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GAVI Alliance **Annual Financial Report 2013**

Published September 2014

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.



BILL & MELINDA
GATES *foundation*



THE WORLD BANK

2 Chemin des Mines
1202 Geneva

Switzerland

+41 22 909 65 00

1776 I Street NW
Washington, DC 20006

United States

+1 202 478 1050

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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 (“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 (“GFA”), incorporated in May 2006. GFA entered into pledge agreements with sovereign government donors and then assigned to IFFIm the right to receive cash payments under those agreements. Also, all cash payments from IFFIm to GAVI were channelled through GFA.

In order to reduce costs and streamline operations, IFFIm worked with the GFA board to remove GFA from the IFFIm structure by execution of a novation agreement effective 8 February 2013. Subsequently, on 31 October 2013, the GFA board recommended that GFA be placed into member's voluntary liquidation. On 31 October 2013, GAVI, as sole member of GFA, resolved that GFA be wound up voluntarily and appointed liquidators for the purpose of such winding up. GFA's liquidation was concluded at a final member's meeting in December 2013. Activities previously performed by GFA have been transitioned to GAVI and IFFIm. Going forward, any new IFFIm-related pledges will be made to GAVI and then assigned to IFFIm.

The Alliance's use of IFFIm as an innovative finance mechanism is discussed further in the *Innovative Finance Mechanisms* section on page 12 of this report.

In December 2011, the governing board of the GAVI Campaign (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 is a separate tax exempt organisation that helps facilitate the Alliance's private sector outreach, fundraising and advocacy efforts.

The Alliance prepared consolidated financial statements for GAVI, IFFIm, GFA and the Campaign. These financial statements commence on page 21 of this Annual Financial Report. As described above, GFA was wound up during 2013 and, therefore, the consolidated financial statements include GFA's activities up to the date of its liquidation. In addition to the consolidated financial statements, the Alliance prepared standalone company financial statements for IFFIm and the Campaign. These standalone financial statements commence on pages 44 and 70, respectively. No standalone financial statements were prepared for GFA.

The following table summarises the assets and liabilities of GAVI, IFFIm and the Campaign, on standalone and consolidated bases, as of 31 December 2013.

Year End Balances, in Millions of US\$	GAVI	IFFIm	Campaign	Eliminations	Consolidated
Assets					
Cash and investments	2,460	1,025	37	-	3,522
Contributions receivable	2,626	3,362	-	(509)	5,479
Net derivatives and other assets	32	-	-	-	32
Total assets	5,118	4,387	37	(509)	9,033
Liabilities					
Programme grants and procurement accounts payable	1,686	507	2	(509)	1,686
Bonds payable	-	2,168	-	-	2,168
Net derivatives and other liabilities	190	1,139	-	-	1,329
Total liabilities	1,876	3,814	2	(509)	5,183
Total net assets	3,242	573	35	-	3,850
Total liabilities and net assets	5,118	4,387	37	(509)	9,033

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 2013.

Year End Balances, in Millions of US\$	GAVI	IFFIm	GFA	Campaign	Eliminations	Consolidated
Revenue						
Contributions from donors	575	1	-	7	(127)	456
Investment and other income	25	4	-	-	-	29
Other revenue	1	-	-	-	-	1
Total revenue	601	5	-	7	(127)	486
Expenses						
Programme	1,515	-	133	6	(123)	1,531
Financing costs	-	81	-	-	-	81
Fair value (gains) losses	62	(223)	-	-	-	(161)
Administrative, fundraising and other	37	5	-	1	(4)	39
Total expenses	1,614	(137)	133	7	(127)	1,490
Increase (decrease) in net assets	(1,013)	142	(133)	-	-	(1,004)

Governance

The Alliance's Board of Directors (the "Board") establishes 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 Board members, including those with experience in the private sector, bring an innovative perspective to Board discussions and decisions, 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, internal 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 managing director who reports directly to both the Chief Executive Officer and the Board.

The IFFIm board, working with the World Bank, oversees bond issuances and develops funding, liquidity and other strategies to safeguard and maximise the value of IFFIm bond proceeds. The IFFIm board is comprised of experts in finance, global health and investments.

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:

- Strategic Goal 1 – the Vaccine Goal: Accelerate the uptake and use of underused and new vaccines ("SG1 Vaccines"): Accelerating the uptake of new and underused vaccines is the Alliance's core business and represents the majority of its expenditure. The SG1 Vaccines goal is achieved through two strategic objectives: (1) increasing evidence-based decision-making by countries, and (2) strengthening country introduction to help meet demand.

The first ten years of the Alliance's work focused mainly on catalysing adoption of vaccines against yellow fever, hepatitis B and Haemophilus influenzae type b. In the next decade, the Alliance maintains momentum on these antigens but also targets new vaccines, which hold the greatest potential to achieve progress on the Millennium Development Goals ("MDG"), in particular MDG 4: Reduce Child Mortality. The Alliance aims to accelerate the introduction of routine meningitis, pneumococcal and rotavirus vaccines and support campaigns against yellow fever and meningitis.

In 2013, the GAVI Alliance responded to an unprecedented surge in country demand for new vaccines by supporting a record 41 introductions and campaigns, often in the world's most challenging environments.

Further information on the SG1 Vaccines goal, including the Alliance's future plans and performance indicators related to this goal, may be found on pages 16 to 29 of the GAVI Alliance 2013 Progress Report (the "2013 Progress Report") and online at [http://www.gavialliance.org/about/strategy/phase-iii-\(2011-15\)/vaccine-goal/](http://www.gavialliance.org/about/strategy/phase-iii-(2011-15)/vaccine-goal/).

- Strategic Goal 2 – the Health Systems Goal: Contribute to strengthening the capacity of integrated health systems to deliver immunisation ("SG2 Health Systems"): 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. The SG2 Health Systems goal is achieved through three strategic objectives: (1) contributing to resolving constraints in delivering immunisation, (2) increasing equity in access to services, and (3) strengthening civil society engagement in the health sector.

Without the people and equipment to deliver vaccines, no immunisation programme will be sustainable over the long term. The Alliance has boosted the capacity of health and immunisation services through health system strengthening support, funding to support civil society involvement in immunisation planning and delivery, and immunisation services support, which has used reward payments to encourage developing countries to increase the number of children immunised with three doses of the diphtheria, tetanus and pertussis vaccine.

In 2013, working closely with UNICEF, WHO and other partners, the Alliance intensified its efforts to strengthen country health systems and ensure life-saving vaccines reach all children. By the end of the year, the Alliance had doubled its year-on-year disbursements for HSS. At the same time, the revised HSS guidelines and application materials are encouraging countries to focus their programmes on improving coverage and equity issues in the delivery of health and immunisation services.

Further information on the SG2 Health Systems goal, including the Alliance's future plans and performance indicators related to this goal, may be found on pages 30 to 41 of the 2013 Progress Report and online at [http://www.gavialliance.org/about/strategy/phase-iii-\(2011-15\)/health-systems-goal/](http://www.gavialliance.org/about/strategy/phase-iii-(2011-15)/health-systems-goal/).

- Strategic Goal 3 – the Financing Goal: Increase the predictability of global financing and improve the sustainability of national financing for immunisation ("SG3 Financing"): The SG3 Financing goal is achieved through three strategic objectives: (1) increasing and sustaining the allocation of national resources to immunisation, (2) increase donor commitments and private contributions to GAVI, and (3) mobilising resources via innovative financing mechanisms.

The SG3 Financing goal recognises that widening the Alliance's donor base to secure long-term, predictable funding is critical to meeting increased demand for new vaccines against pneumococcal and rotavirus infections.

In 2013, implementing and donor country contributions reached their highest levels since the start of the Alliance. Implementing countries continued to step up efforts to share the cost of vaccines with donors. Implementing countries contributed 11% of the total value of vaccine support by the Alliance, which was an increase of 2% over 2012.

Further information on the SC3 Financing goal, including the Alliance’s future plans and performance indicators related to this goal, may be found on pages 42 to 53 of the 2013 Progress Report and online at [http://www.gavialliance.org/about/strategy/phase-iii-\(2011-15\)/financing-goal/](http://www.gavialliance.org/about/strategy/phase-iii-(2011-15)/financing-goal/).

- **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. 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. SG4 Market Shaping is achieved through two strategic objectives: (1) ensuring adequate vaccine supply to meet demand, and (2) minimising costs of vaccines to the Alliance and implementing countries.

In 2013, the Alliance was able to purchase pentavalent, HPV and pneumococcal vaccines at significantly reduced prices. This was due to three price agreements with vaccine manufacturers. In addition, by working closely with manufacturers and partners, the Alliance has made significant progress towards overcoming supply issues with pneumococcal and rotavirus vaccines.

Further information on the SG4 Market Shaping goal, including the Alliance’s future plans and performance indicators related to this goal, may be found on pages 54 to 63 of the 2013 Progress Report and online at [http://www.gavialliance.org/about/strategy/phase-iii-\(2011-15\)/market-shaping-goal/](http://www.gavialliance.org/about/strategy/phase-iii-(2011-15)/market-shaping-goal/).

Key Financial Performance Indicators

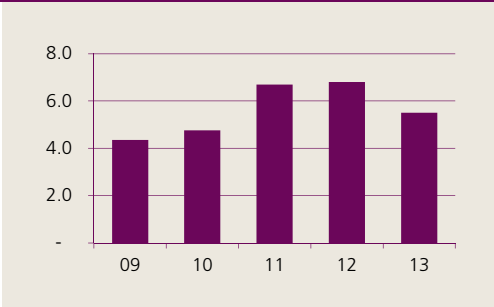
Indicator	Definition	Five-Year History												
<p>Cash proceeds from donors and investors</p> <p>2013: US\$ 1.7 billion</p> <p>2012: US\$ 1.2 billion 2011: US\$ 1.2 billion 2010: US\$ 696 million 2009: US\$ 668 million</p>	<p>Cash receipts from GAVI's direct donors plus cash receipts by GAVI through IFFIm. Direct cash receipts include cash received pursuant to the AMC innovative finance mechanism.</p>	<table border="1"> <caption>Cash proceeds from donors and investors (US\$ million)</caption> <thead> <tr> <th>Year</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>09</td> <td>668</td> </tr> <tr> <td>10</td> <td>696</td> </tr> <tr> <td>11</td> <td>1,200</td> </tr> <tr> <td>12</td> <td>1,200</td> </tr> <tr> <td>13</td> <td>1,700</td> </tr> </tbody> </table>	Year	Value	09	668	10	696	11	1,200	12	1,200	13	1,700
Year	Value													
09	668													
10	696													
11	1,200													
12	1,200													
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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 2009 to 2013 and the Secretariat forecasts continued strong support from its donors in the future.

Indicator	Definition	Five-Year History												
<p>Percentage of funds received from innovative finance mechanisms</p> <p>2013: 26 percent</p> <p>2012: 29 percent 2011: 42 percent 2010: 52 percent 2009: 49 percent</p>	<p>Total cash receipts by GAVI through IFFIm, the AMC and the GAVI Matching Fund as a percentage of total cash receipts in each year from all of GAVI's donors and investors.</p>	<table border="1"> <caption>Percentage of funds received from innovative finance mechanisms</caption> <thead> <tr> <th>Year</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>09</td> <td>49</td> </tr> <tr> <td>10</td> <td>52</td> </tr> <tr> <td>11</td> <td>42</td> </tr> <tr> <td>12</td> <td>29</td> </tr> <tr> <td>13</td> <td>26</td> </tr> </tbody> </table>	Year	Value	09	49	10	52	11	42	12	29	13	26
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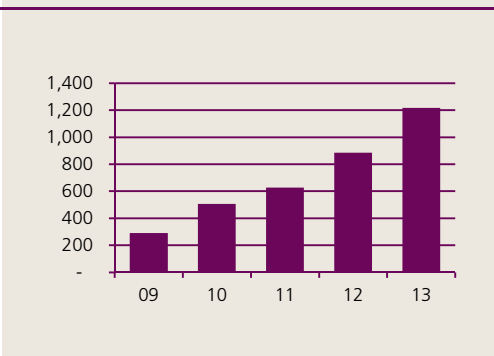
As described in the *Innovative Finance Mechanisms* section on page 12 of this report, the Alliance’s innovative finance mechanisms are an integral part of its strategy for achieving all four of its strategic goals. Over the past five years, innovative finance mechanisms have generated 36% of the Alliance’s cash receipts. This reflects the Alliance’s strong commitment to developing and maintaining mechanisms that tap new sources of capital and bring specific characteristics that advance the Alliance and its mission.

The percentage of funds received from innovative finance mechanisms decreased from a high of 52% in 2010 to 26% in 2013. This decrease, as forecasted, was primarily due to a significant increase in cash received from direct donors after the Alliance's first pledging conference in 2011. These direct cash receipts increased from US\$ 333 million in 2010 to US\$ 1,308 million in 2013.

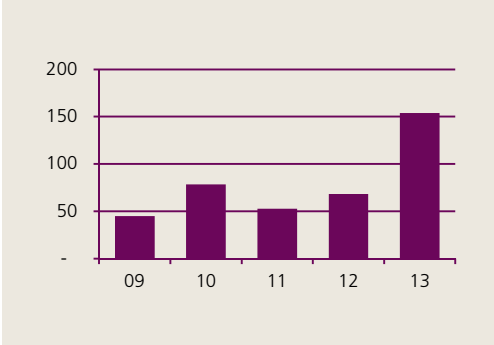
Indicator	Definition	Five-Year History												
Total multi-year pledges 2013: US\$ 5.5 billion 2012: US\$ 6.8 billion 2011: US\$ 6.7 billion 2010: US\$ 4.7 billion 2009: US\$ 4.4 billion	Year-end fair value of multi-year pledges as presented on the Alliance's consolidated statements of financial position.	 <table border="1"> <caption>Total multi-year pledges (US\$ billion)</caption> <thead> <tr> <th>Year</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>09</td> <td>4.4</td> </tr> <tr> <td>10</td> <td>4.7</td> </tr> <tr> <td>11</td> <td>6.7</td> </tr> <tr> <td>12</td> <td>6.8</td> </tr> <tr> <td>13</td> <td>5.5</td> </tr> </tbody> </table>	Year	Value	09	4.4	10	4.7	11	6.7	12	6.8	13	5.5
Year	Value													
09	4.4													
10	4.7													
11	6.7													
12	6.8													
13	5.5													

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 increased significantly in 2011 due to direct donor commitments made during the Alliance's first pledging conference in June 2011. These donor commitments were made to help fund the Alliance's programmatic activities until 2015. Therefore, during 2013, the total value of multi-year commitments decreased by US\$ 1.3 billion as the direct donors paid down their pledges. As the donors continue to make payments, the Alliance's total multi-year pledges will continue to decrease, until new multi-year commitments are made by donors during the Alliance second pledging conference in 2015.

