

5830438



# The GAVI Fund Affiliate

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

**Year Ended 31 December 2011**

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# Table of Contents



<b>Legal and Administrative Information</b>	<b>3</b>
<b>Statement of Trustees' Responsibilities</b>	<b>5</b>
<b>Annual Report of the Trustees</b>	<b>7</b>
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	13
Declarations by GFA's Directors	14
Independent Auditors	14
<b>Annual Financial Statements</b>	<b>15</b>
Statements of Financial Activities	16
Balance Sheets	17
Statements of Cash Flows	18
Notes to the Annual Financial Statements	19
<b>Independent Auditors' Report</b>	<b>29</b>

**Legal and Administrative  
Information**



## **Legal and Administrative Information**

### **Trustees**

Wayne Berson, Chair  
André 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

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

- 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.

### 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 2011, there were five meetings of the GFA board of directors.

During the year ended 31 December 2011, the directors of GFA and their principal positions outside of GFA were as follows:

- Wayne Berson, GFA Board Chair: Mr Berson is the presiding member of the board of BDO USA, LLP, the United States member of BDO International, the fifth largest accounting firm in the world. In March 2012, he was elected to become Chief Executive Officer effective 1 November 2012. A partner and national director of not-for-profit services, he also serves as Atlantic Regional Business Line Leader for Assurance Services. In addition, Mr Berson serves as the Director of BDO USA'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 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 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.

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#### Countries funded by GFA

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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.

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### 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:

- 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.
- 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. WHO estimated that tetanus caused 59 thousand deaths in 2008.
- 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. WHO estimated that pertussis caused 195 thousand deaths in 2008.

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.

Vaccine Introduction Grant Recognising that introduction of a new vaccine can imply additional costs for a country’s health system, GAVI provides additional support to bridge this resource gap. This support takes the form of an upfront cash grant and is used by implementing countries to pay for costs such as training, social mobilisation, programme management surveillance and monitoring.

From its inception to 31 December 2011, GFA approved the following amounts for disbursement to help fund GAVI’s Country-Specific Programmes

In Millions of US\$	Approvals from Inception to 2011	Approvals from Inception to 2011
New and underutilised vaccines	1,651	
Health system strengthening and other	321	
Total Country-Specific Programme approvals	1,972	

### Investment Cases

From time to time, GFA funds one-time tactical investments in disease prevention and control. These investments are made through GAVI partners such as the United Nations Children's Fund ("UNICEF") and WHO. Each investment targets a disease that constrains progress towards the United Nations Millennium Development Goals for improved child and maternal health. To date, 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 2011, GFA approved the following amounts for disbursement to help fund GAVI's Investment Cases:

In Millions of US\$	Approvals from Inception to 2011	Approvals from Inception to 2011
Yellow fever stockpile and eradication	99	
Polio eradication	99	
Measles mortality reduction	139	
Maternal and neonatal tetanus and other	26	
<b>Total Investment Case approvals</b>	<b>526</b>	

## Financial Overview

The following table summarises GFA's assets and liabilities as of 31 December 2011 and 2010

In Millions of US\$	2011	2010	Change	2011 Assets	2011 Liabilities
Grants receivable	417	517	(100)		
Funds held in trust	245	193	52		
Other assets	19	20	(1)		
<b>Total assets</b>	<b>681</b>	<b>730</b>	<b>(49)</b>		
Grants payable	538	579	(41)		
<b>Total liabilities</b>	<b>538</b>	<b>579</b>	<b>(41)</b>		

The following table summarises GFA's income and expenses for the years ended 31 December 2011 and 2010

In Millions of US\$	2011	2010	Change	2011 Income	2011 Expenses
Grants from IFFIm	200	400	(200)		
Donor grants	144	402	(258)		
Other income	1	2	(1)		
<b>Total income</b>	<b>345</b>	<b>804</b>	<b>(459)</b>		
Programme grants	208	457	(249)		
Pledges assigned	402	402	(258)		
Other expenses	2	2	(0)		
<b>Total expenses</b>	<b>354</b>	<b>861</b>	<b>(507)</b>		

**Grants Activity** In response to continued strong demand for vaccines and vaccine related support, IFFIm granted US\$ 200 million to GFA during 2011. In turn, GFA granted US\$ 208 million to GAVI. During 2011, proceeds received by GFA from IFFIm and amounts disbursed from GFA to GAVI resulted in decreases of grants receivable and grants payable balances, respectively, as of 31 December 2011. 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 2011, GFA's funds held in trust increased by US\$ 52 million mainly because proceeds received by GFA from IFFIm exceeded the amounts disbursed from GFA to GAVI.

