THE INTERNATIONAL FINANCE FACILITY FOR IMMUNISATION

ANNUAL REPORT OF THE TRUSTEES AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2014

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TRUSTEES

Cyrus Ardalan
Sean Carney. Concluded term on 30 June 2014.
Didier J. Cherpitel
Fatimatou Zahra Diop. Took office on 22 May 2015.
Christopher Egerton-Warburton
Marcus Fedder
René Karsenti, Board Chair

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

The trustees are responsible for preparing the Annual Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements ; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

ANNUAL REPORT OF THE TRUSTEES

STRUCTURE AND GOVERNANCE

STRUCTURE

The International Finance Facility for Immunisation Company ("IFFIm") is a multilateral development institution incorporated as a private company, with company registration number 5857343, and registered as a charity in England and Wales, with charity registration number 1115413. In order to achieve its objectives, IFFIm worked with the following organisations during 2014:

- 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

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 2014, there were six 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 2014, there were two meetings of the audit committee.

During the year ended 31 December 2014, IFFIm's directors were as follows:

- Cyrus Ardalan: Mr Ardalan is a Vice Chairman and Head of Public Policy and Government Relations at Barclays Bank plc. He also serves as Chairman of the Board of the International Capital Markets Association ("ICMA"), Chairman of the British Bankers' Association ("BBA") Strategy Group, and is Honorary Adviser to the National Association of Financial Market Institutional Investors ("NAFMII"). Formerly he was Vice Chairman of Barclays Capital.

- Sean Carney: Mr Carney is President of Na Makani Eha, London. Formerly, he was the Chief Operating Officer at the Children's Investment Fund Foundation in London and Chief Operating Officer of Investment Banking at HSBC Investment and Global Banking in London. Mr Carney concluded his term as a director and Audit Committee Chair in June 2014.

- 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.

- 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. Mr Fedder was appointed as Audit Committee Chair effective July 2014.

- 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.

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 whereby sovereign government donors (the "Grantors") promise funds for charitable purposes.

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

IFFIm raises funds by issuing bonds in the international capital 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.

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.

PUBLIC BENEFIT

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

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:

<u>New and Underused Vaccine Support ("NVS") programmes</u>: 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:

- <u>Pneumococcal Disease</u>: 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.

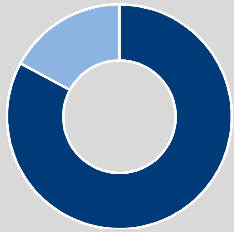
Injection Safety Support ("INS") programmes: Gavi contributed to the provision of auto-disable syringes, reconstitution syringes and safety boxes. These syringes and safety boxes facilitated the administering of vaccines in developing countries.

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.

From its inception to 31 December 2014, IFFIm approved the following amounts for disbursement to help fund Gavi's Country-Specific Programmes:

In Millions of US$	Approvals from Inception to 2014
New and underused vaccine support	2,007
Health systems strengthening and other	415
Total Country-Specific Programme approvals	2,422

Approvals from Inception to 2014



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.

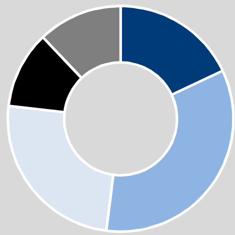
Yellow Fever Continuation: In March 2009, Gavi and IFFIm boards approved funding for an extension and expansion of Gavi's original yellow fever investment case described above. The additional funds allowed for increased and extended yellow fever vaccine coverage and also helped offset higher than expected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

From its inception to 31 December 2014, IFFIm approved the following amounts for disbursement to help fund Gavi's Investment Cases:

In Millions of US$	Approvals from Inception to 2014
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

Approvals from Inception to 2014



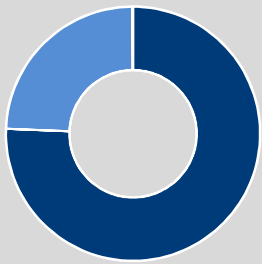
FINANCIAL OVERVIEW

OVERVIEW OF ASSETS AND LIABILITIES

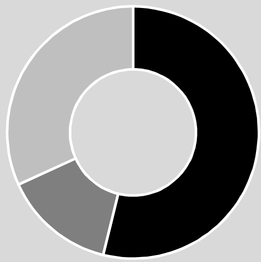
The following table summarises IFFIm's assets and liabilities as of 31 December 2014 and 2013:

In Millions of US$	2014	2013	Change
Sovereign pledges	3,153	3,362	(209)
Funds held in trust	1,012	1,025	(13)
Other assets	3	-	3
Total assets	4,168	4,387	(219)
Bonds payable	1,893	2,168	(275)
Grants payable	507	507	-
Other liabilities	1,088	1,139	(51)
Total liabilities	3,488	3,814	(326)
Net assets	680	573	107
Total liabilities and net assets	4,168	4,387	(219)

2014 Assets



2014 Liabilities



Sovereign Pledges: IFFIm's asset base consists primarily of irrevocable and legally binding multi-year sovereign pledges from the Grantors. As of 31 December 2014, 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.

Each Grantor commits to provide scheduled grant payments to Gavi, which then assigns to IFFIm the right to receive these grant payments. In turn, IFFIm agrees to review and, if it deems appropriate, approve vaccine procurement, immunisation and HSS programmes submitted by Gavi. IFFIm has also agreed to raise funds for the programmes it approves.

