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International Federation of Red Cross and Red Crescent Societies
Geneva

Report of the Independent Auditor
to the President of the International Federation of Red Cross and Red Crescent Societies
on the consolidated financial statements
for the year ended December 31, 2022

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Report of the Independent Auditor to the President of the International Federation of Red Cross and Red Crescent Societies, Geneva

Opinion

We have audited the consolidated financial statements of the International Federation of Red Cross and Red Crescent Societies (the Federation), which comprise the statement of comprehensive income, the statement of financial position, the statement of change in reserves, the statement of cash flows and notes for the year ended December 31, 2022.

In our opinion, the consolidated financial statements for the year ended December 31, 2022 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 the 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.

Other Matters

The consolidated financial statements of the Federation for the year ended December 31, 2021 were audited by another auditor who issued an unmodified audit opinion on those consolidated financial statements as of May 30, 2022.

Other Information

The Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation of the consolidated financial that give a true and fair view in accordance with IFRS, and for such internal control as the 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, the Management is responsible for assessing the Federation ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Management either intends to liquidate the Federation 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 ISAs 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 ISA, we exercise professional judgement and maintain professional scepticism 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 Federation'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 Federation'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 Federation 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 Federation 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.

MAZARS Ltd

Michael Ackermann Licensed audit expert (Auditor in charge)	Fanny Chapuis Licensed audit expert

Geneva, May 2, 2023

Attachments

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

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER

	Note	Restricted 2022 CHF 000s	Unrestricted 2022 CHF 000s	Total 2022 CHF 000s	Total 2021 CHF 000s
OPERATING INCOME					
Statutory contributions	2.1a	-	34,623	34,623	34,582
Voluntary contributions and donations	2.1b	758,250	25,173	783,423	383,525
Services income	2.1c	54,207	73	54,280	62,891
Other income		1,584	472	2,056	2,336
Total OPERATING INCOME		814,041	60,341	874,382	483,334
OPERATING EXPENDITURE	3.1				
Humanitarian response		370,623	-	370,623	259,770
Thematic		215,055	-	215,055	153,311
Other resources (Programmes)		585,678	-	585,678	413,081
Supplementary services		26,758	-	26,758	20,102
Regular resources		-	63,228	63,228	52,436
Total OPERATING EXPENDITURE		612,436	63,228	675,664	485,619
NET SURPLUS / (DEFICIT) FROM OPERATING ACTIVITIES		201,605	(2,887)	198,718	(2,285)
NET FINANCE (EXPENSE) / INCOME	4.1	(203)	(19,672)	(19,875)	5,410
NET SURPLUS / (DEFICIT) FOR THE YEAR		201,402	(22,559)	178,843	3,125
OTHER COMPREHENSIVE INCOME					
Actuarial remeasurement gains on defined benefit plans - will not be reclassified subsequently to income or expenditure	4.5	14,178	23,613	37,791	40,816
Cash flow hedges - will or may be reclassified subsequently to income or expenditure	2.1d	-	(112)	(112)	68
Total OTHER COMPREHENSIVE INCOME FOR THE YEAR		14,178	23,501	37,679	40,884
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		215,580	942	216,522	44,008
Attributable to:					
Restricted reserves	2.4	215,580	-	215,580	362
Unrestricted reserves		-	942	942	43,646
		215,580	942	216,522	44,008

There were no discontinued operations during the year.

The notes on pages 6 to 55 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER

	Note	2022 CHF 000s	2021 CHF 000s
ASSETS			
Current Assets			
Cash and cash equivalents		160,220	90,260
Cash and cash equivalents - ESSN Project		92,481	124,056
Total cash and cash equivalents	4.2	252,701	214,316
Investments	4.3	188,137	188,179
Receivables	2.2	256,160	171,705
Prepayments and contract assets		19,055	5,126
Prepayments - ESSN Project		20,069	16,112
Total Prepayments and contract assets	3.3	39,124	21,238
Other current assets		2,109	2,973
Total Current Assets		738,231	598,411
Non-Current Assets			
Investments	4.3	160,000	90,000
Receivables	2.2	70,558	53,081
Tangible assets	3.4a	110,295	115,818
Intangible assets	3.4b	15,964	14,338
Post-employment defined benefit asset	4.5	20,125	-
Total Non-Current Assets		376,942	273,237
Total ASSETS		1,115,173	871,648
LIABILITIES AND RESERVES			
Current Liabilities			
Accounts payable and accrued expenses	3.5	53,850	33,016
Short-term employee benefits		8,462	9,926
Provisions	3.6	58,870	41,199
Liabilities - ESSN Project		112,585	140,167
Deferred income and contract liabilities	2.3	203,752	178,149
Loans and borrowings	4.4	4,002	3,673
Total Current Liabilities		441,521	406,130
Non-Current Liabilities			
Deferred income	2.3	44,283	39,836
Loans and borrowings	4.4	60,002	62,235
Post-employment defined benefit liabilities	4.5	10,673	21,275
Total Non-Current Liabilities		114,958	123,346
Total LIABILITIES		556,479	529,476
Reserves			
Restricted reserves	2.4	441,217	223,697
Unrestricted reserves		97,224	99,969
Designated reserves	2.5	20,253	18,507
Total RESERVES		558,694	342,172
Total LIABILITIES and RESERVES		1,115,173	871,648

The notes on pages 6 to 55 are an integral part of these consolidated financial statements.

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

	Notes	Restricted CHF 000s	Unrestricted CHF 000s	Designated CHF 000s	Total CHF 000s
2022					
Balance at 1 January		223,697	99,968	18,507	342,172
Transfers to/from reserves					
Net surplus for the year		201,402	(22,559)	-	178,843
Other comprehensive income					
Other comprehensive income for the year		14,178	23,501	-	37,679
Total comprehensive income for the year		215,580	942	-	216,522
Used during the year		2,500	1,414	(3,914)	-
Allocations during the year		(560)	(5,100)	5,660	-
Balance at 31 December	2.4/2.5	441,217	97,224	20,253	558,694
2021					
Balance at 1 January		209,391	71,137	17,636	298,164
Transfers to/from reserves					
Net surplus for the year		(14,584)	17,709	-	3,125
Other comprehensive income					
Other comprehensive income for the year		14,946	25,938	-	40,884
Total comprehensive income for the year		362	43,646	-	44,008
Used during the year		14,450	85	(14,535)	-
Allocations during the year		(506)	(14,900)	15,406	-
Balance at 31 December	2.4/2.5	223,697	99,968	18,507	342,172

Restricted reserves represent the cumulative excess of income over expenditure for other resources activities.

Unrestricted reserves represent the cumulative excess of income over expenditure for regular resources activities.

Designated reserves are funds set aside for specific purposes including self-insurance, statutory meetings, specific projects and major building works.

The notes on pages 6 to 55 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

	Notes	2022 CHF 000s	2021 CHF 000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus for the year		178,843	3,125
Adjustment for non-cash items:			
Depreciation, amortisation and impairment	3.4	12,008	10,401
In-kind assets	3.4	-	(3,262)
Increase in provisions	3.6	17,671	1,598
Other non-cash items		7,448	6,970
Finance costs	4.1	14,525	(10,681)
		51,651	5,026
Changes in working capital			
Receipt in advance ESSN	3.2b	(27,582)	12,867
Receivables, net	2.2	(101,932)	(12,730)
Prepayments and contract assets	3.3	(17,886)	12,607
Accounts payables and accrued expenses	3.5	20,722	1,085
Deferred income and contract liabilities	2.3	30,050	(17,638)
Other		(2,712)	3,809
Net change in working capital		(99,340)	(1)
NET CASH GENERATED FROM OPERATING ACTIVITIES		131,155	8,151
CASH FLOWS GENERATED FROM / (USED IN) INVESTING ACTIVITIES			
Interest and dividends received	4.1	2,548	2,452
Proceeds from sale of tangible assets	3.4a	5,493	1,085
Proceeds from sale of intangible assets	3.4b	-	-
Proceeds from sale of investments	4.3	3,011	20,897
Acquisition of tangible assets	3.4a	(5,304)	(3,948)
Acquisition of intangible assets	3.4b	(3,840)	(8,073)
Acquisition of investments	4.3	(95,528)	(10,000)
NET CASH (USED IN) / GENERATED FROM INVESTING ACTIVITIES		(93,620)	2,413
CASH FLOWS (USED IN) FINANCING ACTIVITIES			
Loan repayments	4.4	(1,416)	(1,415)
Lease payments	3.7	(3,172)	(3,084)
NET CASH (USED IN) FINANCING ACTIVITIES		(4,588)	(4,499)
NET INCREASE IN CASH AND CASH EQUIVALENTS		32,947	6,065
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		214,316	203,655
Effect of exchange rate fluctuations on cash held		5,438	4,597
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	4.2	252,701	214,316

The notes on pages 6 to 55 are an integral part of these consolidated financial statements

1. ACTIVITIES AND BASIS OF ACCOUNTING

1.1 Activities and organisation

Founded in 1919, the International Federation of Red Cross and Red Crescent Societies (IFRC) is a membership organisation comprising of 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 at 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 Red Cross and Red Crescent Societies (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. Under the Agreement, the IFRC is exempt from Swiss taxes. The IFRC is also exempt from taxes in most countries in which its delegations are based. 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 General Assembly, composed of delegates from the member National Societies, is the supreme governing body of the IFRC. The Governing Board, elected by and from the members of the General Assembly, has authority to govern the IFRC. The Audit and Risk Commission gives advice on audit and risk matters affecting the IFRC and the Finance Commission gives advice on financial matters affecting the IFRC.

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

The following are the activities of the IFRC in 2022 and 2021:

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

1.2 Significant accounting policies and basis of preparation

This note contains the IFRC's significant accounting policies that relate to the consolidated financial statements as a whole. Accounting policies specific to one note are described in that particular note.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and are presented in accordance with the IFRC's Financial Regulations.

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 are silent or do 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 on a historical cost basis, except where otherwise indicated.

The consolidated financial statements of the IFRC for the year ended 31 December 2022 were approved and authorised for issue by the Audit and Risk Commission on 2 May 2023.

1.2 Significant accounting policies (continued)

(b) Functional and presentation currency
The consolidated financial statements are presented in Swiss Francs (CHF), which is IFRC's functional and presentation currency. All values are in absolute amounts and have been rounded to the nearest thousand, unless otherwise indicated.

(c) 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 to 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	
	2022	2021	2022	2021
EUR	0.98	1.04	1.00	1.08
USD	0.93	0.92	0.95	0.91
GBP	1.11	1.23	1.17	1.26
SEK	0.09	0.1	0.09	0.11
CAD	0.68	0.72	0.73	0.73

(d) 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.), 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. Transactions between the IFRC at the UN Inc. and the IFRC and the balances at reporting date are eliminated when the consolidated financial statements are prepared. The IFRC at the UN Inc.'s accounting policies are consistent with those adopted by the IFRC.

During the year ended 31 December 2022, 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;
- Reunification Pathways for IntegRation (REPAIR) Consortium; and
- Risk-informed Early Action Partnership

The IFRC determines these joint arrangements as joint operations and accounts for its interests by recognising and measuring the assets and liabilities and related revenues and expenses as its proportional interest in the joint operations. The joint operations' accounting policies are consistent with those adopted by the IFRC.

1.3 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, revenues, and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

1.3 Critical accounting estimates and judgements (continued)

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

(i) 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 2.1b – Income from voluntary contributions and donations: whether a voluntary contribution is fully under the control of the IFRC and hence its accounting treatment;
- Note 2.1c – Income from the provision of services: whether services income is recognised over time or at a point in time.

(ii) 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 3.2b - 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 4.5 - Post employment defined benefit plans: key actuarial assumptions;
- Note 3.4 - Fair value of in-kind contributions and donations: key assumptions used to estimate the value of in-kind contributions and donations;
- Note 3.6 - Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of resource flows, including the likelihood of reimbursing pledged funds.