**Sovereign Donor Grants** In March and November 2011, GFA received new sovereign pledges from the Commonwealth of Australia and Republic of Italy, respectively. GFA assigned these pledges to IFFIm in the same month. The initial fair values of the pledges were US\$ 124 million and US\$ 20 million, respectively and, therefore, these amounts were recorded as revenue upon receipt of the pledges and charged to expenses when the pledges were assigned to IFFIm.

**Other Income and Expenses** GFA's other income is comprised of investment income and in-kind contributions received from GAVI. GFA's other income decreased by US\$ 1 million from 2010 to 2011 mainly due to a decrease in 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. As there were no significant changes in the nature of GFA operations, its other expenses remained flat at US\$ 2 million from 2010 to 2011.

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 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

GFA and the United Kingdom government are presently in discussions to document a new sovereign pledge from the United Kingdom that was announced at the GAVI pledging conference in June 2011.

## 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. GFA's and IFFIm's boards of directors are now, in collaboration with GAVI and the World Bank, currently implementing 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.

## 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 2011 and 2010

**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  
20 September 2012

# GFA Financial Statements





## Statements of Financial Activities

In Thousands of US\$	Note	Year Ended 31 December 2011 Restricted Funds	Year Ended 31 December 2010 Restricted Funds
<u>Incoming resources from generated funds</u>			
<u>Voluntary income</u>			
Contribution revenue	2	344,137	801,608
Donated services	2	838	1,329
Total voluntary income		344,975	802,937
Investment and interest income	3	539	788
Total incoming resources from generated funds		345,514	803,725
<u>Resources expended</u>			
<u>Charitable activities</u>			
Direct programme costs	4	207,782	457,256
Pledges assigned to IFFIm	4	144,138	401,608
Total charitable activities		351,920	858,864
Governance costs	4	1,675	2,266
Total resources expended		353,595	861,130
Net resources (expended) generated		(8,081)	(57,405)
Foreign currency exchange losses		(6)	(11)
Net change in funds		(8,087)	(57,416)
Total funds as of the beginning of the year		150,036	207,452
Total funds as of the end of the year		141,949	150,036

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 2011	As of 31 December 2010
<u>Current assets</u>			
Funds held in trust	5	244,688	192,664
Grants receivable from IFFIm	6	417,064	517,064
Other current assets	7	17,868	19,142
Due from related parties		810	637
Total cash and funds held in trust		680,430	729,507
<u>Current liabilities</u>			
Creditors falling due within one year	8	538,479	579,469
Total current liabilities		538,479	579,469
Net assets	9	141,951	150,038
Restricted funds	9	141,951	150,038

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  
20 September 2012

## Statements of Cash Flows

<u>In Thousands of US\$</u>	<u>Note</u>	<u>Year Ended 31 December 2011 Restricted Funds</u>	<u>Year Ended 31 December 2010 Restricted Funds</u>
Net cash inflows (outflows) from operating activities	12	51,485	(86,180)
<u>Returns on investments</u>			
Investment and interest income received	3	539	789
<u>Management of liquid resources</u>			
Decrease (Increase) in funds held in trust		(52,024)	85,391
Net cash inflows (outflows) before financing activities		(51,485)	86,180
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.

