International Federation of Red Cross and Red Crescent Societies, Geneva

Independent Auditors' Report
to the President of the
International Federation of Red Cross
and Red Crescent Societies
on the Consolidated Financial Statements 2016

KPMG SA
Geneva, 11 April 2017
Ref. PHP/KV

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

International Federation of Red Cross and Red Crescent Societies, Geneva

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Report on the Audit of the Consolidated Financial Statements

Opinion

As independent auditor, we have audited the accompanying consolidated financial statements of the International Federation of Red Cross and Red Crescent Societies ("the Federation"), which comprise the consolidated statement of comprehensive income, consolidated statement of comprehensive income, the consolidated statements of financial position, changes in reserves and cash flows and notes for the year ended 31 December 2016.

In our opinion, the consolidated financial statements for the year ended 31 December 2016 give a true and fair view of the consolidated financial position of the Federation, its consolidated results of operations and its consolidated cash flows in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

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

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

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

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

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

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

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

KPMG SA

Pierre-Henri Pingeon	Karina Vartanova
Licensed Audit Expert	*Licensed Audit Expert*

Geneva, 11 April 2017

Enclosure:

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

Page

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER

	Note	Restricted 2016 CHF 000s	Unrestricted 2016 CHF 000s	Total 2016 CHF 000s	Total 2015 CHF 000s
OPERATING INCOME					
Voluntary contributions	5	231,550	16,462	248,012	330,872
Services income	6	53,705	-	53,705	56,500
Statutory contributions		-	35,119	35,119	35,091
Other income	7	2,083	546	2,629	2,727
Total OPERATING INCOME		287,338	52,127	339,465	425,190
OPERATING EXPENDITURE					
Humanitarian response		156,314	-	156,314	215,483
Thematic		99,460	-	99,460	125,861
Other resources (Programmes)	8	255,774	-	255,774	341,344
Supplementary services	8	56,084	-	56,084	54,914
Regular resources	8	-	56,836	56,836	38,273
Total OPERATING EXPENDITURE		311,858	56,836	368,694	434,531
NET DEFICIT FROM OPERATING ACTIVITIES		(24,520)	(4,709)	(29,229)	(9,341)
FINANCE INCOME/(EXPENSE)					
Finance income	9	153	3,122	3,275	3,443
Finance expense	9	(1,065)	(196)	(1,261)	(7,461)
NET FINANCE INCOME/(EXPENSE)		(912)	2,926	2,014	(4,018)
NET DEFICIT FOR THE YEAR		(25,432)	(1,783)	(27,215)	(13,359)
OTHER COMPREHENSIVE INCOME that may never be reclassified to profit or loss in a subsequent period					
Actuarial gains/ (losses) on defined benefit plans	23	5,088	7,868	12,956	(13,949)
OTHER COMPREHENSIVE INCOME that may be reclassified to profit or loss in a subsequent period					
Cash flow hedge - effective portion of changes to fair value	10	-	(187)	(187)	-
Total OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR		5,088	7,681	12,769	(13,949)
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR		(20,344)	5,898	(14,446)	(27,308)
Attributable to:					
Restricted reserves	24	(20,344)	-	(20,344)	(23,387)
Unrestricted reserves		-	5,898	5,898	(3,921)
		(20,344)	5,898	(14,446)	(27,308)

There were no discontinued operations during the year.

The notes on pages 9 to 50 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER

		2016	2015
ASSETS	**Note**	**CHF 000s**	**CHF 000s**
Current Assets			
Cash and cash equivalents	11	158,817	167,903
Investments	12	92,579	79,875
Receivables	13	99,581	106,506
Prepayments and accrued income	14	12,566	14,718
Inventories, net	15	985	1,800
Total Current Assets		364,528	370,802
Non-Current Assets			
Receivables	13	9,821	12,320
Investments	12	-	10,000
Property, vehicles and equipment	16	30,237	28,049
Intangible assets	17	2,093	5,683
Total Non-Current Assets		42,151	56,052
Total ASSETS		406,679	426,854
LIABILITIES AND RESERVES			
Current Liabilities			
Payables	18	29,177	30,334
Short-term employee benefits	19	3,770	4,403
Provisions	20	30,145	32,589
Deferred income and prepaid contributions	21	40,620	45,454
Total Current Liabilities		103,712	112,780
Non-Current Liabilities			
Loan	22	16,000	5,000
Post-employment defined benefit liability, net	23	57,569	70,613
Deferred income	21	5,910	527
Total Non-Current Liabilities		79,479	76,140
Total LIABILITIES		183,191	188,920
Reserves			
Restricted reserves	24	169,046	189,312
Unrestricted reserves		52,088	46,877
Designated reserves	25	2,354	1,745
Total RESERVES		223,488	237,934
Total LIABILITIES and RESERVES		406,679	426,854

The notes on pages 9 to 50 are an integral part of these consolidated financial statements.

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

2016	Notes	Restricted CHF 000s	Unrestricted CHF 000s	Designated CHF 000s	Total CHF 000s
Balance at 1 January		189,312	46,877	1,745	237,934
Transfers to/from reserves					
Decrease in operations with temporary deficit financing		153	-	-	153
Decrease in donor-restricted contributions for specific operations		(25,585)	-	-	(25,585)
Unrestricted net surplus for the year		-	(1,783)	-	(1,783)
Increase in Other Comprehensive Income that may never be reclassified to profit or loss					
Actuarial gains/ (losses) on defined benefit plans	23	5,088	7,868	-	12,956
Decrease in Other Comprehensive Income that may be reclassified to profit or loss					
Cash flow hedge - effective portion of changes to fair value	10	-	(187)	-	(187)
Total comprehensive (loss)/ income for the year		(20,344)	5,898	-	(14,446)
Used during the year		227	-	(227)	-
Allocations during the year		(149)	(687)	836	-
Balance at 31 December	24 & 25	169,046	52,088	2,354	223,488

2015	Notes	Restricted reserves CHF 000s	Unrestricted reserves CHF 000s	Designated reserves CHF 000s	Total CHF 000s
Balance at 1 January		219,716	42,725	2,801	265,242
Transfers to/from reserves					
Increase in operations with temporary deficit financing		(2,601)	-	-	(2,601)
Decrease in donor-restricted contributions for specific operations		(12,984)	-	-	(12,984)
Unrestricted net surplus for the year		-	2,226	-	2,226
Decrease in Other Comprehensive Income					
Defined benefit obligation	23	(7,802)	(6,147)	-	(13,949)
Total comprehensive loss for the year		(23,387)	(3,921)	-	(27,308)
Unused amounts reversed		-	610	(610)	-
Used during the year		156	519	(675)	-
Allocations during the year		(7,173)	6,944	229	-
Balance at 31 December	24 & 25	189,312	46,877	1,745	237,934

