



**International Federation of Red Cross  
and Red Crescent Societies, Geneva**

Independent Auditors' Report  
to the President of the  
International Federation of Red Cross  
and Red Crescent Societies  
on the Consolidated Financial Statements 2017



**KPMG SA**  
**Audit Western Switzerland**  
111 Rue de Lyon  
CH-1203 Geneva

P.O. Box 347  
CH-1211 Geneva 13

Telephone +41 58 249 25 15  
Fax +41 58 249 25 13  
www.kpmg.ch

Independent Auditor's Report to the President of the IFRC on the Consolidated Financial Statements

## **International Federation of Red Cross and Red Crescent Societies, Geneva**

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### **Report on the Audit of the Consolidated Financial Statements**

#### *Opinion*

As independent auditor, we have audited the accompanying consolidated financial statements of the International Federation of Red Cross and Red Crescent Societies ("the Federation"), which comprise the consolidated statement of comprehensive income, the consolidated statements of financial position, changes in reserves and cash flows and notes for the year ended 31 December 2017.

In our opinion, the consolidated financial statements for the year ended 31 December 2017 give a true and fair view of the consolidated financial position of the Federation, its consolidated results of operations and its consolidated cash flows in accordance with International Financial Reporting Standards (IFRS).

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Federation in accordance with the requirements of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Federation's financial reporting process.



*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



*International Federation of Red Cross and Red Crescent Societies, Geneva  
Independent Auditor's Report to the President of the IFRC  
on the Consolidated Financial Statements  
for the year ended 31 December 2017*

We communicate with Management and those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG SA

Hélène Béguin  
*Licensed Audit Expert*

Karina Vartanova  
*Licensed Audit Expert*

Geneva, 17 April 2018

*Enclosure:*

- Consolidated financial statements (statement of comprehensive income, statement of financial position, statement of changes in reserves, statement of cash flows and notes)

## CONSOLIDATED FINANCIAL STATEMENTS 2017

	Page
<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b> .....	4
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b> .....	5
<b>CONSOLIDATED STATEMENT OF CHANGES IN RESERVES</b> .....	6
<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b> .....	7

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Activities and organisation .....	8
2. Statement of compliance and basis of preparation .....	9
3. Functional and presentation currency .....	9
4. Critical accounting estimates and judgements .....	9
5. Voluntary contributions .....	10
6. Services income .....	10
7. Other income .....	10
8. Operating Expenditure .....	11
9. Net finance income / (expense).....	13
10. Other comprehensive income .....	14
11. Cash and cash equivalents .....	14
12. Investments .....	15
13. Receivables .....	16
14. Prepayments and accrued income .....	18
15. Property, vehicles and equipment .....	18
16. Intangible assets .....	18
17. Asset held for sale.....	19
18. Payables .....	19
19. Short-term employee benefits .....	19
20. Provisions .....	19
21. Deferred income and prepaid contributions.....	20
22. Loan .....	20
23. Post-employment defined benefit liability, net .....	20
24. Restricted reserves .....	24
25. Designated reserves .....	25
26. Financial risk management .....	25
27. Leases .....	27
28. Capital commitments .....	28
29. Contingencies .....	28
30. Related parties .....	29
31. Performance against budget.....	31
32. Expenditure by Results against budget (unaudited).....	32
33. Expenditure by Structure against budget (unaudited).....	33
34. Subsequent events.....	33
35. Significant accounting policies .....	34
36. New Standards, Amendments and Interpretations .....	43

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER**

	Note	Restricted 2017 CHF 000s	Unrestricted 2017 CHF 000s	Total 2017 CHF 000s	Total 2016 CHF 000s
<b>OPERATING INCOME</b>					
Voluntary contributions	5	246,468	24,409	270,877	248,012
Services income	6	56,788	-	56,788	53,705
Statutory contributions		-	35,288	35,288	35,119
Other income	7	2,028	926	2,954	2,629
<b>Total OPERATING INCOME</b>		<b>305,284</b>	<b>60,623</b>	<b>365,907</b>	<b>339,465</b>
<b>OPERATING EXPENDITURE</b>					
Humanitarian response		136,545	-	136,545	156,314
Thematic		104,727	-	104,727	99,460
<b>Other resources (Programmes)</b>	8	<b>241,272</b>	<b>-</b>	<b>241,272</b>	<b>255,774</b>
<b>Supplementary services</b>	8	<b>57,825</b>	<b>-</b>	<b>57,825</b>	<b>56,084</b>
<b>Regular resources</b>	8	<b>-</b>	<b>68,874</b>	<b>68,874</b>	<b>56,836</b>
<b>Total OPERATING EXPENDITURE</b>		<b>299,097</b>	<b>68,874</b>	<b>367,971</b>	<b>368,694</b>
<b>NET SURPLUS/(DEFICIT) FROM OPERATING ACTIVITIES</b>		<b>6,187</b>	<b>(8,251)</b>	<b>(2,064)</b>	<b>(29,229)</b>
<b>FINANCE (EXPENSE)/INCOME</b>					
Finance expense	9	(8,143)	(420)	(8,563)	(1,261)
Finance income	9	22	4,508	4,530	3,275
<b>NET FINANCE (EXPENSE)/INCOME</b>		<b>(8,121)</b>	<b>4,088</b>	<b>(4,033)</b>	<b>2,014</b>
<b>NET DEFICIT FOR THE YEAR</b>		<b>(1,934)</b>	<b>(4,163)</b>	<b>(6,097)</b>	<b>(27,215)</b>
<b>OTHER COMPREHENSIVE INCOME that may never be reclassified to income and expenditure statement in a subsequent period</b>					
Actuarial gains on defined benefit plans	23	7,790	14,684	22,474	12,956
<b>OTHER COMPREHENSIVE INCOME that may be reclassified to income and expenditure statement in a subsequent period</b>					
Cash flow hedge - effective portion of changes to fair value	10	-	(36)	(36)	(187)
<b>OTHER COMPREHENSIVE INCOME that is reclassified to income and expenditure statement</b>					
Cash flow hedge - amount reclassified during the year	10	-	187	187	-
<b>Total OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>7,790</b>	<b>14,835</b>	<b>22,625</b>	<b>12,769</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>		<b>5,856</b>	<b>10,672</b>	<b>16,528</b>	<b>(14,446)</b>
<b>Attributable to:</b>					
Restricted reserves	24	5,856	-	5,856	(20,344)
Unrestricted reserves		-	10,672	10,672	5,898
		<b>5,856</b>	<b>10,672</b>	<b>16,528</b>	<b>(14,446)</b>

There were no discontinued operations during the year.

The notes on pages 8 to 44 are an integral part of these consolidated financial statements.

INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES, GENEVA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER

ASSETS	Note	2017 CHF 000s	2016 CHF 000s
<b>Current Assets</b>			
Cash and cash equivalents	11	144,502	158,817
Investments	12	91,914	92,579
Receivables	13	126,029	99,581
Prepayments and accrued income	14	4,977	12,566
Inventories, net		716	985
Asset held for sale	17	1,030	-
<b>Total Current Assets</b>		<u>369,168</u>	<u>364,528</u>
<b>Non-Current Assets</b>			
Receivables	13	54,444	9,821
Investments	12	30,000	-
Property, vehicles and equipment	15	40,383	30,237
Intangible assets	16	1,449	2,093
<b>Total Non-Current Assets</b>		<u>126,276</u>	<u>42,151</u>
<b>Total ASSETS</b>		<u>495,444</u>	<u>406,679</u>
<b>LIABILITIES AND RESERVES</b>			
<b>Current Liabilities</b>			
Payables	18	41,707	28,049
Short-term employee benefits	19	3,996	3,770
Provisions	20	24,779	30,145
Deferred income and prepaid contributions	21	96,532	41,748
<b>Total Current Liabilities</b>		<u>167,014</u>	<u>103,712</u>
<b>Non-Current Liabilities</b>			
Loan	22	33,000	16,000
Post-employment defined benefit liability, net	23	39,177	57,569
Deferred income	21	16,237	5,910
<b>Total Non-Current Liabilities</b>		<u>88,414</u>	<u>79,479</u>
<b>Total LIABILITIES</b>		<u>255,428</u>	<u>183,191</u>
<b>Reserves</b>			
Restricted reserves	24	176,476	169,046
Unrestricted reserves		61,583	52,088
Designated reserves	25	1,957	2,354
<b>Total RESERVES</b>		<u>240,016</u>	<u>223,488</u>
<b>Total LIABILITIES and RESERVES</b>		<u>495,444</u>	<u>406,679</u>

The notes on pages 8 to 44 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN RESERVES  
FOR THE YEAR ENDED 31 DECEMBER**

2017	Notes	Restricted CHF 000s	Unrestricted CHF 000s	Designated CHF 000s	Total CHF 000s
<b>Balance at 1 January</b>		169,046	52,088	2,354	223,488
Opening balance reclassification		1,590	(1,590)	-	-
<b>Transfers to/from reserves</b>					
Increase in operations with temporary deficit financing		(4,486)	-	-	(4,486)
Increase in donor-restricted contributions for specific operations		2,552	-	-	2,552
Unrestricted net deficit for the year		-	(4,163)	-	(4,163)
Increase in Other Comprehensive Income that may never be reclassified to profit or loss					
Actuarial gains on defined benefit plans	23	7,790	14,684	-	22,474
Cash flow hedge - effective portion of changes to fair value	10	-	(36)	-	(36)
Amount reclassified from Other Comprehensive Income to Operating Income and Expenditure	10	-	187	-	187
Total comprehensive income for the year		<u>5,856</u>	<u>10,672</u>	<u>-</u>	<u>16,528</u>
Used during the year		137	710	(847)	-
Allocations during the year		(153)	(297)	450	-
<b>Balance at 31 December</b>	24 & 25	<u><u>176,476</u></u>	<u><u>61,583</u></u>	<u><u>1,957</u></u>	<u><u>240,016</u></u>
2016	Notes	Restricted CHF 000s	Unrestricted CHF 000s	Designated CHF 000s	Total CHF 000s
<b>Balance at 1 January</b>		189,312	46,877	1,745	237,934
<b>Transfers to/from reserves</b>					
Decrease in operations with temporary deficit financing		153	-	-	153
Decrease in donor-restricted contributions for specific operations		(25,582)	-	-	(25,582)
Unrestricted net deficit for the year		-	(1,783)	-	(1,783)
Increase in Other Comprehensive Income that may never be reclassified to profit or loss					
Actuarial gains/ (losses) on defined benefit plans	23	5,088	7,868	-	12,956
Decrease in Other Comprehensive Income that may be reclassified to profit or loss					
Cash flow hedge - effective portion of changes to fair value	10	-	(187)	-	(187)
Total comprehensive (loss)/ income for the year		<u>(20,344)</u>	<u>5,898</u>	<u>-</u>	<u>(14,443)</u>
Used during the year		227	-	(227)	-
Allocations during the year		(149)	(687)	836	-
<b>Balance at 31 December</b>	24 & 25	<u><u>169,046</u></u>	<u><u>52,088</u></u>	<u><u>2,354</u></u>	<u><u>223,491</u></u>

The notes on pages 8 to 44 are an integral part of these consolidated financial statements.



**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER**

	Notes	2017 CHF 000s	2016 CHF 000s
<b>NET DEFICIT FOR THE YEAR</b>		( 6,097)	( 27,215)
<b><u>Adjustment for:</u></b>			
Interest (expense)/income		( 341)	93
Depreciation and amortisation of assets		4,952	5,631
Gain from disposals of fixed assets, net		( 1,068)	( 1,117)
Impairment losses		-	2,808
Donated assets		601	1,052
Movement in fair value of financial assets		( 2,034)	( 1,002)
Unrealised forex difference from cash flow hedges		37	( 187)
Other comprehensive income reclassified to Income and Expenditure		( 187)	-
In-kind property and equipment		( 67)	-
Decrease in provisions		( 5,366)	( 2,444)
		<u>( 3,473)</u>	<u>4,834</u>
<b>OPERATING DEFICIT BEFORE CHANGES IN WORKING CAPITAL</b>		( 9,570)	( 22,381)
<b><u>Changes in working capital</u></b>			
(Increase)/decrease in receivables, net		( 71,087)	9,424
Decrease in prepayments & accrued income		7,593	2,152
Decrease in inventories		269	815
Increase/(decrease) in payables		13,824	( 1,157)
Increase/(decrease) in employee benefit liabilities		4,308	( 721)
Increase in deferred income and prepaid contributions		63,808	549
<b>Net change in working capital</b>		<u>18,715</u>	<u>11,062</u>
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>		9,145	( 11,319)
<b>CASH FLOWS (USED IN)/ GENERATED FROM INVESTING ACTIVITIES</b>			
Acquisition of property, vehicles, equipment and intangibles		( 17,593)	( 10,808)
Acquisition of financial assets at fair value through profit and loss		( 1,943)	( 1,702)
Proceeds from disposals of property, vehicles and equipment		3,947	3,835
Long-term bank deposits placed (original maturities > 1 year)		( 30,000)	-
Proceeds from disposal of non-current investments		4,643	-
Proceeds from cash flow hedges		95	-
Bank interest received, net		31	12
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<u>( 40,820)</u>	<u>( 8,663)</u>
<b>CASH FLOWS GENERATED FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of loan		17,000	11,000
<b>NET CASH FLOWS GENERATED FROM FINANCING ACTIVITIES</b>		<u>17,000</u>	<u>11,000</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		( 14,675)	( 8,982)
<b>CASH &amp; CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		158,817	167,903
Effect of exchange rate fluctuations on cash held		360	( 104)
<b>CASH &amp; CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<u>144,502</u>	<u>158,817</u>

The notes on pages 8 to 44 are an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**1. Activities and organisation**

Founded in 1919, the International Federation of Red Cross and Red Crescent Societies (IFRC) is a membership organisation comprising 190 member Red Cross and Red Crescent societies governed by a Governing Board and with management support provided by a Secretariat with more than 60 delegations strategically located to support activities around the world. The Secretariat headquarters' address is 1, Route de Pré-Bois, 1214 Vernier, Geneva, Switzerland.

In 1996, the IFRC concluded a Status Agreement with the government of Switzerland which recognised the IFRC's international personality and reconfirmed its exemption from all Swiss taxes. The IFRC has been granted observer status at the United Nations.

The General Assembly, composed of delegates from member National Societies, is the supreme governing body of the IFRC. The Governing Board, elected by and from among the members of the General Assembly, has authority to govern the IFRC between meetings of the Assembly, including decision authority on certain financial matters. The Finance Commission, comprising nine members and a Chair elected in a personal capacity by the General Assembly, gives advice on all financial questions affecting the IFRC. The Audit and Risk Commission, comprising five members and a Chair elected in a personal capacity by the General Assembly, gives advice on all audit and risk matters affecting the IFRC.

The IFRC acts under its own constitution with all rights and obligations of a corporate body with a legal personality. The IFRC is solely responsible, to the exclusion of its member National Societies, for all its transactions and commitments.

The IFRC together with national Red Cross and Red Crescent Societies and the International Committee of the Red Cross (ICRC) make up the International Red Cross and Red Crescent Movement.

