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 2020

KPMG SA
Geneva, 28 April 2021

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Independent Auditor's Report to the President of the IFRC on the Consolidated Financial Statements of International Federation of Red Cross and Red Crescent Societies, Geneva

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, statement of reserves and cash flows and notes for the year ended 31 December 2020.

In our opinion, the consolidated financial statements for the year ended 31 December 2020 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

Elodie Elloy
Licensed Audit Expert

Geneva, 28 April 2021

Enclosure:

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

CONSOLIDATED FINANCIAL STATEMENTS 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER

	Note	Restricted 2020 CHF 000s	Unrestricted 2020 CHF 000s	Total 2020 CHF 000s	Total 2019 CHF 000s (restated)
OPERATING INCOME					
Statutory contributions		-	36,432	36,432	35,567
Voluntary contributions		104,894	526	105,420	150,038
Voluntary contributions to Covid-19 Appeal	5	113,975	-	113,975	-
Total Voluntary contributions	6	218,869	526	219,395	150,038
Donations		97,295	29,396	126,691	140,024
Donations to Covid-19 Appeal	5	90,954	-	90,954	-
Total Donations	6	188,249	29,396	217,645	140,024
Services income	7	65,178	80	65,258	31,652
Other income		1,760	921	2,681	2,909
Total OPERATING INCOME		474,056	67,355	541,411	360,190
OPERATING EXPENDITURE					
Humanitarian response		149,450	-	149,450	131,461
Humanitarian response Covid-19	5	135,826	-	135,826	-
Total Humanitarian response		285,276	-	285,276	131,461
Thematic		121,847	-	121,847	110,703
Other resources (Programmes)	8	407,123	-	407,123	242,164
Supplementary services	8	25,952	-	25,952	29,107
Regular resources	8	-	29,261	29,261	64,012
Total OPERATING EXPENDITURE		433,075	29,261	462,336	335,283
NET SURPLUS FROM OPERATING ACTIVITIES		40,981	38,094	79,075	24,907
FINANCE INCOME AND EXPENSE					
Finance income	9	-	5,875	5,875	7,128
Finance expense	9	(134)	(521)	(655)	(963)
NET FINANCE (EXPENSE) / INCOME		(134)	5,354	5,220	6,165
NET SURPLUS FOR THE YEAR		40,847	43,448	84,295	31,072
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to income or expenditure					
Actuarial losses on defined benefit plans	21	(1,458)	(2,133)	(3,591)	(9,531)
Items that are or may be reclassified subsequently to income or expenditure					
Cash flow hedges	10	-	29	29	(96)
Total OTHER COMPREHENSIVE INCOME FOR THE YEAR		(1,458)	(2,104)	(3,562)	(9,627)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		39,389	41,344	80,733	21,445
Attributable to:					
Restricted reserves	22	39,389	-	39,389	17,207
Unrestricted reserves		-	41,344	41,344	4,238
		39,389	41,344	80,733	21,445

There were no discontinued operations during the year.

The comparative information is restated for the correction of an error, see note 2 for further details.

The notes on pages 8 to 51 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER

	Note	2020 CHF 000s	2019 CHF 000s (restated)
ASSETS			
Current Assets			
Cash and cash equivalents		102,963	119,647
Cash and cash equivalents - ESSN Project	11	100,692	144,902
Total cash and cash equivalents	12	203,655	264,549
Investments	13	237,193	124,391
Receivables	14	150,210	116,072
Prepayments and contract assets	15	7,237	6,602
Prepayments - ESSN Project	11	26,608	-
Total Prepayments and contract assets		33,845	6,602
Other current assets		2,340	1,614
Total Current Assets		627,243	513,228
Non-Current Assets			
Investments	13	48,000	35,000
Receivables	14	61,846	58,662
Property, vehicles and equipment	16	119,109	126,509
Intangible assets	17	6,663	2,469
Total Non-Current Assets		235,618	222,640
Total ASSETS		862,861	735,868
LIABILITIES AND RESERVES			
Current Liabilities			
Accounts payable and accrued expenses		31,999	29,728
Short-term employee benefits		5,736	4,472
Provisions	18	39,601	41,195
Liabilities - ESSN Project	11	127,300	144,902
Deferred income and contract liabilities	19	191,122	107,339
Loans and borrowings	20	3,246	3,169
Total Current Liabilities		399,004	330,805
Non-Current Liabilities			
Deferred income	19	44,432	50,709
Loans and borrowings	20	63,710	66,245
Post-employment defined benefit liabilities, net	21	57,551	70,678
Total Non-Current Liabilities		165,693	187,632
Total LIABILITIES		564,697	518,437
Reserves			
Restricted reserves	22	209,391	170,487
Unrestricted reserves		71,137	45,059
Designated reserves	23	17,636	1,885
Total RESERVES		298,164	217,431
Total LIABILITIES and RESERVES		862,861	735,868

The comparative information is restated for the correction of an error, see note 2 for further details.

The notes on pages 8 to 51 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF RESERVES
FOR THE YEAR ENDED 31 DECEMBER

2020	Notes	Restricted CHF 000s	Unrestricted CHF 000s	Designated CHF 000s	Total CHF 000s
Balance at 1 January		170,487	45,059	1,885	217,431
Net surplus for the year		40,847	43,448	-	84,295
Other comprehensive income for the year	10 & 21	(1,458)	(2,104)	-	(3,562)
Total comprehensive income for the year		39,389	41,344	-	80,733
Used during the year	23	71	74	(145)	-
Allocations during the year	23	(556)	(15,340)	15,896	-
Balance at 31 December	22 & 23	209,391	71,137	17,636	298,164

2019	Notes	Restricted CHF 000s	Unrestricted CHF 000s (restated)	Designated CHF 000s	Total CHF 000s (restated)
Balance at 31 December 2018		153,378	39,671	2,930	195,979
Opening balance adjustment		44	(38)	-	6
Adjusted balance at 1 January 2019		153,422	39,633	2,930	195,985
Net surplus for the year		20,337	10,736	-	31,073
Other comprehensive income for the year	10 & 21	(3,129)	(6,498)	-	(9,627)
Total comprehensive income for the year		17,208	4,238	-	21,446
Used during the year	23	3	1,791	(1,794)	-
Allocations during the year	23	(146)	(603)	749	-
Balance at 31 December	22 & 23	170,487	45,059	1,885	217,431

The comparative information is restated for the correction of an error, see note 2 for further details.

The notes on pages 8 to 51 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

	Note	2020 CHF 000s	2019 CHF 000s (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus for the year		84,295	31,072
Adjustment for non-cash items:			
Depreciation and amortisation	16, 17	10,260	9,120
In-kind assets	16	(2,620)	(2,176)
Increase in provisions	18	(1,594)	9,194
Other non-cash items		6,081	1,940
Finance costs	9	(8,269)	(7,745)
		3,858	10,333
Changes in working capital			
Receipt in advance ESSN	11	(17,602)	144,902
Receivables, net	14	(37,322)	(5,684)
Prepayments and contract assets	15	(27,243)	703
Advance pension contribution	21	(21,000)	-
Payables		2,300	(8,487)
Deferred income and contract liabilities	19	80,126	11,502
Other		(125)	(681)
Net change in working capital		(20,866)	142,255
NET CASH GENERATED FROM OPERATING ACTIVITIES		67,287	183,660
CASH FLOWS USED IN INVESTING ACTIVITIES			
Interest and dividends received	9	1,985	1,898
Proceeds from sale of property, vehicles and equipment	16	3,483	2,675
Proceeds from sale of investments	13	1,588	8,962
Acquisition of property, vehicles, equipment and intangibles	16,17	(9,710)	(18,596)
Acquisition of investments	13	(123,500)	(41,137)
NET CASH USED IN INVESTING ACTIVITIES		(126,154)	(46,198)
CASH FLOWS (USED IN)/ GENERATED FROM FINANCING ACTIVITIES			
Proceeds from loans and borrowings	20	-	4,206
Loan repayments	20	(1,416)	(1,415)
Lease payments	25	(2,865)	(1,570)
NET CASH (USED IN)/ GENERATED FROM FINANCING ACTIVITIES		(4,281)	1,221
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(63,148)	138,683
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		264,549	125,141
Effect of exchange rate fluctuations on cash held		2,254	725
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	12	203,655	264,549

The comparative information is restated for the correction of an error, see note 2 for further details.

In 2019, CHF 1,883k related to interest and dividends received was included within cashflows generated from operating activities. In these consolidated financial statements, interest and dividends received of CHF 1,984k and the 2019 comparative amount have been included within cash flows generated from investing activities. This change has been made to better align disclosure of cashflows with investing activities.

The notes on pages 8 to 51 are an integral part of these consolidated financial statements.

The disclosure content of some of the notes to the financial statements has been updated for 2020. Less relevant information has been removed, content has been simplified and some non-material financial positions regrouped to ensure that the more important information is presented in a clearer way to the users of the consolidated financial statements.

1. Activities and organisation

Founded in 1919, the International Federation of Red Cross and Red Crescent Societies (IFRC) is a membership organisation comprising 192 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 IFRC secretariat headquarters' address is 17, Chemin des Crêts, Petit-Saconnex, 1209 Geneva, Switzerland.

The IFRC's mission is to improve the lives of vulnerable people by mobilising the power of humanity. Working in support of its 192 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.

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 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 (National Societies) and the International Committee of the Red Cross (ICRC) make up the International Red Cross and Red Crescent Movement. 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 five members and a Chair elected in a personal capacity by the General Assembly, gives advice on financial matters 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 audit and risk matters affecting the IFRC.

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 2020 and 2021 comprise:

Budget Category	Activity	Description
Other resources (Restricted) activities	**Programmes:** - Humanitarian response - Thematic activities	Support National Societies: - in their programming in support of disaster affected and vulnerable people - in their individual organisational development
	Supplementary services	Provide cost-effective, relevant and demand driven services to individual and groups of National Societies
Regular resources (Unrestricted) activities)[1]	Governance and Secretariat activities	Fulfil the IFRC's constitutional role as the permanent body of liaison and coordination amoung National Societies representing the Red Cross and Red Crescent globally and providing network wide services

Performance against approved (unaudited) budget, Expenditure by Results against approved (unaudited) budget, and Expenditure by Structure against approved (unaudited) budget are shown in notes 29 to 31 to these consolidated financial statements.

These financial statements of the IFRC for the year ended 31 December 2020 are consolidated to include 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), as well as activities of the Geneva secretariat, all IFRC delegations, the General Assembly, the Governing Board and statutory commisisons, including the Audit and Risk Commission, the Compliance and Mediation Committee, the Election Committee, the Finance Commission and the Youth Commission. The Foundation was liquidated on 17 January 2020. There were no

[1] The IFRC may occasionally receive resources for activites undertaken as part of the Regular resources budget which have certain restrictions. These amounts are presented as 'Unrestricted' in these financial statements.

material impacts arising from this liquidation. 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

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 28 April 2021.

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 Conceptual Framework for Financial Reporting.

The consolidated financial statements have been prepared under the historical cost convention, except where otherwise indicated. Details of the IFRC's accounting policies, including changes during the year, are included in note 32 of these consolidated financial statements.

Correction of an error

In previous years, no actuarial valuations were performed to evaluate the post-employment benefit liabilities arising from the IFRC's contributions to the costs of retirees' health insurance (see note 21) that fall within the scope of post-employment defined benefit schemes under IAS 19 Employee Benefits. As such, no amounts were recognised for this liability at the end of each reporting period, including at 31 December 2019. These consolidated financial statements have been retrospectively corrected to account for this error as required by IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The following table provides a summary of the impact of corrections on the consolidated financial statements.

