



December 31, 2011

Trust Fund for the Global Fund to Fight Aids, Tuberculosis and Malaria

Administered by the International Bank for Reconstruction and Development as
Trustee

World Bank Reference: TF069001

**Special Purpose Financial Statements and Independent
Auditors' Report**

The World Bank Group

Trust Funds Division, Client Services Department
Controller's Vice Presidency

www.worldbank.org

Trust Fund for the Global Fund to Fight Aids, Tuberculosis and Malaria

Special Purpose Financial Statements

December 31, 2011

Table of Contents

	Page
Independent Auditors' Report	1
Special Purpose Statements of Assets and Liabilities, and Uncommitted Funds Held in Trust	2
Special Purpose Statements of Activities and Changes in Uncommitted Fund Held In Trust	3
Statements of Cash Flows	4
Notes to the Special Purpose Financial Statements	5-22



KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

The Board of Executive Directors of
International Bank for Reconstruction and Development,
as Trustee for the Trust Fund for the Global Fund to Fight Aids, Tuberculosis and Malaria:

We have audited the accompanying special purpose statements of assets and liabilities, and uncommitted funds held in trust of the Trust Fund for the Global Fund to Fight Aids, Tuberculosis and Malaria (the Trust Fund) as of December 31, 2011 and 2010, and the related special purpose statements of activities and change in uncommitted funds held in trust and cash flows for the years then ended. These special purpose financial statements are the responsibility of management of the International Bank for Reconstruction and Development (Trustee). Our responsibility is to express an opinion on these special purpose financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the special purpose financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements, assessing the basis of special purpose presentation used and significant estimates made by management, as well as evaluating the overall special purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying special purpose financial statements were prepared for the purpose of reflecting the sources and applications of contributions received from donors and uncommitted funds held in trust as discussed in note 2, and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America or International Financial Reporting Standards.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the assets and liabilities of the Trust Fund as of December 31, 2011 and 2010, and the revenues, expenses, and cash flows for the years then ended, on the basis of accounting described in note 2.

This report is intended solely for the information and use of the addressee and the donors to the Trust Fund, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 29, 2012

SPECIAL PURPOSE STATEMENTS OF ASSETS AND LIABILITIES, AND UNCOMMITTED FUNDS HELD IN TRUST

December 31, 2011 and December 31, 2010

All amounts expressed in U.S. dollars unless otherwise noted

	2011	2010
ASSETS		
Share of cash and investments in the Pool (Note 8 & 9)	\$ 5,415,360,553	\$ 5,291,106,201
Promissory notes receivable (Note 4)	544,323,200	654,387,921
Contributions receivable, net (Note 5)	1,441,835,710	257,189,789
Total assets	\$ 7,401,519,463	\$ 6,202,683,911
 LIABILITIES AND UNCOMMITTED FUNDS HELD IN TRUST		
Liabilities		
Committed for grants (Note 6)	\$ 4,311,374,195	\$ 4,489,477,386
Committed for administrative budgets and trustee fees (Note 7)	43,286,494	61,619,225
Total liabilities	\$ 4,354,660,689	\$ 4,551,096,611
 UNCOMMITTED FUNDS HELD IN TRUST		
Unrestricted	\$ 2,999,051,349	\$ 1,457,948,259
Restricted (Note 3)	47,807,425	193,639,041
Total uncommitted funds held in trust	\$ 3,046,858,774	\$ 1,651,587,300
 Total liabilities and uncommitted funds held in trust	 \$ 7,401,519,463	 \$ 6,202,683,911

The notes to Special Purpose Financial Statements are an integral part of these Statements.

SPECIAL PURPOSE STATEMENTS OF ACTIVITIES AND CHANGE IN UNCOMMITTED FUNDS HELD IN TRUST

For the years ended December 31, 2011 and December 31, 2010

All amounts expressed in U.S. dollars unless otherwise noted

	2011	2010
Revenues		
Contributions	\$ 4,248,610,218	\$ 2,298,444,064
Net investment income	84,802,186	147,963,148
Total revenues	\$ 4,333,412,404	\$ 2,446,407,212
Expenses		
Commitments made for grants (Note 6)	2,596,895,559	3,165,887,709
Net commitments made for administrative budgets and trustee fees (Note 7)	270,952,775	280,397,407
Total expenses	2,867,848,334	3,446,285,116
Foreign currency exchange loss	(69,251,128)	(41,285,329)
Provision for doubtful receivables	(1,041,468)	(600,000)
	(70,292,596)	(41,885,329)
Change in uncommitted funds held in trust	1,395,271,474	(1,041,763,233)
Uncommitted funds held in trust, beginning of the year	1,651,587,300	2,693,350,533
Uncommitted funds held in trust, end of the year	\$ 3,046,858,774	\$ 1,651,587,300

The notes to Special Purpose Financial Statements are an integral part of these Statements.

