

5830438



The GAVI Fund Affiliate

● **Annual Report of the Trustees
Annual Financial Statements**

Year Ended 31 December 2012

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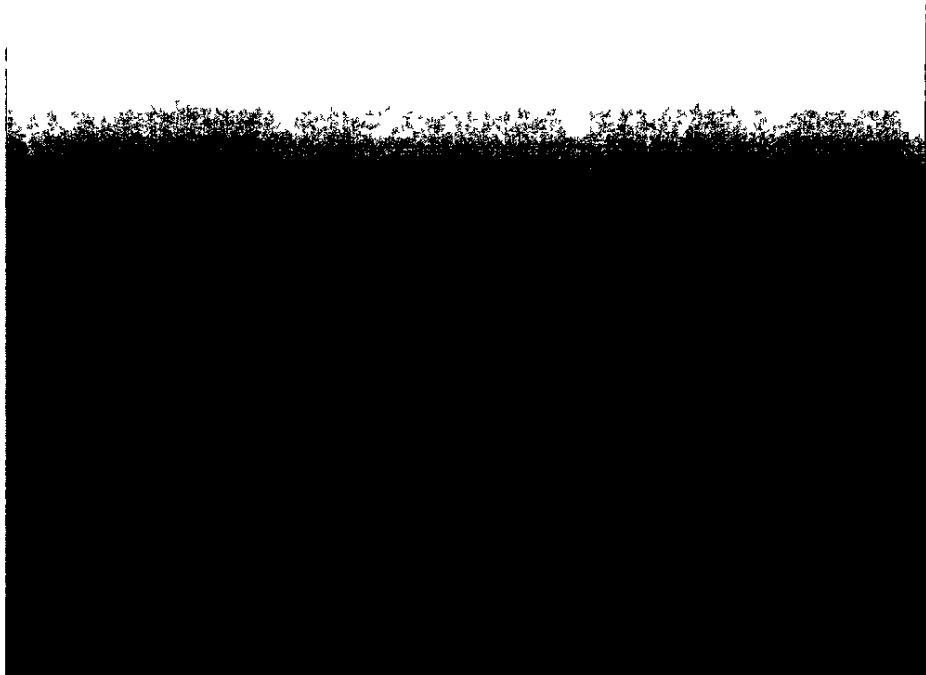
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Table of Contents



Legal and Administrative Information	3
Statement of Trustees' Responsibilities	5
Annual Report of the Trustees	7
Structure and Governance	8
Objectives and Public Benefit	9
Programmes Funded by GFA	9
Financial Overview	12
Risk Management	13
Recent Developments	13
Future Plans	14
Declarations by GFA's Directors	14
Independent Auditors	14
Annual Financial Statements	15
Statements of Financial Activities	16
Balance Sheets	17
Statements of Cash Flows	18
Notes to the Annual Financial Statements	19
Independent Auditors' Report	28

Legal and Administrative Information



Legal and Administrative Information

Trustees

Wayne Berson, Chair
Andre Prost
Bo Stenson
Stephen Zinser

Registered Address

The Broadgate Tower, Third Floor
20 Primrose Street
London EC2A 2RS
United Kingdom

Company Secretary

Reed Smith Corporate Services Limited
The Broadgate Tower, Third Floor
20 Primrose Street
London EC2A 2RS
United Kingdom

Solicitors

Reed Smith LLP
The Broadgate Tower
20 Primrose Street
London EC2A 2RS
United Kingdom

Auditors

KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL
United Kingdom

Account Administrator

International Bank for Reconstruction and Development
1818 H Street NW
Washington, DC 20433
United States

Legal Status

The GAVI Fund Affiliate ("GFA") is registered as a charity with the Charity Commission for England and Wales and is also a private company, limited by guarantee, incorporated under the Companies Act 1985. GFA is governed by its Memorandum of Association dated 19 May 2006 and by its Articles of Association which were adopted on 10 November 2008. GFA's company registration number is 5830438 and its charity registration number is 1115297.

Filing of Reports

Copies of GFA's Annual Report of the Trustees and Annual Financial Statements are available to the public and may be obtained from the Registrar of Companies for England and Wales at Companies House, Cardiff.

