



THE GAVI FUND AFFILIATE

**Report of the Trustees and Annual
Financial Statements for the Year
Ended 31 December 2009**

GAVI Fund Affiliate, The Broadgate Tower, Third Floor 20
Pnrose Street London EC2A 2RS Registered in England
and Wales as a company limited by guarantee with number
5830438 and as a charity with number 1115297

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Legal and Administrative Information

Trustees

Wayne Berson, Chairman
André Prost
Bo Stenson
Stephen Zinser

Registered Address

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Company Secretary

RB Secretariat Limited
The Broadgate Tower, Third Floor
20 Primrose Street
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Solicitors

Reed Smith
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London EC2A 2RS

Auditors

KPMG LLP
1 Forest Gate
Brighton Road
Crawley RH11 9 PT
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**.

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

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 Objectives

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. In order to achieve its objectives, GFA works with the following organisations:

- **The GAVI Alliance ("GAVI")** GAVI is a not-for-profit organisation based in Switzerland and granted privileges and immunities in Switzerland similar to those accorded to international 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 Charities 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.

GFA's Objectives

GFA's primary objectives are relieving sickness, and promoting, protecting and preserving good health in developing countries. GFA achieves 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 are eligible for immunisation, vaccine procurement and HSS support from IFFIm, through GFA. This list of countries has remained unchanged since GFA's inception in 2006

Country

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

Financial Overview

The following table summarises GFA's assets and liabilities as of 31 December 2009 and 2008

In Millions of USD	2009	2008	Change	2009 Assets	2009 Liabilities
Grants receivable	437	147	290		
Funds held in trust	273	164	114		
Other assets	22	39	(17)		
Total assets	737	350	387		
Grants payable	530	239	291		
Other liabilities	1	1	(1)		
Total liabilities	530	240	290		

The following table summarises GFA's income and expenses for the years ended 31 December 2009 and 2008

In Millions of USD	2009	2008	Change	2009 Income	2009 Expenses
Grants from IFFIm	620	325	295		
Sovereign donor grants	87	-	87		
Other income	8	15	(7)		
Total income	715	340	375		
Programme grants	529	455	74		
Other expenses	90	1	89		
Total expenses	619	456	163		

Grants Activity In response to the strong demand for vaccines and vaccine related support, IFFIm increased its grants to GFA during 2009. In turn, GFA increased its grants to GAVI. This increased grants activity accounts for the higher grants receivable and grants payable balances as of December 2009, as well as the increased grants income and expenses during 2009. The *Programmes Funded by GFA* section below 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 2009, GFA's funds held in trust increased by USD 114 million. This increase was primarily due to GFA receiving increased funds from IFFIm and holding more liquid assets in order to be in a position to respond to the strong demand for vaccines and vaccine related support.

Sovereign Donor Grants and Other Expenses: In December 2009, GFA a new sovereign pledge from the State of the Netherlands. GFA assigned this pledge to IFFIm in the same month. The initial fair value of this pledge was USD 87 million and, therefore, this amount was recorded as revenue upon receipt of the Netherlands pledge and charged to other expenses when the pledge was assigned to IFFIm.

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:

- **Hepatitis B.** This is a viral infection that attacks the liver and can cause both acute and chronic disease. Approximately two billion people worldwide have been infected with the virus and more than 350 million live with chronic infection. Approximately 600 thousand people die each year due to the acute or chronic consequences of hepatitis B.
- **Haemophilus Influenzae Type B ("Hib").** This is a bacterial infection estimated to be responsible for approximately three million serious illnesses and an estimated 386 thousand deaths per year, mainly through meningitis and pneumonia. Almost all victims are children under the age of five.
- **Yellow Fever.** This is a viral disease that has caused large epidemics in Africa and the Americas. Infection causes a wide spectrum of disease, from mild symptoms to severe illness and death. Although an effective vaccine has been available for 60 years, the number of people infected over the last two decades has increased and yellow fever is again a serious public health issue.
- **Pneumococcal Disease.** This is a bacterial infection. Each year, pneumococcal disease takes the lives of up to one million children under five years of age, making it the leading vaccine-preventable cause of death among young children. The most effective way to prevent these deaths is to ensure access to effective, safe and affordable vaccines. Approximately 800 thousand children under five years of age die each year from this disease.

