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 2018

KPMG SA
Geneva, 18 April 2019
Ref. HB/KVA/igo

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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 2018.

In our opinion, the consolidated financial statements for the year ended 31 December 2018 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.

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, 18 April 2019

Enclosure:

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

INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES, GENEVA

CONSOLIDATED FINANCIAL STATEMENTS 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER

	Note	Restricted 2018 CHF 000s	Unrestricted 2018 CHF 000s	Total 2018 CHF 000s	Total 2017 CHF 000s
OPERATING INCOME					
Voluntary contributions	5	113,136	178	113,314	136,524
Donations	5	117,254	29,176	146,430	134,353
Services income	6	29,842	-	29,842	56,788
Statutory contributions		-	35,426	35,426	35,288
Other income	7	2,058	620	2,678	2,954
Total OPERATING INCOME		262,290	65,400	327,690	365,907
OPERATING EXPENDITURE					
Humanitarian response		129,397	-	129,397	136,545
Thematic		119,130	-	119,130	104,727
Other resources (Programmes)	8	248,527	-	248,527	241,272
Supplementary services	8	30,507	-	30,507	57,825
Regular resources	8	-	68,360	68,360	68,874
Total OPERATING EXPENDITURE		279,034	68,360	347,394	367,971
NET DEFICIT FROM OPERATING ACTIVITIES		(16,744)	(2,960)	(19,704)	(2,064)
FINANCE INCOME					
Finance income	9	-	2,101	2,101	4,530
Finance expense	9	(4,035)	(5,171)	(9,206)	(8,563)
NET FINANCE EXPENSE		(4,035)	(3,070)	(7,105)	(4,033)
NET DEFICIT FOR THE YEAR		(20,779)	(6,030)	(26,809)	(6,097)
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to income and expenditure					
Actuarial (losses) /gains on defined benefit plans	22	(2,201)	(3,581)	(5,782)	22,474
Items that will be reclassified subsequently to income and expenditure					
Cash flow hedge - effective portion of changes to fair value	10	-	67	67	(36)
Cash flow hedge - amount reclassified during the year	10	-	36	36	187
Total OTHER COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		(2,201)	(3,478)	(5,679)	22,625
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		(22,980)	(9,508)	(32,488)	16,528
Attributable to:					
Restricted reserves	23	(22,980)	-	(22,980)	5,856
Unrestricted reserves		-	(9,508)	(9,508)	10,672
		(22,980)	(9,508)	(32,488)	16,528

There were no discontinued operations during the year.

The notes on pages 8 to 47 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER

		2018	2017
ASSETS	**Note**	**CHF 000s**	**CHF 000s**
Current Assets			
Cash and cash equivalents	11	125,141	144,502
Investments	12	106,732	91,914
Receivables	13	129,333	120,789
Prepayments and contract assets	14	7,305	10,217
Inventories, net		1,148	716
Asset held for sale		1,028	1,030
Total Current Assets		370,687	369,168
Non-Current Assets			
Receivables	13	39,717	54,444
Investments	12	15,000	30,000
Property, vehicles and equipment	15	69,204	40,383
Intangible assets	16	911	1,449
Total Non-Current Assets		124,832	126,276
Total ASSETS		495,519	495,444
LIABILITIES AND RESERVES			
Current Liabilities			
Payables	17	38,215	41,707
Short-term employee benefits	18	4,483	3,996
Provisions	19	32,001	24,779
Loans and borrowings	21	1,415	-
Deferred income and contract liabilities	20	96,296	96,532
Total Current Liabilities		172,410	167,014
Non-Current Liabilities			
Loans and borrowings	21	60,371	33,000
Post-employment defined benefit liability, net	22	47,658	39,177
Deferred income	20	7,552	16,237
Total Non-Current Liabilities		115,581	88,414
Total LIABILITIES		287,991	255,428
Reserves			
Restricted reserves	23	153,378	176,476
Unrestricted reserves		51,220	61,583
Designated reserves	24	2,930	1,957
Total RESERVES		207,528	240,016
Total LIABILITIES and RESERVES		495,519	495,444

The notes on pages 8 to 47 are an integral part of these consolidated financial statements.

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

2018	Notes	Restricted CHF 000s	Unrestricted CHF 000s	Designated CHF 000s	Total CHF 000s
Balance at 1 January		176,476	61,583	1,957	240,016
Opening balance reclassification		42	(42)	-	-
Transfers to/from reserves	23				
Increase in operations with temporary deficit financing		(1,511)	-	-	(1,511)
Decrease in donor-restricted contributions for specific operations		(17,116)	-	-	(17,116)
Reclassification of prior year actuarial losses on defined benefit plans		(2,152)	-	-	(2,152)
Unrestricted net deficit for the year		-	(6,030)	-	(6,030)
Other comprehensive income: Items that will not be reclassified subsequently to income and expenditure	23				
Actuarial losses on defined benefit plans		(2,201)	(3,581)	-	(5,782)
Other comprehensive income: Items that will be reclassified subsequently to income and expenditure	10				
Cash flow hedge - effective portion of changes to fair value		-	67	-	67
Cash flow hedge - amount reclassified to income and expenditure during the year		-	36	-	36
Total comprehensive income for the year		(22,980)	(9,508)	-	(32,488)
Used during the year	24	39	-	(39)	-
Allocations during the year	24	(199)	(813)	1,012	-
Balance at 31 December	23 & 24	153,378	51,220	2,930	207,528

2017	Notes	Restricted CHF 000s	Unrestricted CHF 000s	Designated CHF 000s	Total CHF 000s
Balance at 1 January		169,046	52,088	2,354	223,488
Opening balance reclassification		1,590	(1,590)	-	-
Transfers to/from reserves	23				
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)
Other comprehensive income: Items that will not be reclassified subsequently to income and expenditure	23				
Actuarial gains on defined benefit plans		7,790	14,684	-	22,474
Other comprehensive income: Items that will be reclassified subsequently to income and expenditure	10				
Cash flow hedge - effective portion of changes to fair value		-	(36)	-	(36)
Cash flow hedge - amount reclassified to income and expenditure during the year		-	187	-	187
Total comprehensive income for the year		5,856	10,672	-	16,528
Used during the year		137	710	(847)	-
Allocations during the year		(153)	(297)	450	-
Balance at 31 December	23 & 24	176,476	61,583	1,957	240,016

The notes on pages 8 to 47 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

	Note	2018 CHF 000s	2017 CHF 000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Net deficit for the year		(26,809)	(6,097)
Adjustment for:			
Non-cash finance expense		(762)	(492)
Depreciation and amortisation of assets	8d	4,212	4,952
Impairment losses on intangible assets	8d	40	-
Gain from disposals of fixed assets, net		(1,145)	(1,068)
Donated assets		564	601
Movement in fair value of financial assets		3,855	(2,034)
Movement in non-cash pension obligations		2,699	4,082
In-kind property and equipment		-	(1,370)
Incease/(decrease) in provisions	19	7,221	(5,366)
		16,684	(695)
Changes in working capital			
Decrease/(increase) in receivables, net	13	6,183	(71,087)
Decrease in prepayments & accrued income	14	2,912	7,593
(Increase)/decrease in inventories		(432)	269
Decrease in asset held for sale		2	-
(Decrease)/increase in payables	17	(3,492)	13,825
Increase in employee benefit liabilities	18	487	226
(Decrease)/increase in deferred income and prepaid contributions	20	(8,921)	65,111
Net change in working capital		(3,261)	15,937
NET CASH (USED IN) / GENERATED FROM OPERATING ACTIVITIES		(13,387)	9,145
CASH FLOWS (USED IN) / GENERATED FROM INVESTING ACTIVITIES			
Acquisition of property, vehicles, equipment and intangibles		(29,253)	(17,593)
Acquisition of financial assets at fair value through profit and loss		(14,043)	(1,943)
Disposal of financial assets at fair value through profit and loss		10,370	4,643
Proceeds from disposals of property, vehicles and equipment		3,884	3,947
Bank deposits placed, net	12	-	(30,000)
Proceeds from cash flow hedges	9	(8)	95
Bank interest received, net	9	5	31
NET CASH USED IN INVESTING ACTIVITIES		(29,045)	(40,820)
CASH FLOWS GENERATED FROM FINANCING ACTIVITIES			
Proceeds from issue of loan		22,200	17,000
NET CASH GENERATED FROM FINANCING ACTIVITIES		22,200	17,000
NET DECREASE IN CASH AND CASH EQUIVALENTS		(20,231)	(14,675)
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		144,502	158,817
Effect of exchange rate fluctuations on cash held		870	360
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	11	125,141	144,502

The notes on pages 8 to 47 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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 17, Chemin des Crêts, Petit-Saconnex, 1209 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 of 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 2018 and 2019, 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 2018 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.