SPECIAL PURPOSE STATEMENTS OF CASH FLOWS

For the years ended December 31, 2011 and December 31, 2010

All amounts expressed in U.S. dollars unless otherwise noted

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Cash contributions received	\$ 3,130,481,386	\$ 2,824,036,912
Disbursements for grants	(2,767,212,127)	(3,076,919,720)
Disbursements for administrative budgets and trustee fees	(289,285,506)	(282,809,760)
Net (purchase)/sale of share of cash and investments in the pool	(73,983,753)	535,692,568
Net cash from operating activities	-	-
Cash, beginning of the year	-	-
Cash, end of the year	\$ -	\$ -
 Reconciliation of Change in Uncommitted Funds Held in Trust to Net cash from operating activities		
Change in uncommitted funds held in trust	\$ 1,395,271,474	\$ (1,041,763,233)
Adjustments to reconcile change in Uncommitted funds held in trust to net cash provided by operating activities:		
Provision for doubtful receivables	(1,041,468)	-
(Increase)/decrease in contributions receivable	(1,183,604,453)	313,611,317
Decrease in promissory notes receivable	110,064,721	273,051,670
(Increase)/decrease in committed for grants	(178,103,191)	40,866,026
Decrease in committed for administrative budgets and trustee fees	(18,332,731)	(2,412,353)
Net (infows)/outflows in share of cash and investments in the pool	(124,254,352)	416,646,573
Net cash provided by operating activities	\$ -	\$ -

The notes to Special Purpose Financial Statements are an integral part of these Statements.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2011 and 2010

All amounts expressed in U.S. dollars unless otherwise noted

Note 1 – Organization, Operations, and Trustee Responsibilities

The Global Fund to Fight AIDS, Tuberculosis and Malaria (the “Global Fund”) is an independent, non-profit foundation that was incorporated in Geneva, Switzerland on January 22, 2002. The purpose of the Global Fund is to attract, manage and disburse resources through public-private partnership that will make a sustainable and significant contribution to the reduction of infections, illness and death, thereby mitigating the impact caused by HIV/AIDS, tuberculosis, and malaria in countries in need, and contributing to poverty reduction.

On May 31, 2002, (date of inception, herein after referred to as “Inception”) the Global Fund and the International Bank for Reconstruction and Development (“IBRD”) entered into an agreement (the “Agreement”) to establish this trust fund (the “Trust Fund for the Global Fund to Fight AIDS, Tuberculosis and Malaria” or the “Trust Fund”) administered by IBRD as trustee (the “Trustee”) on behalf of the Global Fund; the Agreement defines the Trustee’s responsibilities. In addition, as Trustee, IBRD is an ex officio member, without voting rights, of the Global Fund Board, and is a member, without voting rights, of the Board’s Finance and Audit Committee, and Policy Strategy Committee.

Under the Agreement, the Trustee may accept contributions into the Trust Fund in the form of cash, promissory notes, letters of credit and similar obligations, which shall be acceptable to the Trustee, directly from public sector contributors, the United Nations Foundation (“UN Foundation”), the Global Fund and other private sector or non-governmental entities by entering into contribution agreements with contributors (the “Donors”). In 2009, the Global Fund established the Affordable Medicines Facility for Malaria (AMFm) aimed at attracting resources for co-payment of malaria related expenses. Contributions received from Donors towards AMFm are recorded as contributions in the Trust Fund and are restricted for AMFm’s activities.

The Trustee commits and disburses the funds from the Trust Fund, only on, and in accordance with, the written instructions of the Global Fund. In accordance with the Agreement, the Trustee has no responsibility to make any investigation into the facts or matters stated in any such written instructions and may rely solely on such written instructions. Upon written request from the Global Fund, the Trustee shall verify that the funds have been transferred to the payee specified in such written instructions. Accordingly, the Trustee does not have any further responsibility under the Agreement to the Donors or the Global Fund for the use by any recipient of any funds transferred from the Trust Fund in accordance with such instructions. Under the Agreement, the privileges and immunities accorded to the IBRD under its Articles of Agreement apply to the assets, operations and transactions of the Trust Fund.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2011 and 2010

All amounts expressed in U.S. dollars unless otherwise noted

Note 2 – Significant Accounting Policies

Basis of Special Purpose Presentation: Due to the nature of the Trust Fund, these special purpose financial statements have been prepared for the specific purpose of reflecting the sources and applications of contributions received from donors and uncommitted funds held in trust, and are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America or International Financial Reporting Standards (IFRS). Certain information, however, pertaining to fair value of financial instruments held in the pooled cash and investments is presented in accordance with the pertinent IFRS pronouncement described in Note 8 and 9. These special purpose financial statements have been prepared solely for the information and use of the Global Fund, IBRD as Trustee, and the Donors to the Trust Fund, and are not intended to be and should not be used by anyone other than these specified parties.

Basis of Accounting – The Trust Fund special purpose financial statements are prepared in accordance with the accounting policies described below:

Share of cash and investments in the Pool– Amounts paid into the Trust Fund, but not yet disbursed, are managed by the Trustee, which maintains an investment portfolio (the “Pool”) for all of the trust funds administered by the IBRD, the International Development Association, the International Finance Corporation, the Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes (the “World Bank Group”). IBRD, on behalf of the World Bank Group maintains all trust fund assets separate and apart from the funds of the World Bank Group.

The Pool is divided into sub-portfolios to which allocations are made based on fund specific investment horizons, risk tolerances and other eligibility requirements set by the Trustee. These sub-portfolios may hold all or a portion of the instruments held by the Pool. Generally, the Pool is invested in financial instruments such as time deposits, money market securities, government and agency obligations, and asset-backed securities. The Pool may also include securities pledged as collateral under repurchase agreements with other counterparties and receivables from resale agreements for which it has accepted collateral. Additionally, the Pool includes derivative contracts such as currency forward contracts, currency swaps, interest rate swaps, and the contracts to purchase or sell mortgage-backed securities to-be-announced (TBAs). Payables and receivables associated with the investment activities are also included in the Pool, as the Pool is accounted for under the accrual basis.