During 2014, IFFIm's sovereign pledges decreased by US$ 209 million due to the following:

- Receipts from Grantors: Payments received from the Grantors totalled US$ 295 million during 2014. From inception through 31 December 2014, cumulative payments received from the Grantors totalled US$ 1,608 million.
- Fair Value Gains: Receipts from Grantors, as described above, were partially offset by fair value gains on sovereign pledges totaling US$ 86 million, bringing the net decrease in sovereign pledges to US$ 209 million. These gains were primarily the result of lower interest rates in 2014, which resulted in higher fair values of IFFIm's foreign currency denominated sovereign pledges. The gains were also due to the decrease in 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.

The funds held in trust balance did not change significantly during 2014.

Other assets: IFFIm's other assets represent its cash balance held at depository bank accounts. IFFIm's cash balance at 31 December 2014 was US$ 3 million higher than its cash balance at 31 December 2013. 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 2014, IFFIm had raised US$ 5 billion through bond issuances.

During 2014, IFFIm's bonds payable decreased by US$ 275 million primarily due to the following:

- Bond Issuances and Redemptions: During 2014, bond redemptions exceeded proceeds from a new bond issuance. The decrease in bonds payable resulted from the redemption of six bonds totalling US$ 716 million, which was partially offset by the issuance of a new bond totalling US$ 500 million.

- Fair Value Gains: Most 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 2014, IFFIm recorded value gains of US$ 46 million on its borrowings.

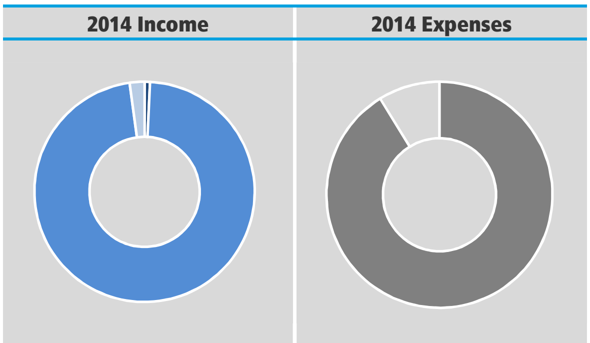
Grants payable: Grants payable represent board approved commitments made by IFFIm to fund Gavi programmes. These commitments are evidenced in indicative funding confirmations, each of which is signed by an IFFIm trustee on behalf of the IFFIm board.

Other Liabilities: IFFIm's other liabilities primarily represent IFFIm's net liability position on interest rate and currency swap contracts. This liability decreased from US$ 1,139 million, as of 31 December 2013, to US$1,087 million, as of 31 December 2014, primarily due to interest rate and foreign currency rate fluctuations during 2014. 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 2014 and 2013:

In Millions of US$	**2014**	**2013**	**Change**
Contribution revenue	1	1	-
Net fair value gains	161	224	(63)
Investment income	3	4	(1)
Total income	165	229	(64)
Programme grants	-	-	-
Financing costs	53	81	(28)
Other expenses	5	5	0
Total expenses	58	86	(28)



Contribution Revenue: No new sovereign pledges were received during 2014. Contribution revenue for 2014 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: IFFIm's annualised daily rate of return was 0.09% lower during 2014 than during 2013. In addition, IFFIm's average funds held in trust balance was US$ 25 million lower during 2014 than 2013. As a result, IFFIm's investment income was US$ 1 million lower during 2014 than 2013.

Programme Grants: IFFIm received no new funding requests from Gavi during 2014. However, IFFIm continues to be an important source of funding for Gavi's programmes and forecasts that it will disburse over US$ 1.2 billion to support Gavi programmes from 2015 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 2014. As a result, IFFIm's bonds payable decreased by US$ 275 million during 2014, which resulted in lower financing costs in 2014. IFFIm's financing costs are sensitive to exchange rate movements as many of IFFIm's bonds are denominated in currencies other than the United States dollar, such as the 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 operations, its other expenses remained flat at US$ 5 million from 2013 to 2014.

It is IFFIm's policy that payments to suppliers of the abovementioned services are made 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 eleven 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 0.15% 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$ 7.6 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 rating by Moody's Investor Service and by Standard and Poor's Ratings Service ("S&P") remained the same during 2014. IFFIm's credit rating was downgraded by Fitch Ratings in December 2014 following Fitch Ratings' downgrade of France. This rating downgrade implies increased IFFIm credit risk. The IFFIm board, working with the World Bank, has put in place measures to manage this increased 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 2014, the GRL model had established that, at a triple-A equivalent confidence level, 69.3% 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. 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.

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 2014 and 2013, before and after the impact of IFFIm's currency and interest rate swaps:

In Millions of US$	2014 Pledges	2014 Bonds	2013 Pledges	2013 Bonds
Interest and fair value adjustments before impact of swaps	86	(7)	67	183
Impact of currency and interest rate swaps	36	(6)	87	(193)
Net interest and fair value adjustments after impact of swaps	122	(13)	154	(10)
Interest expense on bonds before impact of swaps		51		78
Impact of bond swaps on interest expense		(44)		(69)
Net interest expense on bonds after impact of swaps		7		9

As shown above, 2014 fair value adjustments on pledges and bonds were not offset by fair value adjustments on pledge swaps and bond swaps, respectively.

