GAVI, THE VACCINE ALLIANCE
2016 ANNUAL FINANCIAL REPORT

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DISCUSSION AND ANALYSIS

STRUCTURE AND GOVERNANCE

STRUCTURE

Gavi, the Vaccine 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 such as 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, the 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.

In June 2006, the Alliance incorporated the International Finance Facility for Immunisation ("IFFIm"), a private company in the United Kingdom. IFFIm is set up to rapidly accelerate the availability, and enhance the predictability of funds for the Gavi Group's immunisation programmes. The Alliance enters into pledge agreements with sovereign government donors and then assigns to IFFIm the right to receive cash payments under those agreements. 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.

In November 2014 and August 2015, the IFFIm Sukuk Company Limited ("IFFImSC") and the IFFIm Sukuk Company Limited II ("IFFImSC II"), both Cayman Islands companies with limited liability, were established for the sole purpose of issuing Sukuk certificates in support of IFFIm's operations. 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, as a separate tax exempt organisation, helped to facilitate the Alliance's private sector outreach, fundraising and advocacy efforts. In October 2016, after due consideration, the Campaign board authorised the voluntary dissolution of the Campaign. The Campaign's dissolution was concluded on 31 December 2016. The Campaign's dissolution is discussed further in the *Recent Events* section on page 21 of this report.

The Alliance prepared consolidated financial statements for Gavi, IFFIm and the Campaign (jointly referred to as the "Gavi Group"). These Gavi Group financial statements commence on page 24 of this Annual Financial Report. In addition to the Gavi Group consolidated financial statements, the Alliance prepared consolidated financial statements for IFFIm, which include the financial information of IFFImSC and IFFIm SC II. These financial statements commence on page 46. No standalone financial statements were prepared for the Campaign.

The following table summarises the assets and liabilities of Gavi, IFFIm, and the Campaign, on standalone and consolidated bases, as of 31 December 2016.

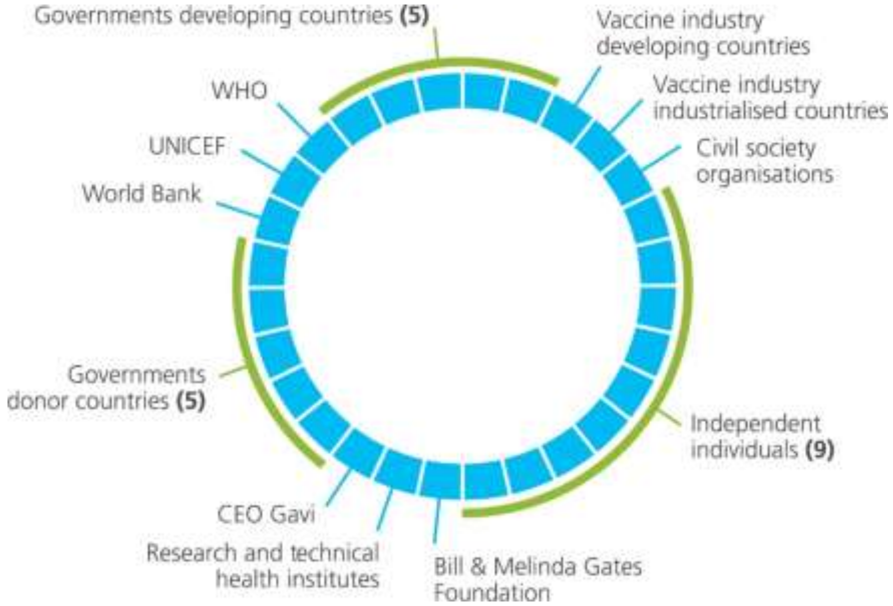
In Millions of US$	Gavi	IFFIm	Campaign	Eliminations	Consolidated
Assets					
Cash and investments	2,538	863	-	-	3,401
Contributions receivable	4,430	2,355	-	(457)	6,328
Net derivatives and other assets	72	-	-	-	72
Total assets	7,040	3,218	-	(457)	9,801
Liabilities					
Programme grants and procurement accounts payable	1,705	457	-	(457)	1,705
Bonds and other borrowings	-	1,382	-	-	1,382
Net derivatives and other liabilities	31	568	-	-	599
Total liabilities	1,736	2,407	-	(457)	3,686
Total net assets	5,304	811	-	-	6,115
Total liabilities and net assets	7,040	3,218	-	(457)	9,801

The following table summarises the income and expenses of Gavi, IFFIm and the Campaign, on standalone and consolidated bases, for the year ended 31 December 2016.

In Millions of US$	Gavi	IFFIm	Campaign	Eliminations	Consolidated
Revenue					
Contributions from donors	1,552	24	6	(92)	1,490
Investment and other income	61	8	-	-	69
Other revenue	2	-	-	-	2
Total revenue	1,615	32	6	(92)	1,561
Expenses					
Programme	1,620	50	40	(88)	1,622
Fair value losses (gains)	159	(121)	-	-	38
Financing costs	-	50	-	-	50
Administrative, fundraising and other	40	4	1	(3)	42
Total expenses	1,819	(17)	41	(91)	1,752
Increase (decrease) in net assets	(204)	49	(35)	(1)	(191)

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 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 to the Board, which is effected through routine reporting to the Audit and Finance Committee and the Chief Executive Officer.

In June 2015, the Board approved the structure for the Partners' Engagement Framework ("PEF"), which came into force in 2016. Through PEF, Gavi provides funding to partners and allows the partners to support countries' immunisation programmes. Support under PEF is divided into three areas: targeted country assistance, strategic focus areas, and foundational support. Most PEF funding is allocated to targeted country assistance. PEF gives priority to the 20 countries that face the most severe immunisation challenges and aims to meet the specific needs of each country. In 2016, the priority countries were the Islamic Republic of Afghanistan, Republic of Chad, Federal Republic of Nigeria, Republic of Uganda, Islamic Republic of Pakistan, Republic of Indonesia, Democratic Republic of the Congo, Republic of India, Republic of Kenya, Federal Democratic Republic of Ethiopia, Republic of the Niger, Central African Republic, Republic of the Union of Myanmar, Republic of Haiti, Federal Republic of Somalia, Republic of Yemen, Republic of Mozambique, Independent State of Papua New Guinea, Republic of Madagascar, and the Republic of South Sudan.

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 2014, the Board approved a strategy for 2016 to 2020. This strategy defines the Alliance's mission, operating principles, strategic goals, objectives and progress indicators.

The Gavi Engagement Framework for 2016 to 2020 describe the actions to be undertaken to achieve the 2016-2020 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 coverage of vaccines: Accelerating the uptake of new and underused vaccines is the Alliance's core business and represents the majority of its expenditure. The Vaccines Goal is achieved through three strategic objectives: (1) increasing coverage and equity of immunisation, (2) supporting countries in introducing and scaling up new vaccines, and (3) responding flexibly to the special needs of children in fragile countries.

  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 five years, the Alliance maintained momentum on these antigens but also targeted new vaccines, which held potential to achieve progress on the Millennium Development Goals ("MDG"), in particular MDG 4: Reduce Child Mortality. The Alliance aims to continue to accelerate the introduction of routine meningitis, pneumococcal and rotavirus vaccines and support campaigns against yellow fever and meningitis.

  In 2016 to 2020, under the 2016-2020 strategy, the Alliance will continue to support developing countries to introduce and increase access to vaccines so that they are able to protect every child with a full package of WHO-recommended life-saving vaccines. This will include introducing new vaccines into the routine schedules of national immunisation programmes and working to protect every child, including those who are hardest to reach, such as children in poor urban areas and remote rural locations. The Alliance will also support global stockpiles and immunisation campaigns, so the world's lowest income countries can be assured of ready access to quality vaccines to protect against disease outbreaks. The Alliance will work to ensure that wealth, geography and gender are not obstacles to immunisation and that children, even in the most fragile settings, benefit from the protection that a complete schedule of vaccines provides.

- Strategic Goal 2 – the Systems Goal: Increase effectiveness and efficiency of immunization delivery as an integrated part of strengthened 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 Systems Goal is achieved through three strategic objectives: (1) contributing to improving integrated and comprehensive immunisation programmes, including fixed, outreach and supplementary components, (2) supporting improvements in supply chains, health information systems, demand generation and gender sensitive approaches, and (3) strengthening the engagement of civil society, the private sector and other partners in immunisation.

  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.

Under the 2016-2020 strategy, effective and efficient immunisation delivery systems, drawing on modern technologies and approaches, will be critical to ensure that the Alliance sustainably reaches more children, and in more places. Recognising the importance of integration, the Alliance will support developing countries to build comprehensive immunisation programmes and to do this in a way that strengthens their broader health systems. While the Alliance will develop and propose solutions in critical areas of immunisation delivery such as vaccine supply chains and data quality, the support that is delivered will be driven by national and local situations and priorities.

- Strategic Goal 3 – the Sustainability Goal: Improve sustainability of national immunisation programmes: One of the cornerstones of the Alliance's development model is that support is time-limited and catalytic, and that Alliance support for countries diminishes and ultimately ends as their economies grow. The Sustainability Goal recognises that widening the Alliance's donor base to secure long-term, predictable funding is critical to meeting increased demand for new vaccines. The Sustainability Goal is achieved through three strategic objectives: (1) enhancing national and sub-national political commitments to immunisation, (2) ensuring appropriate allocation and management of national human and financial resources to immunisation through legislative and budgetary means, and (3) preparing for sustained performance in immunisation after graduation.

  Under the 2016-2020 strategy, the Alliance will work with developing countries to ensure that they successfully transition, or "graduate", from Alliance financial support and can sustain and continue to improve the performance of their immunisation programmes. In doing so, the Alliance will focus on sustainability from the outset of each country grant to support and sustain gains in immunisation. The Alliance's approach to sustainability will be mindful of the simultaneous transitions that countries undergo from other development funding instruments.

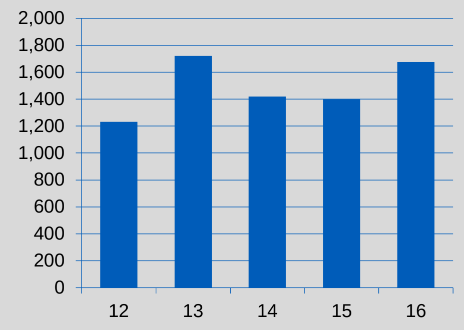
- Strategic Goal 4 – the Market Shaping Goal: Shape markets for vaccines and other immunization products: The Alliance's success depends upon the vaccine markets providing appropriate and affordable vaccines. With plans to introduce a larger portfolio of vaccines in the world's poorest countries, it is imperative that the Alliance continues to innovate and shape a larger number of markets. The Market Shaping Goal is achieved through four strategic objectives: (1) ensuring adequate and secure supply of quality vaccines, (2) reducing prices of vaccines and other immunisation products to an appropriate and sustainable level, (3) continuing to build a healthy vaccine market, including by working to increase the number of suppliers, and (4) incentivising the development of suitable and quality vaccines and other immunisation products.

  The Alliance has already dramatically improved markets to ensure that lower income countries can access vaccines at affordable prices. Under the 2016-2020 strategy, the Alliance will continue to play an active role in promoting innovation, affordability and supply continuity in the global market for vaccines and immunisation-related products. The Alliance aims to address the needs of lower income countries for appropriate products at affordable prices. The Alliance will also work to ensure that governments have access to appropriate vaccine prices after Alliance support ends.

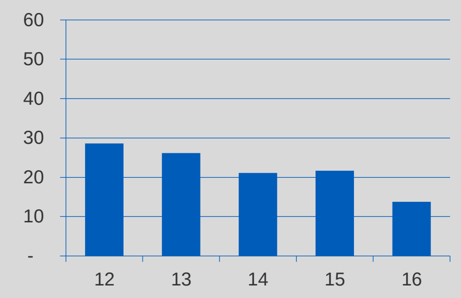
Further information on the strategic goals, including the Alliance's future plans and performance indicators related to these goal, may be found in The Vaccine Alliance Progress Report 2016 and online at http://www.gavi.org/results/gavi-progress-reports.

KEY FINANCIAL PERFORMANCE INDICATORS

This section lays out the key performance indicators that are used by the Secretariat to review, assess and manage the Gavi Group's overall financial position, activities, results and cash flows. In addition to these Key Financial Performance Indicators, the Secretariat has developed several indicators focused on specifically measuring performance against the Alliance's four Strategic Goals. These additional performance indicators are defined and described in Gavi's 2016 to 2020 Strategy Indicator Definitions, and progress against these indicators is described in the Vaccine Alliance Progress Report in 2016.

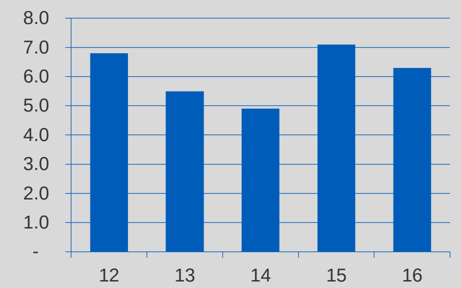
Indicator	Definition	Five-Year History
Cash proceeds from donors and IFFIm investors **2016: US$ 1.7 billion** 2015: US$ 1.4 billion 2014: US$ 1.4 billion 2013: US$ 1.7 billion 2012: US$ 1.2 billion	Cash receipts from Gavi's direct donors plus cash receipts by Gavi through IFFIm. Direct cash receipts include cash received pursuant to the AMC innovative finance mechanism.	

Continued support from donors and IFFIm investors is fundamental to the achievement of all of the Alliance's strategic goals. Cash receipts from these donors and IFFIm investors indicate that the Alliance has received a strong and consistent level of support. Cash receipts increased from 2012 to 2013. Cash receipts decreased from US$ 1.7 billion in 2013 to US$ 1.4 billion in each of 2014 and 2015 and increased to US$ 1.7 billion in 2016. The decrease in 2014 and 2015 was primarily due to the deferral of IFFIm drawdowns to later years based on Gavi's funding needs.

Indicator	Definition	Five-Year History
Percentage of funds received from innovative finance mechanisms **2016: 14 percent** 2015: 22 percent 2014: 21 percent 2013: 26 percent 2012: 29 percent	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.	

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 22% 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.

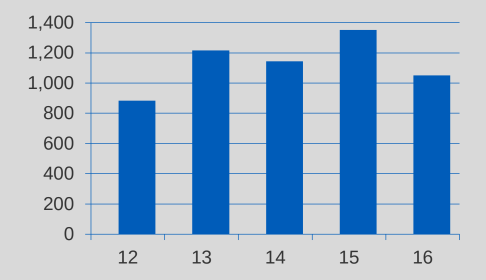
The percentage of funds received from innovative finance mechanisms decreased from a high of 29% in 2012 to 14% in 2016. This decrease, as forecasted, was primarily due to a significant increase in cash received from direct donors after the Alliance's second pledging conference in 2015. These direct cash receipts increased from US$ 908 million in 2012 to US$ 1,469 million in 2016. See the *Future Plans* section on page 22 of this report for a summary of estimated future cash inflows from innovative finance mechanisms from 2017 to 2020.

Indicator	Definition	Five-Year History
Total multi-year pledges **2016: US$ 6.3 billion** 2015: US$ 7.1 billion 2014: US$ 4.9 billion 2013: US$ 5.5 billion 2012: US$ 6.8 billion	Year-end fair value of multi-year pledges as presented on the Gavi Group's Consolidated Statements of Financial Position.	

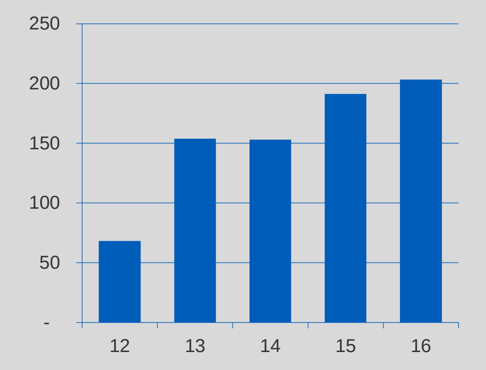
In order to achieve its Sustainability Goal, the Alliance requires sufficient long-term multi-year pledges to provide implementing countries with a predictable and stable funding environment.

The total value of multi-year commitments decreased during the period from 2012 to 2014 as direct donors paid down their pledges until new multi-year commitments were made by direct donors during the Alliance's second pledging conference in January 2015. These new multi-year commitments were made to help fund the Alliance's programmatic activities until 2020. The total value of multi-year commitments increased in 2015 as a result of these new multi-year commitments and decreased in 2016 as direct donors paid down their pledges.

At the second pledging conference in January 2015, new multi-year commitments made by direct donors totalled US$ 7.5 billion for the period 2016 to 2020. As of 31 December 2016, 83% of these multi-year commitments had been converted into grant agreements signed by donors. See the *Gavi Foreign Currency and Hedging Activity* section on page 18 of this report for further information on the valuation of the multi-year commitments made by direct donors at the second pledging conference.

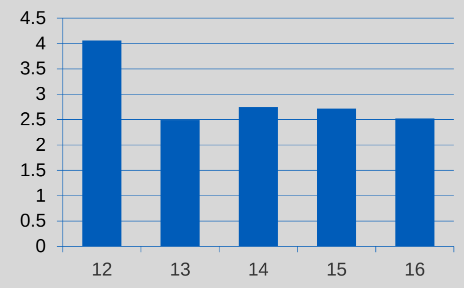
Indicator	Definition	Five-Year History
New and underused vaccines programme disbursements **2016: US$ 1.1 billion** 2015: US$ 1.3 billion 2014: US$ 1.1 billion 2013: US$ 1.2 billion 2012: US$ 884 million	Cash disbursed for vaccine procurement and to implementing countries for the purpose of accelerating the introduction and uptake of new and underused vaccines.	

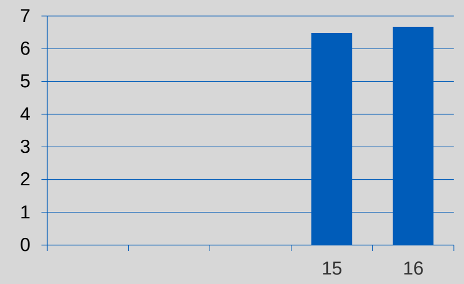
Under its Vaccine Goal, the Alliance aims to accelerate the uptake and use of underused and new vaccines ("NVS"). The level of NVS programme disbursements is directly correlated with the rate of uptake of these vaccines and, therefore, provides an indication of the Alliance's progress toward achieving its goal. NVS programme disbursements have increased by 19% from 2012 to 2016, reflecting progress in the last five years. The decrease in NVS programme disbursements during the period from 2015 to 2016 was primarily due to a decrease in support to a number of implementing countries as they transition from receiving Gavi funding, a reduction in the funding of the pneumococcal conjugate vaccine under the AMC innovative finance mechanism, and a decrease in disbursements for the inactivated polio vaccine due to supply shortages of the vaccine.