Based on the Trustee’s investment strategy for trust funds, each sub-portfolio is invested in a combination of these asset types consistent with the applicable risk tolerance for that sub-portfolio. The Trustee maintains

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2011 and 2010

All amounts expressed in U.S. dollars unless otherwise noted

the investments on a pooled accounting basis. The pooled investments are classified as held for trading (portfolio with securities acquired or incurred principally for the purpose of selling or repurchasing it in the near term) and are reported at fair value with gains/losses included in net investment income. The Share of Cash and Investments in the Pool represents the Trust Fund's pro-rata share of the Pool's fair value at the end of the reporting period. Purchases and sales within the Pool are accounted for at the trade date. The fair value is based on market quotations, where available. If quoted market prices are not available, fair values are based on generally accepted valuation techniques based on other observable market data. The corresponding proportionate interest income and investment gains/losses, accrue to the Trust Fund in the period in which they occur. The Trust Fund's share of cash and investments in the Pool is not deemed to be equivalent to cash for the purposes of the Statement of Cash Flows.

Contributions, Contributions receivable and Promissory notes receivable – The Trustee holds all contributions for the Trust Fund in trust for the benefit of the Global Fund, and manages them in accordance with the Agreement and/or instructions from the Global Fund. Unconditional contributions are recorded as revenue of the Trust Fund in the statement of activities, and reported by the Trustee upon signature of a contribution agreement between a Donor and the Trustee. Contributions received whose use is limited by donor-imposed purpose have been classified as restricted contributions.

Contributions are paid through payment of cash or by deposit of promissory notes, letter of credit or other similar obligations, payable in periodic installments or on demand. Promissory notes are non-negotiable and non-interest bearing.

Donors satisfy their obligations under the promissory notes, letter of credit or other similar obligations by making cash payments in accordance with the indicative, non binding encashment schedule.

Contributions received in currencies other than the U.S. dollar are converted into U.S. dollars at the market rate of exchange in effect at the transaction date. Promissory notes receivable and Contributions receivable denominated in currencies other than the U.S. dollar at the end of the reporting period are translated into U.S. dollars at the market rate of exchange prevailing at the end of the respective reporting period. Promissory notes receivable and contributions receivable are reported at nominal value, net of an allowance for doubtful receivables, if any.

When promissory notes receivable and contributions receivable are overdue beyond dates specified in the installment schedules, the Trustee reduces the carrying value by recognizing a provision and an allowance for doubtful receivables as specified in the following table:

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2011 and 2010

All amounts expressed in U.S. dollars unless otherwise noted

Contributions receivable from sovereign governments		Contributions receivable from non-government agencies	
Period in arrears	Provision percentage	Period in arrears	Provision percentage
24 months	50%	24 months	50%
36 months	75%	36 months	100%
48 months	100%		

Generally, receivables from non-government agencies and sovereign governments past due beyond 36 and 48 months, respectively are deemed uncollectible and are written-off.

Committed for Administrative Budgets and Trustee Fees – On an annual basis, the Global Fund approves the budget for administrative services to be paid by the Trust Fund to the Global Fund Secretariat. The administrative budgets primarily cover the Global Fund’s operating costs related to the Global Fund Secretariat, as well as the Global Fund’s commitment to its staff provident fund, which provides retirement, death and disability benefits for the employees of the Global Fund. The administrative budgets become commitments of the Trust Fund pursuant to the Global Fund’s board approval and the Trustee’s receipt of written communication from the Global Fund to commit the funds. Upon receipt of written instructions from the Global Fund, the Trustee disburses the committed administrative budgets funds to the Global Fund Secretariat. The Trustee is compensated for the services it provides to the Trust Fund under the Agreement with the Global Fund. On an annual basis, the Global Fund approves the fees to be paid to the Trustee out of the Trust Fund which are disbursed to the Trustee upon receipt of written instructions from the Global Fund. Outstanding committed amounts for administrative budgets and Trustee fees are recognized as liabilities.

Committed for Grants – The Global Fund enters into grant agreements with the recipients of the funds. The grants become commitments of the Trust Fund upon Trustee’s receipt of written instruction from the Global Fund to commit the grant amounts. The Trustee disburses committed funds from the Trust Fund in accordance with the written instructions from the Global Fund. Grant commitments are denominated in either U.S. dollars or Euro as specified by the Global Fund. Outstanding commitments for grants are recognized as liabilities.

Translation of Currencies – The Trust Fund financial statements are presented in U.S. dollars, which is the Trust Fund’s functional and presentation currency. Transactions in currencies other than the U.S. dollar are recorded at the market rates of exchange in effect on the date of the transaction. At the end of each reporting period, assets and liabilities that are not denominated in U.S. dollars are revalued at the market rate of exchange prevailing at the end of the respective reporting period. Any adjustment resulting from currency exchange rate changes is recognized as foreign currency exchange gain/losses.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2011 and 2010

All amounts expressed in U.S. dollars unless otherwise noted

Use of Estimates – The preparation of financial statements requires management to make estimates and assumptions based upon information available as at the date of the financial statements. Actual results could differ from these estimates. Areas in which management makes significant estimates and assumptions in determining the amounts to be recorded relate to fair value of financial instruments.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2011 and 2010

All amounts expressed in U.S. dollars unless otherwise noted

Note 3 – Contributions

From Inception to December 31, 2011, the contribution amounts pledged and paid by the Donors, and the promissory notes and contributions receivable at December 31, 2011 are as follows:

Donor	Currency	Pledged Amounts	Paid in Cash ¹	Promissory Notes Receivable ²	Contributions Receivable ²
Core project³ contributions					
Australia ⁴	Australian dollars	425,000,000	250,000,000	-	170,000,000
Andorra	U.S. dollars	100,000	100,000	-	-
Austria	Euro	1,000,000	1,000,000	-	-
Barbados	U.S. dollars	100,000	100,000	-	-
Belgium	Euro	122,365,756	122,365,756	-	-
Brazil	U.S. dollars	150,000	150,000	-	-
Brunei Darussalam	U.S. dollars	50,000	50,000	-	-
Burkina Faso	U.S. dollars	75,000	75,000	-	-
Canada	U.S. dollars	100,005,514	100,005,514	-	-
Canada	Canadian dollars	1,060,000,019	1,020,000,019	-	40,000,000
China	U.S. dollars	19,999,985	19,999,985	-	-
Cote d'Ivoire	Euro	9,500,000	469,269	-	9,030,731
Denmark	Danish kroner	1,415,000,000	1,415,000,000	-	-
Egypt	Euro	3,325,908	3,325,908	-	-
European Community	Euro	1,138,140,722	1,038,140,722	-	100,000,000
Finland	Euro	19,000,000	15,000,000	-	4,000,000
France	Euro	2,142,000,000	1,860,000,000	232,000,000	50,000,000
Gates Foundation	U.S. dollars	1,400,000,000	650,000,000	-	750,000,000
Germany	Euro	1,127,500,000	1,127,500,000	-	-
Global Fund	U.S. dollars	183,792,933	183,792,933	-	-
Greece	Euro	1,600,000	1,600,000	-	-
Hungary	U.S. dollars	55,000	55,000	-	-
Iceland	Icelandic kronur	30,000,000	30,000,000	-	-
Iceland	U.S. dollars	700,000	700,000	-	-
India	U.S. dollars	9,999,910	9,999,910	-	-
Indonesia	Australian dollars	37,500,000	5,709,363	-	31,790,637
Indonesia	Euro	25,000,000	20,000,000	-	5,000,000
Ireland	Euro	170,000,000	133,390,000	-	36,610,000
Italy	Euro	790,335,717	790,335,717	-	-
Japan	U.S. dollars	1,402,045,175	1,402,045,175	-	-
Kuwait	U.S. dollars	2,500,000	2,500,000	-	-
Korea	U.S. dollars	15,000,000	15,000,000	-	-
Latvia	U.S. dollars	10,000	10,000	-	-
Liechtenstein	U.S. dollars	502,190	502,190	-	-
Liechtenstein	Swiss Francs	400,000	400,000	-	-
Luxembourg ⁵	Euro	21,050,000	21,050,000	-	-
Malaysia	U.S. dollars	100,000	100,000	-	-
Mexico	Mexican peso	1,130,000	1,130,000	-	-
Mexico	U.S. dollars	100,000	100,000	-	-
Monaco	U.S. dollars	132,000	132,000	-	-
Netherlands ⁶	Euro	620,500,000	526,000,000	-	94,500,000
New Zealand	New Zealand dollars	4,450,000	4,450,000	-	-
Nigeria	U.S. dollars	19,080,914	19,044,210	-	36,704
Norway	Norwegian kroner	2,671,882,000	2,671,882,000	-	-
Pakistan	Euro	20,000,000	15,000,000	-	5,000,000
Poland	U.S. dollars	150,000	150,000	-	-

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2011 and 2010

All amounts expressed in U.S. dollars unless otherwise noted

Donor	Currency	Pledged Amounts	Paid in Cash ¹	Promissory Notes Receivable ²	Contributions Receivable ²
Core project³ contributions					
Portugal	U.S. dollars	13,000,000	13,000,000	-	-
Portugal	Euro	1,000,000	1,000,000	-	-
Russian Federation	U.S. dollars	317,000,000	277,000,000	-	40,000,000
Romania	Euro	575,000	575,000	-	-
Rwanda	U.S. dollars	1,000,000	350,000	-	650,000
Saudi Arabia	U.S. dollars	28,000,000	28,000,000	-	-
Singapore	U.S. dollars	1,000,000	1,000,000	-	-
Slovenia	Slovenian tolar	5,400,000	5,400,000	-	-
Slovenia	Euro	160,000	160,000	-	-
South Africa	U.S. dollars	10,145,985	10,145,985	-	-
South Africa	South Africa Rand	1,000,000	1,000,000	-	-
Spain	U.S. dollars	65,000,000	65,000,000	-	-
Spain	Euro	471,569,107	471,569,107	-	-
Sweden	Swedish kronor	4,456,000,000	4,456,000,000	-	-
Switzerland	Swiss francs	61,500,000	53,500,000	-	8,000,000
Switzerland	U.S. dollars	7,478,310	7,478,310	-	-
Thailand	U.S. dollars	10,000,000	9,000,000	-	1,000,000
Tunisia	U.S. dollars	2,000,000	2,000,000	-	-
Uganda	U.S. dollars	1,500,000	1,500,000	-	-
United Kingdom	Pounds sterling	996,974,563	838,974,563	158,000,000	-
United Nations Foundation ⁷	U.S. dollars	71,384,725	66,705,910	-	4,678,815
United States of America	U.S. dollars	6,079,860,563	6,079,860,563	-	-
The World Health Organization (WHO)	U.S. dollars	38,897,279	38,897,279	-	-
Zimbabwe	U.S. dollars	158,462	158,462	-	-
Affordable Medicines Facility for Malaria (AMFm)⁸- restricted					
Gates Foundation	U.S. dollars	20,015,000	20,015,000	-	-
United Kingdom	Pounds Sterling	40,000,000	40,000,000	-	-
WHO	U.S. dollars	130,000,000	130,000,000	-	-

¹ The US dollar equivalent of contributions paid in cash from Inception to December 31, 2011 is \$21,313,677,248 (2010: \$18,183,195,862. Contributions paid in cash for the year ended December 31, 2011 is \$3,130,481,386 (2010: \$2,824,036,912).