The notes on pages 9 to 50 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

CASH FLOWS (USED IN) / GENERATED FROM OPERATING ACTIVITIES	Notes	2016 CHF 000s	2015 CHF 000s
Total comprehensive loss for the year		(14,446)	(27,308)
Adjustment for:			
Interest expense		93	1,353
Depreciation and amortisation of property, vehicles, equipment and intangibles	16 & 17	5,631	6,880
Gain from disposals of property, vehicles and equipment, net		(1,117)	(1,355)
Impairment losses		2,808	585
Donated assets		1,052	350
Movement in fair value of financial assets through profit and loss		(1,002)	1,800
Movement in non-cash pension obligation	23	(13,044)	17,885
Movement in fair value of hedge instrument	10	187	-
Net movement in provisions		(2,444)	9,386
		(7,836)	36,884
Operating (deficit)/ surplus before changes in working capital		(22,282)	9,576
Changes in working capital			
Decrease in receivables	13	9,458	22,359
Decrease/ (increase) in prepayments and accrued income	14	2,152	(6,189)
Decrease in inventories	15	815	1,485
Decrease in payables	18	(1,378)	(2,029)
(Decrease)/ increase in short-term employee benefit liabilities		(633)	370
Increase/ (decrease) in deferred income and prepaid contributions		549	(32,946)
Net change in working capital		10,963	(16,950)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(11,319)	(7,374)
CASH FLOWS (USED IN)/ GENERATED FROM INVESTING ACTIVITIES			
Acquisition of property, vehicles, equipment and intangibles	16 & 17	(10,808)	(10,703)
Acquisition of financial assets at fair value through profit and loss		(1,702)	(13,389)
Proceeds from disposals of property, vehicles and equipment		3,835	4,110
Proceeds from disposal of financial assets at fair value through profit and loss		-	4,848
Short-term bank deposits returned (original maturities > 3 months)		-	85,000
Proceeds from disposal of non-current investments		-	(10,000)
Bank interest received, net		12	233
NET CASH FLOWS (USED IN)/ GENERATED FROM INVESTING ACTIVITIES		(8,663)	60,099
CASH FLOWS GENERATED FROM FINANCING ACTIVITIES			
Proceeds from issue of loan	22	11,000	2,830
NET CASH FLOWS GENERATED FROM FINANCING ACTIVITIES		11,000	2,830
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(8,982)	55,555
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		167,903	113,857
Effect of exchange rate fluctuations on cash held		(104)	(1,509)
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR		158,817	167,903

The notes on pages 9 to 50 are an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. Activities and organisation

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

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

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

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

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

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

Guided by *Strategy 2020* – a collective plan of action for the IFRC and its member National Societies to tackle the major humanitarian and development challenges of this decade – the IFRC is committed to 'saving lives and changing minds'.

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

The activities of the IFRC, as approved in the plan and budget for the years 2016 and 2017, are separated into Other resources budget (Programmes) that includes Humanitarian response, Thematic activities and Supplementary services; and Regular resources budget that includes Governance and Secretariat activities. Humanitarian Response and Thematic activities support National Societies in their programming in support of disaster-affected and vulnerable people, and support individual National Societies in their organisational development. Supplementary Services activities aim to provide cost-effective, relevant and demand driven services to individual and groups of National Societies. Governance and Secretariat activities focus on fulfilling the IFRC's constitutional role to act as the permanent body of liaison and coordination among National Societies representing the Red Cross and Red Crescent globally and providing network wide services. Within each part, the approved plan and budget are further separated into four strategies for implementation and eight areas of focus. These financial statements present the financial results for Other resources as 'Restricted' and for Regular resources as 'Unrestricted'. Performance against approved budget (unaudited), Expenditure by Results against approved budget (unaudited), and Expenditure by Structure against approved budget are shown in notes 31 to 33 to these consolidated financial statements. See note 2 (c) for changes in prior year presentation.

These financial statements of the IFRC for the year ended 31 December 2016 are consolidated to include activities of the Geneva secretariat, all IFRC delegations, the International Federation of Red Cross and Red Crescent Societies at the United Nations, Inc. (IFRC at the UN Inc.) and the Foundation for the International Federation of Red Cross and Red Crescent Societies (the Foundation). The IFRC accounts for its interests in certain jointly controlled operations by recognising and measuring the assets and liabilities and related revenues and expenses related to the IFRC interest in the joint operations, for the purposes of these financial statements.

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

2. Statement of compliance and basis of preparation

(a) Statement of compliance

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

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

(b) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets and liabilities which are measured at fair value. Fair value is the amount for which an asset, liability or financial instrument could be exchanged between knowledgeable and willing parties in an arm's length transaction.

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

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

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

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

In the 2016-2020 plan and budget approved by the IFRC's General Assembly, there are four strategies for implementation to cover critical IFRC functions, followed by eight programmatic areas of focus representing the thematic areas where National Societies have agreed to partner through the IFRC and where consolidated results will be measured. The plan and budget are supported by a results-based framework and a results-based budget architecture to improve financial management, planning, monitoring and reporting. This translates into a new format for the Consolidated Statement of Comprehensive Income in 2016, and 2015 comparative figures have been restated consistent with the 2016 presentation.

Financial impact of the presentational changes:

	2015 As previously presented		**2015 As re-presented**
OPERATING EXPENDITURE	**CHF 000s**		**CHF 000s**
Humanitarian response	215,483	Humanitarian response	215,483
Longer-term development	99,941		
National society development	16,026	Thematic	125,861
Other initiatives	9,894		
Programmes and coordination	341,344	**Other resources (Programmes)**	341,344
Supplementary services	54,914	**Supplementary services**	54,914
Governance and Secretariat	38,273	**Regular resources**	38,273
Total OPERATING EXPENDITURE	434,531		434,531

(d) Reclassification of comparative figures

In 2016, the following changes were made to the 2015 comparative figures for consistency with donor classifications:
In 2015, income received of CHF 29,875k and receivables due of CHF 16,052k in respect of European Commission were included within Governments under Voluntary contributions and Receivables respectively. In these consolidated financial statements, these amounts have been included within Multi-lateral agencies.

