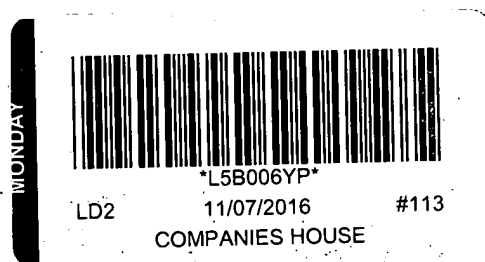


THE INTERNATIONAL FINANCE FACILITY FOR IMMUNISATION COMPANY

ANNUAL REPORT OF THE TRUSTEES AND CONSOLIDATED FINANCIAL STATEMENTS



31 DECEMBER 2015

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**.

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LEGAL AND ADMINISTRATIVE INFORMATION

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TRUSTEES

Cyrus Ardalan
Didier J. Cherpitel
Fatimatou Zahra Diop. Took office on 22 May 2015.
Christopher Egerton-Warburton
Doris Herrera-Pol. Took office on 13 November 2015.
Marcus Fedder
René Karsenti, Board Chair

REGISTERED ADDRESS

2 Lambs Passage
London EC1Y 8BB
United Kingdom

COMPANY SECRETARY

Trusec Limited
2 Lambs Passage
London EC1Y 8BB
United Kingdom

SOLICITOR

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

AUDITOR

KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL
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.

FILING OF REPORTS

Copies of IFFIm'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 responsibilities of the Trustees of the International Finance Facility for Immunisation Company in respect of the Trustees' annual report and the financial statements

The trustees are responsible for preparing the Trustees' Annual Report 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 group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 group and charitable company and of the group's excess of income over expenditure for that period. In preparing each of the group and charitable company 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 group and 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 its 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 group 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

OBJECTIVES AND PUBLIC BENEFIT

OBJECTIVES

IFFIm was created to accelerate the availability of predictable, long-term funds for health and immunisation programmes through Gavi in over 70 of the poorest countries around the world. IFFIm was created as a development financing tool to help the international community achieve the Millennium Development Goals and 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 that are backed by legally binding funding commitments from sovereign government donors (the "Grantors").

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 markets under its *Global Debt Issuance Programme*. IFFIm then 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.

PUBLIC BENEFIT

IFFIm is a public benefit entity. 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.

STRUCTURE, GOVERNANCE AND MANAGEMENT

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. IFFIm has control over IFFIm Sukuk Company Limited ("IFFImSC"), a Cayman Islands company with limited liability, which was incorporated on 3 November 2014 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number 293422. IFFIm also has control over IFFIm Sukuk Company II Limited ("IFFImSC II"), a Cayman Islands company with limited liability, which was incorporated on 25 August 2015 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number 303397. IFFImSC and IFFImSC II were established for the sole purpose of issuing sukuk certificates in support of IFFIm's operations. IFFIm's consolidated financial statements include the accounts of IFFImSC and IFFImSC II.

In order to achieve its objectives, IFFIm worked with the following organisations during 2015:

- **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 IFFIm* section of this report. Gavi also provides administrative support to IFFIm.
- **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.

GOVERNANCE AND MANAGEMENT

IFFIm's 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 2015, there were nine meetings of the IFFIm board.

The IFFIm audit committee is a standing committee of the IFFIm board of directors consisting of at least two members and was established by the IFFIm board to assist the board in fulfilling its responsibilities in respect to the corporate accounting and financial practices of IFFIm. During 2015, there were two meetings of the audit committee.

During the year ended 31 December 2015, IFFIm's directors were as follows:

- **Cyrus Ardalan:** Mr Ardalan is Chairman of OakNorth Bank. He is also Chairman of the Financial Services Advisory Board of Alvarez and Marsal and a senior advisor to the Rock Creek Group. Previously he was a Vice Chairman of Barclays Bank where he was responsible for a number of areas including global head of Public Policy and Government Relations. Mr. Ardalan has served as Chairman of the board of the International Capital Markets Association (ICMA) and as a member of the board of the Dubai International Financial Centre.
- **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. He is a member of the audit committee.
- **Fatimatou Zahra Diop:** Ms Diop recently retired as Secretary-General of the Central Bank of West African States (BCEAO) where she was responsible for the coordination and management of the bank in its eight member countries as well as offices in Dakar and Paris. She co-founded and currently serves as Vice President of the board of Afrivac, a public-private partnership whose mission is to work with public and private sector partners to promote the need to strengthen the budgets of African countries with a view toward becoming independent from multilateral support. Ms Diop was appointed as a director effective May 2015 and is a member of the audit committee.
- **Christopher Egerton-Warburton:** Mr Egerton-Warburton is an expert in the structuring and execution of innovative financing solutions and was instrumental in the creation of IFFIm. He is a partner with Lion's Head Capital Partners, a merchant bank that provides advisory, financial structuring, capital raising and asset management services. Prior to that, he was Head of the Sovereign, Supranational and Agency team within the Debt Capital Markets group at Goldman Sachs International.
- **Marcus Fedder, Audit Committee Chair:** Mr Fedder is a former banker, having served as a Vice Chair of TD Securities, the Toronto Dominion Bank, with responsibility for all businesses in Europe and Asia-Pacific. Prior to that he was Treasurer of the European Bank for Reconstruction and Development (EBRD) and worked at the World Bank and in derivatives, starting his career at Deutsche Bank.
- **Doris Herrera-Pol:** Ms Herrera-Pol recently retired from the World Bank where she was the global head of capital markets. Her team was responsible for designing the World Bank's funding strategy and managing its multi-currency funding program in global money, capital and derivatives markets. From 2002 to 2007, she led the team responsible for the World Bank's plain-vanilla debt products, including global bonds and emerging market bond issues. Ms Herrera-Pol was appointed as a director effective November 2015.
- **René Karsenti, Board Chair:** Dr Karsenti is the President of the International Capital Market Association ("ICMA"), has served as Director General of Finance of the European Investment Bank and was the first Treasurer of the European Bank for Reconstruction and Development.

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 entities related to IFFIm. Details of trustee expenses are disclosed in Note 4 to the financial statements.

REFERENCE AND ADMINISTRATIVE INFORMATION

Pursuant to the Finance Framework Agreement entered into among IFFIm, the Grantors, the World Bank, and Gavi, IFFIm has no employees. IFFIm outsources all administrative support to Gavi, and outsources its treasury function, together with certain accounting and financial reporting support, to the World Bank. The responsibilities of IFFIm's trustees, as well as brief descriptions of Gavi and the World Bank, are provided in the *Structure, Governance, and Management* section above.

IFFIm also receives professional services from the following organisations:

- Trusec Limited is IFFIm's company secretary. Its registered address is 2 Lambs Passage, London, EC1Y 8BB, United Kingdom.
- Slaughter and May is IFFIm's solicitor. Its registered address is One Bunhill Row, London, EC1Y 8YY, United Kingdom.
- KPMG LLP is IFFIm's independent auditor. Its registered address is 15 Canada Square, Canary Wharf, London E14 5GL, United Kingdom.
- MaplesFS Limited is the administrator of IFFImSC and IFFImSC II. Its registered address is P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

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:

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

areas where the rates of measles are reduced. By weakening the immune system, measles can also lead to other health problems such as pneumonia, blindness, diarrhoea, and encephalitis.

- **Rotavirus:** This virus is the leading cause of severe and fatal diarrhoea in children under five years of age. WHO estimates that more than 450 thousand children under five die from rotavirus infection each year. Nearly every child in the world will suffer a rotavirus infection by their third birthday. While rotavirus infects children in every country, more than 95% of rotavirus deaths occur in low-income countries in Africa and Asia, where access to treatment for severe rotavirus-related diarrhoea is limited or unavailable.

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

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

Injection Safety Support ("INS") programmes: Gavi contributed 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.

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. 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 and IFFIm 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.

STRATEGIC REPORT

This Strategic Report relates to the year ended 31 December 2015. It forms part of the Annual Report of the Trustees, which contains all the information that company law requires to be provided in the directors' report. IFFIm's trustees are also the directors of IFFIm for the purposes of company law.

ACHIEVEMENTS AND PERFORMANCE

With the help of IFFIm funds, Gavi programmes led to the vaccination of an additional 500 million children since Gavi's creation and prevented more than 7 million deaths in the process. This was achieved by accelerating the uptake and use of new and underused vaccines, strengthening the capacity of integrated health systems to deliver immunisation in poor countries, increasing the predictability of global financing and improving the sustainability of national financing for immunisation, and through shaping vaccine markets to ensure adequate supply of appropriate, quality vaccines at low and sustainable prices for developing countries. Looking ahead, Gavi's vision is to reach an additional 300 million children between 2016 and 2020 and prevent a further 5-6 million more deaths in the process.

From its inception to 31 December 2015, IFFIm approved the following amounts for disbursement to help fund Gavi's Country-Specific Programmes:

In Millions of US\$	Approvals from Inception to 2015
New and underused vaccine support	2,007
Health systems strengthening and other	415
Total Country-Specific Programme approvals	2,422

From its inception to 31 December 2015, IFFIm approved the following amounts for disbursement to help fund Gavi's Investment Cases:

In Millions of US\$	Approvals from Inception to 2015
Yellow fever stockpile and eradication	101
Polio eradication	191
Measles mortality reduction	139
Maternal and neonatal tetanus	62
Meningitis eradication	68
Total Investment Cases approvals	561

The Country-Specific Programmes and Investment Cases that are supported by Gavi with the help of IFFIm's funding are described in the *Programmes Funded By IFFIm* section above.

Since its inception in 2006, IFFIm has consistently demonstrated its performance as an efficient and flexible mechanism for Gavi to accelerate access to life-saving vaccines for children in the world's lowest-income countries. This continued performance is demonstrated by the following key indicators:

- **Funding cost:** IFFIm's cost of funding compared to that of its donors serves as an indicator of IFFIm's efficiency. To date, IFFIm has been able to access the capital markets at an average cost of borrowing that is consistently lower than that of its donors. In 2015, the weighted average cost of IFFIm's outstanding bonds was 10 basis points over three-month USD LIBOR. This was 0.103% lower than the weighted average cost of funding of IFFIm's donors, which was 20.3 basis points over three-month USD LIBOR.