		Impact of error correction		
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		**As previously reported**	**Adjustments**	**As restated**
	Note	**CHF 000s**	**CHF 000s**	**CHF 000s**
Year ended 31 December 2019				
Total OPERATING INCOME		360,190	-	360,190
Employee benefits - Regular resources		62,463	152	62,615
Total OPERATING EXPENDITURE - Employee benefits	8	163,292	152	163,444
Total OPERATING EXPENDITURE	8	335,131	152	335,283
NET SURPLUS FROM OPERATING ACTIVITIES		25,059	(152)	24,907
NET SURPLUS FOR THE YEAR		31,224	(152)	31,072
Unrestricted surplus for the year		10,888	(152)	10,736
OTHER COMPREHENSIVE INCOME				
Actuarial losses on defined benefit plans	21	(8,024)	(1,507)	(9,531)
Total OTHER COMPREHENSIVE INCOME FOR THE YEAR		23,104	(1,659)	21,445

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	Note	Impact of error correction As previously reported CHF 000s	Adjustments CHF 000s	As restated CHF 000s
1 January 2019				
Total ASSETS		495,519	-	495,519
Post-employment defined benefit liabilities, net	21	47,658	11,549	59,207
Others		240,333	-	240,333
Total LIABILITIES		287,991	11,549	299,540
Unrestricted reserves		51,220	(11,549)	39,671
Others		156,308	-	156,308
Total RESERVES		207,528	(11,549)	195,979
31 December 2019				
Total ASSETS		735,868	-	735,868
Post-employment defined benefit liabilities, net	21	57,470	13,208	70,678
Others		447,759	-	447,759
Total LIABILITIES		505,229	13,208	518,437
Unrestricted reserves		58,267	(13,208)	45,059
Others		172,372	-	172,372
Total RESERVES		230,639	(13,208)	217,431

CONSOLIDATED STATEMENT OF CASH FLOWS	Impact of error correction As previously reported CHF 000s	Adjustments CHF 000s	As restated CHF 000s
Year ended 31 December 2019			
Net surplus for the year	31,224	(152)	31,072
Other non-cash items	1,788	152	1,940

3. Functional and presentation currency

The functional and presentation currency of the IFRC is the Swiss Franc. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4. Critical accounting estimates and judgements

Preparation of the consolidated financial statements requires the use of judgements, estimates and assumptions that affect the application of IFRC`s accounting policies, the recognition and reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

All significant accounting judgements, estimates and assumptions specific to one note are described in that note or the associated accounting policy. In particular:

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

- Note 32C – Income from voluntary contributions and donations: whether a voluntary contribution is fully under the control of the IFRC and its accounting treatment;

- Note 32C – Income from the provision of services: whether services income is recognised over time or at a point in time.

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 32H ESSN project: key assumptions used to estimate the value of the financial asset and financial liability associated with the delivery of cash to beneficiaries under component B of the agreement with ECHO.
- Note 21 – Post employment defined benefit plans: key actuarial assumptions;
- Note 32C – Fair value of in-kind contributions and donations: key assumptions used to estimate value of in-kind contributions and donations.
- Note 32N – Recognition and measurement of provisions and contingencies: key assumptions about likelihood and magnitude of resource flows.

5. COVID-19 Pandemic

On 31 January 2020, the IFRC launched an Emergency Appeal seeking CHF 3 million to enable the IFRC to support its membership in delivering assistance and support to communities affected or at risk of being affected by the novel coronavirus outbreak. In further response to the increased scale and scope of the crisis, this appeal was revised a number of times and on 28 May 2020, the IFRC published a revised appeal seeking CHF 450 million and extending the timeframe to 31 December 2021. The funds raised for this revised Emergency Appeal cover both allocations to IFRC's member National Societies and funding to support the work of the IFRC Secretariat. It includes allocations to the five regions (CHF 370 million) and to the Geneva Secretariat (CHF 30 million), as well as CHF 50 million to be managed as flexible funding to respond to the changing nature and focus of the pandemic. The increased appeal funding will enable the IFRC network to be able to respond to developing hotspots, second waves and deepening social and economic impacts, that affect the lives and dignity of people and communities in specific countries. On 2 February 2021, the appeal was further revised to include an immunisation annex to the Covid-19 response increasing the total appeal amount to CHF 550 million until 31 December 2021, whereby the additional CHF 100 million is planned to address the pressing need of supporting Covid-19 global vaccine roll-out.

The Covid-19 Pandemic Appeal is considered a new type of operation for the IFRC. It is unprecedented in terms of its magnitude, financial value and global reach with the IFRC planning to simultaneously support more than 160 National Societies in one action. The IFRC is funding the domestic appeals and plans of National Societies with support being provided by IFRC primarily remotely. As the funding is provided to National Societies to fund their activities, the mechanism used to provide the funds is cash contributions (see Accounting Policy 32D (c)). All funds provided to National Societies on the Covid-19 Pandemic Appeal are recorded as Contributions to National Societies. This is different to other IFRC appeals where typically the IFRC provides cash working advances to National Societies for them to implement activities on behalf of the IFRC. In these cases, when National Societies report on their use of funds, expenditure is recorded according to its nature. The approach adopted for the Covid-19 Pandemic Appeal highlights the work done by National Societies. As at 31 December 2020, a total of 159 National Societies had received funding allocations from the IFRC Covid-19 Pandemic Appeal.

Income and expenditure figures are disclosed separately in the Consolidated Statement of Comprehensive Income.

Additional details are provided below:

	2020
	CHF 000s
OPERATING INCOME	
Voluntary contributions	113,975
Donations	90,954
Total OPERATING INCOME	204,929
OPERATING EXPENDITURE	
Humanitarian Response	
Employee benefits	13,564
Relief supplies, transportation and storage	29,923
Contributions to National Societies	71,034
Supplementary services cost recoveries	3,522
Other costs & allocations	9,628
Total direct costs	127,671
Indirect cost recovery	8,155
Total OPERATING EXPENDITURE	135,826
NET SURPLUS FROM OPERATING ACTIVITIES	69,103
Finance expense, net	180
FUNDS HELD FOR OPERATIONS	68,923

At the end of 2020, the IFRC had received voluntary contributions and donations of CHF 66,474k which are not recognized as income in the Consolidated Statement of Comprehensive Income, but are included within deferred income in the Consolidated Statement of Financial Position.

At the end of 2020, the IFRC had outstanding receivables from donors of CHF 31,765k that are included in the Consolidated Statement of Financial Position related to the Covid-19 Pandemic Appeal.

6. Voluntary contributions and donations

	Cash	In-kind	2020 Total	2019 Total
	CHF 000s	CHF 000s	CHF 000s	CHF 000s
National Societies	211,128	8,266	219,394	150,038
Governments	152,097	3,899	155,996	84,840
Multi-lateral agencies	23,343	-	23,343	39,285
Corporations	26,522	-	26,522	7,889
Others	11,550	235	11,785	8,010
	424,640	12,400	437,040	290,062

In 2019, CHF 3,296k net foreign exchange losses on pledge settlements were included within Net finance income / (expense). In these consolidated financial statements, net foreign exchange losses of CHF 12,032k and the 2019 comparative amount have been included within Voluntary Contributions and Donations.

7. Services income

	Note	2020 Restricted CHF 000s	2020 Unrestricted CHF 000s	2020 Total CHF 000s	2019 Total CHF 000s
Services income		21,425	-	21,425	26,942
Services income - ESSN Project	11	39,534	-	39,534	-
Total Services income from contracts with customers		60,959	-	60,959	26,942
Lease income		4,219	80	4,299	4,710
Total Services income		65,178	80	65,258	31,652

Included in Services income above is CHF 11,212k (2019: CHF 12,090k) related to Administrative services and CHF 2,985k (2019: CHF 9,411k) related to Logistic services.

Receivables, contract assets and contract liabilities from contracts with customers are as follows:

		2020 Opening balances CHF 000s	2020 Closing balances CHF 000s
Contract assets	15	2,086	3,355
Contract liabilities	19	(20,730)	(18,407)
Receivables from Customers	14	9,430	7,204
		(9,214)	(7,848)

		2019 Opening balances CHF 000s	2019 Closing balances CHF 000s
Contract assets	15	4,604	2,086
Contract liabilities	19	(6,693)	(20,730)
Receivables from Customers	14	8,319	9,430
		6,230	(9,214)

In 2020, there were no assets recognised from the costs to obtain or fulfil a contract (2019: Nil), and there were no variable contract considerations that reduced transaction prices for service income recognised (2019: Nil). The amount included within the contract liability opening balance is fully recognised as income during the accounting period.

8. Operating expenditure

	(a) (c) Employee benefits	(b) Relief supplies, transportation & storage	Contributions to National Societies	Depreciation & amortisation	Supplementary services cost recoveries	(d) Other costs & allocations	Indirect cost recovery	Total 2020	Total 2019
	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s (restated)
Humanitarian response	59,344	87,335	83,679	249	8,134	29,677	16,858	285,276	131,461
Thematic	41,332	13,112	29,783	407	6,835	20,225	10,153	121,847	110,703
Total Other resources (Programmes)	100,676	100,447	113,462	656	14,969	49,902	27,011	407,123	242,164
Supplementary services	19,797	4,863	-	3,730	(15,863)	12,477	948	25,952	29,107
Total RESTRICTED	**120,473**	**105,310**	**113,462**	**4,386**	**(894)**	**62,379**	**27,959**	**433,075**	**271,271**
Regular resources	60,095	873	340	5,874	894	(10,856)	(27,959)	29,261	64,012
Total UNRESTRICTED	**60,095**	**873**	**340**	**5,874**	**894**	**(10,856)**	**(27,959)**	**29,261**	**64,012**
Total OPERATING EXPENDITURE 2020	**180,568**	**106,183**	**113,802**	**10,260**	**-**	**51,523**	**-**	**462,336**	**-**
Total OPERATING EXPENDITURE 2019	**163,444**	**67,410**	**9,553**	**9,120**	**-**	**85,756**	**-**	**-**	**335,283**

In keeping with the IFRC's principle of full cost recovery, the direct costs of programmes and services are subject to a standard indirect cost recovery to fund the costs of providing indirect support services, essential to the success of operations. The support for 2020 amounted to CHF 27,959k (2019: CHF 14,887k) and is added to unrestricted reserves.

In 2019, CHF 365k related to impairment losses was included within depreciation & amortisation. In these consolidated financial statements, impairment losses of CHF 54k and the 2019 comparative amount have been included within other costs & allocations.

Included within Other costs & allocations is an amount of CHF 13,740k (2019: nil) for the provision for unpaid statutory contributions, see note 14.

