

5857343

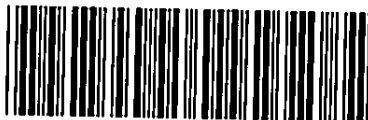


**The International Finance Facility
for Immunisation Company**

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

International Finance Facility for Immunisation
Company, 2 Lambs Passage, London EC1Y 8BB
Registered in England and Wales as a company
limited by guarantee with number 5857343 and as a
charity with number 1115413

WEDNESDAY



LM5S4LA3

LD7

30/06/2010

6

COMPANIES HOUSE

Table of Contents

Legal and Administrative Information	3
Statement of Trustees' Responsibilities	4
Annual Report of the Trustees	5
Structure and Objectives	5
Financial Overview	6
Hedging IFFIm's Market Risks	8
Credit Rating and Reserves Policy	8
Programmes Funded by IFFIm	8
Future Plans	10
Governance and Management	11
Risk Management	11
Recent Developments	12
Declarations by IFFIm's Directors	12
Independent Auditors	12
Independent Auditors' Report	14
Annual Financial Statements	16
Statements of Income and Expenditures	16
Statements of Financial Activities	17
Balance Sheets	18
Statements of Cash Flows	19
Notes to the Annual Financial Statements	20

Legal and Administrative Information

Trustees

Sean Carney
Didier J Cherpitel
John Cummins
Alan R Gillespie, Chairman
Dayanath Chandrajith Jayasunya
Arunma Oteh

Registered Address

2 Lambs Passage
London EC1Y 8BB
United Kingdom

Company Secretary

Trusec Limited
2 Lambs Passage
London EC1Y 8BB
United Kingdom

Solicitors

Slaughter and May
One Bunhill Row
London EC1Y 8YY
United Kingdom

Auditors

KPMG LLP
1 Forest Gate
Brighton Road
Crawley RH11 9 PT
United Kingdom

Treasury Manager

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

Legal Status

The International Finance Facility for Immunisation Company ("IFFIm") is a multilateral development institution, established as a charity registered with the Charity Commission for England and Wales. IFFIm was incorporated as a private company, limited by guarantee, without share capital and for indefinite duration, under the Companies Act 1985. IFFIm is governed by its Memorandum and Articles of Association dated 26 June 2006. Amended Articles of Association were adopted on 22 December 2008. IFFIm's company registration number is 5857343 and its charity registration number is 1115413.

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 International Finance Facility for Immunisation Company ("IFFIm") is a multilateral development institution incorporated as a private company, with company registration number 5857343, and registered as a charity in England and Wales, with charity registration number 1115413. In order to achieve its objectives, IFFIm 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 IFFIm* section of this report. GAVI also provides administrative support to IFFIm.
- **The GAVI Fund Affiliate ("GFA"):** GFA is a charity based in the United Kingdom. GFA enters into pledge agreements with donors and then assigns to IFFIm the right to receive cash payments under those agreements. Also, all cash payments from IFFIm to GAVI are channelled through GFA.
- **The 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 IFFIm. IFFIm's relationship and interactions with the World Bank are described further in the *Financial Overview* and *Hedging IFFIm's Market Risks* sections of this report.

Objectives

IFFIm was established to bring forward resources to support and enhance the immunisation and vaccine procurement programmes of GAVI through the leveraging of long-term sovereign grants. It promotes the effective use of GAVI's resources for charitable purposes, and for the benefit of the public, by providing services and facilities that assist GAVI in raising funds. Such services and facilities include, but are not limited to, borrowing money or entering into agreements whereby sovereign government donors (the "Grantors") promise funds for charitable purposes.

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. IFFIm 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 IFFIm 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.

IFFIm raises funds by issuing bonds in the international capital market under its Global Debt Issuance Programme. IFFIm then disburses the funds to GFA which, in turn, disburses the funds to GAVI to support various GAVI vaccine procurement, immunisation and HSS programmes. Through its bond issuances, IFFIm converts long-term government pledges into immediately available cash resources. IFFIm uses grant payments from the Grantors to, among other things, pay the principal and interest on its bonds.

The World Health Organization ("WHO") has estimated that use of IFFIm 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.

Public Benefit

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

Financial Overview

Overview of Assets and Liabilities

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

In Millions of USD	2009	2008	Change	2009 Assets	2009 Liabilities
Sovereign pledges	2,862	2,741	141		
Funds held in trust	1,082	145	937		
Other assets	23	42	(19)		
Total assets	3,967	2,928	1,059		
Bonds payable	2,609	1,267	1,342		
Grants payable	437	147	290		
Other liabilities	3	1	2		
Total liabilities	3,049	1,415	1,634		

Sovereign Pledges IFFIm's asset base consists primarily of irrevocable and legally binding multi-year sovereign pledges from the Grantors. As of 31 December 2009, the Grantors were the Republic of France, the Republic of Italy, the State of the Netherlands, the Kingdom of Norway, the Republic of South Africa, the Kingdom of Spain, the Kingdom of Sweden and the United Kingdom. The amounts pledged by the Grantors, along with the pledge dates, are listed in Note 02 to the financial statements.

Each Grantor committed to provide scheduled grant payments to the GFA, a United Kingdom charity. GFA then assigned, to IFFIm, the right to receive these grant payments. In turn, IFFIm agreed to review and, if it deems appropriate, approve vaccine procurement, immunisation and HSS programmes submitted by GFA. IFFIm has also agreed to raise funds for the programmes it approves.

During 2009, IFFIm's sovereign pledges increased by USD 141 million due to the following:

- **Weakening of United States Dollar** During 2009, the United States dollar weakened against the currencies in which many sovereign donor pledges were made. This resulted in a USD 177 million increase in the fair value of IFFIm's sovereign pledges during 2009.
- **Discount Factors and Grant Payment Condition** Reduced discount factors resulted in a USD 31 million increase in the present value of expected future cash inflows from Grantors. In addition, changes in estimated Grant Payment Condition ("GPC") reductions further increase the present value of such cash flows by USD 11 million. IFFIm's GPC is described in Note 15 to the financial statements.
- **New Sovereign Pledge** IFFIm received a new sovereign pledge from the State of the Netherlands in December 2009. The initial fair value of this pledge was USD 87 million.
- **Receipts from Grantors** The abovementioned fair value increases were partially offset by payments received from the Grantors totalling USD 166 million during 2009, bringing the net increase in sovereign pledges to USD 141 million. From its inception to 31 December 2009, IFFIm received cumulative payments from the Grantors totalling USD 411 million.

