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GAVI Alliance Annual Financial Report 2012

Published September 2013

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 (the "WHO"), the United Nations Children's Fund ("UNICEF") and the International Bank for Reconstruction and Development (the "World Bank").

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

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

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

- The GAVI Fund Affiliate ("GFA"), incorporated in May 2006. GFA entered into pledge agreements with sovereign government donors and then assigned to IFFIm the right to receive cash payments under those agreements. Also, all cash payments from IFFIm to GAVI were channelled through GFA. In order to reduce costs and streamline operations, GFA was removed from the IFFIm structure effective 8 February 2013 and the process of unwinding GFA by voluntary liquidation of GFA commenced in March 2013. Activities previously performed by GFA have been transitioned to GAVI and IFFIm going forward. See the *Recent Events* section on page 17 of this report below for further details.

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

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

The Alliance prepares consolidated financial statements for GAVI, IFFIm, GFA and the Campaign. These financial statements commence at page 21 of this Annual Financial Report. In addition to the consolidated financial statements, the Alliance prepared standalone company financial statements for IFFIm, GFA and the Campaign. These standalone financial statements commence on pages 44, 68 and 82, respectively.

The following table summarises the assets and liabilities of GAVI, IFFIm, GFA and the Campaign, on standalone and consolidated bases, as of 31 December 2012.

Year End Balances, in Millions of US$	GAVI	IFFIm	GFA	Campaign	Elim-inations	Consol-idated
Assets						
Cash and investments	2,182	547	109	38	-	2,876
Contributions receivable	3,888	3,562	707	-	(1,407)	6,750
Net derivatives and other assets	23	-	14	-	(14)	23
Total assets	6,093	4,109	830	38	(1,421)	9,649
Liabilities						
Programme grants payable	1,705	707	696	4	(1,421)	1,691
Bonds payable	-	1,959	-	-	-	1,959
Net derivatives, accounts payable and other liabilities	132	1,013	-	-	-	1,145
Total liabilities	1,837	3,679	696	4	(1,421)	4,795
Total net assets	4,256	430	134	34	-	4,854
Total liabilities and net assets	6,093	4,109	830	38	(1,421)	9,649

The following table summarises the income and expenses of GAVI, IFFIm, GFA and the Campaign, on standalone and consolidated bases, for the year ended 31 December 2012.

Year End Balances, in Millions of US$	GAVI	IFFIm	GFA	Campaign	Elim-inations	Consol-idated
Revenue						
Contributions from donors	1,242	-	390	5	(790)	847
Investment and other income	53	6	-	-	-	59
Other revenue	4	-	-	-	-	4
Total revenue	1,299	6	390	5	(790)	910
Expenses						
Programme	960	390	398	6	(788)	966
Financing costs net of fair value (gains) losses	(116)	(42)	-	-	-	(158)
Administrative, fundraising and other	38	5	1	1	(4)	41
Total expenses	882	353	399	7	(792)	849
Increase (decrease) in net assets	417	(347)	(9)	(2)	2	61

Governance

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

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

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

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

Mission and Strategic Goals

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

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

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

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

  Further information on the SG1 Vaccines goal, including the Alliance's future plans and performance indicators related to this goal, may be found on pages 14 to 23 of the GAVI Alliance 2012 Progress Report (the "2012 Progress Report") and online at http://gaviprogressreport.org/2012/accelerate-vaccines.

- 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 the WHO, the World Bank, and the Global Fund to Fight AIDS, tuberculosis and malaria to better streamline and harmonise with country systems.

  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.

  Further information on the SG2 Health Systems goal, including the Alliance's future plans and performance indicators related to this goal, may be found on pages 24 to 33 of the 2012 Progress Report and online at http://gaviprogressreport.org/2012/strengthen-capacity.

- 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 finance 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.

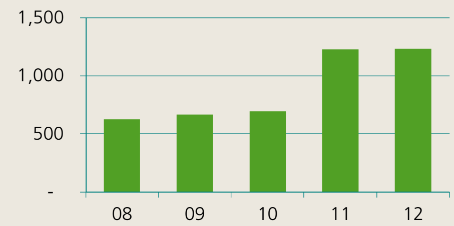
Further information on the SG3 Financing goal, including the Alliance's future plans and performance indicators related to this goal, may be found on pages 34 to 43 of the 2012 Progress Report and online at http://gaviprogressreport.org/2012/increase-predictability.

- 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.

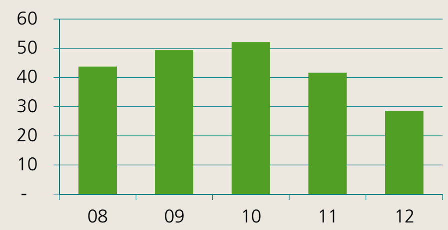
  The Alliance aims to achieve the abovementioned objectives through: (1) continued strengthening and dissemination of forecasting to ensure credible signals to manufacturers, and (2) innovative approaches to making demand more predictable, accelerating vaccine development, increasing levels of production,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

  Further information on the SG4 Market Shaping goal, including the Alliance's future plans and performance indicators related to this goal, may be found on pages 44 to 51 of the 2012 Progress Report and online at http://gaviprogressreport.org/2012/shape-the-market.

Key Financial Performance Indicators[1]

Indicator	Definition	Five-Year History
Cash proceeds from donors and investors **2012: US$ 1.2 billion** 2011: US$ 1.2 billion 2010: US$ 696 million 2009: US$ 668 million 2008: US$ 624 million	Cash receipts from GAVI's direct donors plus cash receipts by GAVI through IFFIm. Direct cash receipts include cash received pursuant to the AMC innovative finance mechanism.	

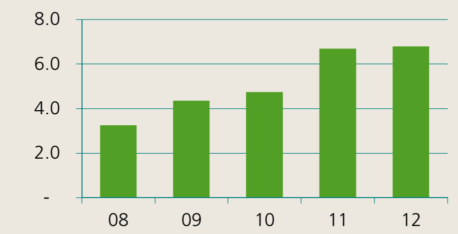
Continued support from donors and investors is fundamental to the achievement of all of the Alliance's strategic goals. Cash receipts from these donors and investors indicate that the Alliance has received a strong and consistent level of support. Cash receipts have increased steadily from 2008 to 2012 and the Secretariat forecasts continued strong support from its donors.

Indicator	Definition	Five-Year History
Percentage of funds received from innovative finance mechanisms **2012: 29 percent** 2011: 42 percent 2010: 52 percent 2009: 49 percent 2008: 44 percent	Total cash receipts by GAVI through IFFIm, the AMC and the GAVI Matching Fund as a percentage of total cash receipts in each year from all of GAVI's donors and investors.	

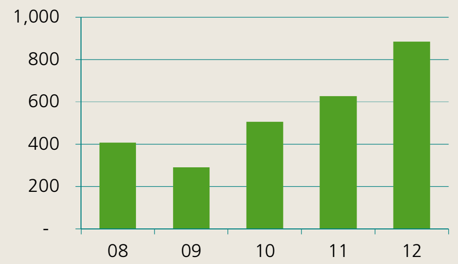
As described in the *Innovative Finance Mechanisms* section on page 12 of this report, the Alliance's innovative finance mechanisms are an integral part of its strategy for achieving all four of its strategic goals. Over the past five years, innovative finance mechanisms have generated 41% of the Alliance's cash receipts. This reflects the Alliance's strong commitment to developing and maintaining mechanisms that tap new sources of capital and bring specific

[1] These indicators are separate from the goal-level indicators that are reported by the Alliance in its Annual Progress Report.

characteristics that advance the Alliance and its mission. The percentage of funds received from innovative finance mechanisms decreased from a high of 52% in 2010 to 29% in 2012. This decrease was primarily due to a significant increase in cash received from direct donors after the Alliance's first pledging conference in 2011. These direct cash receipts increased from US$ 333 million in 2010 to US$ 735 million in 2011 and US$ 908 million in 2012.

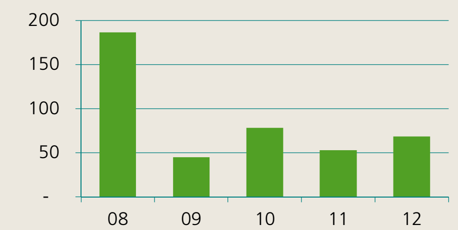
Indicator	Definition	Five-Year History
Total multi-year pledges **2012: US$ 6.8 billion** 2011: US$ 6.7 billion 2010: US$ 4.7 billion 2009: US$ 4.4 billion 2008: US$ 3.3 billion	Year-end fair value of multi-year pledges as presented on the Alliance's consolidated statements of financial position.	

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 106% from 2008 to 2012, enabling it to provide such a funding environment. The significant increase in multi-year pledges in 2011 resulted from significant donor commitments made during the Alliance's first pledging conference in June 2011.

Indicator	Definition	Five-Year History
New and underused vaccines programme disbursements **2012: US$ 884 million** 2011: US$ 628 million 2010: US$ 506 million 2009: US$ 291 million 2008: US$ 408 million	Cash disbursed for vaccine procurement and to implementing countries for the purpose of accelerating the introduction and uptake of new and underused vaccines.	

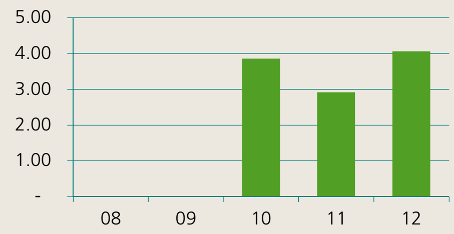
Under its SG1 Vaccines goal, the Alliance aims to accelerate the uptake and use of underused and new vaccines ("NVS"). The level of NVS programme disbursements is directly correlated with the rate of uptake of these vaccines and, therefore, provides an indication of the Alliance's progress toward achieving its goal. NVS programme disbursements have increased by 117% from 2008 to 2012, reflecting significant progress in the last five years.

The Alliance's total vaccine programme disbursements amount for 2012, which includes the abovementioned NVS programme disbursements, was 22% lower than the amount originally forecasted and presented to the Alliance board in November 2011. This was primarily due to the supply constraints and delayed country readiness that are described further on pages 10, 15 and 16.

Indicator	Definition	Five-Year History
Health systems strengthening programme disbursements **2012: US$ 68 million** 2011: US$ 53 million 2010: US$ 78 million 2009: US$ 45 million 2008: US$ 186 million	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 2008 to 2012, the Alliance disbursed US$ 430 million to implementing countries to help bolster their health systems.

The Alliance’s total cash disbursements amount for 2012, which includes the abovementioned health systems disbursements, was 50% lower than the amount originally forecasted and presented to the Alliance board in November 2011. This was primarily due to slower uptake of cash support than originally anticipated.

Indicator	Definition	Three-Year History
Percentage overhead expenses **2012: 4.06 percent** 2011: 2.90 percent 2010: 3.69 percent	Overhead expenses as a percentage of total expenses. Note that, due to changes in the Alliance's expenses allocation methodology, overhead expenses for 2009 and prior are not comparable to current expenses and are, therefore not presented.	

In order to maximise the amount of funds available for programmatic activities, the Alliance’s administrative overhead must be kept as low as possible. The Alliance’s percentage overhead expenses have been below 5% since 2010.

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

The Alliance’s percentage overhead expenses increased from 2.90% in 2011 to 4.06% in 2012. This increase was primarily due to the following factors:

- Increased expenditure to deliver on 2012 priorities: At its November 2011 meeting, the Board approved a 2012 budget that represented a 27% increase over 2011 expenses. This increased budget was approved in order to allow the Secretariat to deliver on the Alliance’s key 2012 priorities of, among other things: (1) strengthening the Secretariat’s capacity to work in-country, (2) improving data quality, availability and monitoring, and (3) improving fiduciary control and oversight of cash grants and other vaccine related support. The 27% increase in the Alliance’s overall budget translated to a 12% increase in the Alliance’s total overhead expenses.

- Postponement of programmes: Due to certain supply constraints, particularly for pneumococcal and rotavirus vaccines, and delayed country readiness, the implementation of several vaccine programmes were postponed from 2012 to 2013 and 2014. These postponed introductions of programmes were the primary reason for a 22% decrease in the Alliance’s total programme expenses from 2011 to 2012.

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

Indicator	2012	2011
Management and general expenses percentage	1.49%	1.17%
Fundraising expenses percentage	2.57%	1.73%
Total overhead expenses percentage	4.06%	2.90%

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

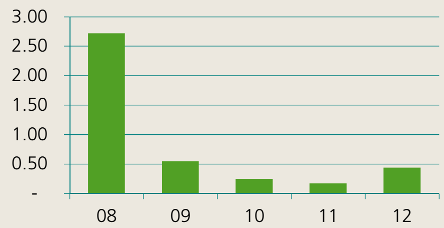
In Millions of US$	2012	2011
Management and general expenses	15	15
Fundraising overhead expenses	26	22
Total overhead expenses	41	37

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

In Millions of US$	2012	2011
Joint Costs allocated to programmes	11	9
Joint Costs allocated to fundraising	8	8
Joint Costs allocated to management and general	6	6
Total Joint Costs	25	23

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

In Millions of US$	2012	2011
Direct country programme expenses	866	1,153
Secretariat programme implementation expenses	32	25
Partners' programme implementation expenses	68	62
Total programme expenses	966	1,240
Total overhead expenses	41	37
Total non-programme expenses	41	37
Total expenses, excluding financing expenses and fair value gains and losses	1,007	1,277

Indicator	Definition	Five-Year History
Percentage net finance costs **2012: 0.44 percent** 2011: 0.17 percent 2010: 0.25 percent 2009: 0.55 percent 2008: 2.72 percent	Net interest expense as a percentage of average bonds payable balance for the year. Net interest expense is after the effect of hedging transactions. Average bond payable for the year is the average of the nominal monthly balances.	