1.4 Changes in accounting policies and disclosures

In 2022, the notes to the consolidated financial statements have been reorganised into four sections to present clearly how the IFRC funds its activities, runs its operations and manages the funds provided by donors. Each section of the notes presents the financial information and any material accounting policies that are relevant to an understanding of the activities of the IFRC. As a consequence of the revised presentation adopted in the consolidated financial statements for 2022, less relevant information has been removed and content has been simplified to ensure that the more important information is presented in clearer way to the users of the consolidated financial statements.

1.5 New Standards, Amendments and Interpretations

The IFRC has adopted all relevant new or amended standards (of the IFRS) and interpretations (by the Interpretations Committee) which are effective for 2022.

Standard / Amendment	**Effective date**	**Impact on reporting year 2022**
Annual Improvements to IFRS Standards 2018–2020	1 January 2022	Not material / applicable
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022	Not material / applicable
Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022	Not material / applicable
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022	Not material / applicable

Implementation of the new or amended standards, including the IASB Conceptual Framework for Financial Reporting, has not had a material impact on the IFRC's consolidated financial statements.

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. The IFRC intends to adopt relevant new and amended standards and interpretations when they become effective.

1.5 New Standards, Amendments and Interpretations (continued)

Based on assessments conducted by IFRC's management, the expected impact of each Standard, Amendment and Interpretation is presented below.

Standard / Amendment	Effective date	IFRC planned application	Anticipated impact
Amendments to IFRS 17	1 January 2023	Reporting year 2023	Not material / applicable
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023	Reporting year 2023	Not material / applicable
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023	Reporting year 2023	Not material / applicable
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023	Reporting year 2023	Not material / applicable
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	1 January 2024	Reporting year 2024	Not material / applicable
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16, Leases)	1 January 2024	Reporting year 2024	Not material / applicable

1.6 Significant items in the current reporting period

Details of significant operations, including the COVID-19 pandemic, the Emergency Social Safety Net (ESSN) programme and the Ukraine and impacted countries crisis, are provided in note 3.2.

The Ukraine and impacted countries crisis is a new significant operation for the IFRC. In addition to a human toll and a direct impact on entities that have business operations in Ukraine, Russia and neighbouring countries, the current conflict in Ukraine has also affected economic and global financial markets and exacerbated ongoing economic challenges including rising inflation and global supply-chain disruption. The conflict has triggered various sanctions that have broader impact on macroeconomic conditions.

On 28 February 2022, in response to the conflict, the IFRC launched an emergency appeal for CHF 100 million to assist with humanitarian needs in Ukraine and other impacted countries. On 7 April 2022, the appeal was increased to CHF 550 million.

The IFRC monitors the economic uncertainty impacting global markets including currency values, transport costs and commodity prices. In 2022, financial market volatility, in particular increases in global interest rates, has unfavourably impacted the performance of the IFRC's long-term investment portfolio. Conversely, the interest rate increase served to reduce the discounted value of the IFRC's pension liabilities which offset the investment performance impact on total Other Comprehensive Income for the year. Details of performance and investment values are provided in notes 4.1 and 4.3. Details of pension liabilities are provided in note 4.5.

1.7 Subsequent event

On 6 February 2023, two devastating earthquakes (magnitude of 7.7 and 7.6) struck southeast Turkey. These earthquakes, together with subsequent aftershocks killed thousands of people and injured many more in the region and in bordering Syria. These were the largest earthquakes that Turkey and Syria have faced in more than a century. On 20 February 2023, just two weeks later, another earthquake struck the very same region. Millions of people are affected and displaced.

On 7 February 2023, the IFRC launched two emergency appeals to support the response of National Societies on the ground. CHF 200 million was requested to support the Syrian Arab Red Crescent Society and CHF 450 million to support the Turkish Red Crescent Society. With a combined value of CHF 650 million, based on current funding received and future funding expectations, the IFRC anticipates that the Turkey and Syria earthquake response will be major operations for 2023.

2. FUNDING

2.1 Income

Income of the IFRC 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.

(b) Voluntary contributions and donations

	2022 Total CHF 000s	2021 Total CHF 000s
Voluntary contributions		
Ukraine and impacted countries crisis	315,285	-
COVID-19 pandemic	2,795	35,652
Other appeals and activities	123,540	87,348
	441,620	123,000
Donations		
Ukraine and impacted countries crisis	66,167	-
COVID-19 pandemic	43,112	90,471
Other appeals and activities	232,524	170,054
	341,803	260,525
Total voluntary contributions and donations	783,423	383,525

Voluntary contributions are contributions to the IFRC voluntarily made by National Societies. Donations are donations or other financial assistance to the IFRC, voluntarily made by private individuals, States, or any other public or private institutions. 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, 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 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 are disclosed as contingent assets.

After intial recognition, subsequent 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.

2.1 Income (continued)

Voluntary contributions from National Societies and donations from non-National Societies are recognised based on the the level of earmarking, as summarised in the below table:

Unearmarked	Can be used for any purpose to further the objectives of the IFRC Amounts are recognised as income in the current period and within unrestricted income Unspent amounts included within unrestricted reserves at the end of the accounting period
Earmarked	*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
	Not fully under the control of the IFRC Can be restricted in terms of nature, timeframe, or subject matter 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 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

Income recognition policy for voluntary contributions from National Societies and donations from non-National Societies is summarised in the below table:

Donors	**Category**	**Earmarking**	**Income recognition**
National Societies	Fully under the control of the IFRC	Unearmarked	Recognised upfront in the current period
	Not fully under the control of the IFRC	Earmarked for use in a future period	Deferred in the current period and recognised in the future period for which the funds are earmarked
Non-National Societies (Governments, multi-lateral agencies, corporations, and others)	Fully under the control of the IFRC (e.g., non-refundable donations, contribution towards regular resources, funding managed at appeal level including DREF, hosted programmes, contribution towards multi-donor action)	Unearmarked or earmarked at an appeal level	Recognised upfront in the current period
	Not fully under the control of the IFRC	Earmarked for use in a future period	Deferred in the current period and recognised in the future period for which they are earmarked
		Subject to specific contractual obligations, similar to government grants	Recognised as expenditure is incurred and contractual obligations are fulfilled. Amounts received but not recognised in the current period are included in deferred income

2.1 Income (continued)

Voluntary contributions and donations are received from a range of donors:

2022	Cash CHF 000s	In-kind CHF 000s	Total CHF 000s
National Societies	421,182	20,438	441,620
Governments	167,481	3,808	171,289
Multi-lateral agencies	104,090	-	104,090
Corporations	41,070	172	41,242
Others	19,514	5,668	25,182
	753,337	30,086	783,423
2021			
National Societies	115,819	7,181	123,000
Governments	155,340	3,416	158,756
Multi-lateral agencies	72,779	-	72,779
Corporations	20,233	-	20,233
Others	6,987	1,771	8,757
	371,158	12,368	383,525

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.

In-kind 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.

2.1 Income (continued)

(c) Services income

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. These are reflected as Lease income below.

2022	Restricted CHF 000s	Unrestricted CHF 000s	Total CHF 000s
Services income	24,627	-	24,627
Services income - ESSN Project	28,999	-	28,999
Total Services income from contracts with customers	53,626	-	53,626
Lease income	581	73	654
Total Services income	54,207	73	54,280
2021			
Services income	20,248	-	20,248
Services income - ESSN Project	42,370	-	42,370
Total Services income from contracts with customers	62,618	-	62,618
Lease income	217	56	273
Total Services income	62,835	56	62,891

Included in Services income above is CHF 11,623k (2021: CHF 10,910k) related to Administrative services, CHF 7,335k (2021: CHF 5,012k) related to Fleet services, and CHF 3,327k (2021: CHF 3,016k) related to Logistic services.

2.1 Income (continued)

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.

Judgement is applied in assessing whether service income is recognised over time or at a point in time. 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, where fulfilment of performance obligations is measured based on the customer's written confirmation of receipt of control over the goods and/or services. 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. For the provision of services across accounting periods, income is recognised when performance obligations have been satisfied, by reference to services performed to date. Payment terms for services income are generally 30 days from date of invoice.

The ESSN agreement between IFRC and ECHO (see note 3.2b) 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 the IFRC that the 70% of previous instalment has been consumed. Subsequent amendments to the ESSN agreement (see note 3.2b) were made whereby increasing the contract value. The contract modifications are accounted for as separate contracts under IFRS 15.

The cash support to beneficiaries provided under Component B of the ESSN agreement between IFRC and ECHO (see note 3.2b) 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 a payment card at 31 December 2022.

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.

Leases – IFRC 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.

2.1 Income (continued)

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

(d) Other comprehensive income

Other comprehensive income consists of items, such as actuarial gains or losses on defined benefit plan, that will not be reclassified subsequently to operating income or expenditure, and items such as cash flow hedges, that may be reclassified subsequently to operating income or expenditure.

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 Consolidated Statement of Comprehensive Income.

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

Cash flow hedges	**2022**	**2022**	**2021**	**2021**
	CHF 000s	**CHF 000s**	**CHF 000s**	**CHF 000s**
	Hedge Contract value	Fair value balance	Hedge Contract value	Fair value balance
Forward exchange contracts in Euros	5,876	(61)	4,302	76
Forward exchange contracts in United States Dollars	681	17	3,086	(9)
Total cash flow hedges	6,557	(44)	7,388	68

Movement in Other Comprehensive Income that may be reclassified to Income or Expenditure in subsequent period	**2022 CHF 000s**	**2021 CHF 000s**
Cash flow hedge - effective portion of changes to fair value	44	(68)
Amount reclassified from Other Comprehensive Income to Operating Income and Expenditure statement	68	-
	112	(68)

Expected cash flows in subsequent period	**2022**	**Hedge Contract cash flows**	**2021**	**Hedge Contract cash flows**
	CHF 000s	**CHF 000s**	**CHF 000s**	**CHF 000s**
	Carrying value	1 - 6 months	Carrying value	1 - 6 months
Forward exchange contracts used for hedging				
- Ouflow	(44)	(6,601)	-	(7,320)
- Inflow	-	6,557	68	7,388
	(44)	(44)	68	68

In 2022, the IFRC entered into foreign currency forward exchange contracts, with final maturities of 31 March 2023, in order to hedge the foreign exchange risk of receiving statutory contributions of CHF 5,876k in Euros and CHF 681k 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 68k (2021: CHF Nil). The settlement of the 2021 foreign currency forward exchange contracts resulted in a net realised loss of CHF 37k (2021: net realised gain of CHF 151k).

2.2 Receivables

	2022 CHF 000s	2021 CHF 000s
Accounts receivable		
Statutory contributions	26,605	28,262
Provision for estimated credit losses (ECL) on statutory contributions	(17,497)	(14,415)
	9,108	13,847
Voluntary contributions	260,036	172,658
Provision for ECL on voluntary contributions	(2,717)	(2,209)
	257,319	170,449
National Societies receivables	54,183	36,467
Provision for ECL on National Societies receivables	(1,012)	(564)
	53,171	35,903
Other receivables (see note below)	2,006	994
Provision for ECL on other receivables	(12)	(8)
	1,994	986
Total accounts receivable	321,592	221,185
Other receivables	5,126	3,601
Total Receivables	326,718	224,786
Current receivables	256,160	171,705
Non-current receivables	70,558	53,081
Total Receivables	326,718	224,786

Accounts receivable comprise statutory contributions due but not yet received, outstanding voluntary contributions and donations, and amounts due for the provision of services. Other receivables include cash advances to National Societies and employees, reimbursable taxes, contract assets, sundry receivables and fair value of cash flow hedges.

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.

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.