With respect to 2014 fair value adjustments on pledges, several factors led to these not being offset by fair value adjustments on pledge swaps. The following table further analyses fair value adjustments on pledges and pledge swaps:

In Millions of US$	2014 Pledges	2014 Pledge Swaps	2014 Total	2013 Pledges	2013 Pledge Swaps	2013 Total
Fair value gains due to decrease in GPC Fair Value Adjustment	56	-	56	68	-	68
Interest rate fair value gains (losses)	353	(313)	40	(63)	163	100
Foreign currency fair value (losses) gains	(323)	349	26	62	(76)	(14)
Net fair value gains	86	36	122	67	87	154

Each component of fair value adjustments on pledges and pledge swaps is discussed below, along with the factors that led to the fair value adjustments not offsetting:

- 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 2014, the GPC Fair Value Adjustment decreased from 14.9% to 14.5%. This 0.4% decrease in the GPC Fair Value Adjustment translated to a fair value gain on pledges of US$ 56 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 2013 and 31 December 2014.

- Interest rate fair value (losses) gains: As described in Note 15, both pledges and pledge swaps are valued using the discounted cash flow method. Due to lower interest rates in 2014, lower discount factors were applied to both pledges and pledge swaps in 2014, which resulted in fair value gains on pledges and fair value losses on pledge swaps. However, the gains on pledges were US$ 40 million higher than the losses on pledge swaps. This was due to the following: (1) the gains on pledges were calculated on a base that was higher in 2014 because, as discussed above, the expected future cash inflows from pledges were reduced by a relatively lower GPC Fair Value Adjustment in 2014. On the other hand, there was no gains (losses) on pledge swaps due to the GPC as cash flows on pledge swaps are reduced by the actual GPC level, which remained flat at 2.5% in 2014, and (2) pledges were discounted to their present value using Grantor-specific interest rates while pledge swaps were discounted using a swap yield curve.

- Foreign currency fair value gains (losses): 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 2014, 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 krones and Swedish kronas. IFFIm recorded small fair value losses due to the United States dollar strengthening against these currencies during 2014. The total effect of all the aforementioned was a loss on pledges of US$ 323 million due to foreign currency movements. The US$ 323 million foreign currency loss on pledges was more than offset by a US$ 349 million foreign currency gain on pledge swaps, which was a result of a net debit valuation adjustment of US$ 29 million. This net debit valuation adjustment was included in the valuation of IFFIm's swaps to account for IFFIm's own credit risk.

The main driver of the net loss of bonds and bond swaps is movements in interest rates, which were partially offset by gains recorded due to movements in IFFIm's own credit spread:

- Interest rate movements: IFFIm uses yield curves as a key input in the valuation of its bonds by the discounted cash flow method. Due to interest rate movements, the yields on IFFIm's bonds denominated in the Australian dollar and South African rand decreased in 2014, which resulted in fair value losses.
- IFFIm's own credit spreads: In December 2014, IFFIm's credit rating was downgraded from AA+ to AA by Fitch Ratings following Fitch Ratings' downgrade of France. This rating downgrade implies increased IFFIm credit risk and resulted in the widening of IFFIm's own credit spreads used in the valuation of IFFIm's bonds. As a result, IFFIm recognised fair value gains on its bonds.

As of 31 December 2014, IFFIm was in a net liability position of US$ 1,116 million due to the World Bank on its currency and interest rate swaps contracts with the World Bank. This liability is described further in Note 9 to the financial statements.

RECENT DEVELOPMENTS

In November 2014, IFFIm issued its inaugural Sukuk, raising US$ 500 million. This successful transaction was the largest Sukuk al-Murabaha issuance in the public markets and is also the largest inaugural Sukuk offering from a Supranational. 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. The Sukuk was coordinated by Standard Chartered Bank, working with joint lead managers Barwa Bank, CIMB, National Bank of Abu Dhabi (NBAD) and NCB Capital Company (NCB Capital). The issue, maturing on 4 December 2017 has an issue price of 100% and carries a quarterly coupon of 15 basis points over 3-month USD LIBOR. The Sukuk was oversubscribed and IFFIm achieved strong diversification in its investor base with 85% of the order book coming from new and primarily Islamic investors. The regional distribution of investors was 21% based in Asia, 11% in Europe and 68% in the Middle East and Africa. Banks took 74%, and central banks and other official institutions took 26%.

At Gavi's second replenishment, marked by a pledging conference that was held in Berlin in January 2015, the Republic of France and the State of the Netherlands made additional pledges to IFFIm of € 150 million and € 60 million, respectively. Following the pledging conference, the Commonwealth of Australia confirmed that it will make a pledge of approximately A$ 37.5 million to IFFIm. The grant agreements for these pledges are currently being finalised.