Statement of Trustees' Responsibilities



Statement of Trustees' Responsibilities in Respect of the Annual Report of the Trustees and the Financial Statements

The trustees are responsible for preparing the Annual Report of the Trustees and the financial statements in accordance with applicable law and regulations

Company law requires the trustees to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the excess of expenditure over income for that period. In preparing these financial statements, the trustees are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue its activities. On 28 March 2013, the Trustees took the decision to cease activity by way of a member's voluntary liquidation. As the Trustees intend to liquidate the Charity following the settlement of the remaining net assets, they have not prepared the financial statements on a going concern basis. The effect of this is explained in Note 1 to the financial statements.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charitable company and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Annual Report of the Trustees



Structure and Governance

Structure

The GAVI Fund Affiliate ("GFA") is a United Kingdom charity incorporated as a private company, with company registration number 5830438, and registered as a charity in England and Wales, with charity registration number 1115297. Until 8 February 2013, GFA worked with the following organisations in order to achieve its objectives:

- The GAVI Alliance ("GAVI") GAVI is a Swiss foundation that is accorded international institution status in Switzerland with certain privileges and immunities similar to those accorded to other international intergovernmental organisations. It uses funds raised by IFFIm to finance immunisation related charitable activities in many of the world's poorest countries. GAVI's charitable activities are described further in the Programmes Funded by GFA section of this report. GAVI also provides administrative support to GFA.
- The International Finance Facility for Immunisation Company ("IFFIm") IFFIm is a multilateral development institution that is registered as a charity with the Charity Commission for England and Wales. IFFIm raises funds by issuing bonds in the international capital market. 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 International Bank for Reconstruction and Development (the "World Bank") The World Bank is a global development organisation based in the United States. It provides treasury management, risk management and accounting services to GFA.

In order to reduce costs and streamline operations, GFA was removed from the IFFIm structure by execution of a novation agreement effective 8 February 2013 (the "Novation Date"). Subsequently, on 28 March 2013, the trustees decided to initiate the process of voluntary liquidation of GFA. Activities previously performed by GFA have been transitioned to GAVI and IFFIm. See the *Recent Developments* section of this report below for further details of GFA's novation and liquidation.

Governance

GFA's trustees, who are also the directors of GFA for the purposes of company law, are responsible for determining GFA's strategic plans, overseeing the implementation of such plans, and monitoring functions outsourced to GAVI and the World Bank. During 2012, there were four meetings of the GFA board of directors.

During the year ended 31 December 2012, the directors of GFA and their principal positions outside of GFA were as follows:

- Wayne Berson, GFA Board Chair Mr Berson is the Chief Executive Officer of BDO USA, LLP, the United States member of BDO International, the fifth largest accounting firm in the world. Previously, Mr Berson was the Presiding Member of the Board at BDO USA. He also previously served as Atlantic Regional Business Line Leader for Assurance Services and as the Director of BDO USA's Institute for Nonprofit Excellence based in Maryland, United States.
- Andre Prost Dr Prost formerly served as Director of Government and Private Sector Relations at the WHO, a position which he held from 1998 until 2004. His prior posts at WHO included Director of Non-communicable Diseases, WHO Representative to the European Union, and Adviser to the Director General of the WHO.
- Bo Stenson From 2000 until early 2006, Mr Stenson was a member of the GAVI Alliance Secretariat in the role of Acting Deputy Executive Secretary. While at GAVI, Mr Stenson was responsible for strategic planning activities and policy development in a range of areas. Prior to joining the GAVI Secretariat, he worked at the Department of Public Health Sciences, Department of International Health at the Karolinska Institutet in Sweden. Mr Stenson also held positions at the Stockholm County Council and the Swedish International Development Cooperation Agency.
- Stephen Zinser Mr Zinser is the Chief Executive Officer and Co-Chief Investment Officer at European Credit Management Limited ("ECM"), a company that he co-founded in 1999. ECM is a specialised investment management company, managing highly diversified portfolios of European fixed income credit securities on behalf of institutional clients worldwide. ECM is currently wholly owned by Wells Fargo Bank. Prior to this, Mr

Zinser was responsible for overseeing European credit intensive new issues and asset-backed securities at Merrill Lynch in London. Before joining Merrill Lynch in 1993, Mr. Zinser was Director of Loan Syndications at Chase Investment Bank in London.

All trustees serve on a voluntary basis and have a duty to avoid conflicts of interest. Trustees are chosen for their skills and expertise in areas relevant to GFA. Induction procedures introduce trustees to the specifics of GFA's operations and provide an overview of related entities. Details of trustee expenses are disclosed in Note 4 to the financial statements.

