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GAVI Alliance Annual Financial Report 2010

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

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

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Discussion and Analysis

Structure and Governance

Structure

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

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

During the year ended 31 December 2006, the Alliance incorporated the following two private companies in the United Kingdom. These companies were set up to rapidly accelerate the availability and enhance the predictability of funds for the Alliance's immunisation programmes:

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

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

The Alliance's use of IFFIm and GFA as innovative financing mechanisms is discussed further in the *Innovative Financing Mechanisms* section on page 14 of this report.

The Alliance prepared consolidated financial statements for GAVI, IFFIm and GFA. These financial statements commence at page 22 of this Annual Financial Report. In addition to the consolidated financial statements, the Alliance also prepared standalone company financial statements for IFFIm and GFA. These standalone financial statements commence on pages 44 and 68, respectively.

[1] Further information on the legal structures of GAVI, IFFIm and GFA on page 27 of this report.

The following table summarises the assets and liabilities of GAVI, IFFIm and GFA on a standalone and consolidated basis as of 31 December 2010:

In Millions of US$	GAVI Balances	IFFIm Balances	GFA Balances	Eliminated Balances	Consol-idated Balances
Assets					
Cash and investments	1,468	1,568	193	-	3,229
Contributions receivable	2,166	3,172	517	(1,096)	4,759
Other assets	27	140	19	(19)	167
Total assets	3,661	4,880	729	(1,115)	8,155
Liabilities					
Programme grants payable	1,379	517	579	(1,115)	1,360
Bonds payable	-	3,409	-	-	3,409
Accounts payable and other liabilities	8	1	-	-	9
Total liabilities	1,387	3,927	579	(1,115)	4,778
Total net assets	2,274	953	150	-	3,377
Total liabilities and net assets	3,661	4,880	729	(1,115)	8,155

The following table summarises the income and expenses of GAVI, IFFIm and GFA on a standalone and consolidated basis for the year ended 31 December 2010:

In Millions of US$	GAVI Balances	IFFIm Balances	GFA Balances	Eliminated Trans-actions	Consol-idated Balances
Revenue					
Contributions from government and private donors	946	402	802	(1,219)	931
Investment and other income	48	6	1	-	55
Other revenue	1	-	-	-	1
Total revenue	995	408	803	(1,219)	987
Expenses					
Programme	858	400	859	(1,218)	899
Financing costs net of fair value (gains) losses	3	(13)	-	-	(10)
Administrative, fundraising and other	40	5	1	(1)	45
Total expenses	901	392	860	(1,219)	934
Increase (decrease) in net assets	94	16	(57)	-	53

Governance

The Alliance's Board of Directors (the "Board") establishes all of the Alliance's policies, oversees the operations of the Alliance and monitors programme implementation. The new Board was officially launched in October 2008. This new Board was the product of a merger between the old GAVI Alliance Board and the GAVI Fund Board[2].

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

[2] Further information on the merger of the GAVI Alliance and the GAVI Fund is on page 27 of this report.

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

In November 2009, the Alliance established an independent internal audit function to evaluate and strengthen risk management, control and governance processes in the organisation. The work of the internal audit function extends not only to the Secretariat but also to the programmes and activities of the Alliance's grant recipients and partners. The Alliance's internal audit function is led by a director who reports directly to both the Chief Executive Officer and the Board.

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

Mission and Strategic Goals

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

- Strategic Goal 1 – the Vaccine Goal: Accelerate the uptake and use of underused and new vaccines ("SG1 Vaccines"):

  Accelerating the uptake of new and underused vaccines is the Alliance's core business and represents the majority of its expenditure. As many as 100 new vaccine introductions across GAVI-eligible countries are forecasted between 2011 and 2015. The majority of these introductions are pneumococcal and rotavirus vaccines.

  In its second decade, the Alliance aims to confront the world's two biggest child killers, pneumonia and diarrhoea, by accelerating introduction of routine pneumococcal and rotavirus vaccines in the poorest countries. The Alliance will maintain momentum on yellow fever, hepatitis B and Hib vaccines while also supporting campaigns against yellow fever and meningitis A and preparing for additional vaccines including human papillomavirus, Japanese encephalitis, rubella and typhoid.

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

- Strategic Goal 2 – the Health Systems Goal: Contribute to strengthening the capacity of integrated health systems to deliver immunisation ("SG2 Health Systems"):

  While countries are responsible for their health systems, the Alliance's role is to help ensure that their health systems are effective in delivering vaccines. This is achieved through three strategic objectives: (1) contributing to resolving constraints in delivering immunisation, (2) increasing equity in access to services, including gender equity, and (3) strengthening civil society engagement in the health sector.

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

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

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

- Strategic Goal 3 – the Financing Goal: Increase the predictability of global financing and improve the sustainability of national financing for immunisation ("SG3 Financing"):

  The Alliance's resource mobilisation priorities entail: (1) working to secure timely receipt of funds pledged, (2) expanding and extending existing donor commitments, and ensuring further pledges to meet the rapidly accelerating demand for new vaccines, (3) maximising funds pledged conditional on additional funds being raised in the future, (4) broadening the public and private donor base and private sector engagement, and (5) developing and implementing new innovative financing mechanisms.

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

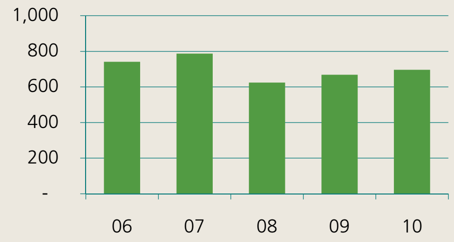
- Strategic Goal 4 – the Market Shaping Goal: Shape vaccine markets ("SG4 Market Shaping"):

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

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

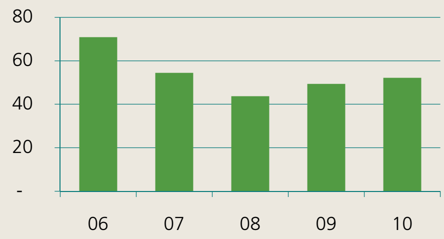
Key Financial Indicators

Indicator	Definition	Five-Year History
Cash proceeds from donors and investors **2010: US$ 696 million** 2009: US$ 668 mil 2008: US$ 624 mil 2007: US$ 787 mil 2006: US$ 741 mil	Cash receipts from GAVI's direct donors plus cash transfers from IFFIm to GAVI. Direct cash receipts include cash received pursuant to the AMC innovative financing mechanism.	



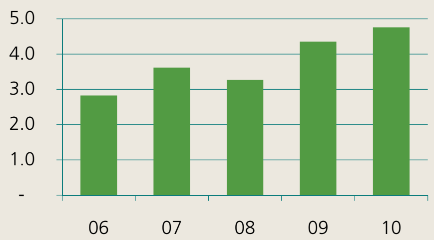
Continued support from donors and investors is fundamental to the achievement of all of the Alliance's strategic goals. Cash receipts from these donors and investors indicate that the Alliance has received a strong and consistent level of support. Cash receipts have increased steadily from 2008 to 2010 and the Secretariat forecasts that this trend will continue in the future.

Indicator	Definition	Five-Year History
Percentage of funds received from innovative financing mechanisms **2010: 52 percent** 2009: 49% 2008: 44% 2007: 54% 2006: 71%	Total cash receipts from IFFIm and the AMC as a percentage of total cash receipts in each year from all of GAVI's donors and investors.	

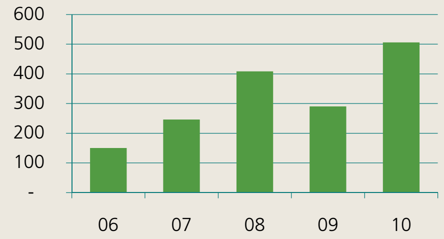


As described in the *Innovative Financing Mechanisms* section on page 14 of this report, the Alliance's innovative financing mechanisms are an integral part of its strategy for achieving all four of its strategic goals. Since the inception of IFFIm in 2006, the Alliance has generated over 40% of each year's cash receipts from innovative financing mechanisms. This reflects the Alliance's strong commitment to developing and maintaining its innovative financing mechanisms.

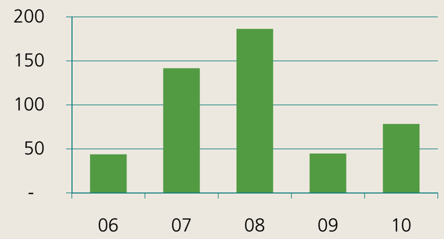
Indicator	Definition	Five-Year History
Total multi-year pledges **2010: US$ 4.7 billion** 2009: US$ 4.4 bil 2008: US$ 3.3 bil 2007: US$ 3.6 bil 2006: US$ 2.8 bil	Year-end fair value of multi-year pledges as presented on the Alliance's consolidated statements of financial position.	



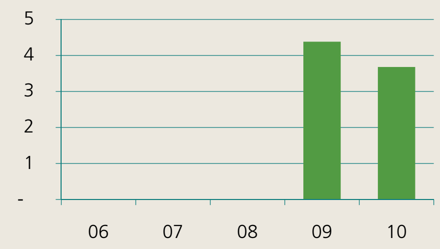
In order to achieve its SG3 Financing goal, the Alliance requires sufficient long-term multi-year pledges to provide implementing countries with a predictable and stable funding environment. The Alliance's multi-year pledges have increased by 68% from 2006 to 2010, enabling it to provide such a funding environment. Based on new commitments received from donors in June 2011, the Secretariat expects that multi-year pledges will increase significantly in the near future, further strengthening the Alliance's ability to deliver on its SG3 Financing goal.

Indicator	Definition	Five-Year History
New and underused vaccines programme disbursements **2010: US$ 506 million** 2009: US$ 291 mil 2008: US$ 408 mil 2007: US$ 246 mil 2006: US$ 150 mil	Cash disbursed for vaccine procurement and to implementing countries for the purpose of accelerating the introduction and uptake of new and underused vaccines.	

Under its SG1 Vaccines goal, the Alliance aims to accelerate the uptake and use of underused and new vaccines ("NVS"). The level of NVS programme disbursements is directly correlated with the rate of uptake of these vaccines and, therefore, provides an indication of the Alliance's progress toward achieving its goal. NVS programme disbursements have increased by 237% from 2006 to 2010, reflecting significant progress in the last five years.

Indicator	Definition	Five-Year History
Health systems strengthening programme disbursements **2010: US$ 78 million** 2009: US$ 45 mil 2008: US$ 186 mil 2007: US$ 142 mil 2006: US$ 44 mil	Cash disbursements made to implementing countries for the purpose of strengthening their health systems.	

Under its SG2 Health Systems goal, the Alliance aims to help strengthen the capacity of implementing countries' integrated health systems. From 2006 to 2010, the Alliance has disbursed US$ 495 million to implementing countries to help bolster their health systems.

Indicator	Definition	Five-Year History
Percentage overhead expenses **2010: 3.68 percent** 2009: 4.38%	Overhead expenses as a percentage of total expenses. Note that, due to changes in the Alliance's structure, overhead expenses for 2008 and prior are not comparable to current expenses and are, therefore not presented.	

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

In Millions of US$	2010	2009
Management and general expenses	44	50
Programme fundraising expenses	2	2
Management, general and fundraising expenses	46	52
Indirect programme expenses	(11)	(21)
Total overhead expenses	35	31

For the purposes of calculating the Alliance's percentage overhead expenses amounts above, total expenses are the aggregate of the Alliance's direct and indirect programme expenses, overhead costs and net financing costs. Total expenses exclude all fair value gains and losses except those included in the determination of the Alliance's net financing costs.

Direct programme expenses include amounts of US$ 66 million and US$ 50 million for 2010 and 2009, respectively, funded by GAVI for activities related to Alliance programmes undertaken by Alliance partners UNICEF, WHO, the World Bank, the Program for Appropriate Technology in Health ("PATH") and Johns Hopkins University. These expenses have been categorised as direct programme expenses as management considers these directly related to the implementation of Alliance programmes.

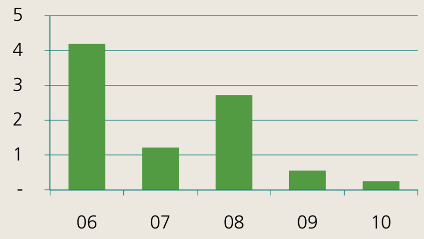
Total expenses were determined as follows:

In Millions of US$	2010	2009
Direct programme expenses	899	643
Indirect programme expenses	11	21
Direct and indirect programme expenses	910	664
Overhead expenses	35	31
Net financing costs	7	12
Total expenses	952	707

The Alliance's percentage overhead expenses were calculated as follows:

In Millions of US$, except Percentages	2010	2009
Total overhead expenses	35	31
Total expenses	952	707
Percentage overhead expenses	3.68%	4.38%

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 percentage administrative overhead was unusually high in 2009 primarily due to lower than expected programme expenses and increased costs associated with GAVI's transition from a United States based charity to Swiss based foundation.

Indicator	Definition	Five-Year History
Percentage net financing costs **2010: 0.25 percent** 2009: 0.55% 2008: 2.72% 2007: 1.21% 2006: 4.19%	Net interest expense as a percentage of average bonds payable balance for the year. Interest expense is net of the impact of swaps transaction. Average bond payable for the year is the average of the nominal monthly balances.	

The Alliance's net interest expense and average bond balance amounts are as follows:

In Millions of US$, except Percentages	2010	2009	2008	2007	2006
Net interest expense on bonds after impact of swaps	7	12	33	14	7
Average nominal value of bonds for the year	2,839	2,190	1,214	1,161	167
Percentage net financing costs	0.25%	0.55%	2.72%	1.21%	4.19%

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 an AAA credit rating. As a resulted of its high credit rating, IFFIm’s borrowing rates to date have been better than if the donors had raised their share of IFFIm's funding individually in their own markets.