2. Statement of compliance and basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 18 April 2019.

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 selected 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 investments in securities that are designated to be measured at fair value and the net defined benefit liability that is stated at fair value of plan assets less present value of the defined benefit obligation. 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 33 and 34 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 updated 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.

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

(a) Judgements

The selection of accounting policies, for the recognition of income from statutory contributions and for the recognition of income from donations that are neither Government grants nor donations that are based on contracts akin to government grants, is based on the general principles of IFRS, as detailed in the IASB Framework for the Preparation and Presentation of Financial Statements.

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 33A – Basis of Consolidation: whether the IFRC has control over its subsidiaries and classification of joint arrangements;
- Note 33C – Income from voluntary contributions and donations: whether a voluntary contribution or a donation is fully under the control of the IFRC;
- Note 33C – Income from provision of services: whether services income is recognised over time or at point in time;
- Note 33D – 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 22 – Post-employment defined benefit plans: Key actuarial assumptions.
- Note 33C – Fair value of in-kind contributions and donations: Key assumptions used to estimate value of in-kind contributions and donations;
- Note 33L – Impairment test: Key assumptions underlying recoverable amounts of IFRC assets;
- Note 33N – Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of resource flows.

5. Voluntary contributions and donations

	Cash CHF 000s	Goods in-kind CHF 000s	Services in-kind CHF 000s	2018 Total CHF 000s	2017 Total CHF 000s
National Societies	104,451	2,471	6,391	113,314	136,524
Governments	66,514	2,614	-	69,128	59,958
Multi-lateral agencies	56,289	-	-	56,289	42,950
Corporations	10,171	-	-	10,171	16,064
Others	10,565	-	277	10,842	15,381
	247,990	5,086	6,668	259,744	270,877

	Restricted CHF 000s	Unrestricted CHF 000s	2018 Total CHF 000s	2017 Total CHF 000s
Voluntary contributions	113,136	178	113,314	136,524
Donations	117,254	29,176	146,430	134,353
	230,390	29,354	259,744	270,877

6. Services income

	2018 Restricted CHF 000s	2018 Unrestricted CHF 000s	2018 Total CHF 000s	2017 Total CHF 000s
Administrative services	10,517	-	10,517	6,915
Contracted services	6,905	-	6,905	37,840
Logistics services	4,947	-	4,947	6,224
Services income from contracts with customers	22,369	-	22,369	50,979
Fleet services	7,473	-	7,473	5,809
Total Services income	29,842	-	29,842	56,788

Supplementary services income is revenue derived from provision of services to National Societies or other humanitarian organisations according to service agreements, in the form administrative services, contracted services, logistics services, and fleet services. Services income qualifies as revenue from 'contracts with customers' and is within the scope of IFRS 15 Revenue from Contracts with Customers, except for rental of vehicles under operating leases that is within the scope of IAS 17 Leases (see note 26 b). Judgement is required to determine whether revenue from Services income is recognised over time or at a point in time. In these Consolidated Financial Statements, Services income is recognised when performance obligations are completed, as follows:

- Administrative services - recognised over time as and when monthly chargeable services are delivered;
- Contracted services - recognised over time or at a point in time based on contractual performance obligations;
- Logistics services - recognised at a point in time for distinct services such as procurement and transportation, and over time for recurring services such as warehousing.

The income and expenditure line items are not affected by implementing IFRS 15 as the income (and associated costs) that is recognised before and after the application of the standard, is the same. Items are however, reclassified to reflect contract assets and contract liabilities in the Consolidated Statement of Financial Position. Services performed in advance of income received is accrued as income and carried forward as Contract assets (accrued service income), and reclassified as Receivables from Customers when the amount is invoiced and becomes due. Income received in advance of service performance is carried forward as Contract liabilities (service income received in advance) and only recognised as income in the period of service performance.

Contract balances as at 31 December 2018 are as follows:

	2018 Opening balances CHF 000s	2018 Revenue recognised CHF 000s	2018 Closing balances CHF 000s
Contract assets	6,999	(2,395)	4,604
Contract liabilities	(3,830)	(2,863)	(6,693)
Receivables from Customers	6,950	1,369	8,319
	10,119	(3,889)	6,230

In 2018, there were no assets recognised from the costs to obtain or fulfil a contract. There were variable contract considerations that reduced transaction prices for service income recognised, in the amount of CHF 84k (2017: Nil) related to vehicle rental invoices and corresponding service income.

7. Other income

	2018 Restricted CHF 000s	2018 Unrestricted CHF 000s	2018 Total CHF 000s	2017 Total CHF 000s
Hosted programme membership fees	1,644	-	1,644	1,656
Other income	414	620	1,034	1,298
	2,058	620	2,678	2,954

8. Operating Expenditure

	(a) (c) Employee benefits	(b) (c) Relief supplies, transportation & storage	Contributions to National Societies	(d) Depreciation & amortisation	Supplementary services cost recoveries	(e) Other costs & allocations	(f) Indirect cost recovery	Pledge fees	Total 2018	Total 2017
	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s
Humanitarian response	31,227	55,491	11,813	16	3,863	18,753	7,553	681	129,397	136,545
Thematic	42,972	15,702	6,102	35	8,152	38,249	6,650	1,268	119,130	104,727
Total Other resources	**74,199**	**71,193**	**17,915**	**51**	**12,015**	**57,002**	**14,203**	**1,949**	**248,527**	**241,272**
Administrative services	15,903	473	-	51	(17,739)	11,519	640	-	10,847	9,061
Contracted services	2,113	596	1,655	-	178	2,372	434	6	7,354	32,016
Fleet services	-	1,233	-	-	4,273	1,946	-	-	7,452	7,052
Logistics services	-	4,097	-	-	783	(26)	-	-	4,854	9,696
Total Supplementary services	**18,016**	**6,399**	**1,655**	**51**	**(12,505)**	**15,811**	**1,074**	**6**	**30,507**	**57,825**
Total RESTRICTED	**92,215**	**77,592**	**19,570**	**102**	**(490)**	**72,813**	**15,277**	**1,955**	**279,034**	**299,097**
Regular resources	**64,493**	**1,042**	**-**	**4,153**	**490**	**15,414**	**(15,277)**	**(1,955)**	**68,360**	**68,874**
Total UNRESTRICTED	**64,493**	**1,042**	**-**	**4,153**	**490**	**15,414**	**(15,277)**	**(1,955)**	**68,360**	**68,874**
Total OPERATING EXPENDITURE 2018	**156,708**	**78,634**	**19,570**	**4,255**	**-**	**88,227**	**-**	**-**	**347,394**	**367,971**
Total OPERATING EXPENDITURE 2017	**158,556**	**100,090**	**28,071**	**4,952**	**-**	**76,032**	**-**	**-**	**367,971**	

8(a) Employee benefit costs

	2018 Restricted CHF 000s	2018 Unrestricted CHF 000s	2018 Total CHF 000s	2017 Total CHF 000s
Wages and salaries	77,369	52,594	129,963	132,631
Contributed services	6,497	171	6,668	7,442
Termination benefits	409	266	675	(907)
Social security costs	1,896	1,630	3,526	2,936
Pension costs - defined benefit plans	6,044	9,832	15,876	16,454
	92,215	64,493	156,708	158,556

8(b) Relief supplies, transportation & storage

	2018 Restricted CHF 000s	2018 Unrestricted CHF 000s	2018 Total CHF 000s	2017 Total CHF 000s
Relief supplies	65,208	-	65,208	79,434
Transportation & storage	12,384	1,042	13,426	20,656
	77,592	1,042	78,634	100,090

8(c) Operating expenditure in-kind

In-kind contributions and donations 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):

	2018 Goods CHF 000s	2018 Services CHF 000s	2018 Total CHF 000s	2017 Total CHF 000s
Employee benefit costs	-	6,668	6,668	7,441
Relief supplies	2,527	-	2,527	906
Transportation & storage	598	-	598	26
Leasehold property operating costs	1,961	-	1,961	1,444
	5,086	6,668	11,754	9,817

8(d) Depreciation and amortisation

	2018 CHF 000s	2017 CHF 000s
Depreciation of property, plant and equipment	3,473	3,825
Amortisation on intangible assets - computer software	742	1,127
Impairment loss on intangible assets - computer software	40	-
	4,255	4,952

8(e) Other costs & allocations

	2018 Restricted CHF 000s	2018 Unrestricted CHF 000s	2018 Total CHF 000s	2017 Total CHF 000s
Workshops & training	15,092	867	15,959	16,355
Administration, office and general	13,812	3,702	17,514	17,138
Vehicles and equipment	6,101	94	6,195	5,716
Travel	10,299	3,538	13,837	13,445
Consultancy fees	6,930	866	7,796	7,471
Information	2,755	842	3,597	5,067
Other costs and allocations	17,824	5,505	23,329	11,110
	72,813	15,414	88,227	76,302

Other costs and allocations includes provisions 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 19). There are no other specific, material, or unusual amounts included within Other costs and allocations.