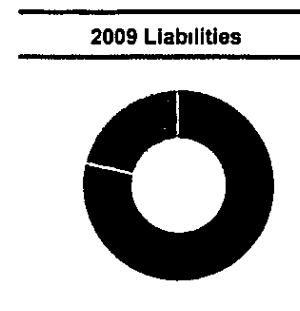
Health Systems Strengthening ("HSS") programmes. The objective of HSS programmes is to achieve and sustain increased immunisation coverage, through strengthening the capacity of countries' systems to provide immunisation and other health services. Countries are encouraged to use HSS funding to target 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 2009, GFA disbursed the following amounts to help fund GAVI's Country-Specific programmes

In Millions of USD	Amount
New and underutilised vaccines	1,076
Health system strengthening and other	296
Total Country-Specific programme disbursements	1,372



Investment Cases

From time to time, GFA has funded one-time strategic 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 constrains progress towards the United Nations Millennium Development Goals for improved child and maternal health. To date, GFA has helped 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.

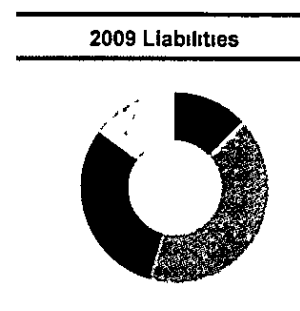
Pentavalent Payment Guarantee. GAVI provided funds for the purchase of pentavalent vaccine. Pentavalent vaccine immunises against five infectious diseases: diphtheria, tetanus, pertussis, Hib and hepatitis B. The easy-to-administer liquid formulation pentavalent vaccine has played a significant part in the increase in uptake of the Hib and hepatitis B vaccines. Availability of IFFIm funding secures and stabilises GAVI's capacity to supply pentavalent vaccine. As a result, new manufacturers are incentivised to enter the market and further reduce the price of the vaccine.

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.

The above are all of the Investment Cases that GFA helped to fund since its inception in 2006. Some of these Investment Cases were fully funded prior to the beginning of the year and, therefore, no expenditure related to them was incurred during the year ended 31 December 2009. From its inception to 31 December 2009, GFA disbursed the following amounts to help fund GAVI's Investment Cases:

In Millions of USD	Amount
Yellow fever stockpile and eradication	69
Polio eradication	191
Maternal and neonatal tetanus and other	62
Total Investment Case disbursements	461



Future Plans

GFA and IFFIm have proven very successful in helping to align Grantors' funds with demand for vaccines and immunisation related services. The multi-year nature of current sovereign pledges has also helped to facilitate long-term planning by Grantors, GAVI and countries receiving support from GAVI. However, GFA's and IFFIm's boards of directors believe that these organisations have not yet reached their full potential and they are, in collaboration with GAVI and the World Bank, currently considering strategies for the future. These strategies include (1) pursuing whether current Grantors are prepared to extend the length of their existing pledges, and (2) approaching new donors to make pledges.

Governance and Management

GFA has no employees. Its 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 the year ended 31 December 2009, the directors of GFA and their principal positions outside of GFA were as follows:

- **Wayne Berson, GFA Board Chairman** Mr Berson is a Partner and National Director of Not-for-Profit Services at BDO Seidman LLP, the fifth largest accounting firm in the world. He also serves as the Assurance Office Business Line Leader of BDO Seidman's Washington, D.C. metropolitan area office. In addition, Mr Berson serves as the Director of BDO Seidman's Institute for Nonprofit Excellence based in Maryland, United States.
- **André 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 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. 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 04 to the financial statements.

Risk Management

The major risks, to which GFA is exposed, as identified by the trustees, have been reviewed 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 include (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 is addressed by financial and management controls, put in place at the World Bank and GAVI, which control the GFA funds disbursement process. The programme performance risk is 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 expose it to three principal types of financial risk: (1) credit risk, (2) liquidity risk, and (3) market risk. GFA seeks 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 February 2010, GFA's board of directors approved a change in GFA's process for approving and funding GAVI vaccine procurement programmes, effective 1 January 2010. Prior to this change, GFA approved individual country applications and recorded a grant payable directly to each eligible country upon board approval. After the change, both GAVI and GFA review and approve all country applications, with GFA then approving a contribution to GAVI to fund a portion of the approved applications. Under the new process, GFA records a grant payable to GAVI.

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 2009 and 2008

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 Chairman
28 July 2010

Independent Auditors' 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 2009. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 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 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

The trustees' (who are also the directors of the company for the purposes of company law) responsibilities for preparing the Annual Report of the Trustees and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the *Statement of Trustees' Responsibilities* on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with UK Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006. We also report to you whether in our opinion the information given in the Annual Report of the Trustees is consistent with the financial statements.

In addition we report to you if, in our opinion, the charitable company has not kept adequate accounting records, if the charitable company's financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosures of trustees' remuneration specified by law are not made.