Objectives and Public Benefit

Objectives

GFA's primary objectives were relieving sickness, and promoting, protecting and preserving good health in developing countries. GFA achieved these objectives by providing funding, medicines and other equipment, facilities and services for immunisation projects.

Every year, in the world's poorest countries, millions of children miss out on vaccinations against common diseases, making them vulnerable to sickness, disability and death. Millions of children die from easily preventable diseases such as diphtheria, pneumonia, diarrhoea, meningitis and yellow fever. GFA was created to help avert such deaths by accelerating the availability and increasing the predictability of funds for immunisation, vaccine procurement and health systems strengthening ("HSS") programmes. GAVI uses funds raised by GFA to reduce the number of worldwide vaccine-preventable deaths and illnesses. GAVI achieves this by funding the purchase and delivery of vaccines and strengthening health systems in the poorest countries in the world.

The World Health Organization ("WHO") has estimated that use of GFA funds for GAVI programmes could lead to the vaccination of more than 500 million people by 2015. This could be achieved by employing new and underutilised vaccines, implementing targeted immunisation campaigns, and strengthening health and immunisation services in poor countries.

Eligible Countries

The following countries were eligible for immunisation, vaccine procurement and HSS support from IFFIm, through GFA. This list of countries remained unchanged from GFA's inception in 2006 to 31 December 2012.

Countries funded by GFA

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

Public Benefit

GFA's directors have considered the Charity Commission's general guidance on public benefit and have paid due regard to it when planning GFA's activities and assessing how GFA's activities further its objectives.

Programmes Funded by GFA

GAVI programmes funded by IFFIm, through GFA, are categorised into Country-Specific Programmes and Investment Cases. Each of these categories is described below.

Country-Specific Programmes

Governments of eligible developing countries apply for vaccine procurement, immunisation and HSS support by submitting applications to GAVI. Once it has reviewed and approved the applications, GAVI requests funding from IFFIm and GFA. Through GFA, IFFIm funds have supported the following GAVI Country-Specific programmes:

New and Underused Vaccine Support (“NVS”) programmes GAVI supported developing countries in introducing vaccines and associated vaccine technology. GAVI’s support was aimed at accelerating the countries’ vaccine uptake and improving their vaccine supply security. NVS programmes funded by IFFIm related primarily to the following diseases:

- Pneumococcal Disease This is a bacterial infection and is the leading cause of pneumonia – the world’s biggest killer of children under five years of age. WHO estimates that more than 500 thousand young children die each year from pneumococcal infection, with the vast majority of these deaths occurring in developing countries. In addition to pneumonia, pneumococcal disease is also responsible for meningitis, which can leave survivors with permanent disabilities, including mental retardation and seizures.
- Hepatitis B This is a viral infection which claims 600 thousand lives every year, through chronic or acute liver infections. Babies and young children are most at risk, with the virus often passing from mother to child before or shortly after birth, and putting victims at high risk of death from cirrhosis of the liver and liver cancer in later life. An estimated two billion people alive today are believed to have been infected with hepatitis B, while 350 million people worldwide are chronically infected.
- Haemophilus Influenzae Type B (“Hib”) This is a bacterial infection which causes meningitis and pneumonia. It is considered the third biggest cause of vaccine-preventable death in children under five years of age. It is estimated that there are three million cases of serious Hib infection annually, of which 400 thousand result in childhood death. The majority of survivors suffer paralysis, deafness, mental retardation and learning disabilities.
- Diphtheria This is a bacterial infection transmitted from person to person through close physical and respiratory contact. The disease can be fatal. Between 5% and 10% of diphtheria patients die, even if properly treated. If left untreated, the disease claims even more lives.
- Tetanus Also known as lockjaw, tetanus is a bacterial infection. Tetanus affects newborn babies and their mothers, usually as a result of unsafe delivery in unhygienic conditions, often without skilled birth attendants.
- Pertussis Also known as whooping cough, pertussis is a disease of the respiratory tract caused by bacteria that live in the mouth, nose, and throat. Many children who contract pertussis have coughing spells that last four to eight weeks. The disease is most dangerous in infants.
- Yellow Fever As an acute viral haemorrhagic disease transmitted by mosquitoes, yellow fever causes devastating epidemics in areas where infected mosquitoes can come in contact with non-immunised populations. Up to 50% of people severely affected by yellow fever will die. Yellow fever virus poses the greatest threat to 900 million people in Africa, Central and South America. Together, deforestation, urbanisation, climate change and low population immunity have contributed to its re-emergence since the 1980s.
- Measles This is a highly contagious virus, whose symptoms include a high fever, severe skin rash, and a cough. Measles still kills an estimated 164 thousand people each year, mostly children under five years of age. Because it is so contagious, measles remains a significant threat to child health even in those areas where the rates of measles are reduced. By weakening the immune system, measles can also lead to other health problems such as pneumonia, blindness, diarrhoea, and encephalitis.
- Rotavirus This virus is the leading cause of severe and fatal diarrhoea in children under five years of age. WHO estimates that more than 450 thousand children under five die from rotavirus infection. Nearly every child in the world will suffer a rotavirus infection by their third birthday. While rotavirus infects children in every country, more than 95% of rotavirus deaths occur in low-income countries in Africa and Asia, where access to treatment for severe rotavirus-related diarrhoea is limited or unavailable.