8(f) Indirect cost recovery, net

	2018 Restricted CHF 000s	2018 Unrestricted CHF 000s	2018 Total CHF 000s	2017 Total CHF 000s
Programme and services support recovery	15,277	(15,277)	-	-
	15,277	(15,277)	-	-

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 2018 amounted to CHF 15,277k (2017: CHF 15,578k) and is added to unrestricted reserves.

9. Net finance expense

	2018 Restricted CHF 000s	2018 Unrestricted CHF 000s	2018 Total CHF 000s	2017 Total CHF 000s
Interest income on bank deposits	-	5	5	6
Interest income on loan to 3rd party	-	-	-	22
Interest income on global bond fund	-	1,582	1,582	1,564
Dividend income on global equity fund	-	514	514	550
Net change in fair value of financial assets at fair value through profit or loss	-	-	-	1,926
Net realised gains from cash flow hedge	-	-	-	95
Finance income	-	2,101	2,101	4,163
Net foreign exchange (losses) on pledge settlements	(3,268)	(1,576)	(4,844)	(7,230)
Net foreign exchange (losses) on revaluations of assets & liabilities	(767)	138	(629)	(966)
Net change in fair value of financial assets at fair value through profit or loss	-	(3,725)	(3,725)	-
Net realised (losses) from cash flow hedge	-	(8)	(8)	-
Finance expense	(4,035)	(5,171)	(9,206)	(8,196)
Net finance expense	(4,035)	(3,070)	(7,105)	(4,033)

10. Other comprehensive income

Cash flow hedges	2018 CHF 000s Hedge Contract value	2018 CHF 000s Fair value balance	2017 CHF 000s Hedge Contract value	2017 CHF 000s Fair value balance
Currency swaps in Euros	5,429	57	6,253	(55)
Currency swaps in United States Dollars	706	10	1,027	19
Total cash flow hedges	6,135	67	7,280	(36)

Movement in Other Comprehensive Income that may be reclassified to Profit or Loss in subsequent period	2018 CHF 000s	2017 CHF 000s
Cash flow hedge - effective portion of changes to fair value	(67)	36
Amount reclassified from Other Comprehensive Income to Operating Income and Expenditure statement	(36)	(187)
	(103)	(151)

Expected cash flows in subsequent period	2018 CHF 000s Carrying value	Hedge Contract cash flows CHF 000s 1 - 6 months	2017 CHF 000s Carrying value	Hedge Contract cash flows CHF 000s 1 - 6 months
Forward exchange contracts used for hedging				
- Ouflow	-	(6,068)	(55)	(7,279)
- Inflow	67	6,135	19	7,287
	67	67	(36)	8

In 2018, the IFRC entered into foreign currency futures contracts, with final maturities of 1 April 2019, in order to hedge the foreign exchange risk of receiving statutory contributions of CHF 5,429k in Euros and CHF 706k in US Dollars. The hedges were designated as cash flow hedges for hedge-accounting purposes. At 31 December 2018, the futures contracts had a net positive fair value of CHF 67k, 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 2018, there was no hedge ineffectiveness from the futures contracts, and the amounts recycled to Operating Income and Expenditure was CHF 36k.

The IFRC determined that all existing hedge relationships, that are currently designated as effective hedging relationships, will continue to qualify for hedge accounting under IFRS 9 Financial Instruments. The IFRC has chosen not to retrospectively apply IFRS 9 on transition. IFRS 9 does not change the general principles of how an entity accounts for effective hedges, hence applying the hedging requirements of the standard will not impact the IFRC’s consolidated financial statements.

11. Cash and cash equivalents

	2018 CHF 000s	2017 CHF 000s
Cash in hand	372	477
Cash at bank	93,224	60,480
Bank deposits (original maturities < 3 months)	31,545	83,545
	125,141	144,502

Cash and cash equivalents are denominated in the following currencies:

	2018 CHF 000s	2017 CHF 000s
Currency		
Swiss Franc	118,319	136,181
United States Dollar	5,068	3,808
Euro	461	3,020
Central African CFA Franc	94	155
Malagasy Ariary	92	23
Other currencies	1,107	1,315
	125,141	144,502

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:

	2018 CHF 000s	2017 CHF 000s
Cash and cash equivalents		
Fitch ratings		
AAA	831	912
AA-	1	45,037
A+	53,866	139
A	45,002	42,852
A-	22,627	52,278
BBB+	-	103
BB+	3	43
BBB-	101	-
BB	3	11
BB-	131	51
B	242	198
CCC+	89	-
Unrated	873	1,401
Other ratings: current account - S&P's AA (Glarner KantonalBank)	1,000	1,000
Cash in hand	372	477
	125,141	144,502
Short-term investments (see note 12)		
Moody's Aa2 (Banque Raiffeisen)	15,000	10,000
S&P's AA+ (Banque Cantonale Fribourg)	10,000	-
	25,000	10,000
Non-current investments (see note 12)		
Moody's Aa2 (Banque Raiffeisen)	5,000	10,000
S&P's AA+ (Banque Cantonale Fribourg)	10,000	20,000
	15,000	30,000

In 2018, CHF 873k of cash at bank were held with unrated institutions (2017: CHF 1,401k). Due diligence has been performed on these banks, and the IFRC does not consider there is any significant counter-party risk arising from the IFRC's holdings with these banks.

12. Investments

	2018 CHF 000s	2017 CHF 000s
Bank deposits measured at amortised cost (see note 11)		
Short-term investment (maturities > 3 months)	25,000	10,000
Long-term investment (maturities > 1 year)	15,000	30,000
Total bank deposits measured at amortised cost	40,000	40,000
Financial assets measured at fair value through profit and loss		
Global bond fund	60,035	57,453
Global equity fund	21,697	24,461
Total financial assets measured at fair value through profit and loss	81,732	81,914
Total Investments	121,732	121,914
Current investments	106,732	91,914
Non-current investments	15,000	30,000
Total Investments	121,732	121,914

13. Receivables

	2018 CHF 000s	2017 CHF 000s
Accounts receivable		
Statutory contributions	34,765	32,355
Provision for estimated credit losses (ECL) on statutory contributions	(34,765)	(32,355)
	-	-
Voluntary contributions	137,625	149,397
Provision for ECL on voluntary contributions	(2,130)	(604)
	135,495	148,793
National Societies receivables	27,174	21,150
Provision for ECL on National Societies receivables	(1,161)	(1,322)
	26,013	19,828
Other receivables	2,403	2,485
Provision for ECL on Other receivables	(222)	(82)
	2,181	2,403
Total accounts receivable	163,689	171,024
Other receivables		
Advances to employees	1,543	977
Taxes refundable	1,676	1,176
Sundry receivables	2,075	2,038
Fair value of cash flow hedges	67	18
Total other receivables	5,361	4,209
Total Receivables, net	169,050	175,233
Current receivables	129,333	120,789
Non-current receivables - voluntary contributions	39,717	54,444
Total Receivables, net	169,050	175,233

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The movement in Provision for Estimated Credit Losses (ECL) are as follows:

	Provision for voluntary contributions receivable CHF 000s	Provision for national societies receivable CHF 000s	Provision for unpaid statutory contributions CHF 000s	Provision for other accounts receivable CHF 000s	Total CHF 000s
2018					
Balance at 1 January	604	1,322	32,355	82	34,363
Changes to provision for ECL	1,644	168	2,410	174	4,396
Write offs during the year	(118)	(329)	-	(16)	(463)
Unused provisions reversed	-	-	-	(18)	(18)
Balance at 31 December	2,130	1,161	34,765	222	38,278
2017					
Balance at 1 January	207	1,302	29,669	224	31,402
Changes to provision for ECL	604	1,082	2,704	72	4,462
Write offs during the year	-	(176)	-	(140)	(316)
Unused provisions reversed	(207)	(886)	(18)	(74)	(1,185)
Balance at 31 December	604	1,322	32,355	82	34,363

Provisions for ECL are made based on probability-based model that considers credit risks over the expected life of the receivables, which are affected by economic factors, historical trend, and forward-looking information. (see note 25 (a) (ii)).

Full provision is made for all statutory contributions outstanding at year end. This does not invalidate the obligation of National Societies to pay amounts due. In 2018, CHF 562k of statutory contributions arrears due from National Societies in default (2017: CHF 166k) and CHF 1,150k due from the American Red Cross Society (2017: CHF 1,150k), which had not been previously recognised, were received and recognised in the Consolidated Statement of Comprehensive Income.