3. Functional and presentational currency

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

4. Critical accounting estimates and judgements

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

The IFRC makes estimates and assumptions concerning the future. These are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events according to relevant circumstances. The resulting accounting estimates will, by definition, rarely equal the related actual results. Revisions to estimates are recognised prospectively.

(a) Judgements

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

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

(b) Estimates and assumptions

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

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

5. Voluntary contributions

	Cash CHF 000s	Goods in-kind CHF 000s	Services in-kind CHF 000s	2016 Total CHF 000s	2015 Total CHF 000s (restated)
National Societies	139,428	2,545	6,881	148,854	198,520
Governments	41,381	-	-	41,381	66,643
Corporations	9,006	-	-	9,006	18,841
Multi-lateral agencies	45,190	-	-	45,190	39,943
Others	3,581	-	-	3,581	6,925
	238,586	2,545	6,881	248,012	330,872

6. Services income

	2016 Restricted CHF 000s	2016 Unrestricted CHF 000s	2016 Total CHF 000s	2015 Total CHF 000s
Service agreements	36,291	-	36,291	34,721
Contracted services	17,414	-	17,414	21,779
	53,705	-	53,705	56,500

7. Other income

	2016 Restricted CHF 000s	2016 Unrestricted CHF 000s	2016 Total CHF 000s	2015 Total CHF 000s
Hosted programme membership fees	1,596	-	1,596	1,648
Other income	487	546	1,033	1,079
	2,083	546	2,629	2,727

8. Operating Expenditure

	Direct costs									
	(a) (c) Employee benefits	(b) (c) Relief supplies, transportation & storage	Contributions to National Societies	(d) Depreciation & amortisation	Supplementary services cost recoveries	(e) Other costs & allocations	(f) Indirect cost recovery	Pledge fees	Total 2016	Total 2015
	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s
Humanitarian response	34,748	69,064	16,851	16	5,869	19,571	9,220	975	156,314	215,483
Thematic	35,307	17,159	5,774	28	7,280	27,328	5,698	886	99,460	125,861
Total Other resources	**70,055**	**86,223**	**22,625**	**44**	**13,149**	**46,899**	**14,918**	**1,861**	**255,774**	**341,344**
Administrative services	13,818	465	-	146	(17,100)	11,830	599	-	9,758	14,072
Contracted services	3,777	13,377	71	-	498	4,826	854	8	23,411	21,440
Fleet services	-	552	-	-	4,663	1,887	-	-	7,102	7,624
Logistics services	-	11,560	-	2,808	1,177	268	-	-	15,813	11,778
Total Supplementary services	**17,595**	**25,954**	**71**	**2,954**	**(10,762)**	**18,811**	**1,453**	**8**	**56,084**	**54,914**
Total RESTRICTED	**87,650**	**112,177**	**22,696**	**2,998**	**2,387**	**65,710**	**16,371**	**1,869**	**311,858**	**396,258**
Regular resources	**57,377**	**1,295**	**-**	**5,442**	**(2,387)**	**13,349**	**(16,371)**	**(1,869)**	**56,836**	**38,273**
Total UNRESTRICTED	**57,377**	**1,295**	**-**	**5,442**	**(2,387)**	**13,349**	**(16,371)**	**(1,869)**	**56,836**	**38,273**
Total OPERATING EXPENDITURE 2016	**145,027**	**113,472**	**22,696**	**8,440**	**-**	**79,059**	**-**	**-**	**368,694**	**434,531**
Total OPERATING EXPENDITURE 2015	**173,242**	**127,078**	**25,870**	**7,465**	**-**	**100,876**	**-**	**-**	**434,531**	

In the 2016-2020 General Assembly approved plan and budget, it was agreed that the Regular Resources (Unrestricted) budget of the IFRC would include cost recovery income and associated expenditure for vehicle fleet management and logistics services. From 1 January 2016, the Logistics support structure, including headquarters and regional staff, vehicles & accessories purchase and depreciation, moved from Supplementary Services (Restricted) budget to Regular Resources (Unrestricted) budget. The services provided by the Logistics structure to internal and external clients and its cost recovery through service fees are now both presented under Regular Resources (Unrestricted). As the Unrestricted Reserves would bear the risks of Logistics and Fleet cost recovery, the balances of CHF 3,820k for Logistics and CHF 3,124k for Fleet have been reclassified to unrestricted reserves from Donor-restricted contributions at 31 December 2015. Prior year comparative figures have not been restated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

8(a) Employee benefit costs

	2016 Restricted CHF 000s	2016 Unrestricted CHF 000s	2016 Total CHF 000s	2015 Total CHF 000s
Wages and salaries	74,190	46,169	120,359	143,581
Contributed services	6,331	258	6,589	7,666
Termination benefits	445	2,493	2,938	419
Social security costs	1,776	865	2,641	4,489
Pension costs - defined benefit plans	4,908	7,592	12,500	17,087
	87,650	57,377	145,027	173,242

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

8(b) Relief supplies, transportation & storage

	2016 Restricted CHF 000s	2016 Unrestricted CHF 000s	2016 Total CHF 000s	2015 Total CHF 000s
Relief supplies	98,081	-	98,081	96,261
Transportation & storage	14,096	1,295	15,391	30,817
	112,177	1,295	113,472	127,078

8(c) Operating expenditure in-kind

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

	2016 Goods CHF 000s	2016 Services CHF 000s	2016 Total CHF 000s	2015 Total CHF 000s
Employee benefit costs	-	6,589	6,589	7,666
Relief supplies	2,545	-	2,545	11,533
Transportation & storage	-	292	292	3,493
	2,545	6,881	9,426	22,692

8(d) Depreciation and amortisation

	2016 CHF 000s	2015 CHF 000s
Depreciation of property, plant and equipment	4,308	5,729
Amortisation of intangible assets - computer software	1,324	1,151
Impairment loss on intangible assets - computer software	2,808	-
Impairment loss on building	-	585
	8,440	7,465

8(e) Other costs & allocations

	2016 Restricted CHF 000s	2016 Unrestricted CHF 000s	2016 Total CHF 000s	2015 Total CHF 000s
Workshops & training	14,446	883	15,329	16,352
Administration, office and general	13,642	2,313	15,955	17,560
Vehicles and equipment	6,636	333	6,969	8,723
Travel	8,862	3,400	12,262	14,259
Consultancy fees	6,268	785	7,053	11,170
Information	3,948	1,096	5,044	6,971
Other costs and allocations	11,908	4,539	16,447	25,841
	65,710	13,349	79,059	100,876

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

8(f) Indirect cost recovery, net

	2016 Restricted CHF 000s	2016 Unrestricted CHF 000s	2016 Total CHF 000s	2015 Total CHF 000s
Programme and services support recovery	16,371	(16,371)	-	-
	16,371	(16,371)	-	-

In keeping with the IFRC's principle of full cost recovery, the direct costs of programmes and services are subject to 6.5% indirect cost recovery to fund the costs of providing indirect support services, essential to the success of operations. The support for 2016 amounted to CHF 16,371k (2015: CHF 22,047k) and is added to unrestricted reserves.