The IFRC's mission is to improve the lives of vulnerable people by mobilising the power of humanity. Working in support of its 190 member National Societies, the IFRC acts before, during and after disasters and health emergencies to meet the needs and improve the lives of vulnerable people. It does so with impartiality as to nationality, race, gender, religious beliefs, class and political opinions.

The *Strategy 2020* guides the collective plan of action for the IFRC and its member National Societies to respond to the major humanitarian and development challenges of this decade; the IFRC is committed to 'saving lives and changing minds'.

The bi-ennial plan and budget for the IFRC is approved by the General Assembly. Once the plan and budget has been approved, the IFRC's Secretary General and senior management are responsible for securing the projected income and delivering on the plan's objectives.

The activities of the IFRC, as approved in the plan and budget for the years 2016 and 2017, are separated into Other resources budget (Programmes) that includes Humanitarian response, Thematic activities and Supplementary services; and Regular resources budget that includes Governance and Secretariat activities. Humanitarian Response and Thematic activities support National Societies in their programming in support of disaster-affected and vulnerable people, and support individual National Societies in their organisational development. Supplementary Services activities aim to provide cost-effective, relevant and demand driven services to individual and groups of National Societies. Governance and Secretariat activities focus on fulfilling the IFRC's constitutional role to act as the permanent body of liaison and coordination among National Societies representing the Red Cross and Red Crescent globally and providing network wide services. Within each part, the approved plan and budget are further separated into four strategies for implementation and eight areas of focus. These financial statements present the financial results for Other resources as 'Restricted' and for Regular resources as 'Unrestricted'. Performance against approved budget (unaudited), Expenditure by Results against approved budget (unaudited), and Expenditure by Structure against approved budget are shown in notes 31 to 33 to these consolidated financial statements.

These financial statements of the IFRC for the year ended 31 December 2017 are consolidated to include activities of the Geneva secretariat, all IFRC delegations, the International Federation of Red Cross and Red Crescent Societies at the United Nations, Inc. (IFRC at the UN Inc.) and the Foundation for the International Federation of Red Cross and Red Crescent Societies (the Foundation). The IFRC accounts for its interests in certain jointly controlled operations by recognising and measuring the assets and liabilities and related revenues and expenses related to the IFRC interest in the joint operations, for the purposes of these financial statements.

The consolidated financial statements presented do not include the results of the member National Societies. Each of these has its own legal status separate from that of the IFRC and the IFRC exercises no control over them.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**2. Statement of compliance and basis of preparation**

*(a) Statement of compliance*

The consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and are presented in accordance with the IFRC's Financial Regulations. The consolidated financial statements were authorized for issue by the Audit and Risk Commission on 16 April 2018.

Currently, IFRS do not contain specific guidance for non-profit organisations and non-governmental organisations concerning the accounting treatment and the presentation of financial statements. Where IFRS is silent or does not give guidance on how to treat transactions specific to the not-for-profit sector, accounting policies are based on the general principles of IFRS, as detailed in the IASB Framework for the Preparation and Presentation of Financial Statements.

*(b) Basis of preparation*

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets and liabilities which are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Preparation of the consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may, ultimately, differ from those estimates, and the original estimates and assumptions will be modified, as appropriate, in the year in which the circumstances change. Details of critical accounting estimates and judgements are provided in note 4 to these consolidated financial statements.

Details of the IFRC's accounting policies, including changes during the year, are included in notes 35 and 36 of these consolidated financial statements.

*(c) Presentational format of the Consolidated Statement of Comprehensive Income*

The Consolidated Statement of Comprehensive Income presents an analysis of expenditure based on the function for which the IFRC incurred the expenses.

In the 2016-2020 plan and budget approved by the IFRC's General Assembly, there are four strategies for implementation to cover critical IFRC functions, followed by eight programmatic areas of focus representing the thematic areas where National Societies have agreed to partner through the IFRC and where consolidated results will be measured. The plan and budget are supported by a results-based framework and a results-based budget architecture to improve financial management, planning, monitoring and reporting.

*(d) Reclassification of comparative figures*

In 2017, the following changes were made to the 2016 comparative figures for consistency:

In 2016, voluntary contributions received from National Societies but not yet allocated to projects were classified under accounts payable. This has been reclassified under deferred income and prepaid contributions for consistency with 2017, and with 2015 and prior years.

**3. Functional and presentation currency**

The functional and presentation currency of the IFRC is the Swiss Franc, as statutory contributions and operating expenditures are primarily denominated in, and influenced by, the Swiss Franc. The IFRC's operations are not concentrated in any one economic environment, but appeals are always launched in Swiss Francs, and expenditures are budgeted and managed in Swiss Francs. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

**4. Critical accounting estimates and judgements**

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that effect the application of the IFRC's accounting policies and the reported amounts of assets, liabilities, income and expenditure.

The IFRC makes estimates and assumptions concerning the future. These are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events according to relevant

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

circumstances. The resulting accounting estimates will, by definition, rarely equal the related actual results. Revisions to estimates are recognised prospectively.

**(a) Judgements**

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 35A – Basis of Consolidation: whether the IFRC has control over its subsidiaries and classification of joint arrangements;
- Note 35C – Income: whether a voluntary contribution is fully under the control of the IFRC;
- Note 35D – Expenditure: Classification of functional expense categories.

**(b) Estimates and assumptions**

Information about assumption and estimation uncertainties that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, within the next financial year, is included in the following notes:

- Note 23 – Post-employment benefit plans: Key actuarial assumptions;
- Note 35C – Fair value of in-kind contributions: Key assumptions used to estimate value of in-kind contributions;
- Note 35O – Impairment test: Key assumptions underlying recoverable amounts of IFRC assets;
- Note 35R – Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of resource flows.

**5. Voluntary contributions**

	Cash CHF 000s	Goods in-kind CHF 000s	Services in-kind CHF 000s	2017 Total CHF 000s	2016 Total CHF 000s
National Societies	127,586	906	7,467	135,959	148,854
Governments	60,552	-	-	60,552	41,381
Corporations	16,412	-	-	16,412	9,006
Multi-lateral agencies	40,141	-	-	40,141	45,190
Others	17,813	-	-	17,813	3,581
	<u>262,504</u>	<u>906</u>	<u>7,467</u>	<u>270,877</u>	<u>248,012</u>

**6. Services income**

	2017 Restricted CHF 000s	2017 Unrestricted CHF 000s	2017 Total CHF 000s	2016 Total CHF 000s
Service agreements	18,948	-	18,948	36,291
Contracted services	37,840	-	37,840	17,414
	<u>56,788</u>	<u>-</u>	<u>56,788</u>	<u>53,705</u>

**7. Other income**

	2017 Restricted CHF 000s	2017 Unrestricted CHF 000s	2017 Total CHF 000s	2016 Total CHF 000s
Hosted programme membership fees	1,656	-	1,656	1,596
Other income	372	926	1,298	1,033
	<u>2,028</u>	<u>926</u>	<u>2,954</u>	<u>2,629</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

## 8. Operating Expenditure

	Direct costs								Total 2017 CHF 000s	Total 2016 CHF 000s
	(a) (c) Employee benefits CHF 000s	(b) (c) Relief supplies, transportation & storage CHF 000s	Contributions to National Societies CHF 000s	(d) Depreciation & amortisation CHF 000s	Supplementary services cost recoveries CHF 000s	(e) Other costs & allocations CHF 000s	(f) Indirect cost recovery CHF 000s	Pledge fees CHF 000s		
Humanitarian response	32,979	57,351	19,734	12	3,618	13,893	8,111	847	136,545	156,314
Thematic	40,478	13,520	7,245	33	7,805	28,887	5,836	923	104,727	99,460
<b>Total Other resources</b>	<b>73,457</b>	<b>70,871</b>	<b>26,979</b>	<b>45</b>	<b>11,423</b>	<b>42,780</b>	<b>13,947</b>	<b>1,770</b>	<b>241,272</b>	<b>255,774</b>
Administrative services	14,764	431	-	50	(17,691)	10,931	576	-	9,061	9,758
Contracted services	6,546	18,383	536	-	364	5,129	1,055	3	32,016	23,411
Fleet services	-	776	-	-	4,341	1,935	-	-	7,052	7,102
Logistics services	-	8,489	-	-	1,007	200	-	-	9,696	15,813
<b>Total Supplementary services</b>	<b>21,310</b>	<b>28,079</b>	<b>536</b>	<b>50</b>	<b>(11,979)</b>	<b>18,195</b>	<b>1,631</b>	<b>3</b>	<b>57,825</b>	<b>56,084</b>
<b>Total RESTRICTED</b>	<b>94,767</b>	<b>98,950</b>	<b>27,515</b>	<b>95</b>	<b>(556)</b>	<b>60,975</b>	<b>15,578</b>	<b>1,773</b>	<b>299,097</b>	<b>311,858</b>
Regular resources	63,789	1,140	556	4,857	556	15,327	(15,578)	(1,773)	68,874	56,836
<b>Total UNRESTRICTED</b>	<b>63,789</b>	<b>1,140</b>	<b>556</b>	<b>4,857</b>	<b>556</b>	<b>15,327</b>	<b>(15,578)</b>	<b>(1,773)</b>	<b>68,874</b>	<b>56,836</b>
<b>Total OPERATING EXPENDITURE 2017</b>	<b>158,556</b>	<b>100,090</b>	<b>28,071</b>	<b>4,952</b>	<b>-</b>	<b>76,302</b>	<b>-</b>	<b>-</b>	<b>367,971</b>	<b>368,694</b>
<b>Total OPERATING EXPENDITURE 2016</b>	<b>145,027</b>	<b>113,472</b>	<b>22,696</b>	<b>8,440</b>	<b>-</b>	<b>79,059</b>	<b>-</b>	<b>-</b>	<b>368,694</b>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017*8(a) Employee benefit costs*

	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>
	<b>Restricted</b>	<b>Unrestricted</b>	<b>Total</b>	<b>Total</b>
	<b>CHF 000s</b>	<b>CHF 000s</b>	<b>CHF 000s</b>	<b>CHF 000s</b>
Wages and salaries	79,445	53,186	132,631	120,359
Contributed services	7,357	85	7,442	6,589
Termination benefits	399	( 1,306)	( 907)	2,938
Social security costs	1,862	1,074	2,936	2,641
Pension costs - defined benefit plans	5,704	10,750	16,454	12,500
	<u>94,767</u>	<u>63,789</u>	<u>158,556</u>	<u>145,027</u>

Termination benefits include costs arising from restructuring programme (see note 20).

*8(b) Relief supplies, transportation & storage*

	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>
	<b>Restricted</b>	<b>Unrestricted</b>	<b>Total</b>	<b>Total</b>
	<b>CHF 000s</b>	<b>CHF 000s</b>	<b>CHF 000s</b>	<b>CHF 000s</b>
Relief supplies	79,434	-	79,434	98,081
Transportation & storage	19,516	1,140	20,656	15,391
	<u>98,950</u>	<u>1,140</u>	<u>100,090</u>	<u>113,472</u>

*8(c) Operating expenditure in-kind*

In-kind contributions of goods (comprising relief supplies) and services (in the form of staff, transport or leasehold property operating costs) are recognised on the date of receipt of the goods or services, and are recognised equally as both income and expenditure in the Consolidated Statement of Comprehensive Income. The following in-kind contributions are included within total expenditure (see also note 5):

	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>
	<b>Goods</b>	<b>Services</b>	<b>Total</b>	<b>Total</b>
	<b>CHF 000s</b>	<b>CHF 000s</b>	<b>CHF 000s</b>	<b>CHF 000s</b>
Employee benefit costs	-	7,441	7,441	6,589
Relief supplies	906	-	906	2,545
Transportation & storage	-	26	26	292
Leasehold property operating costs	-	1,444	1,444	-
	<u>906</u>	<u>8,911</u>	<u>9,817</u>	<u>9,426</u>

*8(d) Depreciation and amortisation*

	<b>2017</b>	<b>2016</b>
	<b>CHF 000s</b>	<b>CHF 000s</b>
Depreciation of property, plant and equipment	3,825	4,308
Amortisation of intangible assets - computer software	1,127	1,324
Impairment loss on intangible assets - computer software	-	2,808
	<u>4,952</u>	<u>8,440</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

## 8(e) Other costs &amp; allocations

	2017 Restricted CHF 000s	2017 Unrestricted CHF 000s	2017 Total CHF 000s	2016 Total CHF 000s
Workshops & training	15,489	866	16,355	15,329
Administration, office and general	13,650	3,488	17,138	15,955
Vehicles and equipment	5,376	340	5,716	6,969
Travel	9,805	3,640	13,445	12,262
Consultancy fees	6,818	653	7,471	7,053
Information	4,019	1,048	5,067	5,044
Other costs and allocations	5,818	5,292	11,110	16,447
	<u>60,975</u>	<u>15,327</u>	<u>76,302</u>	<u>79,059</u>

There are no specific, material or unusual amounts included within Other costs and allocations. Included in other costs and allocations is provision for operations, where there was a decrease in the value of operational advances that have not been reported on by the reporting date (see note 20).

## 8(f) Indirect cost recovery, net

	2017 Restricted CHF 000s	2017 Unrestricted CHF 000s	2017 Total CHF 000s	2016 Total CHF 000s
Programme and services support recovery	15,578	( 15,578)	-	-
	<u>15,578</u>	<u>( 15,578)</u>	<u>-</u>	<u>-</u>

In keeping with the IFRC's principle of full cost recovery, the direct costs of programmes and services are subject to 6.5% indirect cost recovery to fund the costs of providing indirect support services, essential to the success of operations. The support for 2017 amounted to CHF 15,578k (2016: CHF 16,371k) and is added to unrestricted reserves.