We read the Annual Report of the Trustees and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

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 2009 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- the financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the Companies Act 2006, and
- the information given in the Annual Report of the Trustees is consistent with the financial statements



M G Fallon (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley RH11 9PT
28 July 2010

Statements of Financial Activities

In Thousands of USD	Note	Year Ended 31 December 2009 Restricted Funds	Year Ended 31 December 2008 Restricted Funds
Incoming resources from generated funds			
Voluntary income			
Contribution revenue	02	707,622	325,120
Donated services	02	1,441	25
Other contributions		5,470	6,855
Total voluntary income		714,533	332,000
Investment and interest income	03	947	7,667
Total incoming resources from generated funds		715,480	339,667
Resources expended			
Charitable activities			
Direct programme costs	04	528,981	454,784
Pledges assigned to IFFIm	04	87,137	-
Total charitable activities	04	616,118	454,784
Governance costs	04	2,379	1,288
Total resources expended		618,497	456,072
Net resources expended (generated)		96,983	(16,405)
Foreign currency exchange gains (losses)		(37)	12
Net change in funds		96,946	(16,393)
Total funds as of the beginning of the year		110,506	226,899
Total funds as of the end of the year		207,452	110,506

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 USD	Note	As of 31 December 2009	As of 31 December 2008
Current assets			
Funds held in trust	05	278,055	168,559
Grants receivable from IFFIm	06	437,064	146,606
Other current assets	07	16,729	31,247
Due from related parties		5,616	8,424
Total current assets		737,464	349,836
Current liabilities			
Creditors falling due within one year	08	530,012	239,330
Total current liabilities		530,012	239,330
Net assets	09	207,452	110,506
Restricted funds	09	207,452	110,506

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 Chairman
28 July 2010

Statements of Cash Flows

In Thousands of USD	Note	Year Ended 31 December 2009 Restricted Funds	Year Ended 31 December 2008 Restricted Funds
Net cash inflows from operating activities	12	113,549	50,209
Returns on investments			
Investment and interest income received	03	947	7,668
Management of liquid resources			
Increase in funds held in trust		(114,496)	(57,877)
Net cash outflows before financing activities		(113,549)	(50,209)
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

01 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.

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

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

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

Contributions payable to fund Country-Specific Programmes and the related programme expenses are recognised after (1) the commitment is made and approved by GFA's board of directors, and (2) IFFIm has approved the related GFA financing approval and request for funding by issuing an indicative funding confirmation to the 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 the 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 the 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 05 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 income 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.

02 Contribution Revenue

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

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

Grantor	Grant Date	Payment Period	Grant Amount, in Thousands	
Republic of France ¹	2 October 2006	15 years	EUR	372,800
Republic of France ²	7 December 2007	19 years	EUR	867,160
Republic of Italy	2 October 2006	20 years	EUR	473,450
State of the Netherlands	18 December 2009	7 years	EUR	80,000
Kingdom of Norway	2 October 2006	5 years	USD	27,000
Republic of South Africa	13 March 2007	20 years	USD	20,000
Kingdom of Spain	2 October 2006	20 years	EUR	189,500
Kingdom of Sweden	2 October 2006	15 years	SEK	276,150
United Kingdom	2 October 2006	20 years	GBP	1,380,000

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 USD	2009	2008
Grants from IFFIm	620,485	325,120
Sovereign donor grants	87,137	
Total contribution revenue	707,622	325,120

Donated Services GFA received donated administrative services from the GAVI Campaign, formerly known as the GAVI Fund, in 2008 and from GAVI in 2009. In 2008, the GAVI Campaign donated certain specific services to GFA and billed GFA for other services. In 2009, however, GAVI did not invoice GFA for any administrative services but, rather, donated all services that it provided. The services donated by GAVI in 2009 were valued by using a comprehensive cost allocation model to calculate a single administrative support amount.

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

In Thousands of USD	2009	2008
Procurement service fee	1,100	0
Fundraising expenses	231	25
Facility and office space	110	0
Total donated services	1,441	25

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

03 Investment and Interest Income

In Thousands of USD	2009	2008
Income from funds held in trust	752	4,116
Allocated bank account interest	195	3,551
Total investment and interest income	947	7,667

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

04 Total Resources Expended

In Thousands of USD	2009	2008
Charitable activities		
Country-Specific Programmes:		
New and underused vaccines	444,166	352,906
Health systems strengthening and immunisation services	56,116	82,261
Injection safety supplies	5,486	(78)
Investment Cases:		
Maternal and neonatal tetanus	67	11,480
Yellow fever stockpile	15,410	8,195
Meningitis eradication	7,736	-
Total direct programme costs	528,981	454,784
Pledges assigned to IFFIm	87,137	-
Total charitable activities	616,118	454,784
Governance costs		
Professional services		
Accounting support fees	136	130
GAVI administrative support fee	231	175
Legal fees	571	692
Auditor's remuneration		
Statutory audit fees	211	290
Other governance costs		
Procurement service fee	1,100	-
Facility and office space	110	-
Trustee board meeting costs	20	1
Total governance costs	2,379	1,288

Administrative and Financial Management Support: Pursuant to the Finance Framework Agreement entered into by IFFIm, the Grantors, the World Bank, the GAVI Campaign 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 2009.