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

In Millions of US$, except Percentages	2012	2011	2010	2009	2008
Net interest expense on bonds after impact of swaps	9	6	7	12	33
Average nominal value of bonds for the year	2,064	3,465	2,839	2,190	1,214
Percentage net financing costs	0.44%	0.17%	0.25%	0.55%	2.72%

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

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

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

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

Innovative Finance Mechanisms

Benefits of Innovative Finance Mechanisms

Innovative finance mechanisms help the Alliance to:

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

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

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

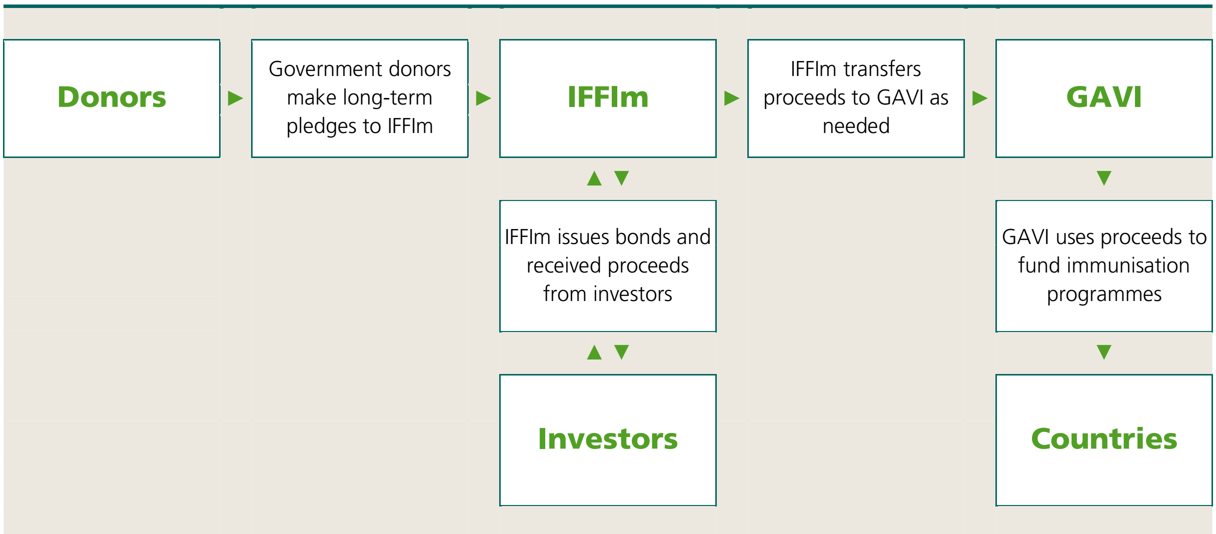
- Respond to the United Nations Millennium Development Goals: The Alliance and immunisation are critical to achieving the United Nations Millennium Development Goal for child health: a two-thirds reduction in the number of deaths of children under five by 2015. Additional resources provided from innovative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

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

The International Finance Facility for Immunisation

IFFIm is an innovative finance mechanism that provides long-term, predictable and flexible funding to GAVI. IFFIm historically has converted long-term government commitments into immediately available cash resources by issuing bonds in the capital markets. IFFIm was created in 2006 to accelerate the availability and predictability of funds for the Alliance's immunisation programmes. IFFIm has enabled the Alliance to double its spending on immunisation programmes since IFFIm's inception. IFFIm is a core component of GAVI's long-term funding strategy.

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



[2] Further information on donor pledges to IFFIm is on page 95 of this report.

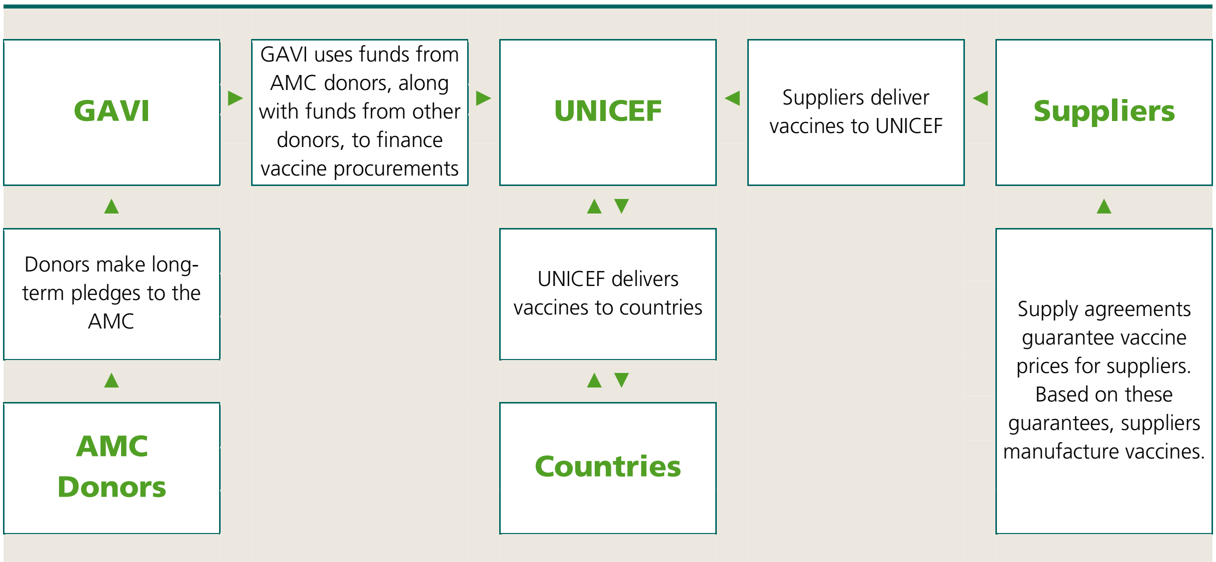
The conversion of long-term commitments into immediate cash produces a front-loading effect that is well suited to vaccination programmes. Having immediately available resources ensures a near-term positive impact on public health that strengthens and protects future generations.

Vaccine Bonds also provide investors with a socially responsible investment opportunity, and raise awareness about the Alliance and its mission. Vaccine Bonds have proved popular with both institutional and individual investors, raising US$ 3.7 billion since IFFIm's inception in 2006 to 31 December 2012. See the *Recent Events* section on page 17 of this report for details of bond issuance proceeds after 31 December 2012.

The Advance Market Commitment for Pneumococcal Vaccine

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

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



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

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

The GAVI Matching Fund

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

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

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

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

The GAVI Matching Fund process comprises three key steps:

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

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

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

Since its inception in 2011 to 31 December 2012, the GAVI Matching Fund has raised a total of US$ 78 million. This amount is the total of pledges from the private sector donors and matching pledges from DFID and the Gates Foundation. See the *Recent Events* section on page 17 of this report for details of proceeds from new GAVI Matching Fund partnerships after 31 December 2012.

Financial Overview

Overview of Assets and Liabilities

The following table summarises GAVI's consolidated assets and liabilities as of 31 December 2012, 2011 and 2010:

In Millions of US$, except Percentages	2012	2011	2010	Change, 2011 to 2012	Change, 2010 to 2011
Assets					
Cash and investments	2,876	3,107	3,280	(7)%	(5)%
Contributions receivable	6,750	6,691	4,753	1%	41%
Net derivatives and other assets	23	23	168	(1)%	(86)%
Total assets	9,649	9,821	8,201	(2)%	20%
Liabilities					
Programme grants payable	1,691	1,908	1,360	(11)%	40%
Bonds payable	1,959	2,573	3,409	(24)%	(25)%
Net derivatives, accounts payable and other liabilities	1,145	547	10	109%	5,580%
Total liabilities	4,795	5,028	4,779	(5)%	5%
Total net assets	4,854	4,793	3,422	1%	40%
Total liabilities and net assets	9,649	9,821	8,201	(2)%	20%

The Alliance's financial position remained strong and stable during 2012. Its total assets decreased by 2% during 2012. The decrease during 2012 in the Alliance's total assets was primarily due to small decreases in cash, investments and derivative assets. These decreases are discussed below:

- Decrease in cash and investments: The Alliance's cash and investments decreased by US$ 231 million during 2012. This was primarily due to a US$ 440 million decrease in IFFIm pooled investments, partially offset by a US$ 185 million increase in GAVI's cash and investments. IFFIm's pooled investments decreased, as planned, as funds used to redeem bonds during the year exceeded proceeds from new bond issuances. GAVI's cash and investments balance increased as reduced programme disbursements were made due to postponement of certain programme implementations. See page 10 above for more information on the postponed programmes.

The Alliance's total liabilities decreased by 5% during 2012, primarily due to decreases in programme grants payable and bonds payable, which were partially offset by an increase in derivatives payable. Each of these is discussed below:

- Decrease in programme grants payable: The Alliance continued to experience strong and increased demand from implementing countries for vaccine and related programmes. However, supply constraints and delayed country readiness for certain vaccines have meant that implementation of some programmes have been postponed from 2012 to 2013 and 2014. These postponements led to an 11% reduction in programme grants payable from 2011 to 2012.

- Decrease in bonds payable: During 2012, bond redemptions exceeded proceeds from new bond issuances. The decrease in bonds payable, which resulted from the redemption of five bonds totalling US$ 761 million, was partially offset by proceeds from four new bond issuances totalling US$ 137 million.

- Increase in net derivative liability: The Alliance's net derivative liability balance represents IFFIm's net liability position on its interest rate and currency swap contracts. This liability increased by US$ 525 million during 2012, primarily due to adverse interest rate and foreign currency rate fluctuations during 2012. All else being equal, this derivative liability shall reverse over time as the swaps positions related to those payments are unwound in the normal course of business. These swap positions will be unwound as payments are received from IFFIm donors and bonds are redeemed. See the *Hedging Market Risks* section on page 17 of this report for further information on IFFIm's currency and interest swap arrangements.

Overview of Income and Expenses

The following table summarises GAVI's consolidated income and expenses for the years ended 31 December 2012, 2011 and 2010:

In Millions of US$, except Percentages	2012	2011	2010	Change, 2011 to 2012	Change, 2010 to 2011
Revenue					
Contributions from government and private donors	847	2,656	668	(68)%	298%
Investment and other income	60	39	54	54%	(28)%
Other revenue	4	9	1	(61)%	840%
Total revenue	911	2,704	723	(66)%	274%
Expenses					
Programme	966	1,240	913	(22)%	36%
Net interest expense on bonds after impact of swaps	9	6	7	50%	(14)%
Other fair value (gains) losses	(167)	49	(264)	(443)%	(118)%
Administrative, fundraising and other	41	37	35	10%	6%
Total expenses	849	1,332	691	(36)%	93%
Increase (decrease) in net assets	61	1,372	32	(96)%	4,188%

The Alliance's recorded contribution revenue for 2010, 2011 and 2012 was driven primarily by the following:

- 2010 Contribution Revenue: Contribution revenue for 2010 of US$ 931 million[3] reflected continued support of the Alliance by government and private donors. In addition to direct contributions to GAVI, this support included new pledges to IFFIm from the United Kingdom and the Kingdom of Norway. The initial fair values of these pledges were US$ 226 million and US$ 176 million, respectively.

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

- 2012 Contribution Revenue: Contribution revenue of US$ 847 million was recorded in 2012, made up of a combination of multi-year and annual pledges. Support included grant agreements with initial fair values of US$ 571 million and US$ 130 million from the Kingdom of Norway and from the United States Agency for International Development ("USAID"), respectively.

The Alliance's investment and other income increased by 54% in 2012, primarily due to increased income on GAVI investments. While low interest rates continued to prevail in both the United States and Europe, the investment portfolio diversified into equities and alternative investments, contributing to an increase in income over 2012.

The Alliance's programme expenses decreased by 22% in 2012. This decrease was primarily due to supply constraints and delayed country readiness. It is consistent with the decrease in the related programme grants payable balance, which is discussed in the *Overview of Assets and Liabilities* section on page 15 of this report.

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

Overview of Cash Flows

The following table summarises GAVI's consolidated cash flows for the years ended 31 December 2012, 2011 and 2010:

In Millions of US$, except Percentages	2012	2011	2010	Change, 2011 to 2012	Change, 2010 to 2011
Net cash from (used in) operating activities	328	287	(309)	14%	(195)%
Net cash from (used in) investing activities	204	375	(220)	(46)%	(270)%
Net cash from (used in) financing activities	(624)	(615)	637	2%	(196)%
Net change in cash	(92)	47	108	(284)%	(54)%
Cash as of the beginning of the year	445	398	290	12%	37%
Cash as of the end of the year	353	445	398	(21)%	12%

Net cash from (used in) operating activities is driven mainly by cash receipts from donors and cash payments to implementing countries, procurement agents, partners and vendors for programmatic and administrative purposes.

Net cash from financing activities reflects the outflow of cash paid on redemption of Vaccine Bonds, while net cash from investing activities mainly relates to the investment of these bond proceeds before they are used to fund GAVI programmes or redeem bonds.

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

In Millions of US$, except Percentages	2012	2011	2010	Change, 2011 to 2012	Change, 2010 to 2011
Sovereign governments and the European Community	615	513	253	20%	103%
Gates Foundation and other private donors	293	285	80	3%	257%
IFFIm and other innovative finance mechanisms	324	428	363	(24)%	18%
Total cash receipts from donors and investors	1,232	1,226	696	0%	76%

Hedging Market Risks

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

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

Recent Events

Removal and Dissolution of GFA

In October 2012, the GFA board approved a restructuring of GFA and its removal from the IFFIm structure. Pursuant to this approved restructuring, and effective 8 February 2013, IFFIm, GFA, GAVI and the Grantors entered into the Second Deed of Novation, Amendment and Restatement, which removed GFA from the IFFIm structure. In March 2013, the GFA board approved the dissolution of GFA by way of a member's voluntary liquidation. GFA was solvent at the time of this approval and shall remain solvent throughout the liquidation process, which is expected to be completed by 31 December 2013. The removal and liquidation of GFA will streamline Alliance operations and is expected to save over US$ 1 million in governance costs per year.

Ratings Actions and IFFIm Bond Issuances

On 5 March 2013, Moody's Investors Service lowered its credit rating for IFFIm to Aa1 from Aaa. The decision followed Moody's 22 February 2013 decision to downgrade the United Kingdom's sovereign credit rating to Aa1 from Aaa. On 22 April 2013, Fitch Ratings lowered its rating for IFFIm to AA+ from AAA in connection with its decision to downgrade the United Kingdom's sovereign credit rating. The IFFIm board has put in place robust policies to ensure that IFFIm will continue to maintain sufficient liquidity and be able meet all its obligations after the aforementioned rating actions. IFFIm has also demonstrated, through a fourth bond issuance, that it remains able to successfully raise funds on the global capital market after the rating actions. See pages 57 and 65 of this report for details of policies put in place by the IFFIm board and below for details of IFFIm's fourth benchmark bond issuance.

In July 2013, IFFIm completed its fourth benchmark bond issuance. The transaction, which raised US$ 700 million from investors on five continents, was by far IFFIm's largest bond issuance since its inaugural benchmark in 2006 raised $1 billion. The proceeds of the bond issuance will help fund immunisation programmes. Among the buyers of the three-year, United States dollar denominated floating rate note were central banks and institutional investors in the Middle East, Africa, Europe, Latin America and the United States. IFFIm also remains active in the Japanese "uridashi" retail bond market, where it has sold more than US$ 2 billion worth of Vaccine Bonds. As of 17 September 2013, IFFIm had raised more than US$ 4.55 billion through bond issuances.