2.2 Receivables (continued)

Movements in the 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
2022					
Balance at 1 January	2,209	564	14,415	8	17,196
Changes to provision for ECL	1,404	652	4,053	12	6,121
Write offs during the year	-	(31)	-	(1)	(32)
Unused provisions reversed	(896)	(173)	(971)	(7)	(2,047)
Balance at 31 December	2,717	1,012	17,497	12	21,238
2021					
Balance at 1 January	1,720	1,909	15,944	9	19,582
Changes to provision for ECL	2,535	253	1,800	7	4,595
Write offs during the year	(750)	(926)	-	-	(1,676)
Unused provisions reversed	(1,296)	(672)	(3,329)	(8)	(5,305)
Balance at 31 December	2,209	564	14,415	8	17,196

Receivables are impaired based on the Estimated Credit Losses model, which is a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (ie 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).

The provisions for ECL above include impairment of CHF 458k (2021: CHF 300k) for receivables and contract assets that relate to contracts with customers (see note 2.1c).

The provision for unpaid statutory contributions is based upon the IFRC’s assessment of the probability of payment. At 31 December 2022, the IFRC revised its assessment of the balance of statutory contribution receivables and did not release any amount from at risk to likely to be paid (2021: CHF 106k). Provision of statutory contribution receivables does not invalidate the obligation of National Societies to pay amounts due.

Receivables ageing	Not past due CHF 000s	Past due 1-60 days CHF 000s	Past due 61-90 days CHF 000s	Past due more than 90 days CHF 000s	Total CHF 000s
2022					
Gross carrying amount	205,038	19,252	30,948	92,718	347,956
Provision for ECL	-	-	-	(21,238)	(21,238)
Receivables	205,038	19,252	30,948	71,480	326,718
2021					
Gross carrying amount	196,267	3,435	4,140	38,140	241,982
Provision for ECL	-	-	-	(17,196)	(17,196)
Receivables	196,267	3,435	4,140	20,944	224,786

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, receivables are not recognised as receivables in the Consolidated Statement of Financial Position but are disclosed as contingent assets (see note 2.6). 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.

2.2 Receivables (continued)

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

	Opening balances CHF 000s	Closing balances CHF 000s
2022		
Contract assets	1,280	6,528
Contract liabilities	(23,035)	(37,288)
Receivables from Customers	6,638	9,194
	(15,117)	(21,566)
2021		
Contract assets	3,355	1,280
Contract liabilities	(18,407)	(23,035)
Receivables from Customers	7,204	6,638
	(7,848)	(15,117)

In 2022, there were no assets recognised from the costs to obtain or fulfil a contract (2021: Nil), and there were no variable contract considerations that reduced transaction prices for service income recognised (2021: Nil). The amount included within the contract liability opening balance is fully recognised as income during the accounting period.

2.3 Deferred income and contract liabilities

Current liabilities	2022 CHF 000s	2021 CHF 000s
Deferred income	165,828	154,894
Contract liabilities	37,288	23,035
Statutory contributions received in advance	636	220
	203,752	178,149

Non-current liabilities	2022 CHF 000s	2021 CHF 000s
Deferred income	44,283	39,836

Deferred income

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 2.1, 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. Included within Deferred income above is CHF 38,395k (2021: CHF 41,338k) related to non-monetary in-kind donations from host country governments (see note 3.4a).

Contract liabilities
A contract liability is the obligation to transfer goods or services to a counterparty for which the IFRC has received consideration from the counterparty. If a customer pays a consideration before the IFRC transfers goods or services to the counterparty, a contract liability is recognized when the payment is made by the counterparty or when the payment is due. Contract liabilities are recognized as revenue when IFRC meets its performance obligations under the contract. Included within Contract liabilities above is CHF 19,540k (2021: CHF 18,167k) related to service income received in advance for the ESSN project (see note 3.2b).

2.4 Restricted reserves

Funds held for operations

	2022 CHF 000s	2021 CHF 000s
Operations with temporary deficit financing	(10,518)	(15,717)
Defined benefit pension obligations recognised in Other Comprehensive Income	13,622	(556)
Donor-restricted contributions	438,113	239,970
	441,217	223,697

Restricted reserves represent the cumulative excess of income over expenditure for other resources activities. Restricted reserves include the following:

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 it is determined that funds will not be spent as originally agreed, 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 liabilities 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.

2.5 Designated reserves

	Self insurance CHF 000s	Statutory meetings CHF 000s	Specific projects CHF 000s	Major works CHF 000s	Total CHF 000s
2022					
Balance at 1 January	2,111	1,681	14,000	715	18,507
Used during the year	-	(1,414)	(2,500)	-	(3,914)
Allocations during the year	217	900	4,200	343	5,660
Balance at 31 December	2,328	1,167	15,700	1,058	20,253
2021					
Balance at 1 January	1,998	866	14,400	372	17,636
Used during the year	(50)	(85)	(14,400)	-	(14,535)
Allocations during the year	163	900	14,000	343	15,406
Balance at 31 December	2,111	1,681	14,000	715	18,507

Designated reserves are funds set aside for specific purposes including self-insurance, statutory meetings, specific projects and major building works. The IFRC may transfer these funds back to unrestricted 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.

2.5 Designated reserves (continued)

Specific projects
In keeping with the IFRC's principle of full cost recovery (see note 3.1), the direct costs of programmes and services are subject to 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.

In 2022, expenditure on both the Covid-19 Pandemic and the Ukraine and impacted countries crisis operations was in excess of CHF 50,000k. In 2021, expenditure on the Covid-19 Pandemic operation was in excess of CHF 50,000k. At the end of 2022, the balance on the Specific projects reserve was CHF 15,700k (2021: CHF 14,000k).

Major building works reserve
In March 2016, the IFRC signed an agreement with *Fondation des Immeubles pour les Organisations Internationales* (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, as required by the agreement, set up a designated reserve for major building works upon acceptance of the new building. The IFRC makes an annual allocation 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.

2.6 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**	**2022**	**2021**
		CHF 000s	**CHF 000s**
USAID[1]	Contingent upon USAID funds	50,049	58,777
German Government	Contingent upon government funding allocation	7,879	-
Mastercard Foundation	Contingent upon approval of statement of work	6,398	-
British Government	Contingent upon performance	6,018	-
British Red Cross	Contingent upon FCDO[2] funding allocation	1,655	3,662
Others	Contingent upon performance/report/audit	1,148	2,196
Total Contingent assets		**73,147**	**64,635**

[1] USAID – United States Agency for International Development
[2] FCDO – United Kindom Foreign, Commonwealth and Development Office

3. OPERATIONS

3.1 Operating expenditure

Operating expenditure comprises the following:

2022	(a) Employee benefits	(b) Relief supplies, transportation & storage	(c) Contributions to National Societies	Depreciation, amortisation and impairment	Supplementary services cost recoveries	(d) Other costs & allocations	Indirect cost recovery	Total 2022
	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s
Humanitarian response	45,487	159,649	75,037	284	8,364	60,706	21,096	370,623
Thematic	50,619	18,204	78,840	453	8,275	42,897	15,767	215,055
Total Other resources (Programmes)	96,106	177,853	153,877	737	16,639	103,603	36,863	585,678
Supplementary services	20,271	4,345	68	4,109	(17,669)	14,814	820	26,758
Total RESTRICTED	**116,377**	**182,198**	**153,945**	**4,846**	**(1,030)**	**118,417**	**37,683**	**612,436**
Regular resources	72,995	942	309	7,162	1,030	18,473	(37,683)	63,228
Total UNRESTRICTED	**72,995**	**942**	**309**	**7,162**	**1,030**	**18,473**	**(37,683)**	**63,228**
Total OPERATING EXPENDITURE 2022	**189,372**	**183,140**	**154,254**	**12,008**	**-**	**136,890**	**-**	**675,664**

Costing principle
The IFRC applies a full cost recovery principle to its activities and operations. As such, 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. In 2022, the support added to unrestricted reserves amounted to CHF 37,683k (2021: CHF 30,261k).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

3.1 Operating expenditure (continued)

2021	(a) (c) Employee benefits	(b) Relief supplies, transportation & storage	Contributions to National Societies	Depreciation, amortisation and impairment	Supplementary services cost recoveries	(d) Other costs & allocations	Indirect cost recovery	Total 2021
	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s
Humanitarian response	49,377	80,088	82,448	326	7,784	24,154	15,593	259,770
Thematic	45,780	26,454	26,510	451	7,288	32,887	13,941	153,311
Total Other resources (Programmes)	95,157	106,542	108,958	777	15,072	57,041	29,534	413,081
Supplementary services	19,459	2,433	93	3,946	(16,410)	9,854	727	20,102
Total RESTRICTED	**114,616**	**108,975**	**109,051**	**4,723**	**(1,338)**	**66,896**	**30,261**	**433,184**
Regular resources	70,378	758	-	5,678	1,338	4,545	(30,261)	52,436
Total UNRESTRICTED	**70,378**	**758**	**-**	**5,678**	**1,338**	**4,545**	**(30,261)**	**52,436**
Total OPERATING EXPENDITURE 2021	**184,994**	**109,733**	**109,051**	**10,401**	**-**	**71,440**	**-**	**485,619**

3.1 Operating expenditure (continued)

The operating expenditures pertaining to humanitarian response are as follows:

	2022 Total CHF 000s	2021 Total CHF 000s
Ukraine and impacted countries crisis	157,339	-
COVID-19 pandemic	91,722	140,298
Other appeals and activities	426,603	345,321
	675,664	485,619

(a) Employee benefits

Employee benefits consist of the following:

	2022 Restricted CHF 000s	2022 Unrestricted CHF 000s	2022 Total CHF 000s
2022			
Wages and salaries	95,847	59,082	154,929
Contributed services	7,400	213	7,613
Short-term termination benefit costs	900	(210)	690
Social security costs	3,461	1,441	4,902
Post-employment benefit costs	8,769	12,469	21,238
	116,377	72,995	189,372
2021			
Wages and salaries	95,530	57,473	153,003
Contributed services	6,704	245	6,949
Short-term termination benefit costs	704	(440)	264
Social security costs	3,269	1,327	4,596
Post-employment benefit costs	8,409	11,773	20,182
	114,616	70,378	184,994

Short-term termination benefits
Short-term 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.

Post-employment benefit costs
Post-employment benefit costs, pension costs for defined benefit pension plans, the cost of contributions towards retirees' health insurance and non-Swiss long-term termination benefit costs.

Pension costs – defined benefit plans
The IFRC has a Base Pension Plan and a Supplemental Pension Plan (the Pension Plans), covering its expatriate field staff and all headquarters staff. The Pension Plans are funded defined benefit plans which also provide benefits on death, disability and termination. Subject to certain conditions, members of the Pension Plans are also eligible to receive contributions on the cost of health insurance during retirement. According to the Pension Plans Rules, the IFRC must make contributions to the Pension Plans of 16% of contributory salary for the Base Pension Plan and 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.

3.1 Operating expenditure (continued)

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 the 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 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. The Pension Fund is funded as determined by periodic actuarial calculations in accordance with the Swiss law.

Retirees’ health insurance
Depending upon service at retirement and subject to having both worked a minimum of five years and taken 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. Whilst the IFRC is under no legal obligation to make 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.

Non-Swiss long-term termination benefits
In certain legal jurisdictions, outside Switzerland, 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. IAS 19 Employee benefits considers such benefits as post-employment benefits. Hereafter, these benefits are referred to as non-Swiss post-employment benefits.

Further details of the IFRC’s defined benefit pension plans, the retirees’ health insurance and non-Swiss long-term post-employment benefits can be found in note 4.5.

