

**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, 2023

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 consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in reserves, the consolidated statement of cash flows and notes for the year ended December 31, 2023.

In our opinion, the consolidated financial statements for the year ended December 31, 2023 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 IFRS Accounting Standards.

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 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 Accounting Standards, 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

Fanny Chapuis
Licensed audit expert

Geneva, May 6, 2024

Attachments

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

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES, GENEVA
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INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES, GENEVA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Restricted 2023 CHF 000s	Unrestricted 2023 CHF 000s	Total 2023 CHF 000s	Total 2022 CHF 000s
OPERATING INCOME					
Statutory contributions	2.1a	-	33,093	33,093	34,623
Voluntary contributions and donations	2.1b	717,326	26,712	744,037	783,423
Services income	2.1c	34,580	102	34,682	54,280
Other income		2,563	1,503	4,066	2,056
Total OPERATING INCOME		754,468	61,409	815,878	874,382
OPERATING EXPENDITURE					
Humanitarian response	3.1	453,516	-	453,516	370,623
Thematic		230,049	-	230,049	215,055
Other resources (Programmes)		683,566	-	683,566	585,678
Supplementary services		28,210		28,210	26,758
Regular resources		-	54,850	54,850	63,228
Total OPERATING EXPENDITURE		711,776	54,850	766,626	675,664
NET SURPLUS FROM OPERATING ACTIVITIES		42,692	6,559	49,251	198,718
NET FINANCE INCOME / (EXPENSE)	4.1	(571)	7,322	6,752	(19,875)
NET SURPLUS FOR THE YEAR		42,121	13,882	56,003	178,843
OTHER COMPREHENSIVE INCOME					
Actuarial remeasurement (losses)/gains on defined benefit plans - will not be subsequently reclassified to income or expenditure	4.5	(15,721)	(20,152)	(35,873)	37,791
Cash flow hedges - will or may be subsequently reclassified to income or expenditure	2.1d	-	87	87	(112)
Total OTHER COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR		(15,721)	(20,065)	(35,786)	37,679
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		26,400	(6,183)	20,217	216,522
Attributable to:					
Restricted reserves	2.4	26,400	-	26,400	215,580
Unrestricted reserves		-	(6,183)	(6,183)	942
		26,400	(6,183)	20,217	216,522

There were no discontinued operations during the year.

The notes on pages 7 to 67 are an integral part of these consolidated financial statements.

INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES, GENEVA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 CHF 000s	2022 CHF 000s
ASSETS			
Current Assets			
Cash and cash equivalents		159,624	160,220
Cash and cash equivalents - ESSN Project		-	92,481
Total cash and cash equivalents	4.2	<u>159,624</u>	<u>252,701</u>
Investments	4.3	358,380	188,137
Receivables		253,894	256,160
Receivables - ESSN Project		11,766	-
Total current receivables	2.2	<u>265,660</u>	<u>256,160</u>
Prepayments and contract assets		13,171	19,055
Prepayments - ESSN Project		-	20,069
Total Prepayments and contract assets	3.3	<u>13,171</u>	<u>39,124</u>
Other current assets		<u>2,493</u>	<u>2,109</u>
Total Current Assets		<u>799,328</u>	<u>738,231</u>
Non-Current Assets			
Investments	4.3	-	160,000
Receivables	2.2	82,947	70,558
Tangible assets	3.4a	107,851	110,295
Intangible assets	3.4b	18,072	15,964
Post-employment defined benefit asset	4.5	-	20,125
Total Non-Current Assets		<u>208,870</u>	<u>376,942</u>
Total ASSETS		<u>1,008,198</u>	<u>1,115,173</u>
LIABILITIES AND RESERVES			
Current Liabilities			
Accounts payable and accrued expenses	3.5	42,809	53,850
Short-term employee benefits		7,625	8,462
Provisions	3.6	61,860	58,870
Liabilities - ESSN Project		-	112,585
Deferred income and contract liabilities	2.3	184,985	203,752
Loans and borrowings	4.4	<u>3,100</u>	<u>4,002</u>
Total Current Liabilities		<u>300,379</u>	<u>441,521</u>
Non-Current Liabilities			
Deferred income	2.3	39,217	44,283
Loans and borrowings	4.4	58,219	60,002
Post-employment defined benefit liabilities	4.5	<u>31,472</u>	<u>10,673</u>
Total Non-Current Liabilities		<u>128,908</u>	<u>114,958</u>
Total LIABILITIES		<u>429,287</u>	<u>556,479</u>
Reserves			
Restricted reserves	2.4	467,811	441,217
Unrestricted reserves		87,641	97,224
Designated reserves	2.5	<u>23,459</u>	<u>20,253</u>
Total RESERVES		<u>578,911</u>	<u>558,694</u>
Total LIABILITIES and RESERVES		<u>1,008,198</u>	<u>1,115,173</u>

The notes on pages 7 to 67 are an integral part of these consolidated financial statements.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES, GENEVA
CONSOLIDATED STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Notes	Restricted reserves CHF 000s	Unrestricted reserves CHF 000s	Designated reserves CHF 000s	Total CHF 000s
2023					
Balance at 1 January		441,217	97,224	20,253	558,694
Transfers to/from reserves					
Net surplus for the year		42,121	13,882	-	56,003
Other comprehensive (loss) / income for the year		(15,721)	(20,065)	-	(35,786)
Total comprehensive income for the year		26,400	(6,183)	-	20,217
Used during the year		705	-	(705)	-
Allocations during the year		(511)	(3,400)	3,911	-
Balance at 31 December	2.4/2.5	467,811	87,641	23,459	578,911
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 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		441,217	97,224	20,253	558,694

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 7 to 67 are an integral part of these consolidated financial statements.

INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES, GENEVA
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 CHF 000s	2022 CHF 000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus for the year		56,003	178,843
Adjustment for non-cash items:			
Depreciation, amortisation and impairment	3.4	9,859	12,008
Increase in provisions	3.6	2,990	17,671
Other non-cash items		6,032	7,448
Finance (income) / costs	4.1	(7,137)	14,525
		<u>11,744</u>	<u>51,651</u>
Changes in working capital			
Receipt in advance ESSN	3.2b	(112,585)	(27,582)
Receivables, net	2.2	(21,889)	(101,932)
Prepayments and contract assets	3.3	25,953	(17,886)
Accounts payables and accrued expenses	3.5	(10,954)	20,722
Deferred income and contract liabilities	2.3	(23,833)	30,050
Other		(1,472)	(2,712)
Net change in working capital		<u>(144,779)</u>	<u>(99,340)</u>
NET CASH (USED IN) / GENERATED FROM OPERATING ACTIVITIES		(77,032)	131,155
CASH FLOWS GENERATED (USED IN) INVESTING ACTIVITIES			
Interest and dividends received	4.1	5,736	2,548
Proceeds from sale of tangible assets	3.4a	1,797	5,493
Proceeds from sale of investments	4.3	-	3,011
Acquisition of tangible assets	3.4a	(7,916)	(5,304)
Acquisition of intangible assets	3.4b	(2,539)	(3,840)
Acquisition of investments	4.3	(10,243)	(95,528)
NET CASH (USED IN) INVESTING ACTIVITIES		<u>(13,165)</u>	<u>(93,620)</u>
CASH FLOWS (USED IN) FINANCING ACTIVITIES			
Loan repayments	4.4	(1,415)	(1,416)
Lease payments	3.7	(2,874)	(3,172)
NET CASH (USED IN) FINANCING ACTIVITIES		<u>(4,289)</u>	<u>(4,588)</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(94,486)	32,947
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		252,701	214,316
Effect of exchange rate fluctuations on cash held		1,409	5,438
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	4.2	<u>159,624</u>	<u>252,701</u>

The notes on pages 7 to 67 are an integral part of these consolidated financial statements

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES, GENEVA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

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 191 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 191 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 2023 and 2022:

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

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES, GENEVA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

1.2 Material and significant accounting policies and basis of preparation

This note contains the IFRC's material accounting policies that relate to the consolidated financial statements as a whole. Significant accounting policies specific to one note are described in that 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 2023 were approved and authorised for issue by the Audit and Risk Commission on 29 April 2024.