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

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

Innovative Financing Mechanisms

Benefits of Innovative Financing Mechanisms

Innovative financing mechanisms help the Alliance to:

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

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

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

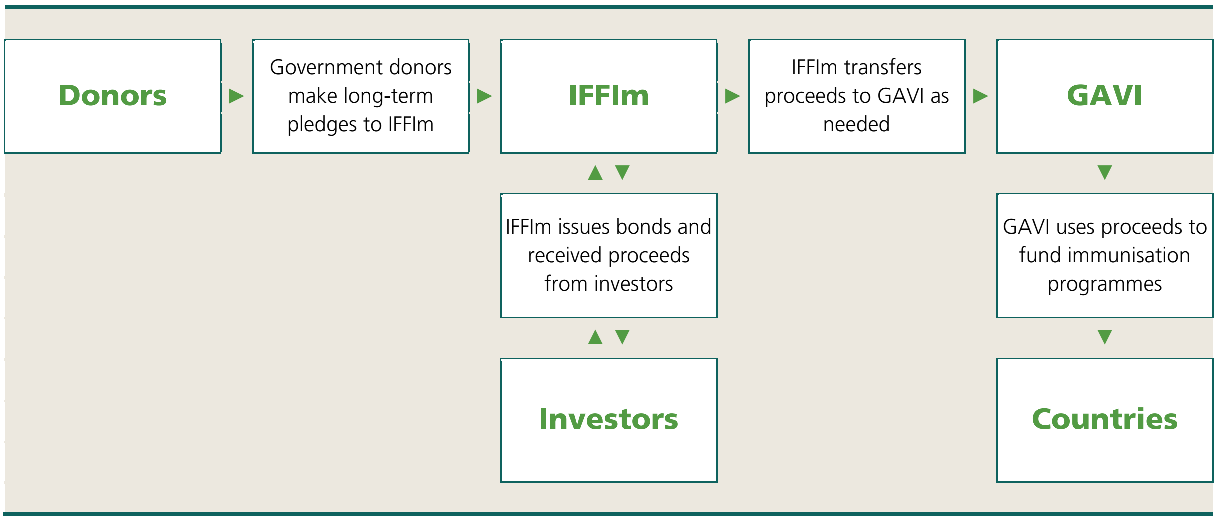
- Respond to the United Nations Millennium Development Goals: The Alliance and immunisation are critical to achieving the United Nations Millennium Development Goal for child health: a two-thirds reduction in the number of deaths of children under five by 2015. Additional resources provided from innovative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

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

The International Finance Facility for Immunisation

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

IFFIm is backed by the Governments of the United Kingdom, France, Italy, Norway, Australia, Spain, the Netherlands, Sweden and South Africa, which together have pledged to contribute more than US$ 6 billion to IFFIm over 23 years[3]. 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 conversion of long-term commitments into immediate cash produces a front-loading effect that is well suited to vaccination programmes. Having immediately available resources ensures a near-term positive impact on public health that strengthens and protects future generations.

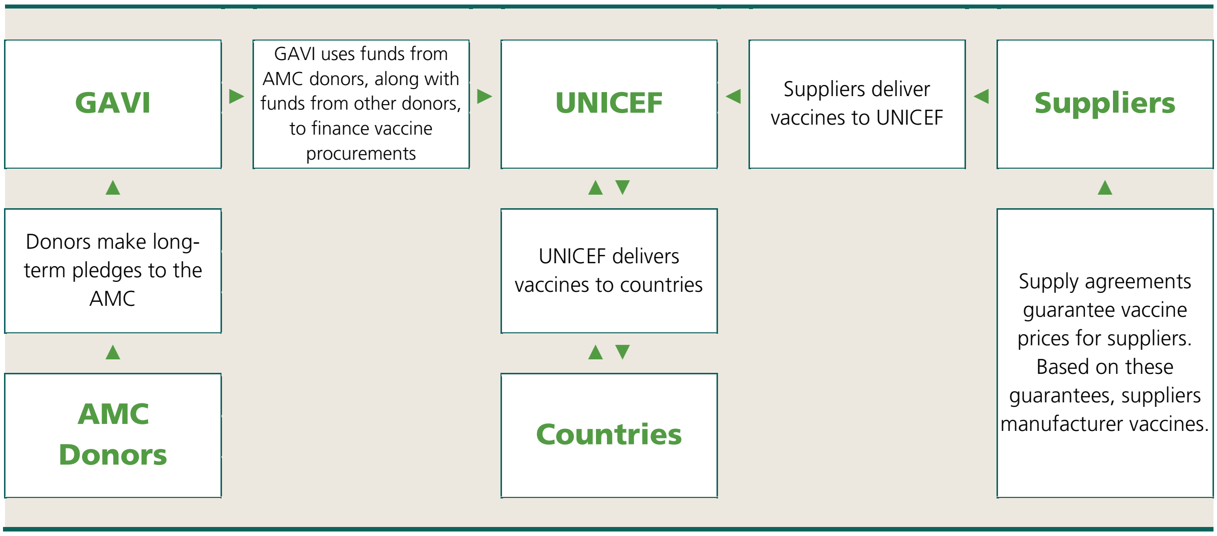
[3] Further information on donor pledges to IFFIm is on page 85 of this report.

Vaccine Bonds also provide investors with a socially responsible investment opportunity, and raise awareness about the Alliance and its mission. Vaccine Bonds have proved popular with both institutional and individual investors, raising US$ 3.4 billion since IFFIm's inception in 2006.

The Advance Market Commitment for Pneumococcal Vaccine

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

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



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

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

A first call for supply offers was published by UNICEF in September 2009. As a result of this tender, in March 2010, GlaxoSmithKline and Pfizer entered into binding supply agreements. Under the agreements, the two vaccine manufacturers each committed to supply 30 million doses annually for a period of 10 years, at a pre-agreed price of US$ 3.50 per dose. 15% of the AMC's funds were allocated to each manufacturer. As of 11 October 2011, 70% of the AMC's funds remained unallocated.

Financial Overview

Overview of Assets and Liabilities

The following table summarises GAVI's consolidated assets and liabilities as of 31 December 2010, 2009 and 2008:

In Millions of US$, except Percentages	2010	2009	2008	Change, 2009 to 2010	Change, 2008 to 2009
Assets					
Cash and investments	3,229	2,370	1,587	36%	49%
Contributions receivable	4,759	4,351	3,264	9%	33%
Other assets	167	72	122	133%	(41)%
Total assets	8,155	6,793	4,973	20%	37%
Liabilities					
Programme grants payable	1,360	848	1,461	60%	(42)%
Bonds payable	3,409	2,609	1,267	31%	106%
Accounts payable and other liabilities	9	12	22	(20)%	(46)%
Total liabilities	4,778	3,469	2,750	38%	26%
Total net assets	3,377	3,324	2,223	2%	50%
Total liabilities and net assets	8,155	6,793	4,973	20%	37%

The Alliance's financial position remained strong during 2009 and 2010. Its total assets increased by 37% and 20% during 2009 and 2010, respectively. These increases in assets were primarily driven by the following:

- Increases in cash and investments: The Alliance's programmatic activity increased steadily from 2008 to 2010. As a result, the Alliance had to maintain higher balances in the procurement bank accounts used by UNICEF to purchase vaccines on the Alliance's behalf. For example, in May 2010 the Alliance deposited US$ 95 million into a procurement account for future pneumococcal vaccine purchases under the AMC. For information on the AMC, see the *Significant Accounting Policies* section on page 28 of this report.

- IFFIm's cash and investment balances also increased significantly from 2008 to 2010. The first of IFFIm's Vaccine Bonds are starting to mature and, therefore, IFFIm has to maintain sufficient cash and investments to redeem these bonds as they mature. IFFIm policy is to maintain sufficient cash to redeem all bonds maturing within 12 months[4]. Therefore, as of 31 December 2009, IFFIm had cash on hand to redeem a US$ 237 million bond that matured in March 2010 and, as of 31 December 2010, it had cash on hand to redeem a US$ 1 billion bond that matures in November 2011.

- Increases in contributions receivable: The Alliance's contributions receivable increased by US$ 1.1 billion, or 33%, during 2009. This increase was primarily due to launch the of the AMC in June 2009, which saw several government donors and the Gates Foundation making pledges to the Alliance with an aggregate nominal value of US$ 1.5 billion. The fair values of these pledges, net of payments received, is reflected in the contribution receivable balances starting in 2009.

The Alliance's total liabilities increased by 26% and 38% during 2009 and 2010, respectively. These increases were primarily due to increases in bonds payable, partially offset by decreases in programme grants payable during 2009:

- Increases in bonds payable: IFFIm has continued to raise funds on the global capital market. IFFIm issued ten new bonds during 2009 and six new bonds in 2010[5]. In addition, since many of the bond issuances were made in currencies other than the United States dollar, the bonds payable balance further increased due to foreign exchange losses as the United States dollar weakened.

- Decreases in programme grants payable: In 2009, the Board adopted a policy of only approving programmes for one year in advance. In previous years, the Board could approve programmes for more than one year in advance.

[4] Further information on IFFIm's liquidity policy is on page 57 of this report.

[5] Further information on IFFIm's issued bonds is on page 55 of this report.

Since the value of programme grants payable depends on the number of country applications that are reviewed and presented to the Board for approval, the change in the programme approval policy resulted in a decrease in that balance during 2009.

Overview of Income and Expenses

The following table summarises GAVI's consolidated income and expenses for the years ended 31 December 2010, 2009 and 2008:

In Millions of US$, except Percentages	**2010**	**2009**	**2008**	**Change, 2009 to 2010**	**Change, 2008 to 2009**
Revenue					
Contributions from government and private donors	931	2,360	689	(61)%	243%
Investment and other income	55	40	(39)	36%	(204)%
Other revenue	1	1	1	22%	17%
Total revenue	987	2,401	651	(59)%	269%
Expenses					
Programme	899	643	1,030	40%	(38)%
Net interest expense on bonds after impact of swaps	7	12	33	(42)%	(64)%
Other fair value (gains) losses	(17)	35	307	(150)%	(89)%
Administrative, fundraising and other	45	52	33	(13)%	55%
Total expenses	934	742	1,404	26%	(47)%
Increase (decrease) in net assets	53	1,659	(753)	(97)%	(320)%

At US$ 2.4 billion for the year, Contribution revenue for 2009 was unusually high for the following reasons:

- Transfers from the GAVI Campaign (the "Campaign"): In January 2009, GAVI signed a grant agreement with the Campaign to transfer substantially all of the Campaign's assets, rights, privileges, liabilities and obligations to GAVI. The fair value of the transferred assets, net of liabilities assumed, was recorded by GAVI as contribution revenue in 2009[6].

- Pledges related to the AMC: As discussed above, the AMC was launched in June 2009 and, therefore, the initial fair value of the pledges received pursuant to the AMC arrangement was recorded as contribution revenue in 2009.

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

In the latter part of 2008, there were severe downturns in the economies of the United States and other developed nations. As a result of this, the Alliance incurred US$ 39 million in investment losses during 2008. However, in 2009 and 2010, the Alliance has experienced positive returns on its investments[7].

The Alliance's programmes expenses decrease by 38% during 2009 and increase by 40% in 2010. These fluctuations are consistent with the fluctuations in the related programme grants payable balance, which are discussed in the *Overview of Assets and Liabilities* section on page 16 of this report.

[6] Further information on the transfer of the Campaign's assets to the Alliance is on page 34 of this report.

[7] Further information on how the Alliance's investments are managed is on page 28 of this report.

Overview of Cash Flows

The following table summarises GAVI's consolidated cash flows for the years ended 31 December 2010, 2009 and 2008:

In Millions of US$, except Percentages	2010	2009	2008	Change, 2009 to 2010	Change, 2008 to 2009
Net cash from (used in) operating activities	178	(105)	(21)	(270)%	400%
Net cash used in investing activities	(699)	(1,094)	(148)	(36)%	639%
Net cash from financing activities	637	1,163	211	(45)%	451%
Net change in cash	116	(36)	42	(422)%	(186)%
Cash as of the beginning of the year	7	43	2	(84)%	2,050%
Cash as of the end of the year	123	7	44	1,698%	(84)%

Net cash from (used in) operating activities is driven mainly by cash receipts from donors and cash payments to implementing countries, procurement agents, partners and vendors for programmatic and administrative purposes. In 2008 and 2009, the Alliance had net cash outflows from operating activities indicating that receipts from donors were marginally less than required to cover cash expenditures. This situation, however, improved in 2010 with net cash inflows of US$ 178 million. Further, as discussed in the *Future Plans* section on page 20 of this report, and due to new donors commitments in June 2011, the Secretariat expects that the Alliance will have sufficient cash to cover cash expenditures for 2011 to 2015.

Net cash from financing activities is comprised of the proceeds from Vaccine Bond issuances, while net cash used in investing activities mainly relates to the investment of these bond proceeds before they are used to fund GAVI programmes or redeem bonds. Therefore, as shown in the table above, these two cash flows are closely correlated. During 2009 and 2010, IFFIm issued US$ 1.2 billion and US$ 637 million, respectively. As discussed in the *Overview of Assets and Liabilities* section on page 16 of this report, these significant bond issuances were made to ensure that IFFIm would have sufficient cash available to redeem maturing bonds while still adequately supporting GAVI programmes.

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

In Millions of US$, except Percentages	2010	2009	2008	Change, 2009 to 2010	Change, 2008 to 2009
Sovereign governments and the European Community	253	256	269	(1)%	(5)%
Gates Foundation and other private donors	80	82	82	(2)%	0%
IFFIm and other innovative financing mechanisms	363	330	273	10%	21%
Total cash receipts from donors and investors	696	668	624	4%	7%

Hedging Market Risks

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

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

Recent Events

June 2011 Pledging Conference

In June 2011, major public and private donors achieved a milestone in global health by committing funding to immunise more than 250 million of the world's poorest children against life threatening diseases by 2015 and prevent more than four million premature deaths. The donors committed US$ 4.3 billion at the first pledging conference held by the Alliance.

The June 2011 pledges increased the Alliance's total assured resources for the period 2011 to 2015 to US$ 7.6 billion. The increased support was timely as the Alliance had recently reported that a record 50 countries applied for vaccine funding during the latest application round. This was nearly double the previous record in 2007. This support will enable the Alliance to accelerate the introduction of new vaccines to eligible countries.