Indicator	Definition	Five-Year History
Health systems strengthening programme disbursements **2016: US$ 203 million** 2015: US$ 191 million 2014: US$ 153 million 2013: US$ 154 million 2012: US$ 68 million	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.	

Under its Systems Goal, the Alliance aims to help strengthen the capacity of implementing countries' integrated health systems. From 2012 to 2016, the Alliance disbursed US$ 770 million to implementing countries to help bolster their health systems. Health systems strengthening support addresses health system bottlenecks, primarily in four areas: (1) supply chain; (2) data availability, quality, and use; (3) community engagement; and (4) in-country leadership, management, and coordination. Governments are encouraged to engage civil society organisations for the implementation of HSS activities.

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 June 2016, the Board agreed that an amount of at least US$ 1.3 billion is available for health systems strengthening disbursements, including performance payments, for grant programme years in the 2016-2020 strategic period, with additional funding being subject to future Board decision.

Indicator	Definition	Five-Year History
Percentage overhead expenses **2016: 2.52 percent** 2015: 2.72 percent 2014: 2.75 percent 2013: 2.49 percent 2012: 4.06 percent	Overhead expenses as a percentage of total expenses.	

Indicator	Definition	Two-Year History
Percentage operating expenses **2016: 6.67 percent** 2015: 6.48 percent	Operating expenses as a percentage of total expenses.	

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 2012, and decreased slightly from 2.72% in 2015 to 2.51% in 2016. This decrease in the Alliance's percentage overhead expenses was driven primarily by the 1% increase in programme expenses from 2015 to 2016, which is discussed further in the *Overview of Income and Expenses* section on page 16 of this report.

For the purposes of calculating the Alliance's percentage overhead and operating expenses amounts above, overhead expenses are the aggregate of the Alliance's fundraising, management and general expenses and operating expenses are the aggregate of the Alliance's overhead expenses, secretariat programme implementation expenses, and partners' programme implementation expenses in relation to AMC fees and evaluations and assessments. 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 and operating expenses were:

Indicator	2016	2015
Management and general expenses percentage	1.32%	1.51%
Fundraising expenses percentage	1.20%	1.21%
Total overhead expenses percentage	2.52%	2.72%

Indicator	2016	2015
Total overhead expenses	2.52%	2.72%
Secretariat programme implementation expenses	3.19%	2.79%
Partners' programme implementation expenses	0.96%	0.97%
Total operating expenses percentage	6.67%	6.48%

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

In Millions of US$	2016	2015
Management and general expenses	22	25
Fundraising expenses	20	20
Total overhead expenses	42	45

The Alliance's operating expenses were as follows:

In Millions of US$	2016	2015
Total overhead expenses	42	45
Secretariat programme implementation expenses	53	46
Partners' programme implementation expenses[1]	16	16
Total operating expenses	111	107

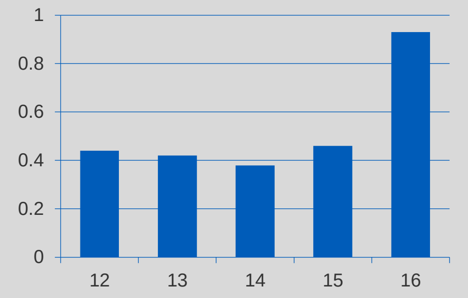
[1] This total only includes the portion of partners' programme implementation expenses that are related to AMC fees and evaluations and assessments.

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$	2016	2015
Joint Costs allocated to programmes	16	9
Joint Costs allocated to fundraising	5	3
Joint Costs allocated to management and general	4	5
Total joint costs	25	17

For the purposes of calculating the Alliance's percentage overhead and operating 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$	2016	2015
Direct country programme expenses	1,408	1,432
Secretariat programme implementation expenses	53	46
Partners' programme implementation expenses	161	130
Total programme expenses	1,622	1,608
Total overhead expenses	42	45
Total non-programme expenses	42	45
Total expenses, excluding financing expenses and fair value gains and losses	1,664	1,653

Indicator	Definition	Five-Year History
Percentage net finance costs **2016: 0.93 percent** 2015: 0.46 percent 2014: 0.38 percent 2013: 0.42 percent 2012: 0.44 percent	IFFIm's net interest expense as a percentage of its average bonds and other borrowings balance for the year. Net interest expense is after the effect of hedging transactions. Average bonds and other borrowings for the year is the average of the nominal monthly balances.	

The Alliance's net interest expense amounts and average bonds and other borrowings balances were as follows:

In Millions of US$, except Percentages	2016	2015	2014	2013	2012
Net interest expense on bonds and other borrowings after impact of swaps	13	9	7	9	9
Average nominal value of bonds and other borrowings for the year	1,395	1,962	1,822	2,148	2,064
Percentage net financing costs	0.93%	0.46%	0.38%	0.42%	0.44%

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 bonds and other borrowings 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 18 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 five years indicates that IFFIm's liquidity and hedging policies have been appropriately designed and effectively executed. IFFIm's cost of funding, compared to that of its donors, slightly increased in 2016. IFFIm's current weighted average cost of its outstanding bonds is 18.6 basis points over three-month USD LIBOR. This is 5.2 basis points higher than the weighted average cost of borrowing of its donors of 13.4 basis points over three-month USD LIBOR as calculated in November 2016. However, since its inception, IFFIm has accessed the capital markets at a weighted average cost of borrowing that is in total lower than that of its donors. IFFIm's weighted average cost of all its bonds issued since its inception is 1.2 basis points over three-month USD LIBOR. This is 8.8 basis points lower than the weighted average cost of borrowing of its donors, which is 10 basis points over three-month USD LIBOR calculated over the same period.

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.

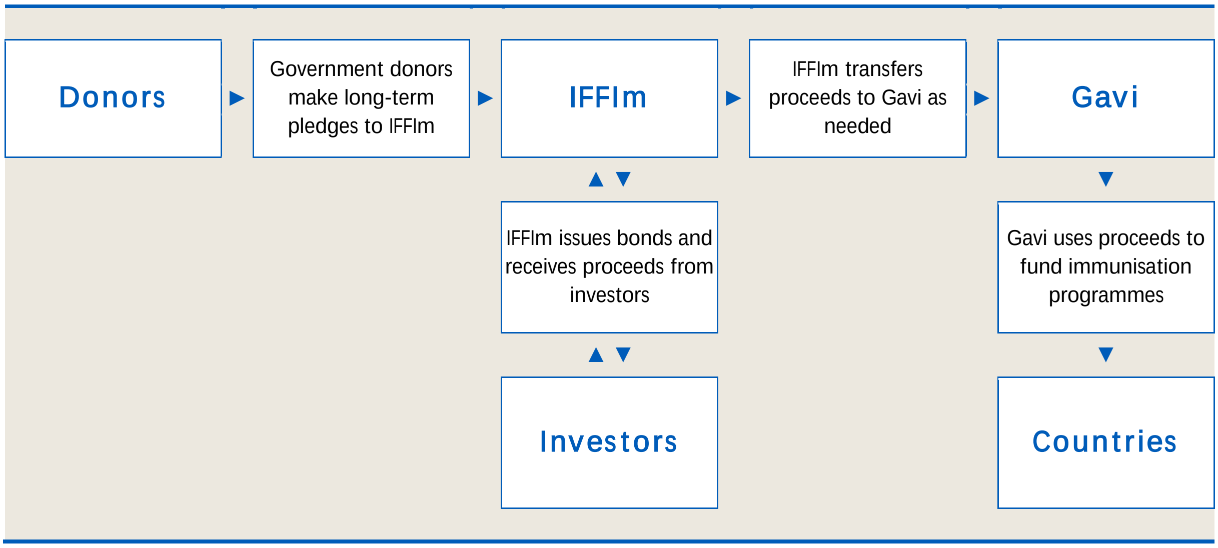
- Provide predictable and flexible resources: Funding predictability has enabled countries to implement multi-year programmes that fundamentally improve the quality of and access to health care services. Flexible resources allow the Alliance to access alternate funding resources as funding constraints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

- Respond to the United Nations Sustainable Development Goals: The Alliance and immunisation are critical to achieving child health goals set by the United Nations ("UN"). Gavi aided the UN in achieving the Millennium Development Goal (MDG) for child health, which aimed to reduce by two-thirds the deaths of children under five by 2015. As the MDG period came to an end, the Alliance is in full support of the UN post-2015 goal for child health: accelerate the progress made to date in reducing new born and child mortality by ending all such preventable deaths before 2030. 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 2016, IFFIm accounted for approximately one fifth 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 approximately US$ 6.5 billion to IFFIm over 23 years[1]. 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.

IFFIm Bonds also provide investors with a socially responsible investment opportunity, and raise awareness about the Alliance and its mission. IFFIm Bonds have proved popular with both institutional and individual investors, raising US$ 5.7 billion since IFFIm's inception in 2006 to 31 December 2016[2].

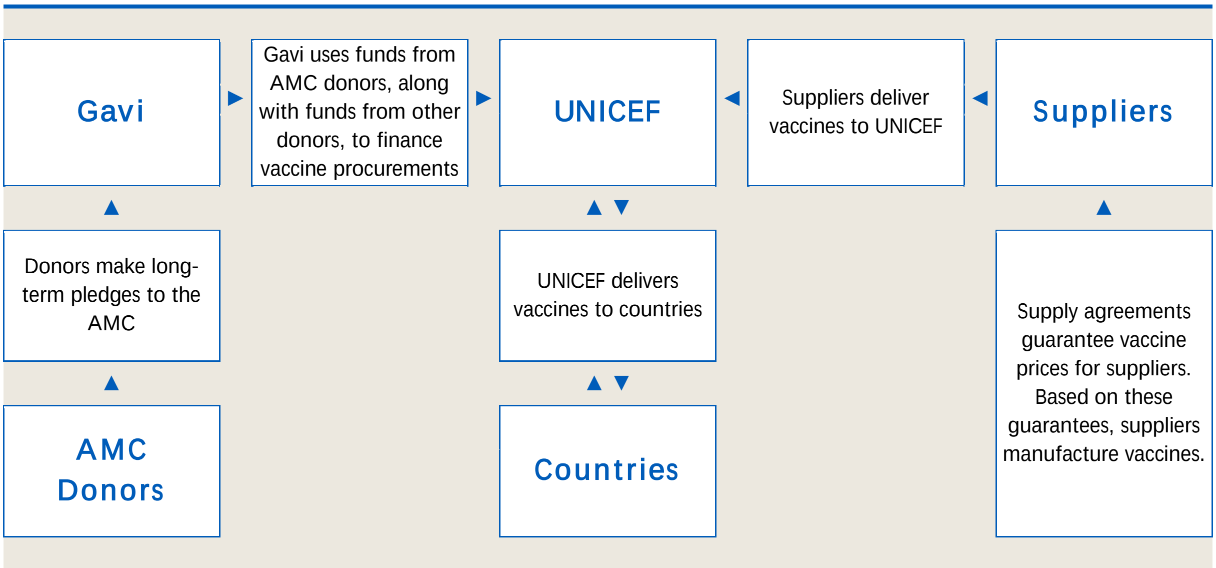
[1] Further information on donor pledges to IFFIm is on page 74 of this report.

[2] Further information on IFFIm's current financing arrangement is on page 20 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.
- 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 public-private funding mechanism designed to incentivise private sector investments in immunisation.

Under this initiative, the United Kingdom Department for International Development ("DFID") and the Gates Foundation pledged £ 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 until 2015.

At the Alliance's second pledging conference in January 2015, the Gates Foundation and the State of the Netherlands pledged US$ 75 million and € 10 million, respectively, to match contributions from corporations, foundations and other organisations, as well as from their customers, members, employees and business partners until 2020.

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. From 2016 to 2020, private sector donations to the Alliance through the Gavi Matching Fund will be matched by the Gates Foundation and the State of the Netherlands.

The Gavi Matching Fund raised US$ 22 million in 2016. Since its inception in 2011 to 31 December 2016, the Gavi Matching Fund has raised a total of US$ 252 million. This amount is the total of pledges from the private sector partners and matching pledges from DFID and the Gates Foundation.

FINANCIAL OVERVIEW

OVERVIEW OF ASSETS AND LIABILITIES

The following table summarises Gavi Group's consolidated assets and liabilities as of 31 December 2016, 2015 and 2014:

In Millions of US$, except Percentages	2016	2015	2014	Change, 2015 to 2016	Change, 2014 to 2015
Assets					
Cash and investments	3,401	3,244	3,538	5 %	(8)%
Contributions receivable	6,328	7,070	4,865	(10)%	45 %
Net derivatives and other assets	72	87	60	(17)%	45 %
Total assets	9,801	10,401	8,463	(6)%	23 %
Liabilities					
Programme grants and procurement accounts payable	1,705	1,628	1,721	5 %	(5)%
Bonds and other borrowings	1,382	1,606	1,893	(14)%	(15)%
Net derivatives and other liabilities	599	861	1,265	(30)%	(32)%
Total liabilities	3,686	4,095	4,879	(10)%	(16)%
Total net assets	6,115	6,306	3,584	(3)%	76 %
Total liabilities and net assets	9,801	10,401	8,463	(6)%	23 %

The Gavi Group's financial position remained strong and stable during 2016. Its total assets decreased by 6% during 2016, which was primarily due to a decrease of US$ 742 million in contributions receivable. The decrease in contributions receivable was, as planned, primarily due to the pay down of multi-year pledges made by donors during the Gavi Group's second pledging conference.

The Gavi Group's total liabilities decreased by 10% during 2016, primarily due to decreases in IFFIm's bonds and other borrowings and net derivative liability, offset by a slight increase in programme grants and procurement accounts payable. Each of these is discussed below:

- Decrease in bonds and other borrowings: During 2016, bond redemptions exceeded proceeds from a new bond issuance. The decrease in bonds and other borrowings, which resulted from the redemption of three bonds totalling US$ 755 million, was partially offset by the issuance of a new borrowing totalling US$ 500 million and fair value losses of US$ 32 million.

- Decrease in net derivative liability: The Gavi Group's net derivative liability balance is primarily comprised of IFFIm's net liability position on its interest rate and currency swap contracts. This liability on swap contracts decreased from US$ 845 million, as of 31 December 2015, to US$ 567 million, as of 31 December 2016, primarily due to interest rate and foreign currency rate fluctuations and net swap settlement payments during 2016. All else being equal, IFFIm's derivative liability will 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 *IFFIm Hedging Activity* section on page 20 of this report for further information on IFFIm's currency and interest swap arrangements.

- Increase in programme grants and procurement accounts payable: The increase in programme grants and procurement accounts payable, which resulted from new programme approvals totalling US$ 1.4 million, was partially offset by the payments of outstanding programme liabilities totalling US$ 1.3 billion.

OVERVIEW OF INCOME AND EXPENSES

The following table summarises Gavi Group's consolidated income and expenses for the years ended 31 December 2016, 2015 and 2014:

In Millions of US$, except Percentages	2016	2015	2014	Change, 2015 to 2016	Change, 2014 to 2015
Revenue					
Contributions from government and private donors	1,490	4,426	1,130	(66)%	292 %
Investment and other income (expense)	69	(7)	42	1,086 %	(117)%
Other revenue	2	7	2	(71)%	250 %
Total revenue[1]	1,561	4,426	1,174	(65)%	277 %
Expenses					
Programme	1,622	1,608	1,477	1 %	9 %
Net interest expense on bonds and other borrowings after impact of swaps	13	9	7	44 %	29 %
Other fair value (gains) losses	75	42	(86)	79 %	(148)%
Administrative, fundraising and other	42	45	42	(7)%	8 %
Total expenses[2]	1,752	1,704	1,440	3 %	18 %
(Decrease) increase in net assets	(191)	2,722	(266)	(107)%	(1,123)%

[1] This total includes temporarily restricted contributions from government and private donors and contributed goods and does not include the release of net assets and net fair value gains on derivatives, which are included in the total revenue reported in the Consolidated Statements of Activities on page 26 of the consolidated financial statements.

[2] Other fair value (gains) losses include net fair value gains on derivatives, and net fair value gains on contributions receivable and foreign currency transaction adjustments on contributions receivable, which are reported as total revenue and changes in temporarily restricted net assets, respectively, in the Consolidated Statements of Activities on page 26 of the consolidated financial statements.

The Gavi Group's recorded contribution revenue is the aggregate of new multi-year pledges and annual contributions. The Gavi Group's revenue for 2014, 2015 and 2016 was driven primarily by the following:

- 2014 contribution revenue: Contribution revenue of US$ 1.1 billion was recorded in 2014. Recorded revenue included annual contributions of US$ 191 million, US$ 326 million, US$ 175 million, and US$ 114 million from the Kingdom of Norway, the United Kingdom, USAID, and BMGF, respectively.

- 2015 contribution revenue: Contribution revenue of US$ 4.4 billion was recorded in 2015. 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 second pledging conference in January 2015. Some grant agreements were multi-year pledges whose initial fair values were recorded as 2015 revenue in accordance with the Alliance's accounting policies. Multi-year pledges for the year included US$ 1.5 billion, US$ 1.4 billion, US$ 378 million, US$ 196 million, and US$ 172 million from DFID, BMGF, Canada, Netherlands, and Germany, respectively. Other grants took the form of annual contributions, which were recorded as revenue as the funds were received. See *Schedule 1.5: Annual Contributions from Donors* on page 75 for a complete list of annual contributions received by the Gavi Group during 2015.

- 2016 contribution revenue: Contribution revenue of US$ 1.5 billion was recorded in 2016. Recorded revenue included new multi-year pledges received during the year of US$ 751 million, US$ 150 million, US$ 106 million, and US$ 61 million from the Kingdom of Norway, the Commonwealth of Australia, the Republic of Italy, and various other donors, respectively. Recorded revenue also included annual contributions of US$ 235 million from USAID and US$ 187 million from various other donors. See *Schedule 1.5: Annual Contributions from Donors* on page 75 for a complete list of annual contributions received by the Gavi Group during 2016.

The Gavi Group's investment and other income is US$ 69 thousand in 2016 from a loss of US$ 7 thousand in 2015 primarily as a result of better market performance on its fixed income, global equity, and real assets. Furthermore, IFFIm funds invested in high-grade fixed income instruments outperformed their benchmark.

The Gavi Group's programme expenses increased by 1% in 2016 as it continued to experience strong and increased demand from implementing countries for vaccine and related programmes.

In 2016, net interest expense on bonds and other borrowings after impact of swaps of US$ 13 million was comprised of interest expense of US$ 18 million, which was partially offset by interest income on bond swaps of US$ 5 million. In 2015, net interest expense on bonds and other borrowings after impact of swaps of US$ 9 million was comprised of interest expense of US$ 33 million, which was partially offset by interest income on bond swaps of US$ 24 million.