(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	
	2023	2022	2023	2022
EUR	0.93	0.98	0.97	1.00
USD	0.84	0.93	0.90	0.95
GBP	1.07	1.11	1.12	1.17
SEK	0.08	0.09	0.08	0.09
CAD	0.64	0.68	0.67	0.73

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES, GENEVA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

1.2. Material and significant accounting policies and basis of preparation (continued)

(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.) and the protected cell of White Rock Insurance Company PCC Limited, as well as the activities of the Geneva Secretariat and all IFRC delegations.

IFRC at the UN Inc., whose principal place of business is the United States of America, 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 2023, the IFRC acquired a 100% controlling interest in a protected cell of White Rock Insurance Company PCC Limited (White Rock protected cell), whose principal place of business is Guernsey. The IFRC controls the White Rock protected cell 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 White Rock protected cell includes an examination of all facts and circumstances. Transactions between the White Rock protected cell and the IFRC and the balances at reporting date are eliminated when the consolidated financial statements are prepared. The White Rock protected cell's accounting policies are consistent with those adopted by the IFRC.

During the year ended 31 December 2023, 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.

INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES, GENEVA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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 1.2d – Consolidation: whether entities are subsidiaries of the IFRC.
- Note 2.1b – Income from voluntary contributions and donations: whether a voluntary contribution or donation 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 the agreement with ECHO.
- Notes 2.1b and 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.
- Note 4.5 – Post-employment defined benefit plans: key actuarial assumptions.

1.4 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 2023. 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.

Standard / Amendment	Effective date	IFRC planned application	Anticipated impact
Insurance contracts (IFRS 17 and Amendments)	01-Jan-23	Reporting year 2023	Not material / applicable
Initial application of IFRS 17 and IFRS 9 - Comparative information (Amendments to IFRS 17)	01-Jan-23	Reporting year 2023	Not material / applicable
Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)	01-Jan-23	Reporting year 2023	Not material / applicable
Definition of Accounting Estimates (Amendments to IAS 8)	01-Jan-23	Reporting year 2023	Not material / applicable
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	01-Jan-23	Reporting year 2023	Not material / applicable
International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)	01-Jan-23	Reporting year 2023	Not material / applicable

INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES, GENEVA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

1.4 New Standards, Amendments and Interpretations (continued)

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. 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
Classification of Liabilities as Current or Non-current - Deferral of Effective Date (Amendments to IAS 1)	01-Jan-24	Reporting year 2024	Not material / applicable
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	01-Jan-24	Reporting year 2024	Not material / applicable
Non-current Liabilities with Covenants (Amendments to IAS 1)	01-Jan-24	Reporting year 2024	Not material / applicable
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	01-Jan-24	Reporting year 2024	Not material / applicable
Lack of Exchangeability (Amendments to IAS 21)	01-Jan-25	Reporting year 2025	Not material / applicable

1.5 Significant items in the current reporting period

Details of significant operations such as the Emergency Social Safety Net (ESSN) programme, Ukraine and impacted countries crisis, and the Türkiye Earthquake are provided in note 3.2.

The ESSN programme was handed over to the Turkish Red Crescent Society during 2023, meaning that whilst the humanitarian activities continue, the IFRC has closed its specific ESSN operation.

The Ukraine and impacted countries crisis is a significant operation. On 28 February 2022, in response to conflict in Ukraine, the IFRC launched an emergency appeal for 100 million Swiss francs to assist with humanitarian needs in Ukraine and other impacted countries. On 7 April 2022, the appeal was increased to 550 million Swiss francs.

The Türkiye Earthquake operation is a new significant operation. A magnitude 7.8 earthquake occurred in Türkiye on 6 February 2023, followed by 83 aftershocks. Adiyaman, Hatay, Kahramanmaraş, Gaziantep, and Malatya regions were the hardest hit. The death toll from the earthquakes reached over 50,000 (including at least 6,800 Syrian refugees present in Türkiye) and more than 107,000 people were injured. Some 3 million people were displaced, including an estimated 528,000 evacuated by the government. More than half a million buildings sustained damage, of which at least 264,000 (approximately 710,000 residential units) either collapsed or were severely damaged. On 7 February 2023, the IFRC launched the Türkiye Earthquakes Emergency Appeal for 120 million Swiss francs. The Appeal aims to assist over 300,000 people across the 10 provinces most affected by the Earthquake over an initial 10 month timeframe. On 2 June 2023, the Emergency Appeal was revised to 400 million Swiss francs aiming to reach over 1.25 million people in the Earthquakes affected provinces.

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1.5 Significant items in the current reporting period (continued)

The IFRC continues to support COVID-19 activities through regular programming activities with national Red Cross and Red Crescent societies. With the passing of the global pandemic, the IFRC closed its specific COVID-19 pandemic appeal and operation in 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 as income in the year they fall due.

(b) Voluntary contributions and donations

	2023	2022
	Total	Total
	CHF 000s	CHF 000s
Voluntary contributions		
Turkey Earthquake operation	114'451	-
Ukraine and impacted countries crisis	60'014	315'285
Other appeals and activities	165'998	126'335
	<u>340'463</u>	<u>441'620</u>
Donations		
Turkey Earthquake operation	25'857	-
Ukraine and impacted countries crisis	25'693	66'167
Other appeals and activities	352'024	275'636
	<u>403'574</u>	<u>341'803</u>
Total voluntary contributions and donations	<u>744'037</u>	<u>783'423</u>

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2.1 Income (continued)

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 initial 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.

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

Unearmarked	<p>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.</p>
Earmarked	<p><i>Fully under the control of the IFRC</i></p> <p><u>Can be restricted in terms of nature, timeframe, or subject matter</u> Amounts are recognised within restricted income. Unspent amounts included within restricted reserves at the end of the accounting period.</p>
	<p><i>Not fully under the control of the IFRC</i></p> <p><u>Can be restricted in terms of nature, timeframe, or subject matter</u> 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.</p>

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2.1 Income (continued)

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, contributions towards regular resources, funding managed at appeal level including DREF, hosted programmes, contributions towards multi-donor actions)	Unearmarked or earmarked at an appeal level	Recognised upfront in the current period.
		Earmarked for use in a future period	Deferred in the current period and recognised in the future period for which they are earmarked.
	Not fully under the control of the IFRC	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.

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2.1 Income (continued)

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

	Cash	In-kind	Total
2023	CHF 000s	CHF 000s	CHF 000s
National Societies	326'626	13'837	340'463
Governments	233'863	3'652	237'515
Multi-lateral agencies	114'251	-	114'251
Corporations	29'278	8	29'286
Others	22'030	492	22'522
	726'048	17'989	744'037
2022			
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

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, and the income recognition policy is summarised in the below table:

In-kind Contribution category	Income recognition	Expenditure recognition
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 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 the associated expense is incurred.	Depreciation recorded on a straight-line basis over the durations of the grant agreements of the useful life of the asset.

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(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.

	Restricted	Unrestricted	Total
	CHF 000s	CHF 000s	CHF 000s
2023			
Services income	30,961	-	30,961
Services income - ESSN Project	3,091	-	3,091
Total Services income from contracts with customers	<u>34,052</u>	<u>-</u>	<u>34,052</u>
Lease income	<u>528</u>	<u>102</u>	<u>630</u>
Total Services income	<u>34,580</u>	<u>102</u>	<u>34,682</u>
2022			
Services income	24,627	-	24,627
Services income - ESSN Project	28,999	-	28,999
Total Services income from contracts with customers	<u>53,626</u>	<u>-</u>	<u>53,626</u>
Lease income	<u>581</u>	<u>73</u>	<u>654</u>
Total Services income	<u>54,207</u>	<u>73</u>	<u>54,280</u>

Included in Services income above is CHF 13,892k (2022: CHF 11,623k) related to administrative services, CHF 13,506k (2022: CHF 7,335k) related to Fleet services, and CHF 2,711k (2022: CHF 3,327k) related to Logistic services.