The pledging conference convened prime ministers, ministers and high-level officials from donor and developing countries, leaders of United Nations agencies, chief executive officers from private companies and senior civil society leaders to make commitments to support the Alliance's life-saving work. The meeting was hosted by the governments of the United Kingdom and Liberia, and the Gates Foundation.

Existing government donors more than doubled their previous commitments and new donors, including Japan and Brazil, also pledged for the first time. The Alliance's largest corporate donor, the "la Caixa" Foundation, extended its financial commitment and new donors, Anglo American plc and the Absolute Return for Kids Foundation, made their first pledges.

At the conference, developing countries committed to maintain or increase the co-financing of their vaccine programmes and leverage the partnership to immunise their children. The Alliance estimates that the total level of co-financing will triple to US$ 100 million by 2015. Prior to the pledging conference, vaccine manufacturers announced that they would also contribute by offering lower prices on a range of life-saving vaccines supported by the Alliance, including a two-thirds reduction on the rotavirus vaccine, which combats the leading cause of diarrhoea deaths. Co-financing and lower prices will enhance the sustainability of immunisation programmes.

Conference participants agreed that the momentum to reach more children with vaccines must be maintained and they encouraged the Alliance to expand coverage of immunisation programmes and accelerate the introduction of new vaccines. It was also recognised that vaccine manufacturers should continue to deliver and expand on their promises to reduce vaccine prices and provide greater access, while the countries themselves should continue to meet their co-financing commitments. Participants also agreed to meet in two years time to review the Alliance's progress in immunisation and resource mobilisation.

Future Plans

Meeting Future Vaccine Demand

As discussed on page 19 of this report, in June 2011 the Alliance's assured resources for 2011 to 2015 increased from US$ 3.3 billion to US$ 7.6 billion as a result of new commitments made by donors at the Alliance's pledging conference. Hence, the Alliance is now well placed to respond to the rising demand for GAVI vaccines and accelerate the introduction of new vaccines. The Alliance will also be able to respond to additional demand to reach more children faster than previously planned and to accelerate the introduction of new vaccines.

The following table summarises estimated future cash inflows from donors and investors[8]:

In Millions of US$	2011 to 2015
Confirmed direct contributions to GAVI	4,964
Proceeds from IFFIm bond issuances	1,480
Proceeds from the pneumococcal AMC	880
Total estimated future cash inflows for donors and investors	7,325

The following table summarises estimated future cash outflows for programmatic and administrative activities[8]:

In Millions of US$	2011 to 2015
Country-specific programmes	5,936
Vaccine procurement fees	69
Investment cases and other partner costs	634
Administrative costs	129
Total expected cash outflows	6,767

The Matching Fund

In June 2011, the Alliance, the United Kingdom's Department for International Development ("DFID") and the Gates Foundation announced their intention to launch the GAVI Matching Fund in the near future. DFID and the Gates Foundation have pledged £ 50 million and US$ 50 million, respectively, to the Matching Fund, which will aim to incentivise private donors to contribute to GAVI by using the funds pledged by DFID and the Gates Foundation to match all pledges made by such private donors.

As of 11 October 2011, Anglo American plc, the Absolute Return for Kids Foundation and JP Morgan have pledged US$ 3 million, £ 2 million, £ 1.5 million, respectively. These three pledges will be matched using DFID's contribution to the Matching Fund. In addition, the "la Caixa" Foundation has pledged € 4 million, which will be matched using the Gates Foundation's contribution to the Matching Fund. Several other major corporations have also expressed interest in participating in the Matching Fund initiative going forward.

[8] These estimates were determined using information available to GAVI as of 31 December 2010.

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 have been prepared in conformity with accounting principles generally accepted in the United States of America. The IFFIm and GFA financial statements have been prepared in conformity with accounting principles generally accepted in the United Kingdom. The Alliance's financial statements include amounts based on estimates and judgments made by the Secretariat. The Company engaged KPMG LLP to audit and opine on the Alliance's financial statements.

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

The Board, through its Audit and Finance Committee, meets periodically with the Secretariat, internal auditor, and KPMG LLP to ensure that each is meeting its responsibilities, and to discuss matters concerning internal controls and financial reporting. KPMG LLP 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*, and in particular the information contained in the *Future Plans* section on page 20, 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.

Change in Reporting Entity

In December 2009, Alliance completed a reorganisation of its legal and governance structure. This reorganisation resulted in the Alliance's financial reporting entity changing from the GAVI Fund, a United States based entity, to the GAVI Alliance, a Swiss entity. Therefore, for the purposes of this Discussion and Analysis, historical financial information for 2006 to 2008 is for the GAVI Fund reporting entity. For 2009 and 2010, the information relates to the GAVI Alliance reporting entity[9].

[9] Further information on the change in reporting entity is on page 34 of this report

Consolidated Financial Statements

Consolidated Statements of Financial Position

In Thousands of US$	Note	As of 31 December 2010	As of 31 December 2009
Assets			
Cash		123,374	6,863
Receivables, prepaid expenses and other assets		27,536	49,649
Net receivable for currency and interest rate swaps	5	140,470	21,600
Investments	6	927,036	1,002,835
Pooled investments	6	1,757,966	1,360,340
Restricted cash	8	420,173	-
Promises to give	7	4,758,677	4,351,413
Total assets		8,155,232	6,792,700
Liabilities and net assets			
Liabilities			
Accounts payable and other liabilities		9,446	11,865
Programme grants payable	9	870,896	847,633
Procurement accounts payable	8	489,421	-
Bonds payable	10	3,408,509	2,609,459
Total liabilities		4,778,272	3,468,957
Net assets			
Unrestricted		332,769	402,660
Temporarily restricted	11	3,044,191	2,921,083
Total net assets		3,376,960	3,323,743
Total liabilities and net assets		8,155,232	6,792,700

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 2010	Year Ended 31 December 2009
Unrestricted			
Revenue			
Contributions from government and private donors		270,296	49,362
Contributions from the GAVI Campaign	4	17,379	728,693
Investment income	12	54,397	40,090
Net gains from derivatives	13	239,523	65,200
Foreign currency transaction adjustment		(875)	253
Other revenue		991	813
Release of net assets		592,400	549,480
Total revenue		1,174,111	1,433,891
Expenses			
Programme		898,681	642,799
Management and general		43,537	49,892
Financing		300,159	332,625
Fundraising		1,625	2,026
Total expenses		1,244,002	1,027,342
Change in unrestricted net assets		(69,891)	406,549
Temporarily restricted			
Contributions from government and private donors		643,670	1,169,835
Contributions from the GAVI Campaign	4	-	411,934
Foreign currency transaction adjustment		71,838	220,291
Release of net assets		(592,400)	(549,480)
Change in temporarily restricted net assets		123,108	1,252,580
Net assets as of the beginning of the year			
Unrestricted	3	402,660	(3,889)
Temporarily restricted	3	2,921,083	1,668,503
Total net assets as of the beginning of the year		3,323,743	1,664,614
Net assets as of the end of the year			
Unrestricted		332,769	402,660
Temporarily restricted		3,044,191	2,921,083
Net assets as of the end of the year		3,376,960	3,323,743

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 2010	Year Ended 31 December 2009
Net cash flows from operating activities		
Change in net assets	53,217	1,659,129
Adjustments to reconcile change in net assets to net cash from operating activities:		
Contribution from the GAVI Campaign	(17,379)	(1,140,449)
Realised and unrealised foreign exchange transaction adjustment	183,987	(177,604)
Increase in fair value of borrowings	172,572	243,362
Decrease (increase) in fair value of promises to give	130,887	(216,772)
Depreciation expense	2,524	2,440
Realised and unrealised (gains) losses on investments	(43,788)	11,653
Changes in assets and liabilities:		
Receivables, prepaid expenses and other assets	19,805	19,705
Receivable for currency and interest rate swaps	(129,461)	(44,820)
Promises to give	(722,138)	(805,209)
Accounts payable and accrued liabilities	(2,419)	5,773
Programme grants payable	23,263	337,910
Procurement account payable	506,800	-
Net cash used in operating activities	177,870	(104,882)
Cash flows from investing activities		
Restricted cash for long-term purposes	(420,173)	-
Purchase of fixed assets	(216)	(1,519)
Purchase of investments	(957,070)	(1,546,152)
Sales of investments	679,031	453,233
Net cash used in investing activities	(698,428)	(1,094,438)
Cash flows from financing activities		
Proceeds from bond issuances	637,070	1,162,930
Net cash from financing activities	637,070	1,162,930
Net change in cash	116,511	(36,390)
Cash as of the beginning of the year	6,863	43,253
Cash as of the end of the year	123,374	6,863
Supplemental disclosures		
Fixed assets received through donation	-	7,184
Cash paid for interest	128,269	86,056

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

Consolidated Statements of Functional Expenses

Year Ended 31 December 2010, in Thousands of US$	Programme Expenses	Management and General Expenses	Financing Expenses	Programme Fundraising Expenses	Total Expenses
Direct programme expenses	898,681	-	-	-	898,681
Total programme expenses	898,681	-	-	-	898,681
Payroll and benefits	-	20,856	-	1,393	22,249
Training and recruitment	-	682	-	2	684
Professional fees	-	8,294	-	55	8,349
Media production and distribution	-	800	-	2	802
Events and meetings	-	1,038	-	17	1,055
Travel and representation	-	2,364	-	156	2,520
Facility and office costs	-	9,249	-	-	9,249
Supplies and minor equipment	-	254	-	-	254
Other borrowing expenses	-	-	167,722	-	167,722
Interest expense	-	-	132,437	-	132,437
Other operating expenses	-	43,537	300,159	1,625	345,321
Total expenses	898,681	43,537	300,159	1,625	1,244,002

Year Ended 31 December 2009, in Thousands of US$	Programme Expenses	Management and General Expenses	Financing Expenses	Programme Fundraising Expenses	Total Expenses
Direct programme expenses	595,607	-	-	-	595,607
Programme implementation	47,192	-	-	-	47,192
Total programme expenses	642,799	-	-	-	642,799
Payroll and benefits	-	19,142	-	1,263	20,405
Training and recruitment	-	1,265	-	1	1,266
Professional fees	-	12,711	-	448	13,159
Media production and distribution	-	827	-	1	828
Events and meetings	-	2,154	-	80	2,234
Travel and representation	-	2,919	-	123	3,042
Facility and office costs	-	10,160	-	110	10,270
Supplies and minor equipment	-	714	-	-	714
Other borrowing expenses	-	-	224,778	-	224,778
Interest expense	-	-	107,847	-	107,847
Other operating expenses	-	49,892	332,625	2,026	384,543
Total expenses	642,799	49,892	332,625	2,026	1,027,342

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

Notes to the Consolidated Financial Statements

1. Nature of Operations and Affiliations

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

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

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

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

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

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

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

- In August and December 2009, GAVI became the sole member of GFA and IFFIm, respectively. Prior to these dates, the Campaign was the sole member of GFA and IFFIm. Due to the change in reporting entity, which is described further in Note 3, the effect of this change in membership has been retroactively applied in these financial statements.

- In December 2009, all of the Campaign's rights and obligations under the Finance Framework Agreement, Procedures Memorandum and Administrative Support Agreements among the Campaign, GFA and IFFIm (the "IFFIm Governing Documents") were novated to GAVI. This novation of the Governing Documents resulted in a change in reporting entity as described in Note 3 to the financial statements.

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

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

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 and GFA. All intra-entity balances and transactions have been eliminated on consolidation.

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

Promises to Give: The Alliance records each unconditional promise to give at fair value on the date the donor signs the grant agreement. The techniques applied in determining the fair values of promises to give are described in the *Fair Values of Financial Instruments* section below.

Due to the nature of promises to give, changes in market and credit risk, vaccine demand and the economic environment may significantly impact the inputs used in the model and, consequently, the fair value of the promises to give. 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 promises to give are recognised in the Consolidated Statement of Activities in the period of change and included in contribution revenue in the Statement of Activities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

  The reference portfolio is as follows:

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

  The fair values of promises to give 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 promises to give. This model yielded reductions in expected future cash flows of 15.5% and 16.3% as of 31 December 2010 and 2009, respectively.

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

The fair values of future cash flows from IFFIm Donors were US$3.2 billion and US$ 2.9 billion as of 31 December 2010 and 2009, respectively. These fair values were estimated using observable donor-specific risk adjusted annual discount rates ranging from 0.3% to 5.9% for 2010, and from 0.1% to 5.6% for 2009.

- <u>Promises to Give from AMC Donors</u>: Advance Market Commitments (each an "AMC") are a new approach to public health funding and 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 WHO, launched the AMC pilot project against pneumococcal disease. Pursuant to the launch of this AMC, the AMC Donors entered into grant agreements of which GAVI is the beneficiary. The AMC Donor pledges made in these grant agreements are legally binding and guaranteed by the World Bank. They are irrevocable and are payable by the AMC Donors over ten years.

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

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

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

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

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

  Each AMC Donor's promise to give is discounted using rates determined by either adjusting the donor's sovereign government Biovail ("BVF") yield curve to reflect the increased credit risk of the donor, if any, or identifying securities with similar risk profiles and using the yield curves for those securities.

  The fair values of future cash flows from AMC Donors were US$ 1.3 billion and US$ 1.1 billion as of 31 December 2010 and 2009, respectively. This fair value was estimated using observable and unobservable risk adjusted annual discount rates ranging from 0.4% to 5.1% for 2010, and from 0.5% to 5.2% for 2009.

- <u>Other Promises to Give</u>: Promises to give 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 2010 and 2009 were US$ 329 million and US$ 401 million, respectively. This fair value was estimated using observable donor-specific risk adjusted annual discount rates ranging from 0.5% to 3.4% for 2010, and from 0.6% to 3.0% for 2009.

- <u>Programme Grants Payable</u>: The fair value of each 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.