Funds Held in Trust and Investment Strategy IFFIm's funds held in trust represent an investment portfolio denominated in United States dollars and managed by the World Bank. IFFIm has established liquidity and investment policies based on recommendations made by the World Bank.

The World Bank maintains a single, commingled investment portfolio (the "Pool") for IFFIm, certain trust funds and other entities administered by the World Bank, as well as assets held in trust for other World Bank Group institutions. The Pool's assets are maintained separate from the funds of the World Bank Group.

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

As discussed in the *Bonds Payable* section below, IFFIm raised USD 1.4 billion through bond issuances in 2009. While a portion of the funds raised were used to finance GAVI's 2009 programmes, the majority were invested in

the Pool. As a result, IFFIm's funds held in trust increased by USD 937 million during 2009 to USD 1.1 billion as of 31 December 2009.

Bonds Payable IFFIm has continued to raise funds on the global capital market. From its inception to 31 December 2009, IFFIm had raised USD 2.6 billion through bond issuances and had disbursed a total of USD 1.6 billion to GFA.

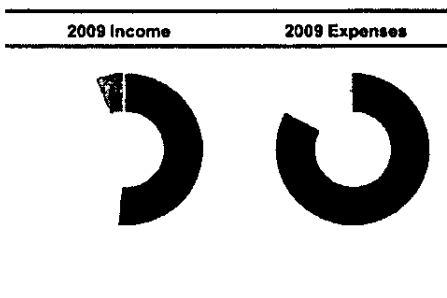
During 2009, IFFIm's bonds payable increased by USD 1.3 billion due to the following:

- **New Bond Issuances** IFFIm issued ten new bonds during 2009. Details of these issuances are included in Note 10 to the financial statements. In addition, since most of these bond issuances were made in currencies other than the United States dollar, the bonds payable balance further increased due to foreign exchange losses as the United States dollar weakened during the year.
- **Improvement of IFFIm's Credit** IFFIm's credit improved during 2009 as overall global capital market stabilised. This improvement in credit resulted in an increase to the fair value of IFFIm's bonds payable as the bonds became more attractive to investors on the global capital markets.

Overview of Income and Expenses

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

In Millions of USD	2009	2008	Change	2009 Income	2009 Expenses
Contribution revenue	98	-	88		
Net fair value gains	72	80	(8)		
Investment income	11	5	6		
Total income	171	85	86		
Programme grants	620	325	295		
Financing costs	121	69	52		
Other expenses	25	5	-		
Total expenses	746	399	347		



Contribution Revenue Contribution revenue is comprised of new sovereign pledges received from Grantors. In December 2009, the State of the Netherlands pledged EUR 80 million to GFA. GFA assigned the pledge to IFFIm in the same month and IFFIm recorded the USD 87 million fair value of the pledge as contribution revenue for the year ended 31 December 2009. No other new pledges from Grantors were received during 2009 or 2008.

Programme Grants GAVI continued to experience strong and increasing demand for vaccines and vaccine related support. In response to this strong demand, IFFIm increased its grants to GFA by USD 295 million during 2009. Since its inception to 31 December 2009, IFFIm has disbursed USD 1.6 billion to GFA. The *Programmes Funded by IFFIm* section below describes the various GAVI programmes that IFFIm has helped to fund.

Net Fair Value Gains As described in the *Sovereign Pledges* and *Bonds Payable* sections above, IFFIm incurred significant fair value adjustments on its sovereign pledges and bonds payable. These adjustments were, however, hedged through currency and interest rate swaps. The *Hedging IFFIm's Market Risks* section below describes these hedges and summarises their impact on IFFIm income.

Investment Income As described in the *Funds Held in Trust and Investment Strategy* above, IFFIm had more liquid investment balances during 2009 compared to 2008. As a result, its investment income on these balances increased by USD 6 million during 2009.

Financing Costs As described in the *Bonds Payable* section above, IFFIm issued USD 1.4 billion in bonds during 2009. As a result of these bond issuances, IFFIm incurred USD 8 million in issuance costs and additional interest expense on the new bonds. These two factors increased financing costs by an aggregate of USD 52 million in 2009. The significant increase in financing costs was, however, partially mitigated using currency and interest rate swaps. IFFIm's use of swaps is described in the *Hedging IFFIm's Market Risks* section below.

Other Expenses IFFIm outsources its principal activities to GAVI and the World Bank. GAVI is responsible for all administrative support and operational functions related to vaccine procurement, immunisation and HSS programmes for which IFFIm provides funding. The World Bank provides IFFIm with treasury management and certain accounting services.

IFFIm's other expenses are comprised primarily of treasury management fees billed by the World Bank and administrative support services donated to IFFIm by GAVI

Hedging IFFIm's Market Risks

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

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

The following table shows how IFFIm's use of currency and interest rate swaps hedged against the significant impacts that changes in interest and foreign exchange rates would otherwise have had on IFFIm's income for the years ended 31 December 2009 and 2008.

In Millions of USD	2009		2008	
	Pledges	Bonds	Pledges	Bonds
Interest and fair value adjustments before impact of swaps	219	(333)	(84)	(74)
Impact of currency and interest rate swaps	(229)	294	107	60
Net interest and fair value adjustments after impact of swaps	(10)	(39)	23	(14)
Interest expense on bonds before impact of swaps		113		65
Impact of currency and interest rate swaps		(99)		(32)
Net interest expense on bonds after impact of swaps		14		33

Credit Rating and Reserves Policy

IFFIm seeks to maintain an adequate level of liquidity to meet its operational requirements, provide predictability of programme funding and support its AAA credit rating. Taking these factors into account, IFFIm maintains a minimum liquidity equivalent to its cumulative contracted debt service payments for the next twelve months. This minimum liquidity level is recalculated and reset on a quarterly basis. Based on factors such as the strength of its financial base, its conservative financial policies and the strong support of the Grantors, IFFIm's Global Debt Issuance Programme is rated AAA by Standard & Poor's Ratings Service ("S&P") and Fitch Ratings, and Aaa by Moody's Investor Service.