(b) Relief supplies, transportation and storage

	Restricted CHF 000s	Unrestricted CHF 000s	Total CHF 000s
2022			
Relief supplies	168,628	-	168,628
Transportation & storage	13,570	942	14,512
	182,198	942	183,140
2021			
Relief supplies	97,876	-	97,876
Transportation & storage	11,099	758	11,857
	108,975	758	109,733

Relief supplies pertains to goods which were either purchased or received in-kind and committeed for specific projects, and are expensed at the time of receipt.

Inventories of prepositioned relief items, which have not been committed to a project, are stated at the lower of cost or net realisable value and included in other current assets in the Consolidated Statement of Financial Position. 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.

The fair value of in-kind goods 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.

(c) Contributions to National Societies and provisions for operations

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.

3.1 Operating expenditure (continued)

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 as Provisions for operations and reported as part of Other costs & allocations (see related note 3.1d). When recipient National Societies report on their use of the funds, the provision is reversed, and the expense is reclassified according to its nature.

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

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 to implement Covid-19 Pandemic Emergency Appeal activities. Specifically for this appeal, 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 on the organisational capacity and internal controls to effectively manage the funds received to meet project objectives and satisfy stakeholders' 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.

(d) Other costs & allocations

2022	Restricted CHF 000s	Unrestricted CHF 000s	Total CHF 000s
Vehicles and equipment	30,182	649	30,831
Administration, office and general	12,885	3,683	16,568
Consultancy fees	10,466	1,925	12,391
Workshops & training	12,889	711	13,600
Travel	11,952	3,003	14,955
Information	4,395	1,512	5,907
Other costs and allocations	35,648	6,990	42,638
	118,417	18,473	136,890
2021			
Vehicles and equipment	9,460	275	9,735
Administration, office and general	10,853	2,672	13,525
Consultancy fees	10,080	1,147	11,227
Workshops & training	7,899	189	8,088
Travel	4,283	906	5,189
Information	3,833	641	4,474
Other costs and allocations	20,489	(1,285)	19,202
	66,897	4,545	71,440

Other costs and allocations include provisions for operations pertaining to the value of working advances which has not been reported on by the recipient National Societies.

3.2 Significant operations in the current accounting period

(a) COVID-19 pandemic

The IFRC COVID-19 pandemic response is a global response composed of individual National Societies' domestic responses. The IFRC network comprises 192 member Red Cross and Red Crescent Societies, responding to the local needs of those affected by COVID-19 in their own countries based on their respective mandates and COVID-19 National Society Response Plans.

Pertinent information concerning the COVID-19 pandemic appeal is summarised in the below table.

Date	**Description**	**Appeal amount CHF 000s**
31 January 2020	Launch of the COVID-19 emergency appeal	3,000
28 May 2020	Publication of appeal and extension of timeframe until 31 December 2021	450,000
2 February 2021	Increase of CHF 100 million	550,000
24 March 2021	Extension of timeframe until 30 June 2022	550,000
18 December 2021	Increase of CHF 120 million and extension of timeframe until 31 December 2022	670,000

In response to the global scale and scope of the crisis, the CHF 450 million was intended to cover both allocations to IFRC's member National Societies and funding to support the work of the IFRC Secretariat. It included allocations of CHF 370 million to the five regions and CHF 30 million to the Geneva Secretariat, as well as CHF 50 million as flexible funding to respond to the changing nature and focus of the pandemic. With such level of funding, the IFRC network has been able to respond to developing hotspots, second waves and deepening social and economic impacts, that affected the lives and dignity of people and communities in specific countries. The increase of additional CHF 100 million (increasing the appeal to CHF 550 million) was planned to address a pressing need to support COVID-19 global vaccine roll-out, while the additional CHF 120 million (further increasing the appeal to CHF 670 million) was to continue supporting National Societies' work as auxiliaries to their governments in tackling the continued effects of the pandemic, support the integration of COVID-19 into regular programming and remain flexible in responding to new variants of concern, hotspots and new waves.

On 27 October 2022, the IFRC published the 30-month operations update being the penultimate report of the operation. The COVID-19 response operations ended on 31 December 2022 with the final report envisaged to be issued in May 2023. From 2023 onwards, the COVID-19 activities and legacy actions from the operations are incorporated into the unified country plans of the IFRC Secretariat and National Societies.

The COVID-19 Pandemic appeal has been a global effort by the membership of the IFRC in addressing the immediate, medium and long-term impacts caused by the pandemic. It has been unprecedented in terms of its magnitude, financial value and global reach with the IFRC simultaneously supported more than 160 National Societies in one action. The IFRC has funded the domestic appeals and plans of National Societies with support primarily being provided by IFRC remotely. As at 31 December 2022, 166 National Societies had received funding allocations from the IFRC COVID-19 Emergency Appeal.

3.2 Significant operations in the current accounting period (continued)

(a) COVID-19 pandemic (continued)

Income and expenditure figures specific to this emergency appeal are as follows:

	2022	2021
	CHF 000s	CHF 000s
OPERATING INCOME		
Voluntary contributions	2,795	35,652
Donations	43,112	90,471
Total OPERATING INCOME	45,907	126,123
OPERATING EXPENDITURE		
Humanitarian Response		
Employee benefits	16,042	19,322
Relief supplies, transportation and storage	18,653	23,995
Contributions to National Societies	22,867	74,094
Supplementary services cost recoveries	3,479	4,254
Other costs & allocations	25,183	10,229
Total direct costs	86,224	131,894
Indirect cost recovery	5,498	8,404
Total OPERATING EXPENDITURE	91,722	140,298
NET (DEFICIT) FROM OPERATING ACTIVITIES	(45,815)	(14,175)
Finance expense, net	(344)	(15)
NET (DEFICIT) FOR THE YEAR	(46,159)	(14,190)
FUNDS HELD FOR OPERATIONS		
Brought forward	54,748	68,923
Reallocation from other IFRC appeal	-	15
Net (deficit) for the year	(46,159)	(14,190)
FUNDS HELD FOR OPERATIONS	8,589	54,748

At the end of 2022, the IFRC had received voluntary contributions and donations of CHF 16,074k (2021: CHF 58,337k) 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 2022, the IFRC had outstanding receivables from donors of CHF 22,792k (2021: CHF 52,779k) that are included in the Consolidated Statement of Financial Position related to the Covid-19 Pandemic appeal.

3.2 Significant operations in the current accounting period (continued)

(b) Emergency Social Safety Net (ESSN) programme

The ESSN programme, funded by the European Union and its member states under the European Civil Protection and Humanitarian Aid Operations (ECHO)'s Facility for Refugees in Turkiye (FRIT), through a partnership between the IFRC and Turkish Red Crescent Society provides monthly cash assistance via debit cards to the most vulnerable refugees in Turkiye. Türkiye is home to the largest refugee population in the world. The country hosts more than 4 million refugees, many of whom are from Syria and fleeing a ten-year long conflict. It is estimated that over 98% of refugees in Türkiye are living outside of camps. Every month, each family member receives 155 Turkish Lira, enabling them to decide for themselves how to cover essential needs like rent, transport, bills, food and medicine. The programme offers additional quarterly top-ups based on family size.

The ESSN is the largest humanitarian programme in the history of the EU and the largest programme ever implemented by the IFRC.

There are three basic components to the ESSN programme:

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

Pertinent information concerning the ESSN agreement between IFRC and ECHO is summarised in the table below.

Date	**Description**	**Contract amount EUR 000s**	**Contract amount approximate CHF 000s**
2 October 2019	Initial contract signed and timeframe of 26 months from 1 September 2019 until 31 October 2021	500,000	543,000
21 December 2020	Increase of EUR 400,000k and extension of timeframe to 38 months until 31 October 2022	900,000	976,400
25 May 2022	Increase of EUR 325,000 and extension of timeframe to 50 months until 31 October 2023	1,225,000	1,235,000

As discussed further in note 2.1c, the ESSN initial agreement between the IFRC and ECHO and the subsequent contract modifications fall within the scope of IFRS 15.

Cash and cash equivalents - ESSN programme (see note 4.2)
Included in cash and cash equivalents is the amount of CHF 92,481k (2021: CHF 124,056k) 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 programme, 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 programme (see note 3.3)
Included in prepayments is an amount of CHF 20,069k (2021: CHF 16,112k). 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 the IFRC. This balance is distinguished from other prepayments in the Consolidated Statement of Financial Position.

Liabilities - ESSN programme
At 31 December 2022, the liabilities on the ESSN programme of CHF 112,585k (2021: CHF 140,167k) pertains to funds received from ECHO (component B) yet to be distributed to the beneficiaries. These liabilities on the ESSN programme are distinguished from other liabilities in the Consolidated Statement of Financial Position.

Services income (see note 2.1c) and expenditure - ESSN programme
Included within Services Income (note 2.1c) is an amount of CHF 28,999k (2021: CHF 42,370k) related to the other portions of the ESSN contract. At the end of 2022, the IFRC had received CHF 19,540k (2021: CHF 18,167k) service income in advance from ECHO in relation to the other portions of the ESSN contract. This is recorded under Contract liabilities (see note 2.3). Expenditure related to the other portions of the ESSN contract is included within Thematic expenditure.

3.2 Significant operations in the current accounting period (continued)

(c) Ukraine and impacted countries crisis

Active since 2014, the armed conflict in Ukraine significantly escalated in February 2022, as hostilities spread to most parts of the country. The conflict has caused tragic loss of human life, destruction of cities and civilian infrastructure, and widespread displacement of people inside Ukraine and across its borders with neighbouring countries.

Pertinent information concerning the Ukraine and impacted countries crisis emergency appeal is summarised in the below table.

Date	Description	Appeal amount CHF 000s
5 February 2022	DREF initial allocation	219
28 February 2022	Launch of the Ukraine and impacted countries crisis appeal until 29 February 2024	100,000
14 April 2022	Increase of CHF 450 million	550,000
7 October 2022	Envisaged extension of timeframe until 31 December 2025 and a substantial increase in funding amount yet to be finalised	550,000

An initial appeal of CHF 100 million was launched to enable the IFRC to assist an initial 2 million people displaced inside Ukraine and people reaching neighbouring countries affected by the conflict. The increase to CHF 550 million was planned in order to increase the reach of the Red Cross National Societies in Ukraine and other impacted countries to scale up assistance to 3.6 million people in the immediate term and in their transition to long-term recovery.

The emergency operation has been further increasing the scope of its intervention, working with National Societies in the region that have requested support from the IFRC to provide technical and financial assistance to people in need. In this sense, new needs and approaches have been identified with National Societies, which will be reflected in the revision of the emergency appeal. As per an operations update issued on 7 October 2022, the envisaged revised emergency appeal will extend the timeframe of the operation until 31 December 2025, with a transition to unified country planning covering all operations of National Societies thereafter.

Yet to be finalised, a revised emergency appeal will present a substantial increase in funding ask (approximately up to a total CHF 795 million) as well as in geographical coverage that will include supporting Ukrainian Red Cross Society and 16 other National Societies of the impacted countries. The IFRC had allocated CHF 1,293,301 from its Disaster Response Emergency Fund (DREF) including CHF 218,638 allocated on 5 February 2022 that supported the Ukrainian Red Cross Society in its preparedness efforts. At 31 December 2022, the full amount of the DREF allocation had been reimbursed to the DREF.

3.2 Significant operations in the current accounting period (continued)

(c) Ukraine and impacted countries crisis (continued)

Income and expenditure figures specific to this emergency appeal during its first year of operations in 2022 are provided as follows:

	2022
	CHF 000s
OPERATING INCOME	
Voluntary contributions	315,285
Donations	66,167
Total OPERATING INCOME	381,452
OPERATING EXPENDITURE	
Humanitarian Response	
Employee benefits	7,882
Relief supplies, transportation and storage	90,977
Contributions to National Societies	33,656
Supplementary services cost recoveries	2,062
Other costs & allocations	14,341
Total direct costs	148,918
Indirect cost recovery	8,421
Total OPERATING EXPENDITURE	157,339
NET SURPLUS FROM OPERATING ACTIVITIES	224,113
Finance expense, net	(134)
NET SURPLUS FOR THE PERIOD	223,979
FUNDS HELD FOR OPERATIONS	
Net surplus for the period	223,979
FUNDS HELD FOR OPERATIONS	223,979

At the end of 2022, the IFRC had received voluntary contributions and donations of CHF 21,746k 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 2022, the IFRC had outstanding receivables from donors of CHF 75,853k that are included in the Consolidated Statement of Financial Position related to the Ukrained and impacted countries appeal.