**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 <sup>1</sup>	2 October 2006	15 years	€ 372,800
Republic of France <sup>2</sup>	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

<sup>1</sup> Acting through Agence Française de Développement

<sup>2</sup> Acting through the Ministry of Economy, Industry and Employment

Contribution revenue recognised was comprised of:

In Thousands of US\$	2011	2010
Grants from IFFIm	200,000	400,000
Sovereign donor grants	144,137	401,608
Total contribution revenue	344,137	801,608

**Donated Services** GFA received donated administrative services from GAVI in 2011 and 2010. The services donated by GAVI in 2011 and 2010 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\$	2011	2010
Procurement service fee	580	870
Administrative support	258	460
Total donated services	838	1,330

### 3. Investment and Interest Income

In Thousands of US\$	2011	2010
Income from funds held in trust	539	741
Allocated bank account interest	-	47
Total investment and interest income	539	788

**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. This agreement with the GAVI Campaign was terminated during 2010.

#### 4. Total Resources Expended

In Thousands of US\$	2011	2010
<u>Charitable activities</u>		
<u>Country-Specific Programmes</u>		
New and underused vaccines	175,000	400,000
Health systems strengthening and immunisation services	25,000	-
<u>Investment Cases</u>		
Yellow fever stockpile	6,161	24,355
Meningitis eradication	1,621	32,901
<b>Total direct programme costs</b>	<b>207,782</b>	<b>457,256</b>
<b>Pledges assigned to IFFIm</b>	<b>144,138</b>	<b>401,608</b>
<b>Total charitable activities</b>	<b>351,920</b>	<b>858,864</b>
<u>Governance costs</u>		
<u>Professional services</u>		
Accounting support fees	250	130
GAVI administrative support	258	460
Legal fees	380	566
<u>Auditor's remuneration</u>		
Statutory audit	58	91
Audit related assurance services	107	118
Tax compliance services	12	11
<u>Other governance costs</u>		
Procurement service fee	580	870
Trustees' expenses	30	20
<b>Total governance costs</b>	<b>1,675</b>	<b>2,266</b>

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 2011.

#### 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\$	2011	2010
GFA's share in the Pool's fair value	244,688	192,664

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\$ 539 thousand and US\$ 741 thousand for the years ended 31 December 2011 and 2010, respectively, and were reported as investment income in the Statements of Financial Activities.

## 6. Grants Receivable from IFFIm

In Thousands of US\$	2011	2010
Balance as of the beginning of the year	517,064	437,063
Grants approved by IFFIm	200,000	400,000
Payments received from IFFIm	(300,000)	(320,000)
Net receivable from IFFIm	417,064	517,063

## 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 were held in interest earning bank accounts managed by the GAVI Campaign until 30 September 2010, with interest earned on the accounts returned to GFA. Effective 1 October 2010, the guarantee deposit funds are held in interest earning bank accounts managed by GAVI.

In Thousands of US\$	2011	2010
Vaccine guarantee deposits	17,868	19,142

## 8. Creditors Falling Due within One Year

In Thousands of US\$	2011	2010
Grants payable as of the beginning of the year	579,165	529,693
<u>Country-Specific Programme approvals</u>		
New and underused vaccines	175,000	400,000
Health systems strengthening and immunisation services	25,000	-
Total Country-Specific Programme approvals	200,000	400,000
Disbursements to GAVI	(247,153)	(350,864)
Increases (Reductions) to previously approved programmes	6,207	336
Grants payable at the end of the year	538,219	579,165
Accounts payable	260	304
Total creditors falling due within one year	538,479	579,469



## 9. Movement of Funds

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	(1)	838	(838)	(1)
Investment and interest income	25,403	539	(844)	25 098
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	150 036	345,515	(353,602)	141,949

In Thousands of US\$	As of 31 December 2009	Incoming Resources	Resources Expended	As of 31 December 2010
Sovereign donor grants	-	401,608	(401,608)	-
Other contributions	12,325	-	-	12,325
Donated services	-	1,329	(1,330)	(1)
Investment and interest income	25,562	788	(947)	25 403
<u>Programme funding</u>				
Country-Specific programmes	67,248	400,000	(400,000)	67,248
Yellow fever Investment Cases	42 252	-	(24,355)	17,897
Maternal neonatal tetanus elimination Investment Case	82	-	-	82
Meningitis Investment Cases	59,983	-	(32,901)	27,082
Total restricted funds	207,452	803,725	(861,141)	150,036