9. Net finance income / (expense)

	2016 Restricted CHF 000s	2016 Unrestricted CHF 000s	2016 Total CHF 000s	2015 Total CHF 000s
Interest income on bank deposits	-	12	12	153
Interest income on global bond fund	-	1,683	1,683	1,634
Interest income on loan to 3rd party	-	-	-	5
Dividend income on global equity fund	-	529	529	556
Net foreign exchange gains on revaluations of assets & liabilities	153	(104)	49	1,095
Net change in fair value of financial assets at fair value through profit or loss	-	1,002	1,002	-
Finance income	153	3,122	3,275	3,443
Interest expense on bank deposits	-	-	-	(6)
Net foreign exchange losses on pledge settlements	(1,065)	(196)	(1,261)	(5,655)
Net change in fair value of financial assets at fair value through profit or loss	-	-	-	(1,800)
Finance expense	(1,065)	(196)	(1,261)	(7,461)
Net finance income/(expense)	(912)	2,926	2,014	(4,018)
Financial assets at fair value through profit or loss:				
Fair value loss on global bond fund	-	(616)	(616)	(1,340)
Fair value gain/(loss) on global equity fund	-	1,618	1,618	(460)
Interest income on global bond fund	-	1,683	1,683	1,634
Dividend income global equity fund	-	529	529	556
	-	3,214	3,214	390

10. Other comprehensive income

Cash flow hedges	2016 CHF 000s Contract value	2016 CHF 000s Fair value balance	2015 CHF 000s Fair value balance
Currency swaps in EUR	3,893	34	-
Currency swaps in USD	6,935	(221)	-
Total cash flow hedges	10,828	(187)	-

Movement in Other Comprehensive Income that may be reclassified to Profit or Loss in subsequent period	2016 CHF 000s	2015 CHF 000s
Cash flow hedge - effective portion of changes to fair value	(187)	-
	(187)	-

Expected cash flow in subsequent period

	2016 CHF 000s Carrying value	Contractual cash flows CHF 000s 1 - 6 months	2015 CHF 000s
Forward exchange contracts used for hedging			
- Ouflow	(221)	(10,828)	-
- Inflow	34	10,924	-
	(187)	96	-

In 2016, in order to hedge the foreign exchange risk of receiving statutory contributions amounting to CHF 3,893k in Euros and CHF 6,935k in US Dollars, the IFRC entered into foreign currency futures contracts with final maturities of 31 March 2017. The hedges were designated as cash flow hedges for hedge-accounting purposes. At 31 December 2016, the futures contracts had a net negative fair value of CHF 187k that is included in Other Comprehensive Income, and will be recycled to Operating Income or Expenditure when the statutory contributions are recognised in 2017. There was no hedge ineffectiveness to be recorded from the foreign currency futures, and there are no amounts recycled to the Operating Income or Expenditure in 2016, as the IFRC had no hedge instruments in 2015.

11. Cash and cash equivalents

	2016 CHF 000s	2015 CHF 000s
Cash in hand	536	541
Cash at bank	59,678	58,266
Bank deposits (original maturities < 3 months)	98,603	109,096
	158,817	167,903

Cash and cash equivalents are denominated in the following currencies:

	2016 CHF 000s	2015 CHF 000s
Currency		
Swiss Franc	151,809	157,668
United States Dollar	3,500	5,480
Euro	1,426	588
Japanese Yen	615	1
Central African CFA Franc	293	982
Other currencies	1,174	3,184
	158,817	167,903

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

	CHF 000s	CHF 000s
Cash and cash equivalents, short-term investments and non-current investments		
Fitch ratings		
AAA	717	900
AA-	234	1,062
A+	63,767	15,467
A	43,585	128,835
A-	42,291	442
BBB+	94	89
BBB	-	6
BBB-	125	102
BB+	39	-
BB-	276	249
B	338	2,587
Unrated	1,815	2,623
AA+ (Glarner KantonalBank)	5,000	15,000
Cash in hand	536	541
	158,817	167,903
Short term investment (see note 12)		
Aa2 (Moody's)	10,000	10,000
	168,817	177,903

In 2016, CHF 721k of cash at bank were held with unrated institutions in Southeast Asia and Pacific. In 2015, CHF 660k of cash at bank were held with unrated institution related to Ebola Virus Disease emergency operation in West Africa. Due diligence have been performed on the banks concerned, and management does not consider there is any significant counter-party risk arising from the IFRC's holdings with these banks.

12. Investments

	2016 CHF 000s	2015 CHF 000s
Short-term investments		
Short-term bank deposits (original maturities > 3 months) (see note 11)	10,000	-
Total short-term investments	10,000	-
Financial assets at fair value through profit and loss		
Global bond fund	57,585	57,060
Global equity fund	24,994	22,815
Total financial assets at fair value through profit and loss	82,579	79,875
Non-current investments		
Long-term bank deposits (maturities > 1 year) (see note 11)	-	10,000
Total non-current investments	-	10,000
Total Financial Assets	92,579	89,875
Current financial assets	92,579	79,875
Non-current financial assets	-	10,000
	92,579	89,875

The financial assets at fair value through profit and loss measured at cost, are as follows:

	2016	2015
	CHF 000s	CHF 000s
Global bond fund		
Balance at 1 January	56,336	52,392
Additions	1,400	7,232
Disposals	-	(3,288)
Balance at 31 December	57,736	56,336
Global equity fund		
Balance at 1 January	20,512	16,175
Additions	561	5,600
Disposals	-	(1,263)
Balance at 31 December	21,073	20,512

In 2015, the IFRC sold 2,865 units in the bond fund that had been acquired at a weigthed average cost of CHF 3,288k, realising a cumulative gain on disposal of CHF 109k (2016: Nil).

In 2015, the IFRC sold 34,258 units in the equity fund that had been acquired at a weighted average cost of CHF 1,262k, realising a cumulative gain on disposals of CHF 188k (2016: Nil).