Effective 22 May 2015, the IFFIm board appointed Ms Fatimatou Zahra Diop to a three-year term as a director of IFFIm. Ms Diop is the Vice President of Afrivac, a not-for-profit organisation that works with public and private sector partners to strengthen the budgets of African countries with a view of making these countries independent from multilateral support. Previously, Ms Diop was Secretary General at the Central Bank of West African States. As Secretary General, she was responsible for the coordination and management of the Central Bank's operations in its eight member countries. Prior to her appointment as Secretary General, Ms Diop held several other senior management positions at the Central Bank.

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. The trustees believe that IFFIm can, and should, continue to significantly contribute to Gavi's mission.

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*, issued in March 2005, and in accordance with the provisions of the Companies Act 2006.

Approved by the trustees and signed on their behalf by:

/s/ Marcus Fedder

Marcus Fedder
IFFIm Audit Committee Chair
15 June 2015

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME AND EXPENDITURES

In Thousands of US$	Note	Year Ended 31 December 2014 Restricted Funds	Year Ended 31 December 2013 Restricted Funds
Turnover			
Contribution revenue	2	-	-
Operating expenses			
Treasury manager's fees	4	2,298	2,276
Governance costs	4	2,813	2,701
Total operating expenses		5,111	4,977
Other operating income			
Donated services	2	1,109	1,096
Operating loss		(4,002)	(3,881)
Financing and investment income (expenses)			
Financing income (expenses) on bonds and bond swaps:			
Net fair value gains on bonds and bond swaps	5	40,053	71,106
Interest expense on bonds	5	(51,328)	(77,712)
Net financing expenses on bonds and bond swaps		(11,275)	(6,606)
Other financing income (expenses):			
Net fair value gains on pledges and pledge swaps	5	121,936	153,671
Other foreign exchange losses	5	(574)	(906)
Other financing charges		(1,252)	(3,722)
Net other financing income		120,110	149,043
Investment income:			
Investment and interest income	3	2,950	3,752
Total financing and investment income		111,785	146,189
Surplus for the year		107,783	142,308

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

CONSOLIDATED STATEMENTS OF FINANCIAL ACTIVITIES

In Thousands of US$	**Note**	**Year Ended 31 December 2014 Restricted Funds**	**Year Ended 31 December 2013 Restricted Funds**
Incoming resources from generated funds			
Voluntary income:			
Donated services	2	1,109	1,096
Total voluntary income		1,109	1,096
Investment and interest income	3	2,950	3,752
Total incoming resources from generated funds		4,059	4,848
Resources expended			
Cost of generating funds:			
Treasury manager's fee	4	2,298	2,276
Financing charges	4	52,580	81,434
Total cost of generating funds		54,878	83,710
Governance costs	4	2,813	2,701
Total resources expended		57,691	86,411
Net resources expended		(53,632)	(81,563)
Net fair value gains on pledges, bonds and swaps	5	161,415	223,871
Net change in funds		107,783	142,308
Total funds as of the beginning of the year		572,615	430,307
Total funds as of the end of the year		680,398	572,615

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

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

BALANCE SHEETS

Group and Parent Company **In Thousands of US$**	**Note**	**As of 31 December 2014**	**As of 31 December 2013**
Noncurrent assets			
Sovereign pledges due after more than one year	6	2,892,316	3,101,996
Derivative financial instruments due after more than one year	8	757	214
Current assets			
Sovereign pledges due within one year	6	260,413	260,031
Derivative financial instruments due within one year	8	1,737	55,478
Prepayments		147	143
Cash and funds held in trust:			
Cash		3,349	22
Funds held in trust	7	1,011,747	1,024,771
Total cash and funds held in trust		1,015,096	1,024,793
Total current assets		1,277,393	1,340,445
Current liabilities			
Creditors falling due within one year	9	423,595	725,590
Derivative financial instruments due within one year	8	81,223	105,262
Grants payable within one year		-	150,000
Total current liabilities		504,818	980,852
Net current assets		772,575	359,593
Total assets less current liabilities		3,665,648	3,461,803
Creditors falling due after more than one year	10	1,470,448	1,443,156
Derivative financial instruments due after more than one year	8	1,007,738	1,088,968
Grants payable after more than one year		507,064	357,064
Net assets		680,398	572,615
Restricted funds		680,398	572,615

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

Approved by the trustees and signed on their behalf by:

/s/ Marcus Fedder

Marcus Fedder
IFFIm Audit Committee Chair
15 June 2015

CONSOLIDATED STATEMENTS OF CASH FLOWS

In Thousands of US$	Note	Year Ended 31 December 2014 Restricted Funds	Year Ended 31 December 2013 Restricted Funds
Cash flows from operating activities			
Cash inflows from operating activities		268,082	78,078
Net cash inflows from operating activities		268,082	78,078
Returns on investments and servicing of finance			
Investment and interest income received	3	2,950	3,752
Interest paid on bonds		(63,705)	(81,895)
Management of liquid resources			
Decrease (Increase) in funds held in trust	16	13,024	(478,123)
Net cash outflows from investments, servicing of finance, and liquid resources		(47,731)	(556,266)
Cash flows from financing activities			
Proceeds from bond issuances	16	500,000	835,763
Redemption of bonds	16	(717,024)	(358,102)
Net cash (outflows) inflows from financing activities		(217,024)	477,661
Net change in cash		3,327	(527)
Cash as of the beginning of the year		22	549
Cash as of the end of the year		3,349	22