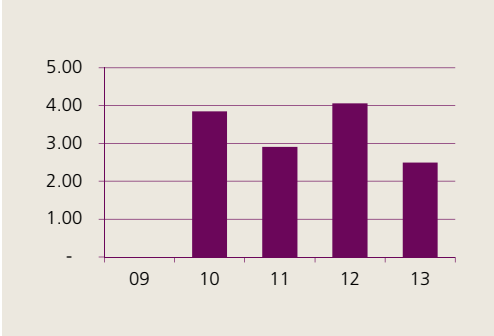
Indicator	Definition	Five-Year History												
New and underused vaccines programme disbursements 2013: US\$ 1.2 billion 2012: US\$ 884 million 2011: US\$ 628 million 2010: US\$ 506 million 2009: US\$ 291 million	Cash disbursed for vaccine procurement and to implementing countries for the purpose of accelerating the introduction and uptake of new and underused vaccines.	 <table border="1"> <caption>New and underused vaccines programme disbursements (US\$ million)</caption> <thead> <tr> <th>Year</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>09</td> <td>291</td> </tr> <tr> <td>10</td> <td>506</td> </tr> <tr> <td>11</td> <td>628</td> </tr> <tr> <td>12</td> <td>884</td> </tr> <tr> <td>13</td> <td>1,200</td> </tr> </tbody> </table>	Year	Value	09	291	10	506	11	628	12	884	13	1,200
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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 312% from 2009 to 2013, reflecting significant progress in the last five years.

Indicator	Definition	Five-Year History												
<p>Health systems strengthening programme disbursements</p> <p>2013: US\$ 154 million</p> <p>2012: US\$ 68 million 2011: US\$ 53 million 2010: US\$ 78 million 2009: US\$ 45 million</p>	<p>Cash disbursements made to implementing countries for the purpose of strengthening their health systems. Includes disbursements to civil society organisations and cash disbursements for immunisation services support.</p>	 <table border="1"> <caption>Five-Year History of Health Systems Strengthening Programme Disbursements</caption> <thead> <tr> <th>Year</th> <th>Disbursements (US\$ million)</th> </tr> </thead> <tbody> <tr> <td>09</td> <td>45</td> </tr> <tr> <td>10</td> <td>78</td> </tr> <tr> <td>11</td> <td>53</td> </tr> <tr> <td>12</td> <td>68</td> </tr> <tr> <td>13</td> <td>154</td> </tr> </tbody> </table>	Year	Disbursements (US\$ million)	09	45	10	78	11	53	12	68	13	154
Year	Disbursements (US\$ million)													
09	45													
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12	68													
13	154													

Under its SG2 Health Systems goal, the Alliance aims to help strengthen the capacity of implementing countries' integrated health systems. From 2009 to 2013, the Alliance disbursed US\$ 398 million to implementing countries to help bolster their health systems.

In November 2010, the Board agreed that GAVI's projected three-year rolling average share of expenditure on cash-based programmes within GAVI's overall programme disbursements should be within the range of 15 to 25% of the total. In addition to the health systems strengthening programme disbursements above, the Alliance's cash-based programme disbursements include cash disbursements for vaccine introduction grants and operational support of investment cases. In 2013, the Alliance's cash-based programme disbursements were 16% of total programme disbursements on a three-year rolling average basis.

Indicator	Definition	Four-Year History										
<p>Percentage overhead expenses</p> <p>2013: 2.49 percent</p> <p>2012: 4.06 percent 2011: 2.90 percent 2010: 3.69 percent</p>	<p>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.</p>	 <table border="1"> <caption>Four-Year History of Percentage Overhead Expenses</caption> <thead> <tr> <th>Year</th> <th>Percentage (%)</th> </tr> </thead> <tbody> <tr> <td>10</td> <td>3.69</td> </tr> <tr> <td>11</td> <td>2.90</td> </tr> <tr> <td>12</td> <td>4.06</td> </tr> <tr> <td>13</td> <td>2.49</td> </tr> </tbody> </table>	Year	Percentage (%)	10	3.69	11	2.90	12	4.06	13	2.49
Year	Percentage (%)											
10	3.69											
11	2.90											
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13	2.49											

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 have been below 5% since 2010, and decreased from 4.06% in 2012 to 2.49% in 2013. This decrease in the Alliance's percentage overhead expenses was driven primarily by the 58% increase in programme expenses from 2012 to 2013, which is discussed further in the *Overview of Income and Expenses* section on page 17 of this report.

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	2013	2012
Management and general expenses percentage	1.13%	1.49%
Fundraising expenses percentage	1.36%	2.57%
Total overhead expenses percentage	2.49%	4.06%

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

In Millions of US\$	2013	2012
Management and general expenses	18	15
Fundraising expenses	21	26
Total overhead expenses	39	41

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\$	2013	2012
Joint Costs allocated to programmes	14	11
Joint Costs allocated to fundraising	6	8
Joint Costs allocated to management and general	5	6
Total Joint Costs	25	25

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\$	2013	2012
Direct country programme expenses	1,406	866
Secretariat programme implementation expenses	43	32
Partners' programme implementation expenses	82	68
Total programme expenses	1,531	966
Total overhead expenses	39	41
Total non-programme expenses	39	41
Total expenses, excluding financing expenses and fair value gains and losses	1,570	1,007

Indicator	Definition	Five-Year History												
<p>Percentage net finance costs</p> <p>2013: 0.42 percent</p> <p>2012: 0.44 percent 2011: 0.17 percent 2010: 0.25 percent 2009: 0.55 percent</p>	<p>Net interest expense as a percentage of average bonds payable balance for the year. Net interest expense is after the effect of hedging transactions. Average bond payable for the year is the average of the nominal monthly balances.</p>	<table border="1"> <caption>Percentage net finance costs (Five-Year History)</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>09</td> <td>0.55</td> </tr> <tr> <td>10</td> <td>0.25</td> </tr> <tr> <td>11</td> <td>0.17</td> </tr> <tr> <td>12</td> <td>0.44</td> </tr> <tr> <td>13</td> <td>0.42</td> </tr> </tbody> </table>	Year	Percentage	09	0.55	10	0.25	11	0.17	12	0.44	13	0.42
Year	Percentage													
09	0.55													
10	0.25													
11	0.17													
12	0.44													
13	0.42													

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

In Millions of US\$, except Percentages	2013	2012	2011	2010	2009
Net interest expense on bonds after impact of swaps	9	9	6	7	12
Average nominal value of bonds for the year	2,148	2,064	3,465	2,839	2,190
Percentage net financing costs	0.42%	0.44%	0.17%	0.25%	0.55%

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 IFFIm's donors had raised their share of IFFIm's funding individually in their own markets. See the *Cash Reserve and Liquidity Policies* section on page 17 for further details.
- Entered into currency and interest rate swaps to hedge against IFFIm's exposure to currency and interest rate fluctuations impacting its Vaccine Bonds.

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 Finance Mechanisms

Benefits of Innovative Finance Mechanisms

Innovative finance mechanisms help the Alliance to:

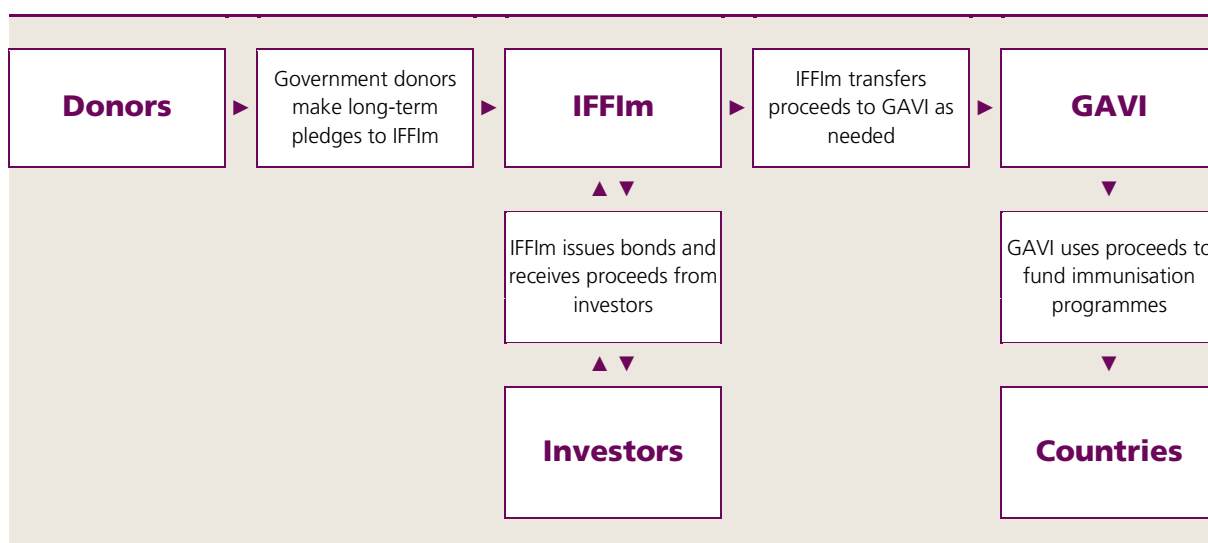
- Diversify its funding portfolio: Innovative finance mechanisms attract capital from a variety of public and private sources. They aim to attract funds that are committed for longer periods of time.
- Adapt to the needs of implementing countries, donors and investors: Innovative finance mechanisms help 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 finance mechanisms help the Alliance accelerate funding for the introduction of vaccines and strengthen health systems.

- **Shape markets:** The Alliance’s use of innovative finance 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 finance mechanism that provides long-term, predictable and flexible funding to GAVI. IFFIm historically has converted long-term government commitments into immediately available cash resources by issuing bonds in the capital markets. IFFIm was created in 2006 to accelerate the availability and predictability of funds for the Alliance’s immunisation programmes. Between 2006 and 2013, IFFIm accounted for approximately one third of GAVI’s funding. IFFIm is a core component of GAVI’s long-term funding strategy.

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 20 years¹. 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.



The ability of IFFIm to convert long-term commitments into immediate cash provides GAVI with the flexibility to use funds when they are needed most. This means that GAVI can choose either to frontload IFFIm resources or to have smaller and more consistent drawdowns over a longer-term, depending on the Alliance’s funding needs. Having these immediately available resources ensures a near-term positive impact on public health that strengthens and protects future generations.

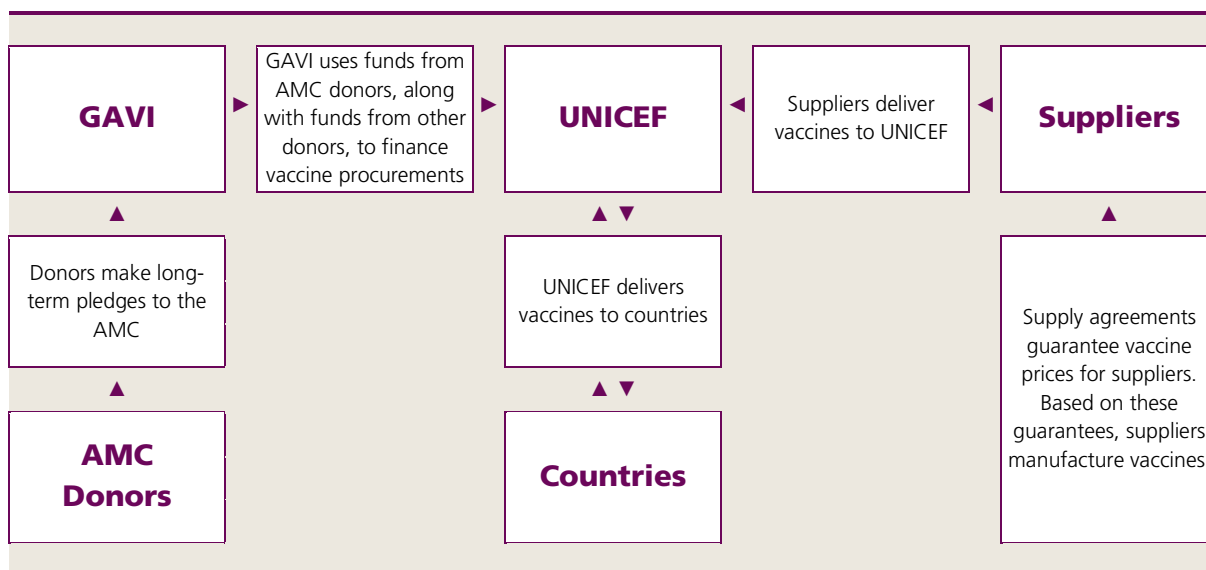
Vaccine Bonds also provide investors with a socially responsible investment opportunity, and raise awareness about the Alliance and its mission. Vaccine Bonds have proved popular with both institutional and individual investors, raising US\$ 4.5 billion since IFFIm’s inception in 2006 to 31 December 2013.

¹ Further information on donor pledges to IFFIm is on page 82 of this report.

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 AMC is to reduce morbidity and mortality from pneumococcal diseases, preventing an estimated 7 million childhood deaths by 2030. Specifically, 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 GAVI Matching Fund

The GAVI Matching Fund is a private sector fundraising initiative designed to raise US\$ 260 million for immunisation by the end of 2015.

Under this initiative, the United Kingdom Department for International Development (“DFID”) and the Gates Foundation pledged approximately US\$ 130 million combined, comprised of £ 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 GAVI 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 GAVI Matching Fund also attracts advocates for the cause of immunisation and those who provide core business skills to help address technological and logistical challenges to immunisation.

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

Since its inception in 2011 to 31 December 2013, the GAVI Matching Fund has raised a total of US\$ 152 million. This amount is the total of pledges from the private sector donors and matching pledges from DFID and the Gates Foundation.

Financial Overview

Overview of Assets and Liabilities

The following table summarises GAVI's consolidated assets and liabilities as of 31 December 2013, 2012 and 2011:

In Millions of US\$, except Percentages	2013	2012	2011	Change, 2012 to 2013	Change, 2011 to 2012
Assets					
Cash and investments	3,522	2,876	3,107	22%	(7)%
Contributions receivable	5,479	6,750	6,691	(19)%	1%
Net derivatives and other assets	32	23	23	39%	0%
Total assets	9,033	9,649	9,821	(6)%	(2)%
Liabilities					
Programme grants and procurement accounts payable	1,686	1,691	1,908	(0)%	(11)%
Bonds payable	2,168	1,959	2,573	11%	(24)%
Net derivatives and other liabilities	1,329	1,145	547	16%	109%
Total liabilities	5,183	4,795	5,028	8%	(5)%
Total net assets	3,850	4,854	4,793	(21)%	1%
Total liabilities and net assets	9,033	9,649	9,821	(6)%	(2)%

The Alliance's financial position remained strong and stable during 2013. Its total assets decreased by 6% during 2013. The decrease during 2013 in the Alliance's total assets was primarily due to a decrease in contributions receivable, which was partially offset by an increase in cash and investments. Each of these is discussed below:

- **Decrease in contributions receivable:** The Alliance's contributions receivable decreased by US\$ 1.3 billion during 2013. The decrease in contributions receivable was primarily due to the pay down of multi-year pledges made by donors during the Alliance's first pledging conference. The Secretariat expects contributions receivable to continue to decrease until new donor pledges are made to the Alliance during its next pledging conference in 2015.
- **Increase in cash and investments:** The Alliance's cash and investments increased by US\$ 646 million during 2013. This was comprised of a US\$ 369 million increase in IFFIm pooled investments and a US\$ 277 million increase in the Alliance other cash and investments. IFFIm pooled investments were increased, as planned, through bond issuances to ensure that IFFIm had sufficient liquidity to meet its obligations to its investors and GAVI. See the *Cash Reserve and Liquidity Policies* section on page 17 for further information on IFFIm's liquidity policies. The Alliance other cash and investments balance increased primarily due to cash receipts from donors during the year. This additional cash will ensure that the GAVI has sufficient cash reserve to meet its programmatic commitments.