New GAVI Matching Fund Partnerships

In February 2013, the Alliance was awarded € 2.5 million, or approximately US$ 3.3 million, by the Dutch Postcode Lottery. The donation was doubled under the GAVI Matching Fund by the Gates Foundation.

In July 2013, the Alliance and Lions Clubs International announced a unique partnership designed to protect tens of millions of children in the world's poorest countries against measles. Under the partnership, Lions Clubs will deploy its network of 1.35 million volunteers to raise US$ 30 million and to improve access to vaccines through the Alliance. The funds raised by the Lions Clubs will be matched by DFID and the Gates Foundation, bringing the total to US$ 60 million. The partnership made Lions Clubs the tenth and largest member of the GAVI Matching Fund, which as of 17 September 2013, had secured more than US$ 145 million in private sector gifts and donor matches.

Future Plans

Meeting Future Vaccine Demand

In June 2011 the Alliance's assured resources for 2011 to 2015 increased from US$ 3.3 billion to US$ 7.6 billion as a result of new commitments made by donors at the Alliance's pledging conference. This allowed the Alliance to respond to vaccine demand up to 2015.

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

In Millions of US$	2013 to 2015
Confirmed direct contributions to GAVI	3,153
Proceeds from IFFIm bond issuances	770
Proceeds from AMC contributions	700
Estimated investment and other income	96
Total estimated future cash inflows from donors and investors	4,719

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

In Millions of US$	2013 to 2015
Existing programmes	4,253
Future programmes	868
Partner programme implementation and overhead expenses	576
Total expected cash outflows	5,697

For the period 2013 to 2015, the Alliance's estimated cash outflows for programmatic and administrative activities are projected to exceed the estimated cash inflows from donors and investors by US$ 978 million[4]. The Secretariat estimates that the Alliance would need to raise an additional US$ 431 million in contributions in the period 2013 to 2015 in order close this funding gap while still maintaining cash and investments at the minimum level required under the Alliance's Board established cash reserves policy. If existing donors who have yet to pledge their contributions for 2014 and 2015 do so at their recent levels, approximately US$ 400 million would be raised, leaving a further US$ 31 million to be raised from new or increasing donors.

The process of developing a new strategy for 2016 to 2020 has begun, under the supervision of the Board. At its November 2013 meeting and during a subsequent Board retreat, the Board plans to consider possible strategic shifts and develop its strategy in more detail ahead of its June 2014 meeting. The new strategy will set the Alliance's priorities for the period 2016 to 2020 and will, therefore, be central to the Alliance's fundraising efforts for that period.

Mid-Term Review

In October 2013, the Alliance Mid-Term Review ("MTR") meeting in Stockholm, Sweden, will assess the Alliance's progress in delivering on the goals set at the 2011 pledging conference, where donors committed US$ 4.3 billion. The MTR will build momentum toward GAVI's second replenishment emphasising the need for long term predictable funding of GAVI programmes through to 2030.

The MTR is expected to include the WHO, UNICEF, the World Bank, the Gates Foundation, donors and potential donors, implementing countries, the private sector, civil society, members of parliament, vaccine manufacturers, and high-level individuals. During the MTR, attendees will: (1) take stock of results since the 2011 pledging conference, (2) discuss how to jointly mitigate challenges in achieving the goals set in London (3) support the long-term sustainability of the Alliance's immunisation programmes.

Preparations for Possible New Vaccine Introductions

At its June 2013 meeting, the Board requested the Secretariat to develop a long-term strategy on how the Alliance will support the introduction of Inactivated Polio Vaccine ("IPV") in implementing countries. Separately, the Board agreed that the Alliance should play a lead role in the introduction of IPV into routine immunisation services in countries where it currently works, as recommended by the WHO and as part of the Polio Eradication Endgame Strategic Plan. The Board recognised the importance of strong partnership and complementarity between the Alliance and the Global Polio Eradication Initiative and requested the Secretariat to present, in the aforementioned long-term strategy, specific roles and activities that the Alliance could undertake in relation to IPV.

The Board also requested further research to evaluate the potential impact vaccines could have in five disease areas under consideration for future Alliance support. These disease areas are cholera, influenza for pregnant women, malaria, rabies and further support for yellow fever.

The Board's decision to request further analysis on the abovementioned possible additions to the Alliance's portfolio of vaccines was taken based on initial assessments of the potential effect of vaccine interventions on a range of life-threatening diseases. The cost and user-friendliness of vaccines, as well as their potential to benefit vulnerable groups and to aid outbreak prevention were also considered. Final decisions on future vaccine support are expected to be taken by the Board at its November 2013 meeting. The Alliance's support for vaccines already in its portfolio remains unchanged.

[4] The forecasted information presented in the tables was prepared by the Secretariat in June 2013 and reviewed by the Board at its meeting on 11 June 2013.

Preparation of the Annual Financial Report

Responsibility for Financial Statements

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

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

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

Forward-Looking Information

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

Presentation of Certain Information in Financial Statements

Change in Reporting Entity: In December 2009, Alliance completed a reorganisation of its legal and governance structure. This reorganisation resulted in the Alliance's financial reporting entity changing from the GAVI Fund, a United States based entity, to the GAVI Alliance, a Swiss entity. Therefore, for the purposes of this *Discussion and Analysis*, historical financial information for 2008 is for the GAVI Fund reporting entity. For 2009 to 2012, the information relates to the GAVI Alliance reporting entity.

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

Consolidated Financial Statements

Consolidated Statements of Financial Position

In Thousands of US$	Note	As of 31 December 2012	As of 31 December 2011
Assets			
Cash		352,688	444,642
Receivables, prepaid expenses and other assets		23,088	23,365
Foreign currency forward contracts receivable	3	797	-
Investments	4	1,287,222	1,010,240
Pooled investments	4	655,730	1,095,646
Restricted cash	6	580,401	556,175
Contributions receivable	5	6,749,562	6,691,038
Total assets		9,649,488	9,821,106
Liabilities and net assets			
Liabilities			
Accounts payable and other liabilities		125,311	57,771
Programme grants payable	7	1,105,361	1,245,895
Procurement accounts payable	6	585,814	662,279
Net payable for currency and interest rate swaps	3	1,012,589	486,687
Foreign currency forward contracts payable	3	6,782	1,568
Bonds payable	8	1,959,039	2,573,414
Total liabilities		4,794,896	5,027,614
Net assets			
Unrestricted		(26,258)	(184,474)
Temporarily restricted	9	4,880,850	4,977,966
Total net assets		4,854,592	4,793,492
Total liabilities and net assets		9,649,488	9,821,106

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 2012	Year Ended 31 December 2011
Unrestricted			
Revenue			
Contributions from government and private donors		217,808	421,416
Investment income	10	60,208	38,850
Foreign currency transaction adjustment on contributions receivable		3,743	-
Other revenue		3,585	9,305
Release of net assets		1,256,636	654,864
Total revenue		1,541,980	1,124,435
Expenses			
Programme		966,485	1,240,130
Management and general		15,183	14,774
Fundraising		25,762	22,378
Net fair value losses on derivatives	11	251,435	454,796
Net financing expenses (income)	12	124,899	(37,962)
Foreign currency transaction adjustment on contributions receivable		-	5,532
Total expenses		1,383,764	1,699,648
Change in unrestricted net assets		158,216	(575,213)
Temporarily restricted			
Contributions from government and private donors		628,929	2,234,225
Net fair value gains on contributions receivable		360,828	484,829
Foreign currency transaction adjustment on contributions receivable		169,763	(118,126)
Release of net assets		(1,256,636)	(654,864)
Change in temporarily restricted net assets		(97,116)	1,946,064
Net assets as of the beginning of the year			
Unrestricted		(184,474)	390,739
Temporarily restricted		4,977,966	3,031,902
Total net assets as of the beginning of the year		4,793,492	3,422,641
Net assets as of the end of the year			
Unrestricted		(26,258)	(184,474)
Temporarily restricted	9	4,880,850	4,977,966
Net assets as of the end of the year		4,854,592	4,793,492

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 2012	Year Ended 31 December 2011
Net cash flows from operating activities		
Change in net assets	61,100	1,370,851
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realised and unrealised foreign currency transaction adjustment	(169,858)	117,161
Increase (decrease) in fair value of borrowings	9,871	(216,316)
Increase in fair value of contributions receivable	(360,828)	(484,829)
Depreciation expense	1,804	2,123
Realised and unrealised gains on investments and pooled investments	(44,893)	(20,797)
Changes in assets and liabilities:		
Receivables, prepaid expenses and other assets	1,852	3,397
Receivable for currency and interest rate swaps	135,868	136,739
Receivable for foreign currency forward contracts	(797)	-
Restricted cash	(24,226)	(136,002)
Contributions receivable	472,162	(1,571,364)
Accounts payable and other liabilities	67,540	49,726
Programme grants payable	(140,534)	374,999
Procurement accounts payable	(76,465)	172,858
Payable for currency and interest rate swaps	390,034	486,687
Payable for foreign currency forward contracts	5,214	1,568
Net cash provided by operating activities	327,844	286,801
Cash flows from investing activities		
Purchase of fixed assets	(3,379)	(1,541)
Purchase of investments and pooled investments	(1,090,485)	(1,352,036)
Sales of investments and pooled investments	1,298,312	1,728,700
Net cash provided by investing activities	204,448	375,123
Cash flows from financing activities		
Proceeds from bond issuances	136,734	384,952
Redemption of bonds	(760,980)	(1,000,000)
Net cash used in financing activities	(624,246)	(615,048)
Net change in cash	(91,954)	46,876
Cash as of the beginning of the year	444,642	397,766
Cash as of the end of the year	352,688	444,642
Supplemental disclosures		
Cash paid for interest	114,399	170,743

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

Consolidated Statements of Functional Expenses

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

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

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

Notes to the Consolidated Financial Statements

1. Nature of Operations and Affiliations

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

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

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

The International Finance Facility for Immunisation Company: IFFIm was incorporated in June 2006 as a private company limited by guarantee under the United Kingdom Companies Act 1985, with company registration number 5857343. It is also registered as a charity with the Charity Commission for England and Wales, with charity registration number 1115413. IFFIm is a multilateral development institution that raises funds by issuing bonds in the international capital markets. It then disburses the funds to 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 entered into pledge agreements with sovereign government donors and then assigned to IFFIm the right to receive cash payments under those agreements. Also, all cash payments from IFFIm to GAVI were channelled through GFA.

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

2. Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

Derivative Financial Instruments: IFFIm uses currency and interest rate swaps and GAVI uses foreign currency forward contracts to manage its assets and liabilities. These derivatives are recognised at fair value in the Consolidated Statement of Financial Position. The currency and interest rate swaps are shown net, as they are the subject of a master netting agreement, while the foreign currency forward contracts are shown gross. The techniques applied in determining the fair values of derivative financial instruments are described in the *Fair Values of Financial Instruments* section below.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The reference portfolio as of 31 December 2012 was as follows:

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

The fair values of contributions receivable from the IFFIm Donors are estimated using a discounted cash flow method. Each expected future cash flow is reduced by an estimated reduction amount due to the GPC. The GPC reduction amounts are calculated using a probabilistic model that estimates the likelihood and duration that any recipient member country might fall into arrears with the IMF. The probabilistic model uses inputs that are both unobservable and significant to the overall fair value of the contributions receivable. This model yielded reductions in expected future cash flows of 15.6% and 15.4% as of 31 December 2012 and 2011, respectively.

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

The fair values of future cash flows from IFFIm Donors were US$3.6 billion and US$ 3.4 billion as of 31 December 2012 and 2011, respectively. These fair values were estimated using observable donor-specific risk-adjusted annual discount rates ranging from 0% to 5.7% for 2012, and from 0% to 7.3% for 2011.

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

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

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

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

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

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

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

  Contributions receivable from AMC Donors whose payments are made only when GAVI submits funding requests are categorised as level 3 financial assets in the fair value hierarchy due to the unobservable nature of projected future vaccine demand. Projected future vaccine demand impacts the timing and amounts of GAVI funding requests and is, therefore, a significant input in the valuation of these contributions receivable. Contributions receivable from all other AMC Donors are categorised as level 2.

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

  The fair values of future cash flows from AMC Donors were US$ 1.1 billion and US$ 1.2 billion as of 31 December 2012 and 2011, respectively. This fair value was estimated using observable annual discount rates ranging from 0.3% to 1.7% for 2012, and from 0.5% to 3.8% for 2011.

- Other Contributions Receivable: Contributions receivable other than those from IFFIm Donors or AMC Donors are estimated using a discounted cash flow method. The fair values of future cash flows as of 31 December 2012 and 2011 were US$ 2.1 billion and US$ 2.0 billion, respectively. This fair value was estimated using observable donor-specific risk adjusted annual discount rates ranging from 0.02% to 1.6% for 2012, and from 0.2% to 3.2% for 2011.

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

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

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

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

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

Fixed Assets: Furniture, equipment and leasehold improvements that were purchased by the Alliance are stated at cost. Depreciation for furniture and equipment is calculated using the straight-line method over their estimated useful lives of three to five years. Depreciation for leasehold improvements is calculated using the straight-line method over the shorter of the asset's useful life or the term of the lease. Fixed assets, net of accumulated depreciation of US$ 6.8 million and US$ 5.0 million in 2012 and 2011, respectively, of US$ 5.9 million and US$ 4.3 million are included in receivables, prepaid expenses and other assets in the Consolidated Statement of Financial Position as of 31 December 2012 and 2011, respectively.

Income Taxes: The Alliance is exempt from income taxes in each of the jurisdictions in which it has operations. US GAAP requires that financial statements reflect the expected future tax consequences of uncertain tax positions that an entity has taken or expects to take on a tax return, presuming the tax authorities' full knowledge of the position and all relevant facts. US GAAP also requires that an entity recognise the benefit of tax positions when it is more likely than not that the provision will be sustainable based on the merits of the position. The Alliance performed an evaluation of uncertain tax positions for the years ended 31 December 2012 and 2011 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 2012, the statutes of limitations for tax years 2009 through 2011 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 2012 and 2011, 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 2012 and 2011. 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 2012 and 2011, the Alliance did not have any permanently restricted net assets.