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

In Thousands of US$	2014	2013
Net change in funds	107,783	142,308
Investment and interest income	(2,950)	(3,752)
Bond interest expense	51,328	77,712
Fair value gains on sovereign pledges	(85,679)	(67,053)
Fair value (gains) losses on bonds	(45,849)	(264,488)
Payments received from donors	294,977	267,168
(Increase) Decrease in prepayments	(4)	194
(Decrease) increase in derivative financial instruments	(52,071)	125,950
Increase in trade creditors and amounts due to related parties	547	39
Decrease in grants payable	-	(200,000)
Net cash inflows from operating activities	268,082	78,078

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies of the International Finance Facility for Immunisation Company ("IFFIm") are summarised below. These accounting policies were consistently applied from prior years. IFFIm's 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, issued in March 2005, applicable United Kingdom Generally Accepted Accounting Standards and the Companies Act 2006,
- in accordance with FRS26 Financial Instruments: Recognition and Measurement, sovereign pledges, funds held in trust, derivative financial instruments, bonds payable and grants payable are measured at fair value with changes in fair value recognised in the income statement. These assets and liabilities are recorded at fair value based on the methodologies described in Note 15.

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. Therefore, these consolidated financial statements include the accounts of IFFImSC. IFFImSC was established for the sole purpose of issuing sukuk certificates in support of IFFIm's operations. Cash of US$ 250 and IFFIm Sukuk Company share capital of US$ 250 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 turnover for the year ended 31 December 2014 was zero.

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 a contractual obligation, certainty of receipt and when it can be reliably measured. Contributions and grants are reported as contribution revenue at fair value in the year in which payments are received or unconditional promises to give or pledges are made. See Notes 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 IFFIm's board.

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

Costs of Generating Funds: Any costs of securing the sovereign pledges that are borne by IFFIm are expensed through its Statements of Financial Activities in the periods in which they are incurred. IFFIm is allocated a percentage of the fundraising costs with the assignment of the pledges from 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 FRS 26 Financial Instruments: Measurements and FRS 29 Financial Instruments: Disclosure. Gains or losses due to changes in fair market values are reported in fair value gains (losses) in the Statements of Financial Activities. See Notes 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 FRS 26 Financial Instruments: Measurements, 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's board. They are subsequently remeasured at fair value at each reporting date. Gains or losses due to changes in fair market values are reported in fair value gains (losses) in the Statements of Financial Activities.

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

Foreign Currency Remeasurement: The 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	205,163
Republic of France[1]	2 October 2006	15 years	€ (EUR)	372,800	453,157
Republic of France[2]	7 December 2007	19 years	€ (EUR)	867,160	1,054,076
Republic of Italy	2 October 2006	20 years	€ (EUR)	473,450	575,502
Republic of Italy	14 November 2011	14 years	€ (EUR)	25,500	30,997
State of the Netherlands	18 December 2009	7 years	€ (EUR)	80,000	97,244
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	202,091
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	230,347
Kingdom of Sweden	2 October 2006	15 years	Skr (SEK)	276,150	35,717
United Kingdom	2 October 2006	20 years	£ (GBP)	1,380,000	2,153,973
United Kingdom	5 August 2010	19 years	£ (GBP)	250,000	390,213
Cumulative contribution revenue since inception					5,475,480

[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 2014.

Donated Services: IFFIm received donated administrative services from Gavi in 2014 and 2013. 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$	2014	2013
Administrative support	1,109	1,096
Total donated services	1,109	1,096

3. INVESTMENT AND INTEREST INCOME

In Thousands of US$	2014	2013
Income from funds held in trust	2,931	3,735
Bank account interest	19	17
Total investment and interest income	2,950	3,752

4. TOTAL RESOURCES EXPENDED

In Thousands of US$	2014	2013
Cost of generating funds		
Treasury manager's fees:		
Financial operations management	2,298	2,276
Finance charges:		
Bond interest expense	51,328	77,712
Other financing charges	1,252	3,722
Total finance charges	52,580	81,434
Total cost of generating funds	54,878	83,710
Governance costs		
Professional services:		
Consultancy fees	209	157
GAVI administrative support fee	1,109	1,096
Legal fees	525	526
Auditor's remuneration:		
Statutory audit	158	145
Audit related assurance services	164	157
Tax compliance services	32	23
Other governance costs:		
Trustees' indemnity insurance premiums	463	470
Trustees' meeting and travel expenses	132	127
Other administrative expenses	21	-
Total governance costs	2,813	2,701

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.

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 five trustees as of 31 December 2014.