Health Systems Strengthening (“HSS”) programmes The objective of HSS programmes is to achieve and sustain increased immunisation coverage, through strengthening the capacity of countries’ systems to provide immunisation and other health services. Countries are encouraged to use HSS funding to target the bottlenecks or barriers in their health systems.

Immunisation Services Support (“ISS”) programmes GAVI provides developing countries with flexible reward payments for strengthening their immunisation systems. These payments are subject to strict performance requirements and GAVI works with governments and inter-agency coordinating committees to set goals and monitor progress.

Injection Safety Support (“INS”) programmes GAVI contributes to the provision of auto-disable syringes, reconstitution syringes and safety boxes. These syringes and safety boxes facilitated the administering of vaccines in developing countries.

From its inception to 31 December 2012, GFA approved the following amounts for disbursement to help fund GAVI’s Country-Specific Programmes

In Millions of US\$	Approvals from Inception to 2012	Approvals from Inception to 2012
New and underutilised vaccines	1,966	
Health system strengthening and other	396	
Total Country-Specific Programme approvals	2,362	

Investment Cases

From time to time, GFA funded one-time tactical investments in disease prevention and control. These investments were made through GAVI partners such as the United Nations Children’s Fund (“UNICEF”) and WHO. Each investment targeted a disease that constrained progress towards the United Nations Millennium Development Goals for improved child and maternal health. IFFIm, through GFA, has helped to fund the following Investment Cases:

Yellow Fever Stockpiles GAVI supported the creation and maintenance of yellow fever vaccine stockpiles to ensure that vaccines are ready for deployment as soon as an outbreak is identified. The stockpiles also help to secure supply for routine programmes. IFFIm funds were used for both outbreak response and preventative campaigns.

Polio Eradication GAVI supported intensified eradication activities that were implemented to interrupt wild and vaccine-derived poliovirus transmission. These activities included sustaining polio surveillance and laboratory activities, improving social mobilisation and enhancing technical assistance.

Measles Mortality Reduction GAVI supported efforts to reduce the level of mortality from measles. Each year, measles kills nearly 200 thousand people globally, including many children under the age of five. The measles mortality reduction campaign is a partnership among several global health and development agencies to address this major childhood disease. Measles vaccination campaigns have become a channel for the delivery of other life-saving interventions, such as bed nets, de-worming medicine and vitamin supplements.

Maternal and Neonatal Tetanus GAVI supported a campaign to eliminate maternal and neonatal tetanus. Maternal and neonatal tetanus continues to burden the most poorly served populations in the poorest countries of the world. The campaign was implemented to build on existing efforts to improve clean delivery practices and immunisation services in these populations.

Yellow Fever Continuation In March 2009, GAVI, IFFIm and GFA boards approved funding for an extension and expansion of GAVI’s original yellow fever investment case described above. The additional funds allowed for increased and extended yellow fever vaccine coverage and also helped offset higher than expected vaccine prices.

Meningitis Eradication GAVI supported efforts to eliminate meningococcal A meningitis epidemics in 25 African countries that were estimated to be home to approximately 95% of the world’s meningococcal meningitis burden. Meningococcal meningitis is a bacterial disease that mainly affects children and can result in death or permanent disability.