05 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 and apart from the funds owned by the World Bank Group.

In Thousands of USD	2009	2008
GFA's share in the Pool's fair value	278,055	163,569

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 USD 752 thousand and USD 4.1 million for the years ended 31 December 2009 and 2008, respectively, and were reported as investment income in the Statements of Financial Activities.

06 Grants Receivable from IFFIm

In Thousands of USD	2009	2008
Balance as of the beginning of the year	146,606	94,124
Grants approved by IFFIm	641,172	401,234
Payments received from IFFIm	(330,027)	(272,638)
Reductions to prior grants	(20,687)	(76,110)
Net receivable from IFFIm	437,064	146,606

07 Other Current Assets

Other current assets include receivables due from non-IFFIm eligible countries for vaccines used for emergency immunisation programmes. They also include guarantee deposits for a multi-year vaccine procurement contracts with the United Nations Children's Fund. The guarantee deposit funds are held in interest earning bank accounts managed by the GAVI Campaign with interest earned on the accounts returned to GFA.

In Thousands of USD	2009	2008
Receivables due from non-IFFIm eligible countries	-	1,950
Vaccine guarantee deposits	16,729	29,297
Total other current assets	16,729	31,247

08 Creditors Falling Due within One Year

In Thousands of USD	2009	2008
Grants payable as of the beginning of the year	238,815	121,618
Country-Specific Programme approvals		
New and underused vaccines	615,558	352,906
Health systems strengthening and immunisation services	57,611	(78)
Injection safety supplies	5,486	82,281
Total Country-Specific Programme approvals	678,655	435,109
Disbursements to the GAVI Alliance	(214,890)	(212,376)
Reductions to previously approved programmes	(172,887)	(105,736)
Grants payable at the end of the year	528,693	238,615
Accounts payable	319	515
Total creditors falling due within one year	530,012	239,330

09 Movement of Funds

In Thousands of USD	As of 31 December 2008	Incoming Resources	Resources Expended	As of 31 December 2009
Sovereign donor grants	-	87,137	(87,137)	-
Other contributions	6,855	5,470	-	12,325
Donated services	-	1,441	(1,441)	-
Investment and interest income	25,590	947	(975)	25,562
Programme funding				
Country-Specific programmes	44,554	508,885	(505,768)	47,671
Yellow fever stockpile Investment Case	13,781	-	(15,410)	(1,629)
Maternal neonatal tetanus elimination Investment Case	149	-	(67)	82
Meningitis eradication Investment Case	-	-	(7,736)	(7,736)
Pentavalent payments guarantee	19,577	-	-	19,577
Yellow fever eradication investment case	-	43,881	-	43,881
Meningitis eradication investment case	-	67,719	-	67,719
Total restricted funds	110,506	715,480	(618,534)	207,452

In Thousands of USD	As of 31 December 2007	Incoming Resources	Resources Expended	As of 31 December 2008
Other contributions	-	6,855	-	6,855
Donated services	-	25	(25)	-
Investment and interest income	19,174	7,679	(1,263)	25,590
Programme funding				
Country-Specific Programmes	52,436	325,120	(333,004)	44,554
Yellow fever stockpile Investment Case	21,976	-	(8,195)	13,781
Maternal neonatal tetanus elimination Investment Case	11,629	-	(11,430)	149
Pentavalent payments guarantee	121,682	3,631	(105,736)	19,577
Total restricted funds	226,899	343,310	(459,703)	110,506

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 USD	2009	2008
Maximum credit exposure on funds held in trust	278,055	163,559

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 2009 and 2008, GFA's investments in money market instruments were deposited with financial institutions that had the following credit ratings:

In Thousands of USD	2009	2008
Money market instruments deposited with institutions rated AAA	3,049	-
Money market instruments deposited with institutions rated AA+	-	6,831
Money market instruments deposited with institutions rated AA-	82,661	41,199
Money market instruments deposited with institutions rated AA	34,826	52,342
Money market instruments deposited with institutions rated A+	130,109	55,811
Money market instruments deposited with institutions rated A-	7,259	-
Money market instruments deposited with institutions rated A	20,151	7,377
Total funds held in trust	278,055	163,559