## 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\$	2011	2010
Maximum credit exposure on funds held in trust	244,688	192,664

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 2011 and 2010, GFA's investments in money market instruments were deposited with financial institutions that had the following credit ratings:

In Thousands of US\$	2011	2010
Money market instruments deposited with institutions rated AAA	29,363	7,671
Money market instruments deposited with institutions rated AA+	17,128	-
Money market instruments deposited with institutions rated AA-	70,960	69,947
Money market instruments deposited with institutions rated AA	31,809	45,498
Money market instruments deposited with institutions rated A+	90,534	69,548
Money market instruments deposited with institutions rated A	4,894	-
Total funds held in trust	244,688	192,664

**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 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	-	-	-

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

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 US\$	31 December 2011		31 December 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets carried at fair value</b>				
Funds held in trust	244,688	244,688	192,664	192,664
Grants receivable from IFFIm	417,064	417,064	517,063	517,063
<b>Total assets carried at fair value</b>	<b>661,752</b>	<b>661,752</b>	<b>709,727</b>	<b>709,727</b>
<b>Assets carried at amortised cost</b>				
Prepayments	17,868	17,868	19,142	19,142
Due from related parties	810	810	636	636
<b>Total assets carried at amortised cost</b>	<b>18,678</b>	<b>18,678</b>	<b>19,778</b>	<b>19,778</b>
<b>Liabilities carried at fair value</b>				
Grants payable	538,219	538,219	579,165	579,165
<b>Total liabilities carried at fair value</b>	<b>538,219</b>	<b>538,219</b>	<b>579,165</b>	<b>579,165</b>
<b>Liabilities carried at amortised cost</b>				
Creditors	260	260	304	304
<b>Total liabilities carried at amortised cost</b>	<b>260</b>	<b>260</b>	<b>304</b>	<b>304</b>

**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 2011, in Thousands of US\$	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Funds held in trust	59,201	185,487	-	244,688
Grants receivable from IFFIm	-	417,064	-	417,064
<b>Total financial assets</b>	<b>59,201</b>	<b>602,551</b>	<b>-</b>	<b>661,752</b>
<b>Financial liabilities</b>				
Grants payable	-	538,218	-	538,218
<b>Total financial liabilities</b>	<b>-</b>	<b>538,218</b>	<b>-</b>	<b>538,218</b>

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

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\$	2011	2010
Net change in funds	(8,087)	(57,414)
Investment and interest income received	(539)	(789)
(Increase) Decrease in other current assets	1,274	(2,413)
(Increase) Decrease in grants receivable from IFFIm	100,000	(80,000)
(Increase) Decrease in amounts due from related parties	(173)	4,979
Increase (Decrease) in grants payable	(40,946)	49,472
Decrease in accounts payable	(44)	(15)
Net cash (outflows) inflows from operating activities	51,485	(86,180)

## 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 GAVI Campaign** The GAVI Campaign is a not-for-profit organisation based in the United States. It was formerly known as the GAVI Fund. GAVI is the GAVI Campaign'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\$	2011	2010
<b>The GAVI Alliance</b>		
Prepayment for procurement held by GAVI	17,868	19,142
Net receivable from GAVI	810	366
In-kind contributions received from GAVI	838	1,329
<b>The GAVI Campaign</b>		
Net receivable from the GAVI Campaign	-	271
Allocated bank account interest from the GAVI Campaign	-	48
<b>The International Finance Facility for Immunisation</b>		
Assignment of donor pledges to IFFIm	144,138	401,608
Program grants from IFFIm	200,000	400,000
Grants receivable from IFFIm	417,064	517,063

#### **14. Commitment and Contingencies**

The trustees are not aware of any commitments or contingencies as of 31 December 2011 or 2010

#### **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.

# **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 2011. 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 5, 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](http://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 2011 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.

### **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



**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  
20 September 2012**