- Maximising value for money: IFFIm aims to deliver maximum value for money to Gavi for every dollar invested by its donors. As a measure of value for money, the estimated total of IFFIm's disbursements to Gavi is expected to exceed 90% of the estimated total of Grantor pledges over IFFIm's lifetime, a measure that IFFIm has historically achieved, including in 2015, despite varying market conditions. It is expected that IFFIm will continue to represent good value for money barring any significant market downturns.
- Flexibility: One of IFFIm's core values is the financial flexibility that it provides Gavi by allowing it to de-link its immunisation programmes from when Grantor payments are received and link them to when funding is needed. This means that Gavi is able to determine the timing and amount of drawdown from IFFIm based on its needs, for example, whether to frontload resources over a short period of time or draw down on smaller amounts over a longer period of time, without incurring significant costs in either situation. Because of this flexibility, Gavi did not draw down on IFFIm funding in 2015 and deferred any drawdowns to the period from 2016 to 2020 when Gavi's programmatic needs are expected to peak.
- Strategic market access: IFFIm's funding strategy is premised on the intention to optimise the following three objectives: (1) funding cost; (2) diversification; and (3) raising the profiles of IFFIm and Gavi and increasing awareness of Gavi's immunisation mission. IFFIm continues to achieve this strategy by issuing bonds in different currencies and regions, attracting new investors and broadening its geographical reach. In 2015, IFFIm, through IFFImSC II, issued its second Sukuk, raising US\$ 200 million in the Islamic financial markets. This followed the remarkable success of its inaugural Sukuk issuance in 2014, through IFFImSC, which raised US\$ 500 million. These Sukuk issuances enabled IFFIm and Gavi to increase their visibility and strengthen their profiles in the Middle East at a critical time of Gavi's growing efforts to engage donors in the region.

At Gavi's pledging conference that was held in January 2015, Grantors announced their intentions to make future pledges to IFFIm as follows:

- The Republic of France announced its intention to make a future pledge to IFFIm that would total € 150 million, and would be disbursed to IFFIm in annual instalments of € 30 million from 2022 to 2026. These amounts from the Republic of France would be in addition to its long-term pledges to IFFIm of € 1.2 billion for the period from 2006 to 2026.
- The State of the Netherlands announced its intention to make a future pledge to IFFIm that would total € 60 million, and would be disbursed to IFFIm in annual instalments of € 15 million from 2017 to 2020. These amounts from the State of the Netherlands would be in addition to its long-term pledge to IFFIm of € 80 million for the period from 2009 to 2016.
- The Commonwealth of Australia announced its intention to make a future pledge to IFFIm that would total A\$ 37.5 million, and would be disbursed to IFFIm in annual instalments of A\$ 7.5 million from 2016 to 2020. These amounts from the Commonwealth of Australia would be in addition to its long-term pledge to IFFIm of A\$ 250 million for the period from 2011 to 2030.

IFFIm continues to engage with existing and prospective Grantors to attract further pledges.

FINANCIAL OVERVIEW

Overview of Assets and Liabilities

The following table summarises IFFIm's assets and liabilities as of 31 December 2015 and 2014:

In Millions of US\$	2015	2014	Change
Sovereign pledges	2,736	3,153	(417)
Funds held in trust	985	1,012	(27)
Other assets	1	3	(2)
Total assets	3,722	4,168	(446)
Bonds payable	1,606	1,893	(287)
Grants payable	507	507	-
Other liabilities	846	1,088	(242)
Total liabilities	2,959	3,488	(529)
Net assets	763	680	83
Total liabilities and net assets	3,722	4,168	(446)

Sovereign Pledges: IFFIm's asset base consists primarily of irrevocable and legally binding multi-year sovereign pledges from the Grantors. As of 31 December 2015, 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, the United Kingdom and the Commonwealth of Australia. The amounts pledged by the Grantors, along with the pledge dates, are listed in Note 2 to the financial statements.

During 2015, IFFIm's sovereign pledges decreased by US\$ 417 million due to the following:

- **Receipts from Grantors:** Payments received from Grantors totalled US\$ 277 million during 2015. From inception through 31 December 2015, cumulative payments received from the Grantors totalled US\$ 1.9 billion.
- **Fair Value Losses:** IFFIm recorded US\$ 140 million in fair value losses on sovereign pledges during 2015. These losses were primarily the result of a stronger United States dollar in 2015, which resulted in lower fair values of IFFIm's foreign currency denominated sovereign pledges. The decrease in fair values of sovereign pledges due to a stronger United States dollar more than offset the increases in fair values due to lower interest rates and the decrease in the the GPC Fair Value Adjustment. The GPC Fair Value Adjustment is discussed further in the *Hedging IFFIm's Market Risks* section of this report and the methodology for estimating the GPC Fair Value Adjustment is described in Note 15 to the financial statements.

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 are 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.

IFFIm holds sufficient liquidity to satisfy investor expectations and rating agency requirements that a sufficient balance be available to meet interest and principal payments to debt holders while remaining in compliance with gearing ratio limits negotiated with the World Bank as counterparty on IFFIm's swap contracts. Consistent with these purposes, IFFIm keeps funds available for a one-year time horizon.

During 2015, funds held in trust decreased by US\$ 27 million primarily as a result of redemptions of matured bonds of US\$ 361 million, interest paid on bonds of US\$ 35 million, and net swap settlement payments of US\$ 109 million during the year. These payments more than offset the total of bond issuance proceeds of US\$ 200 million and receipts from donors of US\$ 277 million during the year.

Other assets: IFFIm's other assets represent its cash balance held at depository bank accounts. IFFIm's cash balance at 31 December 2015 was US\$ 2 million lower than its cash balance at 31 December 2014. Cash balances are moved to the investment portfolio on a regular basis.

Bonds Payable: IFFIm has continued to raise funds on the global capital market. From its inception to 31 December 2015, IFFIm had raised US\$ 5.2 billion through bond issuances.

During 2015, IFFIm's bonds payable decreased by US\$ 287 primarily due to the following:

- **Bond Issuances and Redemptions:** During 2015, bond redemptions exceeded proceeds from a new bond issuance. The decrease in bonds payable resulted from the redemption of four bonds totaling US\$ 361 million, which was partially offset by the issuance of a new bond totaling US\$ 200 million.
- **Fair Value Gains:** Some of IFFIm's borrowings are denominated in currencies other than the United States dollar. As such, the fair value of these borrowings is highly sensitive to yield and exchange rate movements of the respective foreign currency borrowings, which are some of the market observable inputs that are used to fair value IFFIm's borrowings. During 2015, IFFIm recorded fair value gains of US\$ 124 million on its borrowings.

As of 31 December 2015, IFFIm's bonds payable balance of US\$ 1,606 million comprised bonds payable falling due within one year of US\$ 754 million and bonds payable falling due after more than one year of US\$ 852 million.

Grants payable: Grants payable represent board approved commitments made by IFFIm to fund Gavi programmes. Each of these commitments is recognised when an indicative funding confirmation to Gavi is signed by one of IFFIm's trustees on behalf of the IFFIm board. As of 31 December 2015, IFFIm's grants payable balance of US\$ 507 million comprised grants payable within one year of US\$ 100 million and grants payable after more than one year of US\$ 407 million.

Other Liabilities: IFFIm's other liabilities primarily represent IFFIm's net liability position on interest rate and currency swap contracts and are also comprised of trade creditors and amounts due to Gavi. IFFIm's net liability position on interest rate and currency swap contracts decreased from US\$1.1 billion, as of 31 December 2014, to US\$ 845 million, as of 31 December 2015, primarily due to interest rate and foreign currency rate fluctuations during 2015. As of 31 December 2015, IFFIm's net liability balance on its interest rate and currency swap contracts of US\$ 845 million comprised net amounts due within one year of US\$ 47 million and net amounts due after more than one year of US\$ 798 million. IFFIm's hedging strategy is described in the *Hedging IFFIm's Market Risks* section of this report and IFFIm's net liability position is discussed further in Note 8 to the financial statements.

Overview of Income and Expenses

The following table summarises IFFIm's income and expenses for the years ended 31 December 2015 and 2014:

In Millions of US\$	2015	2014	Change
Contribution revenue	1	1	-
Net fair value gains	115	161	(46)
Investment income	5	3	2
Total income	121	165	(44)
Programme grants	-	-	-
Financing costs	34	53	(19)
Other expenses	4	5	(1)
Total expenses	38	58	(20)

Contribution Revenue: No new sovereign pledges were received during 2015. Contribution revenue for 2015 was comprised of US\$ 1 million of services donated to IFFIm by Gavi.

Net Fair Value Gains: As described in the *Overview of Assets and Liabilities* section above, IFFIm recorded 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 further describes fair value adjustments on pledges, bonds and swaps, and summarises their impact on IFFIm income.

Investment Income: While IFFIm's annualised daily rate of return remained flat at 0.41% in 2014 compared to 2013, IFFIm's average funds held in trust balance was US\$ 426 million higher during 2015 than 2014. As a result, IFFIm's investment income was US\$ 2 million higher during 2015 than 2014.

Programme Grants: IFFIm received no new funding requests from Gavi during 2015. However, IFFIm continues to be an important source of funding for Gavi's programmes and forecasts that it will disburse over US\$ 1.3 billion to support Gavi programmes from 2016 to 2020. The *Programmes Funded By IFFIm* section above describes the various Gavi programmes that IFFIm has helped to fund.

Financing Costs: As described in the *Overview of Assets and Liabilities* section above, IFFIm's bond redemptions exceeded proceeds from the new bond issuance during 2015. As a result, IFFIm's bonds payable decreased by US\$ 287 million during 2015, which resulted in lower financing costs in 2015. IFFIm's financing costs are sensitive to foreign currency exchange rate movements as many of IFFIm's bonds are denominated in currencies other than the United States Dollar, such as Australian dollar and the South African rand. Therefore, financing costs also decrease due to a strengthening of the United States dollar relative to these currencies.

Other Expenses: IFFIm's other expenses are comprised primarily of treasury management fees billed by the World Bank, legal fees, audit fees, consulting fees and administrative support services donated to IFFIm by Gavi. As there were no significant changes in the nature of IFFIm's operations or suppliers, its other expenses did not change significantly during 2015.

IFFIm's policy is to pay its suppliers of the abovementioned services in accordance with those terms and conditions agreed between IFFIm and its suppliers. Payments for services received are usually processed within 30 days upon receipt of invoices.

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.

IFFIm has two main areas of risk; programme risks and financial risks:

- **Managing Programme Risks:** Programme risks include: (1) the performance risk that IFFIm funds may not be efficiently and effectively applied by implementing countries to meet Gavi's programme objectives, and (2) the risk that implementing countries may misuse funds they receive from IFFIm.