An amount of CHF 23,073k (2017: CHF 22,605k) out of the statutory contributions of CHF 34,765k (2017: CHF 32,355k), which are provided for, have not been recognised in the Consolidated Statement of Comprehensive Income (see note 33C). Receivables of CHF 135,495k (2017: CHF 148,793k) comprise voluntary contributions and donations, that will only be provided for, if and when they become more than one year past due.

The ageing of receivables after provisions for Estimated Credit Losses (ECL) is as follows:

	2018 CHF 000s	2017 CHF 000s
Not past due	136,847	148,406
Past due 1-60 days	6,213	8,458
Past due 61-90 days	9,283	3,480
Past due more than 90 days	16,707	14,889
	169,050	175,233

Receivables credit exposure	2018 CHF 000s	2017 CHF 000s
National Societies	42,456	51,483
Governments	65,726	70,553
Corporation	13,019	1,466
Multi-lateral agency	31,553	37,942
Others	16,296	13,789
	169,050	175,233

Receivables currency analysis	2018 CHF 000s	2017 CHF 000s
Currency		
Swiss Franc	25,838	28,693
Euro	56,321	57,562
United States Dollar	57,015	49,746
Pound Sterling	19,765	25,531
Canadian Dollar	2,989	6,077
Other currencies	7,122	7,624
	169,050	175,233

14. Prepayments and contract assets

	2018 CHF 000s	2017 CHF 000s
Prepayments	2,701	3,214
Contract assets	4,604	6,999
Accrued interest income	-	4
	7,305	10,217

15. Property, vehicles and equipment

	Property CHF 000s	Property under construction CHF 000s	Vehicles CHF 000s	Other equipment CHF 000s	2018 Total CHF 000s	2017 Total CHF 000s
Cost						
Balance at 1 January	1,919	21,359	28,170	3,169	54,617	47,207
Additions	-	29,063	6,522	143	35,728	18,431
Disposals and write offs	-	-	(5,498)	(111)	(5,609)	(9,403)
Reclassification to intangible assets	-	-	-	(130)	(130)	-
Reclassification from asset held for sale	-	-	19	-	19	-
Reclassification to asset held for sale			(1,327)	-	(1,327)	(1,618)
Balance at 31 December	1,919	50,422	27,886	3,071	83,298	54,617
Accumulated depreciation and impairment losses						
Balance at 1 January	(745)	-	(10,823)	(2,666)	(14,234)	(16,970)
Depreciation charge for the year	(96)	-	(3,217)	(160)	(3,473)	(3,825)
Disposals	-	-	3,220	109	3,329	5,973
Reclassification from asset held for sale	-	-	(15)	-	(15)	-
Reclassification to asset held for sale	-	-	299	-	299	588
Balance at 31 December	(841)	-	(10,536)	(2,717)	(14,094)	(14,234)
Net book value at 31 December	1,078	50,422	17,350	354	69,204	40,383
Net book value at 1 January	1,174	21,359	17,347	503	40,383	30,237

Property under construction includes CHF 6,586k for a building that was previously classified as held under an operating lease due to a high level of uncertainty regarding the IFRC's right to the asset (see note 26). Other equipment primarily includes computer equipment, generators, rubhalls and office equipment. See note 26 for details of amounts included above which are subject to operating leases as lessor.

16. Intangible assets

	Computer software CHF 000s	Computer software under development CHF 000s	2018 Total Computer software CHF 000s	2017 Total Computer software CHF 000s
Cost				
Balance at 1 January	10,885	142	11,027	14,018
Additions	58	56	114	533
Transfers	247	(247)	-	-
Reclassification from fixed assets	-	130	130	-
Disposal and write offs	(1,326)	(40)	(1,366)	(3,524)
Balance at 31 December	9,864	41	9,905	11,027
Accumulated amortisation and impairment losses				
Balance at 1 January	(9,578)	-	(9,578)	(11,925)
Impairment losses	-	(40)	(40)	-
Amortisation charge for the year	(742)	-	(742)	(1,127)
Disposals	1,326	40	1,366	3,474
Balance at 31 December	(8,994)	-	(8,994)	(9,578)
Net book value at 31 December	870	41	911	1,449
Net book value at 1 January	1,307	142	1,449	2,093

17. Payables

	2018 CHF 000s	2017 CHF 000s
Accounts payable		
Suppliers	19,554	24,532
National Societies	2,443	4,465
Payroll taxes payable	695	1,049
Other	3,120	2,806
Total accounts payable	25,812	32,852
Accrued expenses	12,403	8,800
Total accrued expenses	12,403	8,800
Fair value of cash flow hedges	-	55
Total other payables	-	55
Total Payables	38,215	41,707

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

	2018 CHF 000s	2017 CHF 000s
Currency		
Swiss Franc	23,914	18,830
United States Dollar	4,580	14,401
Syrian Pound	3,676	686
Euro	1,919	3,945
Pound Sterling	128	51
Other currencies	3,998	3,794
	38,215	41,707

18. Short-term employee benefits

	2018 CHF 000s	2017 CHF 000s
Staff vacation accrual	4,270	3,864
Accruals for other short-term benefits	213	132
	4,483	3,996

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

19. Provisions

	Operations CHF 000s	Pledge and services deficits CHF 000s	Redundancy CHF 000s	2018 Total CHF 000s	2017 Total CHF 000s
Current provisions					
Balance at 1 January	19,804	4,616	359	24,779	30,145
Unused amounts reversed	-	(4,542)	(340)	(4,882)	(3,717)
Used during the year	(19,804)	(1,212)	(68)	(21,084)	(27,623)
Additional provisions	24,424	7,837	927	33,188	25,974
Balance at 31 December	24,424	6,699	878	32,001	24,779

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 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 2018 and will be settled within the next twelve months (see note 8 (a)).

20. Deferred income and contract liabilities

Current liabilities	2018 CHF 000s	2017 CHF 000s
Deferred income	89,353	92,523
Contract liabilities	6,693	3,830
Statutory contributions received in advance	250	179
	96,296	96,532

Non-current liabilities	2018 CHF 000s	2017 CHF 000s
Deferred income	7,552	16,237

The IFRC is not in a position to reliably determine, in which future periods donations that are deferred due to specific contractual obligations under the accounting policy set out in note 33C, 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 voluntary contributions and donations that are earmarked for use in a future period, more than one year from the period end date.

21. Loans and borrowings

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 2018, CHF 22,200k had been drawn down from FIPOI in relation to the agreement (2017: CHF 17,000k), bringing the total loan amount to CHF 55,200k. The IFRC expects to accept the building in 2019 and thereby to make the first repayment in December 2019.

On 3 September 1998, the IFRC and the *Fondation des Immeubles pour les Organisations Internationales* (FIPOI) entered into an agreement for an unsecured loan for up to a maximum of CHF 12,061k, at 0% interest, for the construction of an extension to its then existing office building at the Geneva headquarters. Against this loan facility, in 1998, the IFRC borrowed a total of CHF 11,347k. This amount is being repaid with one instalment of CHF 220k in 1998 and 49 equal annual instalments of CHF 227k starting in 1999.

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.

22. Post-employment defined benefit liability, net

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.

22(a) Amounts in the Consolidated Statement of Financial Position

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

	2018 **CHF 000s**	**2017** **CHF 000s**
Present value of funded obligations	(269,944)	(270,035)
Fair value of plan assets	222,286	230,858
Liability per Consolidated Statement of Financial Position	(47,658)	(39,177)

Change in defined benefit obligation during the year:

	2018 **CHF 000s**	**2017** **CHF 000s**
Defined benefit obligation 1 January	270,035	264,223
Net current service cost	15,230	15,798
Interest cost on Defined Benefit Obligation	1,571	1,541
Employee contributions	8,068	7,571
Net benefits paid	(13,852)	(12,762)
Loss due to experience	4,389	1,448
Gain due to demographic assumption changes	(7,127)	(8,240)
(Gain)/loss due to financial assumption changes	(8,370)	456
Defined benefit obligation 31 December	269,944	270,035

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

	2018 CHF 000s	2017 CHF 000s
Defined Benefit Obligation for active members	176,152	176,249
Defined Benefit Obligation for passive members	93,792	93,786
	269,944	270,035

Change in plan assets during the year:

	2018 CHF 000s	2017 CHF 000s
Fair value of plan assets at 1 January	230,858	206,654
Employer contributions (see below)	13,177	12,372
Employee contributions	8,068	7,571
Net benefits paid	(13,852)	(12,762)
Actual administration expenses paid	(471)	(369)
Interest income on plan assets	1,396	1,254
Return on plan assets excluding amounts included in interest income	(16,890)	16,138
Fair value of plan assets at 31 December	222,286	230,858

Reconciliation of net defined benefit liability:

	2018 CHF 000s	2017 CHF 000s
Net liability at 1 January	(39,177)	(57,569)
Total (charge) recognised in employee benefits operating expenditure	(15,876)	(16,454)
Total remeasurements recognised in other comprehensive income	(5,782)	22,474
Employer contributions	13,177	12,372
Net liability at 31 December	(47,658)	(39,177)

22(b) Amounts in the Consolidated Statement of Comprehensive Income

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

	2018 CHF 000s	2017 CHF 000s
Service cost	15,230	15,798
Net interest on the net defined benefit liability	175	287
Administration expenses	471	369
Total included in employee benefits expenditure	15,876	16,454

22(c) Details of approved plan changes

There were no plan amendments, curtailments or settlements as per IAS 19 during either the year ended 31 December 2018 or the year ended 31 December 2017.