The comparative information is restated for the correction of an error.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

8(a) Employee benefit costs

	2020 Restricted CHF 000s	2020 Unrestricted CHF 000s	2020 Total CHF 000s	2019 Total CHF 000s (restated)
Wages and salaries	102,317	49,262	151,579	135,902
Contributed services	6,885	32	6,917	6,896
Termination benefits	733	(1,282)	(549)	1,095
Social security costs	2,337	1,238	3,575	3,451
Pension costs - defined benefit plans	8,201	10,845	19,046	16,100
	120,473	60,095	180,568	163,444

8(b) Relief supplies, transportation and storage

	2020 Restricted CHF 000s	2020 Unrestricted CHF 000s	2020 Total CHF 000s	2019 Total CHF 000s
Relief supplies	92,046	50	92,096	55,981
Transportation & storage	13,263	823	14,086	11,758
	105,309	873	106,182	67,739

8(c) In-kind expenditure

In-kind contributions and donations are recognised as both income and expenditure in accordance with the accounting policy outlined in note 32C. The following in-kind contributions are included within total expenditure:

	2020 CHF 000s	2019 CHF 000s
Employee benefit costs	6,857	6,803
Relief supplies	1,480	2,723
Land and buildings depreciation	2,618	2,321
Leasehold property operating costs	926	934
Transportation & storage	432	217
	12,313	12,998

8(d) Other costs & allocations

	2020 Restricted CHF 000s	2020 Unrestricted CHF 000s	2020 Total CHF 000s	2019 Total CHF 000s
Vehicles and equipment	12,813	199	13,012	7,777
Administration, office and general	9,992	2,462	12,454	13,297
Consultancy fees	7,675	478	8,153	7,880
Workshops & training	6,804	93	6,897	15,029
Travel	4,538	592	5,130	15,013
Information	3,697	516	4,213	4,782
Other costs and allocations	16,860	(15,196)	1,664	21,978
	62,379	(10,856)	51,523	85,756

Other costs and allocations include provisions for operations, where there was an increase in the value of operational advances that have not been reported on by the reporting date (see note 18). There are no other specific, material, or unusual amounts included within Other costs and allocations.

9. Net finance income / (expense)

	2020 Restricted CHF 000s	2020 Unrestricted CHF 000s	2020 Total CHF 000s	2019 Total CHF 000s
Interest income on bank deposits	-	1	1	15
Dividend income on global equity fund	-	600	600	564
Interest income on global bond fund	-	1,384	1,384	1,319
Gains on disposal: global equity fund and global bond fund	-	-	-	38
Net change in fair value of financial assets at fair value through profit or loss	-	3,890	3,890	5,087
Net foreign exchange gains on revaluations of assets & liabilities	-	-	-	105
Finance income	-	5,875	5,875	7,128
Net foreign exchange losses on revaluations of assets & liabilities	(134)	(381)	(515)	(909)
Losses on disposal: global equity fund and global bond fund	-	(17)	(17)	-
Net realised losses from cash flow hedge	-	(123)	(123)	(54)
Finance expense	(134)	(521)	(655)	(963)
Net finance (expense) / income	(134)	5,354	5,220	6,165

10. Other comprehensive income

Cash flow hedges	2020 CHF 000s Hedge Contract value	2020 CHF 000s Fair value balance	2019 CHF 000s Hedge Contract value	2019 CHF 000s Fair value balance
Forward exchange contracts in Euros	3,834	-	4,067	(23)
Forward exchange contracts in United States Dollars	975	-	1,986	(6)
Total cash flow hedges	4,809	-	6,053	(29)

Movement in Other Comprehensive Income that may be reclassified to Income or Expenditure in subsequent period	2020 CHF 000s	2019 CHF 000s
Cash flow hedge - effective portion of changes to fair value	-	29
Amount reclassified from Other Comprehensive Income to Operating Income and Expenditure statement	(29)	67
	(29)	96

Expected cash flows in subsequent period	2020 CHF 000s Carrying value	Hedge Contract cash flows CHF 000s 1 - 6 months	2019 CHF 000s Carrying value	Hedge Contract cash flows CHF 000s 1 - 6 months
Forward exchange contracts used for hedging				
- Ouflow	(4,809)	-	(29)	(6,082)
- Inflow	4,809	-	-	6,053
	-	-	(29)	(29)

In 2020, the IFRC entered into foreign currency forward exchange contracts, with final maturities of 31 March 2021, in order to hedge the foreign exchange risk of receiving statutory contributions of CHF 3,834k in Euros and CHF 975k in US Dollars. The hedges were designated as cash flow hedges for hedge-accounting purposes. Amounts recycled to Operating Income and Expenditure amounted to CHF 29k (2019: CHF 67k). The settlement of the 2019 foreign currency forward exchange contracts resulted in a net realised loss of CHF123k (2019: CHF 54k).

11. Emergency Social Safety Net (ESSN) project

11(a) Initial contract

The ESSN project is part of ECHO's Facility for Refugees (FRIT) that provides cash to vulnerable refugee families in Turkey. On 2 October 2019, the IFRC and European Civil Protection and Humanitarian Aid Operations (ECHO) entered into a 500,000k Euro agreement (approximately CHF 543,000k) for the ESSN project in Turkey with an implementation timeframe of 26 months until 31 October 2021. The IFRC is implementing the agreement with Turkish Red Crescent Society (TRC). There are three basic components to the ESSN project:

Component A: Beneficiary identification

Component B: Provision of timely cash support to beneficiaries to meet basic needs

Component C: Comprehensive monitoring, evaluation, accountability and learning

The delivery of cash to beneficiaries under Component B above accounts for 448,620k Euro (approximately CHF 487,201k) of the initial contract value. In accordance with IFRC's accounting policies (Note 32H(c)), the delivery of cash to beneficiaries under component B above does not constitute a performance obligation under the ESSN agreement. The IFRC is redistributing cash provided by ECHO to designated beneficiaries. This portion of the contract is recognised as a financial liability in the Consolidated Statement of Financial Position. It is not recognised in the Consolidated Statement of Comprehensive Income.

The balances related to the delivery of cash to beneficiaries are disclosed separately in the Consolidated Statement of Financial Position and are summarised below:

Cash and cash equivalents- ESSN project (see note 12)
Included in cash and cash equivalents is the amount of CHF 100,692k (2019: CHF 144,902k) held with Citibank and Credit Agricole Indosuez for the onward distribution to beneficiaries under the ESSN. This balance is distinguished from other cash and cash equivalents in the Consolidated Statement of Financial Position.

For the ESSN project, the Finance Commission of the IFRC has agreed a waiver to its Investment Guidelines which normally limit the holding with any one financial institution to 25% of the IFRC's total cash and investment holdings at any one time.

Prepayment– ESSN project (see note 15)
Included in prepayments is an amount of CHF 26,608k (2019: Nil). This is the balance of funds held by TRC for onward distribution to beneficiaries under ESSN (component B). This shall either be distributed to beneficiaries by TRC or returned to IFRC. This balance is distinguished from other receivables in the Consolidated Statement of Financial Position.

Liabilities - ESSN project
The liabilities on the ESSN project comprises two parts:

- Included in liabilities is an amount of CHF 94,373k (2019: CHF nil). This reflects the estimated amount to be paid to beneficiaries who are already in receipt of a payment card under the initial ESSN contract (component B).
- Included in liabilities as at 31 December 2020 is an amount of CHF 32,927k. This relates to funds received from ECHO in excess of the amount to be paid to beneficiaries. This amount shall be distributed as part of the revised contract (see 11(b) below). Included in liabilities as at 31 December 2019 is an amount of CHF 144,902k received from ECHO before the start of the project, for onward distribution to beneficiaries.

These liabilities on the ESSN project are distinguished from other liabilities in the Consolidated Statement of Financial Position.

Included within Services Income (Note 7) is an amount of CHF 39,534k (2019: nil) related to the other portions of the ESSN contract. At the end of 2020, the IFRC had received CHF 15,670k (2019: CHF 18,567k) service income in advance from ECHO in relation to the other portions of the ESSN contract. This is recorded as Contract liabilities.

Expenditure related to the other portions of the ESSN contract is included within Thematic expenditure.

IFRC's indirect cost recovery is applied only to the first CHF 50,000k of costs each financial year in keeping with the IFRC's accounting policy to cap indirect cost recovery on large operations (Note 32O).

11(b) Revised contract

On 21 December 2020, the IFRC and ECHO revised this agreement increasing the value to 900,000k Euro (approximately CHF 976,400k) and extending the implementation timeframe to 38 months until 31 October 2022. This revision increased Component B of the contract to a total of 806,989k Euro (approximately CHF 875,493k). This contract modification is accounted for as a separate contract under IFRS 15 and there is no impact on these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

12. Cash and cash equivalents

	2020 CHF 000s	2019 CHF 000s
Cash in hand	390	446
Cash at bank	203,265	232,557
Bank deposits (original maturities < 3 months)	-	31,546
	203,655	264,549

The cash at bank balance above includes CHF100,692k (2019: CHF 144,902k) for the delivery of cash to beneficiaries under Component B of the ESSN project (see note 11).

13. Investments

	2020 CHF 000s	2019 CHF 000s
Bank deposits measured at amortised cost (see note 12)		
Short-term investment (maturities > 3 months)	98,000	30,000
Long-term investment (maturities > 1 year)	48,000	35,000
Total bank deposits measured at amortised cost	146,000	65,000
Financial assets measured at fair value through profit and loss		
Global bond fund	98,864	67,280
Global equity fund	40,329	27,111
Total financial assets measured at fair value through profit and loss	139,193	94,391
Total Investments	285,193	159,391
Current investments	237,193	124,391
Non-current investments	48,000	35,000
Total Investments	285,193	159,391

14. Receivables

	2020 CHF 000s	2019 CHF 000s
Accounts receivable		
Statutory contributions	29,684	31,493
Provision for estimated credit losses (ECL) on statutory contributions	(15,944)	(31,493)
	13,740	-
Voluntary contributions	162,377	136,830
Provision for ECL on voluntary contributions	(1,720)	(3,304)
	160,657	133,526
National Societies receivables	34,829	35,159
Provision for ECL on National Societies receivables	(1,909)	(1,192)
	32,920	33,967
Other receivables (see note below)	1,112	3,160
Provision for ECL on other receivables	(9)	(3)
	1,103	3,157
Total accounts receivable	208,420	170,650
Other receivables	3,636	4,084
Total Receivables	212,056	174,734
Current receivables	150,210	116,072
Non-current receivables	61,846	58,662
Total Receivables	212,056	174,734

In 2019, CHF 27,494k for Statutory Contribution Accounts Receivable was included within current receivables. In these consolidated financial statements, Statutory Contribution Accounts Receivable of CHF 25,058k and the 2019 comparative amount have been included within non-current receivables.

The movement in Provision of 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
2020					
Balance at 1 January	3,304	1,192	31,493	3	35,992
Changes to provision for ECL	1,957	787	(11,450)	17	(8,689)
Write offs during the year	(2,841)	-	-	(10)	(2,851)
Unused provisions reversed	(700)	(70)	(4,099)	(1)	(4,870)
Balance at 31 December	1,720	1,909	15,944	9	19,582
2019					
Balance at 1 January	2,130	1,161	34,765	222	38,278
Changes to provision for ECL	3,548	197	(3,272)	225	698
Write offs during the year	(1,580)	-	-	(226)	(1,806)
Unused provisions reversed	(794)	(166)	-	(218)	(1,178)
Balance at 31 December	3,304	1,192	31,493	3	35,992

The provisions for ECL above includes impairment of CHF1,447k (2019: CHF 902k) for receivables and contract assets that relate to contracts with customers (see Note 7).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

The provision for unpaid statutory contributions is based upon the IFRC's assessment of the probability of payment. At 31 December 2020, the IFRC revised its assessment of CHF 13,740 of statutory contribution receivables from at risk to likely to be paid (31 December 2019, CHF nil). Provision of statutory contribution receivables does not invalidate the obligation of National Societies to pay amounts due.