Gavi Group incurred other fair value losses of US$ 75 million and US$ 42 million in 2016 and 2015, respectively. The composition and drivers of each of these losses is described below:

- <u>2015 other fair value losses</u>: Other fair value losses of US$ 42 million were comprised of foreign currency transaction losses on contributions receivable of US$ 333 million and other foreign exchange losses of US$ 7 million. These losses were partially offset by net fair value gains on contributions receivable of US$ 17 million, net fair value gains on bonds and other borrowings of US$ 123 million, and fair value gains on derivatives of US$ 158 million. The US$ 333 million foreign currency transaction losses on contributions receivable were primarily the result of a stronger United States dollar in 2015, which lowered the fair values of foreign currency denominated contributions receivable. The US$ 17 million fair value gains on contributions receivable were primarily the result of lower interest rates in 2016. The US$ 123 million fair value gains on bonds and other borrowings were primarily the result of a stronger United States dollar in 2015, which significantly lowered the fair values of foreign currency denominated bonds. The US$ 158 million fair value gains on derivatives were primarily the result of a stronger United States dollar in 2015, which significantly lowered the fair values of pledge swaps, the majority of which were related to pledges denominated in euros and British pounds.

- <u>2016 other fair value losses</u>: Other fair value losses of US$ 75 million were comprised of foreign currency transaction losses on contributions receivable of US$ 519 million and net fair value losses on bonds and other borrowings of US$ 32 million. These losses were partially offset by net fair value gains on contributions receivable of US$ 210 million, fair value gains on derivatives of US$ 263 million, and other foreign exchange gains of US$ 3 million. The US$ 519 million foreign currency transaction losses on contributions receivable were primarily the result of a stronger United States dollar in 2016, which significantly lowered the fair values of foreign currency denominated contributions receivable. The US$ 32 million fair value losses on bonds and other borrowings were primarily the result of lower interest rates in 2016 and a stronger South African rand in 2016, which significantly increased the fair values on bonds that were denominated in South African rand. The US$ 210 million fair value gains on contributions receivable were primarily the result of lower interest rates in 2016. The US$ 263 million fair value gains on derivatives were primarily the result of a stronger United States dollar in 2016, which significantly lowered the fair values of pledge swaps, the majority of which were related to pledges denominated in euros and British pounds.

Net fair value gains on derivatives, and net fair value gains on contributions receivable and foreign currency transaction adjustments on contributions receivable are reported as total revenue and changes in temporarily restricted net assets, respectively, in the Consolidated Statements of Activities on page 26 of the consolidated financial statements. Net fair value gains or losses on bonds and other borrowings are reported as net financing income or expenses in the Consolidated Statements of Activities on page 26 of the consolidated financial statements and as other borrowing income or expenses in the Consolidated Statements of Functional Expenses on page 28 of the consolidated financial statements. See the *Gavi Foreign Currency and Hedging Activity* and *IFFIm Hedging Activity* sections on pages 18 and 20, respectively, of this report for further information on Gavi Group's use of derivatives to hedge against market risks.

OVERVIEW OF CASH FLOWS

The following table summarises Gavi Group's consolidated cash flows for the years ended 31 December 2016, 2015 and 2014:

In Millions of US$, except Percentages	2016	2015	2014	Change, 2015 to 2016	Change, 2014 to 2015
Net cash from (used in) operating activities[1]	451	(95)	221	(575)%	(143)%
Net cash (used in) from investing activities	(252)	91	(55)	(377)%	(265)%
Net cash used in financing activities	(256)	(161)	(217)	59 %	(26)%
Net change in cash	(57)	(165)	(51)	(66)%	223 %
Cash as of the beginning of the year	113	278	329	(59)%	(16)%
Cash as of the end of the year	56	113	278	(50)%	(59)%

[1] This total includes the effect of exchange rate changes on cash, which is excluded from net cash (used in) provided by operating activities reported in the Consolidated Statements of Cash Flows on page 27 of the consolidated financial statements.

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) investing activities mainly relates to the investment of proceeds from donors and bond issuances before those proceeds are used to fund Gavi programmes or redeem bonds.

Net cash from (used in) financing activities reflects the cash inflows from Vaccine Bond issuances and cash outflows from Vaccine Bond redemptions.

The Gavi Group's cash receipts from donors and IFFIm investors were as follows:

In Millions of US$, except Percentages	2016	2015	2014	Change, 2015 to 2016	Change, 2014 to 2015
Sovereign governments and the European Community	1,173	1,002	921	17 %	9 %
Gates Foundation and other private donors	296	273	260	8 %	5 %
IFFIm and other innovative finance mechanisms	207	123	238	68 %	(48)%
Total cash receipts from donors and IFFIm investors	1,676	1,398	1,419	20 %	(1)%

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 investors and all other creditors. These policies are summarised below:

- Gavi cash reserve policy: At all times, Gavi maintains a minimum unrestricted 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 designates 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.

GAVI FOREIGN CURRENCY AND HEDGING ACTIVITY

Gavi expenditures are primarily incurred in United States dollars. Therefore, Gavi is exposed to foreign currency exchange rate fluctuations on contributions receivable in currencies other than the United States dollar. In November 2011, the Board approved a currency hedging policy that specified parameters for currency hedging through which Gavi can manage this exposure. Under its hedging policy, Gavi actively hedges its foreign currency exchange risk on a portion of contributions receivable by entering into currency forward contracts. In addition, a small portion of Gavi's currency exchange risk is naturally hedged by expenses that Gavi incurs in currencies other than the United States dollar.

At its pledging conference in January 2015, Gavi valued pledges for direct contributions from donors using Bloomberg forecast foreign currency exchange rates. Using these rates, the valuation of direct contributions pledged for the period 2016 to 2020 totalled US$ 7.6 billion[3]. The United States dollar has strengthened significantly since then, thereby reducing the United States dollar valuation[4] of the direct contributions pledged in other currencies. The Secretariat estimated that, as of June 2017, the United States dollar value of the pledges for direct contributions had reduced by US$ 0.5 billion to a value of US$ 7.1 billion, for the period 2016 to 2020. The amount of US$ 7.1 billion, as indicated in the table below, is comprised of:

- US$ 2.7 billion (37%) for amounts received or to be received in United States dollars;
- US$ 2 billion (29%) for amounts in other currencies already received and exchanged for United States dollars, and amounts to be received that are hedged into United States dollars; and
- US$ 2.4 billion (34%) for non-US$ amounts to be received that are not yet hedged and are valued using Bloomberg forecast rates. Gavi is exposed to exchange rate fluctuations on this amount.

As of June 2017, Gavi had hedged 78% of the non-US$ direct contributions that it expects to receive in 2017, and 57% of those expected in 2018. Consistent with the currency hedging policy, contributions due in 2019 and 2020 had not yet been hedged other than through naturally occurring hedges. The following table summarises Gavi's expected cash inflows for the period 2016 to 2020, in United States dollars and other currencies. The underlying forecasted information was prepared by the Secretariat as of June 2017:

In Millions of US$, except Percentages	Cash inflows in United States dollars	Cash inflows in currencies other than the United States dollar, already received or hedged	Cash inflows in currencies other than the United States dollar, not yet received nor hedged	Total
Direct contributions	2,655	2,044	2,399	7,098
	37%	*29%*	*34%*	*100%*
Other cash inflows:				
Proceeds from IFFIm bond issuances	1,314	-	-	1,314
Proceeds from AMC contributions	492	-	-	492
Investment income	150	-	-	150
Anticipated release of funds from cash and investment reserve	492	-	-	492
Total Assured Resources[1]	5,103	2,044	2,399	9,546
	53%	*21%*	*25%*	*100%*

[1] See the *Future Plans* section on page 22 of this report for further discussion.

[3] Includes pledges for direct contributions that were made at the Berlin conference and subsequently, including contributions for Inactivated Polio Vaccine.

[4] The updated valuation of non-US$ contributions uses Bloomberg forecast foreign currency rates as of 12 June 2017.

The following table analyses the above expected future cash inflows from donors in currencies other than the United States dollar, by year:

In Millions of US$, except Percentages	2016	2017	2018	2019	2020	Total
Expected cash inflows in currencies other than the United States dollar, already received or hedged	955	610	438	20	21	2,044
	100%	*78%*	*57%*	*2%*	*2%*	
Expected cash inflows in currencies other than the United States dollar, not yet received nor hedged	-	168	337	895	999	2,399
	-	*22%*	*43%*	*98%*	*98%*	
Total expected cash inflows in currencies other than the United States dollar	955	778	775	915	1,020	4,443

Gavi remains exposed to foreign currency fluctuations on a portion of its contributions receivable. The sensitivity analysis in the following table shows the impact that a 5% change in value of the United States dollar would have on the fair value of Gavi's contributions receivable as of 31 December 2016:

In Millions of US$	Illustrative Increase or Decrease in US$ Value of Contributions Receivable, as of 31 December 2016, for each 5% movement of exchange rate against US$
Australian dollar	6
British pound	50
Canadian dollar	15
Euro	17
Norwegian krone	33

IFFIm HEDGING ACTIVITY

The majority of IFFIm's contributions receivable and some of its bonds and other borrowings 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 and other borrowings 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 and other borrowings into floating rate payables to the World Bank.

The following table shows IFFIm's fair value adjustments and interest expense, for the year ended 31 December 2016, before and after the impact of IFFIm's currency and interest rate swaps:

In Millions of US$	Pledges	Bonds
Interest and fair value adjustments before impact of swaps		
Interest income (expense)	-	(18)
Interest rate fair value gains (losses)	103	(18)
Foreign currency fair value gains (losses)	(287)	(14)
Other fair value gains (losses)	64	-
Total interest and fair value adjustments before impact of swaps	(120)	(50)
Impact of currency and interest rate swaps		
Interest income (expense)	-	5
Interest rate fair value gains (losses)	(92)	15
Foreign currency fair value gains (losses)	304	15
Other fair value gains (losses)	(5)	(2)
Total impact of currency and interest rate swaps	207	33
Net interest and fair value adjustments after impact of swaps	87	(17)

RECENT EVENTS

DISSOLUTION OF THE GAVI CAMPAIGN

At its meeting in October 2016, after due consideration, the Campaign board authorised the voluntary dissolution of the Campaign. The Campaign board made this decision after reviewing and considering information, presented by the Secretariat, which indicated that there was no longer a continued advantage to the Alliance in keeping the Campaign as a separate legal entity within the Gavi Group. The dissolution was concluded on 31 December 2016. Pursuant to its winding up and dissolution, all the Campaign's assets were transferred to Gavi. In addition, the fundraising and programmatic activities previously performed by the Campaign were transferred to Gavi and, therefore, the Campaign's dissolution did not adversely impact the Alliance's mission and strategic goals.

ISSUANCE OF VACCINE BONDS

In October 2016, IFFIm issued US$ 500 million in 3-year floating rate vaccine bonds in a transaction that was jointly lead-managed by Citi, Deutsche Bank, and J.P. Morgan. This transaction marked IFFIm's first visit to the international United States dollar benchmark market since 2013, and was IFFIm's third transaction in the public dollar markets following its two successful United States dollar denominated Sukuk transactions. The issue, maturing on 1 November 2019, had a re-offer of 100% and carries a quarterly coupon of 26 basis points over three-month USD LIBOR. The regional distribution of investors was 65% in Europe, 24% in the Middle East and Africa, 10% in the United States, and 1% in Asia. Central banks and other official institutions took 53%, banks took 44%, and fund managers took 3% of the transaction. This issuance provided investors with a socially responsible investment that will help protect tens of millions of children against preventable diseases while giving Gavi the flexibility to deliver vaccines and other interventions when and where they are most needed.

NEW SOVEREIGN PLEDGES

In May 2017, IFFIm received a new sovereign pledge from the State of the Netherlands in the amount of € 60 million, which is payable to IFFIm in annual instalments of € 15 million over four years, commencing in December 2017 and ending in December 2020.

In May 2017, IFFIm received a new sovereign pledge from the Republic of France in the amount of € 150 million, which is payable to IFFIm in annual instalments of € 30 million over five years, commencing in March 2022 and ending in March 2026.

FUTURE PLANS

MEETING FUTURE VACCINE DEMAND

The Secretariat regularly forecasts, reviews and manages Gavi's cash flows to ensure that Gavi has sufficient Qualifying Resources and liquidity to meet all its future vaccine demand. See the *Cash Reserve and Liquidity Policies* section on page 18 of this report for further information on Gavi's Qualifying Resources and liquidity policies.

As of December 2016, Gavi's estimated Qualifying Resources for its 2016-2020 strategic period totalled US$ 9.9 billion[5], while its total forecasted cash outflows for the same period were US$ 9.6 billion. Therefore, Gavi has approximately US$ 0.3 billion available for additional future mission-related investments. This surplus also provides increased assurance that Gavi will be able to meet future vaccine demand while still responding to significant unexpected future events. Such events may include development and approvals of new vaccines, disease outbreaks, vaccine price fluctuations, and foreign currency exchange rate fluctuations. Gavi is currently developing a framework for assessing trade-offs on potential future investments as and when they come up for Board decision.

The following table summarises Gavi's estimated future cash inflows from donors and investors, and cash outflows for programmatic and administrative activities, for the remainder of its current strategic period. This forecasted information was prepared by the Secretariat in December 2016:

In Millions of US$	2017	2018	2019	2020	Total
Expected cash inflows from donors and investors:					
Confirmed direct contributions to Gavi	1,519	1,505	1,215	1,248	5,487
Proceeds from IFFIm bond issuances	150	350	350	364	1,214
Proceeds from AMC contributions	89	166	89	17	361
Estimated investment and other income	25	25	25	25	100
Total expected future cash inflows from donors and investors	1,783	2,046	1,679	1,654	7,162
Anticipated release of funds from cash and investment reserve					492
Potential further contributions not yet pledged					425
Total expected funding available	1,783	2,046	1,679	1,654	8,079
Expected cash outflows for programmatic and administrative activities:					
Vaccine programmes	(1,130)	(1,480)	(1,204)	(1,015)	(4,829)
Cash-based programmes	(495)	(486)	(520)	(446)	(1,947)
Partner programme implementation and Secretariat expenses	(292)	(296)	(305)	(314)	(1,207)
Total expected cash outflows for programmatic and administrative activities	(1,917)	(2,262)	(2,029)	(1,775)	(7,983)

After taking into account available resources, and assuming that the forecasted level of funding for 2017 to 2018 will be maintained through 2020, the Secretariat forecasts that Gavi will have sufficient resources to fund all its programmatic commitments through 2020.

MOVES TO NEW OFFICE SPACES

The construction of a new building to host Gavi, the Global Fund to Fight AIDS, Tuberculosis and Malaria, and other key players in the area of global health is well under way in Geneva. The Campus Santé, or Health Campus, is expected to be completed by early 2018. Gavi is planning to move into the Health Campus after the lease on its current Geneva, Switzerland premises expires in June 2018. The Secretariat is currently negotiating the terms of its Health Campus lease agreement.

Gavi had a ten-year lease agreement with a five-year option to renew for office space in Washington, DC, which commenced in June 2007 and ended in July 2017. In September 2016, Gavi entered into a fifteen-year lease agreement for new office space in Washington, DC, commencing in August 2017 and ending in July 2032. Gavi relocated to this new office space in July 2017.

[5] This estimated total amount of US$ 9.9 billion is comprised of total Assured Resources of US$ 9.5 billion and potential future contributions, not yet pledged, of US$ 0.4 billion.

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 2016	As of 31 December 2015
Assets			
Cash		56,338	113,178
Receivables, prepaid expenses and other assets		30,474	64,773
Foreign currency forward contracts receivable	3	41,525	22,302
Investments	4	2,046,119	1,623,659
Pooled investments	4	863,214	985,108
Restricted cash	6	435,897	522,002
Contributions receivable	5	6,327,316	7,069,449
Total assets		9,800,883	10,400,471
Liabilities and net assets			
Liabilities			
Accounts payable and other liabilities		29,328	12,261
Programme grants payable	7	1,269,585	1,097,517
Procurement accounts payable	6	435,826	530,080
Net payable for currency and interest rate swaps	3	566,691	844,988
Foreign currency forward contracts payable	3	2,307	3,568
Bonds and other borrowings	8	1,381,669	1,605,984
Total liabilities		3,685,406	4,094,398
Net assets			
Unrestricted		634,267	397,806
Temporarily restricted	9	5,481,210	5,908,267
Total net assets		6,115,477	6,306,073
Total liabilities and net assets		9,800,883	10,400,471

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 2016	Year Ended 31 December 2015
Unrestricted			
Revenue			
Contributions from government and private donors		381,366	543,025
Net investment income (expense)	10	69,011	(6,896)
Net fair value gains on derivatives	11	268,244	182,420
Other revenue		2,316	6,887
Release of net assets		1,226,632	1,097,897
Total revenue		1,947,569	1,823,333
Expenses			
Programme		1,622,087	1,608,492
Management and general		21,860	24,887
Net financing expenses (income)	14	50,165	(89,647)
Fundraising		20,313	20,079
Foreign currency transaction adjustment		(3,317)	6,741
Total expenses		1,711,108	1,570,552
Change in unrestricted net assets		236,461	252,781
Temporarily restricted			
Contributions from government and private donors		1,096,432	3,883,015
Contributed goods		12,341	-
Net fair value gains on contributions receivable		209,556	17,146
Foreign currency transaction adjustment on contributions receivable		(518,754)	(333,421)
Release of net assets		(1,226,632)	(1,097,897)
Change in temporarily restricted net assets		(427,057)	2,468,843
Net assets as of the beginning of the year			
Unrestricted		397,806	145,025
Temporarily restricted		5,908,267	3,439,424
Total net assets as of the beginning of the year		6,306,073	3,584,449
Net assets as of the end of the year			
Unrestricted		634,267	397,806
Temporarily restricted	9	5,481,210	5,908,267
Net assets as of the end of the year		6,115,477	6,306,073

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 2016	Year Ended 31 December 2015
Net cash flows from operating activities		
Change in net assets	(190,596)	2,721,624
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realised and unrealised foreign currency transaction adjustment	515,437	340,162
Increase (decrease) in fair value of bonds and other borrowings	31,677	(125,708)
Increase in fair value of contributions receivable	(209,556)	(17,146)
Depreciation expense	1,971	2,048
Loss on disposal of fixed assets	18	279
Realised and unrealised (gains) losses on investments and pooled investments	(51,678)	15,863
Changes in assets and liabilities:		
Decrease (increase) in receivables, prepaid expenses and other assets	35,303	(57,931)
Decrease (increase) in receivable for currency and interest rate swaps	4,088	(12,421)
(Increase) decrease in receivable for foreign currency forward contracts	(19,223)	30,879
Decrease in restricted cash	86,105	21,233
Decrease (increase) in net contributions receivable	433,822	(2,523,358)
Increase (decrease) in accounts payable and other liabilities	17,067	(163,937)
Increase (decrease) in net programme grants payable	172,068	(43,527)
Decrease in procurement accounts payable	(94,254)	(49,549)
Decrease in payable for currency and interest rate swaps	(282,385)	(229,058)
(Decrease) Increase in payable for foreign currency forward contracts	(1,261)	565
Net cash provided by (used in) operating activities	448,603	(89,982)
Cash flows from investing activities		
Purchase of fixed assets	(2,993)	(1,971)
Purchase of investments and pooled investments	(3,647,747)	(2,601,948)
Sales of investments and pooled investments	3,398,859	2,694,943
Net cash (used in) provided by investing activities	(251,881)	91,024
Cash flows from financing activities		
Proceeds from new bonds and other borrowings	499,500	200,000
Redemption of bonds and other borrowings	(755,492)	(361,088)
Net cash used in financing activities	(255,992)	(161,088)
Effect of exchange rate changes on cash	2,430	(4,880)
Net change in cash	(56,840)	(164,926)
Cash as of the beginning of the year	113,178	278,104
Cash as of the end of the year	56,338	113,178
Supplemental disclosures		
Cash paid for interest	18,261	35,435