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

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

Fixed Assets: Furniture, equipment and leasehold improvements that were purchased by the Alliance are stated at cost. Depreciation for furniture and equipment is calculated using the straight-line method over their estimated useful lives of three to five years. Depreciation for leasehold improvements is calculated using the straight-line method over the shorter of the asset's useful life or the term of the lease. Net fixed assets of US$ 4.2 million and US$ 6.5 million are included in receivables, prepaid expenses and other assets in the Consolidated Statement of Financial Position as of 31 December 2010 and 2009, respectively.

Income Taxes: US GAAP requires that financial statements reflect the expected future tax consequences of uncertain tax positions that an entity has taken or expects to take on a tax return, presuming the tax authorities' full knowledge of the position and all relevant facts. US GAAP also requires that an entity recognise the benefit of tax positions when it is more likely than not that the provision will be sustainable based on the merits of the position. The Alliance performed an evaluation of uncertain tax positions for the years ended 31 December 2010 and 2009 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 2010, the statutes of limitations for tax years 2007 through 2009 remain open with the United States Federal jurisdiction or the various states and local jurisdictions in which the Alliance files tax returns. It is the Alliance's policy to recognise interest or penalties related to uncertain tax positions, if any, in income tax expense. As of 31 December 2010 and 2009, the Alliance had no accrued interest or penalties.

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

Foreign Currency Transactions: These financial statements are presented in United States dollars, which is the reporting currency of the Alliance. The assets and liabilities held in foreign currency are converted to United States dollars at the prevailing average interbank exchange rate as of 31 December 2010 and 2009. Foreign currency transactions are translated at the prevailing average interbank exchange rates on the date of the transaction. The resulting foreign exchange gains and losses are recognised in the Consolidated Statement of Activities.

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

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

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

- Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that must be maintained permanently by the Alliance. As of 31 December 2010 and 2009, the Alliance did not have any permanently restricted net assets.

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

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

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

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

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

Adoption of New Accounting Pronouncements: In June 2009, the Financial Accounting Standards Board (the "FASB") issued authoritative guidance that established its Accounting Standards Codification (the "Codification") as the source of authoritative US GAAP recognised by the FASB to be applied to nongovernmental entities. The Codification supersedes all existing nongovernmental accounting and reporting standards upon its effective date, and subsequently, the FASB will not issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts. The guidance is not intended to change or alter existing US GAAP. The guidance became effective for the Alliance in the fourth quarter of 2009. The guidance did not have an impact on the Alliance's Consolidated Statements of Financial Position, Activities, Cash Flows, and Functional Expenses. All references to previous numbering of FASB Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts have been removed from the consolidated financial statements and accompanying footnotes.

In May 2009, the FASB issued authoritative guidance for subsequent events. The guidance provides authoritative accounting literature related to evaluating subsequent events that was previously addressed in auditing literature alone. The guidance is similar to the current guidance, with some exceptions that are not intended to result in a significant change to current practice. The guidance defines subsequent events and also requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. The Alliance adopted the disclosure provisions of the guidance as of 31 May 2009. The adoption did not have an impact on the Alliance's Consolidated Statement of Financial Position, Statement of Activities or Statement of Cash Flows.

In September 2009, the FASB issued Accounting Standards Update Number 2009-12 ("ASU 2009-12") *Fair Value Measurements and Disclosures – Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. ASU 2009-12 is effective for interim and annual periods ending after December 15, 2009 and permits, as a practical expedient, an entity holding investments in certain entities that calculate net asset value per share or its equivalent ("NAVPS") for which fair value is not readily determinable, to measure the fair value of such investments on the basis of that net asset value per share or its equivalent without adjustment. ASU 2009-12 amends the Codification and provides that if the reporting entity has the ability to redeem its investment in another fund at net asset value at the measurement date, the investment shall be categorized as a Level 2 fair value measurement, and if the reporting entity cannot redeem its investment in another fund at net asset value at the measurement date but the investment may be redeemable at a future date, the reporting entity shall consider the length of time until the investment will be redeemable in determining whether it will be categorized as a Level 2 or Level 3 fair value measurement. The Alliance adopted the provisions of ASU 2009-12 as of 30 September 2009.

In August 2009, the FASB issued Accounting Standards Update Number 2009-05 ("ASU 2009-05") *Fair Value Measurements and Disclosures – Measuring Liabilities at Fair Value*, which provides alternatives to measuring the fair value of liabilities when a quoted price for an identical liability traded in an active market does not exist. The alternatives include using the quoted price for the identical liability when traded as an asset or the quoted price of a similar liability or of a similar liability when traded as an asset, in addition to valuation techniques based on the amount an entity would pay to transfer the identical liability or receive to enter into an identical liability. The Alliance adopted the provisions of ASU 2009-05 as of 1 January 2010. The adoption did not have an impact on the Alliance's Consolidated Statement of Financial Position, Statement of Activities or Statement of Cash Flows.

In January 2010, the FASB issued Accounting Standards Update Number 2010-06 ("ASU 2010-06") *Fair Value Measurements and Disclosures – Improving Disclosures about Fair Value Measurements*. ASU 2009-12 requires additional disclosures about fair value measurements including transfers in and out of Levels 1 and 2 and an increased level of disaggregation by class of the different types of financial instruments. For the reconciliation of Level 3 fair value measurements, ASU 2010-06 requires that information about purchases, sales, issuances and settlements be presented separately. ASU 2010-06 is effective for interim and annual periods beginning after 15 December 2009, except for the requirements to disclose purchases, sales, issuances and settlements separately in the reconciliation of Level 3 fair value measurements. Those disclosure requirements are effective for interim and annual periods beginning after 15 December 2010, The Alliance adopted the provisions of ASU 2010-06 as of 1 January 2010.

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

3. Change in Reporting Entity

The novation to GAVI of the Campaign's rights, privileges and obligations under the IFFIm Governing Documents resulted in a change in reporting entity. In prior years, the Alliance presented consolidated financial statements that included the accounts of the Campaign, GAVI, GFA and IFFIm. For the years ended 31 December 2010 and 2009, due to this change in reporting entity, the Alliance presented consolidated financial statements that retrospectively include the accounts of GAVI, GFA and IFFIm.

The change in reporting entity had the following impacts on consolidated net assets as of 1 January 2009 and the consolidated change in net assets for the year ended 31 December 2009:

In Thousands of US$	Consolidated Net Assets as of 1 January 2009	Consolidated Change in Net Assets for the Year Ended 31 December 2009
Before the impact of the change in reporting entity		
Unrestricted	18,171	454,835
Temporarily restricted	2,204,356	712,313
Before the impact of the change in reporting entity	2,222,527	1,167,148
Impact of the change in reporting entity		
Unrestricted	(22,060)	(48,286)
Temporarily restricted	(535,853)	540,267
Total impact of the change in reporting entity	(557,913)	491,981
After the impact of the change in reporting entity		
Unrestricted	(3,889)	406,549
Temporarily restricted	1,668,503	1,252,580
After the impact of the change in reporting entity	1,664,614	1,659,129

4. Contributions from the GAVI Campaign

In January 2009, GAVI signed a grant agreement with the Campaign to transfer substantially all of the Campaign's assets, rights, privileges, liabilities and obligations to GAVI (the "Transfer Grant Agreement"). During the year ended 31 December 2009, and pursuant to the Transfer Grant Agreement, the Campaign began the process of transferring assets and liabilities to GAVI in a series of tranches. The Campaign completed the transfers during the year ended 31 December 2010.

The transfer of the Campaign's assets, net of liabilities assumed, was recorded by GAVI as contribution revenue and presented accordingly in the Alliance's Consolidated Statement of Activities. The aggregate values of the contributions recorded were US$ 11 million and US$ 1.1 billion for the years ended 31 December 2010 and 2009, respectively.

Assets transferred from the Campaign included certain promises to give that were classified by the Campaign, prior to transfer, as temporarily restricted due to donor-imposed restrictions. These restrictions were still attached to the promises to give after they were transferred to GAVI. Therefore, the promises to give and related contributions from the Campaign are classified as temporarily restricted in the Consolidated Statement of Financial Position and Consolidated Statement of Activities, respectively.

Contributions from the Campaign were:

In Thousands of US$	2010	2009
Unrestricted contributions pursuant to the Transfer Grant Agreement	11,191	728,693
Temporarily restricted contributions pursuant to the Transfer Grant Agreement	-	411,934
Other unrestricted contributions from the Campaign	6,188	-
Total contributions from the Campaign	17,379	1,140,627

5. Derivative Financial Instruments

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

Foreign Exchange Rate Risk: During the years ended 31 December 2010 and 2009, IFFIm was exposed to foreign exchange risks from currency mismatches as well as timing differences between receipt of donor payments, payment of bond obligations, disbursements to GFA and issuance of IFFIm bonds. To mitigate these risks, donor pledges were swapped into United States dollar floating rate assets and, at issuance, IFFIm's bonds payable were swapped into United States dollar floating rate liabilities.

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

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

	31 December 2010		31 December 2009	
In Thousands of US$	Notional Amount	Fair Value	Notional Amount	Fair Value
Swaps related to promises to give				
Interest rate swaps	15,360	(2,482)	21,504	(1,874)
Currency swaps	4,746,824	(304,867)	4,553,714	(252,014)
Payable on swaps related to promises to give		(307,349)		(253,888)
Swaps related to bonds payable				
Interest rate swaps	4,008,473	51,492	2,414,055	73,437
Currency swaps	1,851,083	396,042	1,221,226	202,051
Receivable on swaps related to bonds payable		447,534		275,488
Interest rate overlay swap		285	-	-
Net receivable for currency and interest rate swaps		140,470		21,600

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

6. Investments

The fair values of the Alliance's investments were:

In Thousands of US$	2010	2009
Money market funds	273,966	282,618
Collective investment trusts	231,836	296,668
Registered investment companies	236,554	259,997
Limited liability companies and limited partnerships	184,680	163,552
Pooled investments	1,757,966	1,360,340
Total investments	2,685,002	2,363,175

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

As of 31 December 2010 and 2009, the redemption frequencies, redemption notice periods and fair values of the Alliance's investments in Underlying Funds were:

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

In Thousands of US$	Redemption Frequency	Redemption Notice Period	Fair Value
Collective investment trusts[1]	Daily	2 days	296,668
Limited liability companies and limited partnerships[2]	Daily	5 days	54,740
Limited liability companies and limited partnerships[3]	Monthly	5 days	108,812
Total investments			460,220

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

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

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

7. Promises to Give

Unconditional Promises to Give: The Alliance's unconditional promises to give consisted of the following:

In Thousands of US$	2010	2009
Contributions due in less than one year	364,605	358,859
Contributions due in two to five years	2,060,967	1,830,858
Contributions due thereafter	4,306,911	4,258,279
Promises to give before unamortised discount and grant payment condition	6,732,483	6,447,996
Unamortised discount	(1,207,806)	(1,321,938)
Reduction due to grant payment condition	(766,000)	(774,645)
Total promises to give	4,758,677	4,351,413

Conditional Promises to Give: In December 2009, GAVI entered into a grant agreement with the European Commission. Under this agreement the European Commission undertook to contribute up to € 9.5 million to GAVI. This contribution is contingent upon GAVI implementing a programme for the introduction of pneumococcal vaccines in the least developed African, Caribbean and Pacific countries. The abovementioned conditions were met and, therefore, the contribution was recognised in the Consolidated Statement of Financial Position.

8. Restricted Cash and Procurement Accounts Payable

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

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

9. Programme Grants Payable

The Alliance's committed but unpaid grants were:

In Thousands of US$	2010	2009
Grants payable due in less than one year	866,643	840,464
Grants payable due in two to five years	4,286	7,347
Grants payable before unamortised discount	870,929	847,811
Less unamortised discount	(33)	(178)
Total programme grants payable	870,896	847,633

10. Bonds Payable

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

Issue Date	Maturity Date	Coupon Interest Rate	Nominal Amount, in Thousands of US$	Fair Value as of 31 December 2010, in Thousands of US$	Fair Value as of 31 December 2009, in Thousands of US$
14 November 2006	14 November 2011	5.00%	1,000,000	1,048,155	1,073,886
18 March 2008	18 March 2010	9.90%	-	-	237,348
19 February 2009	21 February 2012	2.60%	45,736	44,885	38,493
19 February 2009	21 February 2012	2.65%	139,083	139,226	125,083
19 February 2009	21 February 2012	6.26%	477,503	491,078	422,546
15 May 2009	15 May 2014	3.38%	388,200	414,272	416,519
15 May 2009	13 June 2014	0.00%	29,280	27,333	26,458
27 May 2009	25 May 2012	3.51%	50,818	49,796	43,020
27 May 2009	25 May 2012	1.00%	105,000	105,880	103,335
24 June 2009	24 June 2013	4.36%	71,746	69,616	60,160
24 June 2009	24 June 2013	6.85%	36,001	36,527	30,551
24 June 2009	24 June 2024	0.50%	120,506	42,019	32,060
23 March 2010	27 March 2013	7.15%	376,580	391,485	-
28 June 2010	27 June 2014	4.77%	17,481	16,875	-
28 June 2010	27 June 2014	8.30%	62,246	63,286	-
28 June 2010	29 June 2020	0.50%	64,772	31,604	-
15 October 2010	15 October 2015	5.50%	35,572	34,960	-
8 December 2010	8 December 2015	5.75%	406,540	401,512	-
Total bonds payable			3,427,063	3,408,509	2,609,459

11. Temporarily Restricted Net Assets

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

In Thousands of US$	2010	2009
Due to time restriction	1,778,710	1,850,998
Due to programme restriction	1,265,481	1,070,085
Total temporarily restricted net assets	3,044,191	2,921,083

12. Investment Income

Investment income was as follows:

In Thousands of US$	2010	2009
Investment income on investments held by GAVI	49,554	29,586
Investment fees on investment held by GAVI	(1,616)	(1,216)
Net investment income on investments held by GAVI	47,938	28,370
Investment income on pooled invesments held by IFFIm and GFA	6,459	11,720
Total investment income	54,397	40,090

Investment income on investments held by GAVI included net gains on investments of US$ 37 million and US$ 23 million for the years ended 31 December 2010 and 2009, respectively.