In May 2009, S&P revised its outlook on IFFIm from stable to negative, while affirming its AAA rating. The revised outlook reflected the deterioration in the credit ratings and outlook on South Africa, Spain and the United Kingdom. S&P lowered Spain's long-term foreign currency sovereign rating from AAA to AA+, lowered South Africa's BBB+ from stable to negative, and lowered the United Kingdom's AAA long-term foreign currency sovereign rating outlook from stable to negative. In affirming IFFIm's AAA rating, S&P noted that IFFIm's largest Grantors, the United Kingdom and France, remained rated AAA. S&P also cited IFFIm's conservative financial policies, its highly professional financial management and its politically compelling mandate.

In April 2010, S&P downgraded Spain's credit rating from AA+ to AA. This downgrade is described further in the *Recent Developments* section below.

Programmes Funded by IFFIm

GAVI programmes funded by IFFIm 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. 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, IFFIm disbursed the following amounts to help fund GAVI's Country-Specific Programmes:

In Millions of USD	Amount	2009 Liabilities
New and underutilised vaccines	930	
Health system strengthening and other	315	
Total Country-Specific Programme disbursements	1,251	



Investment Cases

From time to time, IFFIm 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 targeted a disease that constrains progress towards the United Nations Millennium

Development Goals for Improved child and maternal health To date, IFFIm 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.

Pentavalent Payment Guarantee GAVI provided funds for the purchase of pentavalent vaccine. A single shot of 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. From its inception to 31 December 2009, IFFIm disbursed the following amounts to help fund GAVI's Investment Cases.

In Millions of USD	Amount	2009 Liabilities
Yellow fever stockpile and eradication	101	
Polio eradication	139	
Measles mortality reduction	139	
Maternal and neonatal tetanus	62	
Pentavalent payment guarantee	161	
Meningitis eradication	68	
Total Investment Case disbursements	742	

Future Plans

IFFIm has proven very successful in helping to align Grantors' pledges 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, the trustees believe that IFFIm has not yet reached its full potential and they are, in collaboration with GAVI and the World Bank, currently considering the following strategies for the future.

- **IFFIm Extension** The trustees are assessing the potential benefits if Grantors are willing to extend the terms of their existing pledges by adding five years of payments to their existing pledges. Due to currently low interest rates, these pledge extensions could have significant value even though they would be payable only in sixteen to twenty years.

- **IFFIm Expansion.** IFFIm currently has sufficient resources to support GAVI's existing programmes. However, GAVI is expanding into new vaccine programmes for diseases such as pneumonia and, therefore, a case can be made for approaching new donors to make multi-year pledges for targeted funding campaigns. IFFIm could then leverage these new multi-year pledges to provide short and medium-term funding for GAVI's new vaccine programmes.
- **IFFIm Enhancement.** IFFIm capacity to leverage donor funds is currently capped by a gearing ratio limit of 67%. However, if current or new donors are willing to provide IFFIm with increased coverage against credit default, IFFIm could increase this gearing ratio limit. This would allow for modest increases in donors' risk to be translated into significant increases in short and medium-term funds available for GAVI programmes.

Governance and Management

IFFIm has no employees. Its trustees, who are also the directors of IFFIm for the purposes of company law, are responsible for determining IFFIm'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 IFFIm were as follows:

- **Alan R. Gillespie, IFFIm Board Chairman:** In 2009, Dr Gillespie was appointed Chairman of the United Kingdom's Economic and Social Research Council. From 2001 until 2008, he served as Group Chairman of Ulster Bank Group, Northern Ireland, a member of the Royal Bank of Scotland Group.
- **John Cummins:** Mr Cummins is the Group Treasurer of Royal Bank of Scotland Group. Formerly, he was the Group Treasurer of the Standard Life Assurance Company, the largest mutual assurer in Europe.
- **Dayanath Jayasuriya:** Dr Jayasuriya is Senior Partner of Asian Pathfinder Legal Consultancy and Drafting Services, a firm specialising in medical law, and Visiting Professor of Law at the University of the Free State, South Africa.
- **Arunma Oteh:** Ms Oteh is the Director-General of the Securities and Exchange Commission of Nigeria and former Vice President of Corporate Services at the African Development Bank.
- **Sean Carney:** Mr Carney is the Executive Director of Finance and Operations at the Children's Investment Fund Foundation, London. Formerly, he was Chief Operating Officer of Investment Banking at HSBC Investment and Global Banking in London. Mr Carney was appointed to the IFFIm board on 1 June 2009.
- **Didier J. Cherpitel:** Mr Cherpitel is a former Managing Director at JP Morgan in London and Paris. He is also a former Secretary General and Chief Executive Officer of the International Federation of Red Cross and Red Crescent Societies, Geneva, Switzerland. Mr Cherpitel was appointed to the IFFIm board on 1 June 2009.

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 IFFIm. Induction procedures introduce trustees to the specifics of IFFIm's operations and provide an overview of related entities. Details of trustee expenses are disclosed in Note 11 to the financial statements.

Risk Management

The major risks, to which IFFIm 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 IFFIm, and (2) the performance risk that IFFIm 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 IFFIm 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

IFFIm's activities expose it to three principal types of financial risk (1) credit risk, (2) liquidity risk, and (3) market risk. IFFIm seeks to mitigate each of these risks based on a risk management strategy approved by its Board.

IFFIm's market risk is composed primarily of interest rate and foreign exchange rate risks. IFFIm mitigated these risks through the use of interest rate and currency swaps. Sovereign pledges were swapped into United States dollar zero-coupon floating rate assets and, at issuance, IFFIm's bonds payable were swapped into United States dollar floating rate liabilities.

Notes 12, 13 and 14 to the financial statements describe the abovementioned financial risks and related risk management activities in more detail.

Recent Developments

In April 2010 S&P downgraded the Kingdom of Spain's credit rating from AA+ to AA. Due to the high credit quality of Spain and all other IFFIm Grantors, no reductions to estimated cash inflows have been made to reflect the Grantors' credit risk when determining the fair value of sovereign pledges.