22(d) Amounts in Other Comprehensive Income

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

	2018 CHF 000s	2017 CHF 000s
Defined benefit obligation gain due to changes in demographic assumptions	(7,127)	(8,240)
Defined benefit obligation (gain)/loss due to changes in financial assumptions	(8,370)	456
Defined benefit obligation loss due to experience	4,389	1,448
Return on plan assets excluding amounts included in interest income	16,890	(16,138)
Total included in Other Comprehensive Income	5,782	(22,474)

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.

Following an experience study conducted by the IFRC during 2018, changes in demographic assumptions led to a net liability gain of CHF 7,127k (2017: CHF 8,240k (with no experience study)). The discount rate was increased from 0.6% to 0.8% in 2018, resulting in a defined benefit obligation gain of CHF 8,379k. Changes to other financial assumptions generated defined benefit obligation losses of CHF 9k (2017: gain of CHF 456k). In 2018, the pension plans' assets returned less than assumed leading to a loss on assets of CHF 16,890k (2017: gain CHF 16,138). With CHF 4,389k experience losses on liabilities (2017: CHF 1,448), the total actuarial losses on financial assumptions is CHF 12,909k (2017: gain 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.

22(e) Significant assumptions

The significant actuarial assumptions used were as follows:

	2018	2017
Discount rate	0.80%	0.60%
Underlying consumer price inflation	1.10%	1.00%
Rate of future compensation increases	1.40%	1.40%
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	1.10%	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 interest rate credited to account balances and the mortality rate 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:

Impact on the defined benefit obligation	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 7.1% CHF 19,166k	Increase by 8.1% CHF 21,865k
Interest rate credited to account balances	0.50%	Increase by 1.7% CHF 4,589k	Decrease by 1.6% CHF 4,319k
Change life expectancy at retirement age	1 year	Increase by 2.9% CHF 7,828k	Decrease by 3.0% CHF 8,098k

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.

22(f) Asset-liability matching

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

22(g) Plan assets

At 31 December 2018, the fair value of plan assets was CHF 222,286k (2017: CHF 230,858k).

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

	2018 Proportion	2018 Of which quoted in an active market	2017 Proportion	2017 Of which quoted in an active market
Cash and cash equivalents	8.1%		6.7%	
Equity securities	39.3%	39.3%	43.0%	43.0%
Debt securities	24.9%	24.9%	24.8%	24.8%
Real estate	20.3%	20.3%	20.0%	5.5%
Other	7.4%		5.5%	
Total	100.0%		100.0%	

As stated in note 23, 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.

The Pension Fund has its own investment policy. The primary objective is ensuring the security of funds. Other objectives include ensuring appropriate distribution of risks and obtaining 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.

22(h) Funding obligations, including Swiss legal requirements

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 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 Fund’s’ participants and four supplemental members.

According to the Pension Fund rules, the IFRC must make contributions of 16% (2017: 16%) of contributory salary for the Base Pension Plan and 5% (2017: 5%) of contributory salary for the Supplemental Pension Plan, for each covered participant. In the event that the Pension Fund 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 Pension Fund rules, the IFRC usually only makes contributions as per the Pension Fund rules and the IFRC does not anticipate making additional contributions within the foreseeable future.

As explained above, pension obligations are covered by independent pension fund assets which are held in a single, separate legal foundation that is governed by Swiss law. Pension benefits due, including lump sum payment and annuities, are calculated and paid in accordance with the requirements of Swiss law. According to the latest actuarial calculations, in accordance with Swiss legal requirements, the pension obligations were 110% funded at 31 December 2018 and 117% funded at 31 December 2017. The difference in the underfunded position shown in the Consolidated Statement of Financial Position and the more than fully funded position according to Swiss law, arises due to the use of different actuarial valuation models to estimate the likely pension liabilities. Under Swiss law the primary responsibility for ensuring that the independent pension fund's 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 fund's' foundation at either 31 December 2018 or 31 December 2017.

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, whilst the IAS 19 valuation shows a net liability position, the Pension Fund does not expose the IFRC to any unusual, specific or significant concentrations of risk.

22(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 2019 is CHF 11,808k. The weighted average duration of the DBO at the end of the current financial year is 15.2 years.

23. Restricted reserves

Funds held for operations

	2018 CHF 000s	2017 CHF 000s
Operations with temporary deficit financing	(12,211)	(10,700)
Temporarily unfunded defined benefit pension obligations recognised in Other Comprehensive Income	(10,916)	(8,715)
Reclassification of prior year temporarily unfunded defined benefit pension obligations from donor-restricted contributions	(2,152)	-
Donor-restricted contributions	178,657	195,891
	153,378	176,476

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 22(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 2018 or 31 December 2017 these amounts, included within Other Comprehensive Income, are temporary and disclosed separately.

In 2018, CHF 2,764k was reimbursed to donors in respect of voluntary contributions and donations received in previous years (2017: CHF 1,917k). These reimbursements were recorded under other costs and allocations and not as a reduction of income.

24. Designated reserves

2018	Self insurance CHF 000s	Statutory meetings CHF 000s	Specific projects CHF 000s	2018 Total CHF 000s
Balance at 1 January	1,582	375	-	1,957
Used during the year	(39)	-	-	(39)
Allocations during the year	199	813	-	1,012
Balance at 31 December	1,742	1,188	-	2,930

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
Balance at 31 December	1,582	375	-	1,957

25. Financial risk management

25(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 and donations 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, Canadian Dollar, Pound Sterling, Syrian Pound, 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 2018, if the Swiss Franc had strengthened by 5% against the aforementioned currencies, with all other variables held constant, the net deficit result and total comprehensive loss for the year would have decreased by CHF 7,371k (2017: CHF 8,421k) 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 total comprehensive loss for the year by CHF 7,371k (2017: CHF 8,421k).

In 2018, in order to hedge the foreign exchange risk of receiving statutory contributions amounting to CHF 5,429k in Euros and CHF 706k in US Dollars, the IFRC entered into foreign currency futures contracts with final maturities of 1 April 2019. At 31 December 2018, the futures contracts had a net positive fair value of CHF 67k (2017: net negative value of CHF 36) 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 2018 was CHF 36k (2017: CHF 187k).

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 investment classified at fair value through profit and loss is 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. 5% increase in the MSCI World Index at the reporting date would have increased the global equity funds investment, the net surplus result, and total comprehensive income for the year by CHF 1,085k (2017: CHF 1,223k). An equal change in the opposite direction would have decreased the global equity funds investment, the net surplus result, and total comprehensive income for the year by CHF 1,085k (2017: CHF 1,223k).

The global bond fund investment classified at fair value through profit or loss is held in a listed fund indexed to the Citigroup World Government Bonds Index. 5% increase in this Index at the reporting date would have increased the global bond fund investment, the net surplus result, and total comprehensive income for the year by CHF 3,002k (2017: CHF 2,873k). An equal change in the opposite direction would have decreased the global bond fund investment, the net surplus result, and total comprehensive income for the year by CHF 3,002k (2017: CHF 2,873k).

There was no exposure to commodities price risk at either 31 December 2018 or 31 December 2017.

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. Each category and class of receivable has its own definition of default, and provisions of estimated credit losses are made on the probability of credit losses occuring over the expected life of the receivables. The movement in estimated credit losses is disclosed in note 13.

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 investments are measured at fair value through profit and loss and therefore do not require additional impairment for credit losses.

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 year end was CHF 873k (2017: CHF 1,401k, see note 11).

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 21). 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.

(iv) Fair value hierarchy

The IFRC's financial assets measured at fair value through profit or loss are made of investments. All other financial instruments such as cash and cash equivalents, short term deposits, foreign exchange futures contracts, accounts receivable, accounts payable, loan and borrowings, and accrued liabilities, are measured at amortised cost.

Financial assets measured at fair value are categorised into three hierarchy levels, where 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).

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 classifed at Level 2, as prices are provided by the bank based on observable market prices. 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 2018 (2017: None).