Receivables ageing	**Not past due**	**Past due 1-60 days**	**Past due 61-90 days**	**Past due more than 90 days**	**Total**
	CHF 000s	**CHF 000s**	**CHF 000s**	**CHF 000s**	**CHF 000s**
2020					
Gross carrying amount	181,491	5,835	2,588	41,724	231,638
Provision for ECL	-	-	-	(19,582)	(19,582)
Receivables	181,491	5,835	2,588	22,142	212,056

	Not past due	**Past due 1-60 days**	**Past due 61-90 days**	**Past due more than 90 days**	**Total**
	CHF 000s	**CHF 000s**	**CHF 000s**	**CHF 000s**	**CHF 000s**
2019					
Gross carrying amount	153,900	8,434	2,186	46,206	210,726
Provision for ECL	-	-	-	(35,992)	(35,992)
Receivables	153,900	8,434	2,186	10,214	174,734

15. Prepayments and contract assets

	2020 CHF 000s	**2019 CHF 000s**
Prepayments	3,882	4,516
Prepayments - ESSN	26,608	-
Total Prepayments	30,490	4,516
Contract assets	3,355	2,086
Total prepayments and contract assets	33,845	6,602

The prepayments balance includes CHF 26,608k (2019: nil), which is the balance of funds held by TRC for onward distribution to beneficiaries under ESSN (component B). This shall either be distributed to beneficiaries by TRC or returned to IFRC (see note 11).

16. Property, vehicles and equipment

Property, vehicles and equipment

	Land and buildings CHF 000s	Work in Progress CHF 000s	Vehicles CHF 000s	Other equipment CHF 000s	2020 Total CHF 000s	2019 Total CHF 000s
Cost						
Balance as at 1 January	111,281	1,102	28,624	4,393	145,400	86,088
Additions	2,782	(105)	4,704	294	7,675	65,257
Transfer from Work in progress	997	(997)	-	-	-	-
Disposals and write offs	(1,044)	-	(7,539)	(58)	(8,641)	(4,778)
Reclassifications to/from assets held for sale, net	-		(808)	-	(808)	(1,167)
Balance at 31 December	114,016	-	24,981	4,629	143,626	145,400
Accumulated depreciation and impairment losses						
Balance at 1 January	(5,242)	-	(10,891)	(2,758)	(18,891)	(14,094)
Depreciation charge for the year	(6,728)	-	(2,992)	(302)	(10,022)	(8,546)
Disposals and write offs	574	-	3,545	56	4,175	3,117
Impairment loss	-	-	77	-	77	(122)
Reclassifications to/from assets held for sale, net	-	-	144	-	144	754
Balance at 31 December	(11,396)	-	(10,117)	(3,004)	(24,517)	(18,891)
Net book value at 31 December	102,620	-	14,864	1,625	119,109	126,509
Net book value at 1 January	106,039	1,102	17,733	1,635	126,509	69,204

Other equipment primarily includes computer equipment, generators, rubhalls and office equipment.

Property, vehicles and equipment include right-of-use assets of CHF4,247k (2019: CHF 5,004k) related to leased properties and equipment (see note 25).

Included in the depreciation of property, plant and equipment is CHF 2,684k (2019: CHF 1,376k) related to depreciation of right-of-use assets and CHF 2,622k (2019: CHF 2,321k) related to assets received as donations in-kind.

The IFRC took occupation of its new headquarters office premises in Geneva during 2019. Depreciation of the associated assets has been applied from the point they were in the location and condition necessary for them to be used in the manner intended by management.

Property, vehicles and equipment include the following amounts that have been received as in-kind donations:

	Land and buildings CHF 000s	Other equipment CHF 000s	2020 Total CHF 000s	2019 Total CHF 000s
Gross carrying amount	45,635	242	45,877	45,877
Accumulated depreciation	(4,412)	(160)	(4,572)	(1,951)
Net book value	41,223	82	41,305	43,926
Depreciation charge for the year	(2,586)	(36)	(2,622)	(2,321)

The Gross carrying amount of Land and buildings includes CHF44,428k that have been received as non-monetary in-kind donations from host country governments, for right-of-use premises in Dubai, Budapest, Geneva and Panama City which were initially recognised in 2019.

17. Intangible assets

	Computer software CHF 000s	Computer software under development CHF 000s	2020 Total Computer software CHF 000s	2019 Total Computer software CHF 000s
Cost				
Balance at 1 January	9,743	2,173	11,916	9,905
Additions	-	4,432	4,432	2,153
Transfers	200	(200)	-	-
Reclassification from fixed assets	-	-	-	-
Disposal and write offs	(1,764)	-	(1,764)	(142)
Balance at 31 December	8,179	6,405	14,584	11,916
Accumulated amortisation and impairment losses				
Balance at 1 January	(9,447)	-	(9,447)	(8,994)
Impairment losses	-	-	-	-
Amortisation charge for the year	(238)	-	(238)	(574)
Disposals	1,764	-	1,764	121
Balance at 31 December	(7,921)	-	(7,921)	(9,447)
Net book value at 31 December	258	6,405	6,663	2,469
Net book value at 1 January	296	2,173	2,469	911

Included within Computer software under development is CHF 6,273k (2019: CHF 1,968k) related to the implementation of an Enterprise Resource Planning (ERP) system.

18. Provisions

	Operations CHF 000s	Pledge and services deficits CHF 000s	Redundancy CHF 000s	2020 Total CHF 000s	2019 Total CHF 000s
Current provisions					
Balance at 1 January	31,216	8,710	1,269	41,195	32,001
Additional provisions	32,172	1,991	389	34,552	43,803
Unused amounts reversed	(216)	(1,723)	-	(1,939)	(7,577)
Used during the year	(31,000)	(1,727)	(1,480)	(34,207)	(27,032)
Balance at 31 December	32,172	7,251	178	39,601	41,195

All provisions are current, and the IFRC expects to incur the 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 provision for operations includes the estimated cash working advances with National Societies that have not been reported at the reporting date, along with estimated costs of other operational liabilities that have incurred at the reporting date, where the timing or amount is uncertain.

The provision for pledge and services deficit 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 2020 and will be settled within the next twelve months.

19. Deferred income and contract liabilities

Current liabilities	2020 CHF 000s	2019 CHF 000s
Deferred income	172,541	86,499
Contract liabilities	18,407	20,730
Statutory contributions received in advance	174	110
	191,122	107,339

Non-current liabilities	2020 CHF 000s	2019 CHF 000s
Deferred income	44,432	50,709

Included within Deferred income above is CHF 41,269k (2019: CHF 43,887k) related to non-monetary in-kind donations from host country governments (see note 16). Included within Contract liabilities above is CHF15,670k (2019: CHF 18,567k) related to service income received in advance for the ESSN project (see note 11).

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 32C, 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.

20. Loans and borrowings

Current liabilities	2020 CHF 000s	2019 CHF 000s
Loans for building	1,415	1,415
Lease liabilities	1,831	1,754
	3,246	3,169

Non-current liabilities	2020 CHF 000s	2019 CHF 000s
Loans for building	61,746	63,162
Lease liabilities	1,964	3,083
	63,710	66,245

Loans for building

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 remaining loan balance as at 31 December 2020 amounted to CHF 6,131k (2019: CHF 6,359k).

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 is unsecured, and is being repaid in equal annual instalments of CHF 1,188k starting in 2019. The remaining loan balance as at 31 December 2020 amounted to CHF 57,030k (2019: 58,218k).

Reconciliation of movement of liabilities to cashflows arising from financing activities

	2020 CHF 000s	2019 CHF 000s
Balance at 1 January	69,415	64,693
Changes from financing cash flows:		
Proceeds from loans and borrowings	-	4,206
Repayment of borrowings	(1,415)	(1,415)
Payment of lease liabilities	(2,865)	(1,570)
Total changes from financing cash flows	**(4,280)**	**1,221**
Other liability related changes	1,821	3,501
Balance at 31 December	66,956	69,415

21. 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. Subject to certain conditions, members of the pension plans are also eligible to receive contributions towards the cost of health insurance during retirement.

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

Including the impact of correcting a prior period error (see Note 2), the amounts recognised in the Consolidated Statement of Financial Position are determined as follows:

Post-employment defined benefit liabilities, net	2020 CHF 000s	2019 CHF 000s (restated)
Pension plans	(43,894)	(57,470)
Retirees' health insurance	(13,657)	(13,208)
	(57,551)	(70,678)

	2020 CHF 000s	2019 CHF 000s (restated)
Present value of obligations	(352,619)	(330,157)
Fair value of plan assets	295,068	259,479
Liabilities per Consolidated Statement of Financial Position	(57,551)	(70,678)

Change in defined benefit obligations during the year:

	2020 CHF 000s	2019 CHF 000s (restated)
Defined benefit obligations 1 January	330,157	281,493
Net current service cost	17,711	15,127
Interest cost on Defined Benefit Obligation	480	2,173
Employee contributions	8,809	8,466
Net benefits paid	(16,523)	(15,708)
Loss due to experience	6,067	6,623
Loss due to financial assumption changes	5,057	31,817
Special termination benefits	253	166
Past service costs	608	-
Defined benefit obligations 31 December	352,619	330,157

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

	2020 CHF 000s	2019 CHF 000s (restated)
Defined Benefit Obligations for active members	231,022	226,153
Defined Benefit Obligations for retirees	121,597	104,004
	352,619	330,157

Change in pension plan assets during the year:

	Note	2020 CHF 000s	2019 CHF 000s (restated)
Fair value of plan assets at 1 January		259,479	222,286
Employer contributions - regular contributions		14,764	14,160
Employer contributions paid in advance	21 (g)	21,000	-
Employee contributions		8,809	8,466
Net benefits paid		(16,523)	(15,708)
Actual administration expenses paid		(634)	(574)
Interest income on plan assets		387	1,774
Return on plan assets excluding amounts included in interest income		7,533	28,909
One-off employer contribution to finance special termination benefits		253	166
Fair value of plan assets at 31 December		295,068	259,479

Reconciliation of net defined benefit/(liabilities):

	2020 CHF 000s	2019 CHF 000s (restated)
Net liabilities at 1 January	(70,678)	(59,207)
Total (charge) recognised in employee benefits operating expenditure	(19,299)	(16,266)
Total remeasurements recognised in other comprehensive income	(3,591)	(9,531)
Employer contributions	35,764	14,160
One-off employer contribution to finance special termination benefits	253	166
Net liabilities at 31 December	(57,551)	(70,678)

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

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

	2020 CHF 000s	2019 CHF 000s (restated)
Service cost	18,572	15,293
Net interest on the net defined benefit liability	93	399
Administration expenses	634	574
Total included in employee benefits expenditure	19,299	16,266

21(c) Details of approved Pension Fund changes

To ensure the continued future financial stability of the pension fund in light of anticipated lower long-term investment returns and demographic changes, notably, increasing life-expectancy, on 28 October 2020, the Pension Fund Board adopted new regulations for the Pension Fund. The main changes were to:

- lower the conversion rate used to convert members' accumulated funds into pensions upon retirement;
- increase the monthly credit to members' accounts.

Effective from 1 January 2021, the changes also include transitional measures for qualifying active members, notably including a one-off payment to compensate for reduced pensions resulting from the lower conversion rate.

As the regulation changes became effective on 1 January 2021 and led to a significant reduction in the Defined Benefit Obligation, amendment accounting was performed at 31 December 2020. The net defined benefit liability was remeasured using the fair value of plan assets at 31 December 2020 and the 2020 actuarial assumptions reflecting:

- the benefits offered under the plan before the new regulations were adopted; and
- the benefits offered under the plan after the new regulations were adopted.

The significant reduction in the Defined Benefit Obligation was largely offset by the cost of the transitional arrangements, notably the one-off payment to compensate for reduced pensions resulting from the lower conversion rate. The overall impact was a net increase in the Defined Benefit Obligation of CHF 608k, that is recognized in past Service cost (2019: CHF Nil).