3.3 Prepayments and contract assets

	2022 CHF 000s	2021 CHF 000s
Prepayments	12,527	3,846
Prepayments - ESSN	20,069	16,112
Total Prepayments	32,596	19,958
Contract assets	6,528	1,280
Total prepayments and contract assets	39,124	21,238

Prepayments
Prepayments are expenses paid in advance. Prepayments are apportioned over the period covered by the payment and included in operating expenditure when incurred.

Contract Assets
A contract asset is the right to consideration in exchange for goods or services transferred to the counterparties. If the IFRC performs by transferring goods or services to a counterparty before the counterparty pays a consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

3.4 Tangible and intangible assets

Tangible assets consisting of land and buildings, vehicles and other equipment are stated at historical cost less accumulated depreciation and any accumulated impairment in value. The initial cost of acquired tangible assets includes expenditure that is directly attributable to the acquisition of the items. The initial cost of contributed or donated assets is equivalent to its fair market value at the time of donation.

The residual values, useful lives and depreciation methods for tangible assets are reviewed, and adjusted if appropriate, at each reporting date. An item of tangible asset is derecognised upon disposal or when there is no future economic benefit to the IFRC. Gains and losses between the carrying amount and the disposal proceeds are recognised as operating expenditure.

Construction in progress represents properties under construction and is stated at cost, including costs of construction and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and ready for operational use.

Intangible assets represent acquired computer software and computer software under development related to the implementation of an Enterprise Resource Planning (ERP) system. Acquired computer software is stated at acquisition cost, less accumulated amortisation and any impairment in value.

The amortisation method and useful lives of intangible assets are reviewed annually. Changes in the expected patterns of consumption or the useful lives are accounted for prospectively by changing the amortisation method or period. The gains or losses recognised in operating income or expenditure arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset.

Computer software under development is stated at cost, including costs of development and other direct costs (for example own labour) to bring the specific software into use. Computer software under development is not amortised until such time as the relevant assets are completed and ready for operational use.

Depreciation and amortisation are calculated using the straight-line method over the following estimated useful lives:

Tangible asset type	Number of years
Land and buildings	Up to 50 years
Vehicles	4 to 10 years
Computer and other equipment	2 to 10 years

Intangible asset	Number of years
Computer software	3 to 7 years

3.4 Tangible and intangible assets (continued)

3.4a Tangible assets

The balances and movements in tangible assets are as follows:

2022	Land and buildings CHF 000s	Work in Progress CHF 000s	Vehicles CHF 000s	Other equipment CHF 000s	Total Tangible assets CHF 000s
Cost					
Balance as at 1 January	118,376	7	22,523	4,596	145,502
Additions	2,841	208	4,256	834	8,139
Transfer from work in progress	214	(214)	-	-	-
Disposals and write offs	(924)	-	(5,244)	(109)	(6,277)
Reclassifications to/from assets held for sale, net	-	-	(905)	-	(905)
Balance at 31 December	120,507	1	20,630	5,321	146,460
Accumulated depreciation and impairment losses					
Balance at 1 January	(16,602)	-	(9,958)	(3,124)	(29,684)
Depreciation charge for the year	(7,170)	-	(2,273)	(352)	(9,795)
Disposals and write offs	815	-	1,973	109	2,897
Impairment loss	-	-	34	-	34
Reclassifications to/from assets held for sale, net	-	-	384	-	384
Balance at 31 December	(22,957)	-	(9,840)	(3,367)	(36,165)
Net book value at 31 December	97,550	1	10,790	1,954	110,295
Net book value at 1 January	101,774	7	12,565	1,472	115,818

2021	Land and buildings CHF 000s	Work in Progress CHF 000s	Vehicles CHF 000s	Other equipment CHF 000s	Total Tangible assets CHF 000s
Cost					
Balance as at 1 January	114,016	-	24,981	4,629	143,626
Additions	7,175	7	3,447	189	10,818
Transfer from Work in progress	-	-	-	-	-
Disposals and write offs	(2,815)	-	(4,419)	(222)	(7,456)
Reclassification to intangible assets	-	-	-	-	-
Reclassifications to/from assets held for sale, net	-	-	(1,486)	-	(1,486)
Balance at 31 December	118,376	7	22,523	4,596	145,502
Accumulated depreciation and impairment losses					
Balance at 1 January	(11,396)	-	(10,117)	(3,004)	(24,517)
Depreciation charge for the year	(7,079)	-	(2,590)	(334)	(10,003)
Disposals and write offs	1,873	-	2,593	214	4,680
Impairment loss	-	-	68	-	68
Reclassifications to/from assets held for sale, net	-	-	88	-	88
Balance at 31 December	(16,602)	-	(9,958)	(3,124)	(29,684)
Net book value at 31 December	101,774	7	12,565	1,472	115,818
Net book value at 1 January	102,620	-	14,864	1,625	119,109

3.4 Tangible and intangible assets (continued)

3.4b Intangible assets

The balances and movements in intangible assets are as follows:

2022	**Computer software CHF 000s**	**Computer software under development CHF 000s**	**Total intangible assets CHF 000s**
Cost			
Balance at 1 January	8,706	11,971	20,677
Additions	14	3,826	3,840
Transfers	881	(881)	-
Disposal and write offs	(2,043)	(132)	(2,175)
Balance at 31 December	7,558	14,784	22,342
Accumulated amortisation and impairment losses			
Balance at 1 January	(6,339)	-	(6,339)
Impairment losses	(1,519)	-	(1,519)
Amortisation charge for the year	(483)	-	(483)
Disposals	1,963	-	1,963
Balance at 31 December	(6,378)	-	(6,378)
Net book value at 31 December	1,180	14,784	15,964
Net book value at 1 January	2,367	11,971	14,338

2021	**Computer software CHF 000s**	**Computer software under development CHF 000s**	**Total intangible assets CHF 000s**
Cost			
Balance at 1 January	8,179	6,405	14,584
Additions	227	7,846	8,073
Transfers	2,280	(2,280)	-
Disposal and write offs	(1,980)	-	(1,980)
Balance at 31 December	8,706	11,971	20,677
Accumulated amortisation and impairment losses			
Balance at 1 January	(7,921)	-	(7,921)
Amortisation charge for the year	(398)	-	(398)
Disposals	1,980	-	1,980
Balance at 31 December	(6,339)	-	(6,339)
Net book value at 31 December	2,367	11,971	14,338
Net book value at 1 January	258	6,405	6,663

3.4 Tangible and intangible assets (continued)

3.4c Rights-of-Use assets (ROU)

Tangible assets include right-of-use (ROU) assets under leases amounting to CHF 3,900k (2021: CHF 4,486k) - see note 3.7.

Tangible assets also include the following ROU and owned assets that have been received as in-kind donations:

	Land and buildings CHF 000s	Other equipment CHF 000s	Total CHF 000s
2022			
Gross carrying amount	47,143	242	47,385
Accumulated depreciation	(8,158)	(214)	(8,373)
Net book value	38,985	28	39,012
Depreciation charge for the year	(2,340)	(17)	(2,357)
2021			
Gross carrying amount	47,143	242	47,385
Accumulated depreciation	(5,818)	(197)	(6,015)
Net book value	41,325	45	41,370
Depreciation charge for the year	(2,340)	(36)	(2,376)

Right-of-Use assets received as non-monetary in-kind donations pertains to rent-free use of land and building for the IFRC's operations in Dubai, Budapest, Geneva and Panama City (see note 3.7). The fair value of in-kind 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 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.

Assessing the impairment of non-financial assets
The IFRC assesses impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses on non-financial assets amount to CHF 1,485k (2021: CHF 68k).

Non-current assets held-for-sale
Non-current assets held-for-sale of CHF 520k (2021: CHF 1,382k) relate to vehicles and equipment, and they are presented under other current assets. The IFRC is in discussion to finalise the arrangement for the sale of the vehicles which the management believes can be negotiated at a price higher than the carrying amount of these vehicles and equipment.

3.5 Accounts payable and accrued expenses

	2022 CHF 000s	2021 CHF 000s
Accounts payable		
Suppliers	34,436	16,960
National Societies	1,903	4,475
Other payables	6,006	1,351
Total accounts payable	42,345	22,786
Accrued expenses	11,505	10,230
Total accrued expenses	11,505	10,230
Total accounts payable and accrued expenses	53,850	33,016

3.6 Provisions

At 31 December 2022 and 2021, the balances and movements in provisions are as follows:

2022	Operations CHF 000s	Pledge and services deficits CHF 000s	Redundancy CHF 000s	Total CHF 000s
Current provisions				
Balance at 1 January	35,959	5,139	101	41,199
Additional provisions	53,285	3,647	1,958	58,890
Unused amounts reversed	-	(547)	-	(547)
Used during the year	(35,959)	(2,970)	(1,743)	(40,672)
Balance at 31 December	53,285	5,269	316	58,870
2021				
Current provisions				
Balance at 1 January	32,172	7,251	178	39,601
Additional provisions	35,959	1,167	1,304	38,430
Unused amounts reversed	-	(1,246)	(230)	(1,476)
Used during the year	(32,172)	(2,033)	(1,151)	(35,356)
Balance at 31 December	35,959	5,139	101	41,199

A provision is recognised when the IFRC has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates.

Provision for operations
The provision for operations includes the estimated value of cash working advances made to National Societies that have not been reported at the reporting date and the estimated costs of other operational liabilities that have been incurred at the reporting date, where the timing and/or the amount is uncertain.

Provision for pledge and services deficits
The provision for pledge and service deficits is maintained for restricted activities where expenditure and the estimated costs of individual pledges and services, has exceeded the income and the IFRC considers future funding is unlikely to be collected within 12 months following the period end date.

Provision for redundancy
The provision for redundancy is made for the estimated cost of known redundancies. A redundancy is known when the decision to make the employee redundant has been taken and communicated. The provision includes the costs of known redundancies that were announced in 2022 and will be settled within the next 12 months.

3.7 Leases – IFRC as a lessee

The IFRC has entered into various lease agreements of office spaces, residential apartments, warehouses and office equipment. The terms of the lease agreements range from less than one year to five years.

The IFRC’s main accounting policies for leases as a lessee are as follows:

- IFRS 16 Leases 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 assess 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.
- At the lease commencement date, the IFRC determines the term of the lease, including any periods covered by an option to extend the lease, as non-cancellable, if it is reasonably certain that the option to extend will be exercised, and any periods covered by an option to terminate the lease are reasonably certain not to be exercised.
- 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.

3.7 Leases – IFRC as a lessee (continued)

(a) Short-term leases and leases of low value assets

The IFRC has elected not to recognise right-of-use (ROU) 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.

	2022 CHF 000s	2021 CHF 000s
Expenses related to short-term leases	2,068	2,795
Expenses related to low-value assets, excluding short-term leases of low value assets	117	33
	2,185	2,828

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

At the end of 2022, the IFRC had capitalisable leases for 43 office premises in 38 locations from which it conducts its business around the world. The IFRC also had capitablisable leases for 37 residential apartments in 17 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. Furthermore, the IFRC had two capitalisable warehouse leases in two locations. Other warehouses are leased under short-term contracts. 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. Finally, the IFRC had capitalisable leases for photocopiers for use by staff in its head office in Geneva and in 7 of its regional and country offices.

