the current standard maximum deposit insurance amount to US$ 250 thousand. The standard maximum insurance amount of US$ 100 thousand had previously been temporarily raised to US$ 250 thousand until 31 December 2013. The FDIC insurance coverage limit applies per depositor, per insured depository institution for each account ownership category. The temporary increase from US$ 100 thousand to US$ 250 thousand was effective from 3 October 2008, through 31 December 2010. On 20 May 2009, the temporary increase was extended through 31 December 2013.

While amounts in the Campaign's demand deposit accounts at times exceed the amount guaranteed by the FDIC and therefore bear some risk, the Campaign has not experienced, nor does it anticipate, any credit losses on these financial instruments. In addition, the money market accounts included in these balances are liquid accounts in support of programmes. In general, balances are transferred within six months of receipt.

The approximate uninsured cash balances as of 31 December 2011 and 2010 were as follows:

In Thousands of US$	**2011**	**2010**
Deposit accounts	2,700	200
Money market funds	43,000	51,000
Total uninsured cash balance	45,700	51,200

10. Discontinued Operations

The Campaign's shift in mission in 2009 allowed for the portion of operations related to immunisation support to transfer to GAVI. The activities transferred include vaccine procurement, health systems strengthening and injection safety support grants which are not restricted by donors to specific countries or regions.

Transferred assets, net of assumed liabilities, represent the elimination of a segment of the Campaign's operations. Therefore, these transferred assets and liabilities are recognised as discontinued operations by the Campaign and measured at the book value upon transfer to GAVI as of the delivery dates.

Summarised financial information for discontinued operations as of 31 December 2011 and 2010 was as follows:

Assets and liabilities of the Campaign's discontinued operations were as follows:

In Thousands of US$	**As of 31 December 2011**	**As of 31 December 2010**
Assets		
Receivables, prepaid expenses and other assets	-	57
Total other assets - discontinued operations	-	57
Liabilities		
Accounts payable and other liabilities	-	57
Total other liabilities - discontinued operations	-	57

Revenue, expenses and change in net assets of the Campaign's discontinued operations were as follows:

In Thousands of US$	Year Ended 31 December 2011	Year Ended 31 December 2010
Unrestricted		
Revenue		
Contributions	3,789	23,509
Investment income	-	29
Foreign currency transaction adjustment	-	(112)
Other revenue	-	4
Release of net assets	-	752
Total revenue	3,789	24,182
Expenses		
Programme	3,789	23,772
Management and general	-	-
Total expenses	3,789	23,772
Change in unrestricted net assets - discontinued operations	-	410
Temporarily restricted		
Release of net assets	-	(752)
Change in temporarily restricted net assets - discontinued operations	-	(752)

Cash flows of the Campaign's discontinued operations were as follows:

In Thousands of US$	Year Ended 31 December 2011	Year Ended 31 December 2010
Cash flows from operating activities		
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realised and unrealised foreign exchange transaction adjustment	-	113
Changes in assets and liabilities:		
Receivables, prepaid expenses and other assets	-	(57)
Accounts payable and accrued liabilities	-	57
Programme grants payable	-	(62,292)
Procurement account payable	-	(117,206)
Net cash used in operating activities - discontinued operations	-	(179,385)
Cash flows from investing activities		
Restricted cash for long-term purposes	-	117,206
Purchase of investments	-	(26)
Sales of investments	-	62,547
Net cash provided by investing activities - discontinued operations	-	179,727

11. Subsequent Events

In preparing these financial statements, the Campaign evaluated subsequent events through 26 July 2012, which represents the date that the financial statements were issued.

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

The Board of Directors
The GAVI Campaign:

We have audited the accompanying statements of financial position of the GAVI Campaign (the Campaign) as of December 31, 2011 and 2010, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Campaign's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Campaign's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the GAVI Campaign as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

August 3, 2012

Supplemental Information

Multi-Year Pledges from Donors

The Alliance receives pledges from donors that are payable over multiple years ("Multi-Year Pledges"). In accordance with its accounting policy, the Alliance records Multi-Year Pledges as contribution revenue and contributions receivable on the date the donor signs the grant agreement. The recorded contributions receivable balances are reduced over time as cash payments are received from the donors. The following schedule details new Multi-Year Pledges from donors, and cash payments received against Multi-Year Pledges, during the year ended 31 December 2011:

Donors' Schedule 1: Multi-Year Pledges from Donors

In Thousands	Local Currency	Balance as of 31 December 2010, in Local Currency	Activity for the Year Ended 31 December 2011: New Pledges, in Local Currency	Activity for the Year Ended 31 December 2011: Payments Received, in Local Currency	Balance as of 31 December 2011, in Local Currency	Balance as of 31 December 2011, in US$	Balance as of 31 December 2010, in US$
Direct Multi-Year Pledges to GAVI:							
Anglo American plc	US$	-	3,000	(1,000)	2,000	2,000	-
Bill & Melinda Gates Foundation	US$	300,000	700,000	(214,100)	785,900	785,900	300,000
Canada	C$	-	50,000	(20,000)	30,000	29,418	-
Commonwealth of Australia	A$	-	200,000	(45,000)	155,000	157,713	-
Crown Prince of Abu Dhabi	US$	-	33,000	(14,078)	18,922	18,922	
Grand Duchy of Luxembourg	€	4,100		(820)	3,280	4,248	5,434
Kingdom of Denmark	Dkr	50,000		(50,000)	-	-	8,890
Kingdom of Norway	US$	6,105		(6,105)	-	-	6,105
Kingdom of Spain	€	2,000		(2,000)	-	-	2,651
Republic of Korea	US$	600		(300)	300	300	600
United Kingdom	£	3,000	690,166	(3,000)	690,166	1,066,650	4,641
Total direct Multi-Year Pledges to GAVI						2,065,151	328,321
Multi-Year Pledges to IFFIm:							
Commonwealth of Australia	A$	-	250,000	(2,910)	247,090	251,298	-
Kingdom of Norway	US$	162	-	-	162	-	-
Kingdom of Norway	Nkr	1,403,000	-	(48,500)	1,354,500	224,581	239,948
Kingdom of Spain	€	142,409	-	(9,191)	133,218	171,616	190,213
Kingdom of Sweden	Skr	203,062	-	(17,858)	185,204	26,705	30,198
Republic of France[1]	€	289,657	-	(21,922)	267,735	344,655	386,783
Republic of France[2]	€	802,656	-	(24,735)	777,921	1,004,531	1,073,290
Republic of Italy	€	387,774	25,500	(26,675)	386,599	498,094	517,941
Republic of South Africa	US$	16,030	-	(970)	15,060	15,000	16,000
State of the Netherlands	€	70,000	-	-	70,000	90,563	93,684
United Kingdom	£	1,542,722	-	(43,944)	1,498,778	2,312,460	2,393,879
Total Multi-Year Pledges to IFFIm						4,939,503	4,941,936
Multi-Year Pledges from AMC donors						1,328,957	1,457,123
Total Multi-Year Pledges from donors[3]						8,333,611	6,727,380

[1] Acting through Agence Française de Développement.
[2] Acting through the Ministry of Economy, Industry and Employment.
[3] This amount represents total contributions receivable before unamortised discount and the impact of the grant payment condition ("GPC"), which are deducted from contributions receivable in the consolidated financial statements. This amount is presented in Note 5 to the Alliance's consolidated financial statements. The description of the Alliance's methodology for valuing its contributions receivable, including a description of the GPC and the Advance Market Commitment, is included in the *Fair Values of Financial Instruments* section of Note 2 to the consolidated financial statements.

Multi-Year Pledges in foreign currency are converted to United States dollars in accordance with the Alliance's methodology described in the *Foreign Currency Transactions* section of Note 2 to the consolidated financial statements.

Annual Contributions from Donors

The Alliance received contributions from donors that are payable in the same year in which the grant agreement is signed ("Annual Contributions"). In accordance with its accounting policy, the Alliance records Annual Contributions as contribution revenue on the date the donor signs the grant agreement. The following schedule details Annual Contributions received from donors during the year ended 31 December 2011:

Donors' Schedule 2: Annual Contributions from Donors

In Thousands	Local Currency	2011, in Local Currency	2010, in Local Currency	2011, in US$	2010, in US$
Annual Contributions					
Bill & Melinda Gates Foundation	US$	2,971	-	2,971	-
Commonwealth of Australia	A$	-	8,600	-	8,600
Federal Republic of Germany	€	6,000	4,000	8,687	4,830
Grand Duchy of Luxembourg	€	-	820	-	1,120
Japan	US$	9,348	-	9,348	-
J.P. Morgan	£	1,500	-	2,468	-
Kingdom of Norway	Nkr	428,600	456,416	73,383	76,816
Kingdom of Sweden	Skr	625,000	200,000	92,698	28,760
Republic of France	€	26,000	-	34,836	-
Republic of Ireland	€	3,540	2,300	4,935	3,075
State of the Netherlands	€	20,000	-	26,860	-
The "la Caixa" Foundation	€	2,211	3,124	2,946	4,168
United Kingdom	£	50,000	10,834	79,795	16,580
United States Agency for International Development	US$	89,820	78,000	89,820	78,000
Wyeth Pharmaceuticals	US$	-	23,509	-	23,509
Other contributions	US$	4,347	4	4,347	872
Total Annual Contributions				433,095	246,329

The following table provides a reconciliation of Annual Contributions to recorded contribution revenue in the Statement of Activities:

In Thousands of US$	2011	2010
Total Annual Contributions	433,095	246,329
Initial fair value of new Multi-Year Pledges received during the year[1]	2,222,546	421,458
Total recorded contribution revenue[2]	2,655,641	667,787

[1] In accordance with its accounting policy, the Alliance records the fair value of each new Multi-Year Pledges as contribution revenue on the date the donor signs the grant agreement. Therefore, this amount is included in the contribution revenue amount in the Alliance's Consolidated Statement of Activities.

[2] This amount represents the aggregate of unrestricted and temporarily restricted contribution revenue as presented in the Alliance's Consolidated Statement of Activities.

Annual Contributions in foreign currency are translated to United States dollars in accordance with the Alliance's methodology described in the *Foreign Currency Transactions* section of Note 2 to the consolidated financial statements.

KPMG SA
Audit
111, rue de Lyon
CH-1203 Geneva

P.O. Box 347
1211 Geneva 13

Telephone +41 22 704 15 15
Fax +41 22 347 73 13
Internet www.kpmg.ch

Independent Auditors' Report on Supplemental Information

The Board of Directors

The GAVI Alliance, Geneva

We have audited the consolidated financial statements of the GAVI Alliance as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated 29 September 2012 which contained an unqualified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The supplementary information included in Donors' Schedules 1 and 2 is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG SA

Pierre Henri Pingeon
Licensed Audit Expert

Karina Vartanova
Licensed Audit Expert

Geneva, 29 September 2012