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.

Gavi has identified cases of misuse of funds in twelve IFFIm-eligible countries. The estimated total IFFIm and Gavi funds misused in these countries since 2006 is US\$ 10.7 million, which is less than 0.12% of total funds disbursed by IFFIm and Gavi during that period. Gavi has a zero-tolerance policy with respect to misuse of funds and actively works to bring all these identified cases to resolution and recover the misused funds from the countries. To date, US\$ 9.9 million of the US\$ 10.7 million in misused funds has been recovered from the countries.

- **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 mitigation of each type of financial risk is described below:

(1) **Credit Risk:** IFFIm's credit ratings by Fitch Ratings, Moody's Investor Service, and by Standard and Poor's Ratings Service ("S&P") remained unchanged during 2015. The IFFIm board, working with the World Bank, has put in place measures to manage credit risk. These measures are described in the *Credit Rating and Reserves Policy* section below. Note 12 to the financial statements describes IFFIm's credit risk and related risk management activities in more detail.

(2) **Liquidity Risk:** Under its liquidity policy, IFFIm seeks to maintain an adequate level of liquidity to meet its operational requirements, provide predictability of programme funding and support its credit rating. Taking these factors into account, IFFIm maintains a minimum liquidity equivalent to its cumulative contracted debt service payments for the next twelve months.

IFFIm's bond issuances are managed against the present value of expected future cash flows from Grantor pledges, in view of the GPC and other credit factors. IFFIm only raises bonds against a percentage of the present value of Grantor pledges. The residual, which is still available to IFFIm over time, creates a cushion to protect bond holders against adverse credit events such as a large number of countries entering into protracted arrears to the IMF. The cushion is a percentage of the present value of Grantor pledges, and is established through the Gearing Ratio Limit ("GRL") model. As of 31 December 2015, the GRL model had established that, at a triple-A equivalent

confidence level, 69.7% of the present value of Grantor pledges may be used to support the issuance of IFFIm bonds.

The World Bank continues to have the right to call for collateral to protect against its exposure on IFFIm's derivative positions under the terms of the Credit Support Annex ("CSA") to the ISDA Agreement between IFFIm and the World Bank. The World Bank has not exercised this right. In order to mitigate the risk that the World Bank may call collateral, an agreement is in place between the World Bank and IFFIm to apply an additional buffer to the gearing ratio limit to manage the World Bank's exposure under the derivative transactions entered into between IFFIm and the World Bank (the "Risk Management Buffer"). The Risk Management Buffer may be adjusted by the World Bank in its sole discretion. In addition, the World Bank, as IFFIm's Treasury Manager, shall continue to monitor IFFIm's funding needs to ensure that at all times IFFIm maintains sufficient available resources to be able to meet its financial obligations, including debt-service payments and obligations under the CSA and ISDA Agreement. Note 13 to the financial statements describes IFFIm's liquidity risk and related risk management activities in more detail.

- (3) **Market Risk:** IFFIm's market risk is comprised 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 floating rate assets and, at issuance, IFFIm's bonds payable were swapped into United States dollar floating rate liabilities. IFFIm's activities to hedge market risks are described further in the *Hedging IFFIm's Market Risks* section below. Note 14 to the financial statements describes IFFIm's market risk and related risk management activities in more detail.

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 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 2015, the calculated minimum liquidity was US\$ 823.9 million and the value of IFFIm's Liquid Assets was US\$ 986 million. Based on factors such as the strength of its financial base, its conservative financial policies and the strong support of the Grantors, IFFIm's Global Debt Issuance Programme is rated AA by Fitch Ratings, Aa1 by Moody's Investor Service, and AA by Standard and Poor's Ratings Service.

IFFIm receives its funding from Grantor contributions and borrowings on worldwide capital markets, and disburses its funds only to Gavi to finance programmes for a defined portfolio of eligible countries. Therefore, all IFFIm's funds are treated as restricted funds.

Hedging IFFIm's Market Risks

The majority 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 fluctuations 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 floating rate receivables from the World Bank and bonds payable into floating rate payables to the World Bank.

The following table shows IFFIm's fair value adjustments and interest expense, for the years ended 31 December 2015 and 2014, before and after the impact of IFFIm's currency and interest rate swaps:

In Millions of US\$	2015		2014	
	Pledges	Bonds	Pledges	Bonds
Interest and fair value adjustments before impact of swaps	(140)	90	86	(7)
Impact of currency and interest rate swaps	226	(93)	36	(6)
Net interest and fair value adjustments after impact of swaps	86	(3)	122	(13)
Interest expense on bonds before impact of swaps		33		51
Impact of bond swaps on interest expense		(24)		(44)
Net interest expense on bonds after impact of swaps		9		7

As shown above, 2015 fair value losses on pledges were more than offset by fair value gains on pledge swaps as a result of several factors as discussed below. The following table further analyses fair value adjustments on pledges and pledge swaps:

In Millions of US\$	2015			2014		
	Pledges	Pledge Swaps	Total	Pledges	Pledge Swaps	Total
Fair value gains due to decrease in GPC Fair Value Adjustment	80	-	80	56	-	56
Interest rate fair value gains (losses)	26	(36)	(10)	353	(313)	40
Foreign currency fair value (losses) gains	(246)	262	16	(323)	349	26
Net fair value gains	(140)	226	86	86	36	122

Each component of fair value adjustments on pledges and pledge swaps is discussed below:

- **Fair value gains due to decrease in GPC Fair Value Adjustment:** As described in Notes 1 and 15 to the financial statements, the Grant Payment Condition (the "GPC") allows the Grantors to reduce their payments to IFFIm in the event that an IFFIm-eligible country falls into protracted arrears on its obligations to the International Monetary Fund (the "IMF"). Therefore, when calculating the fair values of donor pledges, the expected future cash inflows from Grantors are reduced by an estimated percentage due to the GPC (the "GPC Fair Value Adjustment"). The GPC Fair Value Adjustment is calculated using a probabilistic model, which estimates the likelihood and duration that any implementing country might fall into arrears with the IMF over the life of the Grantor pledges. During 2015, the GPC Fair Value Adjustment decreased from 14.5% to 13.4%. This 1.1% decrease in the GPC Fair Value Adjustment translated to a fair value gain on pledges of US\$ 80 million. Pledge swap contracts are written at the actual GPC level at the time that each contribution is assigned to IFFIm and, therefore, the GPC Fair Value Adjustment does not impact the valuation of pledge swaps. The actual GPC level remained flat at 2.5% as of 31 December 2014 and 31 December 2015.
- **Interest rate fair value gains (losses):** As described in Note 15, both pledges and pledge swaps are valued using the discounted cash flow method. Due to lower interest rates in 2015, lower discount factors were applied to both pledges and pledge swaps in 2015, which resulted in fair value gains on pledges and fair value losses on pledge swaps. However, the gains on pledges were US\$ 10 million lower than the losses on pledge swaps. This was due to the following: (1) pledges were discounted to their present value using Grantor-specific interest rates while pledge swaps were discounted using a swap yield curve, and (2) as described above, sovereign pledges were swapped into United States dollar floating rate assets to mitigate interest rate and foreign exchange rate risks associated with sovereign pledges. As a result, there is a United States dollar floating rate sensitivity on the receive legs of the pledge swaps, which is not present in the valuation of the pledges themselves.
- **Foreign currency fair value (losses) gains:** The majority of IFFIm's pledges are denominated in euros and British pounds. The United States dollar strengthened against both the euro and the British pound during 2015, which resulted in significant fair value losses on pledges denominated in these currencies. In addition, IFFIm has smaller foreign currency pledges denominated in Australian dollars, Norwegian kroner and Swedish kronas. IFFIm recorded small fair value losses due to the United States dollar strengthening against these currencies during 2015. The total effect of all the aforementioned was a loss on pledges of US\$ 246 million due to foreign currency movements, which was more than offset by a US\$ 262 million foreign currency gain on pledge swaps.

RECENT DEVELOPMENTS

Following the exceptional response to its inaugural Sukuk that was issued in November 2014, IFFIm, through IFFImSC II, issued its second Sukuk in September 2015, raising US\$ 200 million. The 3-year Sukuk – a financial certificate that complies with Islamic law – provides institutional investors with a socially responsible investment that will help protect tens of millions of children against preventable diseases. This Sukuk was coordinated by Standard Chartered Bank, working with joint lead managers Emirates NBD Capital Limited (Dubai), Maybank Kim Eng (Maybank), National Bank of Abu Dhabi (NBAD), and NCB Capital Company (NCB Capital). The issue, maturing on 29 September 2018, has an issue price of 100% and carries a quarterly coupon of 14 basis points over three-month USD LIBOR. The regional distribution of investors was 65% in the Middle East, 18% based in Asia, and 17% in Europe. Banks took 78%, central banks and other official institutions took 18%, and fund managers took 4%. IFFIm's unique life-saving purpose attracted interest from both traditional Sukuk investors and conventional investors with a strong environmental, social, and governance focus, some of whom purchased a Sukuk for the first time.

Effective 13 November 2015, the IFFIm board appointed Ms Doris Herrera-Pol to a three-year term as a director of IFFIm. Ms Herrera-Pol recently retired from the World Bank where she was the Global Head of Capital Markets. She oversaw the team responsible for designing the World Bank funding strategy and managing its multi-currency funding program in global money, capital and derivatives markets.

In May 2016, IFFIm received a new sovereign pledge from the Commonwealth of Australia in the amount of A\$ 37.5 million, which is payable to IFFIm in annual instalments of A\$ 7.5 million over five years, commencing in June 2016 and ending in May 2020.

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 implementing countries. IFFIm continues to engage with donors to develop potential future roles that deliver significant value to Gavi in achieving its broader strategic goals.

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 auditor is 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 auditor is aware of that information.

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

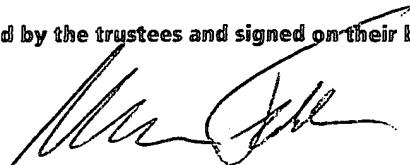
So far as each of the trustees is aware, applicable accounting standards have been followed.

INDEPENDENT AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office.

This report has been prepared in accordance with the *Statement of Recommended Practice: Accounting and Reporting by Charities (Charities SORP (FRS 102))*, issued in July 2014, 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 'Marcus Fedder', written over a horizontal line.