See the *Cash Reserve and Liquidity Policies* section on page 17 for further information on GAVI's cash reserve policies.

The Alliance's total liabilities increased by 8% during 2013, primarily due to increases in bonds payable and net derivative liability. Each of these is discussed below:

- **Increase in bonds payable:** During 2013, proceeds from new bond issuances exceeded bond redemptions. The increase in bonds payable, which resulted from the issuance of three new bonds totalling US\$ 836 million, was partially offset by the redemption of three bonds totalling US\$ 358 million.
- **Increase in net derivative liability:** The Alliance's net derivative liability balance represents IFFIm's net liability position on its interest rate and currency swap contracts. This liability increased from US\$ 1,013 million, as of 31 December 2012, to US\$1,139 million, as of 31 December 2013, primarily due to adverse interest rate and foreign currency rate fluctuations during 2013. All else being equal, this derivative liability shall reverse over time as the swap positions related to those payments are unwound in the normal course of business. These swap positions will be unwound as payments are received from IFFIm donors and bonds are redeemed. See the *Hedging Market Risks* section on page 18 of this report for further information on IFFIm's currency and interest swap arrangements.

Overview of Income and Expenses

The following table summarises GAVI's consolidated income and expenses for the years ended 31 December 2013, 2012 and 2011:

In Millions of US\$, except Percentages	2013	2012	2011	Change, 2012 to 2013	Change, 2011 to 2012
Revenue					
Contributions from government and private donors	456	847	2,656	(46)%	(68)%
Investment and other income	29	60	39	(52)%	54%
Other revenue	1	3	9	(67)%	(67)%
Total revenue ¹	486	910	2,704	(47)%	(66)%
Expenses					
Programme	1,531	966	1,240	58%	(22)%
Net interest expense on bonds after impact of swaps	9	9	6	0%	50%
Other fair value (gains) losses	(89)	(167)	49	(47)%	(441)%
Administrative, fundraising and other	39	41	37	(5)%	10%
Total expenses ²	1,490	849	1,332	75%	(36)%
Increase (decrease) in net assets	(1,004)	61	1,372	(1,759)%	(96)%

¹ This total does not include the release of net assets amounts, which are included in the total revenue reported in the Consolidated Statements of Activities on page 23 of the Consolidated Financial Statements.

² Other fair value (gains) losses include net fair value (losses) gains on contributions receivable and foreign currency transaction adjustments on contributions receivable, which are reported as changes in temporarily restricted net assets in the Consolidated Statements of Activities on page 23 of the Consolidated Financial Statements.

The Alliance's recorded contribution revenue for 2011, 2012 and 2013 was driven primarily by the following:

- **2011 Contribution Revenue:** The Alliance recorded revenue of US\$ 2.7 billion for 2011. This high contribution revenue amount was primarily due to grant 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.
- **2012 Contribution Revenue:** Contribution revenue of US\$ 847 million was recorded in 2012, made up of a combination of multi-year pledges and annual contributions. Recorded revenue included a multi-year pledge from the Kingdom of Norway with initial fair value of US\$ 571 million and a US\$ 130 million annual contribution from the United States Agency for International Development ("USAID").

- **2013 Contribution Revenue:** Contribution revenue of US\$ 456 million was recorded in 2013, made up primarily of annual contributions. Annual contributions for the year included US\$ 138 million and US\$ 71 million from USAID and the Kingdom of Sweden, respectively. See *Schedule 5: Annual Contributions from Donors* on page 85 for a complete list of annual contributions received by the Alliance during 2013.

The Alliance's investment and other income decreased by 52% in 2013, primarily due to low yields on fixed income assets, which make up a significant portion of the Alliance's investment portfolio. The Alliance's equities and alternative investments helped to buffer the relatively poor performance of fixed income assets in 2013.

The Alliance's programme expenses increased by 58% in 2013 as it continued to experience strong and increased demand from implementing countries for vaccine and related programmes. In addition, supply constraints and delayed country readiness during 2012 for certain vaccines meant that implementations of certain programmes were postponed from 2012 to 2013, which also increased 2013 programme expenses.

The Alliance's total expenses include payroll and professional fees, which increased from US\$ 52 million in 2012 to US\$ 62 million in 2013. This increase was primarily due to increased staff and consultants time required to support certain Board endorsed initiatives. These initiatives included further developing the monitoring and evaluation of GAVI eligible countries and reinforcing the overall efficiency of the Secretariat, including increased capacity to deliver improved programmatic effectiveness.

Overview of Cash Flows

The following table summarises GAVI's consolidated cash flows for the years ended 31 December 2013, 2012 and 2011:

In Millions of US\$, except Percentages	2013	2012	2011	Change, 2012 to 2013	Change, 2011 to 2012
Net cash from operating activities	173	328	287	(47)%	14%
Net cash from (used in) investing activities	(675)	204	375	(431)%	(46)%
Net cash from (used in) financing activities	478	(624)	(615)	(177)%	1%
Net change in cash	(24)	(92)	47	(74)%	(296)%
Cash as of the beginning of the year	353	445	398	(21)%	12%
Cash as of the end of the year	329	353	445	(7)%	(21)%

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.

Net cash from (used in) financing activities reflects the cash inflows from Vaccine Bond issuances and cash outflows from Vaccine Bond redemptions. Net cash from 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	2013	2012	2011	Change, 2012 to 2013	Change, 2011 to 2012
Sovereign governments and the European Community	995	615	513	62%	20%
Gates Foundation and other private donors	313	293	285	7%	3%
IFFIm and other innovative finance mechanisms	414	324	428	28%	(24)%
Total cash receipts from donors and investors	1,722	1,232	1,226	40%	0%

Cash Reserve and Liquidity Policies

GAVI and IFFIm have put in place certain policies in order to ensure that they maintain sufficient liquidity to meet their obligations to implementing countries, IFFIm bond holders and all other creditors. These policies are summarised below:

- GAVI cash reserve policy: At all times, GAVI maintains a minimum cash and investment reserve equivalent to eight months of GAVI's expected annual expenditures.
- GAVI programme funding policy: As a prerequisite to Board approval or endorsement of any new programmes, GAVI sets aside an amount of Qualifying Resources sufficient to fully cover all its commitments for the period from the start of the current year through the next two calendar years. Qualified Resources are defined as the aggregate of GAVI cash and investments on hand and expected future cash inflows for the next two years. Expected future cash flows are comprised of: (1) expected cash receipts from AMC donors and other direct GAVI donors, (2) expected funding from IFFIm and the Campaign, (3) project investment income.
- IFFIm liquidity policy: IFFIm maintains an adequate level of liquidity to meet its operational requirements, provide predictability of programme funding and support its credit rating. Taking these factors into account, IFFIm maintains a minimum balance of pooled investments equivalent to its cumulative contracted debt service payments for the next twelve months. This minimum balance is recalculated and reset on a quarterly basis.

Hedging Market Risks

The majority 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 almost 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 economically 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 economically 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

Vaccine Price Commitment

At the Alliance's replenishment launch meeting in Brussels in May 2014, GlaxoSmithKline ("GSK") announced that countries graduating from GAVI Alliance support will still have access to the price that GAVI pays for GSK's vaccine for at least five years from the date of graduation.

Launch of Inactivated Polio Vaccine

In February 2014, the Global Polio Eradication Initiative ("GPEI") and the Alliance announced that, following the conclusion of UNICEF's tender process, inactivated polio vaccine ("IPV") will be available to GAVI-supported countries for as little as € 0.75 per dose, in ten-dose vials. In addition, the awards by UNICEF included a price of US\$ 1.90 per dose for IPV in five-dose vials and US\$ 2.80 per dose for IPV in single-dose vials. GPEI and the Alliance anticipate that GAVI-supported countries will begin to introduce IPV before the end of 2014.

Future Plans

Meeting Future Vaccine Demand

The following table summarises GAVI's estimated future cash inflows from donors and investors, and cash outflows for programmatic and administrative activities. This forecasted information was prepared by the Secretariat in June 2014 and reviewed by the Board at its meeting on 18 June 2014:

In Millions of US\$	2014 to 2015
<u>Expected cash inflows from donors and investors:</u>	
Confirmed direct contributions to GAVI	2,122
Proceeds from IFFIm bond issuances	150
Proceeds from AMC contributions	441
Estimated investment and other income	64
Total expected future cash inflows from donors and investors	2,777
<u>Expected cash outflows for programmatic and administrative activities:</u>	
Existing programmes	(2,891)
Future programmes	(299)
Partner programme implementation and overhead expenses	(412)
Total expected cash outflows for programmatic and administrative activities	(3,602)

It is essential that donors complete their contributions for 2014 and 2015. Assuming that all donors complete such contributions, GAVI has sufficient resources, in the form of current cash reserves and expected cash inflows, to fully fund its programmes through to the end of 2015.

As of June 2014, GAVI estimated that cash outflows of US\$ 9.5 billion would be needed in 2016 to 2020 in order to respond to expected country demand. GAVI expects to have resources of US\$ 2 billion available towards meeting that need, prior to any new pledges of resources for those years. Accordingly, GAVI requires US\$ 7.5 billion in additional resources for the 2016 to 2020 period. This is equivalent to US\$ 1.5 billion per year on average, to be raised from direct donor contributions and the proceeds of new IFFIm pledges, and corresponds to a 15% increase above the US\$ 1.3 billion level of direct contributions received by GAVI for 2013.

In May 2014, GAVI launched a replenishment process at a conference in Brussels hosted by the European Commission. GAVI set out the investment case and asked donors to invest an additional US\$ 7.5 billion to support developing countries' immunisation programmes from 2016 to 2020. On that occasion, it was announced that Germany will host the GAVI replenishment meeting that will provide a forum for donors to announce their pledges for those years, to be held in early 2015.

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 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 organisational 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.

Consolidated Financial Statements

Consolidated Statements of Financial Position

In Thousands of US\$	Note	As of 31 December 2013	As of 31 December 2012
<u>Assets</u>			
Cash		328,695	352,688
Receivables, prepaid expenses and other assets		28,489	23,088
Foreign currency forward contracts receivable	3	3,336	797
Investments	4	1,605,494	1,287,222
Pooled investments	4	1,024,771	655,730
Restricted cash	6	563,357	580,401
Net contributions receivable	5	5,478,718	6,749,562
Total assets		9,032,860	9,649,488
<u>Liabilities and net assets</u>			
<u>Liabilities</u>			
Accounts payable and other liabilities		166,135	125,311
Net programme grants payable	7	1,022,834	1,105,361
Procurement accounts payable	6	662,505	585,814
Net payable for currency and interest rate swaps	3	1,138,538	1,012,589
Foreign currency forward contracts payable	3	24,531	6,782
Bonds payable	8	2,168,030	1,959,039
Total liabilities		5,182,573	4,794,896
<u>Net assets</u>			
Unrestricted		116,614	(26,258)
Temporarily restricted	9	3,733,673	4,880,850
Total net assets		3,850,287	4,854,592
Total liabilities and net assets		9,032,860	9,649,488

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 2013	Year Ended 31 December 2012
<u>Unrestricted</u>			
<u>Revenue</u>			
Contributions from government and private donors		407,786	217,808
Net investment income	10	28,912	60,208
Foreign currency transaction adjustment on contributions receivable		-	3,743
Other revenue		1,296	3,585
Release of net assets		1,219,155	1,256,636
Total revenue		1,657,149	1,541,980
<u>Expenses</u>			
Programme		1,531,161	966,485
Management and general		17,695	15,183
Net financing (income) expenses	12	(183,054)	124,899
Fundraising		21,365	25,762
Net fair value losses on derivatives	11	121,554	251,435
Foreign currency transaction adjustment on contributions receivable		5,556	-
Total expenses		1,514,277	1,383,764
Change in unrestricted net assets		142,872	158,216
<u>Temporarily restricted</u>			
Contributions from government and private donors		35,920	628,929
Contributed goods		12,419	-
Net fair value (losses) gains on contributions receivable		(11,964)	360,828
Foreign currency transaction adjustment on contributions receivable		35,603	169,763
Release of net assets		(1,219,155)	(1,256,636)
Change in temporarily restricted net assets		(1,147,177)	(97,116)
<u>Net assets as of the beginning of the year</u>			
Unrestricted		(26,258)	(184,474)
Temporarily restricted		4,880,850	4,977,966
Total net assets as of the beginning of the year		4,854,592	4,793,492
<u>Net assets as of the end of the year</u>			
Unrestricted		116,614	(26,258)
Temporarily restricted	9	3,733,673	4,880,850
Net assets as of the end of the year		3,850,287	4,854,592

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 2013	Year Ended 31 December 2012
<u>Net cash flows from operating activities</u>		
<u>Change in net assets</u>	(1,004,305)	61,100
<u>Adjustments to reconcile change in net assets to net cash from operating activities:</u>		
Realised and unrealised foreign currency transaction adjustment	(35,187)	(169,858)
(Decrease) increase in fair value of borrowings	(268,671)	9,871
Decrease (increase) in fair value of contributions receivable	11,964	(360,828)
Depreciation expense	2,324	1,804
Realised and unrealised gains on investments and pooled investments	(16,315)	(44,893)
<u>Changes in assets and liabilities:</u>		
(Increase) decrease in receivables, prepaid expenses and other assets	(4,135)	1,852
Decrease (increase) in receivable for currency and interest rate swaps	77,547	135,868
Increase in receivable for foreign currency forward contracts	(2,539)	(797)
Decrease (increase) in restricted cash	17,044	(24,226)
Decrease in net contributions receivable	1,294,068	472,162
Increase in accounts payable and other liabilities	40,824	67,540
Decrease in net programme grants payable	(82,527)	(140,534)
Increase (decrease) in procurement accounts payable	76,691	(76,465)
Increase in payable for currency and interest rate swaps	48,402	390,034
Increase in payable for foreign currency forward contracts	17,749	5,214
<u>Net cash provided by operating activities</u>	172,934	327,844
<u>Cash flows from investing activities</u>		
Purchase of fixed assets	(3,590)	(3,379)
Purchase of investments and pooled investments	(2,170,253)	(1,090,485)
Sales of investments and pooled investments	1,499,255	1,298,312
<u>Net cash (used in) provided by investing activities</u>	(674,588)	204,448
<u>Cash flows from financing activities</u>		
Proceeds from bond issuances	835,763	136,734
Redemption of bonds	(358,102)	(760,980)
<u>Net cash provided by (used in) financing activities</u>	477,661	(624,246)
Net change in cash	(23,993)	(91,954)
Cash as of the beginning of the year	352,688	444,642
Cash as of the end of the year	328,695	352,688
<u>Supplemental disclosures</u>		
Cash paid for interest	81,895	114,399

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

Consolidated Statements of Functional Expenses

Year Ended 31 December 2013, in Thousands of US\$	Programme Expenses	Management and General Expenses	Financing Expenses (Income)	Fundraising Expenses	Total Expenses
Direct programme expenses	1,406,234	-	-	-	1,406,234
Programme implementation	82,015	-	-	-	82,015
Total programme expenses	1,488,249	-	-	-	1,488,249
Payroll and benefits	20,107	7,069	-	10,022	37,198
Training and recruitment	-	1,075	-	-	1,075
Professional fees	13,127	5,178	-	6,099	24,404
Media production and distribution	413	2	-	328	743
Events and meetings	1,287	343	-	1,219	2,849
Travel and representation	2,989	319	-	1,431	4,739
Facility and office costs	4,963	3,145	-	2,263	10,371
Supplies and minor equipment	26	564	-	3	593
Other borrowing expenses (income)	-	-	(260,766)	-	(260,766)
Interest expense	-	-	77,712	-	77,712
Other operating expenses (income)	42,912	17,695	(183,054)	21,365	(101,082)
Total functional expenses (income)	1,531,161	17,695	(183,054)	21,365	1,387,167

Year Ended 31 December 2012, in Thousands of US\$	Programme Expenses	Management and General Expenses	Financing Expenses	Fundraising Expenses	Total Expenses
Direct programme expenses	866,382	-	-	-	866,382
Programme implementation	67,884	-	-	-	67,884
Total programme expenses	934,266	-	-	-	934,266
Payroll and benefits	16,217	5,305	-	12,287	33,809
Training and recruitment	1	1,356	-	58	1,415
Professional fees	8,221	4,172	-	6,036	18,429
Media production and distribution	405	7	-	437	849
Events and meetings	1,437	359	-	2,723	4,519
Travel and representation	2,061	340	-	1,290	3,691
Facility and office costs	3,841	3,056	-	2,910	9,807
Supplies and minor equipment	36	588	-	21	645
Other borrowing expenses	-	-	20,952	-	20,952
Interest expense	-	-	103,947	-	103,947
Other operating expenses	32,219	15,183	124,899	25,762	198,063
Total functional expenses	966,485	15,183	124,899	25,762	1,132,329

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") up to the date of its liquidation, (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-judicial 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 (the "WHO"), developing country governments, grantor country governments, vaccine manufacturers, civil society organisations and research and technical health institutes.