13. Net Gains from Derivatives

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

In Thousands of US$	2010	2009
Net losses from swaps related to promises to give	(54,487)	(228,967)
Net gains from swaps related to borrowings	293,725	294,167
Net gains from other derivatives	285	-
Net gains from derivatives	239,523	65,200

14. Retirement Plans

The Alliance sponsors the following retirement plans:

Employees Based in Geneva, Switzerland: GAVI sponsors a defined contribution term savings plan with Zurich International Life Limited ("the Geneva Plan"). Membership in the Geneva Plan is mandatory for all employees with GAVI employment contracts of four or more months. The Geneva Plan is funded by both GAVI and employees' contributions that are based on the employees' gross annual salaries. GAVI makes monthly employer contributions to the Geneva Plan at 16% of the employee gross salary. Each employee has a compulsory 5% contribution. The total amount expensed for GAVI's contributions was US$ 2.7 million and US$ 2 million for the years ended 31 December 2010 and 2009, 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 contribution equals 1% of each vested participant's compensation and a 3% contribution due to a safe harbour provision. The participants are fully vested after one thousand hours of employment in a plan year. 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 amount expensed for GAVI's contributions was US$ 430 thousand and US$ 461 thousand for the years ended 31 December 2010 and 2009, respectively.

15. Leases

GAVI has a five-year lease agreement for office space in Geneva, Switzerland, which commenced on in January 2007, and a ten-year lease agreement for office space in Washington, DC, which commenced in November 2003.

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 2011	3,740	975	2,765
Year Ending 31 December 2012	1,568	1,021	547
Year Ending 31 December 2013	1,595	906	689
Year Ending 31 December 2014	1,324	494	830
Thereafter	3,575	721	2,854
Total	11,802	4,117	7,685

Rent expense for these leases is recognised on a straight-line basis over the term of the leases. Rental expense was US$ 3.7 million and US$ 3.2 million for the years ended 31 December 2010 and 2009, respectively.

16. Concentration of Credit Risk

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

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act permanently raised the current standard maximum deposit insurance amount to US$ 250 thousand. The standard maximum insurance amount of $100,000 had previously been temporarily raised to $250 thousand until December 31, 2013. The FDIC insurance coverage limit applies per depositor, per insured depository institution for each account ownership category. The temporary increase from US$ 100 thousand to US$ 250 thousand was effective from October 3, 2008, through December 31, 2010. On May 20, 2009, the temporary increase was extended through December 31, 2013. While amounts in the Alliance's demand deposit accounts at times exceed the amount guaranteed by the FDIC and therefore bear some risk, the Alliance has not experienced, nor does it anticipate, any credit losses on these financial instruments.

The approximate uninsured cash balances are as follows:

In Thousands of US$	2010	2009
Cash in current accounts	119,200	600
Restricted cash	420,000	-
Money market investments	929,000	283,000
Total uninsured cash balance	1,468,200	283,600

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

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

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

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

17. Fair Values of Financial Instruments

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

As of 31 December 2010, in Thousands of US$	Level 1	Level 2	Level 3	Total
Pooled investments:				
Government and agency securities	18,060	1,210,237	-	1,228,297
Mortgage and asset-backed securities	-	206	-	206
Money market securities	20,463	509,000	-	529,463
Other investments:				
Money market funds	273,966	-	-	273,966
Collective investment trusts	-	231,836	-	231,836
Registered investment companies	236,554	-	-	236,554
Limited partnerships and limited liability companies	-	184,680	-	184,680
Promises to give	-	1,008,254	3,750,423	4,758,677
Receivable for currency and interest swaps	-	140,470	-	140,470
Total assets at fair value	549,043	3,284,683	3,750,423	7,584,149

As of 31 December 2009, in Thousands of US$	Level 1	Level 2	Level 3	Total
Pooled investments:				
Government and agency securities	-	90,149	-	90,149
Mortgage and asset-backed securities	75	373,867	-	373,942
Money market securities	45,705	850,544	-	896,249
Other investments:				
Money market funds	282,618	-	-	282,618
Collective investment trusts	-	296,668	-	296,668
Registered investment companies	259,997	-	-	259,997
Limited partnerships and limited liability companies	-	163,552	-	163,552
Promises to give	-	1,028,163	3,323,250	4,351,413
Receivable for currency and interest swaps	-	21,600	-	21,600
Total assets at fair value	588,395	2,824,543	3,323,250	6,736,188

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

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

As of 31 December 2009, in Thousands of US$	Level 1	Level 2	Level 3	Total
Programme grants payable	-	847,633	-	847,633
Bonds payable	-	2,609,459	-	2,609,459
Total liabilities at fair value	-	3,457,092	-	3,457,092

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

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

In Thousands of US$	Promises to give as of 31 December 2009
Fair value as of 1 January 2009	2,741,183
Net realised fair value gains	30,185
Net unrealised fair value gains	189,259
New contributions	528,284
Contributions received	(165,661)
Total assets at fair value	3,323,250

The following are the fair value gains (losses) on the Alliance's bonds payable, programme grants payable and promises to give, along with where these gains (losses) are included in the Consolidated Statement of Activities:

In Thousands of US$	2010	2009
Fair value losses on bonds included in financing expenses	(161,136)	(213,980)
Fair value gains (losses) on promises to give included in contribution revenue	247,804	(209,714)
Fair value gains on programme grants payable included in programme expenses	33	178

18. Subsequent Events

In preparing these consolidated financial statements, the Alliance evaluated subsequent events through 11 October 2011, which represents the date that the consolidated financial statements were issued. The Alliance identified the following significant subsequent events:

- In March 2011, GFA received a new sovereign pledge from the Commonwealth of Australia. GFA assigned the pledge to IFFIm in the same month. The pledge was in the amount of AU$ 250 million and is payable over 19 years, commencing on 30 June 2011 and ending on 31 March 2030.

- In March 2011, IFFIm completed a bond issuance arranged by Daiwa Securities Group, raising R$ 371 million. The bond matures in March 2014 and has semi-annual interest payments at a coupon rate of 7.81%.

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Independent Auditors' Report

The Board of Directors

The GAVI Alliance, Geneva

We have audited the accompanying consolidated statements of financial position of the GAVI Alliance as of 31 December 2010 and 2009, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended. These consolidated financial statements are the responsibility of the GAVI Alliance's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the GAVI Alliance as of 31 December 2010 and 2009, and the change in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG SA

Pierre-Henri Pingeon
Licensed Audit Expert
Auditor in Charge

Karina Vartanova
Licensed Audit Expert

Geneva, 11 October 2011

IFFIm Financial Statements

Statements of Income and Expenditures

In Thousands of US$	Note	Year Ended 31 December 2010 Restricted Funds	Year Ended 31 December 2009 Restricted Funds
Turnover			
Contribution revenue	20	401,608	87,137
Operating expenses			
Programme grants to GFA	22	400,000	620,485
Treasury manager's fees	22	2,212	1,965
Governance costs	22	2,934	2,985
Total operating expenses		405,146	625,435
Other operating income			
Donated services	20	835	842
Operating loss		(2,703)	(537,456)
Financing and investment income (expenses)			
Financing income (expenses) on bonds and bond swaps:			
Net fair value gains on bonds and bond swaps	23	132,589	80,186
Interest expense on bonds		(132,437)	(110,554)
Net financing income (expenses) on bonds and bond swaps		152	(30,368)
Other financing income (expenses):			
Net fair value gains (losses) on pledges and pledge swaps	23	18,074	(9,522)
Other foreign exchange gains (losses)	23	940	(1,255)
Other financing charges		(6,586)	(8,091)
Net other financing income (expenses)		12,428	(18,868)
Investment income:			
Investment and interest income	21	5,670	10,773
Fair value gain on interest rate overlay swap	23	285	-
Total financing and investment income (expenses)		18,535	(38,463)
Surplus (Deficit) for the year		15,832	(575,919)

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

Statements of Financial Activities

In Thousands of US$	Note	Year Ended 31 December 2010 Restricted Funds	Year Ended 31 December 2009 Restricted Funds
Incoming resources from generated funds			
Voluntary income:			
Contribution revenue	20	401,608	87,137
Donated services	20	835	842
Total voluntary income		402,443	87,979
Investment and interest income	21	5,670	10,773
Total incoming resources from generated funds		408,113	98,752
Resources expended			
Cost of generating funds:			
Treasury manager's fee	22	2,212	1,965
Financing charges	22	139,023	118,645
Total cost of generating funds		141,235	120,610
Charitable activities	22	400,000	620,485
Governance costs	22	2,934	2,985
Total resources expended		544,169	744,080
Net resources expended		(136,056)	(645,328)
Net fair value gains on pledges, bonds and swaps	23	151,888	69,409
Net change in funds		15,832	(575,919)
Total funds as of the beginning of the year		937,343	1,513,262
Total funds as of the end of the year		953,175	937,343

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

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

Balance Sheets

In Thousands of US$	Note	As of 31 December 2010	As of 31 December 2009
Noncurrent assets			
Sovereign pledges due after more than one year	24	3,007,991	2,731,679
Current assets			
Derivative financial instruments	26	460,740	326,648
Sovereign pledges due within one year	24	163,588	150,424
Prepayments		424	396
Cash and funds held in trust:			
Cash		2,442	772
Funds held in trust	25	1,565,302	1,082,285
Total cash and funds held in trust		1,567,744	1,083,057
Total current assets		2,192,496	1,560,525
Current liabilities			
Derivative financial instruments	26	320,270	305,048
Creditors falling due within one year	27	1,079,932	267,490
Grants payable to GFA		517,064	437,064
Total current liabilities		1,917,266	1,009,602
Net current assets		275,230	550,923
Total assets less current liabilities		3,283,221	3,282,602
Creditors falling due after more than one year	28	2,330,046	2,345,259
Net assets		953,175	937,343
Restricted funds		953,175	937,343

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

Statements of Cash Flows

In Thousands of US$	Note	Year Ended 31 December 2010 Restricted Funds	Year Ended 31 December 2009 Restricted Funds
Net cash outflows from operating activities		(22,984)	(69,551)
Returns on investments and servicing of financing			
Investment and interest income received	21	5,670	10,773
Interest paid on bonds		(132,437)	(110,554)
Management of liquid resources			
Increase in funds held in trust	34	(483,017)	(936,923)
Net cash outflows before financing activities		(609,784)	(1,036,704)
Cash inflows from financing activities			
Proceeds from bond issuances	34	634,438	1,106,635
Net change in cash		1,670	380
Cash as of the beginning of the year		772	392
Cash as of the end of the year		2,442	772

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

In Thousands of US$	2010	2009
Net change in funds	15,832	(575,919)
Investment and interest income	(5,670)	(10,773)
Bond interest expense	132,437	110,554
Fair value gains on sovereign pledges	(72,561)	(219,445)
Fair value losses on bonds	161,136	213,980
Initial fair value of pledges	(401,608)	(87,137)
Payments received from donors	184,693	165,662
(Increase) decrease in prepayments	(28)	46
(Increase) decrease in derivative financial instruments	(118,870)	19,066
Increase in trade creditors, amounts due to related parties, and accrued bond interest	894	23,957
Increase in advances received on pledges	761	-
Increase in grants payable to GFA	80,000	290,458
Net cash outflows from operating activities	(22,984)	(69,551)

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

Notes to the Annual Financial Statements

19. Significant Accounting Policies

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

Basis of Accounting: The financial statements are prepared:

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

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

- in accordance with FRS26 *Financial Instruments: Recognition and Measurement*, sovereign pledges, funds held in trust, derivative financial instruments, bonds payable and grants payable are measured at fair value with changes in fair value recognised in the income statement. These assets and liabilities are recorded at fair value based on the methodologies described in Note 33.

Contribution Revenue: Voluntary income received by way of contributions and grants that are for a defined portfolio of programme implementing countries or specified purposes is recognised as revenue in the restricted net asset class when there is a contractual obligation, certainty of receipt and when it can be reliably measured. Contributions and grants are reported as contribution revenue at fair value in the year in which payments are received or unconditional promises to give or pledges are made. See Notes 20 and 24 for more details on revenue calculation and recognition of pledges.

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

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

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

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

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

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

Sovereign Pledges: Sovereign pledges are recognised as contribution revenue and as receivables upon assignment of donor contributions to IFFIm by GFA. Sovereign pledges are initially recognised at fair value then subsequently remeasured at fair value as of each reporting date. Gains and losses due to changes in fair market values are reported in fair value gains (losses) in the Statements of Financial Activities. Contribution amounts received from donors depend on a Grant Payment Condition ("GPC") which allows the donors to reduce such amounts. See Note 33 for details of the GPC.

Funds Held in Trust: IFFIm's share in the pooled investment portfolio is measured at fair value on initial recognition, and then subsequently remeasured at fair value at the reporting date in accordance with FRS 26 *Financial Instruments: Measurements* and FRS 29 *Financial Instruments: Disclosure*. Gains or losses due to changes in fair market values are reported in fair value gains (losses) in the Statements of Financial Activities. See Notes 25 and 33 for further details.

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

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

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

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

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

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

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

Funds: Funds, revenues, gains and losses are classified based on the existence of grantor-imposed restrictions. IFFIm receives its funding from grantors or by raising funds by borrowing in worldwide capital markets. Proceeds are used to fund programmes for a defined portfolio of eligible countries or specified purposes. Therefore all funds are treated as restricted funds. See Note 33 for IFFIm's defined portfolio of eligible countries.

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

Use of Estimates: The preparation of the annual financial statements in conformity with United Kingdom accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period. 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 33.

20. Contribution Revenue

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

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

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

[1] Acting through Agence Française de Développement.

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

Contribution revenue recognised was comprised of:

In Thousands of US$	2010	2009
Initial fair value of pledge received from the Kingdom of Norway	175,868	-
Initial fair value of pledge received from the State of the Netherlands	-	87,137
Initial fair value of pledge received from the United Kingdom	225,740	-
Total contribution revenue	401,608	87,137

Donated Services: IFFIm received donated administrative services from GAVI in 2010 and 2009. The services donated by GAVI were valued by using a comprehensive cost allocation model to calculate a single administrative support amount.