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2.1 Income (continued)

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

Type of services income	Timing of income	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 thereby 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 asset is recognised at 31 December 2023 reflecting that amount that the IFRC expects to receive from ECHO in final settlement of the contract. At 31 December 2022, a financial liability is recognised to reflect the estimated amount to be paid to beneficiaries that had already received a payment card.

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2.1 Income (continued)

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.

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	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 Comprehensive Income and accumulated in a hedge reserve. An ineffective portion of changes in fair value is recognised immediately in the Statement of Comprehensive Income.

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2.1 Income (continued)

The amount accumulated 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.

	2023	2023	2022	2022
Cash flow hedges	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	72	5'876	(61)
Forward exchange contracts in United States Dollars	249	8	681	17
Total cash flow hedges	<u>6'125</u>	<u>80</u>	<u>6'557</u>	<u>(44)</u>

**Movement in Other Comprehensive Income that may be reclassified to Income or
Expenditure in subsequent period**

	2023	2022
	CHF 000s	CHF 000s
Cash flow hedge - effective portion of changes to fair value	(80)	44
Amount reclassified from Other Comprehensive Income to Operating Income and Expenditure	(7)	68
	<u>(87)</u>	<u>112</u>

Expected cash flows in subsequent period	2023	Hedge Contract cash flows	2022	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				
- Outflow	80	(6'044)	(44)	(6'601)
- Inflow	-	6'124	-	6'557
	<u>80</u>	<u>80</u>	<u>(44)</u>	<u>(44)</u>

In 2023, the IFRC entered into foreign currency forward exchange contracts, with final maturities of 2 April 2024, in order to hedge the foreign exchange risk of receiving statutory contributions of CHF 5,876k in Euros and CHF 249k in US Dollars. The hedges were designated as cash flow hedges for hedge-accounting purposes. Amounts recycled to Operating Income and Expenditure amounted to a loss of CHF 7k (2022: gain of CHF 68k). The settlement of the 2022 foreign currency forward exchange contracts resulted in a net realised loss of CHF 9k (2021: CHF 37k).

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2.2 Receivables

	2023	2022
	CHF 000s	CHF 000s
Accounts receivable		
Statutory contributions	26'218	26'605
Provision for estimated credit losses (ECL) on statutory contributions	(18'980)	(17'497)
	<u>7'239</u>	<u>9'108</u>
Voluntary contributions	267'896	260'036
Provision for ECL on voluntary contributions	(1'268)	(2'717)
	<u>266'628</u>	<u>257'319</u>
National Societies receivables	55'551	54'183
Provision for ECL on National Societies receivables	(1'108)	(1'012)
	<u>54'443</u>	<u>53'171</u>
Other receivables (see note below)	2'050	2'006
Provision for ECL on other receivables	(89)	(12)
	<u>1'961</u>	<u>1'994</u>
Other receivables - ESSN Project	11'766	-
Total accounts receivable	<u>342'037</u>	<u>321'592</u>
Other receivables	6'570	5'126
Total Receivables	<u>348'607</u>	<u>326'718</u>
Current receivables	265'660	256'160
Non-current receivables	82'947	70'558
Total Receivables	<u>348'607</u>	<u>326'718</u>

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.

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2.2 Receivables (continued)

Movements in the Provision of Estimated Credit Losses (ECL) are as follows:

	Provision for unpaid statutory contributions CHF 000s	Provision for voluntary contributions receivable CHF 000s	Provision for national societies receivable CHF 000s	Provision for other accounts receivable CHF 000s	Total CHF 000s
2023					
Balance at 1 January	17'497	2'717	1'012	12	21'238
Changes to provision for ECL	1'393	963	1'115	85	3'556
Write offs during the year	-	(841)	(731)	(8)	(1'580)
Unused provisions reversed	-	(1'571)	(288)	-	(1'859)
Balance at 31 December	18'890	1'268	1'108	89	21'355
2022					
Balance at 1 January	14'415	2'209	564	8	17'196
Changes to provision for ECL	4'053	1'404	652	12	6'121
Write offs during the year	-	-	(31)	(1)	(32)
Unused provisions reversed	(971)	(896)	(173)	(7)	(2'047)
Balance at 31 December	17'497	2'717	1'012	12	21'238

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 (i.e., the difference between the cash flows due to the IFRC in accordance with the contract and the cash flows that the IFRC expects to receive).

The provisions for ECL above include impairment of CHF 860k (2022: CHF 458k) for receivables and contract assets that relate to contracts with customers (see note 2.2).

The provision for unpaid statutory contributions is based upon the IFRC's assessment of the probability of payment. Provision of statutory contribution receivables does not invalidate the obligation of National Societies to pay amounts due.

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2.2 Receivables (continued)

Receivables ageing	Not past due	Past due 1-60 days	Past due 61-90 days	Past due more than 90 days	Total
	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s
2023					
Gross carrying amount	261'285	27'695	22'520	58'552	370'052
Provision for ECL	-	-	-	(21'445)	(21'445)
Receivables	<u>261'285</u>	<u>27'695</u>	<u>22'520</u>	<u>37'107</u>	<u>348'607</u>
2022					
Gross carrying amount	205'038	19'252	30'948	92'718	347'956
Provision for ECL	-	-	-	(21'238)	(21'238)
Receivables	<u>205'038</u>	<u>19'252</u>	<u>30'948</u>	<u>71'480</u>	<u>326'718</u>

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.

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

	Opening balances	Closing balances
	CHF 000s	CHF 000s
2023		
Contract assets	6,528	8,683
Contract liabilities	(37,288)	(13,484)
Receivables from Customers	<u>9,194</u>	<u>6,954</u>
	<u>(21,566)</u>	<u>2,153</u>
2022		
Contract assets	1,280	6,528
Contract liabilities	(23,035)	(37,288)
Receivables from Customers	<u>6,638</u>	<u>9,194</u>
	<u>(15,117)</u>	<u>(21,566)</u>

In 2023, there were no assets recognised from the costs to obtain or fulfil a contract (2022: Nil), and there were no variable contract considerations that reduced transaction prices for service income recognised (2022: Nil). The amount included within the contract liability opening balance is fully recognised as income during the accounting period.

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2.3 Deferred income and contract liabilities

	2023	2022
	CHF 000s	CHF 000s
Current liabilities		
Deferred income	168'187	165'828
Contract liabilities	13'484	37'288
Statutory contributions received in advance	3'314	636
	<u>184'985</u>	<u>203'752</u>
Non-current liabilities		
Deferred income	<u>39'217</u>	<u>44'283</u>

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 37,996k (2022: CHF 38,985k) 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. In 2022, contract liabilities above included an amount of CHF 19,540k related to service income received in advance for the ESSN project (see note 3.2b). There is no equivalent amount in 2023 as the operation was closed.

2.4 Restricted reserves

Funds held for operations

	2023	2022
	CHF 000s	CHF 000s
Operations with temporary deficit financing	(4'031)	(10'518)
Defined benefit pension obligations recognised in Other Comprehensive Income	2'100	13'622
Donor-restricted voluntary contributions and donations	469'742	438'113
	<u>467'811</u>	<u>441'217</u>

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2.4 Restricted reserves (continued)

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
2023					
Balance at 1 January	2,328	1,167	15,700	1,058	20,253
Used during the year	(205)	-	(500)	-	(705)
Allocations during the year	168	900	2,500	343	3,911
Balance at 31 December	<u>2,291</u>	<u>2,067</u>	<u>17,700</u>	<u>1,401</u>	<u>23,459</u>
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	<u>2,328</u>	<u>1,167</u>	<u>15,700</u>	<u>1,058</u>	<u>20,253</u>

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.