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 GAVI which uses the funds for its 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 was also registered as a charity with the Charity Commission for England and Wales, with charity registration number 1115297. GFA entered into pledge agreements with sovereign government donors and then assigned to IFFIm the right to receive cash payments under those agreements. Also, all cash payments from IFFIm to GAVI were channelled through GFA. In order to reduce costs and streamline operations, IFFIm worked with the GFA board to remove GFA from the IFFIm structure by execution of a novation agreement effective 8 February 2013 (the "Novation Date"). Subsequently, on 31 October 2013, the GFA board recommended that GFA be placed into member's voluntary liquidation. On 31 October 2013, GAVI, as sole member of GFA, resolved that GFA be wound up voluntarily and appointed liquidators for the purpose of such winding up. GFA's liquidation was concluded at a final member's meeting in December 2013. Activities previously performed by GFA have been transitioned to GAVI and IFFIm. Going forward, any new IFFIm-related pledges will be made to GAVI and then assigned to IFFIm.

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. As described above, GFA was wound up by way of a member's voluntary liquidation and, therefore, the consolidated financial statements include GFA's activities up to the point of liquidation. All intra-entity balances and transactions have been eliminated on consolidation.

Cash and cash equivalents: 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 Statements 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.

Net Contributions Receivable: The Alliance's net 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 Statements of Activities in the period of change and included in net fair value gains (losses) on contributions receivable in the Consolidated Statements 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: 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 IFFIm's assets with other trust fund assets it administers. The amounts recorded in the Alliance's Consolidated Statements 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 carrying amount of cash included in the Pool approximates its fair value.

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 net investment income in the Consolidated Statements 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 net financing (income) expenses in the Consolidated Statements of Activities. Bond issuance costs, mark-to-market costs, and discounts are recognised in the period incurred and are also included in net financing (income) expenses in the Consolidated Statements of Activities.

Derivative Financial Instruments: IFFIm uses currency and interest rate swaps and GAVI uses foreign currency forward contracts to manage its assets and liabilities. These derivatives are recognised at fair value in the Consolidated Statements of Financial Position. The currency and interest rate swaps are shown net, as they are the subject of a master netting agreement, while the foreign currency forward contracts are shown gross. 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 Statements of Activities in the period of change and included in net fair value gains and losses on derivatives in the Statements of Activities.

IFFIm has elected not to apply hedge accounting. IFFIm has both: (1) a master netting agreement with 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 Consolidated Statements of Financial Position.

Net Programme Grants Payable: Net 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 Statements 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 Statements 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 payable, procurement accounts payable and non-IFFIm contributions receivable, this election was made to ensure consistent accounting treatment across GAVI, IFFIm and the Campaign. The Alliance recognises all new contributions receivable, programme grants payable, procurement accounts 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.
- Pooled Investments Managed by the World Bank: Pooled Investments managed by the World Bank are included in investments in the Consolidated Statements of Financial Position. The World Bank maintains a single, commingled investment portfolio (the "Pool") for 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.

IFFIm's share of the Pool is not traded in any market. However, the Pool is a trading portfolio that is reported at fair value. IFFIm's shares in the Pool represent its 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. The carrying amount of cash included in the Pool approximates its fair value.

Under an investment strategy approved by the IFFIm boards, IFFIm is invested in high-grade fixed-income instruments with interest rate sensitivity matching that of the liabilities funding its investment portfolio. 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 IFFIm 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 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 0.5%, 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.

In July 2011, South Sudan seceded from Sudan and became an independent state. In April 2012, South Sudan became a member of the IMF, and is not in protracted arrears with the IMF. In accordance with the Finance Framework Agreement, on 25 February 2013 GAVI, in consultation with IFFIm and with the prior approval of the World Bank, amended the Reference Portfolio to take into account South Sudan's secession. South Sudan was added to the list of Specified Countries forming the Reference Portfolio and was allocated a country weighting of 0.5%, and accordingly, Sudan's country weighting was reduced to 0.5%.

The reference portfolio as of 31 December 2013 was as follows:

Country	Country Weighting	Total Share
South Sudan, Sudan	0.5%	1%
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%	61%
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 14.9% and 15.6% as of 31 December 2013 and 2012, 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\$ 3.6 billion as of 31 December 2013 and 2012, respectively. These fair values were estimated using observable donor-specific risk adjusted annual discount rates ranging from 0% to 4.9% for 2013, and from 0% to 5.7% for 2012.

- **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 and published semi-annually by GAVI.

- Payments by the 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\$ 891 million and US\$ 1.1 billion as of 31 December 2013 and 2012, respectively. This fair value was estimated using observable annual discount rates ranging from 0.3% to 2.7% for 2013, and from 0.3% to 1.7% for 2012.

- 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 2013 and 2012 were US\$ 1.2 billion and US\$ 2.1 billion, respectively. This fair value was estimated using observable donor-specific risk adjusted annual discount rates ranging from 0.2% to 2.4% for 2013, and from 0.02% to 1.6% for 2012.
- 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 accounts 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 credit 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. Fixed assets, net of accumulated depreciation of US\$ 4.9 million and US\$ 6.8 million in 2013 and 2012, respectively, of US\$ 5.7 million and US\$ 5.9 million are included in receivables, prepaid expenses and other assets in the Consolidated Statements of Financial Position as of 31 December 2013 and 2012, respectively.

Income Taxes: The Alliance is exempt from income taxes in each of the jurisdictions in which it has operations. 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 2013 and 2012 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 2013, the statutes of limitations for tax years 2010 through 2012 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 2013 and 2012, 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 2013 and 2012. 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 Statements 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 2013 and 2012, 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 contributed 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 Statements 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.

Contributed goods are included in contributions in the Consolidated Statements of Activities at their estimated fair value at the date of their receipt. GAVI received US\$ 12.4 million in contributed goods for the year ended 31 December 2013. Contributed goods represent approximately 22 million doses of Measles Rubella vaccines from Serum Institute of India.

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

The Alliance's major classes of programmes are New and Underused Vaccine Support ("NVS") programmes, Health Systems Strengthening ("HSS") programmes and Investment Cases. NVS programmes provide funding to GAVI supported developing countries for the introduction of vaccines and associated vaccine technology. HSS programme funding is used to achieve and sustain increased immunisation coverage, through strengthening the capacity of countries' systems to provide immunisation and other health services. Investment Cases are one-time tactical investments in disease prevention and control. These investments are made through Alliance partners such as the United Nations Children's Fund ("UNICEF") and WHO.

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

Reclassifications: Cash amounts included in IFFIm's pooled investments was previously allocated across the investment categories presented in Note 16 to the financial statements. In 2013, as determined by the World Bank in its capacity as IFFIm's Treasury Manager, these cash amounts were reported separately to better reflect the nature of IFFIm's pooled investments. Prior year figures have been reclassified to conform to the current year's presentation.

3. Derivative Financial Instruments

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, while the Alliance is exposed to foreign exchange risk only. Each of these is described further below.

Foreign Exchange Rate Risk: During the years ended 31 December 2013 and 2012, 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 GAVI and issuance of IFFIm bonds. To mitigate these risks, donor pledges were economically swapped into United States dollar floating rate assets and, at issuance, IFFIm's bonds payable were economically swapped into United States dollar floating rate liabilities.

The Alliance hedges its exposure to currency fluctuations by taking out foreign currency forward contracts. This was done primarily to improve predictability of contribution cashflows which are denominated in foreign currencies, and cash balances which are required in Swiss Francs to pay operating expenses for the Secretariat.

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 currency and interest rate swaps held by IFFIm were:

In Thousands of US\$	31 December 2013		31 December 2012	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Currency and interest rate swaps receivable related to contributions receivable	-	-	24,424	280
Currency and interest rate swaps receivable related to bonds payable	1,647,230	55,692	2,781,969	132,959
Total currency and interest rate swaps receivable		55,692		133,239
Currency and interest rate swaps payable related to contributions receivable	4,487,455	(942,413)	4,651,542	(1,050,191)
Currency and interest rate swaps payable related to bonds payable	2,287,540	(251,817)	978,180	(95,637)
Total currency and interest rate swaps payable		(1,194,230)		(1,145,828)
Net fair value of interest rate and currency swaps		(1,138,538)		(1,012,589)

The notional amounts and fair values of derivatives held by the Alliance were:

In Thousands of US\$	31 December 2013		31 December 2012	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign currency forward contracts receivable	95,168	3,336	21,083	797
Foreign currency forward contracts payable	302,555	(24,531)	347,852	(6,782)

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 December 2013, IFFIm's calculated minimum liquidity was US\$ 774 million and the value of IFFIm's cash and pooled investments was US\$ 1,025 million. As of December 2012, IFFIm's calculated minimum liquidity level was US\$ 419 million and the value of IFFIm's cash and pooled investments was US\$ 547 million.

Under the terms of the Credit Support Annex ("CSA") to the ISDA Agreement between IFFIm and the World Bank, the World Bank as IFFIm's counterparty on all currency and interest rate swap contracts has the right to call for collateral to protect against its exposure under these contracts. The World Bank has not exercised this right. Instead, in order to mitigate the risk that the World Bank may call collateral, an agreement has been reached between the World Bank and IFFIm to apply an additional buffer (the "Risk Management Buffer") to an existing gearing ratio limit that IFFIm uses to manage its liquidity risk. The Risk Management Buffer was applied to manage the World Bank's exposure under the swap contracts and may be adjusted by the World Bank in its sole discretion. In addition, the World Bank as IFFIm's Treasury Manager, shall continue to monitor IFFIm's funding needs to ensure that at all times IFFIm maintains sufficient available resources to be able to meet its financial obligations, including debt-service payments and obligations under the abovementioned CSA and ISDA Agreement. Following the discussions and

agreement with the World Bank described above, the IFFIm board does not foresee the World Bank calling collateral that would cause IFFIm to be unable to meet its required financial obligations.

4. Investments

The fair values of the Alliance's investments were:

In Thousands of US\$	2013	2012
Money market funds	-	266
Certificates of deposit	-	1,326
Collective investment trusts ¹	-	100,605
Collective equity fund ¹	16,597	-
Registered investment companies	1,101,038	877,634
Limited liability companies and limited partnerships ¹	487,859	307,391
Pooled investments	1,024,771	655,730
Total investments	2,630,265	1,942,952

¹ The Alliance invests a portion of its assets in collective investment trusts, collective equity fund, and limited liability companies and limited partnerships, which do not have readily determinable fair values. The fair value of these investments is estimated using their calculated net asset value per share ("NAVPS") as a practical expedient, and they are redeemable at their current net asset value upon written notice by the Alliance.

The following table summarises the redemption frequencies, redemption notice periods and fair values of the Alliance's investments in funds which are valued based on NAVPS as a practical expedient:

As of 31 December 2013, In Thousands of US\$	Redemption Frequency	Redemption Notice Period	Fair Value
Collective equity fund ¹	Semi-Monthly	5 days	16,597
Limited liability companies and limited partnerships ²	Daily	1 day	49,895
Limited liability companies and limited partnerships ³	Daily	5 days	62,632
Limited liability companies and limited partnerships ⁴	Monthly	5 days	152,737
Limited liability companies and limited partnerships ⁵	Monthly	15 days	49,431
Limited liability companies and limited partnerships ⁶	Quarterly	60 days	14,104
Limited liability companies and limited partnerships ⁷	Quarterly	90 days	159,059
Total			504,455

As of 31 December 2012, In Thousands of US\$	Redemption Frequency	Redemption Notice Period	Fair Value
Collective investment trusts ⁸	Daily	2 days	100,605
Limited liability companies and limited partnerships ³	Daily	5 days	65,564
Limited liability companies and limited partnerships ⁴	Monthly	5 days	153,495
Limited liability companies and limited partnerships ⁵	Monthly	15 days	47,699
Limited liability companies and limited partnerships ⁷	Quarterly	90 days	40,633
Total			407,996

¹ This category is comprised of one underlying fund that invests primarily in global equity securities. The investment objective of the underlying fund is to approximate as closely as practicable, before expenses, the performances of the MSCI All Country World Investable Market Index over the long term.

² This category is comprised of one underlying fund that invests primarily in other multi-sector total return fixed income mandates. The underlying fund is measured against the Barclays Global Aggregate Bond Index.

³ This category is comprised of two underlying funds that invest primarily in fixed income debt securities. In 2012, the category was comprised of one underlying fund. The investment objective of that underlying fund is to maximise 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. One additional fund was added in 2013. The investment objective of the new fund is to maximise long-term total return by investing up to 50% of its total net assets in securities rated at or above Baa1 or BBB- at the time of purchase by a rating agency recognised nationally in the United States.

- ⁴ This category is comprised of three underlying funds. In 2012, the category was comprised of two underlying funds. One fund 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. The second fund invests in large capitalisation equity securities of emerging companies that, in the Investment Manager's opinion, are undervalued at the time of purchase based on fundamental value analysis. One additional fund was added in 2013. The new fund seeks to provide attractive returns with relatively limited risk by investing in asset classes including, but not limited to, currencies, fixed income, inflation linked bonds, equities, and commodity markets.
- ⁵ 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 maximise total investment return consisting of a combination of interest income, capital appreciation and currency gains.
- ⁶ This category is comprised of one underlying fund. This fund seeks to achieve superior total return through a portfolio of high yield securities, including bonds and bank debt, stressed and distressed securities, undervalued equities, short selling of debt and equity securities, and to a lesser extent "special situation" investing. Due to a one year lock-up period, redemptions of shares in this fund are restricted until the first anniversary of the subscription payment.
- ⁷ This category is comprised of two underlying funds. In 2012, the category was comprised of one underlying fund that invests primarily in other offshore hedge fund vehicles. The investment objective of the fund is to achieve attractive risk-adjusted returns by investing in assets with a group of independent investment managers utilising strategies that are consistent with the overall investment strategy of the fund. One additional fund was added in 2013. The new fund invests in securities and financial instruments and products of any kind that it believes may be appropriate to earn a return comparable to various market indices plus an additional return based on the success of long/short and other relative value strategies executed principally in the fixed income and related markets. Due to a one year lock-up period, redemptions of shares in these funds are restricted until the first anniversary of the subscription payment.
- ⁸ This category was comprised of several underlying funds that invest primarily in fixed income debt securities. The investment objective of the underlying funds was to approximate as closely as practicable, before expenses, the performances of various Barclays Capital United States Bond Indices over the long term.