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

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

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

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

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

Reclassifications: In 2012, net fair value gains on IFFIm contributions receivable that related to foreign currency movements were classified as foreign currency transaction adjustments on contributions receivable in the Consolidated Statement of Financial Activities. In 2011, these net fair value gains were classified as net fair value gains in the Consolidated Statement of Financial Activities consistent with their classification in IFFIm's standalone financial statements. In 2012, cash flows related to restricted cash were classified as cash flows from operating activities in the Consolidated Statement of Cash Flows. In 2011, these cash flows were classified as cash flows from investing activities in the Consolidated Statement of Cash Flows. Prior year amounts were reclassified to conform to current year presentation.

Adoption of New Accounting Pronouncements: In December 2011, the FASB issued ASU No. 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. ASU 2011-11 requires an entity to disclose information about offsetting and related arrangements to enable users of financial statements to understand the effects of those arrangements on its financial position, and to allow investors to better compare financial statements prepared under U.S. GAAP with financial statements prepared under International Financial Reporting Standards ("IFRS"). In January 2013, the FASB issued ASU No. 2013-01, *Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities,* to address implementation issues about the scope of ASU No. 2011-11. The new standards are effective for annual periods beginning 1 January 2013, and interim periods within those annual periods. Retrospective application is not required. The Alliance will implement the provisions of ASU 2011-11 and ASU 2013-01 as of 1 January 2013.

3. Derivative Financial Instruments

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

Foreign Exchange Rate Risk: During the years ended 31 December 2012 and 2011, 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 economically swapped into United States dollar floating rate assets and, at issuance, IFFIm's bonds payable were economically swapped into United States dollar floating rate liabilities.

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

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

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

	31 December 2012		31 December 2011	
In Thousands of US$	Notional Amount	Fair Value	Notional Amount	Fair Value
Currency and interest rate swaps receivable related to contributions receivable	24,424	280	76,629	2,232
Currency and interest rate swaps receivable related to bonds payable	2,781,969	132,959	3,425,309	266,875
Total currency and interest rate swaps receivable		133,239		269,107
Currency and interest rate swaps payable related to contributions receivable	4,651,542	(1,050,191)	4,685,100	(713,032)
Currency and interest rate swaps payable related to bonds payable	978,180	(95,637)	1,227,671	(42,762)
Total currency and interest rate swaps payable		(1,145,828)		(755,794)
Net payable for currency and interest rate swaps		(1,012,589)		(486,687)

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

	31 December 2012		31 December 2011	
In Thousands of US$	Notional Amount	Fair Value	Notional Amount	Fair Value
Foreign currency forward contracts receivable	21,083	797	-	-
Foreign currency forward contracts payable	347,852	(6,782)	20,724	(1,568)
Net payable for foreign currency forward contracts		(5,985)		(1,568)

IFFIm maintains a minimum liquidity equivalent to its cumulative contracted debt service payments for the next twelve months. This minimum liquidity level is recalculated and reset on a quarterly basis. As of December 2012, IFFIm's calculated minimum liquidity was US$ 419 million and the value of IFFIm's cash and pooled investments was US$ 547 million. As of December 2011, IFFIm's calculated minimum liquidity level was US$ 595 million and the value of IFFIm's cash and pooled investments was US$ 852 million.

4. Investments

The fair values of the Alliance's investments were:

In Thousands of US$	2012	2011
Money market funds	266	43,391
Certificates of deposit	1,326	143,016
Collective investment trusts	100,605	240,143
Registered investment companies	877,634	346,547
Limited liability companies and limited partnerships	307,391	237,143
Pooled investments	655,730	1,095,646
Total investments	1,942,952	2,105,886

The Alliance invests a portion of its assets in limited partnerships and limited liability companies that calculate net asset value per share ("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.

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

As of 31 December 2012, In Thousands of US$	Redemption Frequency	Redemption Notice Period	Fair Value
Collective investment trusts[1]	Daily	2 days	100,605
Limited liability companies and limited partnerships[2]	Daily	5 days	65,564
Limited liability companies and limited partnerships[3]	Monthly	5 days	153,495
Limited liability companies and limited partnerships[4]	Monthly	15 days	47,699
Limited liability companies and limited partnerships[5]	Quarterly	90 days	40,633
Total investments in Underlying Funds			407,996

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

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

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

[3] This category is comprised of two Underlying Funds. One fund invests primarily in global inflation-linked bonds and commodities. However, on a small portion of its portfolio, this Underlying Fund also seeks to enhance returns by taking long, short and spread positions on fixed income securities, equity securities, currencies and commodities. The other fund invests in large capitalisation equity securities of emerging companies that, in the Investment Manager's opinion, are undervalued at the time of purchase based on fundamental value analysis.

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

[5] This category is comprised of one Underlying Fund that invests primarily in other offshore hedge fund vehicles. The investment objective of the fund is to achieve attractive risk-adjusted returns by investing in assets with a group of independent investment managers utilising strategies that are consistent with the overall investment strategy of the fund. Due to a one year lock-up period, redemptions of shares in this fund are restricted until the first anniversary of the subscription payment.

5. Contributions Receivable

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

In Thousands of US$	2012	2011
Unconditional promises due in less than one year	598,263	351,623
Unconditional promises due in two to five years	3,956,022	4,184,879
Unconditional promises due thereafter	3,531,773	3,797,109
Contributions receivable before unamortised discount and grant payment condition	8,086,058	8,333,611
Unamortised discount	(761,740)	(881,890)
Reduction due to grant payment condition	(574,756)	(760,683)
Total contributions receivable	6,749,562	6,691,038

6. Restricted Cash and Procurement Accounts Payable

The Alliance established separate bank accounts into which it transfers cash as needed for the benefit of UNICEF to procure vaccines and other supplies on the Alliance's behalf (the "Procurement Accounts"). All cash deposited into the Procurement Accounts is irrevocable and may only be withdrawn by UNICEF, with the exception of investment income, which may be remitted to the Alliance. As collateral security for the prompt payment and performance when due of Alliance's obligations, the Alliance has granted to UNICEF a security interest in all of Alliance's rights, titles, interests in, and proceeds from, the Procurement Accounts and all financial assets credited thereto. As of 31 December 2012 and 2011, $580 million and $556 million, respectively, were available to UNICEF in the Procurement Accounts.

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

7. Programme Grants Payable

The Alliance's committed but unpaid grants were:

In Thousands of US$	2012	2011
Grants payable due in less than one year	1,058,681	1,244,061
Grants payable due in two to five years	46,683	1,837
Grants payable before unamortised discount	1,105,364	1,245,898
Less unamortised discount	(3)	(3)
Total programme grants payable	1,105,361	1,245,895

8. Bonds Payable

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

Issue Date	Maturity Date	Coupon Interest Rate	Nominal Amount, in Thousands of Local Currency		Fair Value as of 31 December 2012, in Thousands of US$	Fair Value as of 31 December 2011, in Thousands of US$
19 February 2009	21 February 2012	2.60%	A$	45,000	-	46,085
19 February 2009	21 February 2012	2.65%	NZ$	179,000	-	139,733
19 February 2009	21 February 2012	6.26%	R	3,170,000	-	400,654
27 May 2009	25 May 2012	3.51%	A$	50,000	-	50,929
27 May 2009	25 May 2012	1.00%	US$	105,000	-	105,360
23 March 2010	27 March 2013	7.15%	R	2,500,000	301,312	319,671
24 June 2009	24 June 2013	4.36%	A$	70,592	73,763	72,179
24 June 2009	24 June 2013	6.85%	R	239,000	28,375	30,026
30 March 2011	24 March 2014	7.81%	R$	371,100	188,399	206,332
15 May 2009	15 May 2014	3.38%	£	250,000	428,995	414,620
15 May 2009	13 June 2014	0.00%	£	16,227	30,287	28,329
28 June 2010	27 June 2014	4.77%	A$	17,200	18,323	17,755
28 June 2010	27 June 2014	8.30%	R$	103,300	51,977	57,167
28 September 2011	26 September 2014	6.00%	R$	105,000	51,192	55,273
28 June 2012	29 June 2015	4.21%	R	471,000	54,204	-
29 September 2011	30 September 2015	3.40%	A$	12,000	12,611	11,892
15 October 2010	15 October 2015	5.50%	A$	35,000	38,861	37,288
8 December 2010	8 December 2015	5.75%	A$	400,000	445,115	427,537
29 September 2011	29 September 2016	6.10%	R	650,000	79,647	81,596
28 June 2012	28 December 2016	3.15%	A$	11,500	11,785	-
30 July 2012	24 July 2017	3.10%	A$	38,000	39,174	-
28 June 2010	29 June 2020	0.50%	R	430,000	33,865	30,762
24 June 2009	24 June 2024	0.50%	R	800,000	46,947	40,226
28 June 2012	29 June 2027	0.50%	R	520,000	24,207	-
Total bonds payable					1,959,039	2,573,414

IFFIm's outstanding bonds payable summarised by year of maturity were:

Year of Maturity	Nominal Amount, in Thousands of US$	Fair Value as of 31 December 2012, in Thousands of US$	Fair Value as of 31 December 2011, in Thousands of US$
2012	724,039	-	742,761
2013	396,146	403,450	421,876
2014	730,984	769,173	779,476
2015	519,159	550,791	476,717
2016	88,563	91,432	81,596
2017	39,414	39,174	-
2020	50,697	33,865	30,762
2024	94,320	46,947	40,226
2027	61,308	24,207	-
Total Bonds payable	2,704,630	1,959,039	2,573,414

9. Temporarily Restricted Net Assets

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

In Thousands of US$	2012	2011
Due to time restriction	4,855,305	4,964,083
Due to programme restriction	25,545	13,883
Total temporarily restricted net assets	4,880,850	4,977,966

10. Investment Income

Investment income was as follows:

In Thousands of US$	2012	2011
Investment income on investments held by GAVI and the Campaign	54,981	32,227
Investment fees on investment held by GAVI and the Campaign	(1,535)	(1,962)
Net investment income on investments held by GAVI and the Campaign	53,446	30,265
Investment income on pooled investments held by IFFIm and GFA	6,762	8,585
Total investment income	60,208	38,850

Investment income on investments held by GAVI and the Campaign included net gains on investments of US$ 45 million and US$ 21 million for the years ended 31 December 2012 and 2011, respectively. US$ 39 million and US$ 18 million of the net gains were unrealised as of 31 December 2012 and 2011, respectively.

11. Net Gains (Losses) from Derivatives

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

In Thousands of US$	2012	2011
Net losses from swaps related to contributions receivable	(355,638)	(420,122)
Net gains (losses) from swaps related to borrowings	112,307	(34,543)
Net (losses) gains from other derivatives	(8,104)	(131)
Net losses from derivatives	(251,435)	(454,796)

12. Net Financing Expenses (Income)

Financing expenses (income) were as follows:

In Thousands of US$	2012	2011
Interest expense on bonds	103,947	166,399
Net fair value losses (gains) on bonds	20,323	(208,570)
Other financing charges	629	4,209
Net financing expenses (income)	124,899	(37,962)

13. Retirement Plans

The Alliance sponsors the following retirement plans:

Employees Based in Geneva, Switzerland: GAVI sponsors a defined contribution term savings plan with Zurich International Life Limited ("the Geneva Plan"). Membership in the Geneva Plan is mandatory for all employees with GAVI employment contracts of four or more months. The Geneva Plan is funded by both GAVI and employees' contributions that are based on the employees' gross annual salaries. GAVI makes monthly employer contributions to the Geneva Plan at 16% of the employee gross salary. Each employee has a compulsory 5% contribution. The total amount expensed for GAVI's contributions was US$ 3.8 million and US$ 3.4 million for the years ended 31 December 2012 and 2011, respectively.

Employees Based in Washington, DC: GAVI and the Campaign sponsor 401(k) defined contribution plans (the "Washington Plans"), which are United States retirement savings plans under the United States Internal Revenue Code, for all eligible employees. Employees become eligible upon being hired and may participate starting on the first day of any month. Employees may contribute voluntary salary deferrals to the Washington Plans, subject to United States Internal Revenue Service limitations. GAVI's and the Campaign's annual matching contributions equal 1% of each vested participant's compensation and a 3% contribution due to a safe harbour provision. For the years ended 31 December 2012 and 2011, the participants were fully vested after one thousand hours of employment. Effective 1 January 2012, participants are always fully vested during the plan year. In addition, GAVI's and the Campaign's boards approved discretionary spending equalling 12% of each participant's compensation in order to better align the Washington Plans with the Geneva Plan. The amount expensed for GAVI's and the Campaign's contributions were US$ 577 thousand and US$ 598 thousand for the years ended 31 December 2012 and 2011, respectively.

14. Leases

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

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

In Thousands of US$	Expenses	Income	Net Expense
Year Ending 31 December 2013	3,513	906	2,607
Year Ending 31 December 2014	3,570	494	3,076
Year Ending 31 December 2015	3,629	291	3,338
Year Ending 31 December 2016	3,688	283	3,405
Thereafter	826	147	679
Total	15,226	2,121	13,105

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$ 3.6 million for the years ended 31 December 2012 and 2011, respectively.

15. Concentrations of Credit Risk

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

The deposit insurance limits in Switzerland and the United Kingdom are SFr 100 thousand and £ 85 thousand per depositor, per insured depository institution. In the US, the standard maximum FDIC deposit insurance amount per depositor, per insured depository institution for each account ownership category is US$ 250 thousand. While amounts in the Alliance's demand deposit accounts at times exceed the amounts guaranteed in the respective jurisdictions and therefore bear some risk, the Alliance has not experienced, nor does it anticipate, any credit losses on these financial instruments.

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

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

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

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

As of 31 December 2012, the Alliance had the following concentrations of credit risk with respect to contributions receivable:

- The Alliance's contributions receivable as of 31 December 2012 included US$ 3.2 billion and US$ 2 billion of pledges received, either directly or through IFFIm, from the United Kingdom and euro zone countries, respectively. This represented 40% and 25%, respectively, of the Alliance's total contributions receivable as of 31 December 2012.

- The Alliance's contributions receivable as of 31 December 2012 included US$ 1.1 billion of pledges from AMC Donors and guaranteed by the World Bank. This represented 14% of the Alliance's total contributions receivable as of 31 December 2012.