Financial assets are all denominated in Swiss Francs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

13. Receivables

	2016 CHF 000s	2015 CHF 000s
Accounts receivable		
Voluntary contributions	75,782	80,934
Provision for doubtful voluntary contributions receivable	(207)	(546)
	75,575	80,388
National Societies	29,722	33,661
Provision for National Societies accounts receivable	(1,302)	(1,588)
	28,420	32,073
Statutory contributions	29,669	26,598
Provision for unpaid statutory contributions	(29,669)	(26,598)
	-	-
Other accounts receivable	1,466	2,437
Provision for other accounts receivable	(224)	-
	1,242	2,437
Total accounts receivable, net	105,237	114,898
Provision for other accounts receivable		
Advances to employees	696	919
Taxes refundable	1,403	909
Sundry receivables	2,032	2,100
Fair value of cash flow hedges	34	-
Total other receivables	4,165	3,928
Total Receivables	109,402	118,826
Current receivables	99,581	106,506
Non-current receivables - voluntary contributions	9,821	12,320
	109,402	118,826

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

In 2016, CHF 2,480 of statutory contributions arrears due from National Societies in default (2015: CHF Nil) and CHF 1,150k due from the American Red Cross Society (2015: CHF 1,150k), which had not been previously recognised in the Consolidated Statement of Comprehensive Income, were received, and have therefore been recognised in the 2016 Consolidated Statement of Comprehensive Income.

CHF 22,639k (2015: CHF 22,292k) of the CHF 29,669k (2015: CHF 26,598k) statutory contributions which are entirely provided for, have not yet been recognised in the Consolidated Statement of Comprehensive Income (see note 35C).

The ageing of receivables before provisions and totalling CHF 140,804k (2015: CHF 147,558k), is as follows:

	2016 CHF 000s	2015 CHF 000s
Not past due	87,939	102,386
Past due 1-60 days	6,565	10,232
Past due 61-90 days	2,026	1,691
Past due more than 90 days	44,274	33,249
	140,804	147,558

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Movements of the provisions for impaired receivables are as follows:

	Provision for voluntary contributions receivable CHF 000s	Provision for national societies accounts receivable CHF 000s	Provision for unpaid statutory contributions CHF 000s	Provision for other accounts receivable CHF 000s	TOTAL CHF 000s
2016					
Balance at 1 January	546	1,588	26,598	-	28,732
Receivables written off during the year	(35)	(257)	-	-	(292)
Unused amounts reversed	(503)	(252)	(3,630)	-	(4,385)
Additional provisions	199	223	6,701	224	7,347
Balance at 31 December	207	1,302	29,669	224	31,402
2015					
Balance at 1 January	663	1,739	25,006	-	27,408
Receivables written off during the year	(34)	-	-	-	(34)
Unused amounts reversed	(629)	(766)	(3,163)	-	(4,558)
Additional provisions	546	615	4,755	-	5,916
Balance at 31 December	546	1,588	26,598	-	28,732

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

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

	2016 CHF 000s	2015 CHF 000s
Receivables		(restated)
National Societies	53,297	66,168
Governments	26,217	25,335
Corporation	1,287	1,964
Multi-lateral agency	23,641	19,847
Others	4,960	5,512
	109,402	118,826

Receivables before provisions are denominated in the following currencies:

	2016 CHF 000s	2015 CHF 000s
Currency		
Swiss Franc	54,286	51,980
United States Dollar	32,257	31,616
Euro	35,128	36,968
Canadian Dollar	6,149	4,806
Swedish Kroner	2,402	2,747
Other currencies	10,582	19,441
	140,804	147,558

14. Prepayments and accrued income

	2016 CHF 000s	2015 CHF 000s
Prepayments	2,068	3,472
Advance payments to contractors	167	47
Accrued services income	10,331	11,199
	12,566	14,718

15. Inventories, net

	2016 CHF 000s	2015 CHF 000s
Prepositioned relief items	985	1,800
	985	1,800

The cost of inventories recognised as expense and included in operating expenditure comprises:

	2016 CHF 000s	2015 CHF 000s
Prepositioned stock	985	1,481
Other inventories	-	188
	985	1,669

16. Property, vehicles and equipment

	Property CHF 000s	Vehicles CHF 000s	Other equipment CHF 000s	2016 Total CHF 000s	2015 Total CHF 000s
Cost or valuation					
Balance at 1 January	6,085	37,684	5,346	49,115	49,692
Additions	5,408	4,798	61	10,267	9,104
Disposals and write offs	(1,804)	(9,635)	(736)	(12,175)	(9,681)
Balance at 31 December	9,689	32,847	4,671	47,207	49,115
Accumulated depreciation and value adjustments					
Balance at 1 January	(2,392)	(14,007)	(4,667)	(21,066)	(21,327)
Impairment losses	-	-	-	-	(585)
Depreciation charge for the year	(97)	(4,001)	(210)	(4,308)	(5,729)
Disposals	1,804	5,876	724	8,404	6,575
Balance at 31 December	(685)	(12,132)	(4,153)	(16,970)	(21,066)
Net book value at 31 December	9,004	20,715	518	30,237	28,049
Net book value at 1 January	3,693	23,677	679	28,049	28,365

Included within Property figures above is CHF 8,978 (2015: CHF 3,570k) related to work in progress for the construction of a new IFRC office building at the Geneva headquarters (see notes 22 and 34). Other equipment primarily includes computer equipment, generators, rubhalls and office equipment. See note 27 for details of amounts included in the above which are subject to operating leases as lessor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

17. Intangible assets

	Computer software CHF 000s	Computer software under development CHF 000s	2016 Total Computer software CHF 000s	2015 Total Computer software CHF 000s
Cost or valuation				
Balance at 1 January	10,372	3,651	14,023	13,009
Additions	23	518	541	1,598
Transfers	325	(325)	-	-
Disposal and write offs	(546)	-	(546)	(584)
Balance at 31 December	10,174	3,844	14,018	14,023
Accumulated amortisation and value adjustments				
Balance at 1 January	(8,178)	(162)	(8,340)	(7,773)
Impairment losses	-	(2,808)	(2,808)	-
Amortisation charge for the year	(1,323)	-	(1,323)	(1,151)
Disposals	546	-	546	584
Balance at 31 December	(8,955)	(2,970)	(11,925)	(8,340)
Net book value at 31 December	1,219	874	2,093	5,683
Net book value at 1 January	2,194	3,489	5,683	5,236

18. Payables

	2016 CHF 000s	2015 CHF 000s
Accounts payable		
Suppliers	16,636	16,739
National Societies	3,476	4,602
Payroll taxes payable	1,000	945
Other	337	325
Total accounts payable	21,449	22,611
Accrued expenses	7,507	7,723
Total accrued expenses	7,507	7,723
Fair value of cash flow hedges	221	-
Total other payables	221	-
Total Payables	29,177	30,334

Payables are assessed as falling due within 3 months.