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

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended 31 December 2016, in Thousands of US$	Programme Expenses	Manage-ment and General Expenses	Financing Expenses (Income)	Fundraising Expenses	Total Expenses
Direct programme expenses	1,408,201	-	-	-	1,408,201
Programme implementation	160,919	-	-	-	160,919
Total programme expenses	1,569,120	-	-	-	1,569,120
Payroll and benefits	28,685	5,675	-	10,838	45,198
Training and recruitment	-	1,082	-	-	1,082
Professional fees	11,796	9,561	-	5,782	27,139
Media production and distribution	491	11	-	198	700
Events and meetings	1,877	358	-	597	2,832
Travel and representation	3,955	486	-	847	5,288
Facility and office costs	6,159	3,222	-	2,010	11,391
Supplies and minor equipment	4	1,465	-	41	1,510
Other borrowing expense	-	-	32,311	-	32,311
Interest expense	-	-	17,854	-	17,854
Other operating expenses	52,967	21,860	50,165	20,313	145,305
Total functional expenses	1,622,087	21,860	50,165	20,313	1,714,425

Year Ended 31 December 2015, in Thousands of US$	Programme Expenses	Manage-ment and General Expenses	Financing Expenses (Income)	Fundraising Expenses	Total Expenses
Direct programme expenses	1,431,301	-	-	-	1,431,301
Programme implementation	131,065	-	-	-	131,065
Total programme expenses	1,562,366	-	-	-	1,562,366
Payroll and benefits	26,380	5,808	-	11,583	43,771
Training and recruitment	-	855	-	-	855
Professional fees	13,925	6,440	-	5,777	26,142
Media production and distribution	473	2	-	285	760
Events and meetings	1,532	353	-	1,090	2,975
Travel and representation	3,457	318	-	1,070	4,845
Facility and office costs	339	10,183	-	257	10,779
Supplies and minor equipment	20	928	-	17	965
Other borrowing income	-	-	(123,001)	-	(123,001)
Interest expense	-	-	33,354	-	33,354
Other operating expenses	46,126	24,887	(89,647)	20,079	1,445
Total functional expenses	1,608,492	24,887	(89,647)	20,079	1,563,811

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 International Finance Facility for Immunisation Company ("IFFIm"), and (3) the GAVI Campaign (the "Campaign") up to the date of its dissolution. For the purposes of these consolidated financial statements, Gavi, IFFIm and the Campaign are collectively referred to as the Gavi Group. IFFIm's accounts include the accounts of IFFIm Sukuk Company Limited and IFFIm Sukuk Company II Limited, both Cayman Islands companies with limited liability, which were established for the sole purpose of issuing Sukuk certificates in support of IFFIm's operations and their activities are conducted on behalf of IFFIm and according to IFFIm's business needs. Each of the entities included in these consolidated financial statements is described below:

The GAVI Alliance: Gavi was formerly known as the Global Alliance for Vaccines and Immunisation. It was created in 2000 to respond to and combat declining immunisation rates in developing countries. Gavi was initially created as a non-juridical association of public and private sector organisations, institutions and governments, including the Bill and Melinda Gates Foundation (the "Gates Foundation"), the United Nations Children's Fund ("UNICEF"), the International Bank for Reconstruction and Development (the "World Bank"), the World Health Organisation (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 has continued as a separate tax exempt organisation in order to facilitate private sector outreach in the United States and the integration and alignment of the Campaign's fundraising and advocacy efforts within the Gavi Group.

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.

IFFIm Sukuk Company Limited ("IFFImSC"): IFFImSC is a Cayman Islands company with limited liability, which was incorporated on 3 November 2014 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number 293422. IFFIm has control over IFFImSC, which was established for the sole purpose of issuing Sukuk certificates in support of IFFIm's operations.

IFFIm Sukuk Company II Limited ("IFFImSC II"): IFFImSC II is a Cayman Islands company with limited liability, which was incorporated on 25 August 2015 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number 303397. IFFIm has control over IFFImSC II, which was established for the sole purpose of issuing Sukuk certificates in support of IFFIm's operations.

The GAVI Campaign: The Campaign was a charitable, not-for-profit organisation incorporated in October 1999 and changed its name from the GAVI Fund effective 2 April 2010. The Campaign 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 were funded primarily through contributions. In October 2016, after due consideration, the Campaign board authorised the voluntary dissolution of the Campaign. The Campaign's dissolution was concluded on 31 December 2016. Pursuant to its winding up and dissolution, all the Campaign's assets and liabilities were transferred to Gavi. In addition, the fundraising and programmatic activities previously performed by the Campaign were transferred to Gavi. The Campaign's dissolution was treated as a change in legal organisation in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805 Business Combinations, and had no impact on the net assets of the Gavi Group.

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, IFFImSC, IFFImSC II, and the Campaign. As described above in Note 1 to the consolidated financial statements, the Campaign's dissolution was concluded on 31 December 2016 and, therefore, the consolidated financial statements include the Campaign's activities up to 31 December 2016. All intercompany balances and transactions have been eliminated on consolidation.

Cash and Cash Equivalents: The Gavi Group reports all demand deposits as cash. 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 Gavi Group 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 Gavi Group's net contributions receivable comprise unconditional promises to give from donors. The Gavi Group 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 values 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, excluding fair value changes related to changes in currency exchange rates, 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.

Contributions receivable pledged in currencies other than the United States dollar are converted to United States dollars using the spot currency exchange rates as of year-end. Fair value changes related to changes in currency exchange rates are reported in the Consolidated Statements of Activities as foreign currency transaction adjustment.

Investments: Gavi and IFFIm manage and record their investments in different ways as follows:

- Investments held by Gavi: These investments are governed by Gavi's investment policies 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. 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.

- Investments held by IFFIm: These investments are managed on a pooled basis by the World Bank, which maintains a single, commingled 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 Gavi Group's Consolidated Statements of Financial Position represent the Gavi Group'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 Gavi Group 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 and Other Borrowings: Bonds and other borrowings are recognised at fair value. The techniques applied in determining the fair values of bonds and other borrowings are described in the *Fair Values of Financial Instruments* section below.

Changes in the fair values of bonds and other borrowings are recognised in unrestricted net assets in the period of change and are included in net financing expenses (income) in the Consolidated Statements of Activities. Bonds and other borrowings issuance costs, mark-to-market costs, and discounts are recognised in the period incurred and are also included in net financing expenses (income) 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 including fair value changes related to changes in currency exchange rates 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 Consolidated Statements of Activities.

IFFIm and Gavi have elected not to apply hedge accounting. Therefore, fair value changes on derivative financial instruments are not offset against related fair value changes on the contributions receivable, bonds and other borrowings that are economically hedged by those derivative financial instruments.

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 observability 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 Gavi Group has elected to report its contributions receivable, programme grants payable, procurement accounts payable and bonds and other borrowings at fair value, with changes in fair value reported in the Consolidated Statements of Activities. With respect to IFFIm's contributions receivable and bonds and other borrowings, this election was made to better align the carrying values of these contributions receivable and bonds and other borrowings 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 Gavi Group recognises all new contributions receivable, programme grants payable, procurement accounts payable and bonds and other borrowings 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 Gavi Group'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.

Effective 2015, the Gavi Group adopted the provisions of Accounting Standards Update 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* ("ASU 2015-07"), which was issued in May 2015. Under the amendments in ASU 2015-07, investments for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient should not be categorised in the fair value hierarchy. Sufficient information must be provided to permit reconciliation of the fair value of assets categorized within the fair value hierarchy to the amounts presented in the Consolidated Statements of Financial Position. As a result of this adoption, the Gavi Group's investments measured at net asset value per share have been removed from the fair value hierarchy and disclosed separately, as shown in Note 16 to the consolidated financial statements for the years ended 31 December 2016 and 31 December 2015.

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

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

- Investments Managed by Gavi: 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 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 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 Gavi Group'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.

  The reference portfolio as of 31 December 2016 and 2015 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 12.5% and 13.4% as of 31 December 2016 and 2015, 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$ 2.4 billion and US$ 2.7 billion as of 31 December 2016 and 2015, respectively. These fair values were estimated using observable donor-specific risk adjusted annual discount rates ranging from 0% to 5% for 2016, and from 0% to 5.8% for 2015.

- 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 the expected life of the AMC.

  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 expected 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$ 405 million and US$ 492 million as of 31 December 2016 and 2015, respectively. This fair value was estimated using observable annual discount rates ranging from 1.4% to 2.5% for 2016, and from 1.1% to 2.4% for 2015.

- 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 2016 and 2015 were US$ 3.6 billion and US$ 3.8 billion, respectively. This fair value was estimated using observable donor-specific risk adjusted annual discount rates ranging from 0.0% to 2.6% for 2016, and from 0.0% to 2.5% for 2015.

- 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 and Other Borrowings: The fair value of IFFIm's bonds and other borrowings 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. A credit valuation adjustment and a debit valuation adjustment are included in the valuation of derivatives to account for counterparty credit risk and IFFIm's own credit risk, respectively.

Fixed Assets: Furniture, equipment and leasehold improvements that were purchased by the Gavi Group 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$ 8.4 million and US$ 7.1 million in 2016 and 2015, respectively, of US$ 4.4 million and US$ 3.1 million are included in receivables, prepaid expenses and other assets in the Consolidated Statements of Financial Position as of 31 December 2016 and 2015, respectively.

Income Taxes: The Gavi Group 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 Gavi Group performed an evaluation of uncertain tax positions for the years ended 31 December 2016 and 2015 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 2016, the statutes of limitations for tax years 2013 through 2015 remain open with the United States Federal jurisdiction or the various states and local jurisdictions in which the Gavi Group files tax returns. It is the Gavi Group's policy to recognise interest or penalties related to uncertain tax positions, if any, in income tax expense. As of 31 December 2016 and 2015, the Gavi Group had no accrued interest or penalties.

Contingencies: The Gavi Group'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 consolidated financial statements are presented in United States dollars, which is the reporting currency of the Gavi Group. 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

2016 and 2015. 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 Gavi Group, the passage of time, or both.
- Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that must be maintained permanently by the Gavi Group. As of 31 December 2016 and 2015, the Gavi Group 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 and services are included in contributions in the Consolidated Statements of Activities at their estimated fair value at the date of their receipt. Gavi received US$ 1.5 million and US$ 1.1 million in contributed services for the year ended 31 December 2016 and 2015, respectively, and US$ 12.3 million in contributed goods for the year ended 31 December 2016. Contributed goods represent approximately 20 million doses of Measles Rubella vaccines from Serum Institute of India.

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

The Gavi Group'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 Gavi Group partners such as the 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.

3. DERIVATIVE FINANCIAL INSTRUMENTS

The Gavi Group 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 Gavi is exposed to foreign exchange risk only. Each of these is described further below.

Foreign Exchange Rate Risk: During the years ended 31 December 2016 and 2015, IFFIm was exposed to foreign exchange risks from currency mismatches as well as timing differences between receipt of donor payments, payment of bonds and other borrowings 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 and other borrowings was economically swapped into United States dollar floating rate liabilities.

The Gavi Group hedges its exposure to currency fluctuations by taking out foreign currency forward contracts. This was done primarily to improve predictability of contribution cash flows 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 and other borrowings 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:

	31 December 2016		31 December 2015	
In Thousands of US$	Notional Amount	Fair Value	Notional Amount	Fair Value
Currency and interest rate swaps receivable related to contributions receivable	137,590	10,827	130,473	14,915
Total currency and interest rate swaps receivable		10,827		14,915
Currency and interest rate swaps payable related to contributions receivable	2,527,857	(432,987)	3,128,074	(648,357)
Currency and interest rate swaps payable related to bonds and other borrowings	1,203,068	(144,531)	2,099,910	(211,546)
Total currency and interest rate swaps payable		(577,518)		(859,903)
Net fair value of interest rate and currency swaps		(566,691)		(844,988)

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 2016, IFFIm's calculated minimum liquidity was US$ 568.6 million and the value of IFFIm's cash and pooled investments was US$ 863 million. As of December 2015, IFFIm's calculated minimum liquidity level was US$ 823.9 million and the value of IFFIm's cash and pooled investments was US$ 986 million.

Under the terms of the Credit Support Annex ("CSA") to the International Swaps and Derivatives Association ("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.

The notional amounts and fair values of foreign currency forward contracts held by Gavi were:

	31 December 2016		31 December 2015	
In Thousands of US$	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign currency forward contracts receivable	460,961	41,525	467,309	22,302
Foreign currency forward contracts payable	10,864	(2,307)	43,849	(3,568)

Gavi uses foreign exchange contracts to reduce the level of foreign exchange risk associated with its contributions receivable. Under its hedging policy, Gavi enters into foreign exchange contracts to economically hedge a portion of the foreign currency exposure on its contributions receivable. These foreign exchange contracts, which include option and forward contracts, represent agreements to exchange the currency of one country for the currency of another country at an agreed-upon price on an agreed-upon settlement date. Gavi minimises counterparty credit risk in derivative instruments by entering into transactions with high quality counterparties whose credit rating is not lower than A or A2 as measured by at least two major credit agencies. The maximum exposure with any single bank is limited to 10% of the short-term portfolio or $100 million (or equivalent in other currencies), whichever is higher. Due to the policy in place and assessment performed, there are no significant concentrations of risk.

4. INVESTMENTS

The fair values of the Gavi Group's investments were:

In Thousands of US$	2016	2015
Money market funds	658,075	342,409
Registered investment companies	714,987	684,191
Limited liability companies and limited partnerships[1]	673,057	597,059
Pooled investments	863,214	985,108
Total investments	2,909,333	2,608,767

[1] The Gavi Group invests a portion of its assets in 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 Gavi Group.

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

As of 31 December 2016, In Thousands of US$	Redemption Frequency	Redemption Notice Period	Fair Value
Limited liability companies and limited partnerships[1]	Daily	1 day notice	72,762
Limited liability companies and limited partnerships[2]	Daily	5 day notice	83,725
Limited liability companies and limited partnerships[3]	Monthly	5 day notice	167,835
Limited liability companies and limited partnerships[4]	Monthly	15 day notice	29,922
Limited liability companies and limited partnerships[5]	Monthly	30 day notice	61,629
Limited liability companies and limited partnerships[6]	Monthly	90 day notice	25,367
Limited liability companies and limited partnerships[7]	Quarterly	60 day notice	44,219
Limited liability companies and limited partnerships[8]	Quarterly	65 day notice	26,887
Limited liability companies and limited partnerships[9]	Quarterly	90 day notice	160,711
Total			673,057

As of 31 December 2015, In Thousands of US$	Redemption Frequency	Redemption Notice Period	Fair Value
Limited liability companies and limited partnerships[1]	Daily	1 day	68,271
Limited liability companies and limited partnerships[2]	Daily	5 days	77,660
Limited liability companies and limited partnerships[3]	Monthly	5 days	213,542
Limited liability companies and limited partnerships[4]	Monthly	15 days	27,759
Limited liability companies and limited partnerships[5]	Monthly	30 days	32,007
Limited liability companies and limited partnerships[7]	Quarterly	60 days	20,564
Limited liability companies and limited partnerships[8]	Quarterly	65 days	25,063
Limited liability companies and limited partnerships[9]	Quarterly	90 days	132,193
Total			597,059

[1] 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.

[2] This category is comprised of one underlying fund that invests primarily in fixed income debt securities. The investment objective of the 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.

[3] This category is comprised of two underlying funds. One fund seeks to outperform the Barclays Capital 1-3 Year U.S. Treasury index by investing in fixed rate, floating rate or variable interest fixed income securities. One new fund was added in 2016. This new fund seeks to maintain a diversified portfolio consisting of listed equity, equity-related and debt securities, including exchange traded funds, other securities and other pooled investment vehicles. In 2015, the category was comprised of four underlying funds, which included a fund that invested primarily in global inflation-linked bonds and commodities, a fund that invested in large capitalisation equity securities of emerging companies, and a fund that sought 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.

[4] This category is comprised of one underlying fund. The investment objective of the fund is to achieve risk-adjusted returns in excess of the MSCI All Country World Investable Index, Net (unhedged), in U.S. dollars on its assets by investing in long and short global equity instruments, futures and currency derivatives.

[5] This category is comprised of two underlying funds. One new fund was added in 2016. The investment objective of the new fund is to seek long-term capital appreciation by investing primarily in common stocks of emerging markets small capitalisation issuers. The investment objective of the other fund is to generate absolute return on a period-by-period basis by investing in liquid derivative markets for commodities.

[6] This category is comprised of one new fund added in 2016. The investment objective of the fund is to generate a consistent, long-term appreciation of assets through the active management of a comprehensive, equity-focused portfolio which includes sector-specific, market-neutral sub-portfolios, together with various complementary equity-focused investment strategies.

[7] 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.

[8] This category is comprised of one underlying fund. This fund will seek to achieve its investment objective by investing primarily in U.S. residential mortgage-backed securities to generate returns in excess of any financing costs. It will also seek to exploit structural market inefficiencies and make short-term relative value trades in such markets. It will invest predominantly in all forms of U.S. residential mortgage-backed securities, government securities and related derivative instruments, including, without limitation, U.S. Treasury debt, government sponsored enterprise ("Agency") backed securities and fixed or adjustable rate collateralised mortgage obligations and Real Estate Mortgage Investment Conduits. It may also enter into repurchase and reverse repurchase agreements and invest and trade in future contracts, forward contracts, options, swaps, swaptions and other derivative transactions. It will primarily invest in Agency backed mortgage securities which carry the Agency guarantee of timely payment of principal and interest.

[9] This category is comprised of four underlying funds. One underlying fund 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. The other underlying 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. Another fund seeks to achieve attractive risk-adjusted returns whilst limiting loans and other direct lending opportunities whilst also overlaying a hedging strategy. Due to a one year lock-up period, redemptions of shares in these funds are restricted until the first anniversary of the subscription payment. One new fund was added in 2016. The investment objective of the new fund is to consistently generate attractive risk-adjusted returns over a market cycle by investing primarily in emerging markets across a range of asset classes, including but not limited to foreign exchange, credit, interest rates, commodities and equities.