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 2009, In Thousands of USD	Total Cash Outflows	Due in Less than One Year	Due in 2011	Due in 2012	Due from 2013 through 2026
Grants payable	529,693	529,693	-	-	-

As of 31 December 2008, In Thousands of USD	Total Cash Outflows	Due in Less than One Year	Due in 2010	Due in 2011	Due from 2012 through 2026
Grants payable	238,815	238,815	-	-	-

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 statements of financial position, were as follows:

In Thousands of USD	31 December 2009		31 December 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets carried at fair value				
Funds held in trust	278,055	278,055	163,559	163,559
Grants receivable from IFFIm	437,064	437,064	146,606	146,606
Total assets carried at fair value	715,119	715,119	310,165	310,165
Assets carried at amortised cost				
Prepayments	16,729	16,729	31,247	31,247
Due from related parties	5,616	5,616	8,424	8,424
Total assets carried at amortised cost	22,345	22,345	39,671	39,671
Liabilities carried at fair value				
Grants payable	529,693	529,693	238,815	238,815
Total liabilities carried at fair value	529,693	529,693	238,815	238,815
Liabilities carried at amortised cost				
Creditors	319	319	515	515
Total liabilities carried at amortised cost	319	319	515	515

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

As of 31 December 2008, in Thousands of USD	Level 1	Level 2	Level 3	Total
Financial assets				
Funds held in trust	35,578	127,981	-	163,559
Grants receivable from IFFIm	-	146,606	-	146,606
Total financial assets	35,578	274,587	-	310,165
Financial liabilities				
Grants payable	-	238,815	-	238,815
Total financial liabilities	-	238,815	-	238,815

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 USD	2009	2008
Net change in funds	96,946	(116,393)
Investment and interest income received	(947)	(7,667)
Decrease in other current assets	14,518	113,298
Increase in grants receivable from IFFIm	(290,458)	(52,482)
Decrease (increase) in amounts due from related parties	2,808	(3,619)
Increase in grants payable	290,878	116,997
Increase (decrease) in accounts payable	(196)	75
Net cash inflows from operating activities	113,549	50,209

13 Related Party Transactions

GFA's related parties are

- **The GAVI Alliance:** GAVI is a non-profit organisation based in Switzerland. In August 2009, GAVI became GFA's sole member.
- **The GAVI Campaign:** The GAVI Campaign is a non-profit organisation based in the United States. It was formerly known as the GAVI Fund. The GAVI Campaign was GFA's sole member until August 2009.
- **The International Finance Facility for Immunisation:** IFFIm is a private company, limited by guarantee incorporated under the Companies Act 1985, which raises funds by issuing bonds in the international capital market. IFFIm then disburses the funds to GFA which subsequently uses the funds to support various GAVI vaccine procurement, immunisation and HSS programmes.

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

GFA's related party transactions were

In Thousands of USD	2009	2008
The GAVI Alliance		
Net receivable from the GAVI Alliance	5,394	-
In-kind contributions received from the GAVI Alliance	1,441	-
The GAVI Campaign		
Prepayment for procurement held in the GAVI Campaign	16,729	29,297
Net receivable from the GAVI Campaign	222	8,424
Allocated bank account interest from the GAVI Campaign	195	3,551
In-kind contributions received from the GAVI Campaign	-	25
The International Finance Facility for Immunisation		
Assignment of donor pledges to IFFIm	87,137	-
Program grants from IFFIm	641,172	401,231
Grants receivable from IFFIm	437,064	146,606

14 Commitment and Contingencies

The trustees are not aware of any commitments or contingencies as of 31 December 2009 or 2008.

15 Current Tax

GFA is a registered United Kingdom charity and, as such, is exempt from United Kingdom taxation of income and gains falling within s505 Income and Corporation Taxes Act 1988 and s256 Taxation of Chargeable Gains Act 1992 on its charitable activities. No tax charges arose during the years ended 31 December 2009 or 2008.

16 Subsequent Events

In February 2010, GFA's board of directors approved a change in GFA's process for approving and funding GAVI vaccine procurement programmes, effective 1 January 2010. Prior to this change, GFA approved individual country applications and recorded a grant payable directly to each eligible country upon board approval. After the change, both GAVI and GFA review and approve all country applications, with GFA then approving a contribution to GAVI to fund a portion of the approved applications. Under the new process, GFA records a grant payable to GAVI.