Payables are denominated in the following currencies:

	2016 CHF 000s	2015 CHF 000s
Currency		
Swiss Franc	18,280	20,615
United States Dollar	6,596	4,630
Euro	2,027	3,109
Philippine Peso	623	727
Kenyan Shilling	306	256
Other currencies	1,345	997
	29,177	30,334

19. Short-term employee benefits

	2016 CHF 000s	2015 CHF 000s
Staff vacation accrual	3,631	4,266
Accruals for other short-term benefits	139	137
	3,770	4,403

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

20. Provisions

	2016 CHF 000s	2015 CHF 000s
Current provisions		
Operations	25,142	29,420
Pledge and services deficits	3,368	2,965
Redundancy	1,635	204
	30,145	32,589

	Operations CHF 000s	Pledge and services deficits CHF 000s	Redundancy CHF 000s	2016 Total CHF 000s	2015 Total CHF 000s
Current provisions					
Balance at 1 January	29,420	2,965	204	32,589	23,203
Unused amounts reversed	-	(2,055)	-	(2,055)	(1,534)
Used during the year	(29,420)	(230)	(1,113)	(30,763)	(21,669)
Additional provisions	25,142	2,688	2,544	30,374	32,589
Balance at 31 December	25,142	3,368	1,635	30,145	32,589

All provisions are current, and the IFRC expects to incur the resultant liabilities within the next year.

The ultimate outflow of economic benefits arising from project deficits will be determined by the IFRC's ability to cover the unfunded project expenditure through fund-raising activities.

The operations provision includes the estimated costs of cash working advances with National Societies that have not been reported on by the reporting date, together with the estimated costs of other operational liabilities that have been incurred at the reporting date, the timing or amount of which is uncertain.

The pledge and services deficits provision includes:

- the estimated costs of covering expenditure on individual pledges and services where expenditure exceeds income recognised at the reporting date; and
- the unavoidable costs in 2015, of meeting the obligations under a contract, where these exceeded the expected economic benefits. This provision is no longer required in 2016, as the unavoidable costs were by covered by additional funding.

The redundancy provision includes the costs of known redundancies that were announced in 2016 and will be settled within the next twelve months (see note 8 a).

21. Deferred income and prepaid contributions

Current liabilities	2016 CHF 000s	2015 CHF 000s
Deferred income	34,425	34,464
Statutory contributions received in advance	1,479	118
Service income received in advance	4,716	10,872
	40,620	45,454

Non-current liabilities	2016 CHF 000s	2015 CHF 000s
Deferred income	5,910	527

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

22. Loan

On 30 May 2016, the IFRC and the Fondation des Immeubles pour les Organisations Internationales (FIPOI) entered into a loan agreement for a maximum of CHF 59,406k, at 0% interest, for the construction of a new IFRC office building at the Geneva headquarters. The loan agreement includes CHF 5,000k to finance the initial, pre-construction phase, related to an agreement signed with FIPOI on 8 October 2014, and CHF 54,406k to finance the construction. The loan is unsecured and it shall be repaid in equal annual instalments of CHF 1,188k, beginning on the 31 December of the year in which the IFRC fully accepts the building. Management expects to accept the building during 2018 and thereby to make the first repayment on 31 December 2018.

At 31 December 2016, CHF 16,000k (2015: CHF 5,000k) had been drawn down from FIPOI in relation to the agreement.

23. Post-employment defined benefit liability, net

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

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

	2016 CHF 000s	2015 CHF 000s
Present value of funded obligations	(264,223)	(266,233)
Fair value of plan assets	206,654	195,620
Liability per Consolidated Statement of Financial Position	(57,569)	(70,613)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Change in defined benefit obligation during the year:

	2016 CHF 000s	2015 CHF 000s
Defined benefit obligation 1 January	266,233	240,754
Net current service cost	17,564	15,929
Interest cost on Defined Benefit Obligation	2,071	2,689
Employee contributions	7,567	7,970
Net benefits paid	(18,275)	(13,836)
Loss due to experience	(4,085)	1,785
(Gain) due to demographic assumption changes	(3,688)	-
Loss due to financial assumption changes	2,972	10,856
Special termination benefits	212	86
Past service costs	(6,348)	-
Defined benefit obligation 31 December	264,223	266,233

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

	2016 CHF 000s	2015 CHF 000s
Defined Benefit Obligation for active members	167,166	174,093
Defined Benefit Obligation for inactive members	97,057	92,140
	264,223	266,233

Change in plan assets during the year:

	2016 CHF 000s	2015 CHF 000s
Fair value of plan assets at 1 January	195,620	188,026
Employer contributions (see below)	12,374	13,064
Employee contributions	7,567	7,970
Net benefits paid	(18,275)	(13,836)
Actual administration expenses paid	(585)	(575)
Interest income on plan assets	1,586	2,193
Return on plan assets excluding amounts included in interest income	8,155	(1,308)
One-off employer contribution to finance special termination benefits	212	86
Fair value of plan assets at 31 December	206,654	195,620

Reconciliation of net defined benefit / (liability):

	CHF 000s	CHF 000s
Net (liability) at 1 January	(70,613)	(52,728)
Total (charge) recognised in employee benefits operating expenditure	(12,498)	(17,086)
Total remeasurements recognised in other comprehensive (loss)	12,956	(13,949)
Employer contributions	12,374	13,064
One-off employer contribution to finance special termination benefits	212	86
Net (liability) at 31 December	(57,569)	(70,613)

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

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

	2016 CHF 000s	2015 CHF 000s
Service cost	11,428	16,015
Net interest on the net defined benefit liability	485	496
Administration expenses	585	575
Total included in employee benefits expenditure	12,498	17,086

23(c) Details of approved plan changes

The IFRC is undergoing a restructuring programme and it is expected that a total of about forty members of the Pension Plan will be terminated in 2016 and 2017. Since this restructuring programme is expected to lead to a significant reduction in the Defined Benefit Obligation, curtailment accounting was performed at 31 December 2016. As a result, the curtailment resulted in a decrease in the Defined Benefit Obligation of CHF 6,348k, which is recognised as a credit in 2016 expense.

There were no plan amendments, or settlements as per IAS 19 during either the year ended 31 December 2016 or the year ended 31 December 2015.