25(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 2018 was CHF 51,220k (2017: CHF 61,578k). The unrestricted reserves are not subject to any externally imposed capital requirement. As further explained in note 33O, the IFRC holds restricted reserves that are subject to the earmarking requirements of donors.

26. Leases

26(a) Operating leases as lessee

Cancellable 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 was terminated at the end of 2018.

During the current year CHF 18,519k (2017: CHF 17,750k) were recognised as operating lease rental expense in the Consolidated Statement of Comprehensive Income, as follows:

	2018 CHF 000s	2017 CHF 000s
Land, buildings and equipment	15,963	15,426
Means of transport	2,556	2,324
	18,519	17,750

Non-cancellable operating lease

The IFRC leases its permanent headquarters in Geneva under a non-cancellable operating lease. Future minimum lease payments payable under this lease are as follows:

	2018 CHF 000s	2017 CHF 000s
Amounts falling due within one year	-	227
Amounts falling due in 2 to 5 years	-	908
Amounts falling due after more than five years	-	5,679
	-	6,814

In September 1998, the IFRC entered into a financing arranging for the construction and use of an extension to its then office premises at its Headquarters in Geneva. Due to a high level of uncertainty regarding the IFRC's rights to the asset, the arrangement has, previously, been recognised as a non-cancellable operating lease in the IFRCs consolidated financial statements, including in 2017. As part of its project to construct a new office premises at its Headquarters in Geneva, the IFRC clarified its rights to the asset and invested in renovation of the 20 year old asset. Renovation work will be completed in 2019. The office premises have been recognised at amortized cost, as Property under construction in these consolidated financial statements (see note 15) and the remaining balance of the financing arrangement has been reclassified as a loan (see note 21).

26(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:

	2018 CHF 000s	2017 CHF 000s
Rental of vehicles to third parties	7,314	5,153
Sub-leases of accommodation to staff	100	47
	7,414	5,200

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

	2018 CHF 000s	2017 CHF 000s
Gross carrying amount	9,929	10,952
Accumulated depreciation	(3,752)	(4,202)
Net book value	6,177	6,750
Depreciation charge for the year	1,303	1,346

27. Capital commitments

Capital expenditure contracted at 31 December 2018 but not yet incurred amounted to CHF 8,482k (2017: CHF 11,331k), of which CHF 7,186k (2017: 10,968k) related to the construction of the new IFRC headquarters in Geneva (see note 21).

28. Contingencies

28(a) Contingent assets

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 1,462k at 31 December 2018 exchange rate). At the end of 2018, CHF 102k was identified within the agreement as being conditional upon acceptance of final report (2017: CHF 353k). 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 March 2018, the IFRC entered into an agreement with United Nations Development Programme (UNDP to strengthen integrated early warning systems for more effective disaster risk reduction in the Caribbean through knowledge and tool transfer. Under the terms of the agreement, the IFRC is due to receive funding amounting to USD 295k (equivalent to CHF 290k at 31 December 2018 exchange rate). At the end of 2018, CHF 58k was identified within the agreement as being conditional upon acceptance of final report. 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 Disaster Relief Eemergency Fund. Under the terms of the agreement, the IFRC is due to receive funding amounting to EUR 3,100k (equivalent to CHF 3,494k at 31 December 2018 exchange rate). At the end of 2018, EUR 2,750k (equivalent to CHF 3,100 at 31 December 2018 exchange rate) was identified as being contingent upon the Government of the Federal Republic of Germany making the full amount of the funds available in its budget for 2018, 2019, and 2020. 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 45,029k at 31 December 2018 exchange rate) as a donation towards its regular resources. At the end of 2018, CHF 7,505k 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 December 2018, the IFRC entered into an agreement with the Swiss Government to support ‘children on the move’ project. Under the terms of the agreement, the IFRC is due to receive funding amounting to CHF 255k. At the end of 2018, CHF 255k was identified as being conditional upon performance. 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 August 2018, IFRC entered into an agreement with the Swiss Government Asia & Pacific Resource Mobilisation activities. Under the terms of the agreement, the IFRC is due to receive funding amounting to CHF 411k. At the end of 2018, CHF 276k was identified as being conditional upon performance. 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 2018, the IFRC entered into an agreement with WHO for programmes in Democratic Republic of Congo for Ebola programmes. Under the terms of the agreement, the IFRC is due to receive funding amounting to USD 3,307k (equivalent to CHF 3,256k at 31 December 2018 exchange rate). At the end of 2018, CHF 129k 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.

28(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.

29. Related parties

29(a) Identity of related parties
As described in note 1, 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.

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, Finance Commission, Audit and Risk Commission together with close members of their families or households; key management personnel; and 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 organising the next International Conference and the next Council of Delegates. In between the International Conferences, the commission works to encourage and further the implementation of the conference's resolutions.
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.

29(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 2,999k (2017: CHF 2,726k), comprised as follows:

	2018 **CHF 000s**	**2017** **CHF 000s**
Short-term employee benefits	2,479	2,256
Post-employment benefits	520	470
	2,999	2,726

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.

29(c) Transactions with related parties

Details of pension related transactions between the IFRC and its pension plans are provided in note 22. During the year, the IFRC recognised service income of CHF 434k (2017: CHF 441k) relating to supplementary services provided to the pension fund. At 31 December 2018, the IFRC had an outstanding receivable due from the pension fund amounting to CHF 104k (2017: CHF 180k).

Details of transactions between the IFRC and key management personnel are provided in note 29(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 4,192k (2017: CHF 1,268k) cash voluntary donation income from the IFRC at the UN Inc.

During the year, the IFRC transferred CHF 176k (2017: CHF 186k) 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 214k (2017: CHF 154k) relating to supplementary services provided to the Standing Commission. At 31 December 2018, the IFRC had an outstanding receivable due from the Standing Commission amounting to CHF Nil (2017: CHF Nil).

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.

30. Performance against budget (unaudited)

2018	Budget (unaudited) CHF 000s	Actuals CHF 000s	Actuals on a comparable basis CHF 000s	Performance Variance (unaudited) CHF 000s
OPERATING INCOME				
Voluntary contributions	410,000	259,744	254,600	(155,400)
Services income	51,000	29,842	30,000	(21,000)
Statutory contributions	36,500	35,426	34,100	(2,400)
Other income	2,500	2,678	5,000	2,500
Total OPERATING INCOME	500,000	327,690	323,700	(176,300)
OPERATING EXPENDITURE				
Regular resources	105,000	68,360	94,400	(10,600)
Other resources	352,000	248,527	225,600	(126,400)
Supplementary services	43,000	30,507	23,800	(19,200)
Total OPERATING EXPENDITURE	500,000	347,394	343,800	(156,200)
NET (DEFICIT) FROM OPERATING ACTIVITIES	-	(19,704)	(20,100)	(20,100)
FINANCE INCOME/(EXPENSE)				
Finance income	-	2,101		-
Finance expense	-	(9,206)		-
NET FINANCE INCOME/(EXPENSE)	-	(7,105)	-	-
NET (DEFICIT) FOR THE YEAR	-	(26,809)	(20,100)	(20,100)

2017	Budget (unaudited) CHF 000s	Actuals CHF 000s	Actuals on a comparable basis CHF 000s	Performance Variance (unaudited) CHF 000s
OPERATING INCOME				
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	1,500	2,954	5,500	4,000
Total OPERATING INCOME	500,000	365,907	359,200	(140,800)
OPERATING EXPENDITURE				
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
Total OPERATING EXPENDITURE	500,000	367,971	361,200	(138,800)
NET (DEFICIT) FROM OPERATING ACTIVITIES	-	(2,064)	(2,000)	(2,000)
FINANCE INCOME/(EXPENSE)				
Finance income	-	4,530	-	-
Finance expense	-	(8,563)	-	-
NET FINANCE INCOME/(EXPENSE)	-	(4,033)	-	-
NET (DEFICIT) FOR THE YEAR	-	(6,097)	(2,000)	(2,000)

31. Expenditure by Results against budget (unaudited)

	2018 Budget CHF 000s	2018 Actuals on a comparable basis CHF 000s	2018 Performance Variance CHF 000s	2017 Actuals on a comparable basis CHF 000s
Strategies for Implementation				
1. Strengthen National Societies	50,000	30,900	(19,100)	32,200
2. Ensure effective international disaster management	67,000	58,300	(8,700)	61,100
3. Influence others as leading strategic partners	25,000	21,700	(3,300)	21,300
4. Ensure a strong IFRC that is effective	58,000	62,400	4,400	59,600
Total Strategies for Implementation	200,000	173,300	(26,700)	174,200
Areas of Focus				
1. Disaster risk reduction	50,000	9,800	(40,200)	14,600
2. Shelter	37,000	29,300	(7,700)	13,900
3. Livelihoods and basic needs	41,000	23,900	(17,100)	35,800
4. Health	92,000	64,500	(27,500)	69,600
5. Water, sanitation and hygiene	19,000	16,200	(2,800)	12,900
6. Protection, gender and inclusion	8,000	4,000	(4,000)	2,900
7. Migration	53,000	22,800	(30,200)	37,300
Total Areas of Focus	300,000	170,500	(129,500)	187,000
Total expenditure by results	500,000	343,800	(156,200)	361,200