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2.5 Designated reserves (continued)

Statutory meetings reserve

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

Specific projects

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 2023, expenditure on the Ukraine and impacted countries crisis and Türkiye Earthquakes Emergency operations were in excess of CHF 50,000k. At the end of 2023, the balance on the Specific projects reserve was CHF 17,700k (2022: CHF 15,700k).

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	2023	2022
		CHF 000s	CHF 000s
United States Agency for International Development (USAID)	Contingent upon USAID funds	170'245	50'049
Mastercard Foundation	Contingent upon approval of statement of work	4'188	6'398
British Government	Contingent upon performance	2'893	6'018
Republic of Korea Government	Contingent upon government funding allocation	1'682	-
German Government	Contingent upon government funding allocation	-	7'879
Others	Contingent upon performance/report/audit	2'979	2'803
Total Contingent assets		181'987	73'147

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3. OPERATIONS

3.1 Operating expenditure

Operating expenditure comprises the following:

2023	(a)	(b)	(c)	(d)	(d)	(d)	(d)	(d)
	Employee benefits	Relief supplies, transportation & storage	Contributions to National Societies	Depreciation amortisation and impairment	Supplementary services cost recoveries	Other costs & allocations	Indirect cost recovery	Total 2023
	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s
Humanitarian response	50'056	176'577	152'860	141	9'255	37'666	26'962	453'516
Thematic	58'734	20'445	72'975	265	11'069	49'471	17'090	230'049
Total Other resources (Programmes)	108'790	197'022	225'835	406	20'324	87'137	44'052	683'566
Supplementary services	20'130	4'121	7	4'251	(20'676)	19'520	857	28'210
Total RESTRICTED	128'920	201'143	225'842	4'658	(351)	106'657	44'909	711'776
Regular resources	76'428	1'135	30	5'201	351	16'614	(44'909)	54'850
Total UNRESTRICTED	76'428	1'135	30	5'201	351	16'614	(44'909)	54'850
Total OPERATING EXPENDITURE 2023	205'348	202'277	225'872	9'858	-	123'271	-	766'626

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 cost

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.

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3.1 Operating expenditure (continued)

Indirect cost

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 2023, the support added to unrestricted reserves amounted to CHF 44,909k (2022: CHF 37,683k).

2022	(a)	(b)	(c)	(d)				
	Employee benefits	Relief supplies, transportation & storage	Contributions to National Societies	Depreciation amortisation and impairment	Supplementary services cost recoveries	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

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3.1 Operating expenditure (continued)

The operating expenditures pertaining to humanitarian response are as follows:

	2023 Total CHF 000s	2022 Total CHF 000s
Turkey Earthquake operation	93'180	-
Ukraine and impacted countries crisis	196'332	157'339
Other appeals and activities	477'114	518'325
	<u>766'626</u>	<u>675'664</u>

(a) Employee benefits

Employee benefits consist of the following:

	Restricted CHF 000s	Unrestricted CHF 000s	Total CHF 000s
2023			
Wages and salaries	110'232	65'191	175'422
Contributed services	6'949	246	7'194
Short-term termination benefit costs	917	101	1'018
Social security costs	3'821	1'704	5'526
Post-employment benefit costs	7'002	9'186	16'188
	<u>128'920</u>	<u>76'428</u>	<u>205'348</u>
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
	<u>116,377</u>	<u>72,995</u>	<u>189,372</u>

Notional internal taxation

In accordance with a revision to the IFRC's Status Agreement with the government of Switzerland, in 2023 a notional internal taxation amount of CHF 8,616k (2022: CHF Nil) has been calculated on the reported staff costs for employees based in Switzerland. No actual Swiss tax is paid on IFRC employment income by either the Swiss based employees or by the IFRC.

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.

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3.1 Operating expenditure (continued)

Post-employment benefit costs

This includes pension costs for defined benefit pension plans, 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.

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.

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3.1 Operating expenditure (continued)

(b) Relief supplies, transportation, and storage

	2023	2023	2023
	Restricted	Unrestricted	Total
	CHF 000s	CHF 000s	CHF 000s
2023			
Relief supplies	188,190	-	188,190
Transportation & storage	12,953	1,135	14,088
	<u>201,143</u>	<u>1,135</u>	<u>202,277</u>
	Restricted	Unrestricted	Total
	CHF 000s	CHF 000s	CHF 000s
2022			
Relief supplies	168,628	-	168,628
Transportation & storage	13,570	942	14,512
	<u>182,198</u>	<u>942</u>	<u>183,140</u>

Relief supplies pertains to goods which were either purchased or received in-kind and committed 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 arm's 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.

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.

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3.1 Operating expenditure (continued)

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

	Restricted CHF 000s	Unrestricted CHF 000s	Total CHF 000s
2023			
Administration, office and general	17'465	4'491	21'956
Consultancy fees	9'647	2'889	12'536
Information	3'829	725	4'554
Travel	13'792	3'681	17'473
Vehicles and equipment	18'500	48	18'548
Workshops & training	18'349	1'256	19'605
Other costs and allocations	25'075	3'524	28'598
	<u>106'657</u>	<u>16'614</u>	<u>123'271</u>
2022			
Administration, office and general	12'885	3'683	16'568
Vehicles and equipment	30'182	649	30'831
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
	<u>118'417</u>	<u>18'473</u>	<u>136'890</u>

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3.1 Operating expenditure (continued)

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) 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 Türkiye (FRIT), through a partnership between the IFRC and Turkish Red Crescent Society provides monthly cash assistance via debit cards to vulnerable refugees in Türkiye. 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.

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3.2 Significant operations in the current accounting period (continued)

At 31 December 2023, the ESSN programme was owed CHF 11,766k being amounts prefinanced, by the IFRC, for the final phase of the programme. These accounts receivable on the ESSN programme are distinguished from other receivables 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 3,829k (2022: CHF 28,999k) related to the other portions of the ESSN contract. At the end of 2023, the IFRC was no longer receiving service income in advance from ECHO in relation to the other portions of the ESSN contract (2022: CHF 19,540k). 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.

(b) 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 loss of human life, destruction of cities and civilian infrastructure, and 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	550'000
31 May 2023	Publication of the Revised Emergency Appeal increasing appeal amount to CHF 800M to assist 17 million people in Ukraine and 5.65 million in neighbouring countries	800'000

An initial appeal of 100 million Swiss francs 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 550 million Swiss francs 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 scope of the emergency operation has since further expanded, with National Societies in the region requesting support from the IFRC for technical and financial assistance to people in need. Consequently, new needs and approaches have been identified with National Societies, reflected in the Revised National Society Response Plans published in April 2023, followed by the publication

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3.2 Significant operations in the current accounting period (continued)

of the Revised Emergency Appeal in May 2023. This revision increased the IFRC Secretariat Funding requirements from 550 million Swiss Francs to 800 million Swiss Francs, aiming to assist 17 million people in Ukraine and 5.65 million people in neighbouring countries.

The IFRC had allocated CHF 1,293k from its Disaster Response Emergency Fund (DREF) including CHF 219k allocated on 5 February 2022 that supported the Ukrainian Red Cross Society in its preparedness efforts. As of 31 December 2023, the full amount of the DREF allocation had been reimbursed to the DREF.

Income and expenditure figures specific to this emergency appeal during its first two years of operations are provided as follows:

	2023	2022
	CHF 000s	CHF 000s
OPERATING INCOME		
Voluntary contributions	60'014	315'285
Donations	25'693	66'167
Total OPERATING INCOME	<u>85'707</u>	<u>381'452</u>
OPERATING EXPENDITURE		
Humanitarian Response		
Employee benefits	23'637	7'882
Relief supplies, transportation and storage	68'599	90'977
Contributions to National Societies	72'432	33'656
Supplementary services cost recoveries	3'790	2'062
Other costs & allocations	16'122	14'341
Total direct costs	<u>184'580</u>	<u>148'918</u>
Indirect cost recovery	11'752	8'421
Total OPERATING EXPENDITURE	<u>196'332</u>	<u>157'339</u>
NET (DEFICIT) / SURPLUS FROM OPERATING ACTIVITIES	(110'625)	224'113
Finance expense, net	(620)	(134)
NET (DEFICIT) / SURPLUS FOR THE PERIOD	<u>(111'245)</u>	<u>223'979</u>
FUNDS HELD FOR OPERATIONS		
Brought forward	223'979	-
Net (deficit) / surplus for the period	(111'245)	223'979
FUNDS HELD FOR OPERATIONS	<u>112'734</u>	<u>223'979</u>

At the end of 2023, the IFRC had received voluntary contributions and donations of CHF 23,449k (2022: 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 2023, the IFRC had outstanding receivables from donors of CHF 32,895k (2022: CHF 75,853k) that are included in the Consolidated Statement of Financial Position related to the Ukraine and impacted countries appeal.