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

In Thousands of US$	2010	2009
Administrative support	835	842
Total donated services	835	842

21. Investment and Interest Income

In Thousands of US$	2010	2009
Income from funds held in trust	5,653	10,758
Bank account interest	17	15
Total investment and interest income	5,670	10,773

22. Total Resources Expended

In Thousands of US$	2010	2009
Cost of generating funds		
Treasury manager's fees:		
Financial operations management	2,212	1,965
Finance charges:		
Bond issuance costs	6,586	8,091
Bond interest expense	132,437	110,554
Total cost of generating funds	141,235	120,610
Charitable activities		
Country-specific programmes:		
New and underused vaccines	400,000	445,788
Health systems strengthening and immunisation services	-	57,611
Injection safety supplies	-	5,486
Investment cases:		
Yellow fever continuation	-	43,881
Meningitis eradication	-	67,719
Total charitable activities	400,000	620,485
Governance costs		
Professional services:		
Consultancy fees	510	234
GAVI administrative support fee	835	842
Legal fees	783	877
Auditor's remuneration:		
Statutory audit	136	174
Taxation services and group reporting	130	158
Other governance costs:		
Trustees' indemnity insurance premiums	469	488
Trustees' meeting and travel expenses	71	195
Other trustees' expenses	-	17
Total governance costs	2,934	2,985

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

Trustees' Expenses: IFFIm's trustees are not remunerated. They are, however, reimbursed for expenses they incur in attending meetings and performing other functions directly related to their duties as trustees. IFFIm also incurs professional indemnity insurance premium expenses for the trustees. IFFIm had six trustees as of 31 December 2010.

Consultancy Fees: IFFIm incurs fees for services received from various external consultants. Consultancy fees for 2010 included a US$ 294 thousand one-time fee for the evaluation of IFFIm's financial management policies and practices. This one-time fee resulted in higher than normal consultancy fees during 2010.

23. Fair Value Gains and Losses

In Thousands of US$	2010	2009
Fair value gains (losses) on bonds		
Fair value losses on bonds	(161,136)	(213,980)
Net fair value gains on bond swaps	293,725	294,166
Net fair value gains on bonds and bond swaps	132,589	80,186
Fair value gains (losses) on pledges and pledge swaps		
Fair value gains on sovereign pledges	72,561	219,444
face	(54,487)	(228,966)
Net fair value gains (losses) on pledges and pledge swaps	18,074	(9,522)
Fair value gain on interest rate overlay swap	285	-
Other foreign exchange gains (losses)	940	(1,255)
Net fair value gains on pledges, bonds and swaps	151,888	69,409

The above fair value gains on bonds and bond swaps of US$ 133 million exclude the impact of interest expense on bonds. Interest expense on bonds is presented on the Statement of Income and Expenditures, along with IFFIm's net financing income (expenses) after the impact of bond interest.

Note 26 provides details of IFFIm's interest rate overlay swap.

24. 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 33 for further details.

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

Sovereign pledges were comprised of:

In Thousands of US$	2010	2009
Balance as of the beginning of the year	2,882,103	2,741,183
Initial fair value of pledges	401,608	87,137
Payments received from donors	(184,693)	(165,662)
Fair value gains	72,561	219,445
Balance as of the end of the year	3,171,579	2,882,103
Sovereign pledges due within one year	163,588	150,424
Sovereign pledges due after more than one year	3,007,991	2,731,679
Total sovereign pledges	3,171,579	2,882,103

Note 23 provides details on fair value gains from interest rate and currency swaps that were recognised related to the sovereign pledges due.

25. Funds Held in Trust

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

The Pool is divided into sub-portfolios to which allocations were made based on fund specific investment horizons, risk tolerances and other eligibility requirements set by the World Bank. Under an investment strategy approved by IFFIm's trustees, IFFIm's Liquid Assets were invested in high-grade fixed-income instruments with interest rate sensitivity matching that of the liabilities funding the portfolio.

In Thousands of US$	2010	2009
IFFIm's share in the Pool's fair value	1,565,302	1,082,285

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$ 5.7 million and US$ 10.8 million for the years ended 31 December 2010 and 2009, respectively, and were reported as investment income in the Statements of Financial Activities.

26. Derivative Financial Instruments

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

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

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

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

As described in Note 31, IFFIm maintains a minimum liquidity equivalent to its cumulative contracted debt service payments for the next twelve months. Therefore, as of 31 December 2010, IFFIm maintained US$ 1 billion in Liquid Assets to cover the redemption of its US$ 1 billion inaugural bond in November 2011. In December 2010, the World Bank executed, on IFFIm's behalf, an interest rate overlay swap contract to lock in an 11-month fixed rate for the US$1 billion in additional Liquid Assets. Under this contract, IFFIm makes interest payments at 3-month LIBOR floating rates and receives fixed-rate interest payments totalling US$ 4 million.

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

	31 December 2010		31 December 2009	
In Thousands of US$	Notional Amount	Fair Value	Notional Amount	Fair Value
Currency and interest rate swaps receivable related to sovereign pledges	464,858	10,085	2,161,247	38,500
Currency and interest rate swaps receivable related to bonds payable	4,255,788	450,370	2,827,137	288,148
Interest rate overlay swap	1,000,000	285	-	-
Total currency and interest rate swaps receivable		460,740		326,648
Currency and interest rate swaps payable related to sovereign pledges	4,297,327	(317,434)	2,413,971	(292,388)
Currency and interest rate swaps payable related to bonds payable	603,768	(2,836)	808,144	(12,660)
Total currency and interest rate swaps payable		(320,270)		(305,048)
Total fair value of interest rate and currency swaps		140,470		21,600

27. Creditors Falling Due within One Year

In Thousands of US$	2010	2009
Trade creditors	458	2,791
Amounts due to the GAVI Campaign	-	308
Amounts due to the GAVI Alliance	250	192
Advances received on pledges	761	-
Bonds payable falling due within one year	1,078,463	264,199
Total creditors falling due within one year	1,079,932	267,490

28. Creditors Falling Due after More than One Year

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

Issue Date	Maturity Date	Coupon Interest Rate	Nominal Amount, in Thousands of US$	Fair Value as of 31 December 2010, in Thousands of US$	Fair Value as of 31 December 2009, in Thousands of US$
14 November 2006	14 November 2011	5.00%	1,000,000	1,048,155	1,073,886
18 March 2008	18 March 2010	9.90%	-	-	237,348
19 February 2009	21 February 2012	2.60%	45,736	44,885	38,493
19 February 2009	21 February 2012	2.65%	139,083	139,226	125,083
19 February 2009	21 February 2012	6.26%	477,503	491,078	422,546
15 May 2009	15 May 2014	3.38%	388,200	414,272	416,519
15 May 2009	13 June 2014	0.00%	29,280	27,333	26,458
27 May 2009	25 May 2012	3.51%	50,818	49,796	43,020
27 May 2009	25 May 2012	1.00%	105,000	105,880	103,335
24 June 2009	24 June 2013	4.36%	71,746	69,616	60,159
24 June 2009	24 June 2013	6.85%	36,001	36,527	30,551
24 June 2009	24 June 2024	0.50%	120,506	42,019	32,060
23 March 2010	27 March 2013	7.15%	376,580	391,485	-
28 June 2010	27 June 2014	4.77%	17,481	16,875	-
28 June 2010	27 June 2014	8.30%	62,246	63,286	-
28 June 2010	29 June 2020	0.50%	64,772	31,604	-
15 October 2010	15 October 2015	5.50%	35,572	34,960	-
8 December 2010	8 December 2015	5.75%	406,540	401,512	-
Total bonds payable				3,408,509	2,609,458
Due within one year				(1,078,463)	(264,199)
Due after more than one year				2,330,046	2,345,259

29. Movement of Funds

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

In Thousands of US$	As of 31 December 2008	Incoming Resources	Resources Expended	As of 31 December 2009
Sovereign pledges assigned from GFA	2,812,674	87,137	(2,143)	2,897,668
Investment and interest income	33,457	10,773	-	44,230
Other gains (losses) and other income (expenses)	39,394	69,409	(120,610)	(11,807)
Administrative support	-	842	(842)	-
Country-specific programmes	(742,173)	-	(508,885)	(1,251,058)
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	1,513,262	168,161	(744,080)	937,343

30. 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$	2010	2009
Sovereign pledges	3,171,579	2,882,103
Cash, investments and derivatives	1,708,214	1,104,657
Total credit exposure	4,879,793	3,986,760

Credit Risk Related to Sovereign Pledges: IFFIm was exposed to Grantor credit risk on pledges from highly rated governments. This exposure is detailed by Grantor in Note 20 above. With the exception of the Republic of South Africa, all of the Grantors' credit ratings were between A+ and AAA as of 31 December 2010.

The Grantors' credit ratings as of 31 December 2010 and 2009, as determined by Standard and Poor's Ratings Service ("S&P"), were:

Grantor	2010	2009
Republic of France	AAA	AAA
Republic of Italy	A+	A+
State of the Netherlands	AAA	AAA
Kingdom of Norway	AAA	AAA
Republic of South Africa	BBB+	BBB+
Kingdom of Spain	AA	AA+
Kingdom of Sweden	AAA	AAA
United Kingdom	AAA	AAA

IFFIm was also indirectly exposed to implementing country credit risk embodied in the GPC. IFFIm took this risk into account when determining the fair value of sovereign pledges. See Note 33 for details.

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

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

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

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

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

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

In Thousands of US$	2010	2009
Instruments and securities rated AAA	561,196	413,710
Instruments and securities rated AA-	644,096	352,092
Instruments and securities rated AA	318,827	97,102
Instruments and securities rated A+	41,174	214,655
Instruments and securities rated A-	-	1,252
Instruments and securities rated A	-	3,474
Instruments and securities rated BB+	9	-
Total funds held in trust	1,565,302	1,082,285

31. Liquidity Risk

Liquidity risk is the risk that IFFIm may be unable to meet its obligations, when they fall due, as a result of a sudden, and potentially protracted, increase in cash outflows. Under its liquidity policy, IFFIm seeks to maintain an adequate level of liquidity to meet its operational requirements, provide predictability of programme funding and support its AAA credit rating. Taking these factors into account, IFFIm maintains a minimum liquidity equivalent to its cumulative contracted debt service payments for the next twelve months. This minimum liquidity level is recalculated and reset on a quarterly basis. As of 31 December 2010, the calculated minimum liquidity was US$ 1 billion and the value of IFFIm's Liquid Assets was US$ 1.6 billion. As of 31 December 2009, the calculated minimum liquidity was US$ 235 million and the value of IFFIm's Liquid Assets was US$ 1.1 billion.

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

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

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

As of 31 December 2010, in Thousands of US$	Total Cash Outflows	Due in Less than One Year	Due in 2012	Due in 2013	Due from 2014 through 2029
Bonds payable	(3,808,573)	(1,165,142)	(913,944)	(545,093)	(1,184,394)
Grants payable to GFA	(517,064)	(517,064)	-	-	-
Derivative financial liabilities	(383,803)	(9,821)	(17,910)	(22,402)	(333,670)
Total undiscounted maturities	(4,709,440)	(1,692,027)	(931,854)	(567,495)	(1,518,064)

As of 31 December 2009, in Thousands of US$	Total Cash Outflows	Due in Less than One Year	Due in 2011	Due in 2012	Due from 2013 through 2026
Bonds payable	(2,907,423)	(344,172)	(1,103,120)	(784,824)	(675,307)
Grants payable to GFA	(437,064)	(437,064)	-	-	-
Derivative financial liabilities	(315,465)	(13,864)	(20,913)	(21,852)	(258,836)
Total undiscounted maturities	(3,659,952)	(795,100)	(1,124,033)	(806,676)	(934,143)

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

As of 31 December 2010, in Thousands of US$	Total Cash Inflows (Outflows)	Due in Less than One Year	Due in 2012	Due in 2013	Due from 2014 through 2029
Derivative financial assets	748,545	161,845	331,250	121,365	134,085
Derivative financial liabilities	(383,803)	(9,821)	(17,910)	(22,402)	(333,670)
Net cash inflows (outflows)	364,742	152,024	313,340	98,963	(199,585)

As of 31 December 2009, in Thousands of US$	Total Cash Inflows (Outflows)	Due in Less than One Year	Due in 2011	Due in 2012	Due from 2013 through 2026
Derivative financial assets	521,487	113,398	67,938	194,634	145,517
Derivative financial liabilities	(315,465)	(13,864)	(20,913)	(21,852)	(258,836)
Net cash inflows (outflows)	206,022	99,534	47,025	172,782	(113,319)

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

32. Market Risk

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

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

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

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

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

As of 31 December 2009, in Thousands of US$	Foreign Currency Assets	Foreign Currency Liabilities	Net Exposure
Australian dollar	141,945	(141,671)	274
Euro	1,599,951	(1,864,456)	(264,505)
British pound	1,705,351	(1,906,777)	(201,426)
New Zealand dollar	125,154	(125,083)	71
Swedish krona	22,145	(24,894)	(2,749)
South African rand	726,314	(722,505)	3,809

The following exchange rates applied during the year:

In US$	Average Rate for the Year Ended 31 December 2010	Spot Rate as of 31 December 2010	Average Rate for the Year Ended 31 December 2009	Spot Rate as of 31 December 2009
Australian dollar	0.9198	1.0164	0.7910	0.8995
Brazilian real	0.5681	0.6026	-	-
Euro	1.3270	1.3384	1.3944	1.4398
British pound	1.5458	1.5528	1.5636	1.6195
Norwegian krone	0.1654	0.1714	-	-
New Zealand dollar	0.7215	0.7770	0.6344	0.7259
Swedish krona	0.1388	0.1491	0.1306	0.1403
South African rand	0.1365	0.1506	0.1200	0.1351

Sensitivity to Foreign Exchange Rates: Strengthening of the above currencies, against the United States dollar, as of 31 December 2010 and 2009 would have increased (decreased) IFFIm's net assets and deficits for those years by the amounts shown below. This analysis is based on foreign currency exchange rate variances that IFFIm considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain unchanged:

	Increase (Decrease) in Deficit for the Year Ended and Net Assets as of 31 December 2010		Increase (Decrease) in Deficit for the Year Ended and Net Assets as of 31 December 2009	
In Thousands of US$	**10% Strengthening against US$**	**10% Weakening against US$**	**10% Strengthening against US$**	**10% Weakening against US$**
Australian dollar	(208)	255	(25)	30
Brazilian real	(13)	15	-	-
Euro	27,497	(33,607)	25,366	(31,002)
British pound	20,270	(24,775)	18,340	(22,416)
Norwegian krone	1,857	(2,269)	-	-
New Zealand dollar	25	(30)	(6)	8
Swedish krona	206	(251)	250	(306)
South African rand	(391)	478	65,682	(80,278)

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$	**2010 Carrying Amount**	**2009 Carrying Amount**
Fixed rate instruments		
Financial assets	2,217,012	1,506,693
Financial liabilities	(7,030,868)	(5,946,657)
Net fixed rate instruments	(4,813,856)	(4,439,964)
Variable rate instruments		
Financial assets	3,315,594	2,945,454
Financial liabilities	(2,044,375)	(1,372,909)
Net variable rate instruments	1,271,219	1,572,545

Sensitivity to Interest Rates: Changes of 25 basis points in interest rates as of 31 December 2010 and 2009 would have increased (decreased) IFFIm's net assets and deficits for those years by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain unchanged:

In Thousands of US$	**Increase (Decrease) in Deficit for the Year Ended and Net Assets as of 31 December 2010**	**Increase (Decrease) in Deficit for the Year Ended and Net Assets as of 31 December 2009**
25 basis point increase	(26,675)	7,654
25 basis point decrease	27,519	(7,982)

Values at Risk ("VARs") for Funds Held in Trust: VARs measure, in terms of fair value changes, the potential losses due to adverse market movements over a given interval at a given confidence level. VARs are conceptually applicable to all financial risk types with valid regular price histories. The 95% annualised VARs for IFFIm's funds held in trust were US$ 5 million and US$ 7 million for the years ended 31 December 2010 and 2009, respectively.

33. Fair Values of Financial Instruments

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

	31 December 2010		31 December 2009	
In Thousands of US$	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Assets carried at fair value				
Sovereign pledges	3,171,579	3,171,579	2,882,103	2,882,103
Funds held in trust	1,565,302	1,565,302	1,082,285	1,082,285
Derivative financial instruments	140,470	140,470	21,600	21,600
Total assets carried at fair value	4,877,351	4,877,351	3,985,988	3,985,988
Assets carried at amortised cost				
Prepayments	424	424	396	396
Cash	2,442	2,442	772	772
Total assets carried at amortised cost	2,866	2,866	1,168	1,168
Liabilities carried at fair value				
Bonds payable	3,408,509	3,408,509	2,609,458	2,609,458
Grants payable to GFA	517,064	517,064	437,064	437,064
Total liabilities carried at fair value	3,925,573	3,925,573	3,046,522	3,046,522
Liabilities carried at amortised cost				
Accounts payable	1,469	1,469	3,291	3,291
Total liabilities carried at amortised cost	1,469	1,469	3,291	3,291

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 2010, in Thousands of US$	Level 1	Level 2	Level 3	Total
Financial assets				
Sovereign pledges	-	-	3,171,579	3,171,579
Funds held in trust	23,370	1,541,932	-	1,565,302
Derivative financial instruments	-	140,470	-	140,470
Total financial assets	23,370	1,682,402	3,171,579	4,877,351
Financial liabilities				
Bonds payable	-	3,408,509	-	3,408,509
Grants payable to GFA	-	517,064	-	517,064
Total financial liabilities	-	3,925,573	-	3,925,573

As of 31 December 2009, in Thousands of US$	Level 1	Level 2	Level 3	Total
Financial assets				
Sovereign pledges	-	-	2,882,103	2,882,103
Funds held in trust	6,852	1,075,335	98	1,082,285
Derivative financial instruments	-	21,600	-	21,600
Total financial assets	6,852	1,096,935	2,882,201	3,985,988
Financial liabilities				
Bonds payable	-	2,609,458	-	2,609,458
Grants payable to GFA	-	437,064	-	437,064
Total financial liabilities	-	3,046,522	-	3,046,522

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

In Thousands of US$	2010	2009
Balance as of the beginning of the year	2,882,103	2,741,183
Initial fair value of pledges	401,608	87,137
Donor payments	(184,693)	(165,662)
Fair value gains (losses)	72,561	219,445
Balance as of the end of the year	3,171,579	2,882,103

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 reporting period. The fair value is based on market quotations where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. The corresponding proportionate interest income and investment gains or losses are recognised by IFFIm in the year in which they occur.

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

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

The reference portfolio is as follows:

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

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

The initial GPC reduction rate used in October 2006 was 17.6%. The rate was 15.5% and 16.3% as of 31 December 2010 and 2009 respectively. 1% decreases in the GPC reduction rates as of 31 December 2010 and 2009 would have resulted in increases in the fair values of sovereign pledges of US$ 38 million and US$ 34 million, respectively. 1% increases in the GPC reduction rates would have had equal but opposite effects on the fair values of sovereign pledges.

During the reporting period ending December 31, 2010, three reference portfolio countries, each with 1% weighting, were in protracted arrears to the IMF. Those countries were Somalia, Sudan and Zimbabwe. No reduction to cash flows has been made to reflect the credit risk of donors themselves, due to the overall high credit quality of IFFIm's donors.

For the above sovereign pledges as of December 31, 2010, market based discount rates ranging from 0.3% to 5.9% were applied, as appropriate, depending on the donor, payment schedule and currency of the grant payments.

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

For the years ended 31 December 2010 and 2009, the changes in the fair values of bonds payable that were attributable to IFFIm's own credit spreads were decreases of US$ 5 million and US$ 7 million, respectively.

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

<u>Derivative Financial Instruments</u>: The fair values of derivatives were 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.

34. 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 2009	Cash Flows	Fair Value Movement	Fair Value as of 31 December 2010
Cash	772	1,670	-	2,442
Bonds payable	(2,576,101)	(634,438)	(161,136)	(3,371,675)
Funds held in trust	1,082,286	483,017	-	1,565,303
Total	(1,493,043)	(149,751)	(161,136)	(1,803,930)

In Thousands of US$	Fair Value as of 31 December 2008	Cash Flows	Fair Value Movement	Fair Value as of 31 December 2009
Cash	392	380	-	772
Bonds payable	(1,255,486)	(1,106,635)	(213,980)	(2,576,101)
Funds held in trust	145,362	936,924	-	1,082,286
Total	(1,109,732)	(169,331)	(213,980)	(1,493,043)

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

In Thousands of US$	2010	2009
Increase in cash	1,670	380
Cash inflow from debt issuance	(634,438)	(1,106,635)
Cash outflows from funds held in trust	483,017	936,924
Fair value movement in the period	(161,136)	(213,980)
Movement in net debt in the period	(310,887)	(383,311)
Net debt as of the beginning of the year	(1,493,043)	(1,109,732)
Net debt as of the end of the year	(1,803,930)	(1,493,043)

35. 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.
- The GAVI Campaign: The GAVI Campaign is a not-for-profit organisation based in the United States. The GAVI Campaign was IFFIm's sole member until November 2009.
- GFA: GFA is a private company limited by guarantee and incorporated in the United Kingdom under the Companies Act 1985. GFA receives irrevocable and legally binding pledges from donor governments and assigns the pledges to IFFIm.

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

IFFIm's related party transactions were:

In Thousands of US$	2010	2009
GAVI		
Accounts payable to GAVI	250	192
In-kind contributions received from GAVI	835	842
The GAVI Campaign		
Accounts payable to the GAVI Campaign	-	308
GFA		
Assignment of donor pledges from GFA	401,608	87,137
Program grants to GFA	400,000	620,485
Program grants payable to GFA	517,064	437,064
Administrative support fees to the GAVI Campaign	-	842

36. Commitment and Contingencies

The trustees are not aware of any commitments or contingencies as of 31 December 2010 or 2009.

37. 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 2010 or 2009.

38. Subsequent Events

In March 2011, GFA received a new sovereign pledge from the Commonwealth of Australia. GFA assigned the pledge to IFFIm in the same month. The pledge was in the amount of AU$ 250 million and is payable over 19 years, commencing on 30 June 2011 and ending on 31 March 2030.

In March 2011, IFFIm completed a bond issuance arranged by Daiwa Securities Group, raising R$ 371 million.

KPMG

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

We have examined the summary financial statements (summary financial statements are full financial statements excluding the trustees' report) for the year ended 31 December 2010 which comprises the Statements of Income and Expenditure, Statements of Financial Activities, Balance Sheets, Statements of Cash Flows And Notes to the Annual Financial Statements set out on pages 45 to 65.

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

Respective responsibilities of directors and auditor

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

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

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

Basis of opinion

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

Opinion on summary financial statement

In our opinion the summary financial statement is consistent with the full annual financial statements of the International Finance Facility for Immunisation for the year ended 31 December 2010 and complies with the applicable requirements of section 427 of the Companies Act 2006 and the regulations made thereunder.

We have not considered the effects of any events between the date on which we signed our report on the full annual financial statements 10 June 2011 and the date of this statement.

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

1 Forest Gate
Brighton Road
Crawley RH11 9PT

GFA Financial Statements

Statements of Financial Activities

In Thousands of US$	Note	Year Ended 31 December 2010 Restricted Funds	Year Ended 31 December 2009 Restricted Funds
Incoming resources from generated funds			
Voluntary income:			
Contribution revenue	40	801,608	707,622
Donated services	40	1,330	1,441
Other contributions	40	-	5,470
Total voluntary income		802,938	714,533
Investment and interest income	41	789	947
Total incoming resources from generated funds		803,727	715,480
Resources expended			
Charitable activities:			
Direct programme costs	42	457,256	528,981
Pledges assigned to IFFIm	42	401,608	87,137
Total charitable activities		858,864	616,118
Governance costs	42	2,266	2,379
Total resources expended		861,130	618,497
Net resources (expended) generated		(57,403)	96,983
Foreign currency exchange losses		(11)	(37)
Net change in funds		(57,414)	96,946
Total funds as of the beginning of the year		207,452	110,506
Total funds as of the end of the year		150,038	207,452

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

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

Balance Sheets

In Thousands of US$	Note	As of 31 December 2010	As of 31 December 2009
Current assets			
Funds held in trust	43	192,664	278,055
Grants receivable from IFFIm	44	517,064	437,064
Other current assets	45	19,142	16,729
Due from related parties		637	5,616
Total cash and funds held in trust		729,507	737,464
Current liabilities			
Creditors falling due within one year	46	579,469	530,012
Total current liabilities		579,469	530,012
Net assets	47	150,038	207,452
Restricted funds	47	150,038	207,452

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

Statements of Cash Flows

In Thousands of US$	Note	Year Ended 31 December 2010 Restricted Funds	Year Ended 31 December 2009 Restricted Funds
Net cash (outflows) inflows from operating activities	50	(86,180)	113,549
<u>Returns on investments</u>			
Investment and interest income received	41	789	947
<u>Management of liquid resources</u>			
Decrease (Increase) in funds held in trust		85,391	(114,496)
Net cash inflows (outflows) before financing activities		86,180	(113,549)
Net change in cash		-	-
Cash as of the beginning of the year		-	-
Cash as of the end of the year		-	-

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

Notes to the Annual Financial Statements

39. Significant Accounting Policies

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

Basis of Accounting: The financial statements are prepared:

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

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

In accordance with FRS26 *Financial Instruments: Recognition and Measurement*, grants receivable, funds held in trust and grants payable are measured at fair value, based on the methodologies described in Note 49, with changes in fair value recognised in the statement of financial activities.

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

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

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

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

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

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

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

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

Funds Held in Trust: GFA's share in the pooled investment portfolio is measured at fair value on initial recognition, and then subsequently remeasured at fair value at the reporting date in accordance with FRS 26 *Financial Instruments: Measurements* and FRS 29 *Financial Instruments: Disclosure*. Gains or losses due to changes in fair market values are reported in fair value gains (losses) in the Statements of Financial Activities. See Notes 43 and 49 for further details.

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

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

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

40. Contribution Revenue

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

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

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

[1] Acting through Agence Française de Dévelopment.

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

Contribution revenue recognised was comprised of:

In Thousands of US$	2010	2009
Grants from IFFIm	400,000	620,485
Sovereign donor grants	401,608	87,137
Total contribution revenue	801,608	707,622

Donated Services: GFA received donated administrative services from GAVI in 2010 and 2009. The services donated by GAVI in 2010 and 2009 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$	2010	2009
Procurement service fee	870	1,100
Administrative support	460	341
Total donated services	1,330	1,441

Other Contributions: Other contributions of US$ 5.5 million, in the year ended 31 December 2009, consist of a portion of a reimbursement grant, from the European Union to the GAVI Campaign, to support the implementation of new and underutilised vaccine programmes. As permitted under the grant agreement, the GAVI Campaign sub-awarded a portion of the total reimbursement to GFA. This sub-award represented GFA's proportionate amount of expenditures eligible for reimbursement under the grant agreement.

41. Investment and Interest Income

In Thousands of US$	2010	2009
Income from funds held in trust	741	752
Allocated bank account interest	48	195
Total investment and interest income	789	947

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

42. Total Resources Expended

In Thousands of US$	2010	2009
Charitable activities		
Country-Specific Programmes:		
New and underused vaccines	400,000	444,166
Health systems strengthening and immunisation services	-	56,116
Injection safety supplies	-	5,486
Investment Cases:		
Maternal and neonatal tetanus	-	67
Yellow fever stockpile	24,355	15,410
Meningitis eradication	32,901	7,736
Total direct programme costs	457,256	528,981
Pledges assigned to IFFIm	401,608	87,137
Total charitable activities	858,864	616,118
Governance costs		
Professional services:		
Accounting support fees	130	130
GAVI administrative support	460	341
Legal fees	566	571
Auditor's remuneration:		
Statutory audit fees	220	211
Other governance costs:		
Procurement service fee	870	1,100
Trustees' expenses	20	26
Total governance costs	2,266	2,379

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

Trustees' Expenses: GFA's trustees are not remunerated. They are, however, reimbursed for expenses they incur in attending meetings and performing other functions directly related to their duties as trustees. GFA had four trustees during the year ended 31 December 2010.