Apart from the above, there were no plan amendments, settlements or curtailments, as per IAS 19, during either the year ended 31 December 2020, or the year ended 31 December 2019.

21(d) Amounts in Other Comprehensive Income

The amounts recognised in Other Comprehensive Income that will never/not be reclassified subsequently to income or expenditure, are as follows:

	2020 CHF 000s	**2019 CHF 000s (restated)**
Defined benefit obligation losses due to changes in financial assumptions	5,057	31,817
Pension defined benefit obligation loss due to experience	6,067	6,623
Return on pension plan assets excluding amounts included in interest income	(7,533)	(28,909)
Total included in Other Comprehensive Income	3,591	9,531

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

The discount rate was decreased from 0.15% in 2019 to 0.05% in 2020, resulting in a defined benefit obligation loss of CHF 5,771k. Changes to other financial assumptions generated defined benefit obligation gains of CHF 714k (2019: CHF 424k). In 2020, the pension plans' assets returned more than assumed leading to a gain on assets of CHF 7,533k (2019: CHF 28,909k). With CHF 6,067k experience losses on pension plan liabilities (2019: CHF 6,623k), the total actuarial losses on financial assumptions is CHF 11,124k (2019: CHF 38,440k).

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 contributions to the pension plan.

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.

21(e) Significant assumptions

The significant actuarial assumptions used in valuing the Pension Fund related defined benefit obligation were as follows:

	2020	**2019**
Discount rate	0.05%	0.15%
Underlying consumer price inflation	0.80%	1.00%
Rate of future compensation increases	1.05%	1.25%
Rate of pension increases	0.00%	0.00%
Interest rate credited to account balances	2.00%	2.00%
Increase in maximum lump sum death benefit	0.80%	1.00%
Change life expectancy at retirement age (mortality rate)	LPP 2015 CMI 2016 LTR1.5%	LPP 2015 CMI 2016 LTR1.5%

The significant actuarial assumptions used in valuing the Retirees health insurance defined benefit obligation include discount rates of 0.05% in 2020 and 0.15% in 2019 and future mortality rates for both years based on Swiss published statistics LPP 2015 CMI 2016 LTR 1.5%.

For a pensioner retiring at age 65, the assumptions regarding mortality rates translate into an average life expectancy of between 21.9 and 25.8 years in 2020 and between 21.8 and 25.7 years in 2019 for both the Pension Fund and the Retirees' health insurance scheme.

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 Pension Fund related 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 7.6% CHF 25,761k	Increase by 8.7% CHF 29,490k
Interest rate credited to account balances	0.50%	Increase by 1.5% CHF 5,084k	Decrease by 1.4% CHF 4,745k
Change life expectancy at retirement age	1 year	Increase by 3.1% CHF 10,508k	Decrease by 3.2% CHF 10,847k

The sensitivity of the Retirees' health insurance related 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 8.9% CHF 1,215k	Increase 10.3% CHF 1,407k
Life expectancy at retirement age	1 year	Increase by 4.7% CHF 642k	Decrease by 4.8% CHF 656k

The above sensitivity analyses for both the Pension Fund and Retirees' health insurance scheme defined benefit obligations are based on a change in one assumption whilst, in each case, 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 post-employment benefit liabilities recognised in the Consolidated Statement of Financial Position.

21(f) Asset-liability matching

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

21(g) Plan assets

At 31 December 2020, the fair value of Pension Fund plan assets was CHF 295,068k (2019: CHF 259,479k).

In December 2020, as permitted by Swiss law and the Pension Fund regulations, the IFRC advanced CHF 21,000k to the Pension Fund to fund future employer contributions. This amount is included in the fair value of plan assets at 31 December 2020 (2019: nil).

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

	2020	2020	2019	2019
	Proportion	Of which quoted in an active market	Proportion	Of which quoted in an active market
Cash and cash equivalents	8.9%		9.8%	
Equity securities	42.3%	42.3%	42.1%	42.1%
Debt securities	21.0%	21.0%	23.4%	23.4%
Real estate	17.0%	17.0%	17.4%	17.4%
Other	10.8%		7.3%	
Total	100.0%		100.0%	

As stated in note 27, 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.

The retirees' health insurance scheme is unfunded and, as such, does not have any plan assets.

21(h) Characteristics of the Plans, funding obligations, Swiss legal requirements and risks

Pension Fund

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) and its activities are overseen by both the Geneva Cantonal and the Swiss Federal pension oversight authorities. 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, typically five to seven years.

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

According to the Pension Fund rules, the IFRC must make contributions of 16% (2019: 16%) of contributory salary for the Base Pension Plan and 5% (2019: 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 payments 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 more than 117% funded at 31 December 2020 and 115% funded at 31 December 2019. 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 Pension Fund Board is primarily responsible to ensure that the independent pension fund's assets are sufficient to meet pension obligations as they fall due, 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 2020 or 31 December 2019.

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.

Retirees' health insurance
Depending upon service at retirement and subject to having both worked a minimum of five years and taking an annuity upon retirement, retirees receiving a pension from either the Base Pension Plan and/or the Supplemental Plan receive a contribution towards the cost of health insurance. Retirees, who are members of the IFRC's collective health insurance plan, receive a contribution between CHF 50 and CHF 400 per calendar month, depending on service. Retirees, who have selected their own health insurance plan, receive a maximum of 66.67% of the basic premium or the benefit they would have received had they participated in the IFRC's collective health insurance plan.

Whilst the IFRC is under no legal obligation to make these contributions towards the cost of retirees' health insurance, the IFRC currently plans to continue making these contributions for the foreseeable future. As contributions are fixed at flat rates with no obligations to change the amounts, the arrangement does not expose the IFRC to any unusual, specific or significant concentrations of risk.

21(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 2021 is CHF 13,173k. The weighted average duration of the DBOs at the end of the current financial year are:

Pension Fund	16.3 years
Retirees' health insurance	19.2 years

22. Restricted reserves

Funds held for operations

	2020 CHF 000s	2019 CHF 000s
Operations with temporary deficit financing	(8,457)	(11,316)
Temporarily unfunded defined benefit pension obligations recognised in Other Comprehensive Income	(15,503)	(14,044)
Donor-restricted contributions	233,351	195,847
	209,391	170,487

23. Designated reserves

2020	Self insurance CHF 000s	Statutory meetings CHF 000s	Specific projects CHF 000s	Major works CHF 000s	Total CHF 000s
Balance at 1 January	1,856	-	-	29	1,885
Used during the year	(71)	(74)	-	-	(145)
Allocations during the year	213	940	14,400	343	15,896
Balance at 31 December	1,998	866	14,400	372	17,636

2019	Self insurance CHF 000s	Statutory meetings CHF 000s	Specific projects CHF 000s	Major works CHF 000s	Total CHF 000s
Balance at 1 January	1,742	1,188	-	-	2,930
Used during the year	(3)	(1,791)	-	-	(1,794)
Allocations during the year	117	603	-	29	749
Balance at 31 December	1,856	-	-	29	1,885

As explained in note 32O, in the event that there is an operation with expenditure in the year in excess of CHF 50,000k, and the total amount of indirect cost recovery charged for the year exceeds the total amount of indirect costs incurred during the year, the excess is allocated to a Specific projects reserve, pending a Governing Board decision regarding use of the excess recovery. In 2020, expenditure on the Covid-19 Pandemic operation and relevant expenditure on the Turkey ESSN operation was in excess of CHF 50,000k. In 2019, no operations had expenditure in excess of this amount. At the end of 2020, the balance on the Specific projects reserve was CHF 14,400k (2019: nil).

24. Financial instruments – Fair values and risk management

24(a) Measurement and Fair values

Financial instruments are measured either at amortised cost or at fair values. The financial assets measured at fair values are categorised into three hierarchy levels, where each level reflects the transparency of the inputs used to measure the values. The classification, hierarchy levels, carrying values as at 31 December are:

Financial asset/liability	Note	Measured at	Fair value level	Carrying amount 2020 (CHF 000s)	Carrying amount 2019 (CHF 000s)
Investments – global bond funds	13	Fair value through profit or loss	1	98,864	67,280
Investments – global equity Funds	13	Fair value through profit or loss	2	40,329	27,111
Foreign exchange forward contracts	10	Fair value – hedging instruments	2	-	29
Investments – bank deposits	13	Amortised cost		146,000	65,000
Cash and cash equivalents	12	Amortised cost		203,655	264,549
Receivables[2]	14	Amortised cost		209,947	172,326
Payables		Amortised cost		31,999	29,728
Liabilities – ESSN project	11	Amortised cost		127,300	144,902
Loans and borrowings	20	Amortised cost		66,956	69,413

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of 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 in 2020 (2019: none).

For financial assets and liabilities not measured at fair value, the carrying value is a reasonable approximation of fair value.

24(b) Risk management

The IFRC is exposed to a variety of financial risks, namely market risk, credit risk, and liquidity risk. The IFRC actively seeks to 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. In consultation with the Finance Commission, the Secretary General has established the IFRC's Investment Guidelines, which sets out the overall principles and policies for the IFRC's management of financial instruments. The Finance Commission has oversight responsibility to ensure the management is adherent to the Investment Guidelines and to report to the Governing Board and the General Assembly. The Governing Board has established an Audit and Risk Commission to provide advice on risk matters affecting the IFRC, particularly the advice on risk identification, evaluation, measurement, monitoring, and the overall risk management processes of the IFRC.

[2] Financial instruments include accounts receivables and sundry receivables only

(i) Market risk

This includes foreign exchange risk, price risk, and interest rate risk.

Foreign exchange risk

The risk arises primarily from bank deposits and pledge receivables in currencies other than Swiss Francs, revalued against Swiss Francs over the period between the pledge date and the settlement date. Foreign exchange risk on these assets is naturally mitigated by the foreign exchange risk on accounts payable that are denominated in currencies other than Swiss Francs. The main currencies influencing foreign exchange risk are the Euro, Canadian Dollar, Pound Sterling, Swedish Kronors, and United States (US) Dollar. The IFRC maintains the net exposure within acceptable levels by buying or selling foreign currencies at spot rates to meet short-term needs. The following table shows the main currencies influencing IFRC's foreign exchange risk.

Currency	Cash & Cash Equivalents CHF 000s	Investments CHF 000s	Receivables CHF 000s	Payables CHF 000s	Liabilities-ESSN project CHF 000s	2020 CHF 000s	2019 CHF 000s
Swiss Franc	96,052	285,193	41,042	(16,281)	-	406,006	291,659
Euro	102,613	-	38,653	(1,639)	(127,300)	12,327	38,341
United States Dollar	3,899	-	117,451	(7,947)	-	113,403	71,983
Great Britain Pound	-	-	5,506	(104)	-	5,402	16,827
Swedish Kronor	-	-	5,206		-	5,206	1,102
Canadian Dollar	-	-	1,082	(112)	-	970	1,847
Other currencies	1,091	-	3,116	(5,916)	-	(1,709)	2,246
	203,655	285,193	212,056	(31,999)	(127,300)	541,605	424,005

At 31 December 2020, if the Swiss Franc had strengthened by 5% against the aforementioned currencies, with all other variables held constant, the net surplus result and total comprehensive income for the year would have increased by CHF 6,939k (2019: CHF 6,362k), primarily as a result of foreign exchange gains/losses on translation of pledge receivable balances and bank balances held mostly in Euros and US Dollars.