16. Fair Values of Financial Instruments

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

As of 31 December 2012, in Thousands of US$	Level 1	Level 2	Level 3	Total
Pooled investments:				
Government and agency securities	42,931	448,669	-	491,600
Mortgage and asset-backed securities	-	1,121	-	1,121
Derivatives	(335)	(3,507)	-	(3,842)
Money market securities	5,713	161,138	-	166,851
Other investments:				
Money market funds	266	-	-	266
Certificates of deposit	1,326	-	-	1,326
Collective investment trusts	-	100,605	-	100,605
Registered investment companies	877,634	-	-	877,634
Limited partnerships and limited liability companies	-	266,758	40,633	307,391
Contributions receivable	-	2,660,696	4,088,866	6,749,562
Foreign currency forward contracts	797	-	-	797
Total assets at fair value	928,332	3,635,480	4,129,499	8,693,311

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

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

As of 31 December 2012, in Thousands of US$	Level 1	Level 2	Level 3	Total
Programme grants payable	-	1,105,361	-	1,105,361
Bonds payable	-	1,959,039	-	1,959,039
Foreign currency forward contracts payable	6,783	-	-	6,783
Net payable for currency and interest rate swaps	-	1,012,589	-	1,012,589
Total liabilities at fair value	6,783	4,076,989	-	4,083,772

As of 31 December 2011, in Thousands of US$	Level 1	Level 2	Level 3	Total
Programme grants payable	-	1,245,895	-	1,245,895
Bonds payable	-	2,573,414	-	2,573,414
Foreign currency forward contracts payable	1,568	-	-	1,568
Net payable for currency and interest rate swaps	-	486,687	-	486,687
Total liabilities at fair value	1,568	4,305,996	-	4,307,564

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

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

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

Level 3 investments consist of an investment in shares of a fund which invests primarily in other offshore hedge funds. The fund's net asset value is calculated using the net asset values of the underlying funds. The significant unobservable inputs used in the fair value measurement of the fund's shares are the valuation techniques applied to the underlying funds. The units of the underlying funds are not publicly traded, can only be redeemed by the fund on the redemption dates, and are subject to the required notice periods specified in the offering documents of each of the underlying funds. As a result, the carrying values of the underlying funds may not be indicative of the values ultimately realised on redemption, and significant and reasonable increases or decreases in the marketability of any of the underlying shares would result in significant increases or decreases in fair value.

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

17. Subsequent Events

In preparing these consolidated financial statements, the Alliance evaluated subsequent events through 17 September 2013, which represents the date that the consolidated financial statements were issued. The Alliance identified the following significant subsequent events:

- On 5 March 2013, Moody's Investors Service lowered its credit rating for IFFIm to Aa1 from Aaa. The decision followed Moody’s 22 February 2013 decision to downgrade the United Kingdom’s sovereign credit rating to Aa1 from Aaa. On 22 April 2013, Fitch Ratings lowered its rating for IFFIm to AA+ from AAA in connection with its decision to downgrade the United Kingdom’s sovereign credit rating. As a result of these downgrades, and under the terms of the Credit Support Annex (“CSA”) to the ISDA Agreement between IFFIm and the World Bank, the World Bank as IFFIm’s counterparty on all currency and interest rate swap contracts has the right to call for collateral to protect against its exposure under these contracts. The World Bank has not exercised this right. Instead, in order to mitigate the risk that the World Bank may call collateral, an agreement has been reached between the World Bank and IFFIm to apply an additional buffer (the “Risk Management Buffer”) to an existing gearing ratio limit that IFFIm uses to manage its liquidity risk. The Risk Management Buffer was applied to manage the World Bank’s exposure under the swap contracts and may be adjusted by the World Bank in its sole discretion. In addition, the World Bank, as IFFIm’s Treasury Manager, shall continue to monitor IFFIm’s funding needs to ensure that at all times IFFIm maintains sufficient available resources to be able to meet its financial obligations, including debt-service payments and obligations under the abovementioned CSA and ISDA Agreement. Following the discussions and agreement with the World Bank described above, the IFFIm board does not foresee the World Bank calling collateral that would cause IFFIm to be unable to meet its required financial obligations. The net payable for currency and interest rate swaps due to the World Bank decreased from US$ 1,013 million as of 31December 2012 to US$ 917 million as of 28 June 2013.

- On 8 February 2013, IFFIm, GFA, GAVI and the IFFIm donors entered into the Second Deed of Novation, Amendment and Restatement, which removed GFA from the IFFIm structure. On 28 March 2013, the GFA board approved the dissolution of GFA by way of a member’s voluntary liquidation. GFA was solvent at the time of this approval and shall remain solvent throughout the liquidation process, which is expected to be completed by 31 December 2013. In March 2013, pursuant to GFA’s removal from the IFFIm structure, IFFIm’s grants payable to GFA of US$ 707 million were assigned to GAVI. The assigned amount was comprised of grants payable within one year of US$ 200 million and grants payable after more than one year of US$ 507 million.

- On 8 March 2013, Fitch downgraded its credit rating on Italy to BBB+ from A-.

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

We have audited the accompanying consolidated financial statements of the GAVI Alliance, which comprise the consolidated statements of financial position as of 31 December 2012 and 2011, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of the GAVI Alliance as of December 31, 2012 and 2011, and the change in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG SA

Pierre-Henri Pingeon
Licensed Audit Expert

Karina Vartanova
Licensed Audit Expert

Geneva, Switzerland, 17 September 2013

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Member of the Swiss Institute of Certified Accountants and Tax Consultants

IFFIm Financial Statements

Statements of Income and Expenditures

In Thousands of US$	Note	Year Ended 31 December 2012 Restricted Funds	Year Ended 31 December 2011 Restricted Funds
Turnover			
Contribution revenue	19	-	144,137
Operating expenses			
Programme grants to GFA	21	390,000	200,000
Treasury manager's fees	21	2,377	2,569
Governance costs	21	2,997	2,749
Total operating expenses		395,374	205,318
Other operating income			
Donated services	19	974	820
Operating loss		(394,400)	(60,361)
Financing and investment income (expenses)			
Financing income (expenses) on bonds and bond swaps:			
Net fair value gains on bonds and bond swaps	22	91,984	174,027
Interest expense on bonds	22	(103,947)	(166,399)
Net financing (expenses) income on bonds and bond swaps		(11,963)	7,628
Other financing income (expenses):			
Net fair value gains (losses) on pledges and pledge swaps	22	54,084	(130,291)
Other foreign exchange gains	22	440	1,068
Other financing charges		(629)	(4,209)
Net other financing income (expenses)		53,895	(133,432)
Investment income:			
Investment and interest income	20	6,282	8,046
Fair value gain on interest rate overlay swap	22	-	1,437
Total financing and investment income (expenses)		48,214	(116,321)
Deficit for the year		(346,186)	(176,682)

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

Statements of Financial Activities

In Thousands of US$	Note	Year Ended 31 December 2012 Restricted Funds	Year Ended 31 December 2011 Restricted Funds
Incoming resources from generated funds			
Voluntary income:			
Contribution revenue	19	-	144,137
Donated services	19	974	820
Total voluntary income		974	144,957
Investment and interest income	20	6,282	8,046
Total incoming resources from generated funds		7,256	153,003
Resources expended			
Cost of generating funds:			
Treasury manager's fee	21	2,377	2,569
Financing charges	21	104,576	170,608
Total cost of generating funds		106,953	173,177
Charitable activities	21	390,000	200,000
Governance costs	21	2,997	2,749
Total resources expended		499,950	375,926
Net resources expended		(492,694)	(222,923)
Net fair value gains on pledges, bonds and swaps	22	146,508	46,241
Net change in funds		(346,186)	(176,682)
Total funds as of the beginning of the year		776,493	953,175
Total funds as of the end of the year		430,307	776,493

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 2012	As of 31 December 2011
Noncurrent assets			
Sovereign pledges due after more than one year	23	3,327,061	3,192,651
Derivative financial instruments due after more than one year	25	115,704	97,329
Current assets			
Sovereign pledges due within one year	23	235,081	211,286
Derivative financial instruments due within one year	25	17,535	171,778
Prepayments		337	272
Cash and funds held in trust:			
Cash		549	692
Funds held in trust	24	546,648	850,958
Total cash and funds held in trust		547,197	851,650
Total current assets		800,150	1,234,986
Current liabilities			
Creditors falling due within one year	26	420,567	766,565
Derivative financial instruments due within one year	25	24,518	2,023
Grants payable to GFA within one year		200,000	417,064
Total current liabilities		645,085	1,185,652
Net current assets		155,065	49,334
Total assets less current liabilities		3,597,830	3,339,314
Creditors falling due after more than one year	27	1,539,149	1,809,050
Derivative financial instruments due after more than one year	25	1,121,310	753,771
Grants payable to GFA after more than one year		507,064	-
Net assets		430,307	776,493
Restricted funds		430,307	776,493

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

Statements of Cash Flows

In Thousands of US$	Note	Year Ended 31 December 2012 Restricted Funds	Year Ended 31 December 2011 Restricted Funds
Net cash outflows from operating activities		427,910	68,784
Returns on investments and servicing of financing			
Investment and interest income received	20	6,282	8,046
Interest paid on bonds		(114,400)	(170,743)
Management of liquid resources			
Decrease in funds held in trust	33	304,310	714,344
Net cash outflows before financing activities		196,192	551,647
Cash inflows (outflows) from financing activities			
Proceeds from bond issuances	33	136,734	377,819
Redemption of bonds	33	(760,979)	(1,000,000)
Net change in cash		(143)	(1,750)
Cash as of the beginning of the year		692	2,442
Cash as of the end of the year		549	692

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

In Thousands of US$	2012	2011
Net change in funds	(346,186)	(176,682)
Investment and interest income	(6,282)	(8,046)
Bond interest expense	103,947	166,399
Fair value gains on sovereign pledges	(409,722)	(289,831)
Fair value losses (gains) on bonds	20,323	(208,570)
Initial fair value of pledges	-	(144,137)
Payments received from donors	251,517	201,610
(Increase) decrease in prepayments	(65)	152
Decrease in derivative financial instruments	525,902	627,157
(Decrease) increase in trade creditors and amounts due to related parties	(421)	390
(Decrease) increase in advances received on pledges	(1,103)	342
Increase (decrease) in grants payable to GFA	290,000	(100,000)
Net cash outflows from operating activities	427,910	68,784

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

Notes to the Annual Financial Statements

18. Significant Accounting Policies

The principal accounting policies of the International Finance Facility for Immunisation Company ("IFFIm") are summarised below. These accounting policies were consistently applied from prior years. IFFIm's financial statements have been prepared on a going concern basis and approved by its trustees in accordance with applicable law and United Kingdom Accounting Standards. Following discussions and agreement with the World Bank, also described in Note 37, the trustees do not foresee the World Bank calling collateral which would cause IFFIm to be unable to meet its required financial obligations and, therefore, the trustees concluded that the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about IFFIm's ability to continue as a going concern.

Basis of Accounting: The financial statements are prepared:

- on the accruals basis of accounting, under the historical cost convention, with the exception of sovereign pledges, funds held in trust, derivative financial instruments, bonds payable and grants payable, which are included at fair value,
- in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities, issued in March 2005, applicable United Kingdom Accounting Standards and the Companies Act 2006,
- in accordance with FRS26 Financial Instruments: Recognition and Measurement, sovereign pledges, funds held in trust, derivative financial instruments, bonds payable and grants payable are measured at fair value with changes in fair value recognised in the income statement. These assets and liabilities are recorded at fair value based on the methodologies described in Note 32.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19. Contribution Revenue

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

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

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

[1] Acting through Agence Française de Développement.

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

Contribution revenue recognised was comprised of:

In Thousands of US$	2012	2011
Initial fair value of pledge received from the Commonwealth of Australia	-	124,303
Initial fair value of pledge received from the Republic of Italy	-	19,834
Total contribution revenue	-	144,137

Donated Services: IFFIm received donated administrative services from GAVI in 2012 and 2011. The services donated by GAVI were valued by using a comprehensive cost allocation model to calculate a single administrative support amount.

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

In Thousands of US$	2012	2011
Administrative support	974	820
Total donated services	974	820

20. Investment and Interest Income

In Thousands of US$	2012	2011
Income from funds held in trust	6,268	8,040
Bank account interest	14	6
Total investment and interest income	6,282	8,046

21. Total Resources Expended

In Thousands of US$	2012	2011
Cost of generating funds		
Treasury manager's fees:		
Financial operations management	2,377	2,569
Finance charges:		
Bond interest expense	103,947	166,399
Other financing charges	629	4,209
Total finance charges	104,576	170,608
Total cost of generating funds	106,953	173,177
Charitable activities		
Country-specific programmes:		
New and underused vaccines	315,000	175,000
Health systems strengthening and immunisation services	75,000	25,000
Total charitable activities	390,000	200,000
Governance costs		
Professional services:		
Consultancy fees	411	590
GAVI administrative support fee	974	820
Legal fees	695	450
Auditor's remuneration:		
Statutory audit	135	137
Audit related assurance services	157	165
Tax compliance services	14	20
Other assurance services	14	13
Other governance costs:		
Trustees' indemnity insurance premiums	473	470
Trustees' meeting and travel expenses	124	84
Total governance costs	2,997	2,749

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

Trustees' Expenses: IFFIm's trustees are not remunerated. They are, however, reimbursed for expenses they incur in attending meetings and performing other functions directly related to their duties as trustees. IFFIm also incurs professional indemnity insurance premium expenses for the trustees. IFFIm had five trustees as of 31 December 2012.

22. Fair Value Gains and Losses

In Thousands of US$	2012	2011
Fair value (losses) gains on bonds		
Fair value (losses) gains on bonds	(20,323)	208,570
Net fair value gains (losses) on bond swaps	112,307	(34,543)
Interest expense on bonds	(103,947)	(166,399)
Net fair value (losses) gains on bonds and bond swaps	(11,963)	7,628
Fair value gains (losses) on pledges and pledge swaps		
Fair value gains on sovereign pledges	409,722	289,831
Net fair value losses on pledge swaps	(355,638)	(420,122)
Net fair value gains (losses) on pledges and pledge swaps	54,084	(130,291)
Fair value gain on interest rate overlay swap	-	1,437
Other foreign exchange gains	440	1,068
Net fair value gains (losses) on pledges, bonds and swaps	42,561	(120,158)

23. Sovereign Pledges

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

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

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

Sovereign pledges were comprised of:

In Thousands of US$	2012	2011
Balance as of the beginning of the year	3,403,937	3,171,579
Initial fair value of pledges	-	144,137
Payments received from donors	(251,517)	(201,610)
Fair value gains	409,722	289,831
Balance as of the end of the year	3,562,142	3,403,937
Sovereign pledges due within one year	235,081	211,286
Sovereign pledges due after more than one year	3,327,061	3,192,651
Total sovereign pledges	3,562,142	3,403,937

Note 25 provides details on fair value gains from interest rate and currency swaps that were recognised related to the sovereign pledges due.