43. Funds Held in Trust

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

In Thousands of US$	2010	2009
GFA's share in the Pool's fair value	192,664	278,055

The Pool's fair value is based on market quotations where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Gains, losses and investment income are recognised in the period in which they occurred and are allocated to GFA on a daily basis. These net gains and investment income totalled US$ 741 thousand and US$ 752 thousand for the years ended 31 December 2010 and 2009, respectively, and were reported as investment income in the Statements of Financial Activities.

44. Grants Receivable from IFFIm

In Thousands of US$	2010	2009
Balance as of the beginning of the year	437,064	146,606
Grants approved by IFFIm	400,000	641,172
Payments received from IFFIm	(320,000)	(330,027)
Reductions to prior grants	-	(20,687)
Net receivable from IFFIm	517,064	437,064

45. Other Current Assets

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

In Thousands of US$	2010	2009
Vaccine guarantee deposits	19,142	16,729

46. Creditors Falling Due within One Year

In Thousands of US$	2010	2009
Grants payable as of the beginning of the year	529,693	238,815
Country-Specific Programme approvals:		
New and underused vaccines	400,000	615,558
Health systems strengthening and immunisation services	-	57,611
Injection safety supplies	-	5,486
Total Country-Specific Programme approvals	400,000	678,655
Disbursements to the GAVI Alliance	(350,864)	(214,890)
Increases (Reductions) to previously approved programmes	336	(172,887)
Grants payable at the end of the year	579,165	529,693
Accounts payable	304	319
Total creditors falling due within one year	579,469	530,012

47. Movement of Funds

In Thousands of US$	As of 31 December 2009	Incoming Resources	Resources Expended	As of 31 December 2010
Sovereign donor grants	-	401,608	(401,608)	-
Other contributions	12,325	-		12,325
Donated services	-	1,330	(1,330)	-
Investment and interest income	25,562	789	(947)	25,404
Programme funding:				
Country-Specific programmes	67,248	400,000	(400,000)	67,248
Yellow fever Investment Cases	42,252		(24,355)	17,897
Maternal neonatal tetanus elimination Investment Case	82		-	82
Meningitis Investment Cases	59,983		(32,901)	27,082
Total restricted funds	207,452	803,727	(861,141)	150,038

In Thousands of US$	As of 31 December 2008	Incoming Resources	Resources Expended	As of 31 December 2009
Sovereign donor grants	-	87,137	(87,137)	-
Other contributions	6,855	5,470	-	12,325
Donated services	-	1,441	(1,441)	-
Investment and interest income	25,590	947	(975)	25,562
Programme funding:				
Country-Specific programmes	64,131	508,885	(505,768)	67,248
Yellow fever Investment Cases	13,781	43,881	(15,410)	42,252
Maternal neonatal tetanus elimination Investment Case	149	-	(67)	82
Meningitis Investment Cases	-	67,719	(7,736)	59,983
Total restricted funds	110,506	715,480	(618,534)	207,452

48. Financial Risks

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

In Thousands of US$	2010	2009
Maximum credit exposure on funds held in trust	192,664	278,055

The World Bank, an AAA credit-rated institution, managed GFA's credit risk related to funds held in trust. To manage this risk, the World Bank invests in highly rated liquid short-term money market instruments. As of 31 December 2010 and 2009, GFA's investments in money market instruments were deposited with financial institutions that had the following credit ratings:

In Thousands of US$	2010	2009
Money market instruments deposited with institutions rated AAA	7,671	3,049
Money market instruments deposited with institutions rated AA-	69,947	82,661
Money market instruments deposited with institutions rated AA	45,498	34,826
Money market instruments deposited with institutions rated A+	69,548	130,109
Money market instruments deposited with institutions rated A-	-	7,259
Money market instruments deposited with institutions rated A	-	20,151
Total funds held in trust	192,664	278,055

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

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

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

As of 31 December 2009, in Thousands of US$	Total Cash Outflows	Due in Less than One Year	Due in 2011	Due in 2012	Due from 2013 through 2026
Grants payable	529,693	529,693	-	-	-

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

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

49. Fair Values of Financial Instruments

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

	31 December 2010		31 December 2009	
In Thousands of US$	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Assets carried at fair value				
Funds held in trust	192,664	192,664	278,055	278,055
Grants receivable from IFFIm	517,064	517,064	437,064	437,064
Total assets carried at fair value	709,728	709,728	715,119	715,119
Assets carried at amortised cost				
Prepayments	19,142	19,142	16,729	16,729
Due from related parties	637	637	5,616	5,616
Total assets carried at amortised cost	19,779	19,779	22,345	22,345
Liabilities carried at fair value				
Grants payable	579,165	579,165	529,693	529,693
Total liabilities carried at fair value	579,165	579,165	529,693	529,693
Liabilities carried at amortised cost				
Creditors	304	304	319	319
Total liabilities carried at amortised cost	304	304	319	319

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

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

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

As of 31 December 2009, in Thousands of US$	Level 1	Level 2	Level 3	Total
Financial assets				
Funds held in trust	38,928	239,127	-	278,055
Grants receivable from IFFIm	-	437,064	-	437,064
Total financial assets	38,928	676,191	-	715,119
Financial liabilities				
Grants payable	-	529,693	-	529,693
Total financial liabilities	-	529,693	-	529,693

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

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

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

50. Notes to the Statements of Cash Flows

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

In Thousands of US$	2010	2009
Net change in funds	(57,414)	96,946
Investment and interest income received	(789)	(947)
(Increase) Decrease in other current assets	(2,413)	14,518
Increase in grants receivable from IFFIm	(80,000)	(290,458)
Decrease in amounts due from related parties	4,979	2,808
Increase in grants payable	49,472	290,878
Decrease in accounts payable	(15)	(196)
Net cash (outflows) inflows from operating activities	(86,180)	113,549

51. Related Party Transactions

GFA's related parties are:

- The GAVI Alliance: GAVI is a not-for-profit organisation based in Switzerland. GAVI is GFA's sole member.

- The GAVI Campaign: The GAVI Campaign is a not-for-profit organisation based in the United States. It was formerly known the GAVI Fund. The GAVI Campaign was GFA's sole member until August 2009.

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

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

GFA's related party transactions were:

In Thousands of US$	2010	2009
The GAVI Alliance		
Prepayment for procurement held in the GAVI Alliance	19,142	-
Net receivable from the GAVI Alliance	366	5,394
In-kind contributions received from the GAVI Alliance	1,330	1,441
The GAVI Campaign		
Prepayment for procurement held in the GAVI Campaign	-	16,729
Net receivable from the GAVI Campaign	271	222
Allocated bank account interest from the GAVI Campaign	48	195
The International Finance Facility for Immunisation		
Assignment of donor pledges to IFFIm	401,608	87,137
Program grants from IFFIm	400,000	641,172
Grants receivable from IFFIm	517,064	437,064

52. Commitment and Contingencies

The trustees are not aware of any commitments or contingencies as of 31 December 2010 or 2009.

53. Current Tax

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

54. Subsequent Events

In March 2011, GFA received a new sovereign pledge from the Commonwealth of Australia. GFA assigned the pledge to IFFIm in the same month. The pledge was in the amount of AU$ 250 million and is payable over 19 years, commencing on 30 June 2011 and ending on 31 March 2030.

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

We have examined the summary financial statements (summary financial statements are full financial statements excluding the trustees' report) for the year ended 31 December 2010 which comprises the Statements of Income and Expenditure, Statements of Financial Activities, Balance Sheets, Statements of Cash Flows And Notes to the Annual Financial Statements set out on pages 69 to 81.

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

Respective responsibilities of directors and auditor

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

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

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

Basis of opinion

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

Opinion on summary financial statement

In our opinion the summary financial statement is consistent with the full annual financial statements of the GAVI Fund Affiliate for the year ended 31 December 2010 and complies with the applicable requirements of section 427 of the Companies Act 2006 and the regulations made thereunder.

We have not considered the effects of any events between the date on which we signed our report on the full annual financial statements 21 July 2011 and the date of this statement.

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

1 Forest Gate
Brighton Road
Crawley RH11 9PT

Supplemental Information

Multi-Year Pledges from Donors

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

The following schedule details new Multi-Year Pledges from donors, and cash payments received against Multi-Year Pledges, during the year ended 31 December 2010:

Donors' Schedule 1: Multi-Year Pledges from Donors

			Activity for the Year Ended 31 December 2010				
In Thousands		Balance as of 31 December 2009, in Local Currency	New Pledges, in Local Currency	Payments Received, in Local Currency	Balance as of 31 December 2010, in Local Currency	Balance as of 31 December 2010, in US$	Balance as of 31 December 2009, in US$
Direct Multi-Year Pledges to GAVI:							
Bill & Melinda Gates Foundation	US$	375,000	-	(75,000)	300,000	300,000	375,000
Grand Duchy of Luxembourg	€	-	4,100	-	4,100	5,434	-
Kingdom of Denmark	Dkr	60,000	-	(10,000)	50,000	8,890	11,556
Kingdom of Norway	US$	-	5,774	-	5,774	6,106	-
Kingdom of Spain	€	-	2,000	-	2,000	2,651	-
Kingdom of Sweden	Skr	50,000	-	(50,000)	-	-	6,950
Republic of Korea	US$	-	1,000	(400)	600	600	-
State of the Netherlands	€	18,885	-	(18,885)	-	-	27,068
United Kingdom	£	-	3,000	-	3,000	4,641	-
Wyeth Pharmaceuticals	US$	-	5,103	-	5,103	5,103	-
Total direct Multi-Year Pledges to GAVI						333,424	420,574
Multi-Year Pledges to IFFIm:							
Kingdom of Norway	US$	5,400	-	(5,238)	162	-	5,400
Kingdom of Norway	Nkr	-	1,500,000	(97,000)	1,403,000	239,948	-
Kingdom of Spain	€	151,600	-	(9,191)	142,409	190,213	218,274
Kingdom of Sweden	Skr	220,920	-	(17,858)	203,062	30,198	31,004
Republic of France[1]	€	310,900	-	(21,243)	289,657	386,783	447,634
Republic of France[2]	€	825,470	-	(22,814)	802,656	1,073,290	1,188,511
Republic of Italy	€	412,800	-	(25,026)	387,774	517,941	594,349
Republic of South Africa	US$	17,000	-	(970)	16,030	16,000	17,000
State of the Netherlands	€	70,000	-	-	70,000	93,684	100,786
United Kingdom	£	1,327,280	250,000	(34,558)	1,542,722	2,393,879	2,149,464
Total Multi-Year Pledges to IFFIm						4,941,936	4,752,422
Multi-Year Pledges from AMC donors						1,457,123	1,275,000
Total Multi-Year Pledges from donors[3]						6,732,483	6,447,996

[1] Acting through Agence Française de Développement.

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

[3] This amount represents total contributions receivable before unamortised discount and the impact of the grant payment condition ("GPC"). This amount is presented in Note 7 to the Alliances consolidated financial statements. The description of the Alliance's methodology for valuing its contributions receivable, including a description of the GPC and the Advance Market Commitment, is included in the *Fair Values of Financial Instruments* section of Note 2 to the consolidated financial statements.

Annual Contributions from Donors

The Alliance received contributions from donors that are payable in the same year in which the grant agreement is signed (“Annual Contributions”). In accordance with its accounting policy, the Alliance records Annual Contributions as contribution revenue on the date the donor signs the grant agreement.

The following schedule details Annual Contributions received from donors during the year ended 31 December 2010:

Donors’ Schedule 2: Annual Contributions from Donors

In Thousands		2010, in Local Currency	2009, in Local Currency	2010, in US$	2009, in US$
Annual Contributions					
Commonwealth of Australia	US$	8,600	-	8,600	-
European Commission	US$	-	5,470	-	5,470
Federal Republic of Germany	€	4,000	4,000	4,830	5,392
GAVI Campaign	US$	6,188	40,000	6,188	40,000
Grand Duchy of Luxembourg	€	820	900	1,120	1,140
Kingdom of Norway	US$	76,816	-	76,816	-
Kingdom of Sweden	Skr	200,000	-	28,760	-
Republic of Ireland	€	2,300	-	3,075	-
United Kingdom	£	10,834	-	16,580	-
United States Agency for International Development	US$	78,000	-	78,000	-
Wyeth Pharmaceuticals	US$	21,816	-	21,816	-
Other contributions	US$	4	-	4	-
Total Annual Contributions				245,789	52,002

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

In Thousands of US$	2010	2009
Total Annual Contributions	245,789	52,002
Initial fair value of new Multi-Year Pledges received during the year[1]	426,561	1,376,909
Fair value gains (losses) on Multi-Year Pledges[2]	247,804	(209,714)
Contributions pursuant to the Transfer Grant Agreement[3]	11,191	1,140,627
Total recorded contribution revenue[4]	931,345	2,359,824

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

[2] In accordance with its accounting policy, the Alliance records fair value gains and losses on Multi-Year Pledges as contribution revenue as such gains and losses occur. Therefore, this amount is included in the contribution revenue amount in the Alliance’s Consolidated Statement of Activities.

[3] Contributions from the GAVI Campaign are described further in Note 4 to the Alliance’s consolidated financial statements.

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

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Independent Auditors' Report on Supplemental Information

The Board of Directors

The GAVI Alliance, Geneva

We have audited and reported separately herein on the consolidated financial statements of the GAVI Alliance as of and for the years ended 31 December 2010 and 2009.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the GAVI Alliance taken as a whole. The supplemental information included in Donor's Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG SA

Pierre-Henri Pingeon
Licensed Audit Expert
Auditor in Charge

Karina Vartanova
Licensed Audit Expert

Geneva, 11 October 2011