Declarations by IFFIm's Directors

In accordance with section 418 of the Companies Act 2006, each person who is a director of IFFIm 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 IFFIm'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 IFFIm'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 were appointed as IFFIm's independent auditors 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:

A handwritten signature in black ink, appearing to read 'Alan R. Gillespie', with a stylized flourish at the end.

Alan R. Gillespie
IFFIm Board Chairman
29 June 2010

Independent Auditors' Report to the Members of the International Finance Facility for Immunisation Company

We have audited the financial statements of the International Finance Facility for Immunisation Company 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 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

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
29 June 2010

Statements of Income and Expenditures

In Thousands of USD	Note	Year Ended 31 December 2009 Restricted Funds	Year Ended 31 December 2008 Restricted Funds
Turnover			
Contribution revenue	02	87,137	-
Operating expenses			
Programme grants to the GAVI Fund Affiliate	04	620,485	325,120
Treasury manager's fees	04	1,965	1,779
Governance costs	04	2,985	2,786
Total operating expenses		625,435	329,685
Other operating income			
Donated services	02	842	171
Operating loss		(537,456)	(329,514)
Financing and investment income (expenses)			
Financing income (expenses) on bonds and bond swaps			
Net fair value gains on bonds and bond swaps	05	82,382	55,121
Interest expense on bonds		(112,760)	(65,344)
Net financing expenses on bonds and bond swaps		(30,368)	(10,223)
Other financing income (expenses)			
Net fair value gains (losses) on pledges and pledge swaps	05	(9,522)	23,587
Other foreign exchange gains (losses)	05	(1,255)	1,057
Other financing charges		(8,091)	(3,877)
Net other financing income (expenses)		(18,868)	20,747
Investment income			
Investment and interest income	03	10,773	4,501
Total financing and investment income (expenses)		(38,463)	15,025
Deficit for the year		(575,919)	(314,489)

The accompanying notes are an integral part of these financial statements

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	87,137	-
Donated services	02	842	171
Total voluntary income		87,979	171
Investment and interest income	03	10,773	4,501
Total incoming resources from generated funds		98,752	4,672
Resources expended			
Cost of generating funds			
Treasury manager's fee		1,965	1,779
Financing charges		120,851	69,221
Total cost of generating funds	04	122,816	71,000
Charitable activities	04	620,485	325,120
Governance costs	04	2,985	2,786
Total resources expended		746,286	398,906
Net resources expended		(647,534)	(394,234)
Net fair value gains on pledge, bonds and swaps	05	71,615	79,745
Net change in funds		(575,919)	(314,489)
Total funds as of the beginning of the year		1,513,262	1,827,751
Total funds as of the end of the year		937,343	1,513,262

The accompanying notes are an integral part of these financial statements

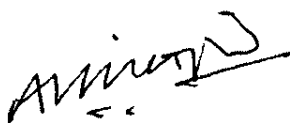
All incoming resources and resources expended derive from continuing operations and there are no gains or losses other than those included in this statement.

Balance Sheets

In Thousands of USD	Note	As of 31 December 2009	As of 31 December 2008
Noncurrent assets			
Sovereign pledges due after more than one year	06	2,731,679	2,610,477
Current assets			
Derivative financial instruments	08	21,800	40,866
Sovereign pledges due within one year	06	150,424	130,706
Prepayments		396	442
Cash and funds held in trust.			
Cash		772	392
Funds held in trust	07	1,082,285	145,362
Total cash and funds held in trust		1,083,057	145,754
Total current assets		1,255,477	317,568
Current liabilities			
Creditors falling due within one year	09	267,490	12,691
Grants payable to the GAVI Fund Affiliate		437,064	146,606
Total current liabilities		704,554	159,297
Net current assets		550,923	158,271
Total assets less current liabilities		3,282,602	2,768,748
Creditors falling due after more than one year	10	2,345,259	1,255,486
Net assets	11	937,343	1,513,262
Restricted funds	11	937,343	1,513,262

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

Approved by the trustees and signed on their behalf by.



Alan R. Gillespie
IFFIm Board Chairman
29 June 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 outflows from operating activities	16	(59,754)	(101,063)
Returns on investments and servicing of financing			
Investment and interest income received	03	10,773	4,501
Interest paid on bonds		(112,760)	(85,344)
Management of liquid resources			
Increase in funds held in trust	16	(936,923)	(48,841)
Net cash outflows before financing activities		(1,038,910)	(109,684)
Cash inflows from financing activities			
Proceeds from bond issuances	16	1,099,044	210,472
Net change in cash		380	(275)
Cash as of the beginning of the year		392	667
Cash as of the end of the year		772	392

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

Basis of Accounting: The financial statements are prepared

- on the accruals basis of accounting, under the historical cost convention, with the exception of sovereign pledges, funds held in trust, derivative financial instruments, bonds payable and grants payable, which are included at fair value,
- in accordance with the *Statement of Recommended Practice: Accounting and Reporting by Charities*, issued in March 2005, applicable United Kingdom Accounting Standards and the Companies Act 2006,
- in accordance with FRS26 *Financial Instruments: Recognition and Measurement*, sovereign pledges, funds held in trust, derivative financial instruments, bonds payable and grants payable are measured at fair value with changes in fair value recognised in the income statement. These assets and liabilities are recorded at fair value based on the methodologies described in Note 15.

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. See Notes 02 and 06 for more details on revenue calculation and recognition of pledges.

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

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

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

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

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

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

Sovereign Pledges: Sovereign pledges are recognised as contribution revenue and as receivables upon assignment of donor contributions to IFFIm by GFA. Sovereign pledges are initially recognised at fair value then subsequently remeasured at fair value as of each reporting date. Gains and losses due to changes in fair market values are reported in fair value gains (losses) in the Statements of Financial Activities. Contribution amounts received from donors depend on a Grant Payment Condition ("GPC") which allows the donors to reduce such amounts. See Note 15 for details of the GPC.

Funds Held in Trust: IFFIm's share in the pooled investment portfolio is measured at fair value on initial recognition, and then subsequently remeasured at fair value at the reporting date in accordance with FRS 26 *Financial Instruments: Measurements* and FRS 29 *Financial Instruments: Disclosure*. Gains or losses due to changes in fair market values are reported in fair value gains (losses) in the Statements of Financial Activities. See Notes 07 and 15 for further details.