Foreign exchange risk also arises on statutory contributions settled by certain National Societies in either Euros or US Dollars. The IFRC hedges this foreign exchange risk by entering into offsetting foreign exchange forward contracts with a bank to sell the foreign currencies it receives, in exchange for Swiss Francs at pre-agreed exchange rates. The differences between the market rates and the forward rates constitute hedge foreign exchange gains and losses and are recognized in the consolidated financial statements using hedge accounting.

The ESSN project includes equivalent Euro assets and Euro liabilities related to the delivery of cash to beneficiaries under Component B. Accordingly the associated foreign exchange risk is mitigated.

Price risk

This relates to price risk on investments measured at fair value through profit and loss (FVTPL). In order to manage the risk arising from investments in securities, the IFRC diversifies its investment portfolio, which is managed by external investment managers, in accordance to the IFRC's Investment Guidelines.

The global bond funds are measured at FVTPL and are held in a listed fund indexed to the Citigroup World Government Bonds Index. A 5% increase in this Index at the reporting date would have increased the global bond funds, the net surplus result, and total comprehensive income for the year by CHF 4,943k (2019: CHF 3,364k). 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 4,943k (2019: CHF 3,364k).

The global equity funds are measured at FVTPL and are held in a global equity trust fund that is not listed. This equity trust fund invests in actively traded equity securities to mirror the listed MSCI World Index. A 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 2,016k (2019: CHF 1,356k). 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 CHF2,016k (2019: CHF 1,356k).

There was no exposure to commodities price risk at either 31 December 2020 or 31 December 2019.

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

Credit risk arises primarily from holding receivables that may not be settled and from holding cash balances with financial institutions that may default.

The IFRC's principal receivables are with member National Societies, donor governments, and other international organisations where credit risk is considered to be low. A breakdown is provided below:

Receivables credit exposure	**2020 CHF 000s**	**2019 CHF 000s**
National Societies	66,963	56,870
Governments	94,572	72,584
Corporations	2,938	9,571
Multi-lateral agencies	29,899	30,119
Others	17,684	5,590
	212,056	174,734

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 lives of the receivables. The movement in estimated credit losses is disclosed in note 14.

The IFRC's Investment Guidelines allows investment only in liquid securities and deposits with counterparties that have investment grade or better credit ratings, limiting the holding with one financial institution to 25% of the IFRC's total cash and investment holdings at any given time. The Finance Commission of the IFRC has agreed a waiver to this policy in relation to the ESSN project (see note 11) whereby funds related to component B are held in two financial institutions. The IFRC reviews the credit ratings of all financial institution counterparties on a regular basis.

Details of cash and cash equivalent holdings by credit ratings of financial institution are provided below:

	2020 CHF 000s	2019 CHF 000s
Fitch ratings		
Investment grade (AAA to BBB-)	201,743	262,310
Non-investment grade (BB+ and below)	147	348
Unrated	375	445
Other ratings: current account - S&P's AA (Glarner KantonalBank)	1,000	1,000
Cash in hand	390	446
	203,655	264,549
Short-term investments (see note 13)		
Fitch ratings Investment grade (AAA to BBB-)	78,000	20,000
Other ratings: S&P A- (Cembra Money Bank AG)	20,000	-
Other ratings: ZKB AA+ (Banque Cantonale Fribourg)	-	10,000
	98,000	30,000
Non-current investments (see note 13)		
Fitch ratings Investment grade (AAA to BBB-)	28,000	25,000
Other ratings: ZKB AA+ (Banque Cantonale Fribourg)	20,000	10,000
	48,000	35,000

As investments are measured at FVTPL, they 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. At year end, the value of assets held with such institutions was CHF 375k (2019: CHF 445k). Other positions are not material or are covered by provisions.

(iii) Liquidity risk

This concerns the risk that the IFRC will encounter difficulty to meet 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. A maturity analyis of financial liabilities is provided below:

	Payables CHF 000s	Loans for building CHF 000s	Lease Liabilities CHF 000s	Liabilities-ESSN project CHF 000s	2020 CHF 000s	2019 CHF 000s
Less than one year	(31,999)	(1,415)	(1,831)	(127,300)	(162,545)	(177,799)
One to five years	-	(5,660)	(1,964)	-	(7,624)	(10,158)
More than five years	-	(56,086)	-	-	(56,086)	(56,087)
	(31,999)	(63,161)	(3,795)	(127,300)	(226,255)	(244,044)

The IFRC anticipates meeting annual loan repayments from short-term liquid funds (see note 20). In addition, investments are all in liquid securities which can easily be sold to meet longer term cash flow needs, including annual 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.

24(c) 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 2020 was CHF 71,137k (2019: CHF 45,059k). The unrestricted reserves are not subject to any externally imposed capital requirement. As further explained in Note 32O, the IFRC holds restricted reserves that are subject to the earmarking requirements of donors.

25. Leases

(a) IFRC as a lessee (IFRS 16)

(i) Short term and low value lease

The IFRC leases assets of property and equipment. Due to the nature and duration of IFRCs programme activities, the majority of IFRC leases have a lease term of 12 months or less, or are leases where the underlying asset is of low value. The IFRC recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

	2020 CHF 000s	2019 CHF 000s
Expenses related to short-term leases	2,916	4,711
Expenses related to low-value assets, excluding short-term leases of low value assets	64	46
	2,980	4,757

(ii) Leases that have been recognised as right of use assets

At lease commencement date, the IFRC assesses whether it is reasonably certain to exercise lease extension options. Some leases contain extension options that have not been reflected in the IFRC's assessment of the lease term as they are not reasonably certain. The IFRC is unable to assess the potential future lease payments that may be made should the IFRC exercise these options.

Right-of-use assets related to leased properties and equipment are presented as property, vehicles and equipment (see note 16).

	Property CHF 000s	Equipment CHF 000s	2020 Total CHF 000s	2019 Total CHF 000s
Balance at 1 January	4,811	193	5,004	2,790
Additions	2,319	78	2,397	3,796
Disposals	(470)	-	(470)	(206)
Depreciation charge for the year	(2,619)	(65)	(2,684)	(1,376)
Balance at 31 December	4,041	206	4,247	5,004

Leases of property

The IFRC's property leases include leases of offices, residential apartments and warehouses.

At the end of 2020, the IFRC had leases for 28 office premises from which it conducts its business around the world. The IFRC also had leases for 51 residential apartments in 18 locations around the world. Generally, employees are responsible for arranging accommodation at their own costs, however in certain duty stations, this responsibility lies with the IFRC. In these instances, the IFRC will sign the accommodation lease and make the necessary arrangements with the landlord. Finally, the IFRC leased 5 warehouses on short-term contract basis. Warehouses are used for the strategic pre-positioning of emergency supplies to allow the IFRC to deliver aid to people in need more quickly and at minimum cost. They also allow the IFRC to provide warehousing and handling services to National Societies and other humanitarian agencies.

Leases of equipment

The IFRC leases photocopiers for use by staff in its head office in Geneva and in 4 of its regional and country offices.

Lease liabilities recognised in the Consolidated Statement of Financial Position

	2020 CHF 000s	2019 CHF 000s
Current lease liabilities	1,744	1,754
Non-current lease liabilities	2,051	3,083
	3,795	4,837

Amounts recognised in the Consolidated Statement of Cash flows

	2020 CHF 000s	2019 CHF 000s
Payment of lease liabilities	2,865	1,570
	2,865	1,570

The total cash outflow for leases including short term leases, low value leases and right of use assets in 2020 is CHF 5,845k (2019: CHF6,327k).

(b) Leases in which the IFRC is a lessor (under IFRS 16)

The IFRC lease vehicles to third parties under operating leases. The leases, which run for period 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 IFRC retains the right to receive proceeds from disposal of the leased vehicles. The lease contracts contain a number of provisions to manage the IFRC's risk associated with the rights it retains in the underlying vehicle assets, including the following:

- lessees must return the vehicle to the IFRC at the end of lease period;
- lessees must use and manage the vehicles in accordance with the requirements of the IFRC's fleet management procedures;
- vehicle modifications can only be made with prior IFRC approval;
- lessees are required to meet certain minimum insurance standards, and the IFRC self-insures collision damage (see note 32O).

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

	2020 CHF 000s	2019 CHF 000s
Rental of vehicles to third parties	3,619	4,163
Leases of office / residential premises	600	547
	4,219	4,710

Vehicles (see note 17) include the following right-of-use assets which are subject to leases as lessor:

	2020 CHF 000s	2019 CHF 000s
Gross carrying amount	8,595	10,916
Accumulated depreciation	(3,481)	(4,153)
Net book value	5,114	6,763
Depreciation charge for the year	1,025	1,223

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2020 CHF 000s	2019 CHF 000s
Less than one year	2,313	2,944
One to two years	2,515	3,538
Two to three years	414	725
Three to four years	-	-
Four to five years	-	-
	5,242	7,207

26. Capital commitments

Capital expenditure contracted for at 31 December 2020, but not yet incurred, amounted to CHF 6,556k (2019: CHF 1,479k), of which CHF 5,655k (2019: 222k) related to the implementation of the ERP project (see note 17).

27. Contingencies

27(a) Contingent assets

The IFRC sometimes receives donations where receipt of the funding is conditional and contingent upon uncertain future events not wholly within the IFRC's control. Such donations are treated as contingent assets:

Donor	Nature of contingent asset	2020 CHF 000s	2019 CHF 000s
USAID	Contingent upon USAID funds	34,982	29,044
British Red Cross	Contingent upon DFID funding allocation	5,326	0
Australian Government	Contingent upon funds and future workplan	1,213	0
ECHO	Contingent upon additional conditions	1,080	0
German Government	Contingent upon funding allocation	0	1,635
British Government	Contingent upon performance	0	3,446
Others	Contingent upon performance/report/audit	484	598
Total Contingent assets		**43,085**	**34,723**

In December 2020, the IFRC received notification that an insurance claim relating to lost and damaged vehicles and medical equipment involved in a security incident had been agreed in the amount of CHF 201k and that settlement would be made subject to approval of the reinsurer.

During 2020, the IFRC identified CHF 28,800k of contingent assets that were not disclosed at the end of 2019 but should have been.

27(b) Contingent liabilities

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.

28. Related parties

28(a) Identity of related parties

Parties related to the IFRC include the individuals that represent their National Societies as members of the General Assembly or the Governing Board, together with close members of their families or households.

Other parties related to the IFRC include the Standing Commission and its individual members including close members of their families or households; the IFRC's joint arrangements, key management personnel; and the IFRC's post-employment benefit 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, Regional Directors, the Director, Finance and Administration and the Director, Human Resources. 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.

28(b) Key management compensation

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 2,934k (2019: CHF 3,687k), comprised as follows:

	2020 CHF 000s	2019 CHF 000s
Short-term employee benefits	2,349	2,655
Post-employment benefits	413	825
Termination benefits	172	207
	2,934	3,687

During 2020, an advance of CHF 300k (2019: Nil) was made to an IFRC Director secured against their pension assets. No other salaries or benefits (e.g. fringe benefits or loans) were granted to them.

Following a reshaping of the senior management team in 2020, the Director, Finance and Administration and the Director, Human Resources are now considered as related parties. As such, the above amounts include their benefits for 2020, but not for 2019.

The IFRC has a Code of Conduct for all Staff, including members of the Governing Board and other statutory bodies, including the Finance Commission and the Audit and Risk Commission, as well as the Secretary General and other key management personnel. 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.