## 9. Net finance income / (expense)

	2017 Restricted CHF 000s	2017 Unrestricted CHF 000s	2017 Total CHF 000s	2016 Total CHF 000s
Interest income on bank deposits	-	6	6	12
Interest income on loan to 3rd party	22	-	22	-
Interest income on global bond fund	-	1,564	1,564	1,683
Dividend income on global equity fund	-	550	550	529
Net foreign exchange gains on pledge settlements	-	367	367	-
Net foreign exchange gains on revaluations of assets & liabilities	-	-	-	49
Net change in fair value of financial assets at fair value through profit or loss	-	1,926	1,926	1,002
Net realised gains from cash flow hedge	-	95	95	-
Finance income	<u>22</u>	<u>4,508</u>	<u>4,530</u>	<u>3,275</u>
Net foreign exchange losses on pledge settlements	( 7,597)	-	( 7,597)	( 1,261)
Net foreign exchange (losses) on revaluations of assets & liabilities	( 546)	( 420)	( 966)	-
Finance expense	<u>( 8,143)</u>	<u>( 420)</u>	<u>( 8,563)</u>	<u>( 1,261)</u>
<b>Net finance (expense)/income</b>	<u>( 8,121)</u>	<u>4,088</u>	<u>( 4,033)</u>	<u>2,014</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

## 10. Other comprehensive income

Cash flow hedges	2017	2017	2016	2016
	CHF 000s	CHF 000s	CHF 000s	CHF 000s
	Contract value	Fair value balance	Contract value	Fair value balance
Currency swaps in Euros	6,253	( 55)	3,893	34
Currency swaps in United States Dollars	1,027	19	6,935	( 221)
Total cash flow hedges	<u>7,280</u>	<u>( 36)</u>	<u>10,828</u>	<u>( 187)</u>
<b>Movement in Other Comprehensive Income that may be reclassified to Profit or Loss in subsequent period</b>		<b>2017</b>		<b>2016</b>
		<b>CHF 000s</b>		<b>CHF 000s</b>
Cash flow hedge - effective portion of changes to fair value		36		187
Amount reclassified from Other Comprehensive Income to Operating Income and Expenditure statement		( 187)		-
		<u>( 151)</u>		<u>187</u>
<b>Expected cash flows in subsequent period</b>	<b>2017</b>	<b>Contractual cash flows</b>	<b>2016</b>	<b>Contractual cash flows</b>
	<b>CHF 000s</b>	<b>CHF 000s</b>	<b>CHF 000s</b>	<b>CHF 000s</b>
	Carrying value	1 - 6 months	Carrying value	1 - 6 months
<b>Forward exchange contracts used for hedging</b>				
- Outflow	( 55)	( 7,279)	( 221)	( 10,828)
- Inflow	19	7,287	34	10,924
	<u>( 36)</u>	<u>8</u>	<u>( 187)</u>	<u>96</u>

In 2017, the IFRC entered into foreign currency futures contracts with final maturities of 4 April 2018 in order to hedge the foreign exchange risk of receiving statutory contributions of CHF 6,253k in Euros and CHF 1,027k in US Dollars. The hedges were designated as cash flow hedges for hedge-accounting purposes. At 31 December 2017, the futures contracts had a net negative fair value of CHF 36k that is included in Other Comprehensive Income, which will be recycled to Operating Income and Expenditure when the statutory contributions are recognised in 2018. In 2017, there was no hedge ineffectiveness from the futures contracts, and the amounts recycled to Operating Income and Expenditure was CHF 187k.

## 11. Cash and cash equivalents

	2017	2016
	CHF 000s	CHF 000s
Cash in hand	477	536
Cash at bank	60,480	59,678
Bank deposits (original maturities < 3 months)	<u>83,545</u>	<u>98,603</u>
	<u>144,502</u>	<u>158,817</u>

Cash and cash equivalents are denominated in the following currencies:

	2017	2016
	CHF 000s	CHF 000s
<b>Currency</b>		
Swiss Franc	136,181	151,809
United States Dollar	3,808	3,500
Euro	3,020	1,426
Malaysian Ringgit	201	98
Central African CFA Franc	155	293
Other currencies	1,137	1,691
	<u>144,502</u>	<u>158,817</u>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

The credit quality of cash and cash equivalents and short-term investments and non-current investments can be assessed by reference to external credit ratings where available as follows:

	2017 CHF 000s	2016 CHF 000s
<b>Cash and cash equivalents</b>		
Fitch ratings		
AAA	912	717
AA-	45,037	234
A+	139	63,767
A	42,852	43,585
A-	52,278	42,291
BBB+	103	94
BB+	43	-
BBB-	-	125
BB+	11	39
BB	-	-
BB-	51	276
B	198	338
Unrated	1,401	1,815
Other ratings: Short term bank deposit - S&P's AA (Glamer KantonalBank)	1,000	5,000
Cash in hand	477	536
	<u>144,502</u>	<u>158,817</u>
<b>Short-term investments</b> (see note 12)		
Moody's Aa2 (Banque Raffeissen)	<u>10,000</u>	<u>10,000</u>
<b>Non-current investments</b> (see note 12)		
Moody's Aa2 (Banque Raffeissen)	10,000	-
S&P's AA+ (Banque Cantonale Fribourg)	20,000	-
	<u>30,000</u>	<u>-</u>
In 2017, CHF 1,400k of cash at bank were held with unrated institutions (2016: CHF 1,816k). Due diligence has been performed on these banks, and management does not consider there is any significant counter-party risk arising from the IFRC's holdings with these banks.		
<b>12. Investments</b>		
	2017 CHF 000s	2016 CHF 000s
<b>Short-term investments</b> (see note 11)		
Short-term bank deposits (original maturities > 3 months)	<u>10,000</u>	<u>10,000</u>
<b>Total short-term investments</b>	<u>10,000</u>	<u>10,000</u>
<b>Financial assets at fair value through profit and loss</b>		
Global bond fund	57,453	57,585
Global equity fund	24,461	24,994
<b>Total financial assets at fair value through profit and loss</b>	<u>81,914</u>	<u>82,579</u>
<b>Non-current investments</b> (see note 11)		
Long-term bank deposits (maturities > 1 year)	<u>30,000</u>	<u>-</u>
<b>Total non-current investments</b>	<u>30,000</u>	<u>-</u>
<b>Total Investments</b>	<u>121,914</u>	<u>92,579</u>
Current investments	91,914	92,579
Non-current investments	<u>30,000</u>	<u>-</u>
	<u>121,914</u>	<u>92,579</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

## 13. Receivables

	2017 CHF 000s	2016 CHF 000s
<b>Accounts receivable</b>		
Voluntary contributions	149,397	75,782
Provision for doubtful voluntary contributions receivable	( 604)	( 207)
	<u>148,793</u>	<u>75,575</u>
National Societies	21,150	29,722
Provision for National Societies accounts receivable	( 1,322)	( 1,302)
	<u>19,828</u>	<u>28,420</u>
Statutory contributions	32,355	29,669
Provision for unpaid statutory contributions	( 32,355)	( 29,669)
	<u>-</u>	<u>-</u>
Other accounts receivable	2,485	1,466
Provision for other accounts receivable	( 82)	( 224)
	<u>2,403</u>	<u>1,242</u>
<b>Total accounts receivable, net</b>	<u>171,024</u>	<u>105,237</u>
Advances to employees	977	696
Taxes refundable	1,176	1,403
Sundry receivables	2,038	2,032
Fair value of cash flow hedges	18	34
Contract assets	5,240	-
<b>Total other receivables</b>	<u>9,449</u>	<u>4,165</u>
<b>Total Receivables</b>	<u>180,473</u>	<u>109,402</u>
Current receivables	126,029	99,581
Non-current receivables - voluntary contributions	54,444	9,821
	<u>180,473</u>	<u>109,402</u>

Full provision is made for all statutory contributions outstanding at the year end. This does not invalidate the obligation of member National Societies to pay amounts due.

In 2017, CHF 166k of statutory contributions arrears due from National Societies in default (2016: CHF 2k) and CHF 1,150k due from the American Red Cross Society (2016: CHF 1,150k), which had not been previously recognised in the Consolidated Statement of Comprehensive Income, were received, and have therefore been recognised in the 2016 Consolidated Statement of Comprehensive Income.

CHF 22,605k (2016: CHF 22,639k) of the CHF 32,355k (2016: CHF 29,669k) statutory contributions which are entirely provided for, have not yet been recognised in the Consolidated Statement of Comprehensive Income (see note 35C).

The ageing of receivables after provisions as follows:

	2017 CHF 000s	2016 CHF 000s
Not past due	116,051	56,478
Past due 1-60 days	8,458	6,566
Past due 61-90 days	3,480	2,026
Past due more than 90 days	52,484	44,332
	<u>180,473</u>	<u>109,402</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

Movements of the provisions for impaired receivables are as follows:

	Provision for voluntary contributions receivable CHF 000s	Provision for national societies accounts receivable CHF 000s	Provision for unpaid statutory contributions CHF 000s	Provision for other accounts receivable CHF 000s	Total CHF 000s
<b>2017</b>					
Balance at 1 January	207	1,302	29,669	224	31,402
Receivables written off during the year	-	( 176)	-	( 140)	( 316)
Unused amounts reversed	( 207)	( 886)	( 18)	( 74)	( 1,185)
Additional provisions	604	1,082	2,704	72	4,462
<b>Balance at 31 December</b>	<b>604</b>	<b>1,322</b>	<b>32,355</b>	<b>82</b>	<b>34,363</b>
<b>2016</b>					
Balance at 1 January	546	1,588	26,598	-	28,732
Receivables written off during the year	( 35)	( 257)	-	-	( 292)
Unused amounts reversed	( 503)	( 252)	( 3,630)	-	( 4,385)
Additional provisions	199	223	6,701	224	7,347
<b>Balance at 31 December</b>	<b>207</b>	<b>1,302</b>	<b>29,669</b>	<b>224</b>	<b>31,402</b>

A provision for impairment is made when there is objective evidence that the IFRC will not be able to collect all amounts due according to the original terms of the receivable. Amounts not provisioned are considered collectable in full and are therefore not impaired.

The maximum exposure to credit risk for receivables at the reporting date by type of debtor was:

	2017 CHF 000s	2016 CHF 000s
<b>Receivables</b>		
National Societies	51,483	53,297
Governments	70,553	26,217
Corporation	1,466	1,287
Multi-lateral agency	43,182	23,641
Others	13,789	4,960
	<u>180,473</u>	<u>109,402</u>

Receivables before provisions are denominated in the following currencies:

	2017 CHF 000s	2016 CHF 000s
<b>Currency</b>		
Swiss Franc	28,693	22,883
United States Dollar	49,746	32,257
Euro	57,562	35,128
Pound Sterling	25,531	2,062
Swedish Kroner	7,477	2,402
Other currencies	11,464	14,670
	<u>180,473</u>	<u>109,402</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

## 14. Prepayments and accrued income

	2017 CHF 000s	2016 CHF 000s
Prepayments	3,211	2,068
Advance payments to contractors	3	167
Accrued services income	1,759	10,331
Accrued interest income	4	-
	<u>4,977</u>	<u>12,566</u>

## 15. Property, vehicles and equipment

	Property CHF 000s	Vehicles CHF 000s	Other equipment CHF 000s	2017 Total CHF 000s	2016 Total CHF 000s
<i>Cost or valuation</i>					
Balance at 1 January	9,689	32,847	4,671	47,207	49,115
Additions	13,589	4,662	180	18,431	10,267
Disposals and write offs	-	( 7,721)	( 1,682)	( 9,403)	( 12,175)
Reclassification to asset held for sale	-	( 1,618)	-	( 1,618)	-
<b>Balance at 31 December</b>	<u>23,278</u>	<u>28,170</u>	<u>3,169</u>	<u>54,617</u>	<u>47,207</u>
<i>Accumulated depreciation and value adjustments</i>					
Balance at 1 January	( 685)	( 12,132)	( 4,153)	( 16,970)	( 21,066)
Depreciation charge for the year	( 60)	( 3,570)	( 195)	( 3,825)	( 4,308)
Disposals	-	4,291	1,682	5,973	8,404
Reclassification to asset held for sale	-	588	-	588	-
<b>Balance at 31 December</b>	<u>( 745)</u>	<u>( 10,823)</u>	<u>( 2,666)</u>	<u>( 14,234)</u>	<u>( 16,970)</u>
<b>Net book value at 31 December</b>	<u>22,533</u>	<u>17,347</u>	<u>503</u>	<u>40,383</u>	<u>30,237</u>
<b>Net book value at 1 January</b>	<u>9,004</u>	<u>20,715</u>	<u>518</u>	<u>30,237</u>	<u>28,049</u>

Included within Property figures above is CHF 21,359 (2016: CHF 8,978k) related to work in progress for the construction of a new IFRC office building at the Geneva headquarters (see notes 22 and 34), and CHF 1,370k (2016: Nil) related to in-kind property recognition. Other equipment primarily includes computer equipment, generators, rubhalls and office equipment. See note 27 for details of amounts included in the above which are subject to operating leases as lessor.

## 16. Intangible assets

	Computer software CHF 000s	Computer software under development CHF 000s	2017 Total Computer software CHF 000s	2016 Total Computer software CHF 000s
<i>Cost or valuation</i>				
Balance at 1 January	10,174	3,844	14,018	14,023
Additions	73	460	533	541
Transfers	1,192	( 1,192)	-	-
Disposal and write offs	( 554)	( 2,970)	( 3,524)	( 546)
<b>Balance at 31 December</b>	<u>10,885</u>	<u>142</u>	<u>11,027</u>	<u>14,018</u>
<i>Accumulated amortisation and value adjustments</i>				
Balance at 1 January	( 8,955)	( 2,970)	( 11,925)	( 8,340)
Impairment losses	-	-	-	( 2,808)
Amortisation charge for the year	( 1,127)	-	( 1,127)	( 1,323)
Disposals	504	2,970	3,474	546
<b>Balance at 31 December</b>	<u>( 9,578)</u>	<u>-</u>	<u>( 9,578)</u>	<u>( 11,925)</u>
<b>Net book value at 31 December</b>	<u>1,307</u>	<u>142</u>	<u>1,449</u>	<u>2,093</u>
<b>Net book value at 1 January</b>	<u>1,219</u>	<u>874</u>	<u>2,093</u>	<u>5,683</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

## 17. Asset held for sale

	2017	2016
	CHF 000s	CHF 000s
Vehicles	1,030	-
	<u>1,030</u>	<u>-</u>

## 18. Payables

	2017	2016
	CHF 000s	CHF 000s
<b>Accounts payable</b>		
Suppliers	24,532	16,636
National Societies	4,465	2,348
Payroll taxes payable	1,049	1,000
Other	2,806	337
<b>Total accounts payable</b>	<u>32,852</u>	<u>20,321</u>
Accrued expenses	8,800	7,507
<b>Total accrued expenses</b>	<u>8,800</u>	<u>7,507</u>
Fair value of cash flow hedges	55	221
<b>Total other payables</b>	<u>55</u>	<u>221</u>
<b>Total Payables</b>	<u>41,707</u>	<u>28,049</u>

Payables are assessed as falling due within 3 months. Payables are denominated in the following currencies:

	2017	2016
	CHF 000s	CHF 000s
<b>Currency</b>		
Swiss Franc	18,830	18,280
United States Dollar	14,401	6,596
Euro	3,945	2,027
Japanese Yen	1,087	49
Syrian Pounds	686	-
Other currencies	2,758	1,097
	<u>41,707</u>	<u>28,049</u>

## 19. Short-term employee benefits

	2017	2016
	CHF 000s	CHF 000s
Staff vacation accrual	3,864	3,631
Accruals for other short-term benefits	132	139
	<u>3,996</u>	<u>3,770</u>

Short-term employee benefits are assessed as falling due within one year.