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

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

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

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

Bonds Payable: Bonds payable are recognised at fair value at the time of issuance and subsequently remeasured at fair value at each reporting date. The bond issuance costs are written off in the year of issue and are reported in other resources expended as finance charges in the Statements of Financial Activities. Gains or losses due to changes in fair market values are reported in fair value gains (losses) in the Statements of Financial Activities.

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

Funds: Funds, revenues, gains and losses are classified based on the existence of grantor-imposed restrictions. IFFIm receives its funding from grantors or by raising funds by borrowing in worldwide capital markets. Proceeds are used to fund programmes for a defined portfolio of eligible countries or specified purposes. Therefore all funds are treated as restricted funds. See Note 15 for IFFIm's defined portfolio of eligible countries.

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

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

Presentation and Reclassifications: In order to present more clearly the economic substance of IFFIm's financial activities related to sovereign pledges, bonds payable, currency swaps and interest rate swaps, the following updates were made to the financial statements during the current year: (1) the presentation of the Statement of Income and Expenditure was updated to more clearly show the relationship between interest expense on bonds and gains on bond swaps, (2) in the Statement of Income and Expenditure and Statement of Financial Activities, net interest received on settlement of pledge swaps was reclassified from interest income to net fair value gains (losses) on pledges and pledge swaps, (3) in the Statement of Income and Expenditure and Statement of Financial Activities, fair value gains on pledges were reclassified from contribution revenue to net fair value gains (losses) on pledges and pledge swaps. Reclassifications have been made to prior year amounts to conform to the aforementioned updated current year presentation and reclassifications.

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 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
Initial fair value of pledge received from the State of the Netherlands	87,137	-

Donated Services. IFFIm 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 IFFIm and billed IFFIm for other services. In 2009, however, GAVI did not invoice IFFIm 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 and the GAVI Campaign.

In Thousands of USD	2009	2008
Administrative support	842	-
Trustees' meeting and travel expenses	-	20
Publicity expenses	-	151
Total donated services	842	171

03 Investment and Interest Income

In Thousands of USD	2009	2008
Income from funds held in trust	10,758	4,475
Bank account interest	15	26
Total investment and interest income	10,773	4,501

04 Total Resources Expended

In Thousands of USD	2009	2008
Cost of generating funds		
Treasury manager's fees		
Financial operations management	1,965	1,779
Finance charges		
Bond issuance costs	8,091	3,877
Bond interest expense	112,760	85,344
Total cost of generating funds	122,816	71,000
Charitable activities		
Country-specific programmes		
New and underused vaccines	445,788	242,918
Health systems strengthening and immunisation services	57,611	82,280
Injection safety supplies	5,488	(78)
Investment cases		
Yellow fever continuation	43,881	-
Meningitis eradication	67,719	-
Total charitable activities	620,485	325,120
Governance costs		
Professional services		
Consultancy fees	234	88
GAVI administrative support fee	842	75
Legal fees	877	1,381
Auditor's remuneration		
Statutory audit	174	200
Taxation services and group reporting	158	154
Other governance costs		
Publicity expenses	-	151
Trustees' indemnity insurance premiums	488	584
Trustees' meeting and travel expenses	195	153
Other trustees' expenses	17	-
Total governance costs	2,985	2,786

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, IFFIm has no employees. IFFIm outsources all administrative support to the GAVI Alliance and the GAVI Campaign, and outsources its treasury function, together with certain accounting and financial reporting support, to the World Bank.

Trustees' Expenses: IFFIm's trustees are not remunerated. They are, however, reimbursed for expenses they incur in attending meetings and performing other functions directly related to their duties as trustees. IFFIm also incurs professional indemnity insurance premium expenses for the trustees. IFFIm had four trustees as of 31 December 2008 and appointed two new trustees during the year ended 31 December 2009.

05 Fair Value Gains and Losses

In Thousands of USD	2009	2008
Fair value gains (losses) on bonds		
Fair value losses on bonds	(211,774)	(4,588)
Net fair value gains on bond swaps	294,186	59,709
Net fair value gains on bonds and bond swaps	82,392	55,121
Fair value gains (losses) on pledges and pledge swaps		
Fair value gains (losses) on sovereign pledges	219,444	(83,833)
Net fair value gains (losses) on pledge swaps	(228,966)	107,400
Net fair value gains (losses) on pledges and pledge swaps	(9,522)	23,567
Other foreign exchange gains (losses)	(1,255)	1,057
Net fair value gains on pledges, bonds and swaps	71,615	79,745

06 Sovereign Pledges

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

The total amounts paid by the Grantors to IFFIm are impacted by the GPC. See Note 15 for further details.

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

Sovereign pledges were comprised of:

In Thousands of USD	2009	2008
Balance as of the beginning of the year	2,741,183	2,976,828
Initial fair value of pledges	87,137	-
Payments received from donors	(165,662)	(151,811)
Fair value gains (losses)	219,445	(83,834)
Balance as of the end of the year	2,882,103	2,741,183
Sovereign pledges due within one year	150,424	130,706
Sovereign pledges due after more than one year	2,731,679	2,610,477
Total sovereign pledges	2,882,103	2,741,183

Note 05 provides details on fair value gains from interest rate and currency swaps that were recognised related to the sovereign pledges due.

07 Funds Held in Trust

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

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

In Thousands of USD	2009	2008
IFFIm's share in the Pool's fair value	1,082,285	145,362

The Pool's fair value is based on market quotations. Gains, losses and investment income are recognised in the period in which they occurred and are allocated to IFFIm on a daily basis. These net gains totalled USD 10.8 million and USD 4.5 million for the years ended 31 December 2009 and 2008, respectively, and were reported as investment income in the Statements of Financial Activities.