28(c) Transactions with related parties during the year

Related Party	Nature of transaction	2020 CHF 000s	2019 CHF 000s
Pension Fund	Service income related to services provided to pension fund	438	429
	Outstanding receivable due from pension fund	109	107
Standing Commission	Service income related to services provided to the Standing Commission	215	215
	IFRC contribution to Standing Commission operating costs	154	177
	Outstanding receivable due from Standing Commission	61	16
Federation Foundation	Transfer of Net Assets from Federation Foundation upon its liquidation	973	-
	Outstanding receivable due from Federation Foundation	-	232

All transactions were made on terms equivalent to those that prevail in arm’s length transactions. As at 31 December 2020, none of the amounts due to the IFRC have been provided for as the expected credit losses arising on the balances are considered immaterial (2019: Nil). None of the balances are secured and mature within 6 months after period end.

Other than compensation arising in the ordinary course of business as disclosed above, there were no transactions with key management personnel. During the year,individual members of the General Assembly and Governing Board, received reimbursement for expenses properly incurred in the conduct of their duties as members of those bodies. Neither they nor any other person related or connected by business to them, have received any remuneration from the IFRC during the year.

29. Performance against (unaudited) budget

2020	Budget (unaudited)	Actuals	Actuals on a comparable basis	Performance Variance (unaudited)
	CHF 000s	CHF 000s	CHF 000s	CHF 000s
OPERATING INCOME				
Statutory contributions	36,500	36,432	36,400	(100)
Voluntary contributions and donations	630,000	437,040	481,400	(148,600)
Services income	30,000	65,258	25,300	(4,700)
Other income	3,500	2,681	3,600	100
Total OPERATING INCOME	700,000	541,411	546,700	(153,300)
OPERATING EXPENDITURE				
Regular resources	117,000	29,261	82,000	(35,000)
Other resources	600,000	407,123	408,200	(191,800)
Supplementary services	30,000	25,952	25,800	(4,200)
Cost recoveries	(47,000)	-	(25,000)	22,000
Total OPERATING EXPENDITURE	700,000	462,336	491,000	(209,000)
NET SURPLUS FROM OPERATING ACTIVITIES	-	79,075	55,700	55,700
FINANCE INCOME/(EXPENSE)				
Finance income	-	5,875	3,900	3,900
Finance expense	-	(655)	-	-
NET FINANCE INCOME/(EXPENSE)	-	5,220	3,900	3,900
NET SURPLUS FOR THE YEAR	-	84,295	59,600	59,600

2019	Budget (unaudited)	Actuals (restated)	Actuals on a comparable basis	Performance Variance (unaudited)
	CHF 000s	CHF 000s	CHF 000s	CHF 000s
OPERATING INCOME				
Statutory contributions	36,500	35,567	39,800	3,300
Voluntary contributions and donations	410,000	293,358	290,800	(119,200)
Services income	51,000	31,652	32,100	(18,900)
Other income	2,500	2,909	3,300	800
Total OPERATING INCOME	500,000	363,486	366,000	(134,000)
OPERATING EXPENDITURE				
Regular resources	105,000	64,012	91,800	(13,200)
Other resources	380,000	242,164	241,000	(139,000)
Supplementary services	51,000	29,107	30,000	(21,000)
Cost recoveries	(36,000)	-	(25,700)	10,300
Total OPERATING EXPENDITURE	500,000	335,283	337,100	(162,900)
NET SURPLUS FROM OPERATING ACTIVITIES	-	28,203	28,900	28,900
FINANCE INCOME/(EXPENSE)				
Finance income	-	7,128	5,100	5,100
Finance expense	-	(4,259)	-	-
NET FINANCE INCOME	-	2,869	5,100	5,100
NET SURPLUS FOR THE YEAR	-	31,072	34,000	34,000

30. Expenditure by Results against (unaudited) budget

	2020 Budget CHF 000s	2020 Actuals on a comparable basis CHF 000s	2020 Performance Variance CHF 000s	2019 Actuals on a comparable basis CHF 000s
Strategies for Implementation				
1. Strengthen National Societies	76,400	40,300	(36,100)	30,300
2. Ensure effective international disaster managemer	75,400	68,500	(6,900)	67,600
3. Influence others as leading strategic partners	35,600	20,900	(14,700)	22,200
4. Ensure a strong IFRC that is effective	73,600	56,600	(17,000)	60,600
Total Strategies for Implementation	261,000	186,300	(74,700)	180,700
Areas of Focus				
1. Disaster risk reduction and climate action	58,100	11,000	(47,100)	10,100
2. Shelter and settlements	58,100	20,300	(37,800)	18,600
3. Livelihoods and basic needs	58,100	73,000	14,900	27,100
4. Health	146,300	155,400	9,100	59,900
5. Water, sanitation, and hygiene (WASH)	39,500	15,800	(23,700)	12,500
6. Protection, gender, and inclusion	11,400	5,000	(6,400)	4,300
7. Migration and displacement	67,500	24,200	(43,300)	23,900
Total Areas of Focus	439,000	304,700	(134,300)	156,400
Total expenditure by results	700,000	491,000	(209,000)	337,100

31. Expenditure by Structure against (unaudited) budget

	2020 Budget CHF 000s	2020 Actuals on a comparable basis CHF 000s	2020 Performance Variance CHF 000s	2019 Actuals on a comparable basis CHF 000s
Governance meetings and support	7,000	4,600	(2,400)	5,100
Office of Secretary General	10,000	7,200	(2,800)	8,800
Programmes and Operations	58,000	40,300	(17,700)	41,300
Partnerships	30,000	16,600	(13,400)	19,100
Management	22,000	16,500	(5,500)	15,600
Africa	165,000	101,400	(63,600)	67,300
Americas	79,000	62,900	(16,100)	38,500
Asia Pacific	165,000	91,000	(74,000)	70,700
Europe	79,000	88,400	9,400	27,700
Middle East and North Africa	79,000	51,400	(27,600)	32,000
Depreciation and amortisation	4,000	10,300	6,300	9,500
General Provision	2,000	400	(1,600)	1,500
Total expenditure by structure	700,000	491,000	(209,000)	337,100

Budgets in the tables above refer to the budget approved by the General Assembly pursuant to the Plan and Budget 2020 - 2021, which informs the presentation for consolidated income and expenditure by results and structure.

Income and expenditure as reported under notes 29 to 31 are not audited and are presented for information purposes only.

32. Significant accounting policies

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

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

Changes in significant accounting policies

A number of new standards and amendments are effective from 1 January 2020 but they do not have a material effect on these consolidated financial statements.

A. Basis of consolidation

The financial statements of the IFRC are consolidated to include the International Federation of Red Cross and Red Crescent societies at the United Nations, Inc. (IFRC at the UN Inc.) and the Foundation of the International Federation of Red Cross and Red Crescent Societies (the Foundation), as well as the activities of the Geneva Secretariat and all IFRC delegations.

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 assessment of the IFRC's control over the IFRC at the UN Inc. includes an examination of all facts and circumstances.The IFRC at the UN Inc.'s accounting policies are consistent with those adopted by the IFRC.

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. The Foundation was liquidated on 17 January 2020. There were no material impacts arising from the liquidation.

Joint arrangements
During the year ended 31 December 2020, 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; Risk-informed Early Action Partnership. The IFRC's assessment of the nature of each joint arrangement includes an assessment by the IFRC of its rights and obligations, the structure and legal form of the arrangement, the contractual terms agreed to by the parties to the arrangement, and other relevant facts and circumstances.

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

B. Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into Swiss Francs using the exchange rate at the reporting date. 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 and unrealised 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**	
	2020	**2019**	**2020**	**2019**
EUR	1.08	1.09	1.07	1.11
USD	0.86	0.98	0.94	0.99
GBP	1.20	1.28	1.20	1.27
SEK	0.11	0.10	0.10	0.10
CAD	0.69	0.75	0.70	0.75

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, and income from services and leases.

(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.

In prior periods, when there was significant uncertainty over the collection of statutory contribution receivables, or the receivables were subject to extended payment terms, the expense for expected credit losses (ECL) was netted out of income until such time as payment was received. In these financial statements, the expense for ECL has been included within Other costs and allocations operating expenditure. The IFRC considers this a change in accounting policy in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The IFRC considers that applying this new accounting policy provides more relevant information by recognizing the full contractual value of statutory contribution receivables as income and by recognizing the ECL expense separately to the statutory contribution income. The impact on these financial statements in 2020 is to increase income from statutory contributions by CHF 1,219k and to increase ECL expense by CHF 1,310k. The IFRC has assessed the impact on the comparative information for 2019 as immaterial, however, had the IFRC adjusted the 2019 comparative information, the 2019 income from statutory contributions and ECL expense would have increased by CHF 942k.

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 receivable may be subject to appeal and subsequent adjustments.

(b) Voluntary contributions and donations

Voluntary contributions and donations are recognised when a signed agreement (pledge) has been received from the National Society or other donor. In the absence of a signed agreement, the contribution is recognised upon receipt of cash.

Government grants for specific projects and donations that are subject to specific contractual obligations similar to government grants, are reported as deferred income and recognised as income when expenditure is incurred and contractual obligations are fulfilled. Government grants that are neither for specific projects nor identifiable assets, and are both earmarked (see below) and managed at appeal level, are recognised when a confirmed written pledge has been received from the donor and accepted by the IFRC.

Donations where receipt of funding is conditional and contingent upon uncertain future events not wholly within the IFRC's control are not accounted for but disclosed as contingent assets.

Changes to Voluntary Contributions and donations are recognised as additions to, or reductions of income, in the period in which the change is agreed. The IFRC is unable to evaluate the impact of such changes on the income reported in these consolidated financial statements.

Voluntary contributions and donations are mainly received in cash but may be received in-kind (relief supplies, inventories or tangible assets) or as services (staff, transport or property operating costs including rent). The fair value of in-kind goods, assets and property operating cost donations, 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, assets or property services, 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.

Inkind contributions are recognised at their estimated fair value in accordance with the following table:

In-kind contribution category	Income recognition	Expenditure recogntion
Relief supplies	Recognised on date of receipt equally as both income and expenditure	
Tangible assets	Recognised on date of receipt	Depreciation and impairment recorded in the same way as for purchased fixed assets
Services	Recognised on date of receipt equally as both income and expenditure	
Inventories	Recognised on date of receipt	Expensed on date used
Government grants – building operating costs	Recognised on date of receipt equally as both income and expenditure	
Government grants – right of use Land and buildings, and other equipment	Reported as deferred income and recognised as revenue as the associated expense is incurred	Depreciation recorded on a straight line basis over the durations of the grant agreements or the useful life of the asset

Earmarking of voluntary contributions and donations

Voluntary contributions and donations are identified according to the level of earmarking (see also note 32O *Donor-restricted contributions and donations*):

<table>
<tr><td>Unearmarked</td><td colspan="2">Can be used for any purpose to further the objectives of the IFRC
Amounts are recognised within unrestricted income
Unspent amounts included within unrestricted reserves at the end of the accounting period</td></tr>
<tr><td rowspan="3">Earmarked</td><td colspan="2">Fully under the control of the IFRC
Can be restricted in terms of nature, timeframe or subject matter
Amounts are recognised within restricted income
Unspent amounts included within restricted reserves at the end of the accounting period</td></tr>
<tr><td colspan="2">Not fully under the control of the IFRC</td></tr>
<tr><td>Earmarked for use in a future period

Amounts are recognised as deferred income in the current period
Amounts are recognised within restricted income in the future period for which they are earmarked</td><td>Subject to specific contractual obligations, similar to government grants
Amounts are recognised within restricted income as expenditure is incurred and contractual obligations are fulfilled
Amounts received but not recognised are included in deferred income</td></tr>
</table>

(c) Income from the provision of services

Income from the provision of services comes from supplementary services priced on a cost-recovery basis 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. The IFRC provides contracted services, in the form of grant and programme management services, to other humanitarian actors. Priced on a cost-recovery basis, income from these services is included under Services income in the Consolidated Statement of Comprehensive Income.