5. NET CONTRIBUTIONS RECEIVABLE

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

In Thousands of US$	2016	2015
Unconditional promises due in less than one year	1,230,358	1,284,037
Unconditional promises due in two to five years	4,305,562	5,086,179
Unconditional promises due thereafter	1,291,375	1,459,857
Contributions receivable before unamortised discount and grant payment condition	6,827,295	7,830,073
Unamortised discount	(151,683)	(307,613)
Reduction due to grant payment condition[1]	(348,296)	(453,011)
Total net contributions receivable	6,327,316	7,069,449

[1] The grant payment condition is described in Note 2 to the consolidated financial statements.

6. RESTRICTED CASH AND PROCUREMENT ACCOUNTS PAYABLE

The Gavi Group established separate bank accounts into which it transfers cash as needed for the benefit of UNICEF to procure vaccines and other supplies on the Gavi Group'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 Gavi Group. As collateral security for the prompt payment and performance when due of Gavi Group's obligations, the Gavi Group has granted to UNICEF a security interest in all of Gavi Group's rights, titles, interests in, and proceeds from, the Procurement Accounts and all financial assets credited thereto. As of 31 December 2016 and 2015, $436 million and $522 million, respectively, were available to UNICEF in the Procurement Accounts.

Amounts committed to UNICEF for the procurement of vaccines were $436 million and $530 million as of 31 December 2016 and 2015, respectively. These amounts are presented as procurement accounts payable in the Consolidated Statements of Financial Position.

7. NET PROGRAMME GRANTS PAYABLE

The Gavi Group's committed but unpaid grants were:

In Thousands of US$	2016	2015
Grants payable due in less than one year	1,266,263	1,086,744
Grants payable due in two to five years	3,324	10,862
Grants payable before unamortised discount	1,269,587	1,097,606
Less unamortised discount	(2)	(89)
Total net programme grants payable	1,269,585	1,097,517

8. BONDS AND OTHER BORROWINGS

IFFIm borrows in the worldwide capital markets by offering its bonds to fund the Gavi Group's programmes. IFFIm's outstanding bonds and other borrowings were all bonds except for IFFIm Sukuk certificates with a fair value of US$ 702 million and US$ 698 million as of 31 December 2016 and 2015, respectively.

Bonds and other borrowings summarised by year of maturity were:

	31 December 2016		31 December 2015	
Year of Maturity, In Thousands of US$	Nominal Amount	Fair Value	Nominal Amount	Fair value
2016	-	-	750,540	752,026
2017	527,373	529,719	527,693	527,672
2018	283,650	281,828	282,836	275,207
2019	500,000	500,726	-	-
2020	31,342	23,716	27,890	18,299
Thereafter	96,213	45,680	85,615	32,780
Total bonds and other borrowings	1,438,578	1,381,669	1,674,573	1,605,984

Bonds and other borrowings as of 31 December 2016, include both United States dollar and foreign currency denominated fixed and variable rate debt as presented below:

Currency	Coupon Rate	Fair Value as of 31 December 2016, in Thousands of US$	Fair Value as of 31 December 2015, in Thousands of US$
United States Dollars	Variable	1,202,414	1,400,050
Australian Dollars	Fixed	28,026	36,896
South African Rand	Fixed	126,798	141,290
Turkish Lira	Fixed	24,431	27,748
Total bonds and other borrowings		1,381,669	1,605,984

In order to diversify its investors and raise its profile in the Middle East capital markets, IFFIm issued US$ 500 million in Sukuk certificates through IFFImSC on 27 November 2014 and US$ 200 million in Sukuk certificates through IFFImSC II on 17 September 2015. The Sukuk certificates entitle the holders to pro rata interests in commodity transactions with IFFIm under which IFFIm purchases and immediately on-sells commodities on a recognised commodities exchange as part of the Sukuk issuance. The purchase and on-sale of the commodity transactions offset each other and are recorded on a net basis.

As of 31 December 2016, the weighted average coupon interest rate for fixed rate bonds was 3.1%, with actual rates ranging from 0.5% to 6.1%, and the coupon rate for variable rate bonds was ranging from 19 to 26 basis points over three-month USD LIBOR. As of 31 December 2016 the coupon interest rates for the Sukuk certificates issued through IFFImSC and IFFImSC II were 15 basis points over three-month USD LIBOR and 14 basis points over three-month USD LIBOR, respectively.

As of 31 December 2015, the weighted average coupon interest rate for fixed rate bonds was 3.61%, with actual rates ranging from 0.5% to 6.1%, and the coupon rate for variable rate bonds was 19 basis points over three-month USD LIBOR. As of 31 December 2015 the coupon interest rates for the Sukuk certificates issued through IFFImSC and IFFImSC II were 15 basis points over three-month USD LIBOR and 14 basis points over three-month USD LIBOR, respectively.

9. TEMPORARILY RESTRICTED NET ASSETS

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

In Thousands of US$	2016	2015
Due to time restriction	5,467,564	5,891,346
Due to programme restriction	13,646	16,921
Total temporarily restricted net assets	5,481,210	5,908,267

10. NET INVESTMENT (EXPENSE) INCOME

Net investment income (expense) was as follows:

In Thousands of US$	2016	2015
Investment income (expense) on investments held by Gavi and the Campaign	62,924	(9,848)
Investment fees on investments held by Gavi and the Campaign	(2,137)	(1,832)
Net investment income (expense) on investments held by Gavi and the Campaign	60,787	(11,680)
Investment income on pooled investments held by IFFIm	8,224	4,784
Total net investment income (expense)	69,011	(6,896)

Investment income on investments held by Gavi and the Campaign included realised and unrealised net gains of US$ 51 million and net losses of US$ 16 million for the years ended 31 December 2016 and 2015, respectively. US$ 28 million of net gains and US$ 45 million of net losses were unrealised as of 31 December 2016 and 2015, respectively.

11. NET FAIR VALUE GAINS (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$	2016	2015
Net gains from swaps related to contributions receivable	206,507	225,569
Net gains (losses) from swaps related to bonds and other borrowings	33,297	(93,020)
Net gains from other derivatives	28,440	49,871
Net fair value gains on derivatives	268,244	182,420

12. LEASES

Gavi has a lease agreement for office space in Geneva, Switzerland, which commenced in January 2012 and originally ended in December 2016. Prior to the expiration of the initial lease term, the lease was renewed until June 2018. In July 2014, Gavi entered into a lease agreement for additional office space in Geneva for an initial period of five years ending in June 2019. This lease is tacitly renewed on an annual basis thereafter unless twelve months advance notice is given to vacate.

Gavi also has a ten-year lease agreement with a five-year option to renew for office space in Washington, DC, which commenced in June 2007 and will end in July 2017. In September 2016, Gavi entered into a fifteen-year lease agreement for new office space in Washington, DC, commencing in August 2017 and ending in July 2032.

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 2017	3,729	251	3,478
Year Ending 31 December 2018	2,303	-	2,303
Year Ending 31 December 2019	1,029	-	1,029
Year Ending 31 December 2020	808	-	808
Year Ending 31 December 2021	829	-	829
Thereafter	10,142	-	10,142
Total	18,840	251	18,589

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$ 3.9 million for the years ended 31 December 2016 and 2015, respectively.

13. RETIREMENT PLANS

The Gavi Group 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 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$ 5.9 million and US$ 5.6 million for the years ended 31 December 2016 and 2015, respectively.

Employees Based in Washington, DC: Gavi sponsors a 401(k) defined contribution plan (the "Washington Plan"), which is a United States retirement savings plan 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 Plan, subject to United States Internal Revenue Service limitations. Gavi'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 board approved discretionary spending equalling 12% of each participant's compensation in order to better align the Washington Plan with the Geneva Plan. The amounts expensed for Gavi's contributions were US$ 472 thousand and US$ 526 thousand for the years ended 31 December 2016 and 2015, respectively.

14. NET FINANCING EXPENSES (INCOME)

Financing expenses (income) were as follows:

In Thousands of US$	2016	2015
Interest expense on bonds and other borrowings	17,854	33,354
Net fair value losses (gains) on bonds and other borrowings	32,084	(123,627)
Other financing charges	227	626
Net financing expenses (income)	50,165	(89,647)

15. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Gavi Group 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 Gavi Group 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 £ 75 thousand respectively, 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 Gavi Group's demand deposit accounts at times exceed the amounts guaranteed in the respective jurisdictions and therefore bear some risk, the Gavi Group 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 2016, the Gavi Group had the following concentrations of credit risk with respect to contributions receivable:

- The Gavi Group's contributions receivable as of 31 December 2016 included US$ 996 million and US$ 339 million of pledges received, either directly or through IFFIm, from the United Kingdom and euro zone countries, respectively. This represented 5% and 16%, respectively, of the Gavi Group's total contributions receivable as of 31 December 2016.
- The Gavi Group's contributions receivable as of 31 December 2016 included US$ 405 million of pledges from AMC Donors and guaranteed by the World Bank. This represented 6% of the Gavi Group's total contributions receivable as of 31 December 2016.

As of 31 December 2016, Gavi had entered into foreign currency forward contracts with a single counterparty with an aggregate fair value (receivable) of US$ 37 million. This represented 95% of Gavi's foreign currency forward contracts as of 31 December 2016.

16. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

As of 31 December 2016, in Thousands of US$	Investments measured at Net Asset Value	Level 1	Level 2	Level 3	Total
Pooled investments:					
Government and agency securities	-	206,409	422,443	-	628,852
Mortgage and asset-backed securities	-	61,667	105,923	-	167,590
Derivatives	-	12,118	22,672	-	34,790
Money market securities	-	16,662	26,854	-	43,516
Net securities purchased/(sold) under resale/repurchase agreements	-	(4,547)	(6,987)	-	(11,534)
Other investments:					
Money market funds	-	658,075	-	-	658,075
Registered investment companies	-	714,987	-	-	714,987
Limited partnerships and limited liability companies	673,057	-	-	-	673,057
Net contributions receivable	-	-	3,773,993	2,553,323	6,327,316
Foreign currency forward contracts	-	-	41,525	-	41,525
Total assets at fair value	673,057	1,665,371	4,386,423	2,553,323	9,278,174

As of 31 December 2015, in Thousands of US$	Investments measured at Net Asset Value	Level 1	Level 2	Level 3	Total
Pooled investments:					
Government and agency securities	-	285,386	336,408	-	621,794
Mortgage and asset-backed securities	-	-	253,308	-	253,308
Derivatives	-	1,968	3,779	-	5,747
Money market securities	-	31,246	32,308	-	63,554
Net securities purchased/(sold) under resale/repurchase agreements	-	20,242	20,463	-	40,705
Other investments:					
Money market funds	-	342,409	-	-	342,409
Registered investment companies		684,191	-	-	684,191
Limited partnerships and limited liability companies	597,059	-	-	-	597,059
Net contributions receivable	-	-	4,092,599	2,976,850	7,069,449
Foreign currency forward contracts	-	-	22,302	-	22,302
Total assets at fair value	597,059	1,365,442	4,761,167	2,976,850	9,700,518

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

As of 31 December 2016, in Thousands of US$	Level 1	Level 2	Level 3	Total
Net programme grants payable	-	1,269,585	-	1,269,585
Bonds and other borrowings	-	1,381,669	-	1,381,669
Foreign currency forward contracts payable	-	2,307	-	2,307
Net payable for currency and interest rate swaps	-	566,691	-	566,691
Total liabilities at fair value	-	3,220,252	-	3,220,252

As of 31 December 2015, in Thousands of US$	Level 1	Level 2	Level 3	Total
Net programme grants payable	-	1,097,517	-	1,097,517
Bonds and other borrowings	-	1,605,984	-	1,605,984
Foreign currency forward contracts payable	-	3,568	-	3,568
Net payable for currency and interest rate swaps	-	844,988	-	844,988
Total liabilities at fair value	-	3,552,057	-	3,552,057

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 2016
Fair value as of 1 January 2016	2,976,850
Net realised fair value gains	61,795
Net unrealised fair value losses	(171,872)
New pledges	22,701
Contributions received/redemptions	(336,151)
Total level 3 assets at fair value	2,553,323

In Thousands of US$	Contributions Receivable as of 31 December 2015
Fair value as of 1 January 2015	3,461,117
Net realised fair value gains	60,062
Net unrealised fair value gains	(207,040)
Contributions received/redemptions	(337,289)
Total level 3 assets at fair value	2,976,850

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 consolidated financial statements.

17. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Gavi Group evaluated subsequent events through 1 September 2017, which represents the date that the consolidated financial statements were issued. The Alliance identified the following significant subsequent events requiring disclosure:

- In May 2017, IFFIm received a new sovereign pledge from the State of the Netherlands in the amount of € 60 million, which is payable to IFFIm in annual instalments of € 15 million over four years, commencing in December 2017 and ending in December 2020.
- In May 2017, IFFIm received a new sovereign pledge from the Republic of France in the amount of € 150 million, which is payable to IFFIm in annual instalments of € 30 million over five years, commencing in March 2022 and ending in March 2026.

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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 2016 and 2015, 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 2016 and 2015, and the change in their net assets, their cash flows and functional expenses 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, 1 September 2017

THE INTERNATIONAL FINANCE FACILITY FOR IMMUNISATION

CONSOLIDATED FINANCIAL STATEMENTS

The summary financial statements of IFFIm for the year ended 31 December 2016 set out on pages 48 to 67 do not constitute the charitable company's statutory accounts for the years ended 31 December 2016 or 2015 but are derived from those accounts. Statutory accounts for 2016 and 2015 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/.

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.

CONSOLIDATED STATEMENTS OF FINANCIAL ACTIVITIES

In Thousands of US$	Note	Year Ended 31 December 2016 Restricted Funds	Year Ended 31 December 2015 Restricted Funds
Income from:			
Contribution revenue	19	22,701	-
Donated services	19	1,048	1,117
Investments	20	8,224	4,784
Total income		31,973	5,901
Expenditure on:			
Raising funds	21	20,099	36,245
Charitable activities	21	52,008	1,898
Total expenditure		72,107	38,143
Net expenditure		(40,134)	(32,242)
Net fair value gains on pledges, bonds and swaps	22	88,850	115,098
Net movement in funds		48,716	82,856
Reconciliation of funds:			
Total funds as of the beginning of the year		763,254	680,398
Total funds as of the end of the year		811,970	763,254

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.

CONSOLIDATED STATEMENTS OF INCOME AND EXPENDITURES

In Thousands of US$	Note	Year Ended 31 December 2016 Restricted Funds	Year Ended 31 December 2015 Restricted Funds
Turnover			
Contribution revenue	19	22,701	-
Operating expenses			
Programme grants	21	50,000	-
Treasury manager's fees	21	2,018	2,265
Governance costs	21	2,008	1,898
Total operating expenses		54,026	4,163
Other operating income			
Donated services	19	1,048	1,117
Total operating income		1,048	1,117
Operating loss		(30,277)	(3,046)
Financing and investment income (expenses)			
Financing income (expenses) on bonds and bond swaps:			
Net fair value gains on bonds and bond swaps	22	1,213	30,607
Interest expense on bonds	21	(17,854)	(33,354)
Net financing expenses on bonds and bond swaps		(16,641)	(2,747)
Other financing income (expenses):			
Net fair value gains on pledges and pledge swaps	22	86,579	85,541
Other foreign exchange gains (losses)	22	1,058	(1,050)
Other financing charges		(227)	(626)
Net other financing income		87,410	83,865
Investment income:			
Investment and interest income	20	8,224	4,784
Total financing and investment income		78,993	85,902
Surplus for the year		48,716	82,856

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

BALANCE SHEETS

Group and Parent Company In Thousands of US$	Note	As of 31 December 2016	As of 31 December 2015
Current assets			
Sovereign pledges due after more than one year	23	2,115,000	2,478,767
Derivative financial instruments due after more than one year	25	6,310	9,043
Sovereign pledges due within one year	23	239,783	256,895
Derivative financial instruments due within one year	25	4,517	5,872
Prepayments		353	35
Funds held in trust	24	863,214	985,108
Cash		81	1,197
Total current assets		3,229,258	3,736,917
Liabilities			
Creditors falling due within one year	26	632,981	854,600
Derivative financial instruments due within one year	25	11,101	52,694
Creditors falling due after more than one year	27	1,206,789	1,259,160
Derivative financial instruments due after more than one year	25	566,417	807,209
Total liabilities		2,417,288	2,973,663
Net assets		811,970	763,254
Restricted funds		811,970	763,254

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

In Thousands of US$	Note	Year Ended 31 December 2016 Restricted Funds	Year Ended 31 December 2015 Restricted Funds
Cash flows from operating activities			
Cash provided by operating activities		143,019	162,948
Net cash provided by operating activities		143,019	162,948
Cash flows from investing activities			
Investment and interest income received	20	8,224	4,784
Decrease in funds held in trust	33	121,894	26,639
Net cash provided by (used in) investing activities		130,118	31,423
Cash flows from financing activities			
Proceeds from bond issuances	33	499,500	200,000
Redemption of bonds	33	(755,492)	(361,088)
Interest paid on bonds		(18,261)	(35,435)
Net cash used in financing activities		(274,253)	(196,523)
Net change in cash		(1,116)	(2,152)
Cash as of the beginning of the year		1,197	3,349
Cash as of the end of the year		81	1,197

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

In Thousands of US$	2016	2015
Net change in funds	48,716	82,856
Investment and interest income	(8,224)	(4,784)
Bond interest expense	17,854	33,354
Fair value losses on sovereign pledges	119,928	140,028
Fair value losses (gains) on bonds	32,084	(123,627)
Initial fair value of pledges	(22,701)	-
Payments received from donors	283,652	277,039
(Increase) decrease in prepayments	(318)	112
Decrease in derivative financial instruments	(278,297)	(241,479)
Decrease (increase) in trade creditors and amounts due to related parties	325	(551)
Decrease in grants payable	(50,000)	-
Net cash provided by operating activities	143,019	162,948

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. SIGNIFICANT ACCOUNTING POLICIES

The International Finance Facility for Immunisation Company ("IFFIm") is a private company limited by guarantee and incorporated and domiciled in the United Kingdom. The GAVI Alliance ("Gavi") is the sole member of IFFIm. Gavi is domiciled in Switzerland and its principal address is 2 Chemin des Mines 1202, Geneva, Switzerland. Gavi's mission is to save children's lives and protect people's health by increasing equitable use of vaccines in lower-income countries.

The principal accounting policies of IFFIm are summarised below. These accounting policies were consistently applied from prior years. IFFIm's consolidated financial statements have been prepared on a going concern basis and approved by its trustees in accordance with applicable law and United Kingdom Generally Accepted 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.

<u>Basis of Accounting</u>: The consolidated 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 (Charities SORP (FRS 102)), and the Financial Reporting Standard 102 applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and United Kingdom Generally Accepted Accounting Practice as it applies from 1 January 2015. The financial statements have been prepared to give a true and fair view of the state of IFFIm's affairs as of 31 December 2016, and of IFFIm's incoming resources and application of resources for the year then ended. The financial statements have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide such a true and fair view. This departure has involved following the Charities SORP (FRS 102) issued on 16 July 2014 rather than the preceding Charities SORP (SORP 2005), which was effective from 1 April 2005 and has since been withdrawn; and
- in accordance with International Accounting Standard 39 Financial Instruments: Recognition and Measurement (IAS 39), as permitted by FRS 102, 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.