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3.2 Significant operations in the current accounting period (continued)

(c) Türkiye Earthquakes Emergency Appeal

A magnitude 7.8 earthquake occurred in Türkiye on 6 February 2023, followed by 83 aftershocks at a maximum level of 6.7. An additional separate earthquake of 7.6 occurred the following day in the same region.

Pertinent information concerning the Türkiye earthquakes emergency appeal is summarised in the below table:

Date	Description	Appeal amount CHF 000s
6 February 2023	DREF initial allocation	2'000
7 February 2023	Launch of the Türkiye earthquakes emergency appeal	120'000
2 June 2023	Emergency appeal was revised to 400 million Swiss francs aiming to reach over 1.25 million people	400'000

On 7 February 2023, the IFRC launched the 120 million Swiss francs Türkiye earthquakes emergency appeal which aims to assist over 300,000 people across the 10 provinces most affected by the earthquake over an initial 10 month timeframe. On 2 June 2023, the emergency appeal was revised to 400 million Swiss francs aiming to reach over 1.25 million people in the earthquakes affected provinces.

With the support of the IFRC's Disaster Relief Emergency Fund (DREF), Turkish Red Crescent Society (TRCS) received 2 million Swiss francs for an immediate support to the people in the 10 provinces most affected by the earthquake. As of 31 December 2023, the full amount of the DREF allocation had been reimbursed to the DREF.

As this operation started in 2023, no comparative figures for 2022 are presented in the information below.

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3.2 Significant operations in the current accounting period (continued)

	2023
	CHF 000s
OPERATING INCOME	
Voluntary contributions	114,451
Donations	25,857
Total OPERATING INCOME	<u>140,307</u>
OPERATING EXPENDITURE	
Humanitarian Response	
Employee benefits	1,700
Relief supplies, transportation and storage	30,472
Contributions to National Societies	53,142
Supplementary services cost recoveries	1,240
Other costs & allocations	1,266
Total direct costs	<u>87,820</u>
Indirect cost recovery	5,360
Total OPERATING EXPENDITURE	<u>93,180</u>
NET SURPLUS FROM OPERATING ACTIVITIES	47,127
Finance expense, net	(27)
NET SURPLUS FOR THE PERIOD	<u>47,100</u>
FUNDS HELD FOR OPERATIONS	
Net surplus for the period	47,100
FUNDS HELD FOR OPERATIONS	<u>47,100</u>

At the end of 2023, the IFRC had received voluntary contributions and donations of CHF 589k 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 2023, the IFRC had outstanding receivables from donors of CHF 3,894k that are included in the Consolidated Statement of Financial Position related to the Türkiye earthquakes appeal.

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3.3 Prepayments and contract assets

	2023 CHF 000s	2022 CHF 000s
Prepayments	3'112	12'527
Prepayments - ESSN	-	20'069
Total Prepayments	<u>3'112</u>	<u>32'596</u>
Contract assets	8'683	6'528
Accrued interest income	1'376	-
Total prepayments and contract assets	<u>13'171</u>	<u>39'124</u>

Prepayments

Prepayments are expenses paid in advance. Prepayments are apportioned over the period covered by the payment and are 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

(a) Tangible assets – Property, vehicles and equipment

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.

Depreciation is 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	2 to 10 years

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(a) Tangible assets – Property, vehicles and equipment (continued)

The balances and movements in tangible assets are as follows:

	Land and buildings	Work in Progress	Vehicles	Other equipment	Total Tangible assets
	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s
2023					
Cost					
Balance as at 1 January	120'507	1	20'630	5'321	146'460
Additions	3'016	76	5'939	916	9'946
Transfer from work in progress	77	(77)		-	-
Disposals and write offs	(2'516)	-	(3'576)	(101)	(6'192)
Reclassifications to/from assets held for sale, net	-	-	(1'150)	-	(1'150)
Balance at 31 December	<u>121'084</u>	<u>-</u>	<u>21'843</u>	<u>6'136</u>	<u>149'063</u>
Accumulated depreciation and impairment losses					
Balance at 1 January	(22'957)	-	(9'840)	(3'367)	(36'165)
Depreciation charge for the year	(6'991)	-	(1'956)	(481)	(9'428)
Disposals and write offs	2'332	-	1'475	98	3'905
Impairment loss	-	-	5	-	5
Reclassifications to/from assets held for sale, net	-	-	470	-	470
Balance at 31 December	<u>(27'617)</u>	<u>-</u>	<u>(9'845)</u>	<u>(3'750)</u>	<u>(41'212)</u>
Net book value at 31 December	<u>93'467</u>	<u>-</u>	<u>11'997</u>	<u>2'387</u>	<u>107'851</u>
Net book value at 1 January	<u>97'550</u>	<u>1</u>	<u>10'790</u>	<u>1'954</u>	<u>110'295</u>
2022					
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	<u>120'507</u>	<u>1</u>	<u>20'630</u>	<u>5'321</u>	<u>146'460</u>
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	<u>(22'957)</u>	<u>-</u>	<u>(9'840)</u>	<u>(3'367)</u>	<u>(36'165)</u>
Net book value at 31 December	<u>97'550</u>	<u>1</u>	<u>10'790</u>	<u>1'954</u>	<u>110'295</u>
Net book value at 1 January	<u>101'774</u>	<u>7</u>	<u>12'565</u>	<u>1'472</u>	<u>115'818</u>

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(a) Tangible assets – Property, vehicles and equipment (continued)

Tangible assets include the following Right-of-Use (ROU) and owned assets that have been received as in-kind donations:

	Land and buildings CHF 000s	Other equipment CHF 000s	Vehicles CHF 000s	Total CHF 000s
2023				
Gross carrying amount	48,332	518	168	49,019
Accumulated depreciation	<u>(10,581)</u>	<u>(251)</u>	<u>(28)</u>	<u>(10,859)</u>
Net book value	<u>37,751</u>	<u>268</u>	<u>140</u>	<u>38,159</u>
Depreciation charge for the year	<u>(2,422)</u>	<u>(36)</u>	<u>(28)</u>	<u>(2,487)</u>
2022				
Gross carrying amount	47,143	242	-	47,385
Accumulated depreciation	<u>(8,158)</u>	<u>(214)</u>	<u>-</u>	<u>(8,373)</u>
Net book value	<u>38,985</u>	<u>28</u>	<u>-</u>	<u>39,012</u>
Depreciation charge for the year	<u>(2,340)</u>	<u>(17)</u>	<u>-</u>	<u>(2,357)</u>

(b) Intangible assets

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.