	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
Strategies for Implementation				
1. Strengthen National Societies	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 that is effective	79,700	59,600	(20,100)	52,800
Total Strategies for Implementation	240,000	174,200	(65,800)	152,100
Areas of Focus				
1. Disaster risk reduction	44,200	14,600	(29,600)	23,000
2. Shelter	56,600	13,900	(42,700)	17,500
3. Livelihoods and basic needs	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. Protection, gender and inclusion	10,600	2,900	(7,700)	3,200
7. Migration	19,800	37,300	17,500	49,100
Total Areas of Focus	260,000	187,000	(73,000)	213,300
Total expenditure by results	500,000	361,200	(138,800)	365,400

32. Expenditure by Structure against budget (unaudited)

	2018 Budget CHF 000s	2018 Actuals on a comparable basis CHF 000s	2018 Performance Variance CHF 000s	2017 Actuals on a comparable basis CHF 000s
General Assembly, Governing Board, Statutory Commissions and Committees	3,000	3,600	600	3,400
Office of the Secretary General	8,500	8,400	(100)	8,100
Programmes and Operations	52,500	42,600	(9,900)	44,800
Partnerships	23,000	19,300	(3,700)	18,000
Management	17,000	18,000	1,000	17,300
Africa	126,500	65,600	(60,900)	89,600
Americas	41,800	37,000	(4,800)	29,000
Asia Pacific	114,800	75,300	(39,500)	71,500
Europe	41,000	27,100	(13,900)	38,800
Middle East and North Africa	63,400	38,200	(25,200)	33,400
Depreciation and amortisation	6,500	4,200	(2,300)	5,000
General Provision	2,000	4,500	2,500	2,300
Total expenditure by structure	500,000	343,800	(156,200)	361,200

	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
General Assembly, Governing Board, Statutory Commissions and Committees	2,700	3,400	700	3,100
Office of the 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
Total expenditure by structure	500,000	361,200	(138,800)	365,400

Budgets in the tables above refer to the budget approved by the General Assembly pursuant to Update 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 30 to 32 are not audited and are presented for information purposes only.

33. 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, except for income from the provision of services (see note 33C (e)) and impairment of financial assets (see 33L) as described under changes in significant accounting policies below.

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

Changes in significant accounting policies

The IFRC has initially applied IFRS 15 and IFRS 9 from 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the IFRC's financial statements.

IFRS 15 Revenue from Contracts with Customers

This standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces IAS 18 Revenue, and IAS 11 Construction Contracts and related interpretations.

The major changes introduced by IFRS 15 to the IFRC's Consolidated Financial Statements, relate to income recognition for Services income, which is derived from provision of adminstrative services, fleet services, logistics services and contracted services (see note 6). Service income qualifies as revenue from 'contracts with customers' within the scope of IFRS 15. The current income policy (see note 33C) meets the requirement of IFRS 15 to recognise income when performance obligations are completed and the customer obtains control of the goods, either 'over time' or 'at a point in time'.

The income and expenditure lines under the IFRC's Consolidated Statement of Comprehensive Income, are not affected by implementing IFRS 15 as they are the same before before and after the application of IFRS 15. However, services performed in advance of income received is now classified as contract assets, and reclassified as Receivables from Customers when the amount is invoiced and becomes due. And income received in advance of service performance, is now classified as contract liabilities, and only recognised as income in the period of service performance. Contract balances as at 31 December 2018 are disclosed under note 6. The adoption of IFRS 15 had no significant effect on the financial position and result.

The IFRC has adopted IFRS 15 using the cumulative effect method for contracts that were not completed at the date of initial application. As the income recognised is consistent with the requirements of IFRS 15, no adjustment to retained earnings is required. Accordingly, the information presented for 2017 has not been restated, and it is presented, as previously reported, under IAS 18, and IAS 11 and related interpretations.

IFRS 9 Financial Instruments

This standard sets out requirements to recognise and measure financial assets, financial liabilities, and contracts to buy or sell non-financial items. It replaces IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 introduces new categories to classify financial assets at amortised cost, fair value through profit and loss (FVTPL), or fair value through OCI (FVOCI). For the IFRC's Consolidated Statement of Financial Position, except for investments which are both classified and measured at FVTPL, all financial assets are initially recognized at fair value and subsequently measured at amortised cost. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities; its adoption therefore has no significant effect on the IFRC's accounting policy.

The major changes introduced by IFRS 9 to the IFRC's Consolidated Financial Statements, relate to impairment of financial assets in terms of provision for credit losses. IFRS 9 replaces the 'incurred loss' model with a probablity-based 'expected credit loss' (ECL) model, which requires judgement about how credit risks are affected economic factors, historical trend, and forward-looking information. The new impairment model applies to all financial assets measured at amortized cost, including receivable and contract assets under IFRS 15, but it does not apply to financial instruments measured at FVTPL. Under IFRS 9, IFRC uses lifetime ECL, considering all possible default events over the expected life of receivable, to determine the provision for potential impairment. Impairment losses, and any gain or loss on derecognition of financial assets, are recognized in the Consolidated Statement of Comprehensive Income.

The IFRC adopts a simple approach for hedge instruments. While IAS 39 and IFRS 9 both cover hedge accounting requirements with the same underlying principles, IFRS 9 reflects more precisely the effect of risk management activities in the financial statements. The forward contracts were historically designated as fair value hedges and measured at FVTPL, and these remain consistent with IFRS 9; therefore the adoption has no significant effect on the IFRC's accounting policy for recognition of transactions arising from these contracts.

The adoption of IFRS 9 had no significant effect on the financial position and the financial result. While IFRS 9 generally requires changes in accounting policies to be applied retrospectively, given the insignificant impact on the opening financial positions, a restatement of retained earnings for the previous financial year was not deemed necessary.

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 2018, 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 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 assement 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 and donations, which are included under Voluntary contributions and Donations, 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	
	2018	**2017**	**2018**	**2017**
EUR	1.13	1.17	1.15	1.12
USD	0.98	0.98	0.98	0.98
GBP	1.25	1.32	1.30	1.27
NOK – (100s)	11.33	11.89	11.98	11.94
SEK – (100s)	11.00	11.90	11.20	11.58

C. Income

Income comprises statutory contributions and voluntary contributions in cash or in-kind from member National Societies, donations 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 and donations
Cash contributions and donations are recognised when a written pledge has been received from the National Society or other donor.

Government grants for specific projects and donations that are based on contracts akin to government grants, are recognised as expenditure is incurred and contractual obligations are fulfilled. Donations received, but not yet recognised, are included in deferred income. The IFRC typically receives such donations 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 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 and donations 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 and donations of tangible assets are recognised at fair value as voluntary contributions or donations. 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 and donations are identified according to the level of earmarking (see also note 33O *Donor-restricted contributions and donations*).

Unearmarked contributions and donations

Unearmarked contributions and donations 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 and donations are included in unrestricted reserves.

Earmarked contributions and donations

Earmarked contributions and donations can be stipulated by National Societies and other 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 and donations are fully under the control of the IFRC, and, unless they are earmarked for use in a future period or voluntary contributions subject to specific contractual obligations, are recognised in the Consolidated Statement of Comprehensive Income as restricted income, when pledged. At the end of the accounting period, unspent earmarked voluntary contributions and donations are included in restricted reserves.

Voluntary contributions and donations that are earmarked for use in a future period, or are voluntary contributions subject to specific contractual obligations, are not fully under control of the IFRC. Voluntary 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. Volntary contributions and donations 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 performance obligation is satisfied, including the transfer of control over the goods.

(e) Income from the provision of services

Income from services is recognised when contractual performance obligations have been satisfied, whether over time or at a point in time, within the period in which the service is rendered. For the provision of services across accounting periods, income is recognised when performance obligations have been satisfied, by reference to services performed to date.

Income from the provision of services, under service agreements, is derived from services provided to National Societies, including fleet services, 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 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.

Services income is recognised either over time or at point in time for the following types of service (see note 6):

- Administrative services - recognised over time as and when monthly chargeable services are delivered;
- Contracted services - recognised over time or at a point in time based on contractual performance obligations;
- Logistics services - recognised at a point in time for distinct services such as procurement and transportation, and over time for recurring services such as warehousing;
- Fleet services - recognised at a point in time for sale of vehicles.