² Promissory notes receivable and contributions receivable in the US dollar equivalent as of December 31, 2011 are provided in Notes 4 and 5, respectively.

³ Core projects are for AIDS, Tuberculosis and Malaria.

⁴ During October 2005, Australia and the Trustee agreed on the cancellation of an outstanding contribution receivable of \$A5,000,000, equivalent to \$3,747,500.

⁵ Excludes contribution of €5,000,000 that is payable upon fulfillment of certain conditions stipulated in the contribution agreement.

⁶ During December 2004 and 2010, the Netherlands and the Trustee agreed on the cancellation of an outstanding contribution receivable of €46,000,000 (equivalent to \$61,311,100) and €13,600,000 (equivalent to \$17,829,600).

⁷ Excludes contribution of \$42,465,100 that is payable at the discretion of the United Nations Foundation.

⁸ Contributions to AMFm and investment income earned on AMFm funds are restricted to the use of AMFm activities. From January 1, 2009 to December 31, 2011, investment income of \$5,961,607 (2010: \$3,134,223) was attributed to the AMFm funds. Uncommitted funds held in trust restricted to the use of AMFm activities at December 31, 2011, and December 31, 2010 totaled \$47,807,425 and \$193,639,041, respectively.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2011 and 2010

All amounts expressed in U.S. dollars unless otherwise noted

Note 4 – Promissory Notes Receivable

Donors may deposit non-negotiable and non-interest bearing promissory notes (“Notes”), letters of credit or other similar obligations payable in periodic installments or on demand.

At December 31, 2011 and 2010, the Trust Fund was holding promissory notes from France and the United Kingdom as shown in the tables below:

	France (EUR)	UK (GBP)
For the year ended December 31, 2011		
Balance at the beginning of the year	€ 282,429,500	£ 178,000,000
Note deposits	249,570,500	180,000,000
Note encashments	(300,000,000)	(200,000,000)
Notes receivable balance as at December 31, 2011	€ 232,000,000	£ 158,000,000
For the year ended December 31, 2010		
Balance at the beginning of the year	€ 270,470,000	£ 112,000,000
Note deposits	311,959,500	165,000,000
Note encashments	(300,000,000)	(99,000,000)
Notes receivable balance as at December 31, 2010	€ 282,429,500	£ 178,000,000
Notes receivable maturities at December 31, 2011:		
January 1, 2012 through December 31, 2012	€ 150,000,000	£ 138,000,000
January 1, 2013 through December 31, 2013	82,000,000	20,000,000
	€ 232,000,000	£ 158,000,000

As of December 31, 2011 and 2010, the promissory notes details in U.S. dollars are as follows:

	Total	France	UK
Notes receivable balance at December 31, 2011	\$ 544,323,200	\$ 300,150,000	\$ 244,173,200
Notes receivable balance at December 31, 2010	\$ 654,387,921	\$ 377,989,521	\$ 276,398,400

As of December 31, 2011 and 2010, no promissory notes were past due beyond the dates specified in the contribution agreements.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2011 and 2010

All amounts expressed in U.S. dollars unless otherwise noted

Note 5 – Contributions Receivable, net

As of December 31, 2011 and 2010, outstanding Contributions receivable are as follows:

Donor	Currency	December 31, 2011		December 31, 2010	
		Amount	U.S. dollar equivalent	Amount	U.S. dollar equivalent
Australia	Australian dollar	170,000,000	\$ 172,958,000	-	\$ -
Canada	Canadian dollar	40,000,000	39,217,609	-	-
Cote d'Ivoire	Euro	9,030,731	11,683,508	9,030,731	12,086,279
European Union	Euro	100,000,000	129,375,000	-	-
Finland	Euro	4,000,000	5,175,000	-	-
France	Euro	50,000,000	64,687,500	17,570,500	23,515,479
Gates Foundation	U.S. dollars	750,000,000	750,000,000	-	-
Germany	Euro	-	-	47,500,000	63,571,625
Indonesia	Australian dollar	31,790,637	32,343,794	35,599,860	36,181,918
Indonesia	Euro	5,000,000	6,468,750	10,000,000	13,383,500
Ireland	Euro	36,610,000	47,364,188	45,950,000	61,497,182
Netherlands	Euro	94,500,000	122,259,375	14,500,000	19,406,075
Nigeria	U.S. dollars	36,704	36,704	36,704	36,704
Pakistan	Euro	5,000,000	6,468,750	10,000,000	13,383,500
Russian Federation	U.S. dollars	40,000,000	40,000,000	-	-
Rwanda	U.S. dollars	650,000	650,000	-	-
Switzerland	Swiss Franc	8,000,000	8,510,185	-	-
Thailand	U.S. dollars	1,000,000	1,000,000	1,000,000	1,000,000
United Nations Foundation	U.S. dollars	4,678,815	4,678,815	13,127,527	13,127,527
Total Contributions Receivable			\$ 1,442,877,178		\$ 257,189,789
Less Allowance for doubtful receivable			1,041,468		-
Net Contributions Receivable			\$ 1,441,835,710		\$ 257,189,789
Contributions Receivable maturities:					
January 1, 2009 through December 31, 2009			\$ 2,082,938		\$ 14,654,932
January 1, 2010 through December 31, 2010			45,317,953		83,521,960
January 1, 2011 through December 31, 2011			80,829,425		88,265,644
January 1, 2012 through December 31, 2012			168,011,239		24,891,116
January 1, 2013 through December 31, 2013			356,760,423		22,184,629
January 1, 2014 through December 31, 2030			789,875,200		23,671,508
Total Contributions Receivable			\$ 1,442,877,178		\$ 257,189,789