Amortisation is calculated using the straight-line method over the following estimated useful lives:

Intangible asset type	Number of years
Computer software	3 to 7 years

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(b) Intangible assets (continued)

The balances and movements in intangible assets are as follows:

	Computer software	Computer software under development	Total intangible assets
	CHF 000s	CHF 000s	CHF 000s
2023			
Cost			
Balance at 1 January	7'558	14'784	22'343
Additions	(138)	2'676	2'539
Transfers	1'576	(1'577)	(1)
Disposal and write offs	(257)	-	(257)
Balance at 31 December	<u>8'740</u>	<u>15'884</u>	<u>24'624</u>
Accumulated amortisation and impairment losses			
Balance at 1 January	(6'378)	-	(6'378)
Impairment losses	-	-	-
Amortisation charge for the year	(431)	-	(431)
Disposals	258	-	258
Balance at 31 December	<u>(6'552)</u>	<u>-</u>	<u>(6'552)</u>
Net book value at 31 December	<u>2'188</u>	<u>15'884</u>	<u>18'072</u>
Net book value at 1 January	<u>1'180</u>	<u>14'784</u>	<u>15'964</u>
	Computer software	Computer software under development	Total intangible assets
	CHF 000s	CHF 000s	CHF 000s
2022			
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	<u>7'558</u>	<u>14'784</u>	<u>22'342</u>
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	<u>(6'378)</u>	<u>-</u>	<u>(6'378)</u>
Net book value at 31 December	<u>1'180</u>	<u>14'784</u>	<u>15'964</u>
Net book value at 1 January	<u>2'367</u>	<u>11'971</u>	<u>14'338</u>

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(c) Rights-of-Use (ROU) assets

Tangible assets include right-of-use (ROU) assets under leases amounting to CHF 2,717k (2022: CHF 3,900k) - see note 3.7.

Right-of-Use assets received as non-monetary in-kind donations pertains to rent-free use of land and buildings 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 or lease 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. There were no impairment losses on non-financial assets in 2023 (2022: CHF 1,485k).

Non-current assets held-for-sale

Non-current assets held-for-sale of CHF 728k (2022: CHF 520k) 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 and equipment and management considers that the ultimate selling prices are likely to be equal to or higher than the carrying amounts of the assets.

3.5 Accounts payable and accrued expenses

	2023	2022
	CHF 000s	CHF 000s
Accounts payable		
Suppliers	20'569	34'436
National Societies	1'586	1'903
Other payables	2'872	6'006
Total accounts payable	<u>25'027</u>	<u>42'345</u>
Accrued expenses	17'782	11'505
Total accrued expenses	<u>17'782</u>	<u>11'505</u>
Total accounts payable and accrued expenses	<u>42'809</u>	<u>53'850</u>

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3.6 Provisions

At 31 December 2023 and 2022, the balances and movements in provisions are as follows:

	Operations	Pledge and services deficits	Redundancy	Total
	CHF 000s	CHF 000s	CHF 000s	CHF 000s
2023				
Current provisions				
Balance at 1 January	53,285	5,269	316	58,870
Additional provisions	56,135	5,153	2,108	63,395
Unused amounts reversed	-	(5,269)	-	(5,269)
Used during the year	(53,285)	(71)	(1,780)	(55,136)
Balance at 31 December	<u>56,135</u>	<u>5,082</u>	<u>643</u>	<u>61,860</u>
2022				
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	<u>53,285</u>	<u>5,269</u>	<u>316</u>	<u>58,870</u>

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 have 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 2023 and will be settled within the next 12 months.

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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.

(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.

	2023	2022
	CHF 000s	CHF 000s
Expenses related to short-term leases	5,232	2,068
Expenses related to low-value assets, excluding short-term leases	65	117
	<u>5,297</u>	<u>2,185</u>

(b) Leases that have been recognised as Right-of-Use assets

At the end of 2023, 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 capitalisable 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 seven of its regional and country offices.

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.

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3.7 Leases – IFRC as a lessee (continued)

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.

ROU 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
2023			
Balance at 1 January	3'800	100	3'900
Additions	1'827	204	2'031
Derecognition of right-of-use assets	(182)	-	(182)
Depreciation charge for the year	(2'958)	(74)	(3'032)
Balance at 31 December	<u>2'487</u>	<u>230</u>	<u>2'717</u>
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	<u>3'800</u>	<u>100</u>	<u>3'900</u>

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.

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3.7 Leases – IFRC as a lessee (continued)

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

	2023 CHF 000s	2022 CHF 000s
Current lease liabilities	1,685	2,587
Non-current lease liabilities	719	1,088
	<u>2,404</u>	<u>3,675</u>

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

	2023 CHF 000s	2022 CHF 000s
Less than one year	1,685	2,587
One to two years	569	1,088
Two to three years	76	-
Three to four years	37	-
Four to five years	37	-
	<u>2,404</u>	<u>3,675</u>

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

	2023 CHF 000s	2022 CHF 000s
Payment of lease liabilities	<u>2,874</u>	<u>3,172</u>

The total cash outflow for leases including short-term leases, low value leases and ROU assets in 2023 is CHF 8,171k (2022: CHF 5,357k).

3.8 Capital commitments

Capital expenditure contracted for at 31 December 2023 but not yet incurred, amounted to CHF 2,494k (2022: CHF 1,906k), of which CHF 2,096k (2022: CHF 1,231k) relate to purchase of vehicles and CHF 90k (2022: 426k) relate to ERP implementation (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.

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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 subsidiaries, 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 2,599k (2022: CHF 2,514k), comprised as follows:

	2023	2022
	CHF 000s	CHF 000s
Short-term employee benefits	2,146	2,078
Post-employment benefits	453	436
	<u>2,599</u>	<u>2,514</u>

(c) Transactions with related parties during the year

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

Related Party	Nature of transaction	2023	2022
		CHF 000s	CHF 000s
Pension Fund	Service income related to services provided to Pension Fund	375	347
Standing Commission	Service income related to services provided to the Standing Commission	163	207
	IFRC contribution to Standing Commission	178	195

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3.10 Related parties (continued)

All transactions were made on an arm's length basis.

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.

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4. MANAGEMENT OF FUNDS

4.1 Net finance (expense) / income

2023	Restricted CHF 000s	Unrestricted CHF 000s	Total CHF 000s
Interest income on bank deposits	-	3,604	3,604
Dividend income on global equity fund	-	729	729
Interest income on global bond fund	-	1,403	1,403
Net change in fair value of financial assets at fair value through profit or loss	-	3,514	3,514
Net realised gains from cash flow hedge	-	9	9
Finance income	<u>-</u>	<u>9,259</u>	<u>9,259</u>
Foreign exchange losses on revaluations of assets & liabilities	(571)	(1,597)	(2,167)
Foreign exchange losses on statutory contributions received	-	(340)	(340)
Finance expense	<u>(571)</u>	<u>(1,936)</u>	<u>(2,507)</u>
Net finance income	<u>(571)</u>	<u>7,322</u>	<u>6,752</u>
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	<u>(203)</u>	<u>2,955</u>	<u>2,752</u>
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	<u>-</u>	<u>(22,627)</u>	<u>(22,627)</u>
Net finance expense	<u>(203)</u>	<u>(19,672)</u>	<u>(19,875)</u>

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.

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4.2 Cash and cash equivalents

	2023	2022
	CHF 000s	CHF 000s
Cash in hand	439	446
Cash at bank	64'185	212'254
Bank deposits (original maturities < 3 months)	95'000	40'001
	<u>159'624</u>	<u>252'701</u>

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. In 2022, the cash at bank balance above included CHF 92,481k for the delivery of cash to beneficiaries under Component B of the ESSN project (see note 3.2b). There is no equivalent figure in 2023, as the operation had closed.

4.3 Investments

	2023	2022
	CHF 000s	CHF 000s
Bank deposits measured at amortised cost (see note 4.6)		
Short-term investment (maturities > 3 months)	245'000	79'000
Long-term investment (maturities > 1 year)	-	160'000
Total bank deposits measured at amortised cost	<u>245'000</u>	<u>239'000</u>
Financial assets measured at fair value through profit and loss		
Global bond fund	75'260	75'288
Global equity fund	38'121	33'849
Total financial assets measured at fair value through profit and loss	<u>113'380</u>	<u>109'137</u>
Total Investments	<u>358'380</u>	<u>348'137</u>
Current investments	358'380	188'137
Non-current investments	-	160'000
Total Investments	<u>358'380</u>	<u>348'137</u>

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.