Income from the provision of services is within the scope of IFRS 15 Revenue from Contracts with Customers, except for rental of vehicles under operating leases and leases of property that are within the scope of IFRS 16 Leases.

Income recognition policies for services income from contracts with customers are described below:

Type of services income	Timing of income recognition	Income recognition policy
Administrative	over time	Income is recognised as and when monthly chargeable services are delivered.
Contracted	over time/ at a point in time	Income is recognised based on contractual performance obligation, which could be over time or at a point in time.
Logistics	over time/ at a point in time	Income is recognised over time for recurring services such as warehousing, and at a point in time for distinct services such as procurement and transportation.
Fleet	at a point in time	Income is recognised at a point in time for sale of vehicles.

Where income is recognised at a point in time, this point is determined as the point when the goods or services are received by the customer.

The ESSN agreement between IFRC and ECHO (see note 11) falls within the scope of IFRS 15. Revenue related to the agreement is disclosed as Services Income in the Consolidated Statement of Comprehensive Income. All services rendered relate to cash distributions to beneficiaries and are accounted for as a single performance obligation. As ECHO receives the benefits of IFRC's performance as cash distributions are made to beneficiaries, the IFRC's performance obligation is satisfied over time and revenue is recognised accordingly. The ESSN agreement is pre-financed by ECHO up to 98% of the contract value. Pre-financing is disbursed in instalments subject to a declaration from IFRC that the previous instalment has been consumed. An amendment to the ESSN agreement was made on 21 December 2020. The contract modification shall be accounted for as a separate contract under IFRS 15.

Judgement is applied in assessing whether service income is recognised over time or at a point in time. Where income is recognised over time, fulfilment of performance obligations is measured using the output method, which is a direct measurement of value to the customer for goods or services transferred. Where income is recognised at a point in time, fulfilment of performance obligations is measured based on the customer's written confirmation of receipt of control over the goods and/or services. For the provision of services across accounting periods, income is recognised when performance obligations have been satisfied, by reference to services performed to date.

Services performed in advance of income being received are classified as Contract assets. Consideration received in advance for services to be performed is classified as Contract liabilities.

Income recognition policies for services income from leases are described below:

Type of lease income	Timing of income recognition	Income recognition policy
Administrative	over time	Income is recognised as and when monthly chargeable services are delivered.
Fleet	over time	Income from the provision of vehicles under operating leases is recognised on a straight-line basis over the lease term

Payment terms for services income are generally 30 days from date of invoice.

D. Expenditure

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

(a) Functional expenditure categories

Expenditure Category	**Activity**	**Description**
Other resources (Restricted activities)	**Programmes:** - Humanitarian response - Thematic activities	Support National Societies: - in their programming in support of disaster affected and vulnerable people - in their indiviudal organisational development
	Supplementary services	Provide cost-effective, relevant and demand driven services to individual and groups of National Societies
Regular resources (Unrestricted activities)	Governance and Secretariat activities	Fulfil the IFRC's constitutional role as the permanent body of liaison and coordination amoung National Societies representing the Red Cross and Red Crescent globally and providing network wide 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 standard indirect cost recovery rate 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.

(c) Provisions for operations and contributions to National Societies

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

i) Cash working advances - 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.

ii) 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.

Cash Transfers

Cash transfers are made to National Societies that have been risk-assessed by the IFRC to have the organisational capacity and internal controls to effectively manage funds received from the IFRC to meet project objectives and satisfy stakeholders' accountability requirements. The recipient National Society manages the use of the funds based on its internal regulations and reports its use of the funds back to the IFRC without the need to submit detailed supporting documentation for individual expenses incurred. National Societies operating under Cash Transfer are subject to periodic audits of their use of funds transferred.

Cash Advances

The IFRC provides cash contributions to National Societies for them to implement Covid-19 Pandemic Appeal activities. Such contributions are recognised as operational expenditure as they are incurred. However, as the IFRC has not formally assessed the risk that recipient National Societies have the organisational capacity and internal controls to effectively manage the funds received to meet project objectives and satisfy stakeholder's accountability requirements, the IFRC maintains additional verification controls over National Societies' use of funds transferred. These include the IFRC verifying supporting documents, invoices, receipts etc for the expenditure incurred by the National Societies, and validating that expenditure has been incurred in accordance with agreements signed between the IFRC and the implementing National Societies,

E. Leases

The IFRS 16 defines a lease as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. At inception of a contract, the IFRC uses judgement to assesses whether the contract is, or contains a lease. To assess whether a contract conveys the right to control the use of an identified asset, the IFRC uses the definition of a lease in IFRS 16.

For leases where the IFRC is a lessee, the IFRC has elected not to separate non-lease components and to account for the lease and non-lease components as a single lease component.

For leases where the IFRC is a lessor, the IFRC allocates the transaction price in accordance with the amount of consideration it expects to receive for each component of the contract.

As a lessee

The IFRC recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost. This comprises:

- the initial amount of the lease liability;
- adjusted for any lease payments made at or before commencement date;
- plus any initial direct costs incurred;
- plus an estimate of costs to dismantle and remove the underlying asset or the costs to restore the asset, or the site on which it is located, to the condition required by the lease;
- less any lease incentives received.

The right-of-use asset is subsequently depreciated, using the straight-line method, from the commencement date to the earlier of the end of the useful life of the right-of-use asset, or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of Property, vehicles and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured as the value of the lease payments that are not paid at commencement date. The IFRC applies judgement in determining the reasonably certain lease term. The IFRC has elected not to measure its lease liabilities on a discounted basis because the effect of discounting is not material.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price of a purchase option that the IFRC is reasonably certain to exercise, lease payments in an optional renewal period if the IFRC is reasonably certain to exercise an extension option, and penalties for early termination of a lease, unless the IFRC is reasonably certain not to terminate early.

After the commencement date, the lease liability is measured by:
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect:
    - a change in future lease payments arising from a change in an index or rate;
    - a change in the IFRC's estimate of the amount expected to be payable under a residual value guarantee; or
    - a change in the IFRC's assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

IFRC presents right-of-use assets in Property, vehicles and equipment and lease liabilities within Loans and borrowings in the Consolidated Statement of Financial Position (see note 20).

Short term leases and leases of low value assets

The IFRC has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases where the underlying asset is of low value. The IFRC recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

Where the IFRC acts as a lessor, it determines, at inception, whether each lease is a finance lease or an operating lease. To classify each lease, the IFRC makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not, then it is an operating lease. As part of this assessment, the IFRC considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The IFRC has no interest in finance leases as a lessor.

When the IFRC is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the IFRC applies the short-term lease exemption described above, then it classifies the sub-lease as an operating lease.

Lease income from operating leases is recognised as services 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, cash flow hedges and financial assets associated with the ESSN project (see below). Under IFRS 9, the financial assets that are measured at amortised cost are impaired using an 'expected credit loss' (ECL) model. This 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 the 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.

(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 units held in a global equity fund. Both funds 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 National Societies and donors respectively, 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 the 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 30). 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.

(b) Financial liabilities

The IFRC's financial liabilities are made of payables, loans and borrowings and financial liabilities associated with the ESSN project (see below). These represent liabilities to third parties, which are initially recognised at fair value and subsequently measured at amortised cost.

FIPOI building loans

It is common practice that international organisations have access to interest free loans for building improvements from the Government of Switzerland through the Fondation des Immeubles pour les Organisations Internationales (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.

(c) ESSN project

The cash support to beneficiaries provided under Component B of the ESSN agreement between IFRC and ECHO (see note 11) does not constitute a performance obligation, as the IFRC is redistributing cash provided by ECHO to designated beneficiaries. The cash distributions are not recognised in the Consolidated Statement of Comprehensive Income.

A financial liability is recognised to reflect the estimated amount to be paid to beneficiaries already in receipt of an payment card to the end of March 2021. This is the original timeframe for the cash payments to beneficiaries (component B) under the initial ESSN contract. .

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. In-kind donations of prepositioned relief items are included in inventories and their fair value is included in the calculation of weighted average cost. 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 and donated 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:

Land and buildings	up to 50 years
Heavy vehicles	10 years
Light vehicles	4 - 5 years
Computer equipment	3 - 4 years
Other equipment	2 - 10 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 acquisition costs, and costs incurred, including own labour costs, to 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 – 10 years for the IFRC’s Enterprise Resource Planning system and 3 to 4 years for other intangible assets. 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 32H), 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.

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. Subject to certain conditions, members of the pension plans are also eligible to receive contributions towards the cost of health insurance during retirement.

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. Also, in accordance with the requirements of IAS 19, the contributions to the cost of retirees' health insurance are accounted for as a defined benefit plan.

The amount recognised in the Consolidated Statement of Financial Position in respect of the defined benefit plans is the present value of the defined benefit obligations at the period end date less the fair value of the pension plans' assets. The retirees' health insurance scheme is unfunded and, as such, does not have any plan assets. The defined benefit obligations are calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligations 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 post-employment benefit liabilities, and are denominated in Swiss Francs, the currency in which the benefits will be paid. In determining the present value of the defined benefit obligations and the related service cost for the pension plans, the IFRC attributes benefit to periods of service on a straight-line basis to decrement, eg retirement, death or disability. For the retirees' health insurance scheme, benefit is attributed on a straight-line basis over 15 years, representing the period of service after which no further material amount of benefits are earned by employees.

The IFRC recognises all actuarial gains and losses immediately in Other Comprehensive Income. Expenses related to defined benefits are included as Employee benefits operating expenditure. Gains arising from amendments to the Pension Fund regulations are immediately recognised as a credit to Employee benefits operating expenditure.

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

(b) Termination benefits

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

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 provision for pledge and service deficits is maintained for restricted activities where expenditure has exceeded income and the IFRC considers future funding is unlikely to be forthcoming. If additional funding is not receivedwithin twelve months following the period end date, the deficits are written off unless there is objective evidence that additional funding is may still be received.

(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, over expenditures for Other resources activities. Restricted reserves include the following:

Funds held for operations
Donor-restricted voluntary contributions and donations
The cumulative excess, of earmarked voluntary contributions and donations over 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 temporarily exceed the amount of income allocated to those projects at reporting dates. This excess of expenditure over income, 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 the IFRC 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 pledge and services 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.

(c) Designated reserves
Designated reserves include the following:

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 32D, 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. 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.

Major building works reserve
In March 2016, the IFRC signed an agreement with FIPOI for a 50 year interest free loan to be used by the IFRC to construct new office premises. Under this agreement, the IFRC has an obligation to undertake regular building maintenance and is required to set up a designated reserve for major building works upon acceptance of the new building. An annual allocation shall be made by the IFRC corresponding to 0.75% of the building works value. Usage of the reserve is restricted to:

- planned obsolescence including major renovation and replacement works;
- emergency repairs.

33. 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.

Standards, Amendments and Interpretations to existing standards that are not yet effective and are relevant to IFRC operations:

Standard / Amendment / Interpretation	Effective date	IFRC planned application	Anticipated impact
Onerous Contracts – Costs of fulfilling a contract (Amendments to IAS 37)	1 January 2022	Reporting year 2022	Not material
Annual improvements to IFRS Standards 2018 – 2020	1 January 2022	Reporting year 2022	Not material
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023	Reporting year 2023	Not material