## 20. Provisions

	Operations	Pledge and services deficits	Redundancy	2017 Total	2016 Total
	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s
<b>Current provisions</b>					
<b>Balance at 1 January</b>	25,142	3,368	1,635	30,145	32,589
Unused amounts reversed	-	(3,367)	(350)	(3,717)	(2,055)
Used during the year	(25,142)	(565)	(1,916)	(27,623)	(30,763)
Additional provisions	19,804	5,180	990	25,974	30,374
<b>Balance at 31 December</b>	<u>19,804</u>	<u>4,616</u>	<u>359</u>	<u>24,779</u>	<u>30,145</u>

All provisions are current, and the IFRC expects to incur the resultant liabilities within the next year. The ultimate outflow of economic benefits arising from project deficits will be determined by the IFRC's ability to cover the unfunded project expenditure through fund-raising activities. The operations provision includes the estimated costs of cash working advances with National Societies that have not been reported on by the reporting date, together with the estimated costs of other operational liabilities that have been incurred at the reporting date, the timing or amount of which is uncertain. The pledge

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

and services deficit provision includes the estimated costs of covering expenditure on individual pledges and services where expenditure exceeds income recognised at the reporting date. The redundancy provision includes the costs of known redundancies that were announced in 2017 and will be settled within the next twelve months (see note 8 (a)).

**21. Deferred income and prepaid contributions**

	<b>2017</b>	<b>2016</b>
	<b>CHF 000s</b>	<b>CHF 000s</b>
<b>Current liabilities</b>		
Deferred income	92,523	35,553
Statutory contributions received in advance	179	1,479
Service income received in advance	3,830	4,716
	<u>96,532</u>	<u>41,748</u>
	<b>2017</b>	<b>2016</b>
	<b>CHF 000s</b>	<b>CHF 000s</b>
<b>Non-current liabilities</b>		
Deferred income	<u>16,237</u>	<u>5,910</u>

The IFRC is not in a position to reliably determine in which future periods voluntary contributions deferred due to specific contractual obligations under the accounting policy set out in note 35C will be recognised as income in the Consolidated Statement of Comprehensive Income. Accordingly, all amounts deferred consistent with that accounting policy are included in Current liabilities although some amounts may ultimately be recognised as income more than one year after the period end date. Non-current liabilities include non-governmental contributions that are earmarked for use in a future period, more than one year from the period end date.

**22. Loan**

On 30 May 2016, the IFRC and the Fondation des Immeubles pour les Organisations Internationales (FIPOI) entered into a loan agreement for a maximum of CHF 59,406k, at 0% interest, for the construction of a new IFRC office building at the Geneva headquarters. The loan agreement includes CHF 5,000k to finance the initial, pre-construction phase, related to an agreement signed with FIPOI on 8 October 2014, and CHF 54,406k to finance the construction. The loan is unsecured and it shall be repaid in equal annual instalments of CHF 1,188k, beginning on the 31 December of the year in which the IFRC fully accepts the building.

In 2017, CHF 17,000k had been drawn down from FIPOI in relation to the agreement (2016: CHF 16,000k), bringing the total loan amount to CHF 33,000k. The IFRC expects to accept the building during 2018 and thereby to make the first repayment on 31 December 2018.

The city of Geneva has a long tradition of hosting international organizations. For this reason, reference is made to "International Geneva". Since the founding of the Red Cross in 1863, International Geneva has evolved considerably into what is now one of the foremost centres of global governance. It thus symbolises the significant international humanitarian commitment made by the Swiss Confederation and by Geneva itself.

It is common practice that international organisations have access to interest free loans for building improvements from the Government of Switzerland through FIPOI. As such, a market for such loans exists and the market rate of interest for them is 0%. The amortised cost of the financial liability is equal to the actual costs of the financial liability as recorded in the IFRC's accounts, and there is no in-kind benefit from a below-market interest.

**23. Post-employment defined benefit liability, net**

**23(a) Amounts in the Consolidated Statement of Financial Position**

The amounts recognised in the Consolidated Statement of Financial Position are determined as follows:

	<b>2017</b>	<b>2016</b>
	<b>CHF 000s</b>	<b>CHF 000s</b>
Present value of funded obligations	( 270,035)	( 264,223)
Fair value of plan assets	230,858	206,654
Liability per Consolidated Statement of Financial Position	<u>( 39,177)</u>	<u>( 57,569)</u>

Change in defined benefit obligation during the year:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 CHF 000s	2016 CHF 000s
<b>Defined benefit obligation 1 January</b>	264,223	266,233
Net current service cost	15,798	17,564
Interest cost on Defined Benefit Obligation	1,541	2,071
Employee contributions	7,571	7,567
Net benefits paid	( 12,762)	( 18,275)
Loss/(gain) due to experience	1,448	( 4,085)
Gain due to demographic assumption changes	( 8,240)	( 3,688)
Loss due to financial assumption changes	456	2,972
Special termination benefits	-	212
Past service costs	-	( 6,348)
<b>Defined benefit obligation 31 December</b>	<u>270,035</u>	<u>264,223</u>

The breakdown of the Defined Benefit Obligation between active and passive members is as follows:

	2017 CHF 000s	2016 CHF 000s
Defined Benefit Obligation for active members	176,249	167,166
Defined Benefit Obligation for passive members	93,786	97,057
	<u>270,035</u>	<u>264,223</u>

Change in plan assets during the year:

	2017 CHF 000s	2016 CHF 000s
<b>Fair value of plan assets at 1 January</b>	206,654	195,620
Employer contributions (see below)	12,372	12,374
Employee contributions	7,571	7,567
Net benefits paid	( 12,762)	( 18,275)
Actual administration expenses paid	( 369)	( 585)
Interest income on plan assets	1,254	1,586
Return on plan assets excluding amounts included in interest income	16,138	8,155
One-off employer contribution to finance special termination benefits	-	212
<b>Fair value of plan assets at 31 December</b>	<u>230,858</u>	<u>206,654</u>

Reconciliation of net defined benefit liability:

	2017 CHF 000s	2016 CHF 000s
<b>Net liability at 1 January</b>	( 57,569)	( 70,613)
Total (charge) recognised in employee benefits operating expenditure	( 16,454)	( 12,498)
Total remeasurements recognised in other comprehensive income	22,474	12,956
Employer contributions	12,372	12,374
One-off employer contribution to finance special termination benefits	-	212
<b>Net liability at 31 December</b>	<u>( 39,177)</u>	<u>( 57,569)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017*23(b) Amounts in the Consolidated Statement of Comprehensive Income*

The amounts recognised in the Consolidated Statement of Comprehensive Income are as follows:

	<b>2017</b>	<b>2016</b>
	<b>CHF 000s</b>	<b>CHF 000s</b>
Service cost	15,798	17,564
Special termination benefits	-	212
Past service costs	-	( 6,348)
Net interest on the net defined benefit liability	287	485
Administration expenses	369	585
<b>Total included in employee benefits expenditure</b>	<u>16,454</u>	<u>12,498</u>

*23(c) Details of approved plan changes*

During 2016 and 2017, the IFRC underwent a restructuring programme and it was anticipated that about forty members of the Pension Plan would be terminated in 2016 and 2017. Since the restructuring programme was expected to lead to a significant reduction in the Defined Benefit Obligation, curtailment accounting was performed at 31 December 2016. As a result, the curtailment resulted in a decrease in the Defined Benefit Obligation of CHF 6,348k, which was recognised as a credit in 2016 expense. There were no plan amendments, or settlements as per IAS 19 during either the year ended 31 December 2017 or the year ended 31 December 2016.

*23(d) Amounts in Other Comprehensive Income*

The amounts recognised in Other Comprehensive Income that are not subsequently reclassified to profit and loss are as follows:

	<b>2017</b>	<b>2016</b>
	<b>CHF 000s</b>	<b>CHF 000s</b>
Defined benefit obligation gain due to changes in demographic assumptions	( 8,240)	( 3,688)
Defined benefit obligation loss due to changes in financial assumptions	456	2,972
Defined benefit obligation loss/(gain) due to experience	1,448	( 4,085)
Return on plan assets excluding amounts included in interest income	( 16,138)	( 8,155)
<b>Total included in Other Comprehensive Income</b>	<u>( 22,474)</u>	<u>( 12,956)</u>

Results under IAS 19 can change significantly depending on market conditions. The Defined Benefit Obligations are discounted using a rate linked to yields on Swiss corporate bonds and assets are measured at market value. Accordingly, changing markets can lead to volatility in both Defined Benefit Obligations and the fair value of plan assets, and therefore lead to volatility in the funded status of the Pension Plan.

The discount rate was maintained at 0.6% in 2017 (in 2016, the discount rate reduced, resulting in a defined benefit obligation loss of CHF 8,772k). Changes to other financial assumptions generated defined benefit obligation gains totalling CHF 456k (2016: CHF 5,800k).

In 2017, changes in demographic assumptions led to a net liability gain of CHF 8,240k (2016: CHF 3,688k). Taken together with CHF 1,448k experience losses on liabilities and the actuarial gains/losses on financial assumption led to an overall actuarial gain of CHF 6,336k.

In these consolidated financial statements, the risk of the above mentioned volatility is shared across the restricted and unrestricted reserves in proportion to the IFRC's pension plan contribution.

A sensitivity analysis has been carried out to illustrate how the results change when the main assumptions (discount rate, interest crediting rate and mortality rates) change. The results of this analysis are included in the disclosure details below.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**23(e) Significant assumptions**

The significant actuarial assumptions used were as follows:

	<b>2017</b>	<b>2016</b>
Discount rate	0.60%	0.60%
Underlying consumer price inflation	1.00%	1.00%
Rate of future compensation increases	1.40%	1.25%
Rate of pension increases	0.00%	0.00%
Interest rate credited to account balances	2.00%	2.00%
Increase in maximum lump sum death benefit	1.00%	1.00%
Change life expectancy at retirement age (mortality rate)	LPP 2015 fully generational	LPP 2015 fully generational

As per IAS 19 paragraph 144, the IFRC considers the discount rate, the mortality rate and the interest rate credited to account balances to be significant actuarial assumptions used to determine the present value of the defined benefit obligation of the post-employment retirement benefit plans.

The sensitivity of the defined benefit obligation to changes in the significant actuarial assumptions is:

<b>Impact on the defined benefit obligation</b>	<b>Change in assumption</b>	<b>Increase in assumption</b>	<b>Decrease in assumption</b>
Discount rate	0.50%	Decrease by 7.6% CHF 20,523k	Increase by 8.6% CHF 23,223k
Interest rate credited to account balances	0.50%	Increase by 1.8% CHF 4,861k	Decrease by 1.7% CHF 4,591k
Change life expectancy at retirement age	1 year	Increase by 3.0% CHF 8,101k	Decrease by 3.0% CHF 8,101k

The above sensitivity analyses are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur as changes in some of the assumptions may be correlated.

When calculating the sensitivity of the defined benefit obligation to significant assumptions, the same method has been applied as when calculating the pension liability recognised in the Consolidated Statement of Financial Position.

**23(f) Asset-liability matching**

The Pension Fund has not adopted any asset-liability matching strategies.

**23(g) Plan assets**

At 31 December 2017, the fair value of plan assets was CHF 230,858k (2016: CHF 206,654k).

The proportion of plan assets invested in each major asset category was:

	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>Proportion</b>	<b>Of which quoted in an active market</b>	<b>Proportion</b>	<b>Of which quoted in an active market</b>
Cash and cash equivalents	6.7%		7.0%	
Equity securities	43.0%	43.0%	40.1%	40.1%
Debt securities	24.8%	24.8%	29.5%	29.5%
Real estate	20.0%	5.5%	19.7%	3.5%
Other	5.5%		3.7%	
<b>Total</b>	<u>100.0%</u>		<u>100.0%</u>	

As stated in note 24, the IFRC does not have capital as defined by IFRS. Accordingly, the IFRC does not have its own transferable financial instruments, such as equity or debt securities, and the plan assets do not include any such financial instruments. The plan assets also do not include any property occupied or used by the IFRC.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

The Pension Fund has its own investment policy. The primary objective is to ensure the security of funds. Other objectives include ensuring an appropriate distribution of risks and obtaining a sufficient return on investment to achieve the Pension Fund's objectives. The Fund's assets are managed by investment managers, based on investment rules produced by the Investment Committee and approved by the Pension Fund Board. These rules are compliant with the requirements of Swiss law.

**23(h) Funding obligations, including Swiss legal requirements**

According to the plan rules, the IFRC must make contributions of 16% (2016: 16%) of contributory salary for the Base Pension Plan and 5% (2016: 5%) of contributory salary for the Supplemental Pension Plan, for each covered participant. In the event that the IFRC pension plan becomes underfunded according to the requirements of Swiss law, the IFRC could be requested to make additional contributions. Whilst it is possible that the IFRC makes contributions in excess of the amounts specified in the plan rules, the IFRC usually only makes contributions as per the plan rules and management does not anticipate making additional contributions within the foreseeable future.

As explained in note 34P, pension obligations are covered by independent pension plans' assets which are held in a single, separate legal foundation that is governed by Swiss law. According to the latest actuarial calculations, in accordance with Swiss law, the pension obligations were 117.9% funded at 31 December 2017 and 111.8% funded at 31 December 2016. Under Swiss law the primary responsibility for ensuring that the independent pension plans' assets are sufficient to meet pension obligations as they fall due, rests with the Pension Fund Board, without legal recourse to the IFRC as employer, to improve any underfunding situation. Accordingly, pursuant to Swiss law, the IFRC had no further financial obligations to the independent pension plans' foundation at either 31 December 2017 or 31 December 2016.

With a diversified investment portfolio, full funding according to the requirements of Swiss law, and no legal recourse to the IFRC in the event of under-funding, management considers that the Pension Fund does not expose the IFRC to any unusual, specific or significant concentrations of risk.

**23(i) Indication of the effect of the defined benefit plans on the IFRC's future cash flows**

The expected value of employer contributions to be paid in 2018 is CHF 12,850k. The weighted average duration of the DBO at the end of the current financial year is 16.2 years.

**24. Restricted reserves**
***Funds held for operations***

	<b>2017</b>	<b>2016</b>
	<b>CHF 000s</b>	<b>CHF 000s</b>
Operations with temporary deficit financing	( 10,700)	( 6,214)
Temporarily unfunded defined benefit pension obligations recognised in Other Comprehensive Income	( 8,715)	( 16,505)
Donor-restricted contributions	195,891	191,765
	<u>176,476</u>	<u>169,046</u>

Operations are considered as having a deficit financing as soon as the contributions pledged do not cover the expenditure incurred. As explained in note 2(c), in these consolidated financial statements, an analysis of expenditure is presented based on the function for which the expense is incurred. This expenditure analysis includes amounts relating to pension obligations calculated in accordance with IFRS. As explained in note 23(h), the primary responsibility for ensuring that the independent pension plans' assets are sufficient to meet pension obligations as they fall due, rests with the Pension Fund Board, without legal recourse to the IFRC as employer, to improve any underfunding situation. As IFRC had no further financial obligations to the independent pension plans' foundation at either 31 December 2017 or 31 December 2016 these amounts, included within Other Comprehensive Income, are temporary and disclosed separately.