08 Derivative Financial Instruments

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

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

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

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

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

In Thousands of USD	31 December 2009		31 December 2008	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Currency and interest rate swaps related to sovereign pledges	4,575,218	(253,888)	4,357,710	(20,898)
Currency and interest rate swaps related to bonds payable	3,635,281	275,488	1,180,217	61,564
Total fair value of pledge and bond swaps		21,600		40,666

09 Creditors Falling Due within One Year

In Thousands of USD	2009	2008
Trade creditors	2,791	1,071
Amounts due to the GAVI Campaign	308	54
Amounts due to the GAVI Alliance	192	-
Bonds payable falling due within one year	264,199	11,566
Total creditors falling due within one year	267,490	12,691

10 Creditors Falling Due after More than One Year

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

Issue Date	Maturity Date	Coupon Interest Rate	Nominal Amount, in Thousands of USD	Fair Value as of 31 December 2009, in Thousands of USD	Fair Value as of 31 December 2008, in Thousands of USD
14 November 2006	14 November 2011	5.00%	1,000,000	1,073,886	1,083,888
18 March 2008	18 March 2010	9.90%	229,683	237,348	183,184
19 February 2009	21 February 2012	6.26%	428,292	422,546	-
19 February 2009	21 February 2012	2.65%	129,927	125,083	-
19 February 2009	21 February 2012	2.60%	40,478	38,493	-
15 May 2009	15 May 2014	3.38%	404,862	416,519	-
15 May 2009	13 June 2014	0.00%	26,740	26,458	-
27 May 2009	25 May 2012	1.00%	105,000	103,335	-
27 May 2009	25 May 2012	3.51%	44,975	43,020	-
24 June 2009	24 June 2013	6.85%	32,291	30,551	-
24 June 2009	24 June 2024	0.50%	108,086	32,060	-
24 June 2009	24 June 2013	4.36%	63,498	60,159	-
Total bonds payable				2,609,458	1,287,052
Due within one year				(264,199)	(11,566)
Due after more than one year				2,345,259	1,255,486

11 Movement of Funds

In Thousands of USD	As of 31 December 2008	Incoming Resources	Resources Expended	As of 31 December 2009
Sovereign pledges assigned from the GAVI Fund Affiliate	2,812,674	87,137	(2,143)	2,897,668
Investment and interest income	33,457	10,773	-	44,230
Other gains (losses) and other income (expenses)	39,394	71,615	(122,816)	(11,807)
Donated services				
Administrative support	-	842	(842)	-
Programme funding to the GAVI Fund Affiliate				
Country-specific programmes	(742,173)	-	(508,885)	(1,251,058)
Yellow fever stockpile investment case	(57,140)	-	-	(57,140)
Polio eradication investment case	(191,280)	-	-	(191,280)
Measles mortality reduction investment case	(139,000)	-	-	(139,000)
Maternal and neonatal tetanus investment case	(61,620)	-	-	(61,620)
Pentavalent payment guarantee	(181,050)	-	-	(181,050)
Yellow fever continuation investment case	-	-	(43,881)	(43,881)
Meningitis eradication investment case	-	-	(67,719)	(67,719)
Total restricted funds	1,513,262	170,367	(746,286)	937,343

In Thousands of USD	As of 31 December 2007	Incoming Resources	Resources Expended	As of 31 December 2008
Sovereign pledges assigned from GAVI Fund Affiliate	2,782,299	34,769	(4,394)	2,812,674
Investment and interest income	20,277	13,180	-	33,457
Other gains (losses) and other income (expenses)	72,319	36,298	(69,221)	39,394
Donated services				
Trustee board meeting costs	-	20	(20)	-
Legal fees	-	151	(151)	-
Programme funding to the GAVI Fund Affiliate				
Country-specific programmes	(417,053)	-	(325,120)	(742,173)
Yellow fever stockpile investment case	(57,140)	-	-	(57,140)
Polio eradication investment case	(191,280)	-	-	(191,280)
Measles mortality reduction investment case	(139,000)	-	-	(139,000)
Maternal and neonatal tetanus investment case	(61,620)	-	-	(61,620)
Pentavalent payment guarantee	(181,050)	-	-	(181,050)
Total restricted funds	1,827,752	84,418	(398,906)	1,513,262

12 Credit Risk

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

In Thousands of USD	2009	2008
Sovereign pledges	2,882,103	2,741,183
Cash, investments and derivatives	1,104,657	186,420
Total foreign currency exposure	3,986,760	2,927,603

Credit Risk Related to Sovereign Pledges: IFFIm was exposed to Grantor credit risk on pledges from highly rated governments. This exposure is detailed by Grantor in Note 02 above. With the exception of the Republic of South Africa, all of the Grantors' credit ratings were between A+ and AAA as of 31 December 2009.

The Grantors' credit ratings as of 31 December 2009 and 2008, as determined by Standard and Poor's Ratings Service ("S&P"), were

Grantor	Currency	2009	2008
Republic of France	EUR	AAA	AAA
Republic of Italy	EUR	A+	A+
State of the Netherlands	EUR	AAA	-
Kingdom of Norway	USD	AAA	AAA
Republic of South Africa	USD	BBB+	BBB+
Kingdom of Spain	EUR	AA+	AAA
Kingdom of Sweden	SEK	AAA	AAA
United Kingdom	GBP	AAA	AAA

IFFIm was also indirectly exposed to recipient country credit risk embodied in the GPC. IFFIm took this risk into account when determining the fair value of sovereign pledges. See Note 15 for details.

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

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

- Investments in money market instruments were limited to instruments issued or guaranteed by financial institutions whose senior debt securities were rated at least A- by the major rating agencies.
- Investments in government and agency obligations were limited to obligations issued or unconditionally guaranteed by government agencies rated at least AA- by the major rating agencies if denominated in a currency other than the issuers' home currencies. Obligations denominated in issuers' home currencies required no rating. Obligations issued by an agency or instrumentality of a government, a multilateral organisation or any other official entity required a minimum credit rating of AA-.
- Investments in asset-backed securities and corporate securities were limited to securities with a minimum rating of AAA.