As of December 31, 2011 and 2010, contributions receivable past due less than twelve months totaled approximately \$81 million and \$84 million, respectively and contributions receivable past due greater than twelve months totaled approximately \$47 million and \$14 million, respectively.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2011 and 2010

All amounts expressed in U.S. dollars unless otherwise noted

Note 6 – Grants

A summary of the commitments and disbursements made for grants for the years ended December 31, 2011 and 2010 is as follows:

	Core projects	AMFm	Total
For the year ended December 31, 2011			
Committed for Grants, beginning of the year	\$ 4,472,477,386	\$ 17,000,000	\$ 4,489,477,386
Commitments made	2,448,236,559	148,659,000	2,596,895,559
Disbursements made	(2,626,553,127)	(140,659,000)	(2,767,212,127)
Currency translation adjustment on euro-denominated commitments (gain)	(7,786,623)	-	(7,786,623)
Committed for Grants, end of the year	\$ 4,286,374,195	\$ 25,000,000	\$ 4,311,374,195
For the year ended December 31, 2010			
Committed for Grants, beginning of the year	\$ 4,448,611,360	\$ -	\$ 4,448,611,360
Commitments made	3,143,887,709	22,000,000	3,165,887,709
Disbursements made	(3,071,919,720)	(5,000,000)	(3,076,919,720)
Currency translation adjustment on euro-denominated commitments (gain)	(48,101,963)	-	(48,101,963)
Committed for Grants, end of the year	\$ 4,472,477,386	\$ 17,000,000	\$ 4,489,477,386

Note 7 – Administrative Budgets and Trustee Fees

A summary of the commitments and disbursements for administrative budgets and trustee fees for the years ended December 31, 2011 and 2010 is as follows:

	Global Fund Secretariat	Trustee	Total
For the year ended December 31, 2011			
Committed for Administrative Budgets and Trustees Fees, beginning of the year	\$ 61,619,225	\$ -	\$ 61,619,225
Commitments made during the year	268,252,775	2,700,000	270,952,775
Disbursements	(286,585,506)	(2,700,000)	(289,285,506)
Committed for Administrative Budgets and Trustee Fees, end of the year	\$ 43,286,494	\$ -	\$ 43,286,494
For the year ended December 31, 2010			
Committed for Administrative Budgets and Trustees Fees, beginning of the year	\$ 64,031,578	\$ -	\$ 64,031,578
Commitments made during the year	277,697,407	2,700,000	280,397,407
Disbursements	(280,109,760)	(2,700,000)	(282,809,760)
Committed for Administrative Budgets and Trustee Fees, end of the year	\$ 61,619,225	\$ -	\$ 61,619,225

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2011 and 2010

All amounts expressed in U.S. dollars unless otherwise noted

Note 8 – Fair Value of Financial Instruments

As discussed in Note 2, the cash and investments of all trust funds administered by the World Bank Group are managed in a pooled investment portfolio. The Trust Fund's share in the Pool is not traded in any market; however, the underlying assets within the Pool are traded and reported at fair value. All investment decisions are made and performance monitored at the Pool level. The disclosure on fair value measurement and fair value hierarchy is therefore at the Pool level. The fair value amount of the Trust Fund's share of cash and investments in the Pool at the end of the reporting period is also disclosed.

Fair Value Measurements

IBRD, on behalf of the World Bank Group, has an established and documented process for determining fair values. Fair value is based upon quoted market prices for the same or similar securities, where available. Financial instruments for which quoted market prices are not readily available are valued based on discounted cash flow models. These models primarily use market-based or independently-sourced market parameters such as yield curves, interest rates, volatilities, foreign exchange rates and credit curves, and may incorporate unobservable inputs. Selection of these inputs involves judgment. The Pool may include financial instruments such as government and agency obligations, time deposits and money market securities, asset-backed securities, securities purchased under resale agreements and securities sold under repurchase agreements, and derivatives.

The techniques applied in determining the fair values of financial instruments are summarized below.

Government and agency obligations and asset-backed securities

Where available, quoted market prices are used to determine the fair value of government and agency obligations and asset-backed securities. For securities for which quoted market prices are not readily available, fair values are determined using model-based valuation techniques, either internally-generated or vendor-supplied, that include the standard discounted cash flow method using market observable inputs such as yield curves, credit spreads, prepayment speeds, foreign exchange rates, and funding spreads.

Time deposits and money market securities

Unless quoted prices are available, time deposits and money market securities are reported at face value, which approximates fair value.

Securities purchased under resale agreements and securities sold under repurchase agreements

Securities purchased under resale agreements and securities sold under repurchase agreements are reported at face value, which approximates fair value.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2011 and 2010

All amounts expressed in U.S. dollars unless otherwise noted

Derivative contracts

Derivative contracts include currency forward contracts, currency swaps, interest rate swaps, and contracts to purchase or sell TBA securities. Derivatives are valued using model based valuation techniques which include the standard discounted cash flow method with market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads.

Fair Vale Hierarchy

Financial instruments representing the pooled investments for all the trust funds administered by the World Bank Group are recorded at fair value and are categorized based on the inputs to the valuation techniques as follows (in order of priority placed on the inputs):

- Level 1: Financial instruments whose values are based on unadjusted quoted prices for identical instruments in active markets.
- Level 2: Financial instruments whose values are based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; or pricing models for which all significant inputs are observable, either directly or indirectly for substantially the full term of the instrument.
- Level 3: Financial instruments whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

When the inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest priority level input that is significant to the fair value measurement of the instrument in its entirety. Thus, a Level 3 fair value measurement of the instrument may include inputs that are observable (Level 2) and unobservable (Level 3).