5. Net Contributions Receivable

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

In Thousands of US\$	2013	2012
Unconditional promises due in less than one year	1,194,842	598,263
Unconditional promises due in two to five years	2,526,927	3,956,022
Unconditional promises due thereafter	3,102,073	3,531,773
Contributions receivable before unamortised discount and grant payment condition	6,823,842	8,086,058
Unamortised discount	(651,501)	(761,740)
Reduction due to grant payment condition	(693,623)	(574,756)
Total net contributions receivable	5,478,718	6,749,562

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 2013 and 2012, \$563 million and \$580 million, respectively, were available to UNICEF in the Procurement Accounts.

Amounts committed to UNICEF for the procurement of vaccines were \$663 million and \$586 million as of 31 December 2013 and 2012. These amounts are presented as procurement accounts payable in the Consolidated Statements of Financial Position.

7. Net Programme Grants Payable

The Alliance's committed but unpaid grants were:

In Thousands of US\$	2013	2012
Grants payable due in less than one year	991,809	1,058,681
Grants payable due in two to five years	31,377	46,683
Grants payable before unamortised discount	1,023,186	1,105,364
Less unamortised discount	(352)	(3)
Total net programme grants payable	1,022,834	1,105,361

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 summarised by year of maturity were:

Year of Maturity	Nominal Amount, in Thousands of US\$	Fair Value as of 31 December 2013, in Thousands of US\$	Fair Value as of 31 December 2012, in Thousands of US\$
2013	323,387	-	403,450
2014	699,412	719,111	769,173
2015	441,449	463,116	550,791
2016	772,084	773,405	91,432
2017	33,716	33,589	39,174
2018	118,309	107,812	-
Thereafter	166,600	70,997	105,019
Total Bonds payable	2,554,957	2,168,030	1,959,039

Bonds payable as of 31 December 2013, includes both United States dollar and foreign currency denominated fixed and variable rate bonds as presented below:

Currency	Coupon Rate	Fair Value as of 31 December 2013, in Thousands of US\$	Fair Value as of 31 December 2012, in Thousands of US\$
United States Dollars	Variable	701,962	-
Australian Dollars	Fixed	479,097	639,632
Pounds Sterling	Fixed	457,208	459,282
South African Rand	Fixed	246,639	568,557
Brazilian Real	Fixed	246,367	291,568
Turkish Lira	Fixed	36,757	-
Total Bonds payable		2,168,030	1,959,039

For fixed rate bonds, the weighted average coupon interest rate as of 31 December 2013 was 4.82%, with actual rates ranging from 0% to 8.3%. Variable rate bonds were issued at LIBOR plus 19 bps.

9. Temporarily Restricted Net Assets

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

In Thousands of US\$	2013	2012
Due to time restriction	3,717,006	4,855,305
Due to programme restriction	16,667	25,545
Total temporarily restricted net assets	3,733,673	4,880,850

10. Net Investment Income

Net investment income was as follows:

In Thousands of US\$	2013	2012
Investment income on investments held by GAVI and the Campaign	26,570	54,981
Investment fees on investment held by GAVI and the Campaign	(1,510)	(1,535)
Net investment income on investments held by GAVI and the Campaign	25,060	53,446
Investment income on pooled investments held by IFFIm and GFA	3,852	6,762
Total net investment income	28,912	60,208

Investment income on investments held by GAVI and the Campaign included realised and unrealised net gains on investments of US\$ 16 million and US\$ 45 million for the years ended 31 December 2013 and 2012, respectively. US\$ 29 million of net losses and US\$ 39 million of net gains were unrealised as of 31 December 2013 and 2012, respectively.

11. Net Fair Value Losses on Derivatives

Net gains (losses) on the fair values of derivatives, which have been recognised in the Consolidated Statements of Activities, include the following:

In Thousands of US\$	2013	2012
Net gains (losses) from swaps related to contributions receivable	86,618	(355,638)
Net (losses) gains from swaps related to borrowings	(193,382)	112,307
Net losses from other derivatives	(14,790)	(8,104)
Net fair value losses on derivatives	(121,554)	(251,435)

12. Net Financing (Income) Expenses

Financing (income) expenses were as follows:

In Thousands of US\$	2013	2012
Interest expense on bonds	77,712	103,947
Net fair value (gains) losses on bonds	(264,488)	20,323
Other financing charges	3,722	629
Net financing (income) expenses	(183,054)	124,899

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\$ 4.7 million and US\$ 3.8 million for the years ended 31 December 2013 and 2012, 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. Participants are fully vested upon employment. 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\$ 566 thousand and US\$ 577 thousand for the years ended 31 December 2013 and 2012, 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 sublet the space until the lease term ended on 29 November 2013. 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 2014	3,614	532	3,082
Year Ending 31 December 2015	3,673	152	3,521
Year Ending 31 December 2016	3,734	138	3,596
Thereafter	826	72	754
Total	11,847	894	10,953

Rent expense for these leases is recognised on a straight-line basis over the term of the leases. Rental expense was US\$ 3.8 million and US\$ 3.7 million for the years ended 31 December 2013 and 2012, 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. In the US, the standard maximum FDIC deposit insurance amount per depositor, per insured depository institution for each account ownership category is 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 at the time of purchase 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 2013, the Alliance had the following concentrations of credit risk with respect to contributions receivable:

- The Alliance's contributions receivable as of 31 December 2013 included US\$ 2.1 billion and US\$ 1.4 billion of pledges received, either directly or through IFFIm, from the United Kingdom and euro zone countries, respectively. This represented 39% and 26%, respectively, of the Alliance's total contributions receivable as of 31 December 2013.
- The Alliance's contributions receivable as of 31 December 2013 included US\$ 846 million of pledges from AMC Donors and guaranteed by the World Bank. This represented 15% of the Alliance's total contributions receivable as of 31 December 2013.

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 2013, in Thousands of US\$	Level 1	Level 2	Level 3	Total
<u>Pooled investments:</u>				
Government and agency securities	112,488	688,246	-	800,734
Mortgage and asset-backed securities	-	77,243	-	77,243
Derivatives	(3,091)	(15,777)	-	(18,868)
Money market securities	5,392	65,572	-	70,964
Net securities purchased/sold under resale/repurchase agreements	191	1,886	-	2,077
Cash ¹	92,621	-	-	92,621
<u>Other investments:</u>				
Common contractual fund	-	16,597	-	16,597
Registered investment companies	1,101,038	-	-	1,101,038
Limited partnerships and limited liability companies	-	358,347	129,512	487,859
Net contributions receivable	-	1,707,073	3,771,645	5,478,718
Foreign currency forward contracts	-	3,336	-	3,336
Total assets at fair value	1,308,639	2,902,523	3,901,157	8,112,319

As of 31 December 2012, in Thousands of US\$	Level 1	Level 2	Level 3	Total
<u>Pooled investments:</u>				
Government and agency securities	38,964	407,202	-	446,166
Mortgage and asset-backed securities	-	44,851	-	44,851
Derivatives	(304)	(3,183)	-	(3,487)
Money market securities	5,353	155,926	-	161,279
Cash ¹	6,921	-	-	6,921
<u>Other investments:</u>				
Money market funds	266	-	-	266
Certificates of deposit	1,326	-	-	1,326
Collective investment trusts	-	100,605	-	100,605
Registered investment companies	877,634	-	-	877,634
Limited partnerships and limited liability companies	-	266,758	40,633	307,391
Net contributions receivable	-	2,660,696	4,088,866	6,749,562
Foreign currency forward contracts	-	797	-	797
Total assets at fair value	930,160	3,633,652	4,129,499	8,693,311

¹ The carrying amount of cash included in Level 1 pooled investments approximates its fair value.

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

As of 31 December 2013, in Thousands of US\$	Level 1	Level 2	Level 3	Total
Net programme grants payable	-	1,022,834	-	1,022,834
Bonds payable	-	2,168,030	-	2,168,030
Foreign currency forward contracts payable	-	24,531	-	24,531
Net payable for currency and interest rate swaps	-	1,138,538	-	1,138,538
Total liabilities at fair value	-	4,353,933	-	4,353,933

As of 31 December 2012, in Thousands of US\$	Level 1	Level 2	Level 3	Total
Net programme grants payable	-	1,105,361	-	1,105,361
Bonds payable	-	1,959,039	-	1,959,039
Foreign currency forward contracts payable	-	6,783	-	6,783
Net payable for currency and interest rate swaps	-	1,012,589	-	1,012,589
Total liabilities at fair value	-	4,083,772	-	4,083,772

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 2013	Investments as of 31 December 2013	Total
Fair value as of 1 January 2013	4,088,866	40,633	4,129,499
Net realised fair value gains	71,450	-	71,450
Net unrealised fair value (losses) gains	(16,437)	14,498	(1,939)
New contributions / purchases	-	118,032	118,032
Contributions received / redemptions	(372,234)	-	(372,234)
Transfer out	-	(43,651)	(43,651)
Total assets at fair value	3,771,645	129,512	3,901,157

In Thousands of US\$	Contributions Receivable as of 31 December 2012	Investments as of 31 December 2012	Total
Fair value as of 1 January 2012	4,004,361	-	4,004,361
Net realised fair value gains	66,855	-	66,855
Net unrealised fair value gains	378,682	633	379,315
New contributions / purchases	-	40,000	40,000
Contributions received / redemptions	(361,032)	-	(361,032)
Total assets at fair value	4,088,866	40,633	4,129,499

Level 3 investments consist of investments in three underlying funds that are subject to a one year lock-up period. Redemptions of shares in the underlying funds are restricted until the first anniversary of the subscription payment. The funds' net asset values are calculated by the underlying funds' managers using various techniques. The units of the underlying funds are not publicly traded and are subject to the required notice periods specified in the offering documents of each of the underlying funds. As a result of the one year lock-up, the carrying values of the underlying funds may not be indicative of the values ultimately realised on redemption, and significant and reasonable increases or decreases in the marketability of any of the holdings of the underlying funds would result in significant increases or decreases in fair value. Transfers out represent Level 3 investments in underlying funds with lock-up periods which have expired as of 31 December 2013. These investments have been reclassified as Level 2 due to the Alliance's

ability to redeem the investments, in the near term, at the net asset value at the measurement date. Transfers are deemed to have occurred as of the end of the period.

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 19 September 2014, which represents the date that the consolidated financial statements were issued.



KPMG SA
Audit Western Switzerland
111 Rue de Lyon
CH-1203 Geneva

P.O. Box 347
CH-1211 Geneva 13

Telephone +41 58 249 25 15
Fax +41 58 249 25 13
Internet www.kpmg.ch

Independent Auditors' Report
The Board of Directors
The GAVI Alliance, Geneva

We have audited the accompanying consolidated financial statements of the GAVI Alliance, which comprise the consolidated statements of financial position as of 31 December 2013 and 2012, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 2013 and 2012, and the change in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG SA

Pierre-Henri Pingeon
Licensed Audit Expert

Karina Vartanova
Licensed Audit Expert

Geneva, Switzerland, 19 September 2014

IFFIm Financial Statements

The summary financial statements of IFFIm for the year ended 31 December 2013 set out on pages 46 to 67 do not constitute the charitable company's statutory accounts for the years ended 31 December 2013 or 2012 but are derived from those accounts. Statutory accounts for 2013 and 2012 have been delivered to the registrar of companies. The auditor has reported on those accounts; their reports were unqualified, did not include reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Although the full text of the financial statements has been included in the summary financial statements, the trustees' report has not been included. The summary financial statements do not contain sufficient information to allow as full an understanding of the results and state of affairs of the company as would be provided by the full annual accounts and reports. The full annual report can be obtained free of charge from <http://www.iffim.org/finance/trustees-reports-and-financial-statements/>.

Statements of Income and Expenditures

<u>In Thousands of US\$</u>	<u>Note</u>	<u>Year Ended 31 December 2013 Restricted Funds</u>	<u>Year Ended 31 December 2012 Restricted Funds</u>
<u>Turnover</u>			
Contribution revenue	19	-	-
<u>Operating expenses</u>			
Programme grants	21	-	390,000
Treasury manager's fees	21	2,276	2,377
Governance costs	21	2,701	2,997
Total operating expenses		4,977	395,374
<u>Other operating income</u>			
Donated services	19	1,096	974
Operating loss		(3,881)	(394,400)
<u>Financing and investment income (expenses)</u>			
<u>Financing income (expenses) on bonds and bond swaps:</u>			
Net fair value gains on bonds and bond swaps	22	71,106	91,984
Interest expense on bonds	22	(77,712)	(103,947)
Net financing expenses on bonds and bond swaps		(6,606)	(11,963)
<u>Other financing income (expenses):</u>			
Net fair value gains on pledges and pledge swaps	22	153,671	54,084
Other foreign exchange (losses) gains	22	(906)	440
Other financing charges		(3,722)	(629)
Net other financing income		149,043	53,895
<u>Investment income:</u>			
Investment and interest income	20	3,752	6,282
Total financing and investment income		146,189	48,214
Surplus (deficit) for the year		142,308	(346,186)

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

Statements of Financial Activities

In Thousands of US\$	Note	Year Ended 31 December 2013 Restricted Funds	Year Ended 31 December 2012 Restricted Funds
<u>Incoming resources from generated funds</u>			
<u>Voluntary income:</u>			
Donated services	19	1,096	974
Total voluntary income		1,096	974
Investment and interest income	20	3,752	6,282
Total incoming resources from generated funds		4,848	7,256
<u>Resources expended</u>			
<u>Cost of generating funds:</u>			
Treasury manager's fee	21	2,276	2,377
Financing charges	21	81,434	104,576
Total cost of generating funds		83,710	106,953
Charitable activities	21	-	390,000
Governance costs	21	2,701	2,997
Total resources expended		86,411	499,950
Net resources expended		(81,563)	(492,694)
Net fair value gains on pledges, bonds and swaps	22	223,871	146,508
Net change in funds		142,308	(346,186)
Total funds as of the beginning of the year		430,307	776,493
Total funds as of the end of the year		572,615	430,307

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 2013	As of 31 December 2012
<u>Noncurrent assets</u>			
Sovereign pledges due after more than one year	23	3,101,996	3,327,061
Derivative financial instruments due after more than one year	25	214	115,704
<u>Current assets</u>			
Sovereign pledges due within one year	23	260,031	235,081
Derivative financial instruments due within one year	25	55,478	17,535
Prepayments		143	337
<u>Cash and funds held in trust:</u>			
Cash		22	549
Funds held in trust	24	1,024,771	546,648
Total cash and funds held in trust		1,024,793	547,197
Total current assets		1,340,445	800,150
<u>Current liabilities</u>			
Creditors falling due within one year	26	725,590	420,567
Derivative financial instruments due within one year	25	105,262	24,518
Grants payable within one year		150,000	200,000
Total current liabilities		980,852	645,085
Net current assets		359,593	155,065
Total assets less current liabilities		3,461,803	3,597,830
Creditors falling due after more than one year	27	1,443,156	1,539,149
Derivative financial instruments due after more than one year	25	1,088,968	1,121,310
Grants payable after more than one year		357,064	507,064
Net assets		572,615	430,307
Restricted funds		572,615	430,307

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

Statements of Cash Flows

In Thousands of US\$	Note	Year Ended 31 December 2013 Restricted Funds	Year Ended 31 December 2012 Restricted Funds
<u>Cash flows from operating activities</u>			
Cash inflows from operating activities		78,078	427,910
Net cash inflows from operating activities		78,078	427,910
<u>Returns on investments and servicing of finance</u>			
Investment and interest income received	20	3,752	6,282
Interest paid on bonds		(81,895)	(114,400)
<u>Management of liquid resources</u>			
(Increase) decrease in funds held in trust	33	(478,123)	304,310
Net cash (outflows) inflows from investments, servicing of finance, and liquid resources		(556,266)	196,192
<u>Cash flows from financing activities</u>			
Proceeds from bond issuances	33	835,763	136,734
Redemption of bonds	33	(358,102)	(760,979)
Net cash inflows (outflows) from financing activities		477,661	(624,245)
Net change in cash		(527)	(143)
Cash as of the beginning of the year		549	692
Cash as of the end of the year		22	549

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

In Thousands of US\$	2013	2012
Net change in funds	142,308	(346,186)
Investment and interest income	(3,752)	(6,282)
Bond interest expense	77,712	103,947
Fair value gains on sovereign pledges	(67,053)	(409,722)
Fair value (gains) losses on bonds	(264,488)	20,323
Payments received from donors	267,168	251,517
Decrease (increase) in prepayments	194	(65)
Decrease in derivative financial instruments	125,950	525,902
Increase (decrease) in trade creditors and amounts due to related parties	39	(421)
Decrease in advances received on pledges	-	(1,103)
(Decrease) increase in grants payable	(200,000)	290,000
Net cash inflows from operating activities	78,078	427,910

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. Following discussions and agreement with the World Bank, the trustees do not foresee the World Bank calling collateral that would cause IFFIm to be unable to meet its required financial obligations and, therefore, the trustees concluded that the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about IFFIm’s ability to continue as a going concern.