At the commencement date, the IFRC recognises ROU assets and lease liabilities for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value.

The ROU asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date, net of any lease incentives received, any initial direct costs incurred, and an estimate of costs expected to be incurred for dismantling, removing and restoring the underlying asset.

ROU assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. ROU asset values may be adjusted for impairment or for any remeasurement of lease liabilities.

Right-of-use assets related to leased properties and equipment are presented as tangible assets (see note 3.4a).

	Land and Buildings CHF 000s	Vehicles & Equipment CHF 000s	Total CHF 000s
2022			
Balance at 1 January	4,321	165	4,486
Additions	2,825	14	2,839
Derecognition of right-of-use assets	(109)	-	(109)
Depreciation charge for the year	(3,237)	(79)	(3,316)
Balance at 31 December	3,800	100	3,900
2021			
Balance at 1 January	4,041	206	4,247
Additions	3,506	33	3,539
Derecognition of right-of-use assets	(53)	-	(53)
Depreciation charge for the year	(3,173)	(74)	(3,247)
Balance at 31 December	4,321	165	4,486

3.7 Leases – IFRC as a lessee (continued)

Lease liabilities

Lease liabilities are initially measured as the present value of future lease payments. 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 liabilities comprise the fixed lease payments less any incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees; and exercise price of purchase options when the exercise of the options is reasonably certain to occur; and any anticipated termination penalties. The IFRC remeasures the lease liability and makes a corresponding adjustment to the related ROU asset whenever the lease term has changed.

The lease liabilities recognised in the Consolidated Statement of Financial Position are as follows:

	2022 CHF 000s	2021 CHF 000s
Current lease liabilities	2,587	2,258
Non-current lease liabilities	1,088	1,904
	3,675	4,162

The table below summarises the maturity profile of the lease liabilities.

	2022 CHF 000s	2021 CHF 000s
Less than one year	2,587	2,258
One to two years	1,088	1,115
Two to three years	-	506
Three to four years	-	280
Four to five years	-	3
	3,675	4,162

The amounts recognised in the Consolidated Statement of Cash Flows are as follows:

	2022 CHF 000s	2021 CHF 000s
Payment of lease liabilities	3,172	3,084

The total cash outflow for leases including short-term leases, low value leases and right of use assets in 2022 is CHF 5,357k (2021: CHF 5,912k).

3.8 Capital commitments

Capital expenditure contracted for at 31 December 2022, but not yet incurred, amounted to CHF 1,906k (2021: CHF 2,306k), of which CHF 426k (2021: CHF 1,037k) related to the implementation of the ERP project (see note 3.4b).

3.9 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. As a result, the terminated staff sometimes file cases against the IFRC. Whilst liability is not admitted, the IFRC is defending a number of such actions. The IFRC does not expect the outcome of these actions to have a material impact on the IFRC's consolidated financial position. The risks that management considers likely to be settled through a payment and that can be measured reliably have been included as provisions in the Consolidated Statement of Financial Position.

In the interest of not prejudicing the outcomes of these actions, these consolidated financial statements do not disclose all of the information required by IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

3.10 Related parties

(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, Under Secretaries General and five Regional Directors. Close members of their families or households are also parties related to the IFRC.

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

National Societies are not parties related to the IFRC.

(b) Key management compensation

The salaries and benefits of the Secretary General, Under Secretaries General and five Regional Directors of the IFRC are set by the Governing Board. Their total benefits amounted to CHF 2,514k (2021: CHF 2,535k), comprised as follows:

	2022 CHF 000s	2021 CHF 000s
Short-term employee benefits	2,078	2,100
Post-employment benefits	436	435
	2,514	2,535

The composition of key management personnel was revised during 2022. The comparative figure for 2021 has been updated for consistency with the 2022 presentation.

(c) Transactions with related parties during the year

The transactions with related parties during the year are as follows:

Related Party	Nature of transaction	2022 CHF 000s	2021 CHF 000s
Pension Fund	Service income related to services provided to Pension Fund	347	412
	Outstanding receivable due from Pension Fund	-	83
Standing Commission	Service income related to services provided to the Standing Commission	207	232
	IFRC contribution to Standing Commission operating costs	195	156

All transactions were made on an arm's length basis. The outstanding receivable in 2021 was unsecured and matured within six months after the 2021 year end. No provision for Expected Credit Losses was recognized related to the receivable.

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.

4. MANAGEMENT OF FUNDS

4.1 Net finance (expense) / income

2022	Restricted CHF 000s	Unrestricted CHF 000s	Total CHF 000s
Interest income on bank deposits	-	9	9
Dividend income on global equity fund	-	1,078	1,078
Interest income on global bond fund	-	1,461	1,461
Net foreign exchange losses on revaluations of assets & liabilities	(203)	386	183
Gains on disposal: global equity fund and global bond fund	-	21	21
Finance income	(203)	2,955	2,752
Losses on disposal: global equity fund and global bond fund	-	(32)	(32)
Net change in fair value of financial assets at fair value through profit or loss	-	(22,558)	(22,558)
Net realised losses from cash flow hedge	-	(37)	(37)
Finance expense	-	(22,627)	(22,627)
Net finance expense	(203)	(19,672)	(19,875)

2021	Restricted CHF 000s	Unrestricted CHF 000s	Total CHF 000s
Interest income on bank deposits	-	7	7
Dividend income on global equity fund	-	695	695
Interest income on global bond fund	-	1,750	1,750
Gains on disposal: global equity fund and global bond fund	-	255	255
Net change in fair value of financial assets at fair value through profit or loss	-	8,314	8,314
Finance income	-	11,021	11,021
Net foreign exchange losses on revaluations of assets & liabilities	(618)	135	(483)
Losses on disposal: global equity fund and global bond fund	-	(152)	(152)
Net change in fair value of financial assets at fair value through profit or loss	-	(5,127)	(5,127)
Net realised losses from cash flow hedge	-	151	151
Finance expense	(618)	(4,993)	(5,611)
Net finance (expense) / income	(618)	6,028	5,410

The net finance result is comprised of interest and dividends received on funds invested, 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.

4.2 Cash and cash equivalents

Cash and cash equivalents include cash at bank and short-term placements. Short-term placements are highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value.

	2022 CHF 000s	2021 CHF 000s
Cash in hand	446	321
Cash at bank	212,254	203,991
Bank deposits (original maturities < 3 months)	40,001	10,004
	252,701	214,316

The cash at bank balance above includes CHF 92,481k (2021: CHF 124,056k) for the delivery of cash to beneficiaries under Component B of the ESSN project (see note 3.2b).

4.3 Investments

	2022 CHF 000s	2021 CHF 000s
Bank deposits measured at amortised cost (see note 4.6)		
Short-term investment (maturities > 3 months)	79,000	59,000
Long-term investment (maturities > 1 year)	160,000	90,000
Total bank deposits measured at amortised cost	239,000	149,000
Financial assets measured at fair value through profit and loss		
Global bond fund	75,288	91,086
Global equity fund	33,849	38,093
Total financial assets measured at fair value through profit and loss	109,137	129,179
Total Investments	348,137	278,179
Current investments	188,137	188,179
Non-current investments	160,000	90,000
Total Investments	348,137	278,179

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

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, in the period in which they arise.

4.4 Loans and borrowings

	2022 CHF 000s	2021 CHF 000s
Current liabilities		
Loans for building	1,415	1,415
Lease liabilities	2,587	2,258
	4,002	3,673
Non-current liabilities		
Loans for building	58,915	60,331
Lease liabilities	1,087	1,904
	60,002	62,235

FIPOI building loans

The IFRC has two loans from the *Fondation des Immeubles pour les Organisations Internationales* (FIPOI). Both loans are for the construction of office buildings at the Geneva headquarters. Both loans are at 0% interest, are unsecured and repayable in equal annual instalments over 50 years.

It is common practice that international organisations have access to interest free loans for building improvements from the Government of Switzerland through the 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.

Reconciliation of movement of liabilities to cashflows arising from financing activities:

	2022 CHF 000s	2021 CHF 000s
Balance at 1 January	65,908	66,956
Changes from financing cash flows:		
Repayment of borrowings	(1,416)	(1,415)
Payment of lease liabilities	(3,172)	(3,084)
Total changes from financing cash flows	**(4,588)**	**(4,499)**
Non-cash lease liability movements	2,684	3,451
Balance at 31 December	64,004	65,908

4.5 Post-employment defined benefit liability, net

(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.

Pension Fund

The IFRC has a Base Pension Plan and a Supplemental Pension Plan (the Pension Plans), covering its expatriate field staff and all headquarters staff.

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 89a 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 the 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 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.

The Pension Plans are funded defined benefit plans which provide retirement benefits based on a participant's accumulated account balance and also provide benefits on death, disability and termination. Subject to certain conditions, members of the Pension Plans are also eligible to receive contributions to the cost of health insurance during retirement. The Pension Plans are fully funded through contributions, as determined by periodic actuarial calculations, in accordance with Swiss law. According to the Pension Plans' rules, the IFRC must make contributions to the Pension Plans of 16% of contributory salary for the Base Pension Plan and 5% of contributory salary for the Supplemental Pension Plan, for each covered participant. If the Pension Plans are underfunded according to Swiss Law, the Pension Fund Governing Board decides remedial measures that will allow the coverage ratio to get back to 100% within an appropriate time frame – typically five to seven years. The remedial measures may include asking the IFRC to make additional contributions. Whilst it is possible that the IFRC makes contributions in excess of the amounts specified in the Pension Plans' rules, the IFRC usually only makes contributions as per the Pension Plans' rules and the IFRC does not anticipate making additional contributions within the foreseeable future.

As explained above, pension benefits due, and funding requirements, are calculated and paid in accordance with Swiss law. According to the latest actuarial calculations, in accordance with Swiss law, the pension obligations were more than 113.2% funded at 31 December 2022 and 125.7% funded at 31 December 2021. The difference in the funding position shown in the Consolidated Statement of Financial Position and the funding position according to Swiss law, arises due to the use of different actuarial valuation models to estimate the likely pension liabilities. Under Swiss law, although the Pension Fund Board may ask the IFRC, as employer, to make additional contributions in the event of under-funding, primary responsibility for ensuring that the independent Pension Fund's assets are sufficient to meet pension obligations as they fall due, rests with the Pension Fund Board, without legal recourse to the IFRC to improve the 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 2022 or 31 December 2021.

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

Retirees' health insurance

Depending upon service at retirement and subject to having both worked a minimum of five years and taken 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.

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 them 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.

4.5 Post-employment defined benefit liability, net (continued)

Non-Swiss post-employment benefits
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. IAS 19 Employee benefits requires that such long-term termination benefits are accounted for as post-employment benefits. Other social benefits paid to staff employed locally by the IFRC's delegations are recognised on an accurals basis in these financial statements.

(b) Amounts in the Consolidated Statement of Financial Position
For the purposes of these consolidated financial statements, in accordance with the requirements of IAS 19:
- both plans that comprise the Pension Fund are considered and accounted for as a single defined benefit plan;
- contributions to the cost of retirees' health insurance are accounted for as a separate defined benefit plan;
- the costs of meeting post-employment benefits in certain non-Swiss jurisdictions are calculated as individual separate defined benefit plans and combined for disclosure purposes.

The amount recognised in the Consolidated Statement of Financial Position in respect of the defined benefit pension 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 and the non-Swiss post-employment benefits are unfunded and, as such, do not have any plan assets.

The defined benefit obligations, for all three of the above mentioned arrangements, 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. For the pension plans and the retirees' health insurance contributions the discount rate is established with reference to 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. The discount rates applied in measuring the present value of non-Swiss post-employment benefit obligations are rates applicable to the currencies of the cash outflows; where there is no deep market for high quality corporate bonds government bond rates have been used.