Marcus Fedder
IFFIm Audit Committee Chair
21 June 2016

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL ACTIVITIES

In Thousands of US\$	Note	Year Ended 31 December 2015 Restricted Funds	Year Ended 31 December 2014 Restricted Funds
<u>Income from:</u>			
Donated services	2	1,117	1,109
Investments	3	4,784	2,950
Total income		5,901	4,059
<u>Expenditure on:</u>			
Raising funds	4	36,245	54,878
Charitable activities	4	1,898	2,813
Total expenditure		38,143	57,691
Net expenditure		(32,242)	(53,632)
Net fair value gains on pledges, bonds and swaps	5	115,098	161,415
Net movement in funds		82,856	107,783
<u>Reconciliation of funds:</u>			
Total funds as of the beginning of the year		680,398	572,615
Total funds as of the end of the year		763,254	680,398

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.

CONSOLIDATED STATEMENTS OF INCOME AND EXPENDITURES

In Thousands of US\$	Note	Year Ended 31 December 2015 Restricted Funds	Year Ended 31 December 2014 Restricted Funds
<u>Turnover</u>			
Contribution revenue	2	-	-
<u>Operating expenses</u>			
Treasury manager's fees	4	2,265	2,298
Governance costs	4	1,898	2,813
Total operating expenses		4,163	5,111
<u>Other operating income</u>			
Donated services	2	1,117	1,109
Total operating income		1,117	1,109
Operating loss		(3,046)	(4,002)
<u>Financing and investment income (expenses)</u>			
<u>Financing income (expenses) on bonds and bond swaps:</u>			
Net fair value gains on bonds and bond swaps	5	30,607	40,053
Interest expense on bonds	4	(33,354)	(51,328)
Net financing expenses on bonds and bond swaps		(2,747)	(11,275)
<u>Other financing income (expenses):</u>			
Net fair value gains on pledges and pledge swaps	5	85,541	121,936
Other foreign exchange losses	5	(1,050)	(574)
Other financing charges		(626)	(1,252)
Net other financing income		83,865	120,110
<u>Investment income:</u>			
Investment and interest income	3	4,784	2,950
Total financing and investment income		85,902	111,785
Surplus for the year		82,856	107,783

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

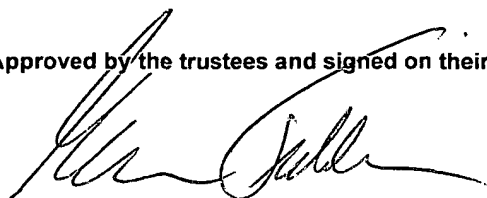
These Consolidated Statements of Income and Expenditures are included as part of these financial statements to provide users of these financial statements with an analysis of IFFm's revenues, expenses, gains, and losses, that is better aligned to the nature of IFFm's activities. The net movement in funds reported in the Consolidated Statements of Financial Activities is equal to the surplus for the year reported in the Consolidated Statements of Income and Expenditures.

BALANCE SHEETS

Group and Parent Company In Thousands of US\$	Note	As of 31 December 2015	As of 31 December 2014
Current assets			
Sovereign pledges due after more than one year	6	2,478,767	2,892,316
Derivative financial instruments due after more than one year	8	9,043	757
Sovereign pledges due within one year	6	256,895	260,413
Derivative financial instruments due within one year	8	5,872	1,737
Prepayments		35	147
Funds held in trust	7	985,108	1,011,747
Cash		1,197	3,349
Total current assets		3,736,917	4,170,466
Liabilities			
Creditors falling due within one year	9	854,600	423,595
Derivative financial instruments due within one year	8	52,694	81,223
Creditors falling due after more than one year	10	1,259,160	1,977,512
Derivative financial instruments due after more than one year	8	807,209	1,007,738
Total liabilities		2,973,663	3,490,068
Net assets		763,254	680,398
Restricted funds		763,254	680,398

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

Approved by the trustees and signed on their behalf by:



Marcus Fedder
IFFIm Audit Committee Chair
21 June 2016

CONSOLIDATED STATEMENTS OF CASH FLOWS

In Thousands of US\$	Note	Year Ended 31 December 2015 Restricted Funds	Year Ended 31 December 2014 Restricted Funds
Cash flows from operating activities			
Cash provided by operating activities		162,948	268,082
Net cash provided by operating activities		162,948	268,082
Cash flows from investing activities			
Investment and interest income received	3	4,784	2,950
Interest paid on bonds		(35,435)	(63,705)
Decrease in funds held in trust	16	26,639	13,024
Net cash used in investing activities		(4,012)	(47,731)
Cash flows from financing activities			
Proceeds from bond issuances	16	200,000	500,000
Redemption of bonds	16	(361,088)	(717,024)
Net cash used in financing activities		(161,088)	(217,024)
Net change in cash		(2,152)	3,327
Cash as of the beginning of the year		3,349	22
Cash as of the end of the year		1,197	3,349

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

In Thousands of US\$	2015	2014
Net change in funds	82,856	107,783
Investment and interest income	(4,784)	(2,950)
Bond interest expense	33,354	51,328
Fair value losses (gains) on sovereign pledges	140,028	(85,679)
Fair value gains on bonds	(123,627)	(45,849)
Payments received from donors	277,039	294,977
Decrease (increase) in prepayments	112	(4)
Decrease in derivative financial instruments	(241,479)	(52,071)
Decrease (increase) in trade creditors and amounts due to related parties	(551)	547
Net cash provided by operating activities	162,948	268,082

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The International Finance Facility for Immunisation Company ("IFFIm") is a private company limited by guarantee and incorporated and domiciled in the United Kingdom. The GAVI Alliance ("Gavi") is the sole member of IFFIm. Gavi is domiciled in Switzerland and its principal address is 2 Chemin des Mines 1202, Geneva, Switzerland. Gavi's mission is to save children's lives and protect people's health by increasing equitable use of vaccines in lower-income countries.

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

Basis of Accounting: The consolidated 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 (Charities SORP (FRS 102)), and the Financial Reporting Standard 102 applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and United Kingdom Generally Accepted Accounting Practice as it applies from 1 January 2015. The financial statements have been prepared to give a true and fair view of the state of IFFIm's affairs as of 31 December 2015, and of IFFIm's incoming resources and application of resources for the year then ended. The financial statements have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide such a true and fair view. This departure has involved following the Charities SORP (FRS 102) issued on 16 July 2014 rather than the preceding Charities SORP (SORP 2005), which was effective from 1 April 2005 and has since been withdrawn; and
- in accordance with International Accounting Standard 39 Financial Instruments: Recognition and Measurement (IAS 39), as permitted by FRS 102, 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.

See note 20 for a description of a change in accounting policy as a result of IFFIm's transition to FRS 102 from old United Kingdom Generally Accepted Accounting Standards, effective 1 January 2015.

Basis of Consolidation: A subsidiary is an entity controlled by a group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intragroup balances, and any gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

IFFIm has control over IFFIm Sukuk Company Limited ("IFFImSC"), a Cayman Islands company with limited liability, which was incorporated on 3 November 2014 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number 293422. IFFIm also has control over IFFIm Sukuk Company II Limited ("IFFImSC II"), a Cayman Islands company with limited liability, which was incorporated on 25 August 2015 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number 303397. IFFImSC and IFFImSC II were established for the sole purpose of issuing sukuk certificates in support of IFFIm's operations and their activities are conducted on behalf of IFFIm and according to IFFIm's business needs. IFFIm is the primary beneficiary of both entities, bears a significant level of risk incidental to their activities, and retains residual or ownership risks related to both entities or their assets. Therefore, these consolidated financial statements include the accounts of IFFImSC and IFFImSC II. As of 31 December 2015, IFFImSC had cash of US\$ 470, share capital of US\$ 250, and retained earnings of US\$ 250, which are included in the group balance sheet but not included in the parent company balance sheet; IFFImSC II had cash of US\$ 250 and share capital of US\$ 250, which are included in the group balance sheet but not included in the parent company balance sheet. The company has elected to take the

exemption under section 408 of the Companies Act 2006 not to present separate parent company statements of income and expenditures. The parent company's profit for the year ended 31 December 2015 was US\$ 83 million.

Contribution Revenue: Voluntary income received by way of contributions and grants that are for a defined portfolio of programme implementing countries or specified purposes is recognised as revenue in the restricted net asset class when there is evidence of entitlement, it can be measured reliably, and receipt is probable. 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 2 and 6 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 Alliance ("Gavi") have been signed by any trustee on behalf of the IFFIm 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 Gavi to IFFIm. Consequently, IFFIm's costs of generating funds comprise the treasury 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 Gavi for immunisation, vaccine procurement and HSS programmes.

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 Gavi. 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 (the "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 IAS 39, as permitted by FRS 102. 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 7 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 IAS 39, as permitted by FRS 102, IFFIm has elected not to apply hedge accounting.

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

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

Grants Payable: Grants payable are recognised at fair value when an indicative funding confirmation to Gavi has been signed by one of IFFIm's trustees on behalf of the IFFIm 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 consolidated 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 consolidated 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 consolidated financial statements and the reported amounts of the revenues and expenses during the year. Actual results could differ from these estimates.

Significant estimates are used in determining the fair values of IFFIm's sovereign pledges receivable, bonds payable and derivative financial instruments. The natures of these significant estimates are described in Note 15.

2. CONTRIBUTION REVENUE

Contribution Revenue: Several governments (the "Grantors") have entered into legally binding obligations to make scheduled grant payments to Gavi over periods of up to 20 years. Gavi 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 Gavi, 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	Grant Amount, in Thousands of US\$ ³
Commonwealth of Australia	28 March 2011	19 years	A\$ (AUD) 250,000	182,813
Republic of France ¹	2 October 2006	15 years	€ (EUR) 372,800	406,035
Republic of France ²	7 December 2007	19 years	€ (EUR) 867,160	944,467
Republic of Italy	2 October 2006	20 years	€ (EUR) 473,450	515,658
Republic of Italy	14 November 2011	14 years	€ (EUR) 25,500	27,773
State of the Netherlands	18 December 2009	7 years	€ (EUR) 80,000	87,132
Kingdom of Norway	2 October 2006	5 years	US\$ (USD) 27,000	27,000
Kingdom of Norway	31 August 2010	10 years	Nkr (NOK) 1,500,000	170,187
Republic of South Africa	13 March 2007	20 years	US\$ (USD) 20,000	20,000
Kingdom of Spain	2 October 2006	20 years	€ (EUR) 189,500	206,394
Kingdom of Sweden	2 October 2006	15 years	Skr (SEK) 276,150	32,758
United Kingdom	2 October 2006	20 years	£ (GBP) 1,380,000	2,045,022
United Kingdom	5 August 2010	19 years	£ (GBP) 250,000	370,475
Cumulative contribution revenue since inception				5,035,714

¹ Acting through Agence Française de Développement.