24. Funds Held in Trust

Funds held in trust represent cash, money market instruments, government and agency obligations, asset-backed securities and corporate securities (together "Liquid Assets") that are managed by the World Bank. The World Bank maintains a single investment portfolio (the "Pool") for IFFIm, 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$	2012	2011
IFFIm's share in the Pool's fair value	546,648	850,958

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$ 6.3 million and US$ 8 million for the years ended 31 December 2012 and 2011, respectively, and were reported as investment income in the Statements of Financial Activities.

25. Derivative Financial Instruments

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

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

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

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

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

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

	31 December 2012		31 December 2011	
In Thousands of US$	Notional Amount	Fair Value	Notional Amount	Fair Value
Currency and interest rate swaps receivable related to sovereign pledges	24,424	280	76,629	2,232
Currency and interest rate swaps receivable related to bonds payable	2,781,969	132,959	3,425,309	266,875
Total currency and interest rate swaps receivable		133,239		269,107
Currency and interest rate swaps payable related to sovereign pledges	4,651,542	(1,050,191)	4,685,100	(713,032)
Currency and interest rate swaps payable related to bonds payable	978,180	(95,637)	1,227,671	(42,762)
Total currency and interest rate swaps payable		(1,145,828)		(755,794)
Total fair value of interest rate and currency swaps		(1,012,589)		(486,687)

The World Bank is counterparty on all of IFFIm's currency and interest rate swap contracts and, therefore, the above US$ 1,013 million net liability on swaps is due to the World Bank.

26. Creditors Falling Due within One Year

In Thousands of US$	2012	2011
Bonds payable falling due within one year	419,890	764,364
Trade creditors	484	732
Amounts due to GAVI	193	366
Advances received on pledges	-	1,103
Total creditors falling due within one year	420,567	766,565

27. Creditors Falling Due after More than One Year

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

Issue Date	Maturity Date	Coupon Interest Rate	Nominal Amount, in Thousands		Fair Value as of 31 December 2012, in Thousands of US$	Fair Value as of 31 December 2011, in Thousands of US$
19 February 2009	21 February 2012	2.60%	A$	45,000	-	46,085
19 February 2009	21 February 2012	2.65%	NZ$	179,000	-	139,733
19 February 2009	21 February 2012	6.26%	R	3,170,000	-	400,654
15 May 2009	15 May 2014	3.38%	£	250,000	428,995	414,620
15 May 2009	13 June 2014	0.00%	£	16,227	30,287	28,329
27 May 2009	25 May 2012	3.51%	A$	50,000	-	50,929
27 May 2009	25 May 2012	1.00%	US$	105,000	-	105,360
24 June 2009	24 June 2013	4.36%	A$	70,592	73,763	72,179
24 June 2009	24 June 2013	6.85%	R	239,000	28,375	30,026
24 June 2009	24 June 2024	0.50%	R	800,000	46,947	40,226
23 March 2010	27 March 2013	7.15%	R	2,500,000	301,312	319,671
28 June 2010	27 June 2014	4.77%	A$	17,200	18,323	17,755
28 June 2010	27 June 2014	8.30%	R$	103,300	51,977	57,167
28 June 2010	29 June 2020	0.50%	R	430,000	33,865	30,762
15 October 2010	15 October 2015	5.50%	A$	35,000	38,861	37,288
8 December 2010	8 December 2015	5.75%	A$	400,000	445,115	427,537
30 March 2011	24 March 2014	7.81%	R$	371,100	188,399	206,332
28 September 2011	26 September 2014	6.00%	R$	105,000	51,192	55,273
29 September 2011	30 September 2015	3.40%	A$	12,000	12,611	11,892
29 September 2011	29 September 2016	6.10%	R	650,000	79,647	81,596
28 June 2012	29 June 2015	4.21%	R	471,000	54,204	-
28 June 2012	28 December 2016	3.15%	A$	11,500	11,785	-
28 June 2012	29 June 2027	0.50%	R	520,000	24,207	-
30 July 2012	24 July 2017	3.10%	A$	38,000	39,174	-
Total bonds payable					1,959,039	2,573,414
Due within one year					(419,890)	(764,364)
Due after more than one year					1,539,149	1,809,050

28. Movement of Funds

In Thousands of US$	As of 31 December 2011	Incoming Resources	Resources Expended	As of 31 December 2012
Sovereign pledges assigned from GFA	3,439,385	-	(2,023)	3,437,362
Investment and interest income	57,946	6,282	-	64,228
Other gains (losses) and other income (expenses)	(128,090)	146,508	(106,953)	(88,535)
Donated services:				
Administrative support	-	974	(974)	-
Programme funding to GFA:				
Country-specific programmes	(1,851,058)	-	(390,000)	(2,241,058)
Yellow fever stockpile investment case	(57,140)	-	-	(57,140)
Polio eradication investment case	(191,280)	-	-	(191,280)
Measles mortality reduction investment case	(139,000)	-	-	(139,000)
Maternal and neonatal tetanus investment case	(61,620)	-	-	(61,620)
Pentavalent payment guarantee	(181,050)	-	-	(181,050)
Yellow fever continuation investment case	(43,881)	-	-	(43,881)
Meningitis eradication investment case	(67,719)	-	-	(67,719)
Total restricted funds	776,493	153,764	(499,950)	430,307

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

29. Credit Risk

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

In Thousands of US$	2012	2011
Sovereign pledges	3,562,142	3,403,937
Cash, investments and derivatives	(465,392)	364,963
Total credit exposure	3,096,750	3,768,900

Credit Risk Related to Sovereign Pledges: IFFIm was exposed to Grantor credit risk on pledges from highly rated governments. This exposure is detailed by Grantor in Note 19 above. The Grantors were rated between BBB- and AAA as of 31 December 2012.

The Grantors' credit ratings as of 31 December 2012 and 2011, as determined by Standard and Poor's Ratings Service ("S&P"), were:

Grantor	2012	2011
Commonwealth of Australia	AAA	AAA
Republic of France	AA+	AAA
Republic of Italy	BBB+	A
State of the Netherlands	AAA	AAA
Kingdom of Norway	AAA	AAA
Republic of South Africa	BBB	BBB+
Kingdom of Spain	BBB-	AA-
Kingdom of Sweden	AAA	AAA
United Kingdom	AAA	AAA

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

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

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

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

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

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

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

In Thousands of US$	2012	2011
Instruments and securities rated AAA	255,053	485,363
Instruments and securities rated AA+	91,998	57,720
Instruments and securities rated AA	9,020	2,976
Instruments and securities rated AA-	136,084	244,824
Instruments and securities rated A+	23,600	59,717
Instruments and securities rated A	13,981	358
Instruments and securities rated BBB+	16,912	-
Total funds held in trust	546,648	850,958

30. Liquidity Risk

Liquidity risk is the risk that IFFIm may be unable to meet its obligations, when they fall due, as a result of a sudden, and potentially protracted, increase in cash outflows. Under its liquidity policy, IFFIm seeks to maintain an adequate level of liquidity to meet its operational requirements, provide predictability of programme funding and support its credit rating. Taking these factors into account, IFFIm maintains a minimum liquidity equivalent to its cumulative contracted debt service payments for the next twelve months. This minimum liquidity level is recalculated and reset on a quarterly basis. As of 31 December 2012, the calculated minimum liquidity was US$ 419 million and the value of IFFIm's Liquid Assets was US$ 547 million. As of 31 December 2011, the calculated minimum liquidity was US$ 595 million and the value of IFFIm's Liquid Assets was US$ 852 million.

Based on factors such as the strength of its financial base, its conservative financial policies and the strong support of the Grantors, IFFIm's Global Debt Issuance Programme is rated AA+ by S&P and Fitch Ratings, and Aa1 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 2012, in Thousands of US$	**Total Cash Outflows**	**Due in Less than One Year**	**Due in 2014**	**Due in 2015**	**Due from 2016 through 2030**
Bonds payable	(2,158,668)	(480,247)	(774,386)	(553,791)	(350,244)
Grants payable to GFA	(707,064)	(200,000)	(507,064)	-	-
Derivative financial liabilities	(1,252,686)	(42,657)	(113,304)	(52,888)	(1,043,837)
Total undiscounted maturities	(4,118,418)	(722,904)	(1,394,754)	(606,679)	(1,394,081)

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

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

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

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

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

31. Market Risk

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

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

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

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

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

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

The following exchange rates applied during the year:

In US$	Average Rate for the Year Ended 31 December 2012	Spot Rate as of 31 December 2012	Average Rate for the Year Ended 31 December 2011	Spot Rate as of 31 December 2011
Australian dollar	1.0358	1.0371	1.0327	1.0174
Brazilian real	0.5120	0.4884	0.5977	0.5360
Euro	1.2856	1.3183	1.3925	1.2938
British pound	1.5848	1.6167	1.6037	1.5454
Norwegian krone	0.1718	0.1790	0.1784	0.1664
New Zealand dollar	0.8102	0.8222	0.7916	0.7734
Swedish krona	0.1476	0.1536	0.1540	0.1451
South African rand	0.1218	0.1178	0.1377	0.1235

Sensitivity to Foreign Exchange Rates: Strengthening of the above currencies, against the United States dollar, as of 31 December 2012 and 2011 would have increased (decreased) IFFIm's net assets and deficits for those years by the amounts shown below. This analysis is based on foreign currency exchange rate variances that IFFIm considered to be reasonably possible at the end of the year. The analysis assumes that all other variables, in particular interest rates, remain unchanged:

	Increase (Decrease) in Deficit for the Year Ended and Net Assets as of 31 December 2012		Increase (Decrease) in Deficit for the Year Ended and Net Assets as of 31 December 2011	
In Thousands of US$	10% Strengthening against US$	10% Weakening against US$	10% Strengthening against US$	10% Weakening against US$
Australian dollar	926	(1,132)	574	(702)
Brazilian real	-	(1)	(53)	64
Euro	33,305	(40,706)	39,915	(48,785)
British pound	24,253	(29,642)	21,189	(25,898)
Norwegian krone	1,859	(2,273)	1,682	(2,056)
Swedish krona	220	(269)	174	(213)
South African rand	(688)	841	(620)	757

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$	2012 Carrying Amount	2011 Carrying Amount
Fixed rate instruments		
Financial assets	1,676,520	2,160,825
Financial liabilities	(5,899,815)	(6,365,099)
Net fixed rate instruments	(4,223,295)	(4,204,274)
Variable rate instruments		
Financial assets	3,524,352	3,794,576
Financial liabilities	(2,272,685)	(2,650,402)
Net variable rate instruments	1,251,667	1,144,174

Sensitivity to Interest Rates: Changes of 25 basis points in interest rates as of 31 December 2012 and 2011 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 2012	Increase (Decrease) in Deficit for the Year Ended and Net Assets as of 31 December 2011
25 basis point increase	10,498	13,012
25 basis point decrease	(10,859)	(13,451)

Value at Risk ("VaR") for Funds Held in Trust: VaR measures, in terms of fair value changes, the potential losses due to adverse market movements over a given interval at a given confidence level. VaR is conceptually applicable to all financial risk types with valid regular price histories. The annual VaR at 95% confidence level for IFFIm's funds held in trust was US$ 1.2 million and US$ 2.6 million for the years ended 31 December 2012 and 2011, respectively. IFFIm uses a three-year historical dataset to compute VaR.

32. Fair Values of Financial Instruments

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

	31 December 2012		31 December 2011	
In Thousands of US$	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets carried at fair value				
Sovereign pledges	3,562,142	3,562,142	3,403,937	3,403,937
Funds held in trust	546,648	546,648	850,958	850,958
Derivative financial instruments	133,239	133,239	269,107	269,107
Total assets carried at fair value	4,242,029	4,242,029	4,524,002	4,524,002
Assets carried at amortised cost				
Prepayments	337	337	272	272
Cash	549	549	692	692
Total assets carried at amortised cost	886	886	964	964
Liabilities carried at fair value				
Bonds payable	1,959,039	1,959,039	2,573,414	2,573,414
Grants payable to GFA	707,064	707,064	417,064	417,064
Derivative financial instruments	1,145,828	1,145,828	755,794	755,794
Total liabilities carried at fair value	3,811,931	3,811,931	3,746,272	3,746,272
Liabilities carried at amortised cost				
Accounts payable	677	677	2,201	2,201
Total liabilities carried at amortised cost	677	677	2,201	2,201

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

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

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

In Thousands of US$	2012	2011
Balance as of the beginning of the year	3,403,937	3,171,579
Initial fair value of pledges	-	144,137
Donor payments	(251,517)	(201,610)
Fair value gains	409,722	289,831
Balance as of the end of the year	3,562,142	3,403,937

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

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

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

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

The reference portfolio as of 31 December 2012 was as follows:

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

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

The initial GPC reduction rate used in October 2006 was 17.6%. The rate was 15.6% and 15.4% as of 31 December 2012 and 2011 respectively. 1% decreases in the GPC reduction rates as of 31 December 2012 and 2011 would have resulted in increases in the fair values of sovereign pledges of US$ 42 million and US$ 40 million, respectively. 1% increases in the GPC reduction rates would have had equal but opposite effects on the fair values of sovereign pledges.

During the year ended 31 December 2012, three reference portfolio countries were in protracted arrears to the IMF. Those countries were Somalia, Sudan and Zimbabwe.

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

For the above sovereign pledges as of 31 December 2012, market based discount rates ranging from 0% to 5.7% were applied, as appropriate, depending on the donor, payment schedule and currency of the grant payments.

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

For the years ended 31 December 2012 and 2011, the changes in the fair values of bonds payable that were attributable to IFFIm's own credit spreads were decreases of US$ 9 million and US$ 11 million, respectively.

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

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

33. Notes to the Statements of Cash Flows

The following table analyses changes in net debt:

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

In Thousands of US$	Fair Value as of 31 December 2010	Cash Flows and Fair Value Movements	Fair Value as of 31 December 2011
Cash	2,442	(1,750)	692
Bonds payable	(3,371,675)	830,751	(2,540,924)
Funds held in trust	1,565,302	(714,344)	850,958
Total	(1,803,931)	114,657	(1,689,274)

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

In Thousands of US$	2012	2011
Decrease in cash	(143)	(1,750)
Decrease in funds held in trust	(304,310)	(714,344)
Cash outflows from financing activities	624,245	622,181
Fair value (losses) gains on bonds	(20,323)	208,570
Movement in net debt in the period	299,469	114,657
Net debt as of the beginning of the year	(1,689,274)	(1,803,931)
Net debt as of the end of the year	(1,389,805)	(1,689,274)

34. Related Party Transactions

IFFIm's related parties are:

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

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

IFFIm's related party balances and transactions were:

In Thousands of US$	2012	2011
GAVI		
Accounts payable to GAVI	193	366
In-kind contributions received from GAVI	974	820
GFA		
Assignment of donor pledges from GFA	-	144,137
Program grants to GFA	390,000	200,000
Program grants payable to GFA	707,065	417,064

35. Commitment and Contingencies

The trustees are not aware of any commitments or contingencies as of 31 December 2012 or 2011.