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

In Thousands of USD	2009	2008
Instruments and securities rated AAA	413,710	11,683
Instruments and securities rated AA+	-	15,730
Instruments and securities rated AA-	352,092	42,151
Instruments and securities rated AA	97,102	45,596
Instruments and securities rated A+	214,655	28,549
Instruments and securities rated A-	1,252	-
Instruments and securities rated A	3,474	1,653
Total funds held in trust	1,082,285	145,362

13 Liquidity Risk

Liquidity risk is the risk that IFFIm may be unable to meet its obligations, when they fall due, as a result of a sudden, and potentially protracted, increase in cash outflows. Under its liquidity policy, IFFIm seeks to maintain an adequate level of liquidity to meet its operational requirements, provide predictability of programme funding and support its AAA credit rating. Taking these factors into account, IFFIm maintains a minimum liquidity equivalent to its cumulative contracted debt service payments for the next twelve months. This minimum liquidity level is recalculated and reset on a quarterly basis. As of 31 December 2009, the calculated minimum liquidity was USD 235 million and the value of IFFIm's Liquid Assets was USD 1.1 billion. As of 31 December 2008, the calculated minimum liquidity was USD 29 million and the value of IFFIm's Liquid Assets was USD 145 million.

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

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

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

As of 31 December 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
Bonds payable	(2,907,423)	(344,172)	(1,103,120)	(784,824)	(875,307)
Grants payable to GAVI Fund Affiliate	(437,064)	(437,064)	-	-	-
Derivative financial instruments	(114,212)	-	-	-	(114,212)
Total undiscounted maturities	(3,458,699)	(781,236)	(1,103,120)	(784,824)	(789,519)

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
Bonds payable	(1,354,284)	(67,609)	(236,675)	(1,050,000)	-
Grants payable to GAVI Fund Affiliate	(146,606)	(146,606)	-	-	-
Derivative financial instruments	(1,110,198)	-	(24,003)	-	(1,086,195)
Total undiscounted maturities	(2,611,088)	(214,215)	(260,678)	(1,050,000)	(1,086,195)

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

14 Market Risk

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

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

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

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

As of 31 December 2009, In Thousands of USD	AUD	EUR	GBP	NZD	SEK	ZAR
Foreign currency assets	141,945	1,599,951	1,705,351	125,154	22,145	728,314
Foreign currency liabilities	(141,671)	(1,864,456)	(1,906,777)	(125,083)	(24,894)	(722,505)
Net exposure	274	(264,505)	(201,426)	71	(2,749)	3,809

As of 31 December 2008, In Thousands of USD	AUD	EUR	GBP	NZD	SEK	ZAR
Foreign currency assets	-	1,524,232	1,176,733	-	22,627	1,411
Foreign currency liabilities	-	(1,772,294)	(1,359,146)	-	(25,001)	-
Net exposure	-	(248,062)	(182,413)	-	(2,374)	1,411

The following exchange rates applied during the year

In USD	Average Rate for the Year Ended 31 December 2009	Spot Rate as of 31 December 2009	Average Rate for the Year Ended 31 December 2008	Spot Rate as of 31 December 2008
Australian dollar	0.7910	0.8995	0.8541	0.6958
Euro	1.3944	1.4398	1.4719	1.4335
British pound	1.5636	1.6185	1.8573	1.4668
New Zealand dollar	0.6344	0.7259	0.7159	0.5849
Swedish krona	0.1308	0.1403	0.1520	0.1305
South African rand	0.1200	0.1351	0.1231	0.1046

Sensitivity to Foreign Exchange Rates. Strengthening of the above currencies, against the United States dollar, as of 31 December 2009 and 2008 would have increased (decreased) IFFIm's net assets and deficits for those years by the amounts shown below. This analysis is based on foreign currency exchange rate variances that IFFIm considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain unchanged.

In Thousands of USD	Increase (Decrease) in Deficit for the Year Ended and Net Assets as of 31 December 2009		Increase (Decrease) in Deficit for the Year Ended and Net Assets as of 31 December 2008	
	10% Strengthening against USD	10% Weakening against USD	10% Strengthening against USD	10% Weakening against USD
Australian dollar	(25)	30	-	-
Euro	25,366	(31,002)	22,953	(28,053)
British pound	18,340	(22,416)	16,796	(20,529)
New Zealand dollar	(6)	8	-	-
Swedish krona	250	(306)	219	(267)
South African rand	65,682	(80,278)	16,193	(19,792)

Interest Rate Risk IFFIm was exposed to interest rate risk from differences in the interest rate bases of the bonds payable and funds held in trust. IFFIm used interest rate swaps to mitigate this exposure. The interest rate profiles of IFFIm's interest-bearing financial instruments, with the exception of funds held in trust, were

In Thousands of USD	2009 Carrying Amount	2008 Carrying Amount
Fixed rate instruments		
Financial assets	1,506,693	318,772
Financial liabilities	(5,948,657)	(4,481,125)
Net fixed rate instruments	(4,439,964)	(4,162,353)
Variable rate instruments		
Financial assets	2,945,454	2,896,428
Financial liabilities	(1,372,909)	(271,825)
Net variable rate instruments	1,572,545	2,624,603

Sensitivity to Interest Rates: Changes of 25 basis points in interest rates as of 31 December 2009 and 2008 would have increased (decreased) IFFIm's net assets and deficits for those years by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain unchanged.

In Thousands of USD	Increase (Decrease) in Deficit for the Year Ended and Net Assets as of 31 December 2009	Increase (Decrease) in Deficit for the Year Ended and Net Assets as of 31 December 2008
25 basis point increase	7,654	6,191
25 basis point decrease	(7,982)	(6,550)

Values at Risk ("VARs") for Funds Held in Trust VARs measure, in terms of fair value changes, the potential losses due to adverse market movements over a given interval at a given confidence level. VARs are conceptually applicable to all financial risk types with valid regular price histories. The 95% annualised VARs for IFFIm's funds held in trust were USD 7.1 million and USD 496 thousand for the years ended 31 December 2009 and 2008, respectively.