In determining the present value of the Pension Fund defined benefit obligations and the service cost for the related 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 is earned by employees. According to the terms of the arrangements, non-Swiss post-employment benefits are attributed over periods based upon accrued leave days, the benefit calculation formula or pro rated service according the the benefit calculation formula and available information.

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

	2022 CHF 000s	2021 CHF 000s
Net asset		
Pension plans	20,125	-
Net liabilities		
Pension plans	-	(11,538)
Retirees' health insurance	(7,582)	(9,737)
Non-Swiss post-employment benefit plans	(3,091)	-
	(10,673)	(21,275)
Post-employment defined benefit obligations, net	9,452	(21,275)

	2022 CHF 000s	2021 CHF 000s
Present value of obligations	(298,247)	(354,303)
Fair value of plan assets	307,699	333,028
Post-employment defined benefit obligations, net	9,452	(21,275)

4.5 Post-employment defined benefit liability, net (continued)

Change in defined benefit obligations during the year:

	2022 CHF 000s	2021 CHF 000s
Defined benefit obligations 1 January	356,892	352,619
Net current service cost	20,565	19,508
Interest cost on defined benefit obligation	1,028	171
Employee contributions	9,838	9,333
Net benefits paid	(13,812)	(18,974)
Loss due to experience	1,863	17,434
(Gain) due to demographic assumption changes	-	(12,590)
(Gain)/loss due to financial assumption changes	(78,127)	(13,198)
Defined benefit obligations 31 December	298,247	354,303

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

	2022 CHF 000s	2021 CHF 000s
Defined benefit obligations for active members	194,993	232,534
Defined benefit obligations for retirees	100,163	121,769
Defined benefit obligations for non-Swiss post-employment benefits	3,091	-
	298,247	354,303

Change in pension plan assets during the year:

	2022 CHF 000s	2021 CHF 000s
Fair value of plan assets at 1 January	333,028	295,068
Employer contributions	16,449	15,642
Employee contributions	9,838	9,333
Net benefits paid	(13,498)	(18,974)
Actual administration expenses paid	(643)	(650)
Interest income on plan assets	998	147
Return on plan assets excluding amounts included in interest income	(38,473)	32,462
Fair value of plan assets at 31 December	307,699	333,028

Reconciliation of net defined benefit/(liabilities):

	2022 CHF 000s	2021 CHF 000s
Net liabilities at 1 January	(21,275)	(57,551)
Opening balance reclassified from Operational provisions	(2,589)	-
Total (charge) recognised in employee benefits operating expenditure	(21,238)	(20,182)
Total remeasurements recognised in other comprehensive income	37,791	40,816
Employer contributions	16,763	15,642
Net liabilities at 31 December	9,452	(21,275)

4.5 Post-employment defined benefit liability, net (continued)

(c) Amounts in the Consolidated Statement of Comprehensive Income

The IFRC recognises all actuarial remeasurement gains and losses immediately in Other Comprehensive Income. Expenses related to defined benefits are included as Employee benefits operating expenditure.

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

	2022 CHF 000s	2021 CHF 000s
Service cost	20,565	19,508
Net interest on the net defined benefit liability	30	24
Administration expenses	643	650
Total included in employee benefits expenditure	21,238	20,182

(d) Amounts in Other Comprehensive Income

The amounts recognised in Other Comprehensive Income that will not be subsequently reclassified to income or expenditure, are as follows:

	2022 CHF 000s	2021 CHF 000s
Defined benefit obligation (gains) due to changes in demographic assumption	(326)	(12,590)
Defined benefit obligation (gains) due to changes in financial assumptions	(77,585)	(13,198)
Defined benefit obligation losses due to experience, net	1,863	17,434
Return on pension plan assets excluding amounts included in interest income	38,473	(32,462)
Exchange rate (loss)	(216)	-
Total included in Other Comprehensive Income	(37,791)	(40,816)

Results under IAS 19 can change significantly depending on market conditions. The pension plans 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 Plans. Similarly, whilst neither the Retirees' health insurance scheme nor the non-Swiss post-employment benefit arrangements have assets, changing market conditions can lead to volatility in the defined benefit obligations.

In 2022, the pension plans' assets returned less than assumed leading to a loss on assets of CHF 38,473k (2021: gain of CHF 32,462k). The discount rate was increased from 0.3% in 2021 to 2.15% in 2022, resulting in a defined benefit obligation gain of CHF 85,238k (2021: CHF 13,732k). Changes to other financial assumptions generated defined benefit obligation losses of CHF 9,232k (2021: CHF 899k), which means that the total liability actuarial gain on financial assumptions is CHF 76,006k (2021: CHF 12,833k).

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.

Sensitivity analyses have been carried out to illustrate how the results change when the main assumptions change. The results of these analyses are included in the disclosure details below.

4.5 Post-employment defined benefit liability, net (continued)

(e) Significant assumptions

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

	2022	2021
Discount rate	2.15%	0.30%
Underlying consumer price inflation	1.25%	1.00%
Rate of future compensation increases	2.5%/1.5%	1.25%
Rate of pension increases	0.00%	0.00%
Interest rate credited to account balances	2.75%	2.00%
Increase in maximum lump sum death benefit	1.25%	1.00%
Change life expectancy at retirement age (mortality rate)	LPP 2020 CMI LTR1.5%	LPP 2020 CMI LTR1.5%

The significant actuarial assumptions used in valuing the Retirees health insurance defined benefit obligation include discount rates of 2.15% in 2022 and 0.3% in 2021 and future mortality rates is based on Swiss published statistics LPP 2020 CMI LTR 1.5% for 2022 and 1.5% for 2021.

The significant actuarial assumptions used in valuing the non-Swiss post-employment benefits include discount rates that average 6.76% and salary increase rates that average 4.51%.

For a pensioner retiring at age 65, the assumptions regarding mortality rates translate into an average life expectancy of between 22.0 and 25.6 years in 2022 and between 21.9 and 25.5 years in 2021, for both the Pension Fund and the Retirees' health insurance scheme.

As per IAS 19 paragraph 144, the IFRC considers the following to be significant actuarial assumptions used to determine the present value of the defined benefit obligations:

- Pension Fund: Discount rate, interest rate credited to account balances and mortality rate;
- Retirees' health insurance: Discount rate and life expectancy at retirement age;
- Non-Swiss post-employment benefits: Discount rates and rates of future salary increases.

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 6.0% CHF 17,254k	Increase by 6.7% CHF 19,267k
Interest rate credited to account balances	0.50%	Increase by 1.5% CHF 4,314k	Decrease by 1.5% CHF 4,314k
Change life expectancy at retirement age	1 year	Increase by 2.1% CHF 6,039k	Decrease by 2.2% CHF 5,327k

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 6.0% CHF 455k	Increase by 6.7% CHF 508k
Life expectancy at retirement age	1 year	Increase by 4.2% CHF 318k	Decrease by 4.3% CHF 326k

4.5 Post-employment defined benefit liability, net (continued)

The sensitivity of the non-Swiss post-employment benefits to changes in 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 2.5% CHF 71k	Increase by 2.7% CHF 75k
Salary increase rate	0.50%	Increase by 2.7% CHF 76k	Decrease by 2.4% CHF 69k

The above sensitivity analyses for both the Pension Fund, the Retirees' health insurance scheme and the non-Swiss post-employment 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.

(f) Plan assets

At 31 December 2022, the fair value of Pension Fund plan assets was CHF 307,699k (2021: CHF 333,028k). 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 2022 and 31 December 2021.

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

	2022 Proportion	2022 Of which quoted in an active market	2021 Proportion	2021 Of which quoted in an active market
Cash and cash equivalents	6.7%		7.4%	
Equity securities	36.1%	36.1%	39.3%	42.3%
Debt securities	22.3%	22.3%	21.3%	21.0%
Real estate	19.7%	14.7%	18.5%	17.0%
Other	15.2%		13.5%	
Total	100.0%		100.0%	

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 Pension Fund assets do not include any such financial instruments. The Pension Fund 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 to ensure 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 and the non-Swiss post-employment benefit arrangements are unfunded and, as such, do not have any plan assets.

(g) 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 2023 is CHF 16,225k (2022: CHF 14,431k). The weighted average duration of the DBOs at the end of the current financial year are:

Pension plans	12.7 years
Retirees' health insurance	12.7 years
Non-Swiss termination benefits	6.0 years

4.6 Financial instruments – Fair values and risk management

A financial instrument is any contract that gives rise to a financial asset of an entity and a financial liability or equity instrument of another entity. The IFRC recognizes a financial asset or a financial liability in the Consolidated Statement of Financial Position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular purchase or sale of financial assets, recognition and derecognition are accounted for using settlement date accounting.

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).

The IFRC classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortised cost and (b) financial assets at fair value through profit or loss (FVTPL).

Financial assets are measured at amortised cost when these are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in Finance income using the effective interest rate method. Under IFRS 9, the financial assets that are measured at amortised cost include transaction costs and are impaired using an 'expected credit loss' (ECL) model. The ECLs are calculated based on change in credit risks and measured at an amount equal to the lifetime of the financial assets. This impairment model does not apply to investments that are classified and measured at FVTPL.

Financial assets that do not meet the criteria for amortized cost are measured at FVTPL. A gain or loss on a financial asset measured at FVTPL is recognized in profit or loss. Financial assets at FVTPL include global bond and equity funds, and cash flow hedges.

Hedge derivative instruments are used to mitigate foreign exchange risk associated with receiving statutory contribution payments in foreign currencies. These derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value at each reporting date.

The IFRC reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model.

The IFRC considers a financial asset in default when contractual payments are one year past due. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the IFRC has transferred substantially all the risks and rewards of ownership.

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.

Financial liabilities are initially recognized at the fair value of the consideration received. In the case of financial liabilities at amortised cost, the initial measurement is net of any directly attributable transaction costs.

Subsequent to initial recognition at fair value, when the substance of the contractual arrangement results in the IFRC having an obligation to deliver either cash or another financial asset to the holder, the IFRC classifies its financial liabilities as financial liabilities at amortised cost and measures them using the effective interest method. Gains and losses are recognized in the Statement of Comprehensive Income either when the liabilities are derecognised or through the amortisation process.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Consolidated Statement of Comprehensive Income.

4.6 Financial instruments – Fair values and risk management (continued)

Financial instruments are measured at either amortised cost or at fair value. Financial assets measured at fair value are categorised into three hierarchy levels, where each level reflects the transparency of the inputs used to measure the value.

The financial instruments' classification, hierarchy levels, and carrying values at 31 December are:

Financial asset/liability	Note	Measured at	Fair value level	Carrying amount 2022 CHF 000s	Carrying amount 2021 CHF 000s
Investments - global bond funds	4.3	Fair value through profit or loss	1	75,288	91,086
Investments - global equity funds	4.3	Fair value through profit or loss	2	33,849	38,093
Foreign exchange forward contracts	2.1d	Fair value - hedging instrunents	2	(44)	68
Investments - bank deposits	4.3	Amortised cost		239,000	149,000
Cash and cash equivalents	4.2	Amortised cost		252,701	214,316
Receivables[1]	2.2	Amortised cost		323,123	222,669
Payables	3.5	Amortised cost		(53,850)	(33,016)
Liabilities - ESSN project	3.2b	Amortised cost		(112,585)	(140,167)
Loans and borrowings	4.4	Amortised cost		(56,000)	(65,908)

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).
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 2022 (2021: none).

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

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.

In consultation with the Finance Commission, the IFRC has established Investment Guidelines which set out the overall principles and policies for the IFRC's management of financial instruments. The Finance Commission reports to the Governing Board and the General Assembly and has oversight responsibility to ensure that management is adherent to the Investment Guidelines. The Governing Board has established an Audit and Risk Commission to provide advice on risk matters affecting the IFRC, including advice regarding risk identification, evaluation, measurement, monitoring, and the overall risk management processes of the IFRC.