See Note 37 for a description of the change in accounting policy, in the year ended 31 December 2015, as a result of IFFIm's transition to FRS 102 from old United Kingdom Generally Accepted Accounting Standards, effective 1 January 2015.

<u>Basis of Consolidation</u>: A subsidiary is an entity controlled by a group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intragroup balances, and any gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

IFFIm has control over IFFIm Sukuk Company Limited ("IFFImSC"), a Cayman Islands company with limited liability, which was incorporated on 3 November 2014 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number 293422. IFFIm also has control over IFFIm Sukuk Company II Limited ("IFFImSC II"), a Cayman Islands company with limited liability, which was incorporated on 25 August 2015 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number 303397. IFFImSC and IFFImSC II were established for the sole purpose of issuing sukuk certificates in support of IFFIm's operations and their activities are conducted on behalf of IFFIm and according to IFFIm's business needs. IFFIm is the primary beneficiary of both entities, bears a significant level of risk incidental to their activities, and retains residual or ownership risks related to both entities or their assets. Therefore, these consolidated financial statements include the accounts of IFFImSC and IFFImSC II. As of 31 December 2016, IFFImSC had cash of US$ 470, share capital of US$ 250, and retained earnings of US$ 250, which are included in the group balance sheet but not included in the parent company balance sheet; IFFImSC II had cash of US$ 500, share capital of US$ 250, and retained earnings of US$ 250, which are included in the group balance sheet but not included in the parent company balance sheet. The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present separate parent company statements of income and expenditures. The parent company's profit for the year ended 31 December 2016 was US$ 56 million.

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 evidence of entitlement, it can be measured reliably, and receipt is probable. 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 the IFFIm 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 IAS 39, as permitted by FRS 102. 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 IAS 39, as permitted by FRS 102, IFFIm has elected not to apply hedge accounting.

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 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 consolidated 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 consolidated 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 consolidated 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$[5]
Commonwealth of Australia[3]	28 March 2011	19 years	A$ (AUD)	250,000	180,625
Commonwealth of Australia[4]	3 June 2016	5 years	A$ (AUD)	37,500	27,094
Republic of France[1]	2 October 2006	15 years	€ (EUR)	372,800	393,658
Republic of France[2]	7 December 2007	19 years	€ (EUR)	867,160	915,678
Republic of Italy	2 October 2006	20 years	€ (EUR)	473,450	499,940
Republic of Italy	14 November 2011	14 years	€ (EUR)	25,500	26,927
State of the Netherlands	18 December 2009	7 years	€ (EUR)	80,000	84,476
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	174,299
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	200,103
Kingdom of Sweden	2 October 2006	15 years	Skr (SEK)	276,150	30,485
United Kingdom	2 October 2006	20 years	£ (GBP)	1,380,000	1,697,814
United Kingdom	5 August 2010	19 years	£ (GBP)	250,000	307,575
Cumulative contribution revenue since inception					4,585,674

[1] Acting through Agence Française de Développement.

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

[3] Acting through the Australian Agency for International Development.

[4] Acting through the Department of Foreign Affairs and Trade.

[5] These amounts represent the United States dollar equivalent amounts of Grantor pledges at the exchange rates as of 31 December 2016.

Contribution revenue recognized was comprised of:

In Thousands of US$	2016	2015
Initial fair value of pledge received from the Commonwealth of Australia	22,701	-
Total contribution revenue	22,701	-

Donated Services: IFFIm received donated administrative services from Gavi in 2016 and 2015. 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$	2016	2015
Administrative support	1,048	1,117
Total donated services	1,048	1,117

20. INVESTMENT AND INTEREST INCOME

In Thousands of US$	2016	2015
Income from funds held in trust	8,232	4,768
Bank account interest	(8)	16
Total investment and interest income	8,224	4,784

21. TOTAL EXPENDITURE

In Thousands of US$	2016	2015
Expenditure on raising funds		
Treasury manager's fees:		
Financial operations management	2,018	2,265
Finance charges:		
Bond interest expense	17,854	33,354
Other financing charges	227	626
Total finance charges	18,081	33,980
Total expenditure on raising funds	20,099	36,245
Expenditure on charitable activities		
Country-specific programmes:		
Health systems strengthening and immunisation services	50,000	-
Professional services:		
Consultancy fees	194	82
Gavi administrative support fee	1,048	1,117
Legal fees	206	208
Tax compliance services	19	-
Auditor's remuneration:		
Statutory audit	193	278
Audit related assurance services	204	165
Tax compliance services	-	7
Other governance costs:		
Trustees' indemnity insurance premiums	14	6
Trustees' meeting and travel expenses	87	54
Other administrative expenses	43	(19)
Total expenditure on charitable activities	52,008	1,898

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.

Auditor's Remuneration: Statutory audit fees were US$ 85 thousand lower in 2016 than 2015 primarily as a result of the following factors in 2015: (1) Increases in the scope of the 2015 audit due to IFFIm's second Sukuk issuance and new accounting standards that were effective in the United Kingdom in 2015; and (2)

2014 audit fees and overruns incurred in 2015 in relation to the review of IFFIm's first Sukuk issuance and derivative accounting. Audit related assurance services were US$ 39 thousand higher in 2016 than 2015 primarily as a result of incremental valuation work incurred in 2016. Other financing charges include fees of US$ 15 thousand and US$ 15 thousand that were paid to IFFIm's auditor in 2016 and 2015, respectively, for services related to IFFIm's bond issuances.

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 2016.

Other Administrative Expenses: The total of other administrative expenses in 2015 was negative due to the reversal of Sukuk related expenses that were expected to be incurred by IFFIm, and which were recorded as accruals, as of 31 December 2014. These accrued expense amounts were subsequently paid by a third party and were, therefore, reversed in 2015.

22. FAIR VALUE GAINS AND LOSSES

In Thousands of US$	2016	2015
Fair value gains (losses) on bonds and bond swaps		
Fair value (losses) gains on bonds	(32,084)	123,627
Net fair value gains (losses) on bond swaps	33,297	(93,020)
Net fair value gains on bonds and bond swaps	1,213	30,607
Fair value gains (losses) on pledges and pledge swaps		
Fair value losses on sovereign pledges	(119,928)	(140,028)
Net fair value gains on pledge swaps	206,507	225,569
Net fair value gains on pledges and pledge swaps	86,579	85,541
Other foreign exchange gains (losses)	1,058	(1,050)
Net fair value gains on pledges, bonds and swaps	88,850	115,098

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:

Group and Parent Company In Thousands of US$	2016	2015
Balance as of the beginning of the year	2,735,662	3,152,729
Initial fair value of pledges	22,701	-
Payments received from donors	(283,652)	(277,039)
Fair value losses	(119,928)	(140,028)
Balance as of the end of the year	2,354,783	2,735,662
Sovereign pledges due within one year	239,783	256,895
Sovereign pledges due after more than one year	2,115,000	2,478,767
Total sovereign pledges	2,354,783	2,735,662

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

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. 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 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.

Group and Parent Company In Thousands of US$	2016	2015
IFFIm's share in the Pool's fair value	863,214	985,108

The Pool's fair value is based on market quotations. Gains, losses and investment income are recognised in the period in which they occurred and are allocated to IFFIm on a daily basis. These net gains totalled US$ 8 million and US$ 5 million for the years ended 31 December 2016 and 2015, respectively, and were reported as investment income in the Consolidated 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 IAS 39, as permitted by FRS 102. All derivatives were valued at fair value recognising the resulting gains and losses in the Consolidated Statements of Financial Activities during the period in which they occur. Net gains on derivatives were recognised as changes in restricted net assets. IFFIm applies overnight indexed swap discounting rates to value its interest rate and currency swaps for the major currencies. IFFIm includes a credit valuation adjustment and a debit valuation adjustment in the valuation of its derivative portfolio to account for counterparty credit risk and its own credit risk, respectively. These adjustments are determined by applying counterparty and own probabilities of default, based on the respective credit default swap spreads, to the market value of the derivative portfolio. The debit valuation adjustment is calculated based on the threshold amount, above which the World Bank, as counterparty on all of IFFIm's interest rate and currency swap contracts, has a right to call for collateral.

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:

Group and Parent Company In Thousands of US$	31 December 2016		31 December 2015	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Currency and interest rate swaps receivable related to sovereign pledges	137,590	10,827	130,473	14,915
Total currency and interest rate swaps receivable		10,827		14,915
Currency and interest rate swaps payable related to sovereign pledges	2,527,857	(432,987)	3,128,074	(648,357)
Currency and interest rate swaps payable related to bonds payable	1,203,068	(144,531)	2,099,910	(211,546)
Total currency and interest rate swaps payable		(577,518)		(859,903)
Total fair value of interest rate and currency swaps		(566,691)		(844,988)

The World Bank is counterparty on all of IFFIm's currency and interest rate swap contracts and, therefore, the above US$ 567 million net liability on swaps is due to the World Bank. The World Bank has the right to call for collateral to protect against its exposure on IFFIm's derivative positions under the terms of the Credit Support Annex ("CSA") to the ISDA Agreement between IFFIm and the World Bank. The World Bank has not exercised this right. Note 30 describes measures in place to mitigate the risk that the World Bank may call collateral.

26. CREDITORS FALLING DUE WITHIN ONE YEAR

Group and Parent Company In Thousands of US$	2016	2015
Bonds payable falling due within one year	531,944	753,888
Grants payable within one year	100,000	100,000
Trade creditors	705	661
Amounts due to Gavi	332	51
Total creditors falling due within one year	632,981	854,600

27. CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR

Creditors falling due after more than one year are comprised of bonds payable and grants 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 and grants payable were:

					Group and Parent Company	
Issue Date	Maturity Date	Coupon Interest Rate	Nominal Amount, in Thousands		Fair Value as of 31 December 2016, in Thousands of US$	Fair Value as of 31 December 2015, in Thousands of US$
24 June 2009	24 June 2024	0.50%	R (ZAR)	800,000	30,691	22,368
28 June 2010	29 June 2020	0.50%	R (ZAR)	430,000	23,716	18,299
29 September 2011	29 September 2016	6.10%	R (ZAR)	650,000	-	41,829
28 June 2012	28 December 2016	3.15%	A$ (AUD)	11,500	-	8,487
28 June 2012	29 June 2027	0.50%	R (ZAR)	520,000	14,989	10,412
30 July 2012	24 July 2017	3.10%	A$ (AUD)	38,000	28,026	28,409
27 March 2013	19 March 2018	5.31%	R (ZAR)	801,000	57,402	48,382
27 March 2013	19 March 2018	5.34%	₺ (TRY)	90,000	24,431	27,748
3 July 2013	5 July 2016	Libor+19bps	US$ (USD)	700,000	-	701,710
4 December 2014	4 December 2017	Libor+15bps	US$ (USD)	500,000	501,693	499,263
29 September 2015	29 September 2018	Libor+14bps	US$ (USD)	200,000	199,995	199,077
26 October 2016	1 November 2019	Libor+26bps	US$ (USD)	500,000	500,726	-
Total bonds payable					1,381,669	1,605,984
Bonds payable falling due within one year					(531,944)	(753,888)
Bonds payable falling due after more than one year					849,725	852,096
Grants payable after more than one year					357,064	407,064
Total creditors falling due after more than one year					1,206,789	1,259,160

As of 31 December 2016 and 2015, the fair values of creditors falling due after more than five years totalled US$ 46 million and US$ 33 million, respectively.

As of 31 December 2016 and 2015, the undiscounted maturities of IFFIm's bonds payable totalled US$ 1.5 billion and US$ 1.7 billion, respectively, as shown in Note 30. This was US$ 110 million and US$ 111 million higher than the fair value of IFFIm's bonds payable as of 31 December 2016 and 2015, respectively.

Total bonds payable by the parent company included amounts due to IFFImSC of US$ 502 million and US$ 499 million as of 31 December 2016 and 2015, respectively, and amounts due to IFFImSC II of US$ 200 million and US$ 199 million as of 31 December 2016 and 2015, respectively.

28. MOVEMENT OF FUNDS

In Thousands of US$	As of 31 December 2015	Incoming Resources	Resources Expended	As of 31 December 2016
Sovereign pledges assigned from Gavi	3,433,272	22,701	(960)	3,455,013
Investment and interest income	75,714	8,224	-	83,938
Other gains (losses) and other income (expenses)	237,016	88,850	(20,099)	305,767
<u>Donated services:</u>				
Administrative support	-	1,048	(1,048)	-
<u>Programme funding to Gavi:</u>				
Country-specific programmes	(2,241,058)	-	(50,000)	(2,291,058)
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	763,254	120,823	(72,107)	811,970

In Thousands of US$	As of 31 December 2014	Incoming Resources	Resources Expended	As of 31 December 2015
Sovereign pledges assigned from Gavi	3,434,053	-	(781)	3,433,272
Investment and interest income	70,930	4,784	-	75,714
Other gains (losses) and other income (expenses)	158,163	115,098	(36,245)	237,016
<u>Donated services:</u>				
Administrative support	-	1,117	(1,117)	-
<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	680,398	120,999	(38,143)	763,254

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$	2016	2015
Sovereign pledges	2,354,783	2,735,662
Cash and investments	863,295	986,305
Total credit exposure	3,218,078	3,721,967

IFFIm's derivative assets are excluded from its credit exposure as they would be netted against its derivative liabilities. As of 31 December 2016 and 2015, IFFIm had a net liability balance on its interest rate and currency swap contracts of US$ 567 million and US$ 845 million, respectively. The World Bank, an AAA-credit rated institution, serves as the counterparty for all IFFIm's swaps.

<u>Credit Risk Related to Sovereign Pledges</u>: 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 2016.

The Grantors' credit ratings as of 31 December 2016 and 2015, as determined by Standard and Poor's Ratings Service ("S&P"), were:

Grantor	2016	2015
Commonwealth of Australia	AAA	AAA
Republic of France	AA	AA
Republic of Italy	BBB-	BBB-
State of the Netherlands	AAA	AAA
Kingdom of Norway	AAA	AAA
Republic of South Africa	BBB-	BBB-
Kingdom of Spain	BBB+	BBB+
Kingdom of Sweden	AAA	AAA
United Kingdom	AA	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 and Investments: 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$	2016	2015
Instruments and securities rated AAA	408,645	455,745
Instruments and securities rated AA+	23,704	13,925
Instruments and securities rated AA	100,616	71,737
Instruments and securities rated AA-	122,812	32,070
Instruments and securities rated A+	195,139	375,038
Instruments and securities rated A	(9,192)	30,566
Instruments and securities rated A-	21,490	3,171
Instruments and securities rated BBB+	-	979
Instruments and securities rated BBB-	-	1,877
Total funds held in trust	863,214	985,108

Cash, receivables and payables included in IFFIm's funds held in trust are reported in the AAA category as they are held by the World Bank, which is an AAA credit-rated institution.

On 13 December 2016, Fitch Ratings affirmed IFFIm's credit rating at AA and changed its outlook from stable to negative. IFFIm's credit ratings by Moody's Investor Service and by Standard and Poor's Ratings Service ("S&P") remained unchanged during 2016. The IFFIm board, working with the World Bank, has put in place measures to manage credit risk.

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 2016, the calculated minimum liquidity was US$ 568.6 million and the value of IFFIm's Liquid Assets was US$ 863 million. As of 31 December 2015, the calculated minimum liquidity was US$ 823.9 million and the value of IFFIm's Liquid Assets was US$ 986 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 32.

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 2016, 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 2016, in Thousands of US$	Total Cash Outflows	Due in Less than One Year	Due in 2018	Due in 2019	Due from 2020 through 2030
Bonds payable	(1,492,221)	(549,362)	(299,420)	(513,076)	(130,363)
Grants payable to Gavi	(457,064)	(100,000)	(350,000)	(7,064)	-
Derivative financial liabilities	(430,304)	(19,239)	(65,461)	(17,445)	(328,159)
Total undiscounted maturities	(2,379,589)	(668,601)	(714,881)	(537,585)	(458,522)

As of 31 December 2015, in Thousands of US$	Total Cash Outflows	Due in Less than One Year	Due in 2017	Due in 2018	Due from 2019 through 2030
Bonds payable	(1,717,150)	(769,490)	(544,541)	(287,785)	(115,334)
Grants payable to Gavi	(507,064)	(100,000)	(300,000)	(107,064)	-
Derivative financial liabilities	(803,975)	(72,053)	(40,736)	(94,226)	(596,960)
Total undiscounted maturities	(3,028,189)	(941,543)	(885,277)	(489,075)	(712,294)

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 cash outflows from derivative financial liabilities:

As of 31 December 2016, in Thousands of US$	Total Cash Inflows (Outflows)	Due in Less than One Year	Due in 2018	Due in 2019	Due from 2020 through 2030
Derivative financial assets	63,456	18,663	10,440	10,679	23,674
Derivative financial liabilities	(430,304)	(19,239)	(65,461)	(17,445)	(328,159)
Net cash outflows	(366,848)	(576)	(55,021)	(6,766)	(304,485)

As of 31 December 2015, in Thousands of US$	Total Cash Inflows (Outflows)	Due in Less than One Year	Due in 2017	Due in 2018	Due from 2019 through 2030
Derivative financial assets	69,736	16,706	12,151	8,086	32,793
Derivative financial liabilities	(803,975)	(72,053)	(40,736)	(94,226)	(596,960)
Net cash outflows	(734,239)	(55,347)	(28,585)	(86,140)	(564,167)

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 foreign exchange rates and interest rates. 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 2016, in Thousands of US$	Foreign Currency Assets	Foreign Currency Liabilities	Net Exposure
Australian dollar	153,840	(147,537)	6,303
Swiss franc	-	(49)	(49)
Euro	988,826	(1,146,416)	(157,590)
British pound	1,164,803	(1,298,473)	(133,670)
Japanese yen	1	(24)	(23)
Norwegian krone	60,282	(66,598)	(6,316)
New Zealand dollar	1	-	1
Swedish krona	8,892	(9,839)	(947)
Turkish lira	24,439	(24,431)	8
South African rand	130,321	(126,798)	3,523

As of 31 December 2015, in Thousands of US$	Foreign Currency Assets	Foreign Currency Liabilities	Net Exposure
Australian dollar	150,513	(164,418)	(13,905)
Euro	1,098,915	(1,274,633)	(175,718)
British pound	1,432,849	(1,615,832)	(182,983)
Japanese yen	24	(24)	-
Norwegian krone	72,628	(81,085)	(8,457)
New Zealand dollar	1	-	1
Swedish krona	11,315	(12,484)	(1,169)
Turkish lira	27,936	(27,748)	188
South African rand	144,811	(141,290)	3,521