5. FAIR VALUE GAINS AND LOSSES

In Thousands of US$	2014	2013
Fair value gains (losses) on bonds and bond swaps		
Fair value gains on bonds	45,849	264,488
Net fair value losses on bond swaps	(5,796)	(193,382)
Interest expense on bonds	(51,328)	(77,712)
Net fair value losses on bonds and bond swaps	(11,275)	(6,606)
Fair value gains on pledges and pledge swaps		
Fair value gains on sovereign pledges	85,679	67,053
Net fair value gains on pledge swaps	36,257	86,618
Net fair value gains on pledges and pledge swaps	121,936	153,671
Other foreign exchange losses	(574)	(906)
Net fair value gains on pledges, bonds and swaps	110,087	146,159

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$	**2014**	**2013**
Balance as of the beginning of the year	3,362,027	3,562,142
Payments received from donors	(294,977)	(267,168)
Fair value gains	85,679	67,053
Balance as of the end of the year	3,152,729	3,362,027
Sovereign pledges due within one year	260,413	260,031
Sovereign pledges due after more than one year	2,892,316	3,101,996
Total sovereign pledges	3,152,729	3,362,027

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

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

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

Group and Parent Company In Thousands of US$	**2014**	**2013**
IFFIm's share in the Pool's fair value	1,011,747	1,024,771

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$ 3 million and US$ 3.7 million for the years ended 31 December 2014 and 2013, 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 FRS 26 Financial Instruments: Measurements. 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.

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 2014		31 December 2013	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Currency and interest rate swaps receivable related to sovereign pledges	75,273	2,487	-	-
Currency and interest rate swaps receivable related to bonds payable	33,985	7	1,647,230	55,692
Total currency and interest rate swaps receivable		2,494		55,692
Currency and interest rate swaps payable related to sovereign pledges	3,751,878	(868,232)	4,487,455	(942,413)
Currency and interest rate swaps payable related to bonds payable	2,854,837	(220,729)	2,287,540	(251,817)
Total currency and interest rate swaps payable		(1,088,961)		(1,194,230)
Total fair value of interest rate and currency swaps		(1,086,467)		(1,138,538)

The World Bank is counterparty on all of IFFIm's currency and interest rate swap contracts and, therefore, the above US$ 1,086 million net liability on swaps is due to the World Bank.

9. CREDITORS FALLING DUE WITHIN ONE YEAR

Group and Parent Company In Thousands of US$	2014	2013
Bonds payable falling due within one year	422,332	724,874
Trade creditors	891	563
Amounts due to Gavi	372	153
Total creditors falling due within one year	423,595	725,590

10. CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR

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

					Group and Parent Company	
Issue Date	**Maturity Date**	**Coupon Interest Rate**	**Nominal Amount, in Thousands**		**Fair Value as of 31 December 2014, in Thousands of US$**	**Fair Value as of 31 December 2013, in Thousands of US$**
15 May 2009	15 May 2014	3.38%	£ (GBP)	250,000	-	426,132
15 May 2009	13 June 2014	0.00%	£ (GBP)	16,227	-	31,076
24 June 2009	24 June 2024	0.50%	R (ZAR)	800,000	31,935	31,451
28 June 2010	27 June 2014	4.77%	A$ (AUD)	17,200	-	15,536
28 June 2010	27 June 2014	8.30%	R$ (BRL)	103,300	-	43,433
28 June 2010	29 June 2020	0.50%	R (ZAR)	430,000	24,626	24,903
15 October 2010	15 October 2015	5.50%	A$ (AUD)	35,000	29,654	32,913
8 December 2010	8 December 2015	5.75%	A$ (AUD)	400,000	338,577	376,037
30 March 2011	24 March 2014	7.81%	R$ (BRL)	371,100	-	159,609
28 September 2011	26 September 2014	6.00%	R$ (BRL)	105,000	-	43,325
29 September 2011	30 September 2015	3.40%	A$ (AUD)	12,000	9,977	10,874
29 September 2011	29 September 2016	6.10%	R (ZAR)	650,000	56,116	61,295
28 June 2012	29 June 2015	4.21%	R (ZAR)	471,000	40,322	43,292
28 June 2012	28 December 2016	3.15%	A$ (AUD)	11,500	9,508	10,148
28 June 2012	29 June 2027	0.50%	R (ZAR)	520,000	15,407	14,643
30 July 2012	24 July 2017	3.10%	A$ (AUD)	38,000	31,844	33,589
27 March 2013	19 March 2018	5.31%	R (ZAR)	801,000	65,704	71,055
27 March 2013	19 March 2018	5.34%	· (TRY)	90,000	35,805	36,757
3 July 2013	5 July 2016	Libor+19bps	US$ (USD)	700,000	702,356	701,962
4 December 2014	4 December 2017	Libor+15bps	US$ (USD)	500,000	500,949	-
Total bonds payable					1,892,780	2,168,030
Due within one year					(422,332)	(724,874)
Due after more than one year					1,470,448	1,443,156

11. MOVEMENT OF FUNDS

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
Donated services:				
Administrative support	-	1,109	(1,109)	-
Programme funding to Gavi:				
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

In Thousands of US$	As of 31 December 2012	Incoming Resources	Resources Expended	As of 31 December 2013
Sovereign pledges assigned from Gavi	3,437,362	-	(1,605)	3,435,757
Investment and interest income	64,228	3,752	-	67,980
Other gains (losses) and other income (expenses)	(88,535)	223,871	(83,710)	51,626
Donated services:				
Administrative support	-	1,096	(1,096)	-
Programme funding to Gavi:				
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	430,307	228,719	(86,411)	572,615

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$	2014	2013
Sovereign pledges	3,152,729	3,362,027
Cash, investments and derivatives	(71,371)	(113,745)
Total credit exposure	3,081,358	3,248,282

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 2014.