(i) Market risk
This includes foreign exchange risk, price risk and interest rate risk.

Foreign exchange risk
Foreign exchange risk primarily arises from assets, such as bank deposits and pledge receivables in currencies other than Swiss Francs, that are revalued against the Swiss Franc 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 Kronor and the 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.

[1] Financial instruments include accounts receivable and sundry receivables only

4.6 Financial instruments – Fair values and risk management (continued)

The following table shows the main currencies influencing IFRC's foreign exchange risk:

2022	Cash & Cash Equivalents CHF 000s	Investments CHF 000s	Receivables CHF 000s	Payables CHF 000s	Liabilities-ESSN project CHF 000s	Total CHF 000s
Currency						
Swiss Franc	151,794	348,137	68,535	(17,452)	-	551,014
Euro	94,356	-	55,295	(8,868)	(112,585)	28,198
United States Dollar	5,103	-	169,669	(12,246)	-	162,526
Pound Sterling	-	-	27,121	(202)	-	26,919
Swedish Kronor	-	-	138	-	-	138
Canadian Dollar	-	-	262	(89)	-	173
Other currencies	1,448	-	5,698	(14,993)	-	(7,847)
	252,701	348,137	326,718	(53,850)	(112,585)	761,121
2021						
Currency						
Swiss Franc	82,528	278,179	44,781	(16,379)	-	389,109
Euro	125,972	-	36,437	(3,101)	(140,167)	19,141
United States Dollar	4,592	-	133,189	(6,016)	-	131,765
Pound Sterling	-	-	2,583	(170)	-	2,413
Swedish Kronor	-	-	548	(40)	-	508
Canadian Dollar	-	-	720	(77)	-	643
Other currencies	1,224	-	6,528	(7,233)	-	519
	214,316	278,179	224,786	(33,016)	(140,167)	544,098

At 31 December 2022, 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 10,898k (2021: CHF 7,724k), primarily as a result of foreign exchange gains/losses on translation of pledge receivable balances and bank balances held in Euros, Pounds Sterling, 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 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 (see note 3.2b). 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 3,764k (2021: CHF 4,554k). An equal change in the opposite direction would have decreased the global bond fund investment, the net surplus result, and total comprehensive income for the year by CHF 3,764k (2021: CHF 4,554k).

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 1,692k (2021: CHF 1,905k). An equal change in the opposite direction would have decreased the global equity funds investment, the net surplus result and total comprehensive income for the year by CHF 1,692k (2021: CHF 1,905k).

There was no exposure to commodities price risk at either 31 December 2022 or 31 December 2021.

4.6 Financial instruments – Fair values and risk management (continued)

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.

The IFRC maintains the majority of its deposits in Swiss francs. In January 2015, the Swiss National Bank (SNB) introduced a negative interest rate on certain Swiss franc deposits. In July 2022, this negative interest rate policy was relaxed and certain Swiss banks with which the IFRC holds funds started paying positive interest on deposits. Some other non-Swiss banks, with which the IFRC holds funds for operational purposes, stopped charging negative interest in 2023. The IFRC has avoided significant exposure to negative interest during the negative interest rate period.

(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	**2022** **CHF 000s**	**2021** **CHF 000s**
National Societies	139,702	67,339
Governments	134,617	112,463
Corporations	12,355	3,352
Multi-lateral agencies	28,609	29,663
Others	11,435	11,969
	326,718	224,786

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 2.2.

The IFRC's Investment Guidelines only allow investment 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 has agreed a waiver to this policy in relation to the ESSN project (see note 3.2b) 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.

4.6 Financial instruments – Fair values and risk management (continued)

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

	2022 CHF 000s	2021 CHF 000s
Fitch ratings		
Investment grade (AAA to BBB-)	240,761	211,544
Non-investment grade (BB+ and below)	550	447
Unrated	944	1,004
Other ratings: current account - ZKB AA+ (Glarner KantonalBank)	10,000	1,000
Cash in hand	446	321
	252,701	214,316
Short-term investments (see note 4.3)		
Fitch ratings Investment grade (AAA to BBB-)	49,000	29,000
Other ratings: ZKB AA (Banque Cantonale Fribourg)	-	10,000
Other ratings: S&P A- (Cembra Money Bank AG)	30,000	20,000
	79,000	59,000
Non-current investments (see note 4.3)		
Fitch ratings Investment grade (AAA to BBB-)	80,000	40,000
Other ratings: ZKB AA+ (Glarner Kantonalbank)	10,000	-
Other ratings: ZKB AA (Banque Cantonale Fribourg)	30,000	20,000
Other ratings: S&P A- (Cembra Money Bank AG)	40,000	30,000
	160,000	90,000

As investments are measured at FVTPL, they do not require additional impairment for credit losses. In locations where rated financial institutions are not operational, the IFRC maintains banking relationships with certain unrated financial institutions. At 31 December 2022, the value of assets held with such institutions was CHF 944k (2021: CHF 1,004k). Other positions are not material or are covered by provisions.

4.6 Financial instruments – Fair values and risk management (continued)

(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 other financial assets.

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 analysis of financial liabilities is provided below:

	Payables CHF 000s	Loans for building CHF 000s	Lease Liabilities CHF 000s	Liabilities-ESSN project CHF 000s	Total CHF 000s
2022					
Less than one year	(53,850)	(1,415)	(2,587)	(112,585)	(170,437)
One to five years	-	(5,660)	(1,087)	-	(6,747)
More than five years	-	(53,255)	-	-	(53,255)
	(53,850)	(60,330)	(3,674)	(112,585)	(230,439)
2021					
Less than one year	(33,016)	(1,415)	(2,258)	(140,167)	(176,856)
One to five years	-	(5,660)	(1,904)	-	(7,564)
More than five years	-	(54,671)	-	-	(54,671)
	(33,016)	(61,746)	(4,162)	(140,167)	(239,091)

The IFRC anticipates meeting annual loan repayments from short-term liquid funds (see note 4.4). In addition, most investments 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.

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 2022 was CHF 97,224k (2021: CHF 99,968k). The unrestricted reserves are not subject to any externally imposed capital requirement. As further explained in note 2.4, the IFRC holds restricted reserves that are subject to the earmarking requirements of donors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Expenditure by resources, results, and structure, against (unaudited) budget

Income and expenditure as reported below are not audited and are presented for information purposes only. The budgets in the tables below refer to the budget approved by the General Assembly pursuant to the Plan and Budget 2022 - 2024, which informs the presentation for consolidated income and expenditure by results and structure. In line with internal reporting changes, the 2021 actuals on a comparative basis figures have been amended from those presented with the 2021 audited financial statements so that they are comparable with the 2022 budget presentation.

1. Performance against (unaudited) budget

2022	Budget (unaudited)	Actuals	Actuals on a comparable basis (unaudited)	Performance Variance (unaudited)
	CHF 000s	CHF 000s	CHF 000s	CHF 000s
OPERATING INCOME				
Statutory contributions	34,800	34,623	33,100	(1,700)
Voluntary contributions and donations	440,000	783,423	813,200	373,200
Services income	31,000	54,280	25,900	(5,100)
Other income	4,200	2,056	4,500	300
Total OPERATING INCOME	510,000	874,382	876,700	366,700
OPERATING EXPENDITURE				
Regular resources	120,000	63,228	107,900	(12,100)
Other resources	400,000	585,678	580,800	180,800
Supplementary services	31,000	26,758	27,500	(3,500)
Cost recoveries	(41,000)	-	(50,300)	(9,300)
Total OPERATING EXPENDITURE	510,000	675,664	665,900	155,900
NET SURPLUS FROM OPERATING ACTIVITIES	-	198,718	210,800	210,800
FINANCE (EXPENSE)/ INCOME				
Finance (expense)/income	-	(19,875)	(22,600)	(22,600)
				-
NET FINANCE INCOME/(EXPENSE)	-	(19,875)	(22,600)	(22,600)
NET SURPLUS FOR THE YEAR	-	178,843	188,200	188,200

2021	Budget (unaudited)	Actuals	Actuals on a comparable basis (unaudited)	Performance Variance (unaudited)
	CHF 000s	CHF 000s	CHF 000s	CHF 000s
OPERATING INCOME				
Statutory contributions	36,500	34,582	33,500	(3,000)
Voluntary contributions and donations	420,000	383,525	442,300	22,300
Services income	40,000	62,891	20,800	(19,200)
Other income	3,500	2,336	4,300	800
Total OPERATING INCOME	500,000	483,334	500,900	900
OPERATING EXPENDITURE				
Regular resources	110,000	52,436	93,400	(16,600)
Other resources	385,000	413,081	412,200	27,200
Supplementary services	40,000	20,102	20,800	(19,200)
Cost recoveries	(35,000)	-	(40,900)	(5,900)
Total OPERATING EXPENDITURE	500,000	485,619	485,500	(14,500)
NET SURPLUS FROM OPERATING ACTIVITIES	-	(2,285)	15,400	15,400
FINANCE INCOME/(EXPENSE)				
Finance income	-	11,021	3,200	3,200
Finance expense	-	(5,611)	-	-
NET FINANCE INCOME/(EXPENSE)	-	5,410	3,200	3,200
NET SURPLUS FOR THE YEAR	-	3,125	18,600	18,600

2. Expenditure by Results against (unaudited) budget

	2022 Budget (unaudited)	2022 Actuals on a comparable basis (unaudited)	2022 Performance Variance (unaudited)	2021 Actuals on a comparable basis (unaudited)
	CHF 000s	CHF 000s	CHF 000s	CHF 000s
Strategic Priorities				
1. Climate and environmental crises	40,000	5,700	(34,300)	4,000
2. Evolving crises and disasters	98,000	262,700	164,700	127,000
3. Growing gaps in health and well-being	146,000	141,100	(4,900)	181,700
4. Migration and identity	29,000	17,000	(12,000)	12,600
5. Values, power and inclusion	12,000	6,500	(5,500)	7,400
Total Strategic Priorities	325,000	433,000	108,000	332,700
Approaches to enable National Societies				
1. Engaged, with renewed influence, innovative and digitally transformed	24,000	23,500	(500)	15,500
2. Accountable, with an agile and efficient management	108,000	125,900	17,900	80,000
3. Trusted, owned and valued by the membership	53,000	83,500	30,500	57,300
Total Approaches to enable National Societies	185,000	232,900	47,900	152,800
Total expenditure by results	510,000	665,900	155,900	485,500

3. Expenditure by Structure against (unaudited) budget

	2022 Budget (unaudited)	2022 Actuals on a comparable basis (unaudited)	2022 Performance Variance (unaudited)	2021 Actuals on a comparable basis (unaudited)
	CHF 000s	CHF 000s	CHF 000s	CHF 000s
Governance meetings and support	6,000	4,800	(1,200)	4,200
Office of Secretary General	10,000	10,800	800	9,600
National Society Development and Operations Coordination	37,000	36,600	(400)	33,300
Global Relations, Humanitarian Diplomacy and Digitalization	19,000	17,900	(1,100)	14,800
Management Policy, Strategy and Corporate Services	25,000	17,900	(7,100)	13,100
Africa	95,000	118,000	23,000	89,100
Americas	61,000	52,200	(8,800)	69,100
Asia Pacific	95,000	129,200	34,200	87,200
Europe	85,000	205,100	120,100	95,000
Middle East and North Africa	61,000	52,900	(8,100)	49,800
Hosted projects	8,000	10,000	2,000	8,900
Depreciation and amortisation	6,000	12,100	6,100	13,700
General Provision	2,000	(1,600)	(3,600)	(2,300)
Total expenditure by structure	510,000	665,900	155,900	485,500