15 Fair Values of Financial Instruments

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

In Thousands of USD	31 December 2009		31 December 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets carried at fair value				
Sovereign pledges	2,882,103	2,882,103	2,741,183	2,741,183
Funds held in trust	1,082,285	1,082,285	145,362	145,362
Derivative financial instruments	21,600	21,600	40,666	40,666
Total assets carried at fair value	3,985,988	3,985,988	2,927,211	2,927,211
Assets carried at amortised cost				
Prepayments	396	396	442	442
Cash	772	772	392	392
Total assets carried at amortised cost	1,168	1,168	834	834
Liabilities carried at fair value				
Bonds payable	2,609,458	2,609,458	1,267,052	1,267,052
Grants payable to the GAVI Fund Affiliate	437,064	437,064	146,606	146,606
Total liabilities carried at fair value	3,046,522	3,046,522	1,413,658	1,413,658
Liabilities carried at amortised cost				
Accounts payable	3,291	3,291	1,125	1,125
Total liabilities carried at amortised cost	3,291	3,291	1,125	1,125

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

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

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

As of 31 December 2008, In Thousands of USD	Level 1	Level 2	Level 3	Total
Financial assets				
Sovereign pledges	-	-	2,741,183	2,741,183
Funds held in trust	8,008	137,353	-	145,361
Derivative financial instruments	-	40,666	-	40,666
Total financial assets	8,008	178,019	2,741,183	2,927,210
Financial liabilities				
Bonds payable	-	1,287,052	-	1,287,052
Grants payable to the GAVI Fund Affiliate	-	146,606	-	146,606
Total financial liabilities	-	1,413,658	-	1,413,658

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

In Thousands of USD	2009	2008
Balance as of the beginning of the year	2,741,183	2,976,828
Initial fair value of pledges	87,137	-
Donor payments	(165,662)	(151,811)
Fair value gains (losses)	219,445	(83,834)
Balance as of the end of the year	2,882,103	2,741,183

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

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

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

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

The reference portfolio is as follows

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

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

The initial GPC reduction rate used in October 2006 was 17.6%. The rate was 16.3%, 16.1% and 16.3% as of 31 December 2009, 2008 and 2007, respectively. 1% decreases in the GPC reduction rates as of 31 December 2009 and 2008 would have resulted in increases in the fair values of sovereign pledges of USD 34 million and USD 33 million, respectively. 1% increases in the GPC reduction rates would have had equal but opposite effects on the fair values of sovereign pledges.

During the reporting period ending December 31, 2009, three reference portfolio countries, each with 1% weighting, were in protracted arrears to the IMF. Those countries were Somalia, Sudan and Zimbabwe. No reduction to cash flows has been made to reflect the credit risk of donors themselves, due to the overall high credit quality of IFFIm's donors.

For the above sovereign pledges as of December 31, 2009, discount rates ranging from 0.1% to 5.6% were applied, as appropriate, depending on the donor, payment schedule and currency of the grant payments.

Bonds Payable As of 31 December 2009, the fair values of IFFIm's bonds payable were determined using a discounted cash flow method, which relied on market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads. As of 31 December 2008, the fair values of IFFIm's bonds payable were determined using quoted market prices.

For the years ended 31 December 2009 and 2008, the changes in the fair values of bonds payable that were attributable to IFFIm's own credit spreads were decreases of USD 7 million and USD 18 million, respectively.

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

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

16 Notes to the Statements of Cash Flows

Reconciliation of net change in funds to net cash outflows from operations

In Thousands of USD	2009	2008
Net change in funds	(575,919)	(314,489)
Investment and interest income received	(10,773)	(4,501)
Interest paid on bonds	112,760	85,344
Fair value gains (losses) on sovereign pledges	(219,445)	83,834
Fair value gains on bonds	221,571	1,936
Initial fair value of pledges	(87,137)	-
Increase in sovereign pledges	165,662	151,811
Decrease in prepayments	46	27
Increase (decrease) in derivative financial instruments	19,066	(147,429)
Increase (decrease) in creditors falling due within one year	23,957	9,822
Increase in grants payable to GFA	290,458	52,482
Net cash outflows from operating activities	(59,754)	(101,063)

The following table analyses changes in net debt

In Thousands of USD	Fair Value as of 31 December 2008	Cash Flows	Fair Value Movement	Fair Value as of 31 December 2009
Cash	392	380	-	772
Bonds payable	(1,255,486)	(1,099,044)	(221,571)	(2,576,101)
Funds held in trust	145,362	936,924	-	1,082,286
Total	(1,109,732)	(161,740)	(221,571)	(1,493,043)

In Thousands of USD	Fair Value as of 31 December 2007	Cash Flows	Fair Value Movement	Fair Value as of 31 December 2008
Cash	667	(275)	-	392
Bonds payable	(1,043,078)	(210,472)	(1,936)	(1,255,486)
Funds held in trust	96,520	48,842	-	145,362
Total	(945,891)	(161,905)	(1,936)	(1,109,732)

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

In Thousands of USD	2009	2008
Balance as of the beginning of the year	(1,109,732)	(945,891)
Increase in cash	380	(275)
Cash inflow from debt issuance	(1,403,279)	(171,270)
Cash outflow (inflows) from funds held in trust	936,924	48,842
Change in net debt resulting from cash flows	(465,975)	(122,703)
Fair value movement in the period	82,664	(41,138)
Net debt as of the end of the year	(1,493,043)	(1,109,732)

17 Related Party Transactions

IFFIm's related parties are

- **The GAVI Alliance** GAVI is a non-profit organisation based in Switzerland. In November 2009, GAVI became IFFIm's sole member.

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

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

IFFIm's related party transactions were

In Thousands of USD	2009	2008
The GAVI Alliance		
Accounts payable to the GAVI Alliance	192	-
In-kind contributions received from the GAVI Alliance	842	-
The GAVI Campaign		
Accounts payable to the GAVI Campaign	308	54
In-kind contributions received from the GAVI Campaign	-	171
The GAVI Fund Affiliate		
Assignment of donor pledges from the GAVI Fund Affiliate	87,137	-
Program grants to the GAVI Fund Affiliate	620,485	325,120
Program grants payable to the GAVI Fund Affiliate	437,084	146,608
Administrative support fees to the GAVI Campaign	842	75

18 Commitment and Contingencies

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

19 Current Tax

IFFIm 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.

20 Subsequent Events

In April 2010, S&P downgraded the Kingdom of Spain's credit rating from AA+ to AA. No reductions to estimated cash inflows have been made to reflect Grantors' credit risk when determining the fair value of sovereign pledges. This is due to the legally binding agreements in place for future funding and the continued commitment to development funding made by the Grantors.