The Grantors' credit ratings as of 31 December 2014 and 2013, as determined by Standard and Poor's Ratings Service ("S&P"), were:

Grantor	2014	2013
Commonwealth of Australia	AAA	AAA
Republic of France	AA	AA
Republic of Italy	BBB-	BBB
State of the Netherlands	AA+	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, Investments and Derivatives: The World Bank, an AAA credit-rated institution, managed IFFIm's credit risk related to cash, investments and derivatives. The World Bank managed the risk on derivative contracts by serving as the counterparty for all IFFIm's swaps.

To manage credit risk related to investments, the World Bank invests in highly rated Liquid Assets. The World Bank was limited to investments with the following minimum credit ratings 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$	2014	2013
Instruments and securities rated AAA	447,276	608,282
Instruments and securities rated AA+	28,600	133,017
Instruments and securities rated AA	158,411	60,611
Instruments and securities rated AA-	98,651	90,006
Instruments and securities rated A+	209,501	1,407
Instruments and securities rated A	21,778	24,799
Instruments and securities rated A-	39,630	63,517
Instruments and securities rated BBB+	7,900	43,132
Total funds held in trust	**1,011,747**	1,024,771

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.

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 2014, the calculated minimum liquidity was US$ 514.5 million and the value of IFFIm's Liquid Assets was

US$ 1,015 million. As of 31 December 2013, the calculated minimum liquidity was US$ 774 million and the value of IFFIm's Liquid Assets was US$ 1,025 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 2014, 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 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)

As of 31 December 2013, in Thousands of US$	**Total Cash Outflows**	**Due in Less than One Year**	**Due in 2015**	**Due in 2016**	**Due from 2017 through 2030**
Bonds payable	(2,563,385)	(769,432)	(495,451)	(801,035)	(497,467)
Grants payable to Gavi	(507,064)	(150,000)	(357,064)	-	-
Derivative financial liabilities	(1,254,385)	(144,351)	(91,575)	(99,101)	(919,358)
Total undiscounted maturities	(4,324,834)	(1,063,783)	(944,090)	(900,136)	(1,416,825)

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 net cash flows from all of IFFIm's derivative financial instruments:

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)

As of 31 December 2013, in Thousands of US$	Total Cash Inflows (Outflows)	Due in Less than One Year	Due in 2015	Due in 2016	Due from 2017 through 2030
Derivative financial assets	144,123	96,891	16,701	10,499	20,032
Derivative financial liabilities	(1,254,385)	(144,351)	(91,575)	(99,101)	(919,358)
Net cash inflows (outflows)	(1,110,262)	(47,460)	(74,874)	(88,602)	(899,326)

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 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

As of 31 December 2013, in Thousands of US$	Foreign Currency Assets	Foreign Currency Liabilities	Net Exposure
Australian dollar	608,779	(618,737)	(9,958)
Brazilian real	246,397	(246,367)	30
Euro	1,436,869	(1,716,149)	(279,280)
British pound	2,089,291	(2,306,681)	(217,390)
Japanese yen	-	(27)	(27)
Norwegian krone	138,240	(155,571)	(17,331)
New Zealand dollar	2	-	2
Swedish krona	18,339	(20,376)	(2,037)
Turkish lira	37,192	(36,757)	435
South African rand	254,000	(246,639)	7,361

The following exchange rates applied during the year:

In US$	Average Rate for the Year Ended 31 December 2014	Spot Rate as of 31 December 2014	Average Rate for the Year Ended 31 December 2013	Spot Rate as of 31 December 2013
Australian dollar	0.9026	0.8207	0.9678	0.8942
Brazilian real	0.4249	0.3763	0.4634	0.4234
Euro	1.3287	1.2156	1.3282	1.3767
British pound	1.6477	1.5609	1.5648	1.6525
Japanese yen	0.0094	0.0084	0.0102	0.0095
Norwegian krone	0.1585	0.1347	0.1700	0.1647
New Zealand dollar	0.8307	0.7838	0.8202	0.8221
Swedish krona	0.1457	0.1293	0.1535	0.1560
Turkish lira	0.4567	0.4297	0.5244	0.4674
South African rand	0.0922	0.0866	0.1036	0.0950

Sensitivity to Foreign Exchange Rates: Strengthening of the above currencies, against the United States dollar, as of 31 December 2014 and 2013 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 2014		Increase (Decrease) in Deficit for the Year Ended and Net Assets as of 31 December 2013	
	10% Strengthening against US$	10% Weakening against US$	10% Strengthening against US$	10% Weakening against US$
Australian dollar	1,226	(1,499)	905	(1,107)
Brazilian real	-	-	(3)	3
Euro	20,467	(25,015)	25,386	(31,028)
British pound	20,092	(24,557)	19,828	(24,234)
Norwegian krone	1,190	(1,454)	1,576	(1,926)
Swedish krona	141	(172)	186	(228)
Turkish lira	(17)	21	(40)	48
South African rand	(313)	383	(669)	818

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$	2014 Carrying Amount	2013 Carrying Amount
Fixed rate instruments		
Financial assets	693,624	1,229,416
Financial liabilities	(4,318,869)	(5,111,546)
Net fixed rate instruments	(3,625,245)	(3,882,130)
Variable rate instruments		
Financial assets	2,780,375	3,263,688
Financial liabilities	(2,160,850)	(2,688,126)
Net variable rate instruments	619,525	575,562