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

³ These amounts represent the United States dollar equivalent amounts of Grantor pledges at the exchange rates as of 31 December 2015.

Donated Services: IFFIm received donated administrative services from Gavi in 2015 and 2014. The services donated by Gavi were valued by using a comprehensive cost allocation model to calculate a single administrative support amount.

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

In Thousands of US\$	2015	2014
Administrative support	1,117	1,109
Total donated services	1,117	1,109

3. INVESTMENT AND INTEREST INCOME

In Thousands of US\$	2015	2014
Income from funds held in trust	4,768	2,931
Bank account interest	16	19
Total investment and interest income	4,784	2,950

4. TOTAL EXPENDITURE

In Thousands of US\$	2015	2014
Expenditure on raising funds		
Treasury manager's fees:		
Financial operations management	2,265	2,298
Finance charges:		
Bond interest expense	33,354	51,328
Other financing charges	626	1,252
Total finance charges	33,980	52,580
Total expenditure on raising funds	36,245	54,878
Expenditure on charitable activities		
Professional services:		
Consultancy fees	82	209
GAVI administrative support fee	1,117	1,109
Legal fees	208	525
Auditor's remuneration:		
Statutory audit	278	158
Audit related assurance services	165	164
Tax compliance services	7	32
Other governance costs:		
Trustees' indemnity insurance premiums	6	463
Trustees' meeting and travel expenses	54	132
Other administrative expenses	(19)	21
Total expenditure on charitable activities	1,898	2,813

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

Auditor's remuneration: Statutory audit fees were US\$ 120 thousand higher in 2015 than 2014 primarily as a result of the following factors: (1) Increases in the scope of the 2015 audit due to IFFIm's second Sukuk issuance and new accounting standards that were effective in the United Kingdom in 2015; and (2) 2014 audit fees and overruns incurred in 2015 in relation to the review of IFFIm's first Sukuk issuance and derivative accounting. Other financing charges include fees of US\$ 15 thousand and US\$ 27 thousand that were paid to IFFIm's auditor in 2015 and 2014, respectively, for services related to IFFIm's Sukuk issuances.

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 six trustees as of 31 December 2015.

Other administrative expenses: The total of other administrative expenses in 2015 was negative due to the

reversal of Sukuk related expenses that were expected to be incurred by IFFIm, and which were recorded as accruals, as of 31 December 2014. These accrued expense amounts were subsequently paid by a third party and were, therefore, reversed in 2015.

5. FAIR VALUE GAINS AND LOSSES

In Thousands of US\$	2015	2014
<u>Fair value gains (losses) on bonds and bond swaps</u>		
Fair value gains on bonds	123,627	45,849
Net fair value losses on bond swaps	(93,020)	(5,796)
Net fair value gains on bonds and bond swaps	30,607	40,053
<u>Fair value gains on pledges and pledge swaps</u>		
Fair value (losses) gains on sovereign pledges	(140,028)	85,679
Net fair value gains on pledge swaps	225,569	36,257
Net fair value gains on pledges and pledge swaps	85,541	121,936
Other foreign exchange losses	(1,050)	(574)
Net fair value gains on pledges, bonds and swaps	115,098	161,415

6. 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 Gavi. 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:

Group and Parent Company In Thousands of US\$	2015	2014
Balance as of the beginning of the year	3,152,729	3,362,027
Payments received from donors	(277,039)	(294,977)
Fair value (losses) gains	(140,028)	85,679
Balance as of the end of the year	2,735,662	3,152,729
Sovereign pledges due within one year	256,895	260,413
Sovereign pledges due after more than one year	2,478,767	2,892,316
Total sovereign pledges	2,735,662	3,152,729

Note 8 provides details on fair value gains from interest rate and currency swaps that were recognised related to the sovereign pledges due.

7. FUNDS HELD IN TRUST

The World Bank maintains a single investment portfolio (the "Pool") for IFFIm and other trust funds it administers. The World Bank maintains the Pool's assets separate and apart from the funds owned by the World Bank Group. 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 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.

Group and Parent Company In Thousands of US\$	2015	2014
IFFIm's share in the Pool's fair value	985,108	1,011,747

The Pool's fair value is based on market quotations. Gains, losses and investment income are recognised in the period in which they occurred and are allocated to IFFIm on a daily basis. These net gains totalled US\$ 5 million and US\$ 3 million for the years ended 31 December 2015 and 2014, respectively, and were reported as investment income in the Consolidated Statements of Financial Activities.

8. 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 IAS 39, as permitted by FRS 102. All derivatives were valued at fair value recognising the resulting gains and losses in the Consolidated Statements of Financial Activities during the period in which they occur. Net gains on derivatives were recognised as changes in restricted net assets. IFFIm includes a credit valuation adjustment and a debit valuation adjustment in the valuation of its derivative portfolio to account for counterparty credit risk and its own credit risk, respectively. These adjustments are determined by applying counterparty and own probabilities of default, based on the respective credit default swap spreads, to the market value of the derivative portfolio.

The World Bank, as IFFIm's treasury manager, executed a comprehensive swap programme to mitigate IFFIm's exposure to movements in foreign currency and interest rates. IFFIm's swap contracts under the comprehensive swap programme were executed: (1) using the market exchange and interest rates at the time the swap contracts were written, (2) considering the different payment profiles in different grant currencies and, (3) assuming that the reduction amounts due to the GPC will remain at the levels they were as of the time the swap contracts were written, (4) assuming no Grantor defaults.

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

As described in Note 13, IFFIm maintains a minimum liquidity equivalent to its cumulative contracted debt service payments for the next twelve months.

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

Group and Parent Company In Thousands of US\$	31 December 2015		31 December 2014	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Currency and interest rate swaps receivable related to sovereign pledges	130,473	14,915	75,273	2,487
Currency and interest rate swaps receivable related to bonds payable	-	-	33,985	7
Total currency and interest rate swaps receivable		14,915		2,494
Currency and interest rate swaps payable related to sovereign pledges	3,128,074	(648,357)	3,751,878	(868,232)
Currency and interest rate swaps payable related to bonds payable	2,099,910	(211,546)	2,854,837	(220,729)
Total currency and interest rate swaps payable		(859,903)		(1,088,961)
Total fair value of interest rate and currency swaps		(844,988)		(1,086,467)

The World Bank is counterparty on all of IFFIm's currency and interest rate swap contracts and, therefore, the above US\$ 845 million net liability on swaps is due to the World Bank. The World Bank has the right to call for collateral to protect against its exposure on IFFIm's derivative positions under the terms of the Credit Support Annex ("CSA") to the ISDA Agreement between IFFIm and the World Bank. The World Bank has not exercised this right. Note 13 describes measures in place to mitigate the risk that the World Bank may call collateral.

9. CREDITORS FALLING DUE WITHIN ONE YEAR

Group and Parent Company In Thousands of US\$	2015	2014
Bonds payable falling due within one year	753,888	422,332
Grants payable within one year	100,000	-
Trade creditors	661	891
Amounts due to Gavi	51	372
Total creditors falling due within one year	854,600	423,595

10. CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR

Creditors falling due after more than one year are comprised of bonds payable and grants 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 and grants payable were:

Issue Date	Maturity Date	Coupon Interest Rate	Nominal Amount, in Thousands	Group and Parent Company	
				Fair Value as of 31 December 2015, in Thousands of US\$	Fair Value as of 31 December 2014, in Thousands of US\$
24 June 2009	24 June 2024	0.50%	R (ZAR) 800,000	22,368	31,935
28 June 2010	29 June 2020	0.50%	R (ZAR) 430,000	18,299	24,626
15 October 2010	15 October 2015	5.50%	A\$ (AUD) 35,000	-	29,654
8 December 2010	8 December 2015	5.75%	A\$ (AUD) 400,000	-	338,577
29 September 2011	30 September 2015	3.40%	A\$ (AUD) 12,000	-	9,977
29 September 2011	29 September 2016	6.10%	R (ZAR) 650,000	41,829	56,116
28 June 2012	29 June 2015	4.21%	R (ZAR) 471,000	-	40,322
28 June 2012	28 December 2016	3.15%	A\$ (AUD) 11,500	8,487	9,508
28 June 2012	29 June 2027	0.50%	R (ZAR) 520,000	10,412	15,407
30 July 2012	24 July 2017	3.10%	A\$ (AUD) 38,000	28,409	31,844
27 March 2013	19 March 2018	5.31%	R (ZAR) 801,000	48,382	65,704
27 March 2013	19 March 2018	5.34%	₺ (TRY) 90,000	27,748	35,805
3 July 2013	5 July 2016	Libor+19bps	US\$ (USD) 700,000	701,710	702,356
4 December 2014	4 December 2017	Libor+15bps	US\$ (USD) 500,000	499,263	500,949
29 September 2015	29 September 2018	Libor+14bps	US\$ (USD) 200,000	199,077	-
Total bonds payable				1,605,984	1,892,780
Bonds payable falling due within one year				(753,888)	(422,332)
Bonds payable falling due after more than one year				852,096	1,470,448
Grants payable after more than one year				407,064	507,064
Total creditors falling due after more than one year				1,259,160	1,977,512

As of 31 December 2015 and 2014, the undiscounted maturities of IFFIm's bonds payable totalled US\$ 1.7 billion and US\$ 2.1 billion, respectively, as shown in Note 13. This was US\$ 111 million and US\$ 163 million higher than the fair value of IFFIm's bonds payable as of 31 December 2015 and 2014, respectively.

Total bonds payable by the parent company included amounts due to IFFImSC of US\$ 499 million and US\$ 501 million as of 31 December 2015 and 2014, respectively, and an amount due to IFFImSC II of US\$ 199 million as of 31 December 2015.