As of December 31, 2011 and December 31, 2010, the Pool does not have any financial instruments measured at fair value on non-recurring basis.

The following tables present the Pool's fair value hierarchy for financial instruments measured at fair value on a recurring basis as of December 31, 2011 and December 31, 2010. Payables and receivables associated with the investment activities and cash are not included in the fair value hierarchy tables and their carrying amounts approximate their fair values. The Trust Fund's share of the Pool's financial instruments may comprise varying proportions among the three levels.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2011 and 2010

All amounts expressed in U.S. dollars unless otherwise noted

In Millions of U.S. dollars				
	Fair Value Measurements on a Recurring Basis as of December 31, 2011			
	Level 1	Level 2	Level 3	Total
Government and agency obligations	\$ 5,268	\$ 8,318	\$ -	\$ 13,586
Time deposits and money market securities	849	7,374	-	8,223
Asset-backed securities	-	3,610	1	3,611
Securities purchased under resale agreements and securities sold under repurchase agreements	-	(4)	-	(4)
Derivatives, net	-	161	-	161
Total of financial instruments in the Pool at fair value	\$ 6,117	\$19,459	\$ 1	\$ 25,577

In Millions of U.S. dollars				
	Fair Value Measurements on a Recurring Basis as of December 31, 2010			
	Level 1	Level 2	Level 3	Total
Government and agency obligations	\$ 4,271	\$ 7,706	\$ -	\$ 11,977
Time deposits and money market securities	525	9,245	-	9,770
Asset-backed securities ¹	-	3,035	8	3,043
Securities purchased under resale agreements and securities sold under repurchase agreements	(115)	(52)	-	(167)
Derivatives, net ¹	-	(128)	-	(128)
Total of financial instruments in the Pool at fair value	\$ 4,681	\$ 19,806	\$ 8	\$ 24,495

¹ Certain changes to the presentation of the prior year's information have been made to conform to the current year's presentation. Specifically, contracts to purchase or sell mortgage-backed securities TBA which were previously presented as asset-backed securities are now presented as derivatives as well as payables and receivables in the Pool. The effect of the change in presentation of mortgage-backed securities TBA was a \$675.1 million decrease in asset-backed securities, a \$0.2 million decrease in derivatives, net and a \$675.3 million increase in net payables for investments purchased. Therefore, the change in presentation had no impact on the fair value of the Pool for the fiscal year ended December 31, 2010.

During the fiscal years ended December 31, 2011 and December 31, 2010, neither transfers between levels nor securities in level 3 were significant. Therefore, no further disclosures on these items are included.

In the Pool, the carrying values of securities pledged under repurchase agreements with other counterparties as of December 31, 2011 was \$4 million (2010: \$317 million). There are no significant terms and conditions associated with the use of collateral. At December 31, 2011, the Trustee did not hold collateral (2010: \$150 million) that it is permitted to sell or re-pledge in the absence of default. In addition, at December 31, 2011 and December 31, 2010, no securities received by the Trustee as collateral were sold or re-pledged.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2011 and 2010

All amounts expressed in U.S. dollars unless otherwise noted

Trust Fund's Share of the Cash and Investments in the Pool

The Trust Fund's share of the cash and investments in the Pool, which was allocated to a sub-portfolio based on the specific investment horizons, risk tolerances and other eligibility requirements pursuant to the agreements, has a fair value of \$5,415,360,553 as of December 31, 2011 (2010: \$5,291,106,201). The Trust Fund reports its share in the shared pool of investments as one class of financial assets.

The Trust Fund's Share of the Cash and Investments in the Pool by funding source is as follows:

<i>Funding source</i>	<i>December 31, 2011</i>	<i>December 31, 2010</i>
Core project contributions	\$ 5,342,553,128	\$ 5,080,467,160
Affordable Medicine Facility for Malaria (AMFm)	72,807,425	210,639,041
Total share of cash and investments in the Pool	\$ 5,415,360,553	\$ 5,291,106,201

Investment income, net totaling \$84,802,186 was credited to the Trust Fund during the year ended December 31, 2011 (2010: \$147,963,148) based on the Trust Fund's allocated share of the cash and investments in the Pool. The investment income, net, by funding source is as follows:

<i>Funding source</i>	<i>For the year ended December 31, 2011</i>	<i>For the year ended December 31, 2010</i>
Core project contributions	\$ 81,974,802	\$ 144,283,173
Affordable Medicine Facility for Malaria (AMFm)	2,827,384	3,679,975
Total investment income, net	\$ 84,802,186	\$ 147,963,148

According to the contribution agreements between the Donors to AMFm and the Trustee, contributions and investment income earned on the contributions are restricted to the use of AMFm activities.

All other financial assets and financial liabilities are carried at cost, subject to impairment reserves, if any.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2011 and 2010

All amounts expressed in U.S. dollars unless otherwise noted

Note 9 – Risks Arising from Financial Instruments

The Trust Fund's assets consist of its share of cash and investments in the Pool, promissory notes receivable and contributions receivable. The Pool is actively managed and invested in accordance with the investment strategy established for all trust funds administered by the World Bank Group. The objectives of the investment strategy are foremost to maintain adequate liquidity to meet foreseeable cash flow needs and preserve capital and then to maximize investment returns.

The Trust Fund is exposed to market, credit and liquidity risks. There has been no significant change during the financial year, or since the end of the year, to the types of financial risks faced by the Trust Fund or the Trustee's approach to the management of those risks. The exposure and the risk management policies employed by the Trustee to manage these risks are discussed below:

Market risk – The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, currency rates or changes in interest rates. The Trust Fund is exposed to market risk, primarily related to foreign exchange rates and interest rates. The Trustee actively manages the Pool so as to minimize the probability of incurring negative returns over the applicable investment horizon.