The following exchange rates applied during the year:

In US$	Average Rate for the Year Ended 31 December 2016	Spot Rate as of 31 December 2016	Average Rate for the Year Ended 31 December 2015	Spot Rate as of 31 December 2015
Australian dollar	0.7441	0.7225	0.7527	0.7313
Swiss franc	1.0149	0.9825	-	-
Euro	1.1068	1.0560	1.1102	1.0892
British pound	1.3557	1.2303	1.5288	1.4819
Japanese yen	0.0092	0.0086	0.0083	0.0083
Norwegian krone	0.1190	0.1162	0.1240	0.1135
New Zealand dollar	0.6974	0.6963	0.7004	0.6844
Swedish krona	0.1168	0.1104	0.1186	0.1186
Turkish lira	0.3307	0.2834	0.3670	0.3423
South African rand	0.0680	0.0729	0.0783	0.0641

Sensitivity to Foreign Exchange Rates: Strengthening of the above currencies, against the United States dollar, as of 31 December 2016 and 2015 would have increased (decreased) IFFIm's net assets and surpluses for those years by the amounts shown below. This analysis is based on foreign currency exchange rate variances that IFFIm considered to be reasonably possible at the end of the year. The analysis assumes that all other variables, in particular interest rates, remain unchanged:

	Increase (Decrease) in Surplus for the Year Ended and Net Assets as of 31 December 2016		Increase (Decrease) in Surplus for the Year Ended and Net Assets as of 31 December 2015	
In Thousands of US$	10% Strengthening against US$	10% Weakening against US$	10% Strengthening against US$	10% Weakening against US$
Australian dollar	(583)	713	1,258	(1,537)
Euro	14,268	(17,439)	15,921	(19,459)
British pound	12,123	(14,817)	16,598	(20,287)
Norwegian krone	(4,586)	5,605	(5,465)	6,680
Swedish krona	5,244	(6,409)	6,339	(7,748)
Turkish lira	(1)	1	(17)	21
South African rand	(320)	391	(320)	391

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$	2016 Carrying Amount	2015 Carrying Amount
Fixed rate instruments		
Financial assets	182,812	209,829
Financial liabilities	(2,828,796)	(3,327,148)
Net fixed rate instruments	(2,645,984)	(3,117,319)
Variable rate instruments		
Financial assets	2,240,626	2,511,084
Financial liabilities	(1,544,775)	(1,853,681)
Net variable rate instruments	695,851	657,403

Sensitivity to Interest Rates: Changes of 25 basis points in interest rates as of 31 December 2016 and 2015 would have increased (decreased) IFFIm's net assets and surpluses 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 Surplus for the Year Ended and Net Assets as of 31 December 2016	Increase (Decrease) in Surplus for the Year Ended and Net Assets as of 31 December 2015
25 basis point increase	4,174	3,131
25 basis point decrease	(4,264)	(3,240)

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$ 2.1 million for the years ended 31 December 2016 and 2015, respectively. IFFIm uses a three-year historical dataset to compute VaR.

32. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of IFFIm's financial assets and liabilities are equal to their carrying amounts shown in IFFIm's statements of financial position.

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 2016, in Thousands of US$	Level 1	Level 2	Level 3	Total
Financial assets				
Sovereign pledges	-	-	2,354,783	2,354,783
Funds held in trust	292,309	570,905	-	863,214
Derivative financial instruments	-	10,827	-	10,827
Total financial assets	292,309	581,732	2,354,783	3,228,824
Financial liabilities				
Bonds payable	-	1,381,669	-	1,381,669
Grants payable to Gavi	-	457,064	-	457,064
Derivative financial instruments	-	577,518	-	577,518
Total financial liabilities	-	2,416,251	-	2,416,251

As of 31 December 2015, in Thousands of US$	Level 1	Level 2	Level 3	Total
Financial assets				
Sovereign pledges	-	-	2,735,662	2,735,662
Funds held in trust	338,843	646,265	-	985,108
Derivative financial instruments	-	14,915	-	14,915
Total financial assets	338,843	661,180	2,735,662	3,735,685
Financial liabilities				
Bonds payable	-	1,605,984	-	1,605,984
Grants payable to Gavi	-	507,064	-	507,064
Derivative financial instruments	-	859,903	-	859,903
Total financial liabilities	-	2,972,951	-	2,972,951

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

In Thousands of US$	2016	2015
Balance as of the beginning of the year	2,735,662	3,152,729
Initial fair value of pledges	22,701	-
Donor payments	(283,652)	(277,039)
Fair value losses	(119,928)	(140,028)
Balance as of the end of the year	2,354,783	2,735,662

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 2016 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 12.5% and 13.4% as of 31 December 2016 and 2015 respectively. 1% decreases in the GPC Fair Value Adjustment as of 31 December 2016 and 2015 would have resulted in increases in the fair values of sovereign pledges of US$ 27 million and US$ 32 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 2016, two reference portfolio countries were in protracted arrears to the IMF. Those countries were Somalia and Sudan.

For the above sovereign pledges as of 31 December 2016, market based discount rates ranging from 0% to 5% 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.

As of 31 December 2016 and 2015, the portions of the fair values of bonds payable that were attributable to IFFIm's own credit spreads were decreases of US$ 8 million and US$ 7 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 2015	Cash Flows and Fair Value Movements	Fair Value as of 31 December 2016
Cash	1,197	(1,116)	81
Bonds payable	(1,602,587)	223,908	(1,378,679)
Funds held in trust	985,108	(121,894)	863,214
Total	(616,282)	100,898	(515,384)

In Thousands of US$	Fair Value as of 31 December 2014	Cash Flows and Fair Value Movements	Fair Value as of 31 December 2015
Cash	3,349	(2,152)	1,197
Bonds payable	(1,887,302)	284,715	(1,602,587)
Funds held in trust	1,011,747	(26,639)	985,108
Total	(872,206)	255,924	(616,282)

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

In Thousands of US$	2016	2015
Decrease in cash	(1,116)	(2,152)
Decrease in funds held in trust	(121,894)	(26,639)
Proceeds from bond issuances	(499,500)	(200,000)
Redemption of bonds	755,492	361,088
Fair value (losses) gains on bonds	(32,084)	123,627
Movement in net debt in the period	100,898	255,924
Net debt as of the beginning of the year	(616,282)	(872,206)
Net debt as of the end of the year	(515,384)	(616,282)

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.
- IFFImSC: IFFImSC is a Cayman Islands company with limited liability, which was incorporated on 3 November 2014 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number 293422. IFFImSC was established for the sole purpose of issuing sukuk certificates in support of IFFIm's operations. On 27 November 2014, IFFImSC issued sukuk certificates for a total amount of US$ 500 million. These consolidated financial statements include the accounts of IFFImSC.
- IFFImSC II: IFFImSC II is a Cayman Islands company with limited liability, which was incorporated on 25 August 2015 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number 303397. IFFImSC II was established for the sole purpose of issuing sukuk certificates in support of

IFFIm's operations. On 29 September 2015, IFFImSC II issued sukuk certificates for a total amount of US$ 200 million. These consolidated financial statements include the accounts of IFFImSC II.

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$	2016	2015
Gavi		
Accounts payable to Gavi	332	51
Programme grants payable to Gavi	457,064	507,064
In-kind contributions received from Gavi	1,048	1,117

35. COMMITMENT AND CONTINGENCIES

The trustees are not aware of any commitments or contingencies as of 31 December 2016 or 2015.

36. ACCOUNTING ESTIMATES AND JUDGEMENTS

Since the IFFIm board manages IFFIm's sovereign pledges, funds held in trust, derivative financial instruments, bonds payable and grants payable on a fair value basis, these assets and liabilities are measured at fair value on the balance sheets. When available, IFFIm generally uses quoted market prices to determine fair value. If quoted market prices are not available, fair value is determined using internally developed valuation models, which are often based on the discounted cash flow method and use market parameters such as interest rates and currency rates.

In preparing these financial statements, judgements were made in determining when to recognise revenue from Grantors. Factors considered, in line with IFFIm's accounting policy on revenue recognition, were whether there was evidence of entitlement and whether receipt was probable.

37. TRANSITION TO FRS 102

In the transition to the Financial Reporting Standard 102 applicable in the United Kingdom and Republic of Ireland (FRS 102) from old United Kingdom Generally Accepted Accounting Standards, effective 1 January 2015, IFFIm changed its accounting policy on recognition of revenue, in line with new requirements, to the effect that revenue is recognised when there is evidence of entitlement, it can be measured reliably, and receipt is probable. IFFIm made this change in accounting policy during the year ended 31 December 2015. IFFIm's previous policy was to recognise revenue when there was a contractual obligation, it could be measured reliably, and receipt was certain. IFFIm made no measurement and recognition adjustments as a result of this change in accounting policy and made no other changes to its accounting policies.

38. 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 2016 or 2015. IFFImSC is a Cayman Islands company with limited liability, incorporated under the Companies Law (2013 Revision) of the Cayman Islands. There are no taxes on income or gains in the Cayman Islands.

39. SUBSEQUENT EVENTS

In May 2017, IFFIm received a new sovereign pledge from the State of the Netherlands in the amount of US$ 66.7 million, which is payable to IFFIm in annual instalments of US$ 16.7 million over four years, commencing in December 2017 and ending in December 2020.

In May 2017, IFFIm received a new sovereign pledge from the Republic of France in the amount of € 150 million, which is payable to IFFIm in annual instalments of € 30 million over five years, commencing in March 2022 and ending in March 2026.

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 2016 set out on pages 48 to 67. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members 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 auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 7, 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 group's and charitable company's affairs as at 31 December and of the group's 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 given in the Trustees' Annual Report, which constitutes the Annual Report of the Trustees and the Strategic Report for the financial year for which the financial statements are prepared, is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Trustees' Annual Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- the charitable company has not kept adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the charitable company 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.

Mike Peck

Michael Peck **(Senior Statutory Auditor)**
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London E14 5GL
14 June 2017

SUPPLEMENTARY INFORMATION

PLEDGES AND CONTRIBUTIONS SCHEDULES

Schedules 1.1 to 1.6 provide details of the Gavi Group's pledges and contributions from the following sources:

- Multi-Year Pledges: The Gavi Group receives upfront written commitments from donors that do not include any conditions and are payable over multiple years ("Multi-Year Pledges"). In accordance with its accounting policy, the Gavi Group records each Multi-Year Pledge as contribution revenue and contributions receivable at fair value on the date the donor signs the grant agreement. The recorded contributions receivable balances are then reduced over time as cash payments are received from the donors, and are adjusted for changes in fair value.

  The Gavi Group's methodology for valuing its contributions receivable, including details of IFFIm's grant payment condition and the Advance Market Commitment, is described in the *Fair Values of Financial Instruments* section of Note 2 of the consolidated financial statements. Multi-Year Pledges in foreign currency are converted to United States dollars at the prevailing average interbank exchange rate as of 31 December 2016. See *Foreign Currency Transactions* section of Note 2 of the consolidated financial statements for further information.

  Multi-Year Pledges balances presented in the currencies of the pledges, in Schedules 1.3 and 1.4, are not adjusted for reductions due to discounting. Discounting the Gavi Group's contributions receivable is described in Note 2 to the consolidated financial statements.

  Multi-Year Pledges to IFFIm presented in the currencies of the pledge, in Schedule 1.4, are not adjusted for reductions due to the grant payment condition ("GPC"). The GPC is described in Note 2 to the consolidated financial statements.

- Annual Contributions: The Gavi Group receives contributions from donors that are committed and paid annually ("Annual Contributions"). In accordance with its accounting policy, the Gavi Group records Annual Contributions as contribution revenue when payments are received from the donors.

Schedules 1.7 to 1.8 provide details of cash receipts from donors, in United States dollar and in currencies of receipts. Cash receipts in foreign currencies are converted to United States dollar at the prevailing interbank exchange rate at the date cash is received.

SCHEDULE 1.1: MULTI-YEAR PLEDGES FROM DONORS, IN UNITED STATES DOLLARS

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

In Thousands of US$	Balance as of 31 December 2016	Balance as of 31 December 2015
Multi-Year Pledges to Gavi from sovereign governments:		
Australia, Commonwealth of	115,256	-
Canada	295,714	360,650
China, People's Republic of	-	2,000
European Union	-	10,927
France, Republic of	-	133,309
Germany, Federal Republic of	83,638	131,124
India, Republic of	-	1,000
Italy, Republic of	100,366	-
Korea, Republic of	4,000	8,000
Luxembourg, Grand Duchy of	3,429	4,480
Monaco, Principality of	575	-
Netherlands, State of the	150,131	196,140
Norway, Kingdom of	652,143	86,923
Qatar, State of	8,000	10,000
Saudi Arabia, Kingdom of	22,500	-
Swiss Confederation	390	-
United Kingdom	995,454	1,522,630
Total Multi-Year Pledges to Gavi from sovereign governments	2,431,596	2,467,183
Multi-Year Pledges to Gavi from corporations, foundations and private individuals:		
Alwaleed Bin Talal Foundation	805	1,006
Bill & Melinda Gates Foundation	1,165,000	1,443,600
Children's Investment Fund Foundation	31	31
Comic Relief	1,224	1,483
IFPW Foundation	715	-
Serum Institute of India	15,671	3,333
Sultanate of Oman	2,400	2,400
UPS Foundation	267	-
Total Multi-Year Pledges to Gavi from corporations, foundations and private individuals	1,186,113	1,451,853
Multi-Year Pledges to IFFIm:		
Australia, Commonwealth of[1]	146,668	159,047
Australia, Commonwealth of[2]	21,675	-
France, Republic of[3]	151,001	184,284
France, Republic of[4]	647,128	709,102
Italy, Republic of	261,348	299,516
Norway, Kingdom of	69,720	85,095
Netherlands, State of the	-	15,248
South Africa, Republic of	10,000	11,000
Spain, Kingdom of	90,046	103,197
Sweden, Kingdom of	10,162	13,104
United Kingdom	1,378,621	1,801,087
Total Multi-Year Pledges to IFFIm	2,786,369	3,380,680
Multi-Year Pledges from AMC donors	423,217	530,357
Total Multi-Year Pledges from donors[5]	6,827,295	7,830,073

[1] Acting through the Australian Agency for International Development.

[2] Acting through the Department of Foreign Affairs and Trade.

[3] Acting through Agence Française de Développement.

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

SCHEDULE 1.2: RECONCILIATION OF MULTI-YEAR PLEDGES TO CONTRIBUTIONS RECEIVABLE

The following table reconciles Multi-Year Pledges from donors, per Schedule 1.1 above, to the contributions receivable balances disclosed in the Consolidated Statements of Financial Position on page 25:

In Thousands of US$	2016	2015
Total Multi-Year Pledges from donors	6,827,295	7,830,073
Grant Payment reduction on Multi-Year Pledges to IFFIm	(348,296)	(453,011)
Unamortised discount on Multi-Year Pledges to Gavi	(50,362)	(77,469)
Unamortised discount on Multi-Year Pledges to IFFIm	(83,288)	(192,007)
Unamortised discount on Multi-Year Pledges from AMC donors	(18,033)	(38,137)
Total recorded contributions receivable	6,327,316	7,069,449

SCHEDULE 1.3: MULTI-YEAR PLEDGES TO GAVI, IN CURRENCIES OF PLEDGES

The following table presents the activity of Multi-Year Pledges to Gavi, for the year ended 31 December 2016, in the currencies of the pledges:

In Thousands, in Currencies of Pledges	Currency of Pledge		Balance as of 31 December 2015	New Pledges	Payments Received	Balance as of 31 December 2016
Multi-Year Pledges to Gavi from sovereign governments:						
Australia, Commonwealth of	A$	(AUD)	-	212,500	(52,500)	160,000
Canada	C$	(CAD)	500,000	-	(100,000)	400,000
China, People's Republic of	US$	(USD)	2,000	-	(2,000)	-
European Union	€	(EUR)	10,000	-	(10,000)	-
France, Republic of	€	(EUR)	122,000	-	(122,000)	-
Germany, Federal Republic of	€	(EUR)	120,000	-	(40,000)	80,000
India, Republic of	US$	(USD)	1,000	-	(1,000)	-
Italy, Republic of	€	(EUR)	-	100,000	(4,000)	96,000
Korea, Republic of	US$	(USD)	8,000	-	(4,000)	4,000
Luxembourg, Grand Duchy of	€	(EUR)	4,100	-	(820)	3,280
Monaco, Principality of	€	(EUR)	-	550	-	550
Netherlands, State of the	€	(EUR)	179,500	-	(35,900)	143,600
Norway, Kingdom of	Nkr	(NOK)	760,000	6,250,000	(1,348,000)	5,662,000
Norway, Kingdom of	SFr	(CHF)	55	-	(55)	-
Qatar, State of	US$	(USD)	10,000	-	(2,000)	8,000
Saudi Arabia, Kingdom of	US$	(USD)	-	25,000	(2,500)	22,500
Swiss Confederation	SFr	(CHF)	-	2,000	(1,600)	400
United Kingdom	£	(GBP)	1,027,000	-	(214,000)	813,000
Multi-Year Pledges to Gavi from corporations, foundations and private individuals:						
Alwaleed Bin Talal Foundation	US$	(USD)	1,006	-	(201)	805
Bill & Melinda Gates Foundation	US$	(USD)	1,443,600	33,000	(311,600)	1,165,000
Children's Investment Fund Foundation	US$	(USD)	31	-	-	31
Comic Relief	£	(GBP)	1,000	2,000	(2,000)	1,000
IFPW Foundation	US$	(USD)	-	858	(143)	715
Serum Institute of India	US$	(USD)	3,333	12,200	-	15,533
Serum Institute of India	₹	(INR)	-	9,400	-	9,400
Sultanate of Oman	US$	(USD)	2,400	-	-	2,400
UPS Foundation[1]	US$	(USD)	-	800	(533)	267

SCHEDULE 1.4: 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 2016, in the currencies of the pledges:

In Thousands, In Currencies of Pledges	Currency of Pledge		Balance as of 31 December 2015	GPC Adjustments	New Pledges	Payments Received	Balance as of 31 December 2016
Multi-Year Pledges to IFFIm:							
Australia, Commonwealth of	A$	(AUD)	217,500	6,963	30,000	(21,463)	233,000
France, Republic of	€	(EUR)	169,200	11,065	-	(37,265)	143,000
France, Republic of	€	(EUR)	651,060	(12,675)	-	(25,545)	612,840
Italy, Republic of	€	(EUR)	275,000	(688)	-	(26,812)	247,500
Netherlands, State of the	€	(EUR)	14,000	(350)	-	(13,650)	-
Norway, Kingdom of	Nkr	(NOK)	750,000	(3,750)	-	(146,250)	600,000
South Africa, Republic of	US$	(USD)	11,000	(25)	-	(975)	10,000
Spain, Kingdom of	€	(EUR)	94,750	(237)	-	(9,238)	85,275
Sweden, Kingdom of	Skr	(SEK)	110,460	(460)	-	(17,950)	92,050
United Kingdom	£	(GBP)	1,215,392	(2,371)	-	(92,465)	1,120,556

SCHEDULE 1.5: ANNUAL CONTRIBUTIONS FROM DONORS

The following schedule details Annual Contributions received from donors during the year ended 31 December 2016, in both the currencies of the contributions and United States dollars:

In Thousands	Currency of Contri-bution		2016	2015	2016, in US$	2015, in US$
Annual Contributions from sovereign governments						
France, Republic of	€	(EUR)	-	5,500	-	5,907
Germany, Federal Republic of	€	(EUR)	64,998	16,925	70,319	18,922
Ireland, Republic of	€	(EUR)	3,000	3,000	3,201	3,281
Japan	US$	(USD)	18,759	17,369	18,760	17,369
Netherlands, State of the	€	(EUR)	-	32,000	-	33,946
Sweden, Kingdom of	Skr	(SEK)	300,000	350,000	36,931	41,510
United States of America	US$	(USD)	235,000	200,000	235,000	200,000
Total Annual Contributions from sovereign governments					364,211	320,935
Annual Contributions from corporations, foundations and private individuals						
Bill & Melinda Gates Foundation	US$	(USD)	7,013	203,528	7,013	203,528
Lions Club International Foundation	US$	(USD)	5,500	7,500	5,500	7,500
Red Nose Day Foundation	US$	(USD)	2,100	1,050	2,100	1,050
The Church of Jesus Christ of Latter-day Saints	US$	(USD)	1,200	1,000	1,200	1,000
The "la Caixa" Foundation	€	(EUR)	2,205	1,225	2,368	1,375
United Nations Foundation	US$	(USD)	-	634	-	634
Other contributions	US$	(USD)	1,621	1,498	1,621	1,498
Total Annual Contributions from corporations, foundations and private individuals					19,802	216,585
Total Annual Contributions					384,013	537,520

SCHEDULE 1.6: RECONCILIATION OF ANNUAL CONTRIBUTIONS TO CONTRIBUTION REVENUE

The following table reconciles Annual Contributions per Schedule 1.5 above to contribution revenue reported in the Consolidated Statements of Activities on page 26 of the consolidated financial statements:

In Thousands of US$	2016	2015
Total Annual Contributions	384,013	537,520
Initial fair value of new Multi-Year Pledges received during the year[1]	1,106,126	3,888,520
Total recorded contribution revenue[2]	1,490,139	4,426,040

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

[2] This amount represents the aggregate of unrestricted and temporarily restricted contribution revenue, including contributed goods, as presented in the Gavi Group's Consolidated Statement of Activities. Annual Contributions in foreign currency are translated to United States dollars in accordance with the Gavi Group's methodology described in the *Foreign Currency Transactions* section of Note 2 to the consolidated financial statements.