11. MOVEMENT OF FUNDS

In Thousands of US\$	As of 31 December 2014	Incoming Resources	Resources Expended	As of 31 December 2015
Sovereign pledges assigned from Gavi	3,434,053	-	(781)	3,433,272
Investment and interest income	70,930	4,784	-	75,714
Other gains (losses) and other income (expenses)	158,163	115,098	(36,245)	237,016
<u>Donated services:</u>				
Administrative support	-	1,117	(1,117)	-
<u>Programme funding to Gavi:</u>				
Country-specific programmes	(2,241,058)	-	-	(2,241,058)
Yellow fever stockpile investment case	(57,140)	-	-	(57,140)
Polio eradication investment case	(191,280)	-	-	(191,280)
Measles mortality reduction investment case	(139,000)	-	-	(139,000)
Maternal and neonatal tetanus investment case	(61,620)	-	-	(61,620)
Pentavalent payment guarantee	(181,050)	-	-	(181,050)
Yellow fever continuation investment case	(43,881)	-	-	(43,881)
Meningitis eradication investment case	(67,719)	-	-	(67,719)
Total restricted funds	680,398	120,999	(38,143)	763,254

In Thousands of US\$	As of 31 December 2013	Incoming Resources	Resources Expended	As of 31 December 2014
Sovereign pledges assigned from Gavi	3,435,757	-	(1,704)	3,434,053
Investment and interest income	67,980	2,950	-	70,930
Other gains (losses) and other income (expenses)	51,626	161,415	(54,878)	158,163
<u>Donated services:</u>				
Administrative support	-	1,109	(1,109)	-
<u>Programme funding to Gavi:</u>				
Country-specific programmes	(2,241,058)	-	-	(2,241,058)
Yellow fever stockpile investment case	(57,140)	-	-	(57,140)
Polio eradication investment case	(191,280)	-	-	(191,280)
Measles mortality reduction investment case	(139,000)	-	-	(139,000)
Maternal and neonatal tetanus investment case	(61,620)	-	-	(61,620)
Pentavalent payment guarantee	(181,050)	-	-	(181,050)
Yellow fever continuation investment case	(43,881)	-	-	(43,881)
Meningitis eradication investment case	(67,719)	-	-	(67,719)
Total restricted funds	572,615	165,474	(57,691)	680,398

12. CREDIT RISK

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

In Thousands of US\$	2015	2014
Sovereign pledges	2,735,662	3,152,729
Cash and investments	986,305	1,015,096
Total credit exposure	3,721,967	4,167,825

IFFIm's derivative assets are excluded from its credit exposure as they would be netted against its derivative liabilities. As of 31 December 2015 and 2014, IFFIm had a net liability balance on its interest rate and currency swap contracts of US\$ 845 million and US\$ 1 billion, respectively. The World Bank, an AAA-credit rated institution, serves as the counterparty for all IFFIm's swaps.

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 2 above. The Grantors were rated between BBB- and AAA as of 31 December 2015.

The Grantors' credit ratings as of 31 December 2015 and 2014, as determined by Standard and Poor's

Ratings Service ("S&P"), were:

Grantor	2015	2014
Commonwealth of Australia	AAA	AAA
Republic of France	AA	AA
Republic of Italy	BBB-	BBB-
State of the Netherlands	AAA	AA+
Kingdom of Norway	AAA	AAA
Republic of South Africa	BBB-	BBB-
Kingdom of Spain	BBB+	BBB
Kingdom of Sweden	AAA	AAA
United Kingdom	AAA	AAA

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

Credit Risk Related to Cash and Investments: 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 at the time of purchase:

- 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.

In order to achieve greater diversification of portfolio risks and generate value, the World Bank has made investments in the short term domestic debt of new sovereign markets offering potential to generate excess yields over LIBOR, mainly from currency basis arbitrage. Investments in these sovereign markets are subject to specific approvals from the financial governing committees of the World Bank and prudent credit limits.

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

In Thousands of US\$	2015	2014
Instruments and securities rated AAA	455,745	447,276
Instruments and securities rated AA+	13,925	28,600
Instruments and securities rated AA	71,737	158,411
Instruments and securities rated AA-	32,070	98,651
Instruments and securities rated A+	375,038	209,501
Instruments and securities rated A	30,566	21,778
Instruments and securities rated A-	3,171	39,630
Instruments and securities rated BBB+	979	7,900
Instruments and securities rated BBB-	1,877	-
Total funds held in trust	985,108	1,011,747

Cash, receivables and payables included in IFFIm's funds held in trust are reported in the AAA category as they are held by the World Bank, which is an AAA credit-rated institution.

IFFIm's credit ratings by Fitch Ratings, Moody's Investor Service, and by Standard and Poor's Ratings Service ("S&P") remained unchanged during 2015. The IFFIm board, working with the World Bank, has put in place measures to manage credit risk.

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 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 2015, the calculated minimum liquidity was US\$ 823.9 million and the value of IFFIm's Liquid Assets was US\$ 986 million. As of 31 December 2014, the calculated minimum liquidity was US\$ 514.5 million and the value of IFFIm's Liquid Assets was US\$ 1,015 million.

Based on factors such as the strength of its financial base, its conservative financial policies and the strong support of the Grantors, IFFIm's Global Debt Issuance Programme is rated AA by S&P, AA by Fitch Ratings, and Aa1 by Moody's Investor Service.

In order to help maintain IFFIm's credit ratings and ensure the lowest possible cost of funds, bond issuances are managed against the present value of expected future cash flows from Grantor pledges, in view of the GPC and other credit factors. To provide comfort to the rating agencies and bond holders that IFFIm will always be able to service its bonds, IFFIm only raises bonds against a percentage of the present value of Grantor pledges. The residual, which is still available to IFFIm over time, creates a cushion to protect bond holders against adverse credit events such as a large number of countries entering into protracted arrears to the IMF. The cushion is a percentage of the present value of Grantor pledges, and is established through the Gearing Ratio Limit ("GRL") model. The present value of Grantor pledges used in the GRL model is not reduced by the GPC Fair Value Adjustment, which is described in Note 15.

In order to mitigate the risk that the World Bank may call collateral, an agreement is in place between the World Bank and IFFIm to apply an additional buffer to the GRL to manage the World Bank's exposure under the derivative transactions entered into between IFFIm and the World Bank (the "Risk Management Buffer"). The Risk Management Buffer may be adjusted by the World Bank in its sole discretion. As of 31 December 2015, the Risk Management Buffer was 12% of the present value of expected future cash flows from Grantor pledges.

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

As of 31 December 2015, in Thousands of US\$	Total Cash Outflows	Due in Less than One Year	Due in 2017	Due in 2018	Due from 2019 through 2030
Bonds payable	(1,717,150)	(769,490)	(544,541)	(287,785)	(115,334)
Grants payable to Gavi	(507,064)	(100,000)	(300,000)	(107,064)	-
Derivative financial liabilities	(803,975)	(72,053)	(40,736)	(94,226)	(596,960)
Total undiscounted maturities	(3,028,189)	(941,543)	(885,277)	(489,075)	(712,294)

As of 31 December 2014, in Thousands of US\$	Total Cash Outflows	Due in Less than One Year	Due in 2016	Due in 2017	Due from 2018 through 2030
Bonds payable	(2,056,147)	(447,482)	(791,355)	(550,078)	(267,232)
Grants payable to Gavi	(507,064)	-	(200,000)	(290,000)	(17,064)
Derivative financial liabilities	(1,012,919)	(101,054)	(75,236)	(57,181)	(779,448)
Total undiscounted maturities	(3,576,130)	(548,536)	(1,066,591)	(897,259)	(1,063,744)

The trustees expect that IFFIm will receive cash inflows over the lives of its derivative financial assets. The following are the expected undiscounted inflows from derivative financial assets and the expected undiscounted cash outflows from derivative financial liabilities:

11. MOVEMENT OF FUNDS

In Thousands of US\$	As of 31 December 2014	Incoming Resources	Resources Expended	As of 31 December 2015
Sovereign pledges assigned from Gavi	3,434,053	-	(781)	3,433,272
Investment and interest income	70,930	4,784	-	75,714
Other gains (losses) and other income (expenses)	158,163	115,098	(36,245)	237,016
<u>Donated services:</u>				
Administrative support	-	1,117	(1,117)	-
<u>Programme funding to Gavi:</u>				
Country-specific programmes	(2,241,058)	-	-	(2,241,058)
Yellow fever stockpile investment case	(57,140)	-	-	(57,140)
Polio eradication investment case	(191,280)	-	-	(191,280)
Measles mortality reduction investment case	(139,000)	-	-	(139,000)
Maternal and neonatal tetanus investment case	(61,620)	-	-	(61,620)
Pentavalent payment guarantee	(181,050)	-	-	(181,050)
Yellow fever continuation investment case	(43,881)	-	-	(43,881)
Meningitis eradication investment case	(67,719)	-	-	(67,719)
Total restricted funds	680,398	120,999	(38,143)	763,254

In Thousands of US\$	As of 31 December 2013	Incoming Resources	Resources Expended	As of 31 December 2014
Sovereign pledges assigned from Gavi	3,435,757	-	(1,704)	3,434,053
Investment and interest income	67,980	2,950	-	70,930
Other gains (losses) and other income (expenses)	51,626	161,415	(54,878)	158,163
<u>Donated services:</u>				
Administrative support	-	1,109	(1,109)	-
<u>Programme funding to Gavi:</u>				
Country-specific programmes	(2,241,058)	-	-	(2,241,058)
Yellow fever stockpile investment case	(57,140)	-	-	(57,140)
Polio eradication investment case	(191,280)	-	-	(191,280)
Measles mortality reduction investment case	(139,000)	-	-	(139,000)
Maternal and neonatal tetanus investment case	(61,620)	-	-	(61,620)
Pentavalent payment guarantee	(181,050)	-	-	(181,050)
Yellow fever continuation investment case	(43,881)	-	-	(43,881)
Meningitis eradication investment case	(67,719)	-	-	(67,719)
Total restricted funds	572,615	165,474	(57,691)	680,398

12. CREDIT RISK

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

In Thousands of US\$	2015	2014
Sovereign pledges	2,735,662	3,152,729
Cash and investments	986,305	1,015,096
Total credit exposure	3,721,967	4,167,825

IFFIm's derivative assets are excluded from its credit exposure as they would be netted against its derivative liabilities. As of 31 December 2015 and 2014, IFFIm had a net liability balance on its interest rate and currency swap contracts of US\$ 845 million and US\$ 1 billion, respectively. The World Bank, an AAA-credit rated institution, serves as the counterparty for all IFFIm's swaps.

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 2 above. The Grantors were rated between BBB- and AAA as of 31 December 2015.