From its inception to 31 December 2012, GFA approved the following amounts for disbursement to help fund GAVI’s Investment Cases:

In Millions of US\$	Approvals from Inception to 2012	Approvals from Inception to 2012
Yellow fever stockpile and eradication	101	
Polio eradication	99	
Measles mortality reduction	139	
Maternal and neonatal tetanus and other	96	
Total Investment Case approvals	535	

Financial Overview

The following table summarizes GFA's assets and liabilities as of 31 December 2012 and 2011

In Millions of US\$	2012	2011	Change	2012 Assets	2012 Liabilities
Grants receivable	707	417	290		
Funds held in trust	109	245	(136)		
Other assets	14	19	(5)		
Total assets	830	681	149		
Grants payable	696	538	158		
Total liabilities	696	538	158		

The following table summarises GFA's income and expenses for the years ended 31 December 2012 and 2011

In Millions of US\$	2012	2011	Change	2012 Income	2012 Expenses
Grants from IFFIm	390	200	190		
Donor grants	1	144	(144)		
Other income	1	1	-		
Total income	391	345	46		
Programme grants	398	208	190		
Pledges assigned	144	144	(144)		
Other expenses	2	2	(1)		
Total expenses	399	354	45		

Grants Activity In response to continued strong demand for vaccines and vaccine related support, IFFIm granted US\$ 390 million to GFA during 2012. In turn, GFA granted US\$ 398 million to GAVI. During 2012, new programme approvals by the IFFIm and GFA boards resulted in increases of grants receivable and grants payable balances, as of 31 December 2012. The Programmes Funded by GFA section of this report describes the various GAVI programmes that GFA has helped to fund.

Funds Held in Trust and Investment Strategy GFA's funds held in trust represent an investment portfolio denominated in United States dollars and managed by the World Bank. The World Bank maintains a single, commingled investment portfolio (the "Pool") for GFA, 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 are made based on funding specific investment horizons, risk tolerances and other eligibility requirements set by the World Bank. Under GFA's investment strategy approved by the trustees, GFA's liquid assets are invested solely in high-grade short-term money market instruments.

During 2012, GFA's funds held in trust decreased by US\$ 136 million due to large transfers of cash to GAVI in order to fund programmes

Sovereign Donor Grants GFA received no new sovereign donor pledges during 2012

Other Income and Expenses GFA's other income is comprised of investment income and in-kind contributions received from GAVI. GFA's other expenses are comprised primarily of account administrator fees billed by the World Bank, legal fees, audit fees, consulting fees and administrative support services donated to GFA by GAVI. GFA's other expenses decreased from 2011 to 2012 mainly due to a decrease in in-kind contributions received from GAVI

It is GFA's policy that payments to suppliers of the abovementioned services are made in accordance with those terms and conditions agreed between GFA and its suppliers. Payments for services received are usually processed within 30 days from receipt of invoices

Risk Management

The major risks, to which GFA was exposed during 2012, as identified by the trustees, were reviewed by the trustees and systems or procedures have been established to manage these risks as required by the *Statement of Recommended Practice: Accounting and Reporting by Charities*, issued in March 2005

- Managing Programme Risks Programme risks included (1) the risk that recipient countries may misuse funds they receive from GFA, and (2) the performance risk that GFA funds may not be efficiently and effectively applied by recipient countries to meet GAVI's programme objectives

The programme risk related to misuse of funds was addressed by financial and management controls, put in place at the World Bank and GAVI, which controlled the GFA funds disbursement process. The programme performance risk was mitigated through the GAVI programme monitoring process, which is a multi-step monitoring and evaluation process that includes an initial project assessment and approval, as well as annual monitoring reviews

- Managing Financial Risks GFA's investment activities exposed it to three principal types of financial risk (1) credit risk, (2) liquidity risk, and (3) market risk. GFA sought to mitigate each of these risks based on a risk management strategy approved by its board. Note 10 to the financial statements describes the abovementioned financial risks and related risk management activities in more detail

Recent Developments

In October 2012, the trustees approved a restructuring of GFA and its removal from the IFFIm structure. Pursuant to this approved restructuring, and effective 8 February 2013 (the "Novation Date"), GFA entered into the following three agreements