23(d) Amounts in Other Comprehensive Income

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

	2016 CHF 000s	2015 CHF 000s
Defined benefit obligation (gain) due to changes in demographic assumptions	(3,688)	-
Defined benefit obligation loss due to changes in financial assumptions	2,972	10,856
Defined benefit obligation (gain)/loss due to experience	(4,085)	1,785
Return on plan assets excluding amounts included in interest income	(8,155)	1,308
Total included in Other Comprehensive Income that may never be reclassified to Profit and Loss	(12,956)	13,949

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

In line with the decline in the interest rate on Swiss corporate bonds, the discount rate was reduced from 0.8% in 2015 to 0.6% in 2016, resulting in a defined benefit obligation loss of CHF 8,772k (2015:CHF 14,995k). Changes to other financial assumptions generated defined benefit obligation gains totalling CHF 5,800k (2015:CHF 4,139k).

In 2016, changes in demographic assumptions led to a net liability gain of CHF 3,688k. Taken together with CHF 4,085k experience gains on liabilities and the actuarial gains/losses on financial assumption led to an overall actuarial gain of CHF 4,801k.

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

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

23(e) Significant assumptions

The significant actuarial assumptions used were as follows:

The significant actuarial assumptions used were as follows:

	2016	2015
Discount rate	0.60%	0.80%
Underlying consumer price inflation	1.00%	1.00%
Rate of future compensation increases	1.25%	1.25%
Rate of pension increases	0.00%	0.20%
Interest rate credited to account balances	2.00%	2.00%
Increase in maximum lump sum death benefit	1.00%	1.00%

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

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

Impact on the defined benefit obligation	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 7.9% CHF 21,073k	Increase by 9.0% CHF 24,173k
Interest rate credited to account balances	0.50%	Increase by 1.8% CHF 4,894k	Decrease by 1.7% CHF 4,632k
Change life expectancy at retirement age	1 year	Increase by 3.1% CHF 8,200k	Decrease by 3.1% CHF 8,303k

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

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

23(f) Asset-liability matching

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

23(g) Plan assets

At 31 December 2016, the fair value of plan assets was CHF 206,654k (2015: CHF 195,620k).

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

	2016 Proportion	2016 Of which quoted in an active market	2015 Proportion	2015 Of which quoted in an active market
Cash and cash equivalents	7.0%		14.2%	
Equity securities	40.1%	40.1%	40.3%	40.3%
Debt securities	29.5%	29.5%	27.0%	27.0%
Real estate	19.7%	3.5%	17.3%	3.1%
Other	3.7%		1.2%	
Total	100.0%		100.0%	

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

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

23(h) Funding obligations, including Swiss legal requirements

According to the plan rules, the IFRC must make contributions of 16% (2015: 16%) of contributory salary for the Base Pension Plan and 5% (2015: 5%) of contributory salary for the Supplemental Pension Plan, for each covered participant. In the event that the IFRC pension plan becomes underfunded according to the requirements of Swiss law, the IFRC could be requested to make additional contributions. Whilst it is possible that the IFRC makes contributions in excess of the amounts specified in the plan rules, the IFRC usually only makes contributions as per the plan rules and management does not anticipate making additional contributions within the foreseeable future.

As explained in note 34P, pension obligations are covered by independent pension plans' assets which are held in a single, separate legal foundation that is governed by Swiss law. According to the latest actuarial calculations, in accordance with Swiss law, the pension obligations were 111.8% funded at 31 December 2016 and 114.8% funded at 31 December 2014. Under Swiss law the primary responsibility for ensuring that the independent pension plans' assets are sufficient to meet pension obligations as they fall due, rests with the Pension Fund Board, without legal recourse to the IFRC as employer, to improve any underfunding situation. Accordingly, pursuant to Swiss law, the IFRC had no further financial obligations to the independent pension plans' foundation at either 31 December 2016 or 31 December 2015.

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

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

The expected value of employer contributions to be paid in 2017 is CHF 12,155k.

The weighted average duration of the DBO at the end of the current financial year is 16.9 years.

24. Restricted reserves

Funds held for operations

	2016 CHF 000s	2015 CHF 000s
Operations with temporary deficit financing	(6,214)	(6,367)
Temporarily unfunded defined benefit pension obligations recognised in Other Comprehensive Income	(16,505)	(21,594)
Donor-restricted contributions	191,765	217,273
	169,046	189,312

Operations are considered as having a deficit financing as soon as the contributions pledged do not cover the expenditure incurred.

As explained in note 2(c), in these consolidated financial statements, an analysis of expenditure is presented based on the function for which the expense is incurred. This expenditure analysis includes amounts relating to pension obligations calculated in accordance with IFRS. As explained in note 23(h), the primary responsibility for ensuring that the independent pension plans' assets are sufficient to meet pension obligations as they fall due, rests with the Pension Fund Board, without legal recourse to the IFRC as employer, to improve any underfunding situation. As IFRC had no further financial obligations to the independent pension plans' foundation at either 31 December 2016 or 31 December 2015 these amounts, included within Other Comprehensive Income, are temporary and disclosed separately.

In 2016, a total of CHF 2,433k (2015: CHF 2,175k) was reimbursed to donors in respect of voluntary contributions received in previous years. These reimbursements have been recorded under other costs and allocations and not as a reduction of income.

In the 2016-2020 General Assembly approved plan and budget, it was agreed that the Regular Resources (Unrestricted) budget of the IFRC shall include cost recovery income and associated expenditure for vehicle fleet management and logistics services. As the Unrestricted Reserves shall bear the risks of Logistics and Fleet cost recovery going forward, the balance of CHF 3,820k for Logistics and CHF 3,124k for Fleet has been reclassified to unrestricted reserves from Donor-restricted contributions at 31 December 2015.

25. Designated reserves

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

2015	Self insurance CHF 000s	Statutory meetings CHF 000s	Specific projects CHF 000s	2015 Total CHF 000s
Balance at 1 January	1,571	1,230	-	2,801
Unused amounts reversed	-	(610)	-	(610)
Used during the year	(156)	(519)	-	(675)
Allocations during the year	229	-	-	229
Balance at 31 December	1,644	101	-	1,745

26. Financial risk management

26(a) Financial risk factors

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

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

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

(i) Market risk

Foreign exchange risk

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

At 31 December 2016, if the Swiss Franc had strengthened by 5% against the aforementioned currencies, with all other variables held constant, the net deficit result would have decreased and total comprehensive loss for the year would have decreased by CHF 3,711k (2015: CHF 3,927k decrease in net deficit result and total comprehensive loss), as a result primarily of foreign exchange gains on translation of pledges receivable balances and bank balances held mostly in Euros and US Dollars. An equal change in the opposite direction would have increased the net deficit result and increased the total comprehensive loss for the year by CHF 3,711k (2015: CHF 3,927k increase in net deficit result and total comprehensive loss).