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 Alliance (“GAVI”) 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 GAVI to IFFIm. Consequently, IFFIm’s costs of generating funds comprise the treasury 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 GAVI for immunisation, vaccine procurement and HSS programmes.

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 GAVI. 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 (the “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 GAVI 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 GAVI over periods of up to 20 years. GAVI 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 GAVI, 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	Grant Amount, in Thousands of US\$ ³
Commonwealth of Australia	28 March 2011	19 years	A\$ (AUD) 250,000	223,550
Republic of France ¹	2 October 2006	15 years	€ (EUR) 372,800	513,234
Republic of France ²	7 December 2007	19 years	€ (EUR) 867,160	1,193,819
Republic of Italy	2 October 2006	20 years	€ (EUR) 473,450	651,799
Republic of Italy	14 November 2011	14 years	€ (EUR) 25,500	35,106
State of the Netherlands	18 December 2009	7 years	€ (EUR) 80,000	110,136
Kingdom of Norway	2 October 2006	5 years	US\$ (USD) 27,000	27,000
Kingdom of Norway	31 August 2010	10 years	Nkr (NOK) 1,500,000	247,050
Republic of South Africa	13 March 2007	20 years	US\$ (USD) 20,000	20,000
Kingdom of Spain	2 October 2006	20 years	€ (EUR) 189,500	260,885
Kingdom of Sweden	2 October 2006	15 years	Skr (SEK) 276,150	43,079
United Kingdom	2 October 2006	20 years	£ (GBP) 1,380,000	2,280,450
United Kingdom	5 August 2010	19 years	£ (GBP) 250,000	413,125

¹Acting through Agence Française de Développement.

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

³These amounts represent the United States dollar equivalent amounts of Grantor pledges at the exchange rates as of 31 December 2013.

Donated Services: IFFIm received donated administrative services from GAVI in 2013 and 2012. 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:

In Thousands of US\$	2013	2012
Administrative support	1,096	974
Total donated services	1,096	974

20. Investment and Interest Income

In Thousands of US\$	2013	2012
Income from funds held in trust	3,735	6,268
Bank account interest	17	14
Total investment and interest income	3,752	6,282

21. Total Resources Expended

In Thousands of US\$	2013	2012
<u>Cost of generating funds</u>		
<u>Treasury manager's fees:</u>		
Financial operations management	2,276	2,377
<u>Finance charges:</u>		
Bond interest expense	77,712	103,947
Other financing charges	3,722	629
Total finance charges	81,434	104,576
Total cost of generating funds	83,710	106,953
<u>Charitable activities</u>		
<u>Country-specific programmes:</u>		
New and underused vaccines	-	315,000
Health systems strengthening and immunisation services	-	75,000
Total charitable activities	-	390,000
<u>Governance costs</u>		
<u>Professional services:</u>		
Consultancy fees	157	411
GAVI administrative support fee	1,096	974
Legal fees	526	695
<u>Auditor's remuneration:</u>		
Statutory audit	145	135
Audit related assurance services	157	157
Tax compliance services	23	14
Other assurance services	-	14
<u>Other governance costs:</u>		
Trustees' indemnity insurance premiums	470	473
Trustees' meeting and travel expenses	127	124
Total governance costs	2,701	2,997

Administrative and Financial Management Support: Pursuant to the Finance Framework Agreement entered into among IFFIm, the Grantors, the World Bank, and GAVI, 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 six trustees as of 31 December 2013.

22. Fair Value Gains and Losses

In Thousands of US\$	2013	2012
<u>Fair value gains (losses) on bonds and bond swaps</u>		
Fair value gains (losses) on bonds	264,488	(20,323)
Net fair value (losses) gains on bond swaps	(193,382)	112,307
Interest expense on bonds	(77,712)	(103,947)
Net fair value losses on bonds and bond swaps	(6,606)	(11,963)
<u>Fair value gains (losses) on pledges and pledge swaps</u>		
Fair value gains on sovereign pledges	67,053	409,722
Net fair value gains (losses) on pledge swaps	86,618	(355,638)
Net fair value gains on pledges and pledge swaps	153,671	54,084
Other foreign exchange (losses) gains	(906)	440
Net fair value gains on pledges, bonds and swaps	146,159	42,561

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 GAVI. 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\$	2013	2012
Balance as of the beginning of the year	3,562,142	3,403,937
Payments received from donors	(267,168)	(251,517)
Fair value gains	67,053	409,722
Balance as of the end of the year	3,362,027	3,562,142
Sovereign pledges due within one year	260,031	235,081
Sovereign pledges due after more than one year	3,101,996	3,327,061
Total sovereign pledges	3,362,027	3,562,142

Note 25 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 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\$	2013	2012
IFFIm's share in the Pool's fair value	1,024,771	546,648

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\$ 3.7 million and US\$ 6.3 million for the years ended 31 December 2013 and 2012, 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 a comprehensive swap programme to mitigate IFFIm's exposure to movements in foreign currency and interest rates. IFFIm's swap contracts under the comprehensive swap programme were executed: (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:

In Thousands of US\$	31 December 2013		31 December 2012	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Currency and interest rate swaps receivable related to sovereign pledges	-	-	24,424	280
Currency and interest rate swaps receivable related to bonds payable	1,647,230	55,692	2,781,969	132,959
Total currency and interest rate swaps receivable		55,692		133,239
Currency and interest rate swaps payable related to sovereign pledges	4,487,455	(942,413)	4,651,542	(1,050,191)
Currency and interest rate swaps payable related to bonds payable	2,287,540	(251,817)	978,180	(95,637)
Total currency and interest rate swaps payable		(1,194,230)		(1,145,828)
Total fair value of interest rate and currency swaps		(1,138,538)		(1,012,589)

The World Bank is counterparty on all of IFFIm's currency and interest rate swap contracts and, therefore, the above US\$ 1,139 million net liability on swaps is due to the World Bank.

26. Creditors Falling Due within One Year

In Thousands of US\$	2013	2012
Bonds payable falling due within one year	724,874	419,890
Trade creditors	563	484
Amounts due to GAVI	153	193
Total creditors falling due within one year	725,590	420,567

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 2013, in Thousands of US\$	Fair Value as of 31 December 2012, in Thousands of US\$
15 May 2009	15 May 2014	3.38%	£ (GBP) 250,000	426,132	428,995
15 May 2009	13 June 2014	0.00%	£ (GBP) 16,227	31,076	30,287
24 June 2009	24 June 2013	4.36%	A\$ (AUD) 70,592	-	73,763
24 June 2009	24 June 2013	6.85%	R (ZAR) 239,000	-	28,375
24 June 2009	24 June 2024	0.50%	R (ZAR) 800,000	31,451	46,947
23 March 2010	27 March 2013	7.15%	R (ZAR) 2,500,000	-	301,312
28 June 2010	27 June 2014	4.77%	A\$ (AUD) 17,200	15,536	18,323
28 June 2010	27 June 2014	8.30%	R\$ (BRL) 103,300	43,433	51,977
28 June 2010	29 June 2020	0.50%	R (ZAR) 430,000	24,903	33,865
15 October 2010	15 October 2015	5.50%	A\$ (AUD) 35,000	32,913	38,861
8 December 2010	8 December 2015	5.75%	A\$ (AUD) 400,000	376,037	445,115
30 March 2011	24 March 2014	7.81%	R\$ (BRL) 371,100	159,609	188,399
28 September 2011	26 September 2014	6.00%	R\$ (BRL) 105,000	43,325	51,192
29 September 2011	30 September 2015	3.40%	A\$ (AUD) 12,000	10,874	12,611
29 September 2011	29 September 2016	6.10%	R (ZAR) 650,000	61,295	79,647
28 June 2012	29 June 2015	4.21%	R (ZAR) 471,000	43,292	54,204
28 June 2012	28 December 2016	3.15%	A\$ (AUD) 11,500	10,148	11,785
28 June 2012	29 June 2027	0.50%	R (ZAR) 520,000	14,643	24,207
30 July 2012	24 July 2017	3.10%	A\$ (AUD) 38,000	33,589	39,174
27 March 2013	19 March 2018	5.31%	R (ZAR) 801,000	71,055	-
27 March 2013	19 March 2018	5.34%	₺ (TRY) 90,000	36,757	-
3 July 2013	5 July 2016	Libor+19bps	US\$ (USD) 700,000	701,962	-
Total bonds payable				2,168,030	1,959,039
Due within one year				(724,874)	(419,890)
Due after more than one year				1,443,156	1,539,149

28. Movement of Funds

In Thousands of US\$	As of 31 December 2012	Incoming Resources	Resources Expended	As of 31 December 2013
Sovereign pledges assigned from GAVI	3,437,362	-	(1,605)	3,435,757
Investment and interest income	64,228	3,752	-	67,980
Other gains (losses) and other income (expenses)	(88,535)	223,871	(83,710)	51,626
<u>Donated services:</u>				
Administrative support	-	1,096	(1,096)	-
<u>Programme funding to GAVI:</u>				
Country-specific programmes	(2,241,058)	-	-	(2,241,058)
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	430,307	228,719	(86,411)	572,615

In Thousands of US\$	As of 31 December 2011	Incoming Resources	Resources Expended	As of 31 December 2012
Sovereign pledges assigned from GAVI	3,439,385	-	(2,023)	3,437,362
Investment and interest income	57,946	6,282	-	64,228
Other gains (losses) and other income (expenses)	(128,090)	146,508	(106,953)	(88,535)
<u>Donated services:</u>				
Administrative support	-	974	(974)	-
<u>Programme funding to GAVI:</u>				
Country-specific programmes	(1,851,058)	-	(390,000)	(2,241,058)
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	776,493	153,764	(499,950)	430,307

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\$	2013	2012
Sovereign pledges	3,362,027	3,562,142
Cash, investments and derivatives	(113,745)	(465,392)
Total credit exposure	3,248,282	3,096,750

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. The Grantors were rated between BBB- and AAA as of 31 December 2013.

The Grantors' credit ratings as of 31 December 2013 and 2012, as determined by Standard and Poor's Ratings

Service ("S&P"), were:

Grantor	2013	2012
Commonwealth of Australia	AAA	AAA
Republic of France	AA	AA+
Republic of Italy	BBB	BBB+
State of the Netherlands	AA+	AAA
Kingdom of Norway	AAA	AAA
Republic of South Africa	BBB	BBB
Kingdom of Spain	BBB-	BBB-
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 at the time of purchase:

- 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.

In order to achieve greater diversification of portfolio risks and generate value, the World Bank has made investments in the short term domestic debt of new sovereign markets offering potential to generate excess yields over LIBOR, mainly from currency basis arbitrage. Investments in these sovereign markets are subject to specific approvals from the financial governing committees of the World Bank and prudent credit limits.

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\$	2013	2012
Instruments and securities rated AAA	608,282	281,103
Instruments and securities rated AA+	133,017	84,635
Instruments and securities rated AA	60,611	8,099
Instruments and securities rated AA-	90,006	123,427
Instruments and securities rated A+	1,407	21,380
Instruments and securities rated A	24,799	12,655
Instruments and securities rated A-	63,517	-
Instruments and securities rated BBB+	43,132	15,349
Total funds held in trust	1,024,771	546,648

Cash, receivables and payables included in IFFIm's funds held in trust were previously allocated across the respective investments categories by credit rating. In 2013, these amounts were reported in the AAA category as they are held by the World Bank, which is an AAA credit-rated institution. Prior year figures have been reclassified to conform to the current year's presentation.

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 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 2013, the calculated minimum liquidity was US\$ 774 million and the value of IFFIm's Liquid Assets was US\$ 1,025 million. As of 31 December 2012, the calculated minimum liquidity was US\$ 419 million and the value of IFFIm's Liquid Assets was US\$ 547 million.

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 AA by S&P, AA+ by Fitch Ratings, and Aa1 by Moody's Investor Service.

In order to help maintain IFFIm's credit ratings and ensure the lowest possible cost of funds, bond issuances are managed against the present value of expected future cash flows from Grantor pledges, in view of the GPC and other credit factors. To provide comfort to the rating agencies and bond holders that IFFIm will always be able to service its bonds, IFFIm only raises bonds against a percentage of the present value of Grantor pledges. The residual, which is still available to IFFIm over time, creates a cushion to protect bond holders against adverse credit events such as a large number of countries entering into protracted arrears to the IMF. The cushion is a percentage of the present value of Grantor pledges, and is established through the Gearing Ratio Limit ("GRL") model. The present value of Grantor pledges used in the GRL model is not reduced by the GPC Fair Value Adjustment, which is described in Note 15. As of 31 December 2013, the GRL model had established that, at a triple-A equivalent confidence level, 69.2% of the present value of Grantor pledges may be used to support the issuance of IFFIm bonds.

In order to mitigate the risk that the World Bank may call collateral, an agreement is in place between the World Bank and IFFIm to apply an additional buffer to the GRL to manage the World Bank's exposure under the derivative transactions entered into between IFFIm and the World Bank (the "Risk Management Buffer"). The Risk Management Buffer may be adjusted by the World Bank in its sole discretion. As of 31 December 2013, the Risk Management Buffer was 12% of the present value of expected future cash flows from Grantor pledges.