- i. Interest Rate Risk* – The Trustee uses a value at risk (VAR) computation to estimate the potential loss in the fair value of the Pool's financial instruments with respect to unfavorable movements in interest rate and credit spreads. The VAR is measured using a parametric/analytical approach. It assumes that the movements in the market risk factors are normally distributed. In constructing the covariance matrix of market risk factors, a time decay factor is applied to weekly market data for the past three years. This approach takes into account three years' historical market observations, while giving more weight to recent market volatility. These inter-relationships are determined by observing interest rate and credit spreads over a five year period of weekly historical data for the calculation of VAR amount. The absolute VAR of the Trust Fund's share of the portfolio over a twelve month horizon, at a 95% confidence level at December 31, 2011 is estimated to be \$44 million (2010: \$83 million). The computation does not purport to represent actual losses in fair value of the Trust Fund's share in the Pool. The Trustee cannot predict actual future movements in such market rates and does not claim that these VAR results are indicative of future movements in such market rates or to be representative of the actual impact that future changes in market rates may have on the Trust Fund's future results or financial position.
- ii. Currency risk* – The risk that the value of a financial instrument will fluctuate because of changes in currency exchange rates when there is a mismatch between assets and liabilities denominated in

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2011 and 2010

All amounts expressed in U.S. dollars unless otherwise noted

any one currency. The Trust Fund's currency risk arises from contribution receivables, promissory note receivables, commitments for grants and the portion of share of cash and investments in the Pool when they are denominated in currency other than in U.S. dollars. In accordance with the Agreement and/or the instructions from the Global Fund, the Trustee maintains the Trust Fund's share of cash and investments in the Pool in U.S. dollars and euros. Promissory notes are held in euros and pound sterling, and the majority of contributions receivable are denominated in euros and pound sterling. Cash contributions received are converted into U.S. dollars on receipt, except when the Global Fund instructs the Trustee to hold selected cash contributions received in euros. Commitments for administrative budgets, trustee fee and the majority of the grants are denominated in U.S. dollars. Commitments for grants that are denominated in euros are sufficiently covered by the portion of the share of cash and investments in the Pool maintained in euro.

The following table details the sensitivity of the Statement of Activities to a strengthening or weakening of the major currencies in which the Trust Fund holds financial assets and liabilities. The percentage movement applied in each currency is based on the average movements in the previous three annual reporting periods. The average movement in the current period is based on beginning and ending exchange rates in each period.

Currency	2011		2010	
	Change %	Amount \$ Million	Change %	Amount \$ Million
Euro	4%	(+/-) 40	3%	(+/-) 20
Pound Sterling	5%	(+/-) 22	16%	(+/-) 44

Credit Risk – The risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Trust Fund's maximum exposure to credit risk at December, 31, 2011 is equivalent to the gross value of the assets in the amount of \$7,402,560,931 (2010: \$6,202,683,911) before deducting the allowance for doubtful receivable. The Trustee does not hold any collateral or credit enhancements except for the repurchase agreements and resale agreements described in Note 8.

The Trustee identifies concentrations of credit risk based mainly on the extent to which the cash and investments in the Pool are held by an individual counterparty. The concentration of credit risk with respect to the Pool of cash and investments is limited because the Trustee has policies that limit the amount of credit exposure to any individual issuer.

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2011 and 2010

All amounts expressed in U.S. dollars unless otherwise noted

The Trustee invests in liquid instruments such as time deposits and money market securities, government and agency obligations, and mortgage-backed securities and derivative contracts. The Trustee limits investments to those financial instruments with minimum credit ratings in the U.S. markets or equivalent as follows:

- Time deposits and money market securities: issued or guaranteed by financial institutions whose senior debt securities are rated at least A-.
- Government and agency obligations: issued or unconditionally guaranteed by government agencies rated at least AA- if denominated in a currency other than the home currency of the issuer, otherwise no rating is required. Obligations issued by an agency or instrumentality of a government, a multilateral organization or any other official entity require a minimum credit rating of AA-.
- Mortgage-backed securities, Asset-backed securities and corporate securities: minimum rating must be AAA.
- Derivatives: counterparties must have a minimum rating of A+.

The following tables present investment holdings in the sub-portfolio in terms of the counterparty credit risk exposure and investment categories as of December 31, 2011 and December 31, 2010.

Counterparty credit ratings	2011	2010
AA- or greater	81%	86%
A- or greater	100%	100%

Types of financial instruments	2011	2010
Government and agency obligations	44%	47%
Time deposits and money market securities	41%	36%
Asset-backed securities	15%	17%
Total	100%	100%

In addition, the Trust Fund is subject to credit risk by contributing donors. Promissory notes receivable and contributions receivable result from mutually signed contribution agreements. The Trustee assesses the uncollectibility of receivables as described in Note 2. Except for receivables as of December 31, 2011 in the amount of \$1,041,468 (2010: Nil) as disclosed in Note 5, the remaining financial assets are deemed unimpaired.

Liquidity risk – The risk that an entity will encounter difficulty in raising liquid funds to meet its commitments. All the financial liabilities are payable on demand. As a policy, the Global Fund makes commitments for administrative budgets, trustee fees and grants only if there are sufficient underlying assets. The Trustee

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2011 and 2010

All amounts expressed in U.S. dollars unless otherwise noted

maintains a significant portion of the Pool in short-term money market deposits to meet disbursement requirements.

Note 10 –Approval of Financial Statements

Subsequent events have been evaluated through March 29, 2012, which is the date the financial statements were authorized to be issued by IBRD's management, in its capacity as the Trustee.