In 2017, CHF 1,917k was reimbursed to donors in respect of voluntary contributions received in previous years (2016: CHF 2,433k). These reimbursements were recorded under other costs and allocations and not as a reduction of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

## 25. Designated reserves

2017	Self insurance CHF 000s	Statutory meetings CHF 000s	Specific projects CHF 000s	2017 Total CHF 000s
Balance at 1 January	1,566	788	-	2,354
Used during the year	(137)	(710)	-	(847)
Allocations during the year	153	297	-	450
<b>Balance at 31 December</b>	<b>1,582</b>	<b>375</b>	<b>-</b>	<b>1,957</b>

  

2016	Self insurance CHF 000s	Statutory meetings CHF 000s	Specific projects CHF 000s	2016 Total CHF 000s
Balance at 1 January	1,644	101	-	1,745
Used during the year	(227)	-	-	(227)
Allocations during the year	149	687	-	836
<b>Balance at 31 December</b>	<b>1,566</b>	<b>788</b>	<b>-</b>	<b>2,354</b>

## 26. Financial risk management

## 26(a) Financial risk factors

The IFRC is exposed to a variety of financial risks namely: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The IFRC seeks to actively minimise potential adverse effects arising from these exposures as detailed below.

The Secretary General has overall responsibility for the establishment of the IFRC's risk management framework, and in this regard, has established, in consultation with the Finance Commission, the IFRC's Investment Guidelines, which set out the overall principles and policies for the management of the IFRC's use of financial instruments. The Finance Commission has oversight responsibility for ensuring management in accordance with the Investment Guidelines, and reports thereon to the Governing Board and the General Assembly.

In addition, the Governing Board has established an Audit and Risk Committee to provide advice on all risk matters affecting the IFRC, and, in particular, advice on risk identification, evaluation, measurement, monitoring and the overall risk management processes of the IFRC.

## (i) Market risk

## Foreign exchange risk

Foreign exchange risk primarily arises on non-Swiss Franc bank deposits and on voluntary contributions receivable in currencies other than Swiss Francs, for the period between the pledge date and the settlement date. Foreign exchange risk on these assets is mitigated by foreign exchange risk on accounts payable that are denominated in currencies other than Swiss Francs. The main currencies giving rise to foreign exchange risk are the Euro, Pound Sterling, Norwegian Kroner, Swedish Kroner, and United States (US) Dollar. The IFRC ensures that net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates, where necessary, in order to address short-term needs.

At 31 December 2017, if the Swiss Franc had strengthened by 5% against the aforementioned currencies, with all other variables held constant, the net deficit result would have decreased and total comprehensive loss for the year would have decreased by CHF 8,421k (2016: CHF 3,711k decrease in net deficit result and total comprehensive loss, as a result primarily of foreign exchange gains on translation of pledges receivable balances and bank balances held mostly in Euros and US Dollars. An equal change in the opposite direction would have increased the net deficit result and increased the total comprehensive loss for the year by CHF 8,421k (2016: CHF 3,711k increase in net deficit result and total comprehensive loss).

In 2017, in order to hedge the foreign exchange risk of receiving statutory contributions amounting to CHF 6,253k in Euros and CHF 1,027k in US Dollars, the IFRC entered into foreign currency futures contracts with final maturities of 4 April 2018. At 31 December 2017, the futures contracts had a net negative fair value of CHF 36k that is included in Other Comprehensive Income. There was no hedge ineffectiveness to be recorded from the foreign currency futures, and the amounts recycled to the Operating Income or Expenditure in 2017 was CHF 187k.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

*Price risk*

The IFRC is exposed to equities and securities price risk on investments measured at fair value through profit or loss. In order to manage its price risk arising from investments in equity and bond securities, the IFRC diversifies its investment portfolio, which is managed by external investment managers, in accordance with the limits set out in the IFRC's Investment Guidelines.

The equity investments are held in a global equity trust fund that is not listed. This equity trust fund invests in actively traded equity securities to mirror the listed MSCI World Index. For such equity investments classified at fair value through profit and loss, a 5% increase in the MSCI World Index at the reporting date would have increased the global equity funds investment, increased the net surplus result and increased total comprehensive income for the year by CHF 1,223k (2016: CHF 1,250k reduction in net deficit and increase in total comprehensive income). An equal change in the opposite direction would have decreased the global equity funds investment and decreased the net surplus result and total comprehensive income for the year by CHF 1,223k (2016: CHF 1,250k increase in net deficit and reduction in total comprehensive income).

The global bond fund investment classified at fair value through profit or loss is held in a listed fund that is indexed to the Citigroup World Government Bonds Index. A 5% increase in this Index at the reporting date would have increased the global bond fund investment, reduced the net deficit result and increased total comprehensive income for the year by CHF 2,873k (2016: CHF 2,879k reduction in net deficit and increase in total comprehensive loss). An equal change in the opposite direction would have decreased the global bond fund investment, increased the net deficit result, and decreased total comprehensive income for the year by CHF 2,873k (2016: CHF 2,879k increase in net deficit and increase in total comprehensive loss).

There was no exposure to commodities price risk at either 31 December 2017 or 31 December 2016.

*Interest rate risk*

There is no significant short-term exposure to changes in interest rates, as cash and cash equivalents are held as cash in hand, on-demand deposits, or in short-term deposits with original maturities of three months or less, and there are no interest-bearing liabilities. Short-term investments with maturities of more than three months and long-term investments have fixed interest rates for the terms of the investments.

On 15 January 2015, the Swiss National Bank (SNB) discontinued its minimum exchange rate of CHF 1.20 per Euro and introduced a negative interest rate on certain Swiss franc deposits. The IFRC maintains the majority of its deposits in Swiss francs and has to date avoided exposure to such negative interest rates.

*(ii) Credit risk*

The IFRC's principal receivables are with its member National Societies, donor governments and other international organisations where credit risk is considered to be low. Full provision is made for all unpaid statutory contributions at each period end date.

The IFRC's Investment Guidelines only allow investment in liquid securities and deposits; limit the holding with any one financial institution to 25% of the IFRC's total cash and investment holdings at any given time; and only allow the IFRC to place funds with counterparties that have a good credit rating. The IFRC reviews the credit rating of all financial institution counterparties on a regular basis. Details of cash and cash equivalent holdings by financial institution credit rating are provided in note 11.

The IFRC maintains banking relationships with certain unrated financial institutions where rated financial institutions are not operational. The value of assets held with such institutions at 31 December 2017 was CHF 1,400k (2016: CHF 1,816k, see note 10).

Other positions are not material, or are covered by provisions.

*(iii) Liquidity risk*

Liquidity risk is the risk that the IFRC will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by cash or another financial asset.

Liquidity risk is minimised by maintaining sufficient funds as cash in hand, on-demand bank deposits or short-term bank deposits with original maturities of three months or less, to meet short-term liabilities. The IFRC anticipates meeting annual FIPOI loan repayments from short-term liquid funds (see note 22). In addition, investments are all in liquid securities which can easily be sold to meet longer term cash flow needs, including annual FIPOI loan repayments should the need arise. No significant contractual payments are due on financial investments, including financial assets at fair value through profit or loss, short-term and long-term investments.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**(iv) Fair value hierarchy**

The IFRC's financial instruments consist of cash and cash equivalents, short-term investments, financial assets at fair value through profit or loss, foreign exchange futures contracts, accounts receivable, other receivables, accounts payable, loan payable and accrued liabilities for invoices on hand.

The carrying values of cash and cash equivalents, short-term investments, accounts receivable, other receivables, loan payable, accounts payable and accrued liabilities approximate their respective fair values due to the short-term nature of the instruments.

Foreign currency futures contracts were designated as cash flow hedges for hedge-accounting purposes and the change in fair values between inception and the period end date is recognised under Other Comprehensive Income that would be reclassified to profit or loss in subsequent period.

Financial assets measured at fair value are categorised into one of three hierarchy levels. Each level is based on the transparency of the inputs used to measure the fair values of assets. The hierarchy of inputs disclosed is described below:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised at the date of the event or change in circumstances that caused the transfer. There were no transfers between levels during the year ended 31 December 2017 (2016: None).

At 31 December 2017 and 2016, financial assets are carried at fair value through profit or loss. The global bond funds are classified at Level 1. The global equity funds are classified at Level 2 as they are not themselves listed, but are held in a managed investment fund which is managed to mirror the listed MSCI World Index. For the purpose of measuring the change in fair values to be recognised in Other Comprehensive Income, the foreign currency futures contracts are classified at Level 2, as prices are provided by the bank based on observable market prices.

**26(b) Capital risk management**

By its very nature, the IFRC does not have capital as defined by IFRS. Unrestricted reserves may be considered to have similar characteristics to those of capital, the intention of which is to maintain a sound financial position to ensure that the organisation is able to continue its operations and thereby fulfill its mission. The unrestricted reserves are available to mitigate a broad range of financial risks including working capital, non-current receivables and settlement of non-current liabilities. The governing bodies' policy is to maintain a strong level of reserves so as to maintain stakeholder and donor confidence. The balance of the unrestricted reserve at 31 December 2017 was CHF 61,578k (2016: CHF 52,088k). The unrestricted reserves are not subject to any externally imposed capital requirement. As further explained in Note 35T, the IFRC holds restricted reserves that are subject to the earmarking requirements of donors.

**27. Leases**

**27(a) Operating leases as lessee**

**Cancelable operating leases**

The IFRC leases warehouses, office property and means of transport under cancellable operating leases. The leases may, typically, run for periods of up to five years, with options to renew the leases at the end of those periods. Lease payments are generally increased annually to reflect market rentals. In 2015, the IFRC entered into a three year cancellable operating lease for temporary headquarters office space in Geneva. This lease has an option to renew for a further 12 months.

During the current year CHF 17,750k (2016: CHF 16,495k) were recognised as operating lease rental expense in the Consolidated Statement of Comprehensive Income, as follows:

	<b>2017</b>	<b>2016</b>
	<b>CHF 000s</b>	<b>CHF 000s</b>
Land, buildings and equipment	15,426	14,441
Means of transport	2,324	2,054
	<u>17,750</u>	<u>16,495</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

*Non-cancellable operating lease*

The IFRC leases its permanent headquarters in Geneva under a non-cancellable operating lease with no purchase option. Future minimum lease payments payable under this lease are as follows:

	<b>2017</b>	<b>2016</b>
	<b>CHF 000s</b>	<b>CHF 000s</b>
Amounts falling due within one year	227	227
Amounts falling due in 2 to 5 years	908	908
Amounts falling due after more than five years	5,679	5,906
	<u>6,814</u>	<u>7,041</u>

*27(b) Operating leases as lessor*

The IFRC leases vehicles to third parties under operating leases. The leases which run for periods of up to five years are cancellable upon one month's notice at any time during the lease period. Leases for periods of less than five years may be renewed, however, the maximum lease period is five years.

The following amounts have been recognised as income in the Consolidated Statement of Comprehensive Income:

	<b>2017</b>	<b>2016</b>
	<b>CHF 000s</b>	<b>CHF 000s</b>
Rental of vehicles to third parties	5,153	7,577
Sub-leases of accommodation to staff	47	133
	<u>5,200</u>	<u>7,710</u>

Vehicles (see note 16) includes the following amounts which are subject to leases as lessor:

	<b>2017</b>	<b>2016</b>
	<b>CHF 000s</b>	<b>CHF 000s</b>
Gross carrying amount	10,952	12,373
Accumulated depreciation	(4,202)	(4,563)
Net book value	<u>6,750</u>	<u>7,810</u>
Depreciation charge for the year	<u>1,346</u>	<u>1,495</u>

**28. Capital commitments**

Capital expenditure contracted at 31 December 2017 but not yet incurred amounted to CHF 11,331k (2016: CHF 17,460k), of which CHF 10,968k (2016: 16,463k) related to the construction of the new IFRC headquarters in Geneva (see note 22).

**29. Contingencies**

*29(a) Contingent assets*

In October 2014, the IFRC entered into a three year project cooperation agreement with The Canadian Red Cross Society to reduce the vulnerability to natural disasters, of vulnerable communities, in South East Asia. Under the terms of the agreement, the IFRC is due to receive funding amounting to CAD 5,280k (equivalent to CHF 4,107k at 31 December 2017 exchange rate). At the end of 2017, CHF 78k was identified within the agreement as being conditional upon performance (2016: CHF 646k). Accordingly, this amount is considered a contingent asset and has not been recognised as a receivable or income in these consolidated financial statements.

In August 2015, the IFRC entered into an agreement with United Nations Development Programme (UNDP) to reintegrate Red Cross Red Crescent burial team volunteers, involved in the response to Ebola in West Africa, into their respective communities. Under the terms of the agreement, the IFRC is due to receive funding amounting to USD 1,484k (equivalent to CHF 1,449k at 31 December 2017 exchange rate). At the end of 2017, CHF 353k was identified within the agreement as being conditional upon performance (2016: CHF 532k). Accordingly, this amount is considered a contingent asset and has not been recognised as a receivable or as income in these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

In October 2016, the IFRC entered into an agreement with Save the Children International to reduce mosquito breeding sites and strengthen communities' abilities to protect themselves during outbreak. Under the terms of the agreement, the IFRC is due to receive USD 6,846k (CHF 6,684k at 31 December 2017 exchange rate). At the end of 2017, CHF 5,411k was identified as being contingent upon performance (2016: CHF Nil). Accordingly, this amount is considered a contingent asset and has not been recognised as a receivable or as income in these consolidated financial statements.

In December 2016, the IFRC entered into an agreement with the Bloomberg Family Foundation Inc. to promote sustainable reductions in road traffic injuries and deaths by strengthening the capacity of road police, civil society and government agencies. Under the terms of the agreement, the IFRC is due to receive USD 7,818k (CHF 7,634k at 31 December 2017 exchange rate) over a two year period from 1 January 2017 to 31 December 2018. At the end of 2017, CHF 300k was identified as being contingent upon performance (2016: CHF 4,026k). Accordingly, this amount is considered a contingent asset and has not been recognised as a receivable or as income in these consolidated financial statements.

In November 2017, the IFRC entered into an agreement with German Government to support 'Forecast based Financing' related to the IFRC's DREF. Under the terms of the agreement, the IFRC is due to receive funding amounting to EUR 3,100k (equivalent to CHF 3,626k at 31 December 2017 exchange rate). At the end of 2017, CHF 2,515k was identified as being conditional upon performance. Accordingly, this amount is considered a contingent asset and has not been recognised as a receivable or income in these consolidated financial statements.

In November 2017, the IFRC entered into a memorandum of understanding with the British Government to invest in the humanitarian capabilities of the Red Cross and Red Crescent Movement. Under the terms of the agreement, the IFRC is due to receive funding amounting to GBP 36,000k (equivalent to CHF 47,426k at 31 December 2017 exchange rate) as a contribution towards its regular resources. At the end of 2017, CHF 11,857k was identified as being conditional upon performance. Accordingly, this amount is considered a contingent asset and has not been recognised as a receivable or income in these consolidated financial statements.

In May 2017, the IFRC signed a pledge with the ICRC to support the emergency plan of action for Nigeria Complex emergency appeal. Under the terms of the agreement, the IFRC is due to receive funding amounting to CHF 4,175k. At the end of 2017, CHF 922k was identified as being conditional upon performance. Accordingly, this amount is considered a contingent asset and has not been recognised as a receivable or income in these consolidated financial statements.

In August 2017, the IFRC signed a pledge with the ICRC to support the emergency plan of action for Yemen (Cholera and National Society capacity enhancement). Under the terms of the agreement, the IFRC is due to receive funding amounting to CHF 1,470k. At the end of 2017, CHF 943k was identified as being conditional upon performance. Accordingly, this amount is considered a contingent asset and has not been recognised as a receivable or income in these consolidated financial statements.