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

As of 31 December 2013, in Thousands of US\$	Total Cash Outflows	Due in Less than One Year	Due in 2015	Due in 2016	Due from 2017 through 2030
Bonds payable	(2,563,385)	(769,432)	(495,451)	(801,035)	(497,467)
Grants payable to GAVI	(507,064)	(150,000)	(357,064)	-	-
Derivative financial liabilities	(1,254,385)	(144,351)	(91,575)	(99,101)	(919,358)
Total undiscounted maturities	(4,324,834)	(1,063,783)	(944,090)	(900,136)	(1,416,825)

As of 31 December 2012, in Thousands of US\$	Total Cash Outflows	Due in Less than One Year	Due in 2014	Due in 2015	Due from 2016 through 2030
Bonds payable	(2,158,668)	(480,247)	(774,386)	(553,791)	(350,244)
Grants payable to GAVI	(707,064)	(200,000)	(507,064)	-	-
Derivative financial liabilities	(1,252,686)	(42,657)	(113,304)	(52,888)	(1,043,837)
Total undiscounted maturities	(4,118,418)	(722,904)	(1,394,754)	(606,679)	(1,394,081)

The trustees expect that IFFIm will receive cash inflows over the lives 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 2013, in Thousands of US\$	Total Cash Inflows (Outflows)	Due in Less than One Year	Due in 2015	Due in 2016	Due from 2017 through 2030
Derivative financial assets	144,123	96,891	16,701	10,499	20,032
Derivative financial liabilities	(1,254,385)	(144,351)	(91,575)	(99,101)	(919,358)
Net cash outflows	(1,110,262)	(47,460)	(74,874)	(88,602)	(899,326)

As of 31 December 2012, in Thousands of US\$	Total Cash Inflows (Outflows)	Due in Less than One Year	Due in 2014	Due in 2015	Due from 2016 through 2030
Derivative financial assets	283,274	90,739	88,007	58,715	45,813
Derivative financial liabilities	(1,252,686)	(42,657)	(113,304)	(52,888)	(1,043,837)
Net cash inflows (outflows)	(969,412)	48,082	(25,297)	5,827	(998,024)

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 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 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 GAVI 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 2013, in Thousands of US\$	Foreign Currency Assets	Foreign Currency Liabilities	Net Exposure
Australian dollar	608,779	(618,737)	(9,958)
Brazilian real	246,397	(246,367)	30
Euro	1,436,869	(1,716,149)	(279,280)
British pound	2,089,291	(2,306,681)	(217,390)
Japanese yen	-	(27)	(27)
Norwegian krone	138,240	(155,571)	(17,331)
New Zealand dollar	2	-	2
Swedish krona	18,339	(20,376)	(2,037)
Turkish lira	37,192	(36,757)	435
South African rand	254,000	(246,639)	7,361

As of 31 December 2012, in Thousands of US\$	Foreign Currency Assets	Foreign Currency Liabilities	Net Exposure
Australian dollar	797,635	(807,820)	(10,185)
Brazilian real	291,563	(291,568)	(5)
Euro	1,467,170	(1,821,749)	(354,579)
British pound	2,210,160	(2,475,067)	(264,907)
Norwegian krone	171,019	(191,462)	(20,443)
New Zealand dollar	1	-	1
Swedish krona	20,525	(22,884)	(2,359)
South African rand	576,125	(568,557)	7,568

The following exchange rates applied during the year:

In US\$	Average Rate for the Year Ended 31 December 2013	Spot Rate as of 31 December 2013	Average Rate for the Year Ended 31 December 2012	Spot Rate as of 31 December 2012
Australian dollar	0.9678	0.8942	1.0358	1.0371
Brazilian real	0.4634	0.4234	0.5120	0.4884
Euro	1.3282	1.3767	1.2856	1.3183
British pound	1.5648	1.6525	1.5848	1.6167
Japanese yen	0.0102	0.0095	-	-
Norwegian krone	0.1700	0.1647	0.1718	0.1790
New Zealand dollar	0.8202	0.8221	0.8102	0.8222
Swedish krona	0.1535	0.1560	0.1476	0.1536
Turkish lira	0.5244	0.4674	-	-
South African rand	0.1036	0.0950	0.1218	0.1178

Sensitivity to Foreign Exchange Rates: Strengthening of the above currencies, against the United States dollar, as of 31 December 2013 and 2012 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:

In Thousands of US\$	Increase (Decrease) in Deficit for the Year Ended and Net Assets as of 31 December 2013		Increase (Decrease) in Deficit for the Year Ended and Net Assets as of 31 December 2012	
	10% Strengthening against US\$	10% Weakening against US\$	10% Strengthening against US\$	10% Weakening against US\$
Australian dollar	905	(1,107)	926	(1,132)
Brazilian real	(3)	3	-	(1)
Euro	25,386	(31,028)	33,305	(40,706)
British pound	19,828	(24,234)	24,253	(29,642)
Norwegian krone	1,576	(1,926)	1,859	(2,273)
Swedish krona	186	(228)	220	(269)
Turkish lira	(40)	48	-	-
South African rand	(669)	818	(688)	841

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\$	2013 Carrying Amount	2012 Carrying Amount
Fixed rate instruments		
Financial assets	1,229,416	1,676,520
Financial liabilities	(5,111,546)	(5,899,815)
Net fixed rate instruments	(3,882,130)	(4,223,295)
Variable rate instruments		
Financial assets	3,263,688	3,524,352
Financial liabilities	(2,688,126)	(2,272,685)
Net variable rate instruments	575,562	1,251,667

Sensitivity to Interest Rates: Changes of 25 basis points in interest rates as of 31 December 2013 and 2012 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 2013	Increase (Decrease) in Deficit for the Year Ended and Net Assets as of 31 December 2012
25 basis point increase	5,949	10,498
25 basis point decrease	(6,257)	(10,859)

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\$ 1.7 million and US\$ 1.2 million for the years ended 31 December 2013 and 2012, 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 2013		31 December 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets carried at fair value</u>				
Sovereign pledges	3,362,027	3,362,027	3,562,142	3,562,142
Funds held in trust	1,024,771	1,024,771	546,648	546,648
Derivative financial instruments	55,692	55,692	133,239	133,239
Total assets carried at fair value	4,442,490	4,442,490	4,242,029	4,242,029
<u>Assets carried at amortised cost</u>				
Prepayments	143	143	337	337
Cash	22	22	549	549
Total assets carried at amortised cost	165	165	886	886
<u>Liabilities carried at fair value</u>				
Bonds payable	2,168,030	2,168,030	1,959,039	1,959,039
Grants payable to GAVI	507,064	507,064	-	-
Grants payable to GFA	-	-	707,064	707,064
Derivative financial instruments	1,194,230	1,194,230	1,145,828	1,145,828
Total liabilities carried at fair value	3,869,324	3,869,324	3,811,931	3,811,931
<u>Liabilities carried at amortised cost</u>				
Accounts payable	716	716	677	677
Total liabilities carried at amortised cost	716	716	677	677

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 2013, in Thousands of US\$	Level 1	Level 2	Level 3	Total
Financial assets				
Sovereign pledges	-	-	3,362,027	3,362,027
Funds held in trust	207,600	817,171	-	1,024,771
Derivative financial instruments	-	55,692	-	55,692
Total financial assets	207,600	872,863	3,362,027	4,442,490
Financial liabilities				
Bonds payable	-	2,168,030	-	2,168,030
Grants payable to GAVI	-	507,064	-	507,064
Derivative financial instruments	-	1,194,230	-	1,194,230
Total financial liabilities	-	3,869,324	-	3,869,324

As of 31 December 2012, in Thousands of US\$	Level 1	Level 2	Level 3	Total
Financial assets				
Sovereign pledges	-	-	3,562,142	3,562,142
Funds held in trust	46,565	500,083	-	546,648
Derivative financial instruments	-	133,239	-	133,239
Total financial assets	46,565	633,322	3,562,142	4,242,029
Financial liabilities				
Bonds payable	-	1,959,039	-	1,959,039
Grants payable to GFA	-	707,064	-	707,064
Derivative financial instruments	-	1,145,828	-	1,145,828
Total financial liabilities	-	3,811,931	-	3,811,931

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

In Thousands of US\$	2013	2012
Balance as of the beginning of the year	3,562,142	3,403,937
Donor payments	(267,168)	(251,517)
Fair value gains	67,053	409,722
Balance as of the end of the year	3,362,027	3,562,142

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 0.5%, 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 as of 31 December 2013 was as follows:

Country	Country Weighting	Total Share
South Sudan, Sudan	0.5%	1%
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, Tajikistan, Tanzania, Timor-Leste, Togo, Uganda, Ukraine, Uzbekistan, Yemen Republic, Zambia, Zimbabwe	1%	61%
Vietnam	3%	3%
Bangladesh, Democratic Republic of Congo, Ethiopia, India, Indonesia, Nigeria, Pakistan	5%	35%

The fair values of contributions receivable are estimated using the discounted cash flow method. Each cash flow is reduced by an estimated percentage due to the GPC (the "GPC Fair Value Adjustment") and the reduced cash flows are discounted to present value at donor-specific interest rates. The GPC Fair Value Adjustment is calculated using a probabilistic model, which estimates the likelihood and duration that any implementing country might fall into arrears with the IMF over the life of the Grantor pledges. 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 Fair Value Adjustment used in October 2006 was 17.6%, and it was 14.9% and 15.6% as of 31 December 2013 and 2012 respectively. 1% decreases in the GPC Fair Value Adjustment as of 31 December 2013 and 2012 would have resulted in increases in the fair values of sovereign pledges of US\$ 40 million and US\$ 42 million, respectively. 1% increases in the GPC Fair Value Adjustment would have had equal but opposite effects on the fair values of sovereign pledges.

During the year ended 31 December 2013, three reference portfolio countries were in protracted arrears to the IMF. Those countries were Somalia, Sudan and Zimbabwe.

In July 2011, South Sudan seceded from Sudan and became an independent state. In April 2012, South Sudan became a member of the IMF, and is not in protracted arrears with the IMF. In accordance with the Finance Framework Agreement, on 25 February 2013 GAVI, in consultation with IFFIm and with the prior approval of the World Bank, amended the Reference Portfolio to take into account South Sudan's secession. South Sudan was added to the list of Specified Countries forming the Reference Portfolio and was allocated a Country Weighting of 0.5%, and accordingly, Sudan's country weighting was reduced to 0.5%.

For the above sovereign pledges as of 31 December 2013, market based discount rates ranging from 0% to 4.9% were applied, as appropriate, depending on the donor, payment schedule and currency of the grant payments.

Bonds Payable: 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 2013 and 2012, the changes in the fair values of bonds payable that were attributable to IFFIm's own credit spreads were decreases of US\$ 13 million and US\$ 9 million, respectively.

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

Derivative Financial Instruments: 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 2012	Cash Flows and Fair Value Movements	Fair Value as of 31 December 2013
Cash	549	(527)	22
Bonds payable	(1,937,002)	(213,173)	(2,150,175)
Funds held in trust	546,648	478,123	1,024,771
Total	(1,389,805)	264,423	(1,125,382)

In Thousands of US\$	Fair Value as of 31 December 2011	Cash Flows and Fair Value Movements	Fair Value as of 31 December 2012
Cash	692	(143)	549
Bonds payable	(2,540,924)	603,922	(1,937,002)
Funds held in trust	850,958	(304,310)	546,648
Total	(1,689,274)	299,469	(1,389,805)

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

In Thousands of US\$	2013	2012
Decrease in cash	(527)	(143)
Increase (decrease) in funds held in trust	478,123	(304,310)
Cash (inflows) outflows from financing activities	(477,661)	624,245
Fair value gains (losses) on bonds	264,488	(20,323)
Movement in net debt in the period	264,423	299,469
Net debt as of the beginning of the year	(1,389,805)	(1,689,274)
Net debt as of the end of the year	(1,125,382)	(1,389,805)

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 was a private company limited by guarantee and incorporated in the United Kingdom under the Companies Act 1985. GFA received irrevocable and legally binding pledges from donor governments and assigned the pledges to IFFIm. GFA was wound up by a member's voluntary liquidation in 2013.

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\$	2013	2012
<u>GAVI</u>		
Accounts payable to GAVI	153	193
Programme grants payable to GAVI	507,064	-
In-kind contributions received from GAVI	1,096	974
<u>GFA</u>		
Programme grants to GFA	-	390,000
Programme grants payable to GFA	-	707,065

35. Commitment and Contingencies

The trustees are not aware of any commitments or contingencies as of 31 December 2013 or 2012.

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 2013 or 2012.



Independent Auditor's Report to the Members of the International Finance Facility for Immunisation Company

We have audited the financial statements of the International Finance Facility for Immunisation Company for the year ended 31 December 2013. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Trustees and Auditors

As explained more fully in the Statement of Trustees' Responsibilities set out on page 5, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2013 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- the charitable company has not kept adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- The directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

The Companies Act 2006 requires this auditor's report, accompanying the accounts of The International Finance Facility for Immunisation in The GAVI Alliance Annual Financial Report, to be a copy of our report to the trustees on the full annual accounts and trustees' report. To make readers aware, the trustees' report, referred to in the copy of our auditors' report, has not been included in The GAVI Alliance Annual Financial Report.