Total recorded contribution revenue is comprised of:

In Thousands of US$	2016	2015
Unrestricted contributions from governments and private donors	381,366	543,025
Restricted contributions from governments and private donors	1,096,432	3,883,015
Restricted contributed goods	12,341	-
Total recorded contribution revenue	1,490,139	4,426,040

SCHEDULE 1.7: CASH RECEIPTS FROM DONORS, IN UNITED STATES DOLLAR

The following schedule details cash received from donors during the year ended 31 December 2016, in United States dollar:

	Contribution Payments Received in 2016		
In Thousands of US$	For 2016 Pledges[1]	For Multi-Year Pledges[2]	Total Received
Sovereign governments:			
Australia, Commonwealth of	-	37,579	37,579
Canada	-	76,710	76,710
China, People's Republic of	-	2,000	2,000
European Union	-	11,266	11,266
France, Republic of	-	134,754	134,754
Germany, Federal Republic of	70,319	44,746	115,065
India, Republic of	-	1,000	1,000
Ireland, Republic of	3,201	-	3,201
Italy, Republic of	-	4,253	4,253
Japan	18,760	-	18,760
Korea, Republic of	-	4,000	4,000
Luxembourg, Grand Duchy of	-	904	904
Netherlands, State of the	-	38,310	38,310
Norway, Kingdom of	-	162,700	162,700
Qatar, State of	-	2,000	2,000
Saudi Arabia, Kingdom of	-	2,500	2,500
Sweden, Kingdom of	36,931	-	36,931
Swiss Confederation	-	1,580	1,580
United Kingdom	-	310,949	310,949
United States of America	235,000	-	235,000
Total cash receipts from sovereign governments	364,211	835,251	1,199,462
Corporations, foundations and private individuals:			
Alwaleed Bin Talal Foundation	-	201	201
Bill & Melinda Gates Foundation	7,013	311,600	318,613
Comic Relief	-	2,591	2,591
IFPW Foundation	-	143	143
Lions Club International Foundation	5,500	-	5,500
Red Nose Day Foundation	2,100	-	2,100
The Church of Jesus Christ of Latter-day Saints	1,200	-	1,200
The "la Caixa" Foundation	2,368	-	2,368
UPS Foundation		533	533
Other contributions	1,621	-	1,621
Total cash receipts from corporations, foundations and private individuals	19,802	315,068	334,870
Total cash receipts	384,013	1,150,319	1,534,332

[1] Amounts received in 2016 to fulfil pledges for 2016.

[2] Amounts received in 2016 to fulfil pledges for multi years.

SCHEDULE 1.8: CASH RECEIPTS FROM DONORS, IN CURRENCIES OF RECEIPTS

The following schedule details cash received from donors during the year ended 31 December 2016, in currencies of receipts:

In Thousands, in Currencies of Receipts	Currency of Receipt		Contribution Payments Received in 2016		
			For 2016 Pledges[1]	For Multi-Year Pledges[2]	Total Received
Sovereign governments:					
Australia, Commonwealth of	A$	(AUD)	-	52,500	52,500
Canada	C$	(CAD)	-	100,000	100,000
China, People's Republic of	US$	(USD)	-	2,000	2,000
European Union	€	(EUR)	-	10,000	10,000
France, Republic of	€	(EUR)	-	122,000	122,000
Germany, Federal Republic of	€	(EUR)	64,998	40,000	104,998
India, Republic of	US$	(USD)	-	1,000	1,000
Ireland, Republic of	€	(EUR)	3,000	-	3,000
Italy, Republic of	€	(EUR)	-	4,000	4,000
Japan	US$	(USD)	18,760	-	18,760
Korea, Republic of	US$	(USD)	-	4,000	4,000
Luxembourg, Grand Duchy of	€	(EUR)	-	820	820
Netherlands, State of the	€	(EUR)	-	35,900	35,900
Norway, Kingdom of	Nkr	(NOK)	-	1,348,000	1,348,000
Norway, Kingdom of	SFr	(CHF)	-	55	55
Qatar, State of	US$	(USD)	-	2,000	2,000
Saudi Arabia, Kingdom of	US$	(USD)	-	2,500	2,500
Sweden, Kingdom of	Skr	(SEK)	300,000	-	300,000
Swiss Confederation	SFr	(CHF)	-	1,600	1,600
United Kingdom	£	(GBP)	-	214,000	214,000
United States of America	US$	(USD)	235,000	-	235,000
Corporations, foundations and private individuals:					
Alwaleed Bin Talal Foundation	US$	(USD)	-	201	201
Bill & Melinda Gates Foundation	US$	(USD)	7,013	311,600	318,613
Comic Relief	£	(GBP)	-	2,000	2,000
IFPW Foundation	US$	(USD)	-	143	143
Lions Club International Foundation	US$	(USD)	5,500	-	5,500
Red Nose Day Foundation	US$	(USD)	2,100	-	2,100
The Church of Jesus Christ of Latter-day Saints	US$	(USD)	1,200	-	1,200
The "la Caixa" Foundation	€	(EUR)	2,205	-	2,205
UPS Foundation	US$	(USD)	-	533	533
Other contributions	US$	(USD)	1,621	-	1,621

[1] Amounts received in 2016 to fulfil pledges for 2016.
[2] Amounts received in 2016 to fulfil pledges for multi years.

EXPENSES SCHEDULES

Schedules 2.1 to 2.4 provide details of the following categories of Gavi Group's expenses:

- Country Programme Expenses: Gavi directly incurs expenses to procure and distribute vaccines to countries (e.g. the cost of vaccines, freight and insurance) and related to Gavi's core vaccine and cash programmes and investment cases.
- Partner Programme Expenses: Gavi incurs expenses to provide funding to partners through the partners' engagement framework (PEF). In June 2015, the Board approved the structure for the PEF, which came into force in 2016. Through PEF, Gavi provides funding to partners and allows the partners to support countries' immunisation programmes. Support under PEF is divided into three areas: targeted country assistance, strategic focus areas, and foundational support. Most PEF funding is allocated to targeted country assistance. PEF gives priority to the 20 countries that face the most severe immunisation challenges and aims to meet the specific needs of each country. In 2016, the priority countries were the Islamic Republic of Afghanistan, Republic of Chad, Federal Republic of Nigeria, Republic of Uganda, Islamic Republic of Pakistan, Republic of Indonesia, Democratic Republic of the Congo, Republic of India, Republic of Kenya, Federal Democratic Republic of Ethiopia, Republic of the Niger, Central African Republic, Republic of the Union of Myanmar, Republic of Haiti, Federal Republic of Somalia, Republic of Yemen, Republic of Mozambique, Independent State of Papua New Guinea, Republic of Madagascar, and the Republic of South Sudan.
- Professional Fees: The Gavi Group incurs expenses to engage external technical and expert advisors and consultants as needed.

SCHEDULE 2.1: COUNTRY PROGRAMME EXPENSES, BY RECIPIENT COUNTRY

The following schedule details country programme expenses, by recipient country, incurred by the Gavi Group during the years ended 31 December 2016 and 2015:

	2016			2015		
In Thousands of US$	Vaccine Support[1]	Cash Grants	Total	Vaccine Support[1]	Cash Grants	Total
Afghanistan, Islamic Republic of	21,528	11,065	32,593	32,970	11,735	44,705
Angola, Republic of	-	4,233	4,233	11,145	1,758	12,903
Armenia, Republic of	164	559	723	423	100	523
Azerbaijan, Republic of	968	-	968	1,779	-	1,779
Bangladesh, People's Republic of	74,469	22,974	97,443	73,877	334	74,211
Benin, Republic of	6,008	1,588	7,596	8,122	-	8,122
Bhutan, Kingdom of	-	-	-	86	246	332
Bolivia, Plurinational State of	1,590	4,463	6,053	4,950	223	5,173
Burkina Faso	22,166	4,486	26,652	22,793	2,151	24,944
Burundi, Republic of	8,670	4,013	12,683	10,409	3,476	13,885
Cambodia, Kingdom of	5,535	192	5,727	9,833	10,986	20,819
Cameroun, Republic of	11,059	5,821	16,880	23,752	5,629	29,381
Central African Republic	4,084	2,469	6,553	3,245	138	3,383
Chad, Republic of	7,342	4,550	11,892	5,953	489	6,442
Comoros, Union of the	20	-	20	52	508	560
Congo, Republic of the	483	520	1,003	884	4,415	5,299
Congo, Democratic Republic of the	50,488	43,808	94,296	77,463	96,216	173,679
Côte d'Ivoire, Republic of	7,909	243	8,152	19,269	3,794	23,063
Cuba, Republic of	312	158	470	631	1,133	1,764
Djibouti, Republic of	510	-	510	724	1,452	2,176
Eritrea, State of	2,234	2,432	4,666	3,614	100	3,714
Ethiopia, Federal Democratic Republic of	73,200	42,198	115,398	90,374	9,938	100,312
Gambia, Republic of the	820	55	875	3,040	1,721	4,761
Georgia	195	209	404	335	430	765
Ghana, Republic of	19,884	4,879	24,763	16,834	646	17,480
Guinea, Republic of	979	-	979	2,286	6,050	8,336
Guinea Bissau, Republic of	1,194	-	1,194	2,065	892	2,957

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In Thousands of US$	2016			2015		
	Vaccine Support[1]	Cash Grants	Total	Vaccine Support[1]	Cash Grants	Total
Guyana, Co-operative Republic of	-	28	28	167	440	607
Haiti, Republic of	5,723	26	5,749	2,899	2,373	5,272
Honduras, Republic of	1,137	291	1,428	137	2,352	2,489
India, Republic of	146,682	38,620	185,302	28,906	-	28,906
Indonesia, Republic of	36,381	4,185	40,566	6,856	9,421	16,277
Kenya, Republic of	25,156	7,826	32,982	50,638	14,853	65,491
Kiribati, Republic of	-	-	-	38	-	38
Korea, Democratic People's Republic of	1,085	7,572	8,657	3,510	-	3,510
Kyrgyz Republic	2,555	-	2,555	1,565	122	1,687
Lao People's Democratic Republic	1,858	3,949	5,807	3,774	442	4,216
Lesotho, Kingdom of	1,628	767	2,395	623	100	723
Liberia	1,486	-	1,486	4,584	3,851	8,435
Madagascar, Republic of	15,697	-	15,697	22,582	11,522	34,104
Malawi, Republic of	17,614	-	17,614	16,488	-	16,488
Mali, Republic of	23,279	2,498	25,777	24,335	9,248	33,583
Mauritania, Islamic Republic of	2,073	1,644	3,717	4,011	109	4,120
Moldova, Republic of	-	243	243	344	624	968
Mongolia	-	-	-	224	100	324
Mozambique, Republic of	21,120	5,026	26,146	29,369	825	30,194
Myanmar, Republic of the Union of	18,383	29,978	48,361	24,250	1,935	26,185
Nepal, Federal Democratic Republic of	8,553	-	8,553	17,132	18,192	35,324
Nicaragua, Republic of	1,933	633	2,566	2,811	878	3,689
Niger, Republic of the	14,018	3,003	17,021	24,444	8,392	32,836
Nigeria, Federal Republic of	60,178	-	60,178	180,789	30,009	210,798
Pakistan, Islamic Republic of	95,282	64,188	159,470	87,079	-	87,079
Papua New Guinea, Independent State of	1,174	-	1,174	4,553	172	4,725
Rwanda, Republic of	6,425	2,669	9,094	11,663	3,566	15,229
Sâo Tomé	159	147	306	280	1,697	1,977
Senegal, Republic of	48	2,560	2,608	15,124	5,759	20,883
Sierra Leone, Republic of	3,236	25	3,261	6,932	1,650	8,582
Solomon Island	273	-	273	478	100	578
Somalia, Federal Republic of	1,814	2,000	3,814	2,547	384	2,931
Sri Lanka, Democratic Socialist Republic of	59	-	59	209	87	296
South Sudan, Republic of	1,810	-	1,810	1,646	2,066	3,712
Sudan, Republic of the	28,882	11,860	40,742	31,643	1,584	33,227
Tajikistan, Republic of	2,118	4,140	6,258	3,154	-	3,154
Tanzania, United Republic of	26,811	1,600	28,411	46,145	4,264	50,409
Timor-Leste, Democratic Republic of	129	308	437	234	739	973
Togolese Republic	3,928	-	3,928	6,421	181	6,602
Uganda, Republic of	36,016	5,988	42,004	39,329	-	39,329
Uzbekistan, Republic of	4,305	228	4,533	11,900	494	12,394
Vietnam, Socialist Republic of	13,098	8,429	21,527	8,362	4,673	13,035
Yemen, Republic of	18,254	3,359	21,613	11,592	3,360	14,952
Zambia, Republic of	14,962	10,860	25,822	13,074	357	13,431
Zimbabwe, Republic of	5,367	2,437	7,804	15,857	4,654	20,511
Total country programme expenses	992,500	388,002	1,380,502	1,195,606	316,135	1,511,741

[1] Vaccine support in 2016 includes support for new vaccine and cold chain equipment. There was no support for cold chain equipment in 2015.

SCHEDULE 2.2: PARTNER PROGRAMME EXPENSES

The following schedule details partner programme expenses during the years ended 31 December 2016 and 2015:

In Thousands of US$	2016	2015
World Health Organization	77,451	64,854
United Nations Children's Fund	68,597	59,939
Centers for Disease Control Foundation	8,163	4,530
The World Bank	5,527	2,150
University of Washington	3,298	5,685
Program for Appropriate Technology in Health	1,854	4,855
Catholic Relief Services	1,704	3,032
Aga Khan University	1,548	1,440
London School of Hygiene & Tropical Medicine	1,508	236
Oxford University	1,349	667
John Snow, Inc.	1,152	791
International Centre for Diarrhoeal Disease Research	1,062	179
Sabine Vaccine Institute	704	577
Murdoch Childrens Research Institute	676	1,031
Swiss Tropical and Public Health Institute	662	194
Deloitte Tax LLP	546	-
International Federation of Pharmaceutical Wholesalers	429	-
Agence de Medicine Preventive	388	3,818
International Federation of Red Cross and Red Crescent Societies	350	-
John Hopkins University	288	407
REPAOC	262	124
United Nations Population Fund	221	-
The Boston Consulting Group	212	-
Agence Européenne pour le Développement et la Santé	162	-
Clinton Health Access Initiative	114	-
United Nations Foundation	89	103
Emory University	89	143
Acasus	61	-
VillageReach	53	-
Royal Tropical Institute	45	-
Pharos International Risk	44	-
Human Service Group Inc.	40	-
one23 Partnership	21	-
Bangladesh Rural Advancement Committee	21	-
PricewaterhouseCoopers	9	-
Merck Sharp & Dohme Corp.	-	5,000
The Global Fund	-	25
FHI 360	-	40
Total partner programme expenses	178,699	159,820

SCHEDULE 2.3: RECONCILIATION OF COUNTRY AND PARTNER PROGRAMME EXPENSES TO PROGRAMME EXPENSES

The following table reconciles country programme expenses, per Schedule 2.1 above, and partner programme expenses, per Schedule 2.2 above, to programme expenses reported in the Consolidated Statements of Activities on page 26 of the consolidated financial statements:

In Thousands of US$	2016	2015
Total country programme expenses	1,380,502	1,511,741
Total partner programme expenses	178,699	159,820
Provision for country programme expenses	49,612	9,963
Recovery of prior year grants	(44,000)	(119,849)
Allocated operating expenses	57,274	46,817
Total programme expenses	1,622,087	1,608,492

SCHEDULE 2.4: PROFESSIONAL FEES

The following schedule details professional fees incurred by the Gavi Group during the years ended 31 December 2016 and 2015:

In Thousands of US$	2016	2015
Consulting services	15,190	17,114
Information technology	5,341	3,095
IFFIm's treasury management fees	2,018	2,265
Temporary staffing	1,229	1,268
Audit and accounting	1,144	1,204
Legal services	1,044	484
In-kind services	1,021	659
Other professional fees	152	53
Total professional fees	27,139	26,142

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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 2016 and 2015, and have issued our report thereon dated 1 September 2017 which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Pledges and Contributions Schedules 1.1 to 1.8 and Expenses Schedules 2.1 to 2.4 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, 1 September 2017