**29(b) Contingent liabilities**

In certain legal jurisdictions, where the law of the country stipulates that termination benefits will be payable to staff in certain specific circumstances, such as when a contract is terminated by the employer, the IFRC has contingent liabilities that may materialise upon termination. The collection of information regarding the financial effect of these contingent liabilities is not consistent across different jurisdictions and it is, therefore, not practicable to disclose an estimate of their financial effect on these consolidated financial statements.

From time to time, usually as part of a restructuring plan, the IFRC terminates staff contracts prior to agreed upon contract end dates. Terminated staff sometimes bring actions against the IFRC for amounts over and above the amounts paid by the IFRC upon termination. Whilst liability is not admitted, the IFRC is defending a number of such actions. Based on legal advice, the IFRC's management does not expect the outcome of these actions to have a material impact on the IFRC's consolidated financial position.

In the interest of not prejudicing the outcomes of these actions, the IFRC has not disclosed all of the information required by IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

**30. Related parties**

**30(a) Identity of related parties**

Parties related to the IFRC include the General Assembly, Governing Board, Finance Commission, Audit and Risk Commission, the IFRC at the UN Inc., the Foundation and the IFRC's joint arrangements, all of which are described in notes 1 and 36.

Other parties related to the IFRC include the Masambo Fund with the Secretary General and other senior managers sitting on its governing board; representatives comprising the Standing Commission; individual members of the Governing Board,

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

Finance Commission, Audit and Risk Commission together with close members of their families or households; key management personnel; and both of the IFRC's retirement plans which are independent funds that constitute separate legal entities.

The Standing Commission comprises representatives of the IFRC, the ICRC and National Societies. Its principal activities include organisation of the next International Conference and the next Council of Delegates. In between International Conferences, the Standing Commission works to encourage and further the implementation of resolutions of the International Conference.

Key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the IFRC. This includes the Secretary General, as noted above, Under Secretaries General and Regional Directors. Close members of their families or households are also parties related to the IFRC.

The International Conference of the Red Cross and Red Crescent (the International Conference) is the supreme deliberative body of the International Red Cross and Red Crescent Movement. The Council of Delegates is the body where representatives of all components of the Movement meet to discuss matters that concern the Movement as a whole. Neither the International Conference nor the Council of Delegates are parties related to the IFRC.

National Societies are not parties related to the IFRC.

**30(b) Key management compensations**

The salaries and benefits of the Secretary General, Under Secretaries General and Regional Directors of the IFRC are set by the Governing Board. Their total benefits amounted to CHF 2,726k (2016: CHF 2,859k), comprised as follows:

	<b>2017</b>	<b>2016</b>
	<b>CHF 000s</b>	<b>CHF 000s</b>
Short-term employee benefits	2,256	2,376
Post-employment benefits	470	483
	<u>2,726</u>	<u>2,859</u>

No other salaries or benefits (e.g. fringe benefits or loans) were granted to them.

The IFRC has a Code of Conduct for all Staff, including members of the Governing Board, the Finance Commission, as well as the Secretary General and other key management. Under the Code of Conduct, staff are required to disclose any potential conflict of interest to the Human Resources Department or the Office of Internal Audit and Investigation.

**30(c) Transactions with related parties**

Details of pension related transactions between the IFRC and its pension plans are provided in note 23. During the year, the IFRC recognised service income of CHF 441k (2016: CHF 344k) relating to supplementary services provided to the pension fund. At 31 December 2017, the IFRC had an outstanding receivable due from the pension fund amounting to CHF 180k (2016: CHF 87k).

Details of transactions between the IFRC and key management personnel are provided in note 30(b). Details of transactions with other parties related to the IFRC are provided below. All transactions were made on terms equivalent to those that prevail in arm's length transactions.

During the year, the IFRC received CHF 1,268k (2016 CHF: 1,627k) cash voluntary contribution income from the IFRC at the UN Inc.

During the year, the IFRC transferred CHF 186k (2016: CHF 200k) to the Standing Commission as a contribution towards the operational costs of the Standing Commission for the year. The IFRC also recognised service income of CHF 154k (2016: CHF 188k) relating to supplementary services provided to the Standing Commission. At 31 December 2017, the IFRC had an outstanding receivable due from the Standing Commission amounting to CHF Nil (2016: CHF 19k).

Other than compensation arising in the ordinary course of business as disclosed above, there were no transactions with key management personnel. No members of the Governing Board, the Finance Commission, the Audit and Risk Commission or any other person related or connected by business to them, have received any remuneration or other compensation from the IFRC during the year.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

## 31. Performance against budget

2017	Budget (unaudited) CHF 000s	Actuals CHF 000s	Actuals on a comparable basis CHF 000s	Performance Variance (unaudited) CHF 000s
<b>OPERATING INCOME</b>				
Voluntary contributions, net	417,000	270,877	263,100	( 153,900)
Services income	45,000	56,788	56,800	11,800
Statutory contributions	36,500	35,288	33,800	( 2,700)
Other income	500	2,954	5,500	5,000
<b>Total OPERATING INCOME</b>	<b>499,000</b>	<b>365,907</b>	<b>359,200</b>	<b>( 139,800)</b>
<b>OPERATING EXPENDITURE</b>				
Regular resources	105,000	68,874	90,900	( 14,100)
Other resources	357,000	241,272	220,500	( 136,500)
Supplementary services	38,000	57,825	49,800	11,800
<b>Total OPERATING EXPENDITURE</b>	<b>500,000</b>	<b>367,971</b>	<b>361,200</b>	<b>( 138,800)</b>
<b>NET (DEFICIT) FROM OPERATING ACTIVITIES</b>	<b>( 1,000)</b>	<b>( 2,064)</b>	<b>( 2,000)</b>	<b>( 1,000)</b>
<b>FINANCE INCOME/(EXPENSE)</b>				
Finance income	1,000	4,530	-	( 1,000)
Finance expense	-	( 8,563)	-	-
<b>NET FINANCE INCOME/(EXPENSE)</b>	<b>1,000</b>	<b>( 4,033)</b>	<b>-</b>	<b>( 1,000)</b>
<b>NET (DEFICIT) FOR THE YEAR</b>	<b>-</b>	<b>( 6,097)</b>	<b>( 2,000)</b>	<b>( 2,000)</b>
2016	Budget (unaudited) CHF 000s	Actuals CHF 000s	Actuals on a comparable basis CHF 000s	Performance Variance (unaudited) CHF 000s
<b>OPERATING INCOME</b>				
Voluntary contributions, net	417,000	248,012	244,900	( 172,100)
Services income	45,000	53,705	53,700	8,700
Statutory contributions	36,500	35,119	33,400	( 3,100)
Other income	500	2,629	6,000	5,500
<b>Total OPERATING INCOME</b>	<b>499,000</b>	<b>339,465</b>	<b>338,000</b>	<b>( 161,000)</b>
<b>OPERATING EXPENDITURE</b>				
Regular resources	105,000	56,836	50,600	( 54,400)
Other resources	357,000	255,774	248,700	( 108,300)
Supplementary services	38,000	56,084	53,000	15,000
<b>Total OPERATING EXPENDITURE</b>	<b>500,000</b>	<b>368,694</b>	<b>352,300</b>	<b>( 147,700)</b>
<b>NET (DEFICIT) FROM OPERATING ACTIVITIES</b>	<b>( 1,000)</b>	<b>( 29,229)</b>	<b>( 14,300)</b>	<b>( 13,300)</b>
<b>FINANCE INCOME/(EXPENSE)</b>				
Finance income	1,000	3,275	-	( 1,000)
Finance expense	-	( 1,261)	-	-
<b>NET FINANCE INCOME/(EXPENSE)</b>	<b>1,000</b>	<b>2,014</b>	<b>-</b>	<b>( 1,000)</b>
<b>NET (DEFICIT) FOR THE YEAR</b>	<b>-</b>	<b>( 27,215)</b>	<b>( 14,300)</b>	<b>( 14,300)</b>

The IFRC does not use IFRS for budgeting, therefore adjustments are made to actual income and expenditure figures for the purpose of comparing actuals to approved budget on a comparable basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

## 32. Expenditure by Results against budget (unaudited)

	2017 Budget CHF 000s	2017 Actuals on a comparable basis CHF 000s	2017 Performance Variance CHF 000s	2016 Actuals on a comparable basis CHF 000s
<b>Strategies for Implementation</b>				
1. Strengthen National Societies capacities	72,900	32,200	( 40,700)	17,900
2. Ensure effective international disaster management	55,200	61,100	5,900	60,000
3. Influence others as leading strategic partners	32,200	21,300	( 10,900)	21,400
4. Ensure a strong IFRC	79,700	59,600	( 20,100)	52,800
<b>Total Strategies for Implementation</b>	<b>240,000</b>	<b>174,200</b>	<b>( 65,800)</b>	<b>152,100</b>
<b>Areas of Focus</b>				
1. Disaster risk reduction	44,200	14,600	( 29,600)	23,000
2. Shelter	56,600	13,900	( 42,700)	17,500
3. Livelihoods	14,700	35,800	21,100	32,800
4. Health	72,600	69,600	( 3,000)	77,400
5. Water, sanitation and hygiene	41,500	12,900	( 28,600)	10,300
6. Inclusion, gender and protection	10,600	2,900	( 7,700)	3,200
7. Migration	19,800	37,300	17,500	49,100
<b>Total Areas of Focus</b>	<b>260,000</b>	<b>187,000</b>	<b>( 73,000)</b>	<b>213,300</b>
<b>Total expenditure by results</b>	<b>500,000</b>	<b>361,200</b>	<b>( 138,800)</b>	<b>365,400</b>
	2016 Budget CHF 000s	2016 Actuals on a comparable basis CHF 000s	2016 Performance Variance CHF 000s	2015 Actuals on a comparable basis CHF 000s
<b>Strategies for Implementation</b>				
1. Strengthen National Societies capacities	72,900	17,900	( 55,000)	20,300
2. Ensure effective international disaster management	55,200	60,000	4,800	67,700
3. Influence others as leading strategic partners	32,200	21,400	( 10,800)	22,700
4. Ensure a strong IFRC	79,700	52,800	( 26,900)	46,400
<b>Total Strategies for Implementation</b>	<b>240,000</b>	<b>152,100</b>	<b>( 87,900)</b>	<b>157,100</b>
<b>Areas of Focus</b>				
1. Disaster risk reduction	44,200	23,000	( 21,200)	47,600
2. Shelter	56,600	17,500	( 39,100)	42,600
3. Livelihoods	14,700	32,800	18,100	20,700
4. Health	72,600	77,400	4,800	120,200
5. Water, sanitation and hygiene	41,500	10,300	( 31,200)	7,300
6. Social inclusion	5,800	2,400	( 3,400)	800
7. Culture of non-violence and peace	4,800	800	( 4,000)	1,300
8. Migration	19,800	49,100	29,300	30,200
<b>Total Areas of Focus</b>	<b>260,000</b>	<b>213,300</b>	<b>( 46,700)</b>	<b>270,700</b>
<b>Total expenditure by results</b>	<b>500,000</b>	<b>365,400</b>	<b>( 134,600)</b>	<b>427,800</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

## 33. Expenditure by Structure against budget (unaudited)

	2017 Budget CHF 000s	2017 Actuals on a comparable basis CHF 000s	2017 Performance Variance CHF 000s	2016 Actuals on a comparable basis CHF 000s
Governance	2,700	3,400	700	3,100
Office of Secretary General	6,700	8,100	1,400	7,400
Programmes and Operations	49,300	44,800	( 4,500)	49,300
Partnerships	21,100	18,000	( 3,100)	17,400
Management	18,500	17,300	( 1,200)	16,800
Africa	104,800	89,600	( 15,200)	72,600
Americas	68,100	29,000	( 39,100)	24,700
Asia Pacific	139,700	71,500	( 68,200)	75,300
Europe	31,000	38,800	7,800	45,800
Middle East and North Africa	49,600	33,400	( 16,200)	43,500
Depreciation and amortisation	6,500	5,000	( 1,500)	5,600
General Provision	2,000	2,300	300	3,900
<b>Total expenditure by structure</b>	<b>500,000</b>	<b>361,200</b>	<b>( 138,800)</b>	<b>365,400</b>
	2016 Budget CHF 000s	2016 Actuals on a comparable basis CHF 000s	2016 Performance Variance CHF 000s	2015 Actuals on a comparable basis CHF 000s
Governance	2,700	3,100	400	3,600
Office of Secretary General	6,700	7,400	700	6,800
Programmes and Operations	49,300	49,300	-	50,600
Partnerships	21,100	17,400	( 3,700)	20,400
Management	18,500	16,800	( 1,700)	16,500
Africa	104,800	72,600	( 32,200)	128,300
Americas	68,100	24,700	( 43,400)	21,000
Asia Pacific	139,700	75,300	( 64,400)	106,300
Europe	31,000	45,800	14,800	24,900
Middle East and North Africa	49,600	43,500	( 6,100)	40,500
Depreciation and amortisation	6,500	5,600	( 900)	-
General Provision	2,000	3,900	1,900	9,000
<b>Total expenditure by structure</b>	<b>500,000</b>	<b>365,400</b>	<b>( 134,600)</b>	<b>427,900</b>

Budgets in the tables above refer to the budget approved by the General Assembly pursuant to Plan and Budget 2016 – 2020, which informs the presentation for consolidated income and expenditure by results and structure. Income and expenditure as reported under notes 31 to 33 are not audited and are presented for information purposes only.

## 34. Subsequent events

No events have occurred since the measurement date that would have a material impact on income, expenditure, assets, liabilities or cash flows reported in these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**35. Significant accounting policies**

In the preparation of these consolidated financial statements, the IFRC has consistently applied the following accounting policies that are consistent with those of the previous financial year.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

A.	Basis of consolidation .....	34
B.	Foreign currency transactions .....	35
C.	Income.....	35
D.	Expenditure .....	37
E.	Leases.....	38
F.	Taxes .....	38
G.	Finance income and expense.....	38
H.	Hedging .....	39
I.	Cash and cash equivalents.....	39
J.	Financial assets.....	39
K.	Receivables .....	39
L.	Inventories.....	40
M.	Property, vehicles and equipment .....	40
N.	Intangible assets .....	40
O.	Impairment .....	40
P.	Payables .....	41
Q.	Employee benefit costs.....	41
R.	Provisions.....	42
S.	Financial liabilities .....	42
T.	Reserves .....	42

**A. Basis of consolidation**

**a) Subsidiaries**

The International Federation of Red Cross and Red Crescent Societies at the United Nations, Inc. (IFRC at the UN Inc.) is a wholly-owned subsidiary of the IFRC. The IFRC controls the IFRC at the UN Inc. by virtue of having power over the entity, which gives the IFRC the ability to affect returns from the entity. The IFRC at the UN Inc. was established to support the objectives of the IFRC, by working to prevent and alleviate human suffering throughout the world, and to coordinate the humanitarian and disaster relief efforts of the IFRC with efforts conducted by the United Nations. The IFRC consolidates its interest in the IFRC at the UN Inc. by combining the financial statements of both entities through line-by-line adding of assets, liabilities, equity, income, expenses and cashflows; where inter-entity transactions and balances are eliminated. The IFRC at the UN Inc.'s accounting policies are consistent with those adopted by the IFRC. The assessment of the IFRC's control over the IFRC at the UN Inc. includes an examination of all facts and circumstances.