Mike Peck

20 June 2014

Michael Peck
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
Canary Wharf
London E14 5GL

GAVI Campaign Financial Statements

Statements of Financial Position

In Thousands of US\$	Note	As of 31 December 2013	As of 31 December 2012
<u>Assets</u>			
Cash		3,489	4,808
Receivables, prepaid expenses and other assets		81	250
Investments	39 & 40	33,417	33,550
Total assets		36,987	38,608
<u>Liabilities and net assets</u>			
<u>Liabilities</u>			
Accounts payable and other liabilities		90	94
Programme grants payable	40, 41	1,737	3,604
Total liabilities		1,827	3,698
<u>Net assets</u>			
Unrestricted		34,422	31,943
Temporarily restricted	42	738	2,967
Total net assets		35,160	34,910
Total liabilities and net assets		36,987	38,608

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

Statements of Activities

In Thousands of US\$	Note	Year Ended 31 December 2013	Year Ended 31 December 2012
<u>Unrestricted</u>			
<u>Revenue</u>			
Contributions from private donors	44	6,569	2,663
Investment income	39	136	204
Other revenue		34	13
Release of net assets		2,966	2,992
Total revenue		9,705	5,872
<u>Expenses</u>			
Programme		5,882	6,171
Management and general		499	578
Fundraising		845	695
Total expenses		7,226	7,444
Change in unrestricted net assets		2,479	(1,572)
<u>Temporarily restricted</u>			
Contributions from private donors	44	738	2,966
Release of net assets		(2,967)	(2,992)
Change in temporarily restricted net assets		(2,229)	(26)
Change in net assets		250	(1,598)
<u>Net assets as of the beginning of the year</u>			
Unrestricted		31,943	33,515
Temporarily restricted		2,967	2,993
Total net assets as of the beginning of the year		34,910	36,508
<u>Net assets as of the end of the year</u>			
Unrestricted		34,422	31,943
Temporarily restricted		738	2,967
Total net assets as of the end of the year		35,160	34,910

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

Statements of Cash Flows

In Thousands of US\$	Year Ended 31 December 2013	Year Ended 31 December 2012
<u>Net cash flows from operating activities</u>		
<u>Change in net assets</u>	250	(1,598)
<u>Adjustments to reconcile change in net assets to net cash from operating</u>		
Depreciation expense	-	3
Realised and unrealised (gains) losses on investments	130	(42)
<u>Changes in assets and liabilities:</u>		
Receivables, prepaid expenses and other assets	169	(205)
Accounts payable and accrued liabilities	(4)	(336)
Programme grants payable	(1,867)	(6,396)
<u>Net cash used in operating activities</u>	<u>(1,322)</u>	<u>(8,574)</u>
<u>Cash flows from investing activities</u>		
Purchase of investments	(265)	(33,268)
Sales of investments	268	43,151
<u>Net cash provided by investing activities</u>	<u>3</u>	<u>9,883</u>
Net change in cash	(1,319)	1,309
Cash as of the beginning of the year	4,808	3,499
<u>Cash as of the end of the year</u>	<u>3,489</u>	<u>4,808</u>

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

Statements of Functional Expenses

Year Ended 31 December 2013, in Thousands of US\$	Programme Expenses	Management and General Expenses	Fundraising Expenses	Total Expenses
Direct programme expenses	5,833	-	-	5,833
Total programme expenses	5,833	-	-	5,833
Payroll and benefits	-	57	457	514
Professional fees	44	331	33	408
Travel and representation	-	-	108	108
Facility and office costs	5	111	247	363
Total operating expenses	49	499	845	1,393
Total expenses	5,882	499	845	7,226

Year Ended 31 December 2012, in Thousands of US\$	Programme Expenses	Management and General Expenses	Fundraising Expenses	Total Expenses
Direct programme expenses	6,104	-	-	6,104
Total programme expenses	6,104	-	-	6,104
Payroll and benefits	5	53	321	379
Training and recruitment	1	35	58	94
Professional fees	53	354	41	448
Events and meetings	-	1	1	2
Travel and representation	-	2	44	46
Facility and office costs	8	133	230	371
Total operating expenses	67	578	695	1,340
Total expenses	6,171	578	695	7,444

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

Notes to the Annual Financial Statements

37. 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 has served 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 2009, the Campaign's activities were reorganised and immunisation operations were transferred to the GAVI Alliance ("GAVI"). 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 2011, the governing board of the Campaign agreed to restructure the Campaign with GAVI becoming the sole member of the Campaign. The Campaign continues 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 with GAVI.

38. 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 2013 and 2012, 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 Statements of Activities at their estimated fair values at the date of their receipt. The Campaign received US\$ 616 thousand and US\$ 545 thousand in donated services, recorded as professional fees and facility and office costs, for the years ended 31 December 2013 and 2012, respectively. Donated services 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.

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 2013, the statutes of limitations for tax years 2010 through 2012 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.

39. Investments

The fair values of the Campaign's investments as of 31 December 2013 and 2012 were:

In Thousands of US\$	2013	2012
Registered investment companies	33,417	33,284
Money market funds	-	266
Total investments	33,417	33,550

Investment income for the years ended 31 December 2013 and 2012 was as follows:

In Thousands of US\$	2013	2012
Interest	1	21
Net realised and unrealised gains (losses)	(130)	42
Dividends	265	141
Net investment income	136	204

40. 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 2013, in Thousands of US\$	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Registered investment companies	33,417	-	-	33,417
Total financial assets	33,417	-	-	33,417
<u>Financial liabilities</u>				
Programme grants payable	-	1,737	-	1,737
Total financial liabilities	-	1,737	-	1,737

As of 31 December 2012, in Thousands of US\$	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Registered investment companies	33,284	-	-	33,284
Money market funds	266	-	-	266
Total financial assets	33,550	-	-	33,550
<u>Financial liabilities</u>				
Programme grants payable	-	3,604	-	3,604
Total financial liabilities	-	3,604	-	3,604

41. Programme Grants Payable

The Campaign's unconditional grants committed, but unpaid as of 31 December 2013 and 2012 were US\$ 1.7 million and US\$ 3.6 million, respectively. The programme grants payable were due in less than one year.

42. Temporarily Restricted Net Assets

The Campaign's temporarily restricted net assets due to programme restrictions as of 31 December 2013 and 2012 were US\$ 738 thousand and US\$ 3 million, respectively.

43. 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. Effective 1 January 2012, participants are always fully vested during the plan year. An additional discretionary amount for 2013 and 2012, equalling 12% of the participant's compensation, was provided. For the years ended 31 December 2013 and 2012, the Campaign's contributions to the plan totalled US\$ 60 thousand and US\$ 47 thousand, respectively.

In April 2013, the Campaign's retirement plan and GAVI's retirement plan for its Washington, DC employees were merged. The plans were merged to provide employees of both plans access to a wider variety of investment options, as well as to reduce plan administration costs. Separate accounts are maintained for each entity's share of the plan assets and benefit obligations. Assets from one account cannot be used to pay benefit obligations of another account.

44. Related Party Transactions

The Campaign's related party is GAVI. 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. GAVI's contributions to the Campaign, balances due to GAVI by the Campaign and balances due by GAVI to the Campaign, were as follows:

In Thousands of US\$	2013	2012
Donated services, included in contributions revenue in the statements of activities	616	545
Receivable from GAVI, included in receivables, prepaid expenses and other assets in the statements of financial position	8	107
Programme grants payable to GAVI, in the statements of financial position	1,737	3,604

45. Concentrations 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 fixed income funds 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 standard maximum deposit insurance amount to US\$ 250 thousand. The FDIC insurance coverage limit applies per depositor, per insured depository institution for each account ownership category. 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.

The approximate uninsured cash and investments balances as of 31 December 2013 and 2012 were as follows:

In Thousands of US\$	2013	2012
Deposit accounts	3,000	4,300
Registered investment companies	33,000	33,000
Total uninsured cash and investments balance	36,000	37,300

46. Subsequent Events

In preparing these financial statements, the Campaign evaluated subsequent events through 21 July 2014, 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 financial statements of the GAVI Campaign (the Campaign), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the Campaign as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Washington, D.C.
July 21, 2014

Supplementary 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 at fair value 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 and are adjusted for changes in fair value.

Schedule 1: Multi-Year Pledges in United States Dollars

The following table presents the nominal amounts of Multi-Year Pledges from all GAVI's donors, in United States dollars:

In Thousands of US\$	Balance as of 31 December 2013	Balance as of 31 December 2012
<u>Direct Multi-Year Pledges to GAVI from Sovereign Governments:</u>		
Canada	9,351	30,099
Commonwealth of Australia	46,589	103,720
Kingdom of Denmark	-	4,430
Kingdom of Norway	309,904	473,620
Republic of Korea	4,000	-
United Kingdom	508,196	906,844
Total direct Multi-Year Pledges to GAVI from Sovereign Governments	878,040	1,518,713
<u>Direct Multi-Year Pledges to GAVI from Corporations, Foundations and Private Individuals:</u>		
Anglo American plc	-	1,000
Absolute Return for Kids (ARK)	1,649	1,616
Bill & Melinda Gates Foundation	384,000	592,100
Children's Investment Fund Foundation	-	2,200
Comic Relief	1,649	808
Crown Prince of Abu Dhabi	-	10,097
Elogøy	33	72
Grand Duchy of Luxembourg	2,258	3,251
The OPEC Fund for International Development	450	-
Prudential Services Ltd	-	202
Serum Institute of India	9,537	-
Total direct Multi-Year Pledges to GAVI from Corporations, Foundations and Private Individuals	399,576	611,346
<u>Multi-Year Pledges to IFFIm:</u>		
Commonwealth of Australia	211,925	250,966
Kingdom of Norway	172,912	214,842
Kingdom of Spain	156,525	162,382
Kingdom of Sweden	22,972	25,445
Republic of France ¹	301,899	320,611
Republic of France ²	989,564	987,143
Republic of Italy	454,295	471,292
Republic of South Africa	13,000	14,000
State of the Netherlands	57,819	73,825
United Kingdom	2,274,277	2,330,035
Total Multi-Year Pledges to IFFIm	4,655,188	4,850,541
Multi-Year Pledges from AMC donors	891,038	1,105,458
Total Multi-Year Pledges from donors	6,823,842	8,086,058

¹ Acting through Agence Française de Développement.

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

Schedule 2: Reconciliation of Multi-Year Pledges to Contributions Receivable

The following table reconciles Multi-Year Pledges from donors, per Schedule 1 above, to the contributions receivable balances disclosed in the consolidated statements of financial position on page 22:

In Thousands of US\$	2013	2012
Total Multi-Year Pledges from donors	6,823,842	8,086,058
Grant Payment reduction on Multi-Year Pledges to IFFIm	(693,623)	(574,756)
Unamortised discount on direct Multi-Year Pledges to GAVI	(7,024)	(18,750)
Unamortised discount on Multi-Year Pledges to IFFIm	(599,537)	(713,643)
Unamortised discount on Multi-Year Pledges from AMC donors	(44,940)	(29,347)
Total recorded contributions receivable ¹	5,478,718	6,749,562

¹ The description of the Alliance's methodology for valuing its contributions receivable, including details of IFFIm's grant payment condition 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 methodology described in the *Foreign Currency Transactions* section of Note 2 to the consolidated financial statements.

Schedule 3: Direct Multi-Year Pledges, in Currencies of Pledges

The following table presents the activity of direct Multi-Year Pledges, for the year ended 31 December 2013, in the currencies of the pledges:

In Thousands	Currency of Pledge	Balance as of 31 December 2012, in Currency of Pledge	New Pledges, in Currency of Pledge	Payments Received, in Currency of Pledge	Balance as of 31 December 2013, in Currency of Pledge
<u>Direct Multi-Year Pledges to GAVI from Sovereign Governments:</u>					
Canada	C\$ (CAD)	30,000	-	(20,000)	10,000
Commonwealth of Australia	A\$ (AUD)	100,000	-	(47,500)	52,500
Kingdom of Denmark	Dkr (DKR)	25,000	-	(25,000)	-
Kingdom of Norway	Nkr (NOK)	2,644,447	-	(747,847)	1,896,600
Republic of Korea	US\$ (USD)	-	5,000	(1,000)	4,000
United Kingdom	£ (GBP)	561,166	-	(253,000)	308,166
<u>Direct Multi-Year Pledges to GAVI from Corporations, Foundations and Private Individuals:</u>					
Anglo American plc	US\$ (USD)	1,000	-	(1,000)	-
Absolute Return for Kids (ARK)	£ (GBP)	1,000	-	-	1,000
Bill & Melinda Gates Foundation	US\$ (USD)	592,100	-	(208,100)	384,000
Children's Investment Fund Foundation	US\$ (USD)	2,200	-	(2,200)	-
Comic Relief	£ (GBP)	500	5,000	(4,500)	1,000
Crown Prince of Abu Dhabi	US\$ (USD)	10,097	-	(10,097)	-
Elogøy	Nkr (NOK)	400	-	(200)	200
Grand Duchy of Luxembourg	€ (EUR)	2,460	-	(820)	1,640
The OPEC Fund for International Development	US\$ (USD)	-	1,100	(650)	450
Prudential Services Ltd	£ (GBP)	125	-	(125)	-
Serum Institute of India	US\$ (USD)	-	12,419	(2,882)	9,537

Schedule 4: Multi-Year Pledges to IFFIm, in Currencies of Pledges

The following table presents the activity of Multi-Year Pledges to IFFIm, for the year ended 31 December 2013, in the currencies of the pledges:

In Thousands	Currency of Pledge	Balance as of 31 December 2012, in Currency of Pledge	Payments Received, in Currency of Pledge	Balance as of 31 December 2013, in Currency of Pledge
<u>Multi-Year Pledges to IFFIm:</u>				
Commonwealth of Australia	A\$ (AUD)	242,240	(4,875)	237,365
Kingdom of Norway	Nkr (NOK)	1,209,000	(146,250)	1,062,750
Kingdom of Spain	€ (EUR)	124,027	(9,238)	114,789
Kingdom of Sweden	Skr (SEK)	167,346	(17,950)	149,396
Republic of France	€ (EUR)	245,231	(23,303)	221,928
Republic of France	€ (EUR)	751,101	(29,231)	721,870
Republic of Italy	€ (EUR)	359,924	(26,813)	333,111
Republic of South Africa	US\$ (USD)	14,090	(975)	13,115
State of the Netherlands	€ (EUR)	56,350	(13,650)	42,700
United Kingdom	£ (GBP)	1,445,173	(63,341)	1,381,832

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.

Schedule 5: Annual Contributions from Donors

The following schedule details Annual Contributions received from donors during the year ended 31 December 2013, in both the currencies of the contributions and United States dollars:

In Thousands	Currency of Contribution	2013, in Currency of Contribution	2012, in Currency of Contribution	2013, in US\$	2012, in US\$
<u>Annual Contributions from Sovereign Governments</u>					
Canada	C\$ (CAD)	20,000	-	19,668	-
European Union, represented by European Commission	€ (EUR)	-	9,500	-	12,506
Federal Republic of Germany	€ (EUR)	27,170	26,931	35,718	35,167
Japan	US\$ (USD)	9,067	9,067	9,067	9,067
Kingdom of Norway	SFr (CHF)	360	-	381	-
Kingdom of Sweden	Skr (SEK)	468,000	-	71,164	-
Republic of France	€ (EUR)	25,500	15,500	34,957	20,093
Republic of Ireland	€ (EUR)	2,300	2,750	2,985	3,484
State of the Netherlands	€ (EUR)	25,000	11,000	34,428	14,207
United Kingdom	£ (GBP)	26,220	-	42,397	-
United States Agency for International Development	US\$ (USD)	137,979	130,000	137,979	130,000
Total Annual Contributions from Sovereign Governments				388,744	224,524
<u>Annual Contributions from Corporations, Foundations and Private Individuals</u>					
Bill & Melinda Gates Foundation	US\$ (USD)	25,106	8,313	25,106	8,313
Comic Relief	US\$ (USD)	7,446	-	7,446	-
Nationale Postcode Loterij	€ (EUR)	2,500	-	3,181	-
The "la Caixa" Foundation	€ (EUR)	1,356	2,461	1,817	3,204
The Church of Jesus Christ of Latter-day Saints	US\$ (USD)	2,500	-	2,500	-
Other contributions	US\$ (USD)	1,364	1,885	1,364	1,885
Total Annual Contributions from Corporations, Foundations and Private Individuals				41,414	13,402
Total Annual Contributions				430,158	237,926

Schedule 6: Reconciliation of Annual Contributions to Contribution Revenue

The following table reconciles Annual Contributions per Schedule 5 above to contribution revenue reported in the Consolidated Statements of Activities on page 23 of the Consolidated Financial Statements:

In Thousands of US\$	2013	2012
Total Annual Contributions	430,158	237,926
Initial fair value of new Multi-Year Pledges received during the year ¹	25,967	608,811
Total recorded contribution revenue²	456,125	846,737

¹ In accordance with its accounting policy, the Alliance records the fair value of each new Multi-Year Pledge 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 Western Switzerland
111 Rue de Lyon
CH-1203 Geneva

P.O. Box 347
CH-1211 Geneva 13

Telephone +41 58 249 25 15
Fax +41 58 249 25 13
Internet www.kpmg.ch

Independent Auditors' Report on Supplementary 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 31 December 2013 and 2012, and have issued our report thereon dated 19 September 2014 which contained an unmodified opinion on those consolidated financial statements. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Donors' Schedules 1-6 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, Switzerland, 19 September 2014