- The Second Deed of Novation, Amendment and Restatement (the "Novation Agreement"), which removed GFA from the IFFIm structure
- The Agreement Relating to the Transfer of Certain Rights and Obligations of GFA (the "Balance Sheet Transfer Agreement") between GFA, GAVI and IFFIm. This agreement dealt with (1) the transfer to GAVI of GFA's grants receivable from IFFIm, (2) the transfer to GAVI of all of GFA's funds held in trust except those funds related to accrued interest and investment income, (3) the transfer to GAVI of GFA's other current assets, and (4) the settlement of GFA's grant payable to GAVI
- The Residual Grant Agreement, which sets out the terms and conditions of use for grants made by GFA to the Alliance from time to time

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 26 August 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

Future Plans

GFA is in the process of being dissolved by way of a member's voluntary liquidation. See the *Recent Developments* section on page 13 of this report for further details.

Declarations by GFA's Directors

In accordance with section 418 of the Companies Act 2006, each person who is a director of GFA at the date of approval of this report confirms that

- so far as he or she is aware, there is no relevant audit information of which GFA's auditors are unaware, and
- he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that GFA's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with section 418 of the Companies Act 2006.

So far as each of the trustees is aware, applicable accounting standards have been followed.

Independent Auditors

KPMG LLP was appointed as GFA's independent auditor for the financial years ended 31 December 2012 and 2011.

This report has been prepared in accordance with the *Statement of Recommended Practice Accounting and Reporting by Charities*, issued in March 2005, and in accordance with the provisions of the Companies Act 2006.

Approved by the trustees and signed on their behalf by



Wayne Berson
GFA Board Chair
26 August 2013

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
<u>Incoming resources from generated funds</u>			
<u>Voluntary income</u>			
Contribution revenue	2	390,000	344,137
Donated services	2	254	838
Total voluntary income		390,254	344,975
Investment and interest income	3	480	539
Total incoming resources from generated funds		390,734	345,514
<u>Resources expended</u>			
<u>Charitable activities</u>			
Direct programme costs	4	398,075	207,782
Pledges assigned to IFFIm	4	-	144,138
Total charitable activities		398,075	351,920
Governance costs	4	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
<u>Current assets</u>			
Funds held in trust	5	109,082	244,688
Grants receivable from IFFIm	6	707,064	417,064
Other current assets	7	13,802	17,868
Due from related parties		-	810
Total current assets		829,948	680,430
<u>Current liabilities</u>			
Creditors falling due within one year	8	696,422	538,479
Total current liabilities		696,422	538,479
Net assets	9	133,526	141,951
Restricted funds	9	133,526	141,951

The accompanying notes are an integral part of these financial statements

Approved by the trustees and signed on their behalf by



Wayne Berson
GFA Board Chair
26 August 2013

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	12	(136,086)	51,485
<u>Returns on investments</u>			
Investment and interest income received	3	480	539
<u>Management of liquid resources</u>			
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

1. 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 11, 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 5 and 11 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.

2. 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

3. 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

4. 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.

5. 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.

6. 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

7. 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

8. 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
<u>Country-Specific Programme approvals</u>		
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

9. 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
<u>Programme funding</u>				
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

10. 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.

11. 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

In Thousands of US\$	31 December 2012		31 December 2011	
	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\$				
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.

12. 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

13. 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
<u>The GAVI Alliance</u>		
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
<u>The International Finance Facility for Immunisation</u>		
Assignment of donor pledges to IFFIm	-	144,138
Program grants from IFFIm	390,000	200,000
Grants receivable from IFFIm	707,064	417,064

14. Commitment and Contingencies

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

15. 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.

16. 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 26 August 2013, the following transactions had been completed pursuant to GFA's removal from the IFFIm structure and dissolution:

- 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 Auditors' Report



Independent Auditor's Report to the Members of the GAVI Fund Affiliate

We have audited the financial statements of the GAVI Fund Affiliate for the year ended 31 December 2012. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective Responsibilities of Trustees and Auditors

As explained more fully in the Statement of Trustees' Responsibilities set out on page 6, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on Financial Statements

In our opinion the financial statements

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2012 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the Companies Act 2006.

Emphasis of Matter: Non-Going Concern Basis of Preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reasons set out in that note.

Opinion on Other Matter Prescribed by the Companies Act 2006

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

Matters on which We are Required to Report by Exception

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

- the charitable company has not kept adequate accounting records or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of trustees' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**Marianne Fallon (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants**

**15 Canada Square
Canary Wharf
London E14 5GL
26 August 2013**