The Grantors' credit ratings as of 31 December 2015 and 2014, as determined by Standard and Poor's

Ratings Service ("S&P"), were:

Grantor	2015	2014
Commonwealth of Australia	AAA	AAA
Republic of France	AA	AA
Republic of Italy	BBB-	BBB-
State of the Netherlands	AAA	AA+
Kingdom of Norway	AAA	AAA
Republic of South Africa	BBB-	BBB-
Kingdom of Spain	BBB+	BBB
Kingdom of Sweden	AAA	AAA
United Kingdom	AAA	AAA

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

Credit Risk Related to Cash and Investments: 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 at the time of purchase:

- 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.

In order to achieve greater diversification of portfolio risks and generate value, the World Bank has made investments in the short term domestic debt of new sovereign markets offering potential to generate excess yields over LIBOR, mainly from currency basis arbitrage. Investments in these sovereign markets are subject to specific approvals from the financial governing committees of the World Bank and prudent credit limits.

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

In Thousands of US\$	2015	2014
Instruments and securities rated AAA	455,745	447,276
Instruments and securities rated AA+	13,925	28,600
Instruments and securities rated AA	71,737	158,411
Instruments and securities rated AA-	32,070	98,651
Instruments and securities rated A+	375,038	209,501
Instruments and securities rated A	30,566	21,778
Instruments and securities rated A-	3,171	39,630
Instruments and securities rated BBB+	979	7,900
Instruments and securities rated BBB-	1,877	-
Total funds held in trust	985,108	1,011,747

Cash, receivables and payables included in IFFIm's funds held in trust are reported in the AAA category as they are held by the World Bank, which is an AAA credit-rated institution.

IFFIm's credit ratings by Fitch Ratings, Moody's Investor Service, and by Standard and Poor's Ratings Service ("S&P") remained unchanged during 2015. The IFFIm board, working with the World Bank, has put in place measures to manage credit risk.

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 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 2015, the calculated minimum liquidity was US\$ 823.9 million and the value of IFFIm's Liquid Assets was US\$ 986 million. As of 31 December 2014, the calculated minimum liquidity was US\$ 514.5 million and the value of IFFIm's Liquid Assets was US\$ 1,015 million.

Based on factors such as the strength of its financial base, its conservative financial policies and the strong support of the Grantors, IFFIm's Global Debt Issuance Programme is rated AA by S&P, AA by Fitch Ratings, and Aa1 by Moody's Investor Service.

In order to help maintain IFFIm's credit ratings and ensure the lowest possible cost of funds, bond issuances are managed against the present value of expected future cash flows from Grantor pledges, in view of the GPC and other credit factors. To provide comfort to the rating agencies and bond holders that IFFIm will always be able to service its bonds, IFFIm only raises bonds against a percentage of the present value of Grantor pledges. The residual, which is still available to IFFIm over time, creates a cushion to protect bond holders against adverse credit events such as a large number of countries entering into protracted arrears to the IMF. The cushion is a percentage of the present value of Grantor pledges, and is established through the Gearing Ratio Limit ("GRL") model. The present value of Grantor pledges used in the GRL model is not reduced by the GPC Fair Value Adjustment, which is described in Note 15.

In order to mitigate the risk that the World Bank may call collateral, an agreement is in place between the World Bank and IFFIm to apply an additional buffer to the GRL to manage the World Bank's exposure under the derivative transactions entered into between IFFIm and the World Bank (the "Risk Management Buffer"). The Risk Management Buffer may be adjusted by the World Bank in its sole discretion. As of 31 December 2015, the Risk Management Buffer was 12% of the present value of expected future cash flows from Grantor pledges.

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

As of 31 December 2015, in Thousands of US\$	Total Cash Outflows	Due in Less than One Year	Due in 2017	Due in 2018	Due from 2019 through 2030
Bonds payable	(1,717,150)	(769,490)	(544,541)	(287,785)	(115,334)
Grants payable to Gavi	(507,064)	(100,000)	(300,000)	(107,064)	-
Derivative financial liabilities	(803,975)	(72,053)	(40,736)	(94,226)	(596,960)
Total undiscounted maturities	(3,028,189)	(941,543)	(885,277)	(489,075)	(712,294)

As of 31 December 2014, in Thousands of US\$	Total Cash Outflows	Due in Less than One Year	Due in 2016	Due in 2017	Due from 2018 through 2030
Bonds payable	(2,056,147)	(447,482)	(791,355)	(550,078)	(267,232)
Grants payable to Gavi	(507,064)	-	(200,000)	(290,000)	(17,064)
Derivative financial liabilities	(1,012,919)	(101,054)	(75,236)	(57,181)	(779,448)
Total undiscounted maturities	(3,576,130)	(548,536)	(1,066,591)	(897,259)	(1,063,744)

The trustees expect that IFFIm will receive cash inflows over the lives of its derivative financial assets. The following are the expected undiscounted inflows from derivative financial assets and the expected undiscounted cash outflows from derivative financial liabilities:

As of 31 December 2015, in Thousands of US\$	Total Cash Inflows (Outflows)	Due in Less than One Year	Due in 2017	Due in 2018	Due from 2019 through 2030
Derivative financial assets	69,736	16,706	12,151	8,086	32,793
Derivative financial liabilities	(803,975)	(72,053)	(40,736)	(94,226)	(596,960)
Net cash outflows	(734,239)	(55,347)	(28,585)	(86,140)	(564,167)

As of 31 December 2014, in Thousands of US\$	Total Cash Inflows (Outflows)	Due in Less than One Year	Due in 2016	Due in 2017	Due from 2018 through 2030
Derivative financial assets	69,309	18,280	11,407	8,702	30,920
Derivative financial liabilities	(1,012,919)	(101,054)	(75,236)	(57,181)	(779,448)
Net cash outflows	(943,610)	(82,774)	(63,829)	(48,479)	(748,528)

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 foreign exchange rates and interest rates. 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 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 Gavi and issuance of IFFIm bonds. To mitigate these risks, Grantor pledges were swapped into United States dollar floating rate assets and, at issuance, IFFIm's bonds payable were swapped into United States dollar floating rate liabilities.

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

As of 31 December 2015, in Thousands of US\$	Foreign Currency Assets	Foreign Currency Liabilities	Net Exposure
Australian dollar	150,513	(164,418)	(13,905)
Euro	1,098,915	(1,274,633)	(175,718)
British pound	1,432,849	(1,615,832)	(182,983)
Japanese yen	24	(24)	-
Norwegian krone	72,628	(81,085)	(8,457)
New Zealand dollar	1	-	1
Swedish krona	11,315	(12,484)	(1,169)
Turkish lira	27,936	(27,748)	188
South African rand	144,811	(141,290)	3,521

As of 31 December 2014, in Thousands of US\$	Foreign Currency Assets	Foreign Currency Liabilities	Net Exposure
Australian dollar	552,805	(566,271)	(13,466)
Euro	1,309,514	(1,533,090)	(223,576)
British pound	1,589,803	(1,809,434)	(219,631)
Japanese yen	1	(24)	(23)
Norwegian krone	101,292	(114,259)	(12,967)
New Zealand dollar	1	-	1
Swedish krona	14,222	(15,727)	(1,505)
Turkish lira	35,994	(35,805)	189
South African rand	237,557	(234,110)	3,447

The following exchange rates applied during the year:

In US\$	Average Rate for the Year Ended 31 December 2015	Spot Rate as of 31 December 2015	Average Rate for the Year Ended 31 December 2014	Spot Rate as of 31 December 2014
Australian dollar	0.7527	0.7313	0.9026	0.8207
Brazilian real	0.3004	0.2525	0.4249	0.3763
Euro	1.1102	1.0892	1.3287	1.2156
British pound	1.5288	1.4819	1.6477	1.5609
Japanese yen	0.0083	0.0083	0.0094	0.0084
Norwegian krone	0.1240	0.1135	0.1585	0.1347
New Zealand dollar	0.7004	0.6844	0.8307	0.7838
Swedish krona	0.1186	0.1186	0.1457	0.1293
Turkish lira	0.3670	0.3423	0.4567	0.4297
South African rand	0.0783	0.0641	0.0922	0.0866

Sensitivity to Foreign Exchange Rates: Strengthening of the above currencies, against the United States dollar, as of 31 December 2015 and 2014 would have increased (decreased) IFFIm's net assets and deficits for those years by the amounts shown below. This analysis is based on foreign currency exchange rate variances that IFFIm considered to be reasonably possible at the end of the year. The analysis assumes that all other variables, in particular interest rates, remain unchanged:

In Thousands of US\$	Increase (Decrease) in Deficit for the Year Ended and Net Assets as of 31 December 2015		Increase (Decrease) in Deficit for the Year Ended and Net Assets as of 31 December 2014	
	10% Strengthening against US\$	10% Weakening against US\$	10% Strengthening against US\$	10% Weakening against US\$
Australian dollar	1,258	(1,537)	1,226	(1,499)
Euro	15,921	(19,459)	20,467	(25,015)
British pound	16,598	(20,287)	20,092	(24,557)
Norwegian krone	(5,465)	6,680	1,190	(1,454)
Swedish krona	6,339	(7,748)	141	(172)
Turkish lira	(17)	21	(17)	21
South African rand	(320)	391	(313)	383

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

In Thousands of US\$	2015 Carrying Amount	2014 Carrying Amount
Fixed rate instruments		
Financial assets	209,829	693,624
Financial liabilities	(3,327,148)	(4,318,869)
Net fixed rate instruments	(3,117,319)	(3,625,245)
Variable rate instruments		
Financial assets	2,511,084	2,780,375
Financial liabilities	(1,853,681)	(2,160,850)
Net variable rate instruments	657,403	619,525

Sensitivity to Interest Rates: Changes of 25 basis points in interest rates as of 31 December 2015 and 2014 would have increased (decreased) IFFIm's net assets and deficits for those years by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain unchanged:

In Thousands of US\$	Increase (Decrease) in Deficit for the Year Ended and Net Assets as of 31 December 2015	Increase (Decrease) in Deficit for the Year Ended and Net Assets as of 31 December 2014
25 basis point increase	3,131	5,050
25 basis point decrease	(3,240)	(5,289)

Value at Risk ("VaR") for Funds Held in Trust: VaR measures, in terms of fair value changes, the potential losses due to adverse market movements over a given interval at a given confidence level. VaR is conceptually applicable to all financial risk types with valid regular price histories. The annual VaR at 95% confidence level for IFFIm's funds held in trust was US\$ 2.1 million and US\$ 2.4 million for the years ended 31 December 2015 and 2014, respectively. IFFIm uses a three-year historical dataset to compute VaR.