The Foundation for the International Federation of Red Cross and Red Crescent Societies (the Foundation) is an entity that the IFRC controls. The IFRC controls the Foundation by virtue of having 100% interest in the net assets of the entity although it controls not more than half of the voting power. The Foundation was established to support the objectives of the IFRC, by providing the necessary institutional framework for international revenue projects undertaken by, and to the benefit of, the IFRC and its member Red Cross and Red Crescent National Societies. The IFRC consolidates its interest in the Foundation by combining the financial statements of both entities through line-by-line adding of assets, liabilities, equity, income, expenses and cashflows; where inter-entity transactions and balances are eliminated. The Foundation's accounting policies are consistent with those adopted by the IFRC. The assessment of the IFRC's control over the Foundation includes an examination of all facts and circumstances.

**(b) Joint arrangements**

During the year ended 31 December 2017, the IFRC had interests in the following hosted programmes under joint arrangements, where the activities of the programmes are in accordance with the IFRC's principal activities: Global Road

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

Safety Partnership; National Society Investment Alliance; Steering Committee Human Response; Stop AIDS Alliance. The IFRC's assessment of the nature of each joint arrangement includes an assessment by the IFRC of its rights and obligations, the structure and legal form of the arrangement, the contractual terms agreed to by the parties to the arrangement, and other relevant facts and circumstances.

The IFRC accounts for these joint arrangements as joint operations, as the IFRC has joint control of the arrangements, giving the IFRC rights to the assets and obligations for the liabilities, relating to these arrangements. The IFRC accounts for its interests in these joint operations by recognising and measuring the assets and liabilities and related revenues and expenses related to the IFRC's proportional interest in the joint operations. The joint operations' accounting policies are consistent with those adopted by the IFRC.

**B. Foreign currency transactions**

Monetary assets and liabilities denominated in foreign currencies are translated into Swiss Francs using the month end exchange rate. Foreign currency transactions are translated into Swiss Francs using actual rates that were applied to transactions or rates which approximate the prevailing rate at the date of the transactions. Exchange gains and losses resulting from the settlement of foreign currency transactions and from translation are included under Net finance income / (expense), in the Consolidated Statement of Comprehensive Income, with the exception of realised exchange gains and losses on voluntary contributions, which are included under Voluntary contributions, net in the Consolidated Statement of Comprehensive Income.

The principal rates of exchange against the Swiss Franc are shown below:

	Closing rate of exchange		Average rate of exchange	
	2017	2016	2017	2016
EUR	1.17	1.07	1.12	1.09
USD	0.98	1.03	0.98	0.99
GBP	1.32	1.26	1.27	1.33
NOK – (100s)	11.89	11.81	11.94	11.75
SEK – (100s)	11.90	11.21	11.58	11.51

**C. Income**

Income comprises statutory contributions from member National Societies, voluntary contributions in cash or in-kind from donors, income from services and sundry income from the sale of goods.

**(a) Statutory contributions**

Statutory contributions are fixed by the General Assembly, the supreme governing body of the IFRC, and are recognised in the year they fall due, unless there is significant uncertainty over the collection of the amounts, or they are subject to extended payment terms, in which case the income is recognised when payment is received.

The carrying amounts of the IFRC's assets are reviewed at each period end date, in order to determine whether there is any indication of impairment. Statutory contributions recognised that have not been paid by the year end are considered as fully impaired, and are accordingly fully provided for at the period end date. This does not invalidate the obligation of member National Societies to pay the amounts due.

Statutory contributions receivable may be subject to appeal and subsequent adjustments.

**(b) Voluntary contributions**

Cash contributions are recognised when a written pledge has been received from the donor.

Government grants for specific projects and contributions that are based on contracts akin to government grants, are recognised as expenditure is incurred and contractual obligations are fulfilled. Contributions received, but not yet recognised, are included in deferred income. The IFRC typically receives such contributions from United Nations (UN) agencies, the European Commission Humanitarian Aid Office (ECHO) and government agencies such as the United Kingdom Department for International Development (DFID) and the United States Agency for International Development (USAID). Government grants that are not for specific projects, and are both earmarked and managed at appeal level (see below) are recognised when a confirmed written pledge has been received from the donor and accepted by the IFRC.

Government grants for leasehold property rentals are recognised on a straight line basis over the primary lease term. Government grants for leasehold property operating costs are recognised as operating costs are incurred. Government grants for investment in tangible assets, such as leasehold property, are recognised, in the Consolidated Statement of Comprehensive

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

Income, over the useful lives of the related tangible assets. Amounts received, but not recognised, are included in deferred income.

Legacies and bequests in cash are recorded at the earlier of receipt, or where the amount to be received is known, at the date legal title has passed.

In-kind contributions of goods (comprising relief supplies) and services (in the form of staff, transport or leasehold property operating costs) are recognised on the date of receipt of the goods or services, and are recognised equally as both income and expenditure in the Consolidated Statement of Comprehensive Income. In-kind goods and services are measured at fair value.

In-kind contributions of tangible assets are recognised at fair value as voluntary contributions. Depreciation and if applicable, impairment adjustments of such assets, are included in operational expenditure in the same manner as for purchased tangible assets.

The fair value of in-kind goods, tangible assets and leasehold property operating costs is taken as the value indicated by the donor. This value is tested for reasonableness by comparing it to the cost that the IFRC would incur if it were to buy in the open market similar goods and tangible assets for the same intended use. If the market value is found to be significantly different to the value indicated by the donor, the value is revised to the market value.

The fair value of in-kind staff is taken as the average cost that would be incurred by the IFRC, if it were to directly employ a person in a similar position.

The IFRC sometimes agrees with a donor, that the value of a confirmed written pledge previously received, shall be changed – either increased or decreased. Such changes are recognised as additions to, or reductions of income, during the period in which the change was agreed. The IFRC is not able to evaluate the potential impact of such changes on voluntary income reported in these consolidated financial statements.

**(c) Earmarking**

Voluntary contributions are identified according to the level of earmarking (see also note 35T *Donor-restricted contributions*).

*Unearmarked contributions*

Unearmarked contributions can be used for any purpose to further the objectives of the organisation, and are recognised in the Consolidated Statement of Comprehensive Income as unrestricted income, when pledged. At the end of the accounting period, unspent, unearmarked contributions are included in unrestricted reserves.

*Earmarked contributions*

Earmarked contributions can be stipulated by donors in terms of the nature, time-frame or subject matter for which the funds are to be used in IFRC operations. Such earmarked contributions are fully under the control of the IFRC, and, unless they are also subject to specific contractual obligations or earmarked for use in a future period, are recognised in the Consolidated Statement of Comprehensive Income as restricted income, when pledged. At the end of the accounting period, unspent earmarked contributions are included in restricted reserves.

Contributions that are subject to specific contractual obligations or earmarked for use in a future period are not fully under control of the IFRC. Contributions that are subject to specific contractual obligations, similar to government grants, are recognised as income, as expenditure is incurred and contractual obligations are fulfilled. Amounts received, but not recognised, are included in deferred income. Contributions that are earmarked for use in a future period are recognised as deferred income in the current period and subsequently recognised in the Consolidated Statement of Comprehensive Income in the future period for which they were earmarked.

**(d) Income from the sale of goods**

Income from the sale of goods, principally from publications and promotional goods, is recognised when the risks and rewards of ownership are passed to the buyer.

**(e) Income from the provision of services**

Income from services is recognised in the period in which the service is rendered. For the provision of services across accounting periods, income is recognised according to the stage of completion of the service, by reference to services performed to date as a percentage of total services to be performed. Income received in advance of service performance is carried forward as Service income received in advance and recognised as income in the period of service performance.

Income from the provision of services, under service agreements, is derived from services provided to National Societies, including provision of vehicles under lease, logistics services, and administrative services in countries where National Societies are working bi-laterally with the local National Society, rather than multi-laterally with the IFRC and the local

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

National Society. Income from these types of services is included under Services income in the Consolidated Statement of Comprehensive Income.

The IFRC provides contracted services in the form of grant and programme management services to other humanitarian actors. These initiatives play a role in ensuring that globally available resources reach vulnerable people as well as positioning the IFRC as a reliable partner, and enhancing the overall credibility of the International Red Cross and Red Crescent Movement. Income from these types of service is included under Services income in the Consolidated Statement of Comprehensive Income.

**D. Expenditure**

All expenditure is accounted for on an accruals basis and has been classified under functional expense categories that aggregate costs related to each category (see below).

*(a) Functional expenditure categories*

Functional expenditure categories reflect the activities of the IFRC and are agreed by the General Assembly, the supreme governing body of the IFRC, on a bi-ennial basis as part of the IFRC plan and budget.

Other resources are funded by restricted voluntary contributions and are comprised of Humanitarian response and Thematic activities, each of which is separated into four Strategies for implementation and eight Areas of focus for performance management purposes.

*i) Humanitarian response*

Coordination during the immediate response phase of disasters and crises which require international assistance, in order to ensure adequate resources are available to meet the needs of disaster affected people.

*ii) Thematic*

Assistance to National Societies in their programming in areas of risk reduction and resilience, food security and health including water and sanitation; and in helping them to become stronger organisations; designing clear strategic plans for their programme work as well as helping them mobilise and coordinate domestic and international partners. They include activities previously known as Longer-term development, National Society development, and Other initiatives.

The delivery of a limited number of other projects or initiatives which are planned and funded from voluntary contributions. These include Shelter Cluster coordination, whereby the IFRC takes the lead role in the provision of emergency shelter following natural disasters and Hosted Projects which are inter-agency governed initiatives where the IFRC participates as a member agency and agrees to host the initiative within the IFRC's administrative, legal and financial structures.

Supplementary services activities comprise:

*i) Administrative services*

Services related to the basic costs of having a presence (IFRC office) in a given country and which enable National Societies to work internationally. This was previously known as Country level services.

*ii) Logistics services*

Services including procurement, warehousing, mobilisation and professional consultancy services.

*iii) Fleet services*

Services including provision of the vehicle rental scheme as well as professional consultancy and training services.

*iv) Contracted services*

Provision of grant and programme management services to other humanitarian actors.

Regular resources are funded by unrestricted funds, including statutory contributions, voluntary contributions and cost recoveries, and are separated into the same four Strategies for implementation and eight Areas of focus as Programme and coordination activities. They include activities previously known as Membership services and Programme and services support activities. With effect from 1 January 2016, consistent with the budget approved by the General Assembly, Regular resources also include the net costs recovered from the provision of Logistics and Fleet services that were previously included within Supplementary services.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

***(b) Costing principles***

The costing principle of the IFRC is one of full cost recovery therefore each functional expense category includes all associated direct costs, indirect costs, and pledge fees.

*Direct costs*

Direct costs are those costs that can be readily and specifically identified with a particular project or service. These include costs recovered from operations for the provision of specific supplementary services.

*Indirect costs*

The direct costs of programmes and services are subject to 6.5% indirect cost recovery to fund the costs of providing indirect support services, essential to the success of operations. Such indirect support services include management and leadership, information and communication technology and professional and services functions in the areas of programme quality, reporting, resource mobilisation, finance, information technology and human resources.

*Pledge fees*

Costs are incurred to meet specific donor requirements. These requirements may include the tracking of expenses where a donation has been given for a specific activity or needs to be spent within a specific timeframe, or customised financial and / or narrative reports. Pledge fees are charged to donations to cover the costs associated with meeting these specific donor requirements.

***(c) Provisions for operations and contributions to National Societies***

In implementing its activities in the ordinary course of its business, the IFRC advances funds to member Red Cross and Red Crescent National Societies. Two mechanisms are used to advance funds to member National Societies for the implementation of activities – cash working advances and cash contributions.

*Provisions for operations*

The IFRC provides cash working advances to National Societies for them to implement activities on behalf of the IFRC. Amounts advanced are recognised as receivables until such time as recipient National Societies report to the IFRC on their use of the funds. A provision is recognised for the value of working advances which has not been reported on by the recipient National Societies, and the related expense is recorded in Provisions for operations. When recipient National Societies report on their use of the funds, the provision is reversed, and the expense is reclassified according to its nature.

*Contributions to National Societies*

The IFRC makes cash contributions to fund the activities of member National Societies. Such contributions are recognised as operational expenditure as they are incurred.

**E. Leases**

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

***(a) Finance leases***

The IFRC has no interest in finance leases, as either lessor or lessee.

***(b) Operating leases as lessee***

Payments made under operating leases are recognised in the Consolidated Statement of Comprehensive Income on a straight-line basis over the period of the lease.

***(c) Operating leases as lessor***

Lease income from operating leases is recognised as service income in the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term.

**F. Taxes**

The IFRC is exempt from taxes in Switzerland and most countries in which its delegations are based.

**G. Finance income and expense**

The net finance result is comprised of interest and dividends received on funds invested, realised foreign exchange gains and losses on pledge settlements, realised and unrealised foreign exchange gains and losses on revaluations of foreign currency denominated assets and liabilities, and realised and unrealised gains and losses on units held in global equity and bond funds.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

Interest income is recognised, in the Consolidated Statement of Comprehensive Income, as it accrues, taking into account the effective yield on the asset.

**H. Hedging**

Hedge instruments are used to mitigate foreign exchange risk associated with receiving statutory contribution payments in foreign currencies. These are supported by hedge accounting to avoid an accounting mismatch, whereby the effects of the changes in fair values of both hedge items and hedge instruments are appropriately measured, matched, and recognised in the same period in the income and expenditure statement.

When a derivative is designated as a cash flow hedging instrument, the effective portion of the changes in the fair value is recognised in the Other Comprehensive Income and accumulated in hedge reserve. Any ineffective portion of changes in fair value is recognised immediately in the income and expenditure statement. The amount accumulated in hedge reserve is reclassified to income and expenditure in the same period during which the hedged item or forecast cash flows affect income and expenditure.

**I. Cash and cash equivalents**

Cash and cash equivalents include cash in hand, cash at bank and bank deposits with original maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

In certain countries, where implementing National Societies operate under the legal status of the IFRC, bank accounts, in the name of the IFRC, have been opened for these National Societies. These bank accounts have not been included in these consolidated financial statements as the IFRC has no control over the funds flowing in and out of these accounts, and no IFRC employees are signatories to these accounts. In addition, there are agreements in place, between the IFRC and the National Societies operating such accounts, which transfer the risks and rewards of their operation to the National Societies concerned.

**J. Financial assets**

**(a) Short-term investments**

Short-term investments are initially recognised at fair value, and include short-term bank deposits with original maturities of more than three months, but less than one year.