Income from the provision of vehicles under operating leases is included within Services income, recognised on a straight-line basis over the lease term.
The income and expenditure line items are not affected by implementing IFRS 15 as the income (and associated costs) that is recognised before and after the application of the standard, is the same. However, services performed in advance of income received is classified as Contract assets (previously classified as accrued service income). Income received in advance of service performance is classified as Contract liabilities (previously classified as service income received in advance).

The major changes introduced by IFRS 15 to the IFRC's Consolidated Financial Statements, relate to income recognition for Services income. The current income policy meets the requirement of IFRS 15 to recognise income when performance obligations are completed and the customer obtains control of the goods, either 'over time' or 'at a point in time. The income and expenditure lines under the IFRC's Consolidated Statement of Comprehensive Income, are not affected by implementing IFRS 15 as they are the same before before and after the application of IFRS 15.

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 donations and are comprised of Humantarian 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 and donations. 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 donations 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 2018, 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.

(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.

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

H. Financial Instruments

(a) Financial assets
The IFRC's financial assets are made up of cash and cash equivalents, investments, receivables, contract assets, and cash flow hedge. Under IFRS 9, the financial assets that are measured at amortised cost are impaired using an 'expected credit loss' (ECL) model. The new impairment model does not apply to investments that are classified and measured at FVTPL. The ECLs are calculated based on change in credit risks and measured at an amount equal to lifetime of the financial assets.

(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 have been opened for these National Societies, in the name of the IFRC. These bank accounts are not 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.

(ii) Investments
Short-term investments are initially recognised at fair value, and subsequently measured at amortised cost. They include short-term bank deposits with original maturities of more than three months, but less than one year.

Long term investments are recognised and subsequently measured at fair value through profit or loss, and comprise units held in a global bond fund and a global equity fund which are classified as financial 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 or unrealised gains and losses arising from changes in the fair value of financial assets are included in the Consolidated Statement of Comprehensive Income under Net finance income/(expense), in the period in which they arise.

Investments with maturities of more than twelve months after the reporting period are classified as non-current assets.

(iii) Receivables
Accounts receivable comprise statutory contributions due but not yet received, outstanding voluntary contributions and donations not yet received from donors, and amounts due from National Societies and other customers for the provision of services.

Other receivables include advances to National Societies and employees, amounts due for reimbursable taxes, sundry receivables, fair value of cash flow hedges, and contract assets.

Trade receivables are initially recognised when they are originated. A trade receivable without a significant financing component is initially measured at the transaction price and subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Receivables are impaired based on ECL model, which is a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the IFRC in accordance with the contract and the cash flows that the the IFRC expects to receive).

Receivables, where the recovery 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 28). 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.

(iv) Cash flow hedges

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 Comprensive Income and accumulated in hedge reserve. Ineffective portion of changes in fair value is recognised immediately in Statement of Comprehensive Income. The amount accummulated in hedge reserve is also reclassified to Statement of Comprehensive Income in the same period during which the hedged item or forecast cash flows affect income and expenditure.

IFRS 9 reflects more precisely the effect of risk management activities in the financial statements. The forward contracts were historically designated as fair value hedges and measured at FVTPL, and these remain consistent with IFRS 9; therefore the adoption has no significant effect on the IFRC's accounting policy for recognition of transactions arising from these contracts.

(b) Financial liabilities

The IFRC's financial liabilities are made of payables, and loans and borrowings. These represent liabilities to third parties, which are initially recognised at fair value and subsequently measured at amortised cost.

I. Inventories

Inventories of prepositioned relief items, which have not been committed to a project, are stated at the lower of cost or net realisable value. Cost is determined using the weighted average cost 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.

J. 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.

K. 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.

L. 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 and inventories (see note 33H), are reviewed periodically to ascertain the amounts that may not be recoverable.

An impairment loss is recognised in the Consolidated Statement of Comprehensive Income whenever there is a shortfall between the carrying amount of an asset and 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.

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.

M. 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.

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.

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.

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.

N. 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 National Society or other donor confirming in writing the amount of a voluntary contribution or donation that a National Society or donor will provide and specifying any terms and conditions attached to the voluntary contribution or 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.

O. Reserves

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

Funds held for operations
Donor-restricted voluntary contributions and donations
Some voluntary contributions and donations pledged to, or received by the IFRC, have been earmarked to the extent that National Societies and other 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 and donations over National Society and other donor stipulated operating 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 National Society or other donor for a reallocation of those funds for a different use, or reimburses them to the National Society or other donor, in which case they are recognised as a liability until the effective repayment takes place.

Operations with temporary deficit financing
Expenditure on individual projects may exceed the amount of income from voluntary contributions and donations 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 33D, 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 2018 or 2017, 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.

34. 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:

Standard / Amendment / Interpretation	Effective date	IFRC planned application	Anticipated impact
IFRS 16 Leases	1 January 2019	Reporting year 2019	See below
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1 January 2019	Reporting year 2019	Not material
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	1 January 2019	Reporting year 2019	Not material
Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards	1 January 2019	Reporting year 2019	To be assessed in 2019
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020	Reporting year 2020	To be assessed in 2019
Amendments to References to Conceptual Framework in IFRS Standards	None	Based on effective date	To be assessed in 2019

IFRS 16 Leases
In defining leases, the standard dispenses with the distinction between finance leases and operating leases for accounting by lessees, and introduces a single, on-balance sheet (Consolidated Statement of Financial Position), lease accounting model. A lessee recognizes a right-of-use asset, representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

The standard retains the distinction between finance and operating leases for accounting by lessors but modifies their definitions.

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. When implementing IFRS 16, the IFRC plans to adopt on the following key practical expedients contained within the standard:

- The IFRC shall not restate comparative information, but shall recognize the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings.
- The IFRC shall not make any adjustments on transition for leases for which the underlying asset is of low value. The IFRC shall account for those leases by applying IFRS 16 from the 1 January 2019.
- The IFRC will rely on its assessment, in the prior period, of whether leases are onerous applying IAS 37, Provisions, Contingent liabilities and Contingent assets as an alternative to performing an impairment review.
- The IFRC will not establish a lease liability and ROU asset for leases where the lease term ends within 12 months of 1 January 2019. Such leases shall be treated as short-term leases.
- The IFRC will exclude initial direct costs from the measurement of the ROU asset at 1 January 2019.

- Initial recognition of Right of Use Assets and lease liabilities shall be with the same value representing the unexpired portion of the lease on 1 January 2019;
- Treating longer term lease contracts that have less than 12 months to run at 1 January 2019, as short-term leases.

The IFRC has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements as described below. The actual impacts of adopting the standard on 1 January 2019 may change because:

- the IFRC has not finalized the testing and assessment of controls over its new IT systems, and;
- the new accounting policies are subject to change until the IFRC presents its first financial statements that include the date of initial application.

Leases in which the IFRC is a lessee

The IFRC shall reassess all existing contracts as at 1 January 2019 to determine if they are, or contain, a lease. It shall recognize new assets and liabilities for identified leases with the cumulative effect of initially applying the standard as at 1 January 2019. The nature of lease expenditure will change because the IFRC will recognize a depreciation charge for right-of-use assets.

Previously, the IFRC recognized operating lease rental expense on a straight-line basis over the term of the lease, and recognized assets and liabilities only to the extent that there was a timing difference between actual lease payments and expenditure recognition.

The IFRC does not currently have any finance leases as lessee.

The IFRC's initial reassessment of leases at 1 January 2019, has indicated that a significant number of existing contracts recognised as operating leases in 2018, do not contain leases according to the definitions contained within IFRS 16. Based on the information currently available and assuming no lease additions or changes, the IFRC estimates that it will recognize the following in its 2019 Consolidated Statement of Comprehensive Income:

Within Operating expenditure:	**CHF 000s**
Depreciation charge for right-of-use assets	1,200k-1,500k
Short term lease expenditure	1,600k-2,100k
Low value lease expenditure	25k-50k
Variable lease expenditure (not linked to an index or rate)	5k-20k
Within Finance expense	
Interest expense on lease liabilities	-

The IFRC has assessed the impact of discounting lease liabilities as immaterial to the consolidated financial statements.

The IFRC also estimates that it will recognize additional Right of Use Assets and lease liabilities in the range of CHF 2,500k to CHF 3,500k as at 1 January 2019.

Leases in which the IFRC is a lessor

The IFRC will reassess the classification of sub-leases in which the IFRC is a lessor. Based on the information currently available, the IFRC expects that no leases will be reclassified as finance leases. The IFRC expects to reclassify in the region of CHF 6,000k – CHF 7,500k as income from leases as a lessor.

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

Standard / Amendment / Interpretation
IFRS 17 Insurance Contracts
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
Definition of a Business (Amendments to IFRS 3)
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
FRIC 23 Uncertainty over Income Tax Treatments