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 US\$	31 December 2015		31 December 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets carried at fair value</u>				
Sovereign pledges	2,735,662	2,735,662	3,152,729	3,152,729
Funds held in trust	985,108	985,108	1,011,747	1,011,747
Derivative financial instruments	14,915	14,915	2,494	2,494
Total assets carried at fair value	3,735,685	3,735,685	4,166,970	4,166,970
<u>Assets carried at amortised cost</u>				
Cash	1,197	1,197	3,349	3,349
Total assets carried at amortised cost	1,197	1,197	3,349	3,349
<u>Liabilities carried at fair value</u>				
Bonds payable	1,605,984	1,605,984	1,892,780	1,892,780
Grants payable to Gavi	507,064	507,064	507,064	507,064
Derivative financial instruments	859,903	859,903	1,088,961	1,088,961
Total liabilities carried at fair value	2,972,951	2,972,951	3,488,805	3,488,805
<u>Liabilities carried at amortised cost</u>				
Accounts payable	712	712	1,263	1,263
Total liabilities carried at amortised cost	712	712	1,263	1,263

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 2015, in Thousands of US\$	Level 1	Level 2	Level 3	Total
Financial assets				
Sovereign pledges	-	-	2,735,662	2,735,662
Funds held in trust	338,843	646,265	-	985,108
Derivative financial instruments	-	14,915	-	14,915
Total financial assets	338,843	661,180	2,735,662	3,735,685
Financial liabilities				
Bonds payable	-	1,605,984	-	1,605,984
Grants payable to Gavi	-	507,064	-	507,064
Derivative financial instruments	-	859,903	-	859,903
Total financial liabilities	-	2,972,951	-	2,972,951

As of 31 December 2014, in Thousands of US\$	Level 1	Level 2	Level 3	Total
Financial assets				
Sovereign pledges	-	-	3,152,729	3,152,729
Funds held in trust	66,822	944,925	-	1,011,747
Derivative financial instruments	-	2,494	-	2,494
Total financial assets	66,822	947,419	3,152,729	4,166,970
Financial liabilities				
Bonds payable	-	1,892,780	-	1,892,780
Grants payable to Gavi	-	507,064	-	507,064
Derivative financial instruments	-	1,088,961	-	1,088,961
Total financial liabilities	-	3,488,805	-	3,488,805

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

In Thousands of US\$	2015	2014
Balance as of the beginning of the year	3,152,729	3,362,027
Donor payments	(277,039)	(294,977)
Fair value (losses) gains	(140,028)	85,679
Balance as of the end of the year	2,735,662	3,152,729

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

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

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

The GPC allows the Grantors to reduce their payments in the event that an IFFIm-eligible country falls into protracted arrears on its obligations to the International Monetary Fund (the "IMF"). Each implementing country has been ascribed a weight in a reference portfolio that will remain static for the life of IFFIm. Donors reduce the amounts they pay IFFIm by the aggregate percentage weights of countries that are in protracted arrears to the IMF. When countries clear their arrears to the IMF, future amounts payable by donors to IFFIm are increased by the respective weights of those clearing countries. The reference portfolio comprises 70 predetermined IFFIm-eligible countries. Each implementing country has been given a weighting of either 0.5%, 1%, 3% or 5%, totalling of 100%, as shown in the table below. The amount of each Grantor payment is determined 25 business days prior to the due date of such payment.

The reference portfolio as of 31 December 2015 was as follows:

Country	Country Weighting	Total Share
South Sudan, Sudan	0.5%	1%
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, Tajikistan, Tanzania, Timor-Leste, Togo, Uganda, Ukraine, Uzbekistan, Yemen Republic, Zambia, Zimbabwe	1%	61%
Vietnam	3%	3%
Bangladesh, Democratic Republic of Congo, Ethiopia, India, Indonesia, Nigeria, Pakistan	5%	35%

The fair values of contributions receivable are estimated using the discounted cash flow method. Each cash flow is reduced by an estimated percentage due to the GPC (the "GPC Fair Value Adjustment") and the reduced cash flows are discounted to present value at donor-specific interest rates. The GPC Fair Value Adjustment is calculated using a probabilistic model, which estimates the likelihood and duration that any implementing country might fall into arrears with the IMF over the life of the Grantor pledges. This probabilistic model is based on the assumption that the performance of the implementing countries since 1981 is a reasonable proxy for their future performance.

The initial GPC Fair Value Adjustment used in October 2006 was 17.6%, and it was 13.4% and 14.5% as of 31 December 2015 and 2014 respectively. 1% decreases in the GPC Fair Value Adjustment as of 31 December 2015 and 2014 would have resulted in increases in the fair values of sovereign pledges of US\$ 32 million and US\$ 37 million, respectively. 1% increases in the GPC Fair Value Adjustment would have had equal but opposite effects on the fair values of sovereign pledges.

During the year ended 31 December 2015, three reference portfolio countries were in protracted arrears to the IMF. Those countries were Somalia, Sudan and Zimbabwe.

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

For the above sovereign pledges as of 31 December 2015, market based discount rates ranging from 0% to 5.8% were applied, as appropriate, depending on the donor, payment schedule and currency of the grant payments.

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

For the years ended 31 December 2015 and 2014, the changes in the fair values of bonds payable that were attributable to IFFIm's own credit spreads were decreases of US\$ 7 million and US\$ 6 million, respectively.

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

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

16. NOTES TO THE STATEMENTS OF CASH FLOWS

The following table analyses changes in net debt:

In Thousands of US\$	Fair Value as of 31 December 2014	Cash Flows and Fair Value Movements	Fair Value as of 31 December 2015
Cash	3,349	(2,152)	1,197
Bonds payable	(1,887,302)	284,715	(1,602,587)
Funds held in trust	1,011,747	(26,639)	985,108
Total	(872,206)	255,924	(616,282)

In Thousands of US\$	Fair Value as of 31 December 2013	Cash Flows and Fair Value Movements	Fair Value as of 31 December 2014
Cash	22	3,327	3,349
Bonds payable	(2,150,175)	262,873	(1,887,302)
Funds held in trust	1,024,771	(13,024)	1,011,747
Total	(1,125,382)	253,176	(872,206)

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

In Thousands of US\$	2015	2014
Increase (decrease) in cash	(2,152)	3,327
(Decrease) increase in funds held in trust	(26,639)	(13,024)
Cash outflows (inflows) from financing activities	161,088	217,024
Fair value gains (losses) on bonds	123,627	45,849
Movement in net debt in the period	255,924	253,176
Net debt as of the beginning of the year	(872,206)	(1,125,382)
Net debt as of the end of the year	(616,282)	(872,206)

17. RELATED PARTY TRANSACTIONS

IFFIm's related parties are:

- **Gavi:** Gavi is a not-for-profit organisation based in Switzerland. Gavi is IFFIm's sole member.
- **IFFImSC:** IFFImSC is a Cayman Islands company with limited liability, which was incorporated on 3 November 2014 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number 293422. IFFImSC was established for the sole purpose of issuing sukuk certificates in support of IFFIm's operations. On 27 November 2014, IFFImSC issued sukuk certificates for a total amount of US\$ 500 million. These consolidated financial statements include the accounts of IFFImSC.
- **IFFImSC II:** IFFImSC II is a Cayman Islands company with limited liability, which was incorporated on 25 August 2015 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number 303397. IFFImSC II was established for the sole purpose of issuing sukuk certificates in support of IFFIm's operations. On 29 September 2015, IFFImSC II issued sukuk certificates for a total amount of US\$ 200 million. These consolidated financial statements include the accounts of IFFImSC II.

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

IFFIm's related party balances and transactions were:

In Thousands of US\$	2015	2014
Gavi		
Accounts payable to Gavi	51	372
Programme grants payable to Gavi	507,064	507,064
In-kind contributions received from Gavi	1,117	1,109

18. COMMITMENT AND CONTINGENCIES

The trustees are not aware of any commitments or contingencies as of 31 December 2015 or 2014.

19. ACCOUNTING ESTIMATES AND JUDGEMENTS

Since the IFFIm board manages IFFIm's sovereign pledges, funds held in trust, derivative financial instruments, bonds payable and grants payable on a fair value basis, these assets and liabilities are measured at fair value on the balance sheets. When available, IFFIm generally uses quoted market prices to determine fair value. If quoted market prices are not available, fair value is determined using internally developed valuation models, which are often based on the discounted cash flow method and use market parameters such as interest rates and currency rates.

In preparing these financial statements, judgements were made in determining when to recognise revenue from Grantors. Factors considered, in line with IFFIm's accounting policy on revenue recognition, were whether there was evidence of entitlement and whether receipt was probable.

20. TRANSITION TO FRS 102

In the transition to the Financial Reporting Standard 102 applicable in the United Kingdom and Republic of Ireland (FRS 102) from old United Kingdom Generally Accepted Accounting Standards, effective 1 January 2015, IFFIm changed its accounting policy on recognition of revenue, in line with new requirements, to the effect that revenue is recognised when there is evidence of entitlement, it can be measured reliably, and receipt is probable. IFFIm's previous policy was to recognise revenue when there was a contractual obligation, it could be measured reliably, and receipt was certain. IFFIm has made no measurement and recognition adjustments as a result of this change in accounting policy and has made no other changes to its accounting policies.

21. CURRENT TAX

IFFIm is a registered United Kingdom charity and, as such, is exempt from United Kingdom taxation of income and gains falling within s478-489 Corporation Tax Act 2010 and s256 Taxation of Chargeable Gains Act 1992 on its charitable activities. No tax charges arose during the years ended 31 December 2015 or 2014. IFFImSC is a Cayman Islands company with limited liability, incorporated under the Companies Law (2013 Revision) of the Cayman Islands. There are no taxes on income or gains in the Cayman Islands.

22. SUBSEQUENT EVENTS

In May 2016, IFFIm received a new sovereign pledge from the Commonwealth of Australia in the amount of A\$ 37.5 million, which is payable to IFFIm in annual instalments of A\$ 7.5 million over five years, commencing in June 2016 and ending in May 2020.

INDEPENDENT AUDITOR'S REPORT



Independent auditor's 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 for the year ended 31 December 2015 set out on pages 22 to 44. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the charitable 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 auditor's 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 auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 7, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 December 2015 and of the group's 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 matters prescribed by the Companies Act 2006

In our opinion the information in the Trustees' Annual Report, which constitutes the Annual Report of the Trustees and the Strategic 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 charitable company 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.

Mike Peck

Michael Peck (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
Canary Wharf
London E14 5GL
21 June 2016