**(b) Financial assets at fair value through profit and loss**

Financial assets at fair value through profit or loss comprise units held in a global bond fund and a global equity fund which are recorded as financial assets at fair value through profit and loss and classified as current assets. The fair value of the units is fully determined by reference to published price quotations in an active market.

Purchases and sales of units are recognised on the trade date, which is the date that the investment managers commit to purchase or sell the asset, on behalf of the IFRC.

Realised and unrealised gains and losses arising are changes in the fair value of financial assets, and are included in the Consolidated Statement of Comprehensive Income under Net finance income / (expense), in the period in which they arise.

**(c) Non-current investments**

Non-current investments are initially recognised at fair value, and include bank deposits with maturities of more than twelve months after the reporting period.

**K. Receivables**

Accounts receivable are financial assets comprising all statutory contributions due but not yet received, outstanding voluntary contributions not yet received from donors, and amounts due from National Societies and sundry customers, for the provision of services.

Other receivables are financial assets including amounts due for reimbursable taxes, amounts due from employees and sundry receivables.

Receivables are initially recognised at fair value (original pledged amount or invoice amount) and subsequently measured at amortised cost less provision made for impairment.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

A provision for impairment is made when there is objective evidence that the IFRC will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is the difference between the carrying amount and the recoverable amount.

Receivables, the recovery of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the IFRC, are not recognised as receivables in the Consolidated Statement of Financial Position, but are disclosed as contingent assets (see note 29). If the effect is material, the fair value of contingent assets is determined by discounting the expected future cash flows that reflect a current market assessment of the time value of money.

**L. Inventories**

Inventories, principally prepositioned relief items and telecommunications and computer equipment of a material nature, which have not been committed to a project, are stated at the lower of cost or net realisable value. Cost is determined using the first in, first out (FIFO) method, and comprises cost of purchase and other costs directly attributable to acquisition. Net realisable value is the estimated selling price, in an arms length transaction, less attributable selling expenses. Inventories are included in expenditure once they have been committed to a project.

Relief and other items acquired for specific projects are expensed at the time of receipt, and are not included in inventories.

**M. Property, vehicles and equipment**

Property, vehicles and equipment are stated at historical cost less accumulated depreciation.

Contributed assets received in-kind are accounted for using the same principles as used for purchased assets, with acquisition costs being determined on the basis of donor values.

Depreciation is calculated on the straight-line method to write off assets to their estimated residual values over their estimated useful lives as follows:

Property	up to 50 years
Heavy vehicles	10 years
Light vehicles	5 years
Computer equipment	3 - 4 years
Other equipment	2 - 5 years

When the carrying amount of an asset is greater than its estimated recoverable amount, the asset is immediately written down to its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with net carrying amounts, and are recognised in the Consolidated Statement of Comprehensive Income.

Subsequent expenditure is capitalised only when probable future economic benefits will flow to the IFRC and the cost can be measured reliably. Repairs and maintenance costs are recognised in the Consolidated Statement of Comprehensive Income during the financial period in which they are incurred.

**N. Intangible assets**

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring the specific software into use. Amortisation is calculated on the straight-line method to write off assets to their estimated residual values over their estimated useful lives of 3 years. Costs associated with maintaining software are recognised in the Consolidated Statement of Comprehensive Income during the financial period in which they are incurred.

**O. Impairment**

In order to determine whether there is any indication of impairment, the carrying amounts of the IFRC's assets, other than financial assets at fair value through profit or loss (see note 35J) and inventories (see note 35L), are reviewed at each period end date, or earlier, if events, or changes in circumstances, indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in the Consolidated Statement of Comprehensive Income whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

An impairment loss is reversed if there is an upward revision of the recoverable amount. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised.

**P. Payables**

Payables are financial instruments and are liabilities recognised at fair value.

**Q. Employee benefit costs**

**(a) Post-employment benefit plans**

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Obligations for contributions to defined contribution pension plans are recognised under Employee benefits expense in the Consolidated Statement of Comprehensive Income in the periods during which services are rendered by employees.

The IFRC operates two pension plans, the Base Pension Plan and the Supplemental Pension Plan, for expatriate field staff and all headquarters staff. The pension plans are funded plans. They provide retirement benefits based on a participant's accumulated account balance. They also provide benefits on death, disability and termination.

Pension obligations are covered by an independent fund which is held in a single, separate legal entity. The Pension Fund of the International Federation of Red Cross and Red Crescent Societies (hereafter "the Pension Fund"), is a foundation, as defined in articles 80 to 89 "bis" of the Swiss Civil Code (Swiss law). The Pension Fund is registered with the Swiss supervisory authority in the Canton of Geneva and the Swiss pension guarantee fund. As such, it must comply with the compulsory insurance requirements established by Swiss Federal law on Occupational Retirement, Survivors and Disability Pension Funds (LPP to use the French acronym). The Pension Fund has the objective to comply with the requirements of the LPP and for foreign employees to replace the state retirement plan ("premier pilier"). It is fully funded through payments, as determined by periodic actuarial calculations, in accordance with Swiss law. The Pension Fund undertakes to respect at least the minimum requirements imposed by the LPP / BVG and its ordinances. If the Pension Fund is underfunded according to Swiss Law, the Pension Fund Governing Board (see below) decides measures that will allow the coverage ratio to get back to 100% within an appropriate time frame (usually five to seven years is considered appropriate).

The Pension Fund Governing Board is responsible for the Fund's management. It comprises six representatives appointed by the IFRC, six representatives elected by the pension plans' participants and four supplemental members.

For the purposes of these consolidated financial statements, both plans that comprise the Pension Fund are considered and accounted for as a single defined benefit plan in accordance with the requirements of IAS 19.

The amount recognised in the Consolidated Statement of Financial Position in respect of the defined benefit plan is the present value of the defined benefit obligations at the period end date less the fair value of the plans' assets. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows, using interest rates on high quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability, and are denominated in Swiss Francs, the currency in which the benefits will be paid.

The IFRC recognises all actuarial gains and losses immediately in Other Comprehensive Income. Expenses related to defined benefits are included as Employee benefits operating expenditure. Gains arising from a curtailment for restructuring are immediately recognised as a credit to Employee benefits operating expenditure.

Staff employed locally by the delegations receive social benefits in accordance with the legislation of the countries concerned and the local collective staff agreements. The cost of such benefits is recognised on an accruals basis in these consolidated financial statements.

**(b) Termination benefits**

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date, contract completion date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

Termination benefits are recognised on the basis of a formal committed plan to terminate the employment of current employees, or are provided as a result of an offer made to encourage voluntary redundancy.

In certain legal jurisdictions, the IFRC has obligations to calculate and pay termination benefits in accordance with the requirements of local law, regardless of the reason for an employee's departure. The obligations are included within Provisions for operations and the expense is included in Employee benefits in these consolidated financial statements.

**R. Provisions**

Provisions for redundancy costs, operations, project deficits and restructuring are recognised when there is a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount can be made.

If the effect is material, provisions are determined by discounting the expected future cash flow that reflects current market assessments of the time value of money, and where appropriate, the risks specific to the liability.

**(a) Provision for redundancy costs**

Provision is made for the estimated cost of known redundancies, which are normally paid out within the next twelve months. A redundancy is known when the decision to make the employee redundant has been taken and communicated.

**(b) Provision for operations**

The provision for operations primarily represents the value of working advances made to National Societies which the recipient National Societies have not reported on by the period end date. Detailed breakdowns of the expenditure incurred by the National Societies are not, therefore, known at the period end date, but are normally reported shortly thereafter.

**(c) Provision for pledge and services deficits**

A pledge is an agreement between the IFRC and a donor confirming in writing the amount of voluntary contributions a donor will provide and specifying any terms and conditions attached to the donation.

A provision for pledge and service deficits is maintained in respect of those pledges and services where expenditure has exceeded income. If additional funding is not forthcoming to reverse the deficits within twelve months following the period end date, the deficits are written off unless there is objective evidence that additional funding is still likely to be received.

The IFRC reviews its contracted service arrangements on a periodic basis. Where the IFRC determines that the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it, the IFRC determines that the contract is onerous. The present obligation under an onerous contract is recognised and measured as a provision and included within Provisions for pledge and services deficits.

**(d) Provision for restructuring**

A provision for restructuring is made when the IFRC has a constructive obligation to restructure; that is when a detailed formal plan identifying the key elements exists, and there is an expectation that the plan will be implemented.

**S. Financial liabilities**

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

**T. Reserves**

**(a) Restricted reserves**

These represent the cumulative excess of income, from earmarked voluntary contributions, over expenditures on donor stipulated operations. Restricted reserves include the following:

***Funds held for operations***

***Donor-restricted contributions***

Some contributions pledged to, or received by the IFRC, have been earmarked to the extent that donors stipulate the nature, time-frame or subject matter on which the funds are to be used in IFRC operations. The cumulative excess, of earmarked voluntary contributions over donor stipulated operation expenditure, is recorded as Funds held for operations within restricted reserves. In the event that the funds cannot be spent, the IFRC obtains agreement from the donor for a reallocation of those funds for a different use, or reimburses them to the donor, in which case they are recognised as a liability until the effective repayment takes place.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**
*Operations with temporary deficit financing*

Expenditure on individual projects may exceed the amount of income from voluntary contributions that have been allocated to projects at reporting dates. The excess of expenditure over income, on individual projects, is separately reflected within Funds held for operations as Operations with temporary deficit financing, so long as management considers that future funding will be forthcoming. When management considers that future funding is unlikely to be forthcoming, the deficit is reclassified as unrestricted expenditure, and reflected as a reduction in unrestricted reserves, through the provision for project deficits.

**(b) Unrestricted reserves**

Unrestricted reserves are not subject to any legal or third party restriction and can be used as the IFRC sees fit. Unrestricted reserves may be designated by the IFRC for specific purposes, to meet future obligations or mitigate specific risks. Designated reserves include the following:

**(c) Designated reserves**
*Self-insurance reserve*

The IFRC self-insures its vehicles against collision, loss or other damage. Based on an assessment of risk exposure, this reserve is established to meet approved insurance claims as they fall due.

*Statutory meetings reserve*

Funds are set aside to meet the anticipated costs of future statutory meetings and Governing Board initiatives as and when the events take place.

*Specific projects*

As explained in note 36D, in keeping with the IFRC's principle of full cost recovery, the direct costs of programmes and services are subject to 6.5% indirect cost recovery to fund the costs of providing indirect support services, essential to the success of operations. Such indirect support services include management and leadership, information and communication technology and professional and services functions in the areas of programme quality, reporting, resource mobilisation, finance, information technology and human resources. In the event that there is an operation with expenditure in excess of CHF 50,000k and the total amount charged for a given year exceeds the total amount incurred, the excess is allocated to projects according to a Governing Board decision. Pending the Governing Board decision, the excess is allocated to a designated reserve. As there were no operations with expenditure in excess of CHF 50,000k during either 2017 or 2016, and the total amount of indirect cost recovery charged during each year was less than the total incurred, the balance on this designated reserve was CHF Nil throughout both years.

**36. New Standards, Amendments and Interpretations**

The following Standards, Amendments and Interpretations have been issued, but are not yet effective. They have not been applied early in the preparation of these consolidated financial statements. Based on assessments conducted by IFRC's management, the expected impact of each Standard, Amendment and Interpretation is presented below.

**(i) Standards, Amendments and Interpretations to existing standards that are not yet effective:**

<b>Standard / Amendment / Interpretation</b>	<b>Effective date</b>	<b>IFRC planned application</b>	<b>Anticipated impact</b>
IFRS 15 Revenue from Contracts with Customers	1 January 2018	Reporting year 2018	See below
IFRS 16 Leases	1 January 2019	Reporting year 2019	See below
IFRS 9 Financial instruments	1 January 2018	Reporting year 2018	Not material
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	Reporting year 2018	Not material

**IFRS 9 Financial Instruments**

The standard covers the accounting principles for reporting financial assets and liabilities, including classification, measurement, impairment, and hedge accounting.

IFRS 9 is applicable for accounting periods beginning on or after 1 January 2018. The IFRC has not early adopted. The IFRC has reviewed the implication of the standard and has concluded that the application of IFRS 9 will not have a material impact on the results, financial position or cash flows reported in the consolidated financial statements. The effects identified are changes in the calculation of expected credit loss rate based on historical credit loss and more forward-looking information. This would mostly affect financial assets and liabilities arising from the provision of Supplementary services.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

The IFRC's accounting and disclosure for hedge instruments meets the standard's requirements. The standard will not apply to lease receivables, which will be guided by IFRS 16 Leases. Changes in accounting policy will be applied retrospectively as from 1 January 2018 but without restating comparative information for prior years.

**IFRS 15 Revenue from Contracts with Customers**

The standard introduces a new model for revenue recognition based on transfer of control of goods and services. This affects the timing and amount of revenue that will be recognised in the Consolidated Statement of Comprehensive Income.

IFRS 15 is applicable for accounting periods beginning on or after 1 January 2018. The IFRC has not early adopted. The IFRC has reviewed contracts for revenue and concluded that application of the new standard will not impact revenue recognition for statutory contributions or voluntary contributions, but that it will impact contracts for supplementary services. The impact on results, the financial position and cash flows reported in the consolidated financial statements is unlikely to be material. The effects identified so far are as follows:

a) Costs to obtain or fulfil a contract need to be capitalised and amortised over the period of income recognised. The likelihood of IFRC investing substantial resources to obtain or fulfil a contract is low.

b) Modifications to a contract need to be evaluated using specific criteria to determine if the contract should be extended, or if the additional funding received shall be treated as a new contract based on performance obligation measurement.

The revenue from supplementary services is currently disaggregated based on types of service, which inform the amount and timing of revenue recognition. Balances of contract assets and liabilities are also separately disclosed.

The IFRC plans to apply the cumulative effect method, disclosing impact on financial statement lines in 2018 without restating comparative information for prior years, and utilising the practical expedient that no separate evaluation of contract modification is needed before the date of initial application.

**IFRS 16 Leases**

In defining leases, the standard dispenses with the distinction between finance leases and operating leases for accounting by lessees. It retains the distinction for accounting by lessors but modifies the definitions of finance and operating leases. The IFRC is both a lessee and a lessor.

IFRS 16 is applicable for accounting periods beginning on or after 1 January 2019. The IFRC has not early adopted. IFRS 16 contains a practical expedient that permits lessees to choose whether to apply the new definition (that does not distinguish between finance leases and operating leases) to all lease contracts or to grandfather their previous assessments of existing contracts as either finance leases or operating leases.

The IFRC's accounting for leases as lessor is, already, materially consistent with the requirements of the new standard, and the IFRC plans to take advantage of the practical expedient for lessee accounting. As such, the IFRC considers that the impact on results, financial position and cash flows reported in the consolidated financial statements is likely, at least for 2019, to be immaterial.

*(ii) Standards, Amendments, Interpretations to existing standards that are not yet effective and are not relevant to the IFRC's operations:*

<b>Standard / Amendment / Interpretation</b>	<b>Effective date</b>
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2018
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts (Amendments to IFRS 4)	1 January 2018
Transfer of Investment Property	1 January 2018
IFRS 17 Insurance Contracts	1 January 2021
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	To be determined