36. Current Tax

IFFIm is a registered United Kingdom charity and, as such, is exempt from United Kingdom taxation of income and gains falling within s478-489 Corporation Tax Act 2010 and s256 Taxation of Chargeable Gains Act 1992 on its charitable activities. No tax charges arose during the years ended 31 December 2012 or 2011.

37. Subsequent Events

On 5 March 2013, Moody's Investors Service lowered its credit rating for IFFIm to Aa1 from Aaa. The decision followed Moody's 22 February 2013 decision to downgrade the United Kingdom's sovereign credit rating to Aa1 from Aaa. On 22 April 2013, Fitch Ratings lowered its rating for IFFIm to AA+ from AAA in connection with its decision to downgrade the United Kingdom's sovereign credit rating. As a result of these downgrades, and under the terms of the Credit Support Annex ("CSA") to the ISDA Agreement between IFFIm and the World Bank, the World Bank has the right to call for collateral to protect against its exposure on IFFIm's derivative positions. The World Bank has not exercised this right. Instead, in order to mitigate the risk that the World Bank may call collateral, an agreement has been reached between the World Bank and IFFIm to apply an additional buffer to the existing gearing ratio limit to manage the exposure for the World Bank under the derivative transactions entered into between IFFIm and the World Bank (the "Risk Management Buffer"). The Risk Management Buffer may be adjusted by the World Bank in its sole discretion. In addition, the World Bank, as IFFIm's Treasury Manager, shall continue to monitor IFFIm's funding needs to ensure that at all times IFFIm maintains sufficient available resources to be able to meet its financial obligations, including debt-service payments and obligations under the CSA and ISDA Agreement. As of 29 April 2013, the net liability on swaps due to the World Bank referred to in Note 25 had decreased to US$ 937 million.

On 8 February 2013, IFFIm, GFA, GAVI and the Grantors entered into the Second Deed of Novation, Amendment and Restatement, which removed GFA from the IFFIm structure. On 28 March 2013, the GFA board approved the dissolution of GFA by way of a member's voluntary liquidation. GFA was solvent at the time of this approval and shall remain solvent throughout the liquidation process, which is expected to be completed by 31 December 2013. In March 2013, pursuant to GFA's removal from the IFFIm structure, IFFIm's grants payable to GFA of US$ 707 million were assigned to GAVI. The assigned amount was comprised of grants payable within one year of US$ 200 million and grants payable after more than one year of US$ 507 million.

On 8 March 2013, Fitch downgraded its credit rating on Italy to BBB+ from A-.

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 2012 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 charitable 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 charitable 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 charitable company and the charitable company's members as a body, for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

The trustees (who are also the directors of the charitable company for the purposes of company law) 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 statements within the annual report with the full annual financial statements and their 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 statements.

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 charitable company's full annual financial statements describes the basis of our audit.

Opinion on summary financial statements

In our opinion the summary financial statements are consistent with the full annual financial statements of the International Finance Facility for Immunisation for the year ended 31 December 2012 and comply 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 14 June 2013 and the date of this statement.

MGFallon 27 September 2013

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

15 Canada Square
Canary Wharf
London E14 5GL

GFA Financial Statements

Statements of Financial Activities

In Thousands of US$	Note	Year Ended 31 December 2012 Restricted Funds	Year Ended 31 December 2011 Restricted Funds
Incoming resources from generated funds			
Voluntary income:			
Contribution revenue	39	390,000	344,137
Donated services	39	254	838
Total voluntary income		390,254	344,975
Investment and interest income	40	480	539
Total incoming resources from generated funds		390,734	345,514
Resources expended			
Charitable activities:			
Direct programme costs	41	398,075	207,782
Pledges assigned to IFFIm	41	-	144,138
Total charitable activities		398,075	351,920
Governance costs	41	1,083	1,675
Total resources expended		399,158	353,595
Net resources expended		(8,424)	(8,081)
Foreign currency exchange losses		(1)	(6)
Net change in funds		(8,425)	(8,087)
Total funds as of the beginning of the year		141,951	150,038
Total funds as of the end of the year		133,526	141,951

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 2012	As of 31 December 2011
Current assets			
Funds held in trust	42	109,082	244,688
Grants receivable from IFFIm	43	707,064	417,064
Other current assets	44	13,802	17,868
Due from related parties		-	810
Total current assets		829,948	680,430
Current liabilities			
Creditors falling due within one year	45	696,422	538,479
Total current liabilities		696,422	538,479
Net assets	46	133,526	141,951
Restricted funds	46	133,526	141,951

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

Statements of Cash Flows

In Thousands of US$	Note	Year Ended 31 December 2012 Restricted Funds	Year Ended 31 December 2011 Restricted Funds
Net cash (outflows) inflows from operating activities	49	(136,086)	51,485
Returns on investments			
Investment and interest income received	40	480	539
Management of liquid resources			
Decrease (Increase) in funds held in trust		135,606	(52,024)
Net cash inflows (outflows) before financing activities		136,086	(51,485)
Net change in cash		-	-
Cash as of the beginning of the year		-	-
Cash as of the end of the year		-	-

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

Notes to the Annual Financial Statements

38. Significant Accounting Policies

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

Basis of Accounting: The financial statements are prepared:

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

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

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

In previous years, the financial statements have been prepared on a going concern basis. However, on 28 March 2013, the Trustees took the decision to cease activity by way of a member's voluntary liquidation. As they intend to liquidate the company following the settlement of the remaining net assets, the Trustees have not prepared the financial statements on a going concern basis. No adjustments were necessary to the amounts at which GFA's net assets are included in these financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

39. Contribution Revenue

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

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

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

[1] Acting through Agence Française de Développement.

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

Contribution revenue recognised was comprised of:

In Thousands of US$	2012	2011
Grants from IFFIm	390,000	200,000
Sovereign donor grants	-	144,137
Total contribution revenue	390,000	344,137

Donated Services: GFA received donated administrative services from GAVI in 2012 and 2011. The services donated by GAVI in 2012 and 2011 were valued by using a comprehensive cost allocation model to calculate a single administrative support amount. GFA also recognised certain procurement service fees incurred by GAVI in 2011 and 2010 as donated services. Procurement service fees for the purchase of meningitis and yellow fever vaccines, funded by GFA, were paid for by GAVI.

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

In Thousands of US$	2012	2011
Procurement service fee	-	580
Administrative support	254	258
Total donated services	254	838

40. Investment and Interest Income

In Thousands of US$	2012	2011
Income from funds held in trust	480	539
Total investment and interest income	480	539

41. Total Resources Expended

In Thousands of US$	2012	2011
Charitable activities		
Country-Specific Programmes:		
New and underused vaccines	315,000	175,000
Health systems strengthening and immunisation services	75,000	25,000
Investment Cases:		
Yellow fever stockpile	1,527	6,161
Meningitis eradication	6,548	1,621
Total direct programme costs	398,075	207,782
Pledges assigned to IFFIm	-	144,138
Total charitable activities	398,075	351,920
Governance costs		
Professional services:		
Accounting support fees	240	250
GAVI administrative support	254	258
Legal fees	321	380
Auditor's remuneration:		
Statutory audit	96	58
Audit related assurance services	110	107
Tax compliance services	17	12
Other governance costs:		
Procurement service fee	-	580
Trustees' expenses	45	30
Total governance costs	1,083	1,675

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 2012.

42. Funds Held in Trust

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

In Thousands of US$	2012	2011
GFA's share in the Pool's fair value	109,082	244,688

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$ 480 thousand and US$ 539 thousand for the years ended 31 December 2012 and 2011, respectively, and were reported as investment income in the Statements of Financial Activities.

43. Grants Receivable from IFFIm

In Thousands of US$	2012	2011
Balance as of the beginning of the year	417,064	517,064
Grants approved by IFFIm	390,000	200,000
Payments received from IFFIm	(100,000)	(300,000)
Net receivable from IFFIm	707,064	417,064

44. Other Current Assets

Other current assets include guarantee deposits for a multi-year vaccine procurement contract with the United Nations Children's Fund. The guarantee deposit funds are held in interest earning bank accounts managed by GAVI.

In Thousands of US$	2012	2011
Vaccine guarantee deposits	13,802	17,868

45. Creditors Falling Due within One Year

In Thousands of US$	2012	2011
Grants payable as of the beginning of the year	538,219	579,165
Country-Specific Programme approvals:		
New and underused vaccines	315,000	175,000
Health systems strengthening and immunisation services	75,000	25,000
Total Country-Specific Programme approvals	390,000	200,000
Disbursements to GAVI	(232,074)	(247,153)
Increases (Reductions) to previously approved programmes	-	6,207
Grants payable at the end of the year	696,145	538,219
Accounts payable	277	260
Total creditors falling due within one year	696,422	538,479

46. Movement of Funds

In Thousands of US$	As of 31 December 2011	Incoming Resources	Resources Expended	As of 31 December 2012
Other contributions	12,325	-	-	12,325
Donated services	-	254	(254)	-
Investment and interest income	25,099	480	(830)	24,749
Country-Specific programmes	67,248	390,000	(390,000)	67,248
Yellow fever Investment Cases	11,736	-	(1,527)	10,209
Maternal neonatal tetanus elimination Investment Case	82	-	-	82
Meningitis Investment Cases	25,461	-	(6,548)	18,913
Total restricted funds	141,951	390,734	(399,159)	133,526

In Thousands of US$	As of 31 December 2010	Incoming Resources	Resources Expended	As of 31 December 2011
Sovereign donor grants	-	144,138	(144,138)	-
Other contributions	12,325	-	-	12,325
Donated services	-	838	(838)	-
Investment and interest income	25,404	539	(844)	25,099
Programme funding:				
Country-Specific programmes	67,248	200,000	(200,000)	67,248
Yellow fever Investment Cases	17,897	-	(6,161)	11,736
Maternal neonatal tetanus elimination Investment Case	82	-	-	82
Meningitis Investment Cases	27,082	-	(1,621)	25,461
Total restricted funds	150,038	345,515	(353,602)	141,951

47. Financial Risks

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

In Thousands of US$	2012	2011
Maximum credit exposure on funds held in trust	109,082	244,688

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 2012 and 2011, GFA's investments in money market instruments were deposited with financial institutions that had the following credit ratings:

In Thousands of US$	2012	2011
Money market instruments deposited with institutions rated AAA	892	29,363
Money market instruments deposited with institutions rated AA+	-	17,128
Money market instruments deposited with institutions rated AA-	36,824	70,960
Money market instruments deposited with institutions rated AA	38,816	31,809
Money market instruments deposited with institutions rated A+	17,143	90,534
Money market instruments deposited with institutions rated A	15,407	4,894
Total funds held in trust	109,082	244,688

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 2012, in Thousands of US$	Total Cash Outflows	Due in Less than One Year	Due in 2014	Due in 2015	Due from 2016 through 2026
Grants payable	696,145	696,145	-	-	-

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

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

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

48. Fair Values of Financial Instruments

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

	31 December 2012		31 December 2011	
In Thousands of US$	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets carried at fair value				
Funds held in trust	109,082	109,082	244,688	244,688
Grants receivable from IFFIm	707,064	707,064	417,064	417,064
Total assets carried at fair value	816,146	816,146	661,752	661,752
Assets carried at amortised cost				
Prepayments	13,802	13,802	17,868	17,868
Due from related parties	-	-	810	810
Total assets carried at amortised cost	13,802	13,802	18,678	18,678
Liabilities carried at fair value				
Grants payable	696,145	696,145	538,219	538,219
Total liabilities carried at fair value	696,145	696,145	538,219	538,219
Liabilities carried at amortised cost				
Creditors	261	261	260	260
Due to related parties	16	16	-	-
Total liabilities carried at amortised cost	277	277	260	260

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 2012, in Thousands of US$	Level 1	Level 2	Level 3	Total
Financial assets				
Funds held in trust	1,854	107,228	-	109,082
Grants receivable from IFFIm	-	707,064	-	707,064
Total financial assets	1,854	814,292	-	816,146
Financial liabilities				
Grants payable	-	696,145	-	696,145
Total financial liabilities	-	696,145	-	696,145

As of 31 December 2011, in Thousands of US$	Level 1	Level 2	Level 3	Total
Financial assets				
Funds held in trust	59,201	185,487	-	244,688
Grants receivable from IFFIm	-	417,064	-	417,064
Total financial assets	59,201	602,551	-	661,752
Financial liabilities				
Grants payable	-	538,219	-	538,219
Total financial liabilities	-	538,219	-	538,219

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

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

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

49. Notes to the Statements of Cash Flows

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

In Thousands of US$	2012	2011
Net change in funds	(8,425)	(8,087)
Investment and interest income received	(480)	(539)
(Increase) Decrease in other current assets	4,066	1,274
(Increase) Decrease in grants receivable from IFFIm	(290,000)	100,000
Decrease (Increase) in amounts due from related parties	810	(173)
Increase (Decrease) in grants payable	157,926	(40,946)
Increase (Decrease) in accounts payable	17	(44)
Net cash (outflows) inflows from operating activities	(136,086)	51,485

50. Related Party Transactions

GFA's related parties are:

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

- The 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$	2012	2011
The GAVI Alliance		
Prepayment for procurement held by GAVI	13,802	17,868
Net (payable) receivable with GAVI	(16)	810
In-kind contributions received from GAVI	254	838
The International Finance Facility for Immunisation		
Assignment of donor pledges to IFFIm	-	144,138
Program grants from IFFIm	390,000	200,000
Grants receivable from IFFIm	707,064	417,064

51. Commitment and Contingencies

The trustees are not aware of any commitments or contingencies as of 31 December 2012 or 2011.

52. Current Tax

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

53. Subsequent Events

On 28 March 2013, the GFA board approved the dissolution of GFA by way of a member's voluntary liquidation. GFA was solvent at the time of this approval and shall remain solvent throughout the liquidation process. GAVI, as GFA's sole member, shortly intends to appoint liquidators. As of 17 September 2013, the following transactions had been completed pursuant to GFA's removal from the IFFIm structure:

- In March 2013, all GFA's grants receivable from IFFIm were assigned to GAVI and, as consideration for these assigned grants receivable, GAVI cancelled all programme grants payable by GFA to GAVI.

- In May 2013, GFA transferred US$ 90 million of its funds held in trust to GAVI.

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 2012 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 79.