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4.4 Loans and borrowings

	2023 CHF 000s	2022 CHF 000s
Current liabilities		
Loans for building	1,415	1,415
Lease liabilities	<u>1,685</u>	<u>2,587</u>
	<u>3,100</u>	<u>4,002</u>
Non-current liabilities		
Loans for building	57,500	58,915
Lease liabilities	<u>719</u>	<u>1,087</u>
	<u>58,219</u>	<u>60,002</u>

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:

	2023 CHF 000s	2022 CHF 000s
Balance at 1 January	64,004	65,908
Changes from financing cash flows:		
Repayment of borrowings	(1,416)	(1,416)
Payment of lease liabilities	<u>(2,874)</u>	<u>(3,172)</u>
Total changes from financing cash flows	<u>(4,290)</u>	<u>(4,588)</u>
Non-cash lease liability movements	<u>1,605</u>	<u>2,684</u>
Balance at 31 December	<u>61,319</u>	<u>64,004</u>

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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.

Liabilities are separately recognised in these consolidated financial statements for the following IFRC post-employment benefit arrangements:

- The IFRC's Pension Fund
- Retirees' health insurance
- Non-Swiss post-employment benefits

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

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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 113.6% funded at 31 December 2023 and 113.2% funded at 31 December 2022. 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 2023 or 31 December 2022.

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.

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 accruals 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.

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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, e.g., 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 benefit calculation formula and available information.

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

	Pension Fund	Retirees' health insurance	Non-Swiss post- employment benefits	TOTAL
2023	CHF 000s	CHF 000s	CHF 000s	CHF 000s
Present value of obligations	(333,070)	(8,812)	(3,255)	(345,137)
Fair value of plan assets	313,665	-	-	313,665
Post-employment defined benefit obligations, net	(19,405)	(8,812)	(3,255)	(31,472)
2022	CHF 000s	CHF 000s	CHF 000s	CHF 000s
Present value of obligations	(287,574)	(7,582)	(3,091)	(298,247)
Fair value of plan assets	307,699	-	-	307,699
Post-employment defined benefit (obligations)/asset, net	20,125	(7,582)	(3,091)	9,452

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

Change in defined benefit obligations during the year:

	2023	2022
	CHF 000s	CHF 000s
Defined benefit obligations 1 January	297,960	356,892
Net current service cost	16,327	20,565
Interest cost on defined benefit obligation	6,226	1,028
Employee contributions	11,562	9,838
Net benefits paid	(22,389)	(13,812)
Loss / (gain) due to experience	3,157	1,863
Loss / (gain) due to financial assumption changes	32,214	(78,127)
Special termination benefits	386	-
Gain due to exchange rate	(306)	-
Defined benefit obligations 31 December	<u>345,137</u>	<u>298,247</u>

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

	2023	2022
	CHF 000s	CHF 000s
Defined benefit obligations for active members	220,750	194,993
Defined benefit obligations for retirees	121,132	100,163
Defined benefit obligations for non-Swiss post-employment benefits	3,255	3,091
	<u>345,137</u>	<u>298,247</u>

Change in pension plan assets during the year:

	2023	2022
	CHF 000s	CHF 000s
Fair value of plan assets at 1 January	307,699	333,028
Employer contributions	10,817	16,449
Employee contributions	11,562	9,838
Net benefits paid	(22,031)	(13,498)
Actual administration expenses paid	(608)	(643)
Interest income on plan assets	6,593	998
Return on plan assets excluding amounts included in interest income	(753)	(38,473)
One-off employer contribution to finance special termination benefits	386	-
Fair value of plan assets at 31 December	<u>313,665</u>	<u>307,699</u>

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

Reconciliation of net defined benefit/(liabilities):

	2023	2022
	CHF 000s	CHF 000s
Net assets / (liabilities) at 1 January	9,452	(21,275)
Opening balance adjustment	288	(2,589)
Total (charge) recognised in employee benefits operating expenditure	(16,900)	(21,238)
Total remeasurements recognised in other comprehensive income	(35,873)	37,791
Employer contributions	10,817	16,763
Direct benefit payments made during the period	358	-
One-off employer contribution to finance special termination benefits	386	-
Net (liabilities) /assets at 31 December	<u>(31,472)</u>	<u>9,452</u>

(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:

	2023	2022
	CHF 000s	CHF 000s
Service cost	16,713	20,565
Net interest on the net defined benefit (asset) / liability	(366)	30
Immediate recognition of (gain) / loss over the period	(55)	-
Administration expenses	608	643
Total included in employee benefits expenditure	<u>16,900</u>	<u>21,238</u>

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(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:

	2023	2022
	CHF 000s	CHF 000s
Defined benefit obligation (gains) due to changes in demographic assumptions	-	(326)
Defined benefit obligation loss / (gain) due to changes in financial assumptions	32,209	(77,585)
Defined benefit obligation loss / (gain) due to experience,	3,182	1,863
Return on pension plan assets excluding amounts included in interest income	753	38,473
Exchange rate (loss)	(271)	(216)
Total included in Other Comprehensive Income	<u>35,873</u>	<u>(37,791)</u>

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 2023, the discount rate applied in calculating the defined benefit obligations for the Pension Fund and the retirees' health insurance was reduced from 2.15% in 2022 to 1.4% in 2023, resulting in defined benefit obligation losses of CHF 32,290k (2022: discount rate increased from 0.3% to 2.15% resulting in defined benefit gains of CHF 85,238k). Changes to other financial assumptions together with experience losses generated defined benefit obligation losses of CHF 2,580k (2022: CHF 9,232k), which means that the total liability actuarial loss is CHF 34,870k (2022: gain CHF 76,006k). The pension plans' assets returned less than assumed leading to a loss on assets of CHF 753k (2022: loss of CHF 38,473k).

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 plans.

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.

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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 are:

	2023	2022
Discount rate	1.40%	2.15%
Underlying consumer price inflation	1.25%	1.25%
Rate of future compensation increases	1.50%	2.5%/1.5%
Rate of pension increases	0.00%	0.00%
Interest rate credited to account balances	2.75%	2.75%
Increase in maximum lump sum death benefit	1.25%	1.25%
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 are:

	2023	2022
Discount rate	1.40%	2.15%
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 non-Swiss post-employment benefits are:

	2023	2022
Discount rates that average	7.56%	6.76%
Rate of future compensation increases that average	5.15%	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 25.7 years in 2023 and between 22.0 and 25.6 years in 2022, 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.

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

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 6.5% CHF 21,560k	Increase by 7.3% CHF 24,314k
Interest rate credited to account balances	0.50%	Increase by 1.6% CHF 5,329k	Decrease by 1.5% CHF 4,996k
Change life expectancy at retirement age	1 year	Increase by 2.4% CHF 7,994k	Decrease by 2.4% CHF 7,994k

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 6.5% CHF 573k	Increase by 7.3% CHF 643k
Life expectancy at retirement age	1 year	Increase by 4.4% CHF 388k	Decrease by 4.4% CHF 388k

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 2.3% CHF 76k	Increase by 2.5% CHF 80k
Salary increase rate	0.50%	Increase by 2.1% CHF 70k	Decrease by 2.4% CHF 77k

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.

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

(f) Plan assets

At 31 December 2023, the fair value of Pension Fund plan assets was CHF 313,665k (2022: CHF 307,699k). 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 was included in the fair value of plan assets at 31 December 2022. During 2023, CHF 8,400k of this amount was utilised leaving CHF 12,600 included in the fair value of plan assets at 31 December 2023. The IFRC expects to utilise the remaining CHF 12,600 during 2024.

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

	2023	2023	2022	2022
	Proportion	Of which quoted in an active market	Proportion	Of which quoted in an active market
Cash and cash equivalents	2.9%		6.7%	
Equity securities	37.4%		36.1%	36.1%
Debt securities	23.4%		22.3%	22.3%
Real estate	19.7%		19.7%	14.7%
Other	16.6%		15.2%	
Total	<u>100.0%</u>		<u>100.0%</u>	

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

Reduced by the CHF 12,600k remaining advance of contributions paid in 2020, the expected value of employer contributions to be paid in 2024 is CHF 4,033k (2023: CHF 16,225k – not reduced by advance contributions). The weighted average duration of the DBOs at the end of the current financial year are:

Pension plans	13.8 years
Retirees' health insurance	13.8 years
Non-Swiss termination benefits	5.0 years

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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.