Sensitivity to Interest Rates: Changes of 25 basis points in interest rates as of 31 December 2014 and 2013 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 2014	Increase (Decrease) in Deficit for the Year Ended and Net Assets as of 31 December 2013
25 basis point increase	5,050	5,949
25 basis point decrease	(5,289)	(6,257)

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$ 2.4 million and US$ 1.7 million for the years ended 31 December 2014 and 2013, 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 2014 Carrying Amount	31 December 2014 Fair Value	31 December 2013 Carrying Amount	31 December 2013 Fair Value
Assets carried at fair value				
Sovereign pledges	3,152,729	3,152,729	3,362,027	3,362,027
Funds held in trust	1,011,747	1,011,747	1,024,771	1,024,771
Derivative financial instruments	2,494	2,494	55,692	55,692
Total assets carried at fair value	4,166,970	4,166,970	4,442,490	4,442,490
Assets carried at amortised cost				
Prepayments	149	149	143	143
Cash	3,349	3,349	22	22
Total assets carried at amortised cost	3,498	3,498	165	165
Liabilities carried at fair value				
Bonds payable	1,892,780	1,892,780	2,168,030	2,168,030
Grants payable to Gavi	507,064	507,064	507,064	507,064
Derivative financial instruments	1,088,961	1,088,961	1,194,230	1,194,230
Total liabilities carried at fair value	3,488,805	3,488,805	3,869,324	3,869,324
Liabilities carried at amortised cost				
Accounts payable	1,263	1,263	716	716
Total liabilities carried at amortised cost	1,263	1,263	716	716

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 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

As of 31 December 2013, in Thousands of US$	Level 1	Level 2	Level 3	Total
Financial assets				
Sovereign pledges	-	-	3,362,027	3,362,027
Funds held in trust	207,600	817,171	-	1,024,771
Derivative financial instruments	-	55,692	-	55,692
Total financial assets	207,600	872,863	3,362,027	4,442,490
Financial liabilities				
Bonds payable	-	2,168,030	-	2,168,030
Grants payable to Gavi	-	507,064	-	507,064
Derivative financial instruments	-	1,194,230	-	1,194,230
Total financial liabilities	-	3,869,324	-	3,869,324

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

In Thousands of US$	2014	2013
Balance as of the beginning of the year	3,362,027	3,562,142
Donor payments	(294,977)	(267,168)
Fair value gains	85,679	67,053
Balance as of the end of the year	3,152,729	3,362,027

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 2014 was as follows:

Country	Country Weighting	Total Share
South Sudan, Sudan	0.5%	1%
Afghanistan, Angola, Armenia, Aserbaijan, 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 14.5% and 14.9% as of 31 December 2014 and 2013 respectively. 1% decreases in the GPC Fair Value Adjustment as of 31 December 2014 and 2013 would have resulted in increases in the fair values of sovereign pledges of US$ 37 million and US$ 40 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 2014, 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 2014, market based discount rates ranging from 0% to 5.5% 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 2014 and 2013, the changes in the fair values of bonds payable that were attributable to IFFIm's own credit spreads were decreases of US$ 6 million and US$ 13 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 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)

In Thousands of US$	Fair Value as of 31 December 2012	Cash Flows and Fair Value Movements	Fair Value as of 31 December 2013
Cash	549	(527)	22
Bonds payable	(1,937,002)	(213,173)	(2,150,175)
Funds held in trust	546,648	478,123	1,024,771
Total	(1,389,805)	264,423	(1,125,382)

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

In Thousands of US$	2014	2013
Increase (decrease) in cash	3,327	(527)
(Decrease) increase in funds held in trust	(13,024)	478,123
Cash outflows (inflows) from financing activities	217,024	(477,661)
Fair value gains (losses) on bonds	45,849	264,488
Movement in net debt in the period	253,176	264,423
Net debt as of the beginning of the year	(1,125,382)	(1,389,805)
Net debt as of the end of the year	(872,206)	(1,125,382)

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.
- GFA: GFA was a private company limited by guarantee and incorporated in the United Kingdom under the Companies Act 1985. GFA received irrevocable and legally binding pledges from donor governments and assigned the pledges to IFFIm. GFA was wound up by a member's voluntary liquidation in 2013.
- 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.

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$	2014	2013
Gavi		
Accounts payable to Gavi	372	153
Programme grants payable to Gavi	507,064	507,064
In-kind contributions received from Gavi	1,109	1,096

18. COMMITMENT AND CONTINGENCIES

The trustees are not aware of any commitments or contingencies as of 31 December 2014 or 2013.

19. CURRENT TAX

IFFIm is a registered United Kingdom charity and, as such, is exempt from United Kingdom taxation of income and gains falling within 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 2014 or 2013. 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.

INDEPENDENT AUDITOR'S REPORT

KPMG

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 Company for the year ended 31 December 2014. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an 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 2014 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 matter prescribed by the Companies Act 2006

In our opinion the information in the Trustees' Annual Report which constitutes the Annual Report of the Trustees 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; or
- the trustees were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

/s/ Michael Peck

Michael Peck
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
Canary Wharf
London E14 5GL
15 June 2015