This statement is made solely to the charitable 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 charitable 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 charitable company and the charitable company's members as a body, for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

The trustees (who are also the directors of the charitable company for the purposes of company law) 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 statements within the annual report with the full annual financial statements and their 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 statements.

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 charitable company's full annual financial statements describes the basis of our audit.

Opinion on summary financial statements

In our opinion the summary financial statements are consistent with the full annual financial statements of the GAVI Fund Affiliate for the year ended 31 December 2012 and comply 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 26 August 2013 and the date of this statement.

Emphasis of Matter: Non-Going Concern Basis of Preparation

In forming our opinion on the summary financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 38 to the summary financial statements which explains that the summary financial statements have not been prepared on the going concern basis for the reasons set out in that note.

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

15 Canada Square
Canary Wharf
London E14 5GL

27 September 2013

GAVI Campaign Financial Statements

Statements of Financial Position

In Thousands of US$	Note	As of 31 December 2012	As of 31 December 2011
Assets			
Cash		4,808	3,499
Receivables, prepaid expenses and other assets		250	48
Investments	56 & 57	33,550	43,391
Total assets		38,608	46,938
Liabilities and net assets			
Liabilities			
Accounts payable and other liabilities		94	430
Programme grants payable	57, 58 & 61	3,604	10,000
Total liabilities		3,698	10,430
Net assets			
Unrestricted		31,943	33,515
Temporarily restricted	59	2,967	2,993
Total net assets		34,910	36,508
Total liabilities and net assets		38,608	46,938

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

Statements of Activities

In Thousands of US$	Note	Year Ended 31 December 2012	Year Ended 31 December 2011
Unrestricted			
Revenue			
Contributions from government and private donors	61	2,663	3,807
Investment income	56	204	37
Foreign currency transaction adjustment		-	12
Other revenue		13	-
Release of net assets		2,992	4,291
Total revenue		5,872	8,147
Expenses			
Programme		6,171	20,052
Management and general		578	533
Fundraising		695	539
Total expenses		7,444	21,124
Change in unrestricted net assets		(1,572)	(12,977)
Temporarily restricted			
Contributions from government and private donors	61	2,966	2,992
Release of net assets		(2,992)	(4,291)
Change in temporarily restricted net assets		(26)	(1,299)
Change in net assets		(1,598)	(14,276)
Net assets as of the beginning of the year			
Unrestricted		33,515	46,492
Temporarily restricted		2,993	4,292
Total net assets as of the beginning of the year		36,508	50,784
Net assets as of the end of the year			
Unrestricted		31,943	33,515
Temporarily restricted		2,967	2,993
Total net assets as of the end of the year		34,910	36,508

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

Statements of Cash Flows

In Thousands of US$	Year Ended 31 December 2012	Year Ended 31 December 2011
Net cash flows from operating activities		
Change in net assets	(1,598)	(14,276)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Realised and unrealised foreign exchange transaction adjustment	-	(12)
Depreciation expense	3	3
Realised and unrealised (gains) losses on investments	(42)	2
Changes in assets and liabilities:		
Receivables, prepaid expenses and other assets	(205)	27
Accounts payable and accrued liabilities	(336)	(8)
Programme grants payable	(6,396)	10,000
Net cash used in operating activities	(8,574)	(4,264)
Cash flows from investing activities		
Purchase of investments	(33,268)	(11,180)
Sales of investments	43,151	18,505
Net cash provided by investing activities	9,883	7,325
Effect of exchange rate changes on cash	-	12
Net change in cash	1,309	3,073
Cash as of the beginning of the year	3,499	426
Cash as of the end of the year	4,808	3,499

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

Statements of Functional Expenses

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

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

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

Notes to the Annual Financial Statements

54. Nature of Operations and Affiliates

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

In 2009, the Campaign's activities were reorganised and immunisation operations were transferred to the GAVI Alliance ("GAVI"). The Campaign shifted its focus to concentrate on private sector engagement, mobilising resources and raising the profile of immunisation within the sector, in support of GAVI and other partner organisations that share its mission to save lives and protect health through increased access to immunisation. The Campaign was replaced by GAVI as the sole member of the International Finance Facility for Immunisation ("IFFIm") and the GAVI Fund Affiliate ("GFA") based on amendments to the governing documents of the entities.

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

55. Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Cash: The carrying amount approximates the fair value.

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

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

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

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

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

- Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that must be maintained permanently by the Campaign. As of 31 December 2012 and 2011, the Campaign did not have any permanently restricted net assets.

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

Donated goods and services are included in contributions in the statement of activities at their estimated fair values at the date of their receipt. The Campaign received US$ 0 and US$ 3.8 million in donated goods, recorded as discontinued operations, and US$ 545 thousand and US$ 632 thousand in donated services, recorded as professional fees and facility and office costs, for the years ended 31 December 2012 and 2011, respectively. In 2011, donated goods represent approximately 255 thousand doses of Prevanar vaccines by Wyeth to two Campaign-eligible countries, Rwanda and Gambia. Donated services also represent an allocation to the Campaign from GAVI for expenses incurred by GAVI in providing the Campaign with administrative support including incremental salaries and related benefits recorded as professional fees, incremental rent, and miscellaneous office and facility costs.

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

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

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

Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the financial statements. As of 31 December 2012, the statutes of limitations for tax years 2009 through 2011 remain open with the United States federal jurisdiction or the various states and local jurisdictions in which the Campaign files tax returns.

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

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

56. Investments

The fair values of the Campaign's investments as of 31 December 2012 and 2011 were:

In Thousands of US$	**2012**	**2011**
Registered investment companies	33,284	-
Money market funds	266	43,391
Total investments	33,550	43,391

Investment income for the years ended 31 December 2012 and 2011 was as follows:

In Thousands of US$	**2012**	**2011**
Interest	21	39
Net realised and unrealised gains (losses)	42	(2)
Dividends	141	-
Net investment income	204	37

57. Fair Values of Financial Instruments

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

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

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

58. Programme Grants Payable

The Campaign's unconditional grants committed, but unpaid as of 31 December 2012 and 2011 were US$ 3.6 million and US$ 10 million, respectively. The programme grants payable are due in less than one year.

59. Temporarily Restricted Net Assets

The Campaign's temporarily restricted net assets due to programme restrictions as of 31 December 2012 and 2011 were US$ 2.9 million and US$ 2.9 million, respectively.

60. Retirement Plan

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

The Campaign's annual matching contribution equals 1% of each vested participant's compensation and a 3% contribution due to a safe harbor provision. For the year ended 31 December 2011, the participants were fully vested after one thousand hours of employment. Effective 1 January 2012, participants are always fully vested during the plan year. An additional discretionary amount for 2012 and 2011, equalling 12% of the participant's compensation, was provided. For the years ended 31 December 2012 and 2011, the Campaign's contributions to the plan totalled US$ 47 thousand and US$ 168 thousand, respectively.

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

61. Related Party Transactions

The Campaign's related parties are:

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

  As a related party, The "la Caixa" Foundation's contributions to the Campaign in 2011, included in unrestricted and temporarily restricted contributions in the statement of activities for the year ended 31 December 2011, were US$ 154 thousand and US$ 2.8 million, respectively.

  The "la Caixa" Foundation's contributions to the Campaign in 2012, included in unrestricted and temporarily restricted contributions in the statement of activities for the year ended 31 December 2012, were US$ 237 thousand and US$ 2.9 million, respectively.

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

In Thousands of US$	2012	2011
Donated services, included in unrestricted contributions in the statements of activities	545	632
Receivable from GAVI, included in receivables, prepaid expenses and other assets in the statements of financial position	107	-
Payable to GAVI, included in accounts payable and other liabilities in the statements of financial position	-	5
Programme grants payable to GAVI, in the statements of financial position	3,604	10,000

62. Concentrations of Credit Risk

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

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

The approximate uninsured cash and investments balances as of 31 December 2012 and 2011 were as follows:

In Thousands of US$	2012	2011
Deposit accounts	4,300	2,700
Registered investment companies	33,000	-
Money market funds	-	43,000
Total uninsured cash and investments balance	37,300	45,700

63. Discontinued Operations

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

Transferred assets, net of assumed liabilities, represented the elimination of a segment of the Campaign's operations. Therefore, those transferred assets and liabilities were recognised as discontinued operations by the Campaign and measured at the book value upon transfer to GAVI as of the delivery dates. Transfers to GAVI were effected in 2009, 2010 and 2011.

In 2011, 255 thousand doses of Prevanar vaccines, valued at US$ 3.8 million, were donated by Wyeth to the Campaign, which in turn granted those vaccines to GAVI for use in Rwanda and Gambia. This was the final Campaign transaction related to its discontinued operations.

64. Subsequent Events

In preparing these financial statements, the Campaign evaluated subsequent events through 21 May 2013, which represents the date that the financial statements were issued.

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

Independent Auditors' Report

The Board of Directors
The GAVI Campaign:

We have audited the accompanying financial statements of the GAVI Campaign (the Campaign), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the Campaign as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

May 21, 2013

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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 at fair value on the date the donor signs the grant agreement. The recorded contributions receivable balances are reduced over time as cash payments are received from the donors and are adjusted for changes in fair value. The following schedule details the nominal amounts of new Multi-Year Pledges from donors, and cash payments received against Multi-Year Pledges, during the year ended 31 December 2012:

Donors' Schedule 1: Multi-Year Pledges from Donors

			Activity for the Year Ended 31 December 2012				
In Thousands	Local Currency	Balance as of 31 December 2011, in Local Currency	New Pledges, in Local Currency	Payments Received, in Local Currency	Balance as of 31 December 2012, in Local Currency	Balance as of 31 December 2012, in US$	Balance as of 31 December 2011, in US$
Direct Multi-Year Pledges to GAVI:							
Anglo American plc	US$	2,000	-	(1,000)	1,000	1,000	2,000
Absolute Return for Kids (ARK)	£	-	2,000	(1,000)	1,000	1,616	-
Bill & Melinda Gates Foundation	US$	785,900	-	(193,800)	592,100	592,100	785,900
Canada	C$	30,000	15,000	(15,000)	30,000	30,099	29,418
Children's Investment Fund Foundation	US$	-	6,500	(4,300)	2,200	2,200	-
Comic Relief	£	-	2,500	(2,000)	500	808	-
Commonwealth of Australia	A$	155,000	-	(55,000)	100,000	103,720	157,713
Crown Prince of Abu Dhabi	US$	18,922	-	(8,825)	10,097	10,097	18,922
Elogøy	Nkr	-	600	(200)	400	72	-
Grand Duchy of Luxembourg	€	3,280	-	(820)	2,460	3,251	4,248
Kingdom of Denmark	Dkr	-	50,000	(25,000)	25,000	4,430	-
Kingdom of Norway	Nkr	-	3,250,665	(606,218)	2,644,447	473,620	-
Prudential Services Ltd	£	-	125	-	125	202	-
Republic of Korea	US$	300	-	(300)	-	-	300
United Kingdom	£	690,166	-	(129,000)	561,166	906,844	1,066,650
Total direct Multi-Year Pledges to GAVI						2,130,059	2,065,151
Multi-Year Pledges to IFFIm:							
Commonwealth of Australia	A$	247,090	-	(4,850)	242,240	250,966	251,298
Kingdom of Norway	US$	162	-	-	162	-	-
Kingdom of Norway	Nkr	1,354,500	-	(145,500)	1,209,000	214,842	224,581
Kingdom of Spain	€	133,218	-	(9,191)	124,027	162,382	171,616
Kingdom of Sweden	Skr	185,204	-	(17,858)	167,346	25,445	26,705
Republic of France[1]	€	267,735	-	(22,504)	245,231	320,611	344,655
Republic of France[2]	€	777,921	-	(26,821)	751,101	987,143	1,004,531
Republic of Italy	€	386,599	-	(26,675)	359,924	471,292	498,094
Republic of South Africa	US$	15,060	-	(970)	14,090	14,000	15,000
State of the Netherlands	€	70,000	-	(13,650)	56,350	73,825	90,563
United Kingdom	£	1,498,778	-	(53,605)	1,445,173	2,330,035	2,312,460
Total Multi-Year Pledges to IFFIm						4,850,541	4,939,503
Multi-Year Pledges from AMC donors						1,105,458	1,328,957
Total Multi-Year Pledges from donors[3]						8,086,058	8,333,611

[1] Acting through Agence Française de Développement.
[2] Acting through the Ministry of Economy, Industry and Employment.

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

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

Annual Contributions from Donors

The Alliance received contributions from donors that are payable in the same year in which the grant agreement is signed ("Annual Contributions"). In accordance with its accounting policy, the Alliance records Annual Contributions as contribution revenue on the date the donor signs the grant agreement. The following schedule details Annual Contributions received from donors during the year ended 31 December 2012:

Donors' Schedule 2: Annual Contributions from Donors

In Thousands	Local Currency	2012, in Local Currency	2011, in Local Currency	2012, in US$	2011, in US$
Annual Contributions					
Bill & Melinda Gates Foundation	US$	8,313	2,971	8,313	2,971
The European Union, represented by the European Commission	€	9,500	-	12,506	-
Federal Republic of Germany	€	26,931	6,000	35,167	8,687
Japan	US$	9,067	9,348	9,067	9,348
J.P. Morgan	£	-	1,500	-	2,468
Kingdom of Norway	Nkr	-	428,600	-	73,383
Kingdom of Sweden	Skr	-	625,000	-	92,698
Republic of France	€	15,500	26,000	20,093	34,836
Republic of Ireland	€	2,750	3,540	3,484	4,935
State of the Netherlands	€	11,000	20,000	14,207	26,860
The "la Caixa" Foundation	€	2,461	2,211	3,204	2,946
United Kingdom	£	-	50,000	-	79,795
United States Agency for International Development	US$	130,000	89,820	130,000	89,820
Other contributions	US$	1,885	4,347	1,885	4,347
Total Annual Contributions				237,926	433,095

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

In Thousands of US$	2012	2011
Total Annual Contributions	237,926	433,095
Initial fair value of new Multi-Year Pledges received during the year[1]	608,811	2,222,546
Total recorded contribution revenue[2]	846,737	2,655,641

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

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

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

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Independent Auditors' Report on Supplemental Information

The Board of Directors

The GAVI Alliance, Geneva

We have audited the consolidated financial statements of the GAVI Alliance as of and for the years ended 31 December 2012 and 2011, and have issued our report thereon dated 17 September 2013 which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information included in Donors' Schedules 1 and 2 is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG SA

Pierre-Henri Pingeon
Licensed Audit Expert
Auditor in Charge

Karina Vartanova
Licensed Audit Expert

Geneva, Switzerland, 17 September 2013

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