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

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.

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 2023 CHF 000s	Carrying amount 2022 CHF 000s
Investments - global bond funds	4.3	Fair value through	1	75'260	75'288
Investments - global equity funds	4.3	Fair value through	2	38'121	33'849
Foreign exchange forward contracts	2.1d	Fair value - hedging instruments	2	80	(44)
Investments - bank deposits	4.3	Amortised cost		245'000	239'000
Cash and cash equivalents	4.2	Amortised cost		159'624	252'701
Receivables ¹	2.2	Amortised cost		331'905	323'123
Payables	3.5	Amortised cost		(42'809)	(53'850)
Asset/Liabilities - ESSN project	2.2/3.2b	Amortised cost		11'766	(112'585)
Loans and borrowings	4.4	Amortised cost		(61'319)	(64'004)

¹ *Financial instruments include accounts receivable and sundry receivables only.*

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 2023 (2022: none).

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

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 dollar. The IFRC maintains the net exposure within acceptable levels by buying or selling foreign currencies at spot rates to meet short-term needs.

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

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

	Cash & Cash Equivalents	Investments	Receivables	Receivable - ESSN	Payables	Total
2023	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s
Currency						
Swiss Franc	149'297	358'380	87'719	-	(16'118)	579'278
Euro	4'611	-	75'640	11'766	(8'884)	83'133
United States Dollar	4'252	-	144'592	-	(11'316)	137'528
Pound Sterling	-	-	11'905	-	(290)	11'615
Canadian Dollar	-	-	4'999	-	(31)	4'968
Swedish Kronor	-	-	105	-	-	105
Other currencies	1'464	-	11'881	-	(6'170)	7'175
	<u>159'624</u>	<u>358'380</u>	<u>336'841</u>	<u>11'766</u>	<u>(42'809)</u>	<u>823'802</u>

	Cash & Cash Equivalents	Investments	Receivables	Payables	Liabilities- ESSN project	Total
2022	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	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
Canadian Dollar	-	-	262	(89)	-	173
Swedish Kronor	-	-	138	-	-	138
Other currencies	1'448	-	5'698	(14'993)	-	(7'847)
	<u>252'701</u>	<u>348'137</u>	<u>326'718</u>	<u>(53'850)</u>	<u>(112'585)</u>	<u>761'121</u>

At 31 December 2023, 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 11,867k (2022: CHF 10,898k), 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.

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

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 3,763k (2022: CHF 3,764k). 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 3,763k (2022: CHF 3,764k).

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 1,906k (2022: CHF 1,692k). 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 1,906k (2022: CHF 1,692k).

There was no exposure to commodities price risk at either 31 December 2023 or 31 December 2022.

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.

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

(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	2023	2022
	CHF 000s	CHF 000s
National Societies	106'904	139'702
Governments	151'518	134'617
Corporations	15'371	12'355
Multi-lateral agencies	54'191	28'609
Others	20'623	10'141
	<u>348'607</u>	<u>325'424</u>

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 occurring 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.

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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:

	2023	2022
	CHF 000s	CHF 000s
<u>Fitch ratings</u>		
Investment grade (AAA to BBB-)	71'742	240'761
Non-investment grade (BB+ and below)	632	550
Unrated	1'812	944
<u>Other ratings (current accounts):</u>		
ZKB AA (Banque Cantonale Fribourg)	10'000	-
ZKB AA+ (Glarner KantonalBank)	30'000	10'000
S&P A- (Cembra Money Bank AG)	45'000	-
Cash in hand	439	446
	<u>159'624</u>	<u>252'701</u>
Short-term investments (see note 4.3)		
Fitch ratings Investment grade (AAA to BBB-)	190'000	49'000
Other ratings: ZKB AA (Banque Cantonale Fribourg)	20'000	-
Other ratings: S&P A- (Cembra Money Bank AG)	25'000	30'000
Other ratings: ZKB AA+ (Glarner Kantonalbank)	10'000	-
	<u>245'000</u>	<u>79'000</u>
Non-current investments (see note 4.3)		
Fitch ratings Investment grade (AAA to BBB-)	-	80'000
Other ratings: ZKB AA+ (Glarner Kantonalbank)	-	10'000
Other ratings: ZKB AA (Banque Cantonale Fribourg)	-	30'000
Other ratings: S&P A- (Cembra Money Bank AG)	-	40'000
	<u>-</u>	<u>160'000</u>

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 2023, the value of assets held with such institutions was CHF 1,812k (2022: CHF 944k). Other positions are not material or are covered by provisions.

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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	Loans for building	Lease Liabilities	Liabilities-ESSN project	Total
	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s
2023					
Less than one year	(42'809)	(1'415)	(1'685)	-	(45'909)
One to five years	-	(5'660)	(719)	-	(6'379)
More than five years	-	(51'840)	-	-	(51'840)
	<u>(42'809)</u>	<u>(58'915)</u>	<u>(2'404)</u>	<u>-</u>	<u>(104'128)</u>
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)
	<u>(53'850)</u>	<u>(60'330)</u>	<u>(3'674)</u>	<u>(112'585)</u>	<u>(230'439)</u>

The IFRC anticipates meeting annual loan repayments from short-term liquid funds (see note 4.4). In addition, most investments are held 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 fulfil 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 2023 was CHF 87,641k (2022: CHF 97,224k). 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.

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2. Expenditure by Results against (unaudited) budget

	2023 Budget (unaudited) CHF 000s	2023 Actuals on a comparable basis (unaudited) CHF 000s	2023 Performance Variance (unaudited) CHF 000s	2022 Actuals on a comparable basis (unaudited) CHF 000s
Strategic Priorities				
1. Climate and environmental crises	45,000	9,600	(35,400)	5,700
2. Evolving crises and disasters	100,000	346,600	246,600	262,700
3. Growing gaps in health and well-being	152,000	110,000	(42,000)	141,100
4. Migration and identity	35,000	37,900	2,900	17,000
5. Values, power and inclusion	18,000	7,300	(10,700)	6,500
Total Strategic Priorities	350,000	511,400	161,400	433,000
Approaches to enable National Societies				
1. Engaged, with renewed influence, innovative and digitally transformed	31,000	28,200	(2,800)	23,500
2. Accountable, with an agile and efficient management	113,000	150,700	37,700	125,900
3. Trusted, owned and valued by the membership	56,000	84,200	28,200	83,500
Total Approaches to enable National Societies	200,000	263,100	63,100	232,900
Total expenditure by results	550,000	774,500	224,500	665,900

3. Expenditure by Structure against (unaudited) budget

EXPENDITURE BY STRUCTURE (unaudited)

	2023 Budget (unaudited) CHF 000s	2023 Actuals on a comparable basis (unaudited) CHF 000s	2023 Performance Variance (unaudited) CHF 000s	2022 Actuals on a comparable basis (unaudited) CHF 000s
Governance meetings and support	6,000	5,700	(300)	4,800
Office of Secretary General	11,000	22,000	11,000	10,800
National Society Development and Operations Coordinati	40,000	38,000	(2,000)	36,600
Global Relations, Humanitarian Diplomacy and Digitalizati	20,000	22,200	2,200	17,900
Management Policy, Strategy and Corporate Services	28,000	32,400	4,400	17,900
Africa	102,000	128,500	26,500	118,000
Americas	64,000	43,500	(20,500)	52,200
Asia Pacific	102,000	101,800	(200)	129,200
Europe	96,000	311,500	215,500	205,100
Middle East and North Africa	64,000	52,700	(11,300)	52,900
Hosted projects	8,000	11,100	3,100	10,000
Depreciation and amortisation	7,000	4,900	(2,100)	12,100
General Provision	2,000	200	(1,800)	(1,600)
Total expenditure by structure	550,000	774,500	224,500	665,900