In 2016, in order to hedge the foreign exchange risk of receiving statutory contributions amounting to CHF 3,893k in Euros and CHF 6,935k in US Dollars, the IFRC entered into foreign currency futures contracts with final maturities of 31 March 2017. At 31 December 2016, the futures contracts had a net negative fair value of CHF 187k that is included in Other Comprehensive Income. There was no ineffectiveness to be recorded from the foreign currency futures. The IFRC had no hedge instruments in 2015.

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

The equity investments are held in a global equity trust fund that is not listed. This equity trust fund invests in actively traded equity securities to mirror the listed MSCI World Index. For such equity investments classified at fair value through profit and loss, a 5% increase in the MSCI World Index at the reporting date would have increased the global equity funds investment, increased the net surplus result and increased total comprehensive income for the year by CHF 1,250k (2015: CHF 1,141k reduction in net deficit and increase in total comprehensive income). An equal change in the opposite direction would have decreased the global equity funds investment and decreased the net surplus result and total comprehensive income for the year by CHF 1,250k (2015: CHF 1,141k increase in net deficit and reduction in total comprehensive income).

The global bond fund investment classified at fair value through profit or loss is held in a listed fund that is indexed to the Citigroup World Government Bonds Index. A 5% increase in this Index at the reporting date would have increased the global bond fund investment, increased the net surplus result and increased total comprehensive income for the year by CHF 2,879k (2015: CHF 2,853k) reduction in net deficit and increase in total comprehensive income). An equal change in the opposite direction would have decreased the global bond fund investment, decreased the net surplus result, and decreased total comprehensive income for the year by CHF 2,879k (2015: CHF 2,853k increase in net deficit and reduction in total comprehensive income).

There was no exposure to commodities price risk at either 31 December 2016 or 31 December 2015.

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

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

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

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

The IFRC maintains banking relationships with certain unrated financial institutions where rated financial institutions are not operational. The value of assets held with such institutions at 31 December 2016 was CHF 1,816k (2015: CHF 2,623k). (see note 10.)

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

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

Liquidity risk is minimised by maintaining sufficient funds as cash in hand, on-demand bank deposits or short-term bank deposits with original maturities of three months or less, to meet short-term liabilities. In addition, investments are all in liquid securities which can easily be sold to meet longer term cash flow needs, and no significant contractual payments are due on financial investments, including financial assets at fair value through profit or loss, short-term and long-term investments.

(iv) Fair value hierarchy

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

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

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

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

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

Transfers between levels of the fair value hierarchy are recognised at the date of the event or change in circumstances that caused the transfer. There were no transfers between levels during the year ended 31 December 2016 (2015: Nil).

At 31 December 2016 and 2015, financial assets are carried at fair value through profit or loss. The global bond funds are classified at Level 1. The global equity funds are classified at Level 2 as they are not themselves listed, but are held in a managed investment fund which is managed to mirror the listed MSCI World Index. For the purpose of measuring the change in fair values to be recognised in Other Comprehensive Income, the foreign currency futures contracts are classifed at Level 2, as prices are provided by the bank based on observable market prices.

26(b) Capital risk management

By its very nature, the IFRC does not have capital as defined by IFRS. Unrestricted reserves may be considered to have similar characteristics to those of capital, the intention of which is to maintain a sound financial position to ensure that the organisation is able to continue its operations and thereby fulfill its mission. The unrestricted reserves are available to mitigate a broad range of financial risks including working capital, non-current receivables and settlement of non-current liabilities. The governing bodies' policy is to maintain a strong level of reserves so as to maintain stakeholder and donor confidence. The balance of the unrestricted reserve at 31 December 2016 was CHF 52,088k (2015: CHF 46,877k). The unrestricted reserves are not subject to any externally imposed capital requirement. As further explained in Note 34T, the IFRC holds restricted reserves that are subject to the earmarking requirements of donors.

27. Leases

27(a) Operating leases as lessee

Cancellable operating leases

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

During the current year CHF 16,495k (2015: CHF 20,695k) were recognised as operating lease rental expense in the Consolidated Statement of Comprehensive Income, as follows:

	2016 CHF 000s	2015 CHF 000s
Land, buildings and equipment	14,441	13,787
Means of transport	2,054	6,908
	16,495	20,695

Non-cancellable operating lease

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

	2016 CHF 000s	2015 CHF 000s
Amounts falling due within one year	227	227
Amounts falling due in 2 to 5 years	908	908
Amounts falling due after more than five years	5,906	6,133
	7,041	7,268

27(b) Operating leases as lessor

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

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

	2016 CHF 000s	2015 CHF 000s
Rental of vehicles to third parties	7,577	9,904
Sub-leases of accommodation to staff	133	104
	7,710	10,008

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

	2016 CHF 000s	2015 CHF 000s
Gross carrying amount	12,373	14,897
Accumulated depreciation	(4,563)	(5,371)
Net book value	7,810	9,526

28. Capital commitments

Capital expenditure contracted for at 31 December 2016, but not yet incurred, amounted to CHF 17,460k (2015: CHF 2,936k), of which CHF 16,463k (2015: 2,475k) related to the construction of the new IFRC headquarters in Geneva (see note 22).

29. Contingencies

29(a) Contingent assets

In December 2016, the IFRC entered into an agreement with the Bloomberg Family Foundation Inc. to promote sustainable reductions in road traffic injuries and deaths by strengthening the capacity of road polive, civil society and government agencies. Under the trems of the agreement, the IFRC is due to receive USD 7,818k (CHF 8,053k at 31 December 2016 exchange rate) over a two year period from 1 January 2017 to 31 December 2018. At the end of 2016, CHF 4,026k was identified as being contingent upon performance (2015: CHF Nil). Accordingly, this amount is considered a contingent asset and has not been recognised as a receivable or as income in these consolidated financial statements.

In December 2016, the IFRC entered into an agreement with Michael R. Bloomberg to strengthen road safety through advocacy for passage of stronger policies. Under the trems of the agreement, the IFRC is due to receive USD 1,650k (CHF 1,700k at 31 December 2016 exchange rate) over a two year period from 1 January 2017 to 31 December 2018. At the end of 2016, CHF 850k was identified as being contingent upon performance (2015 CHF: Nil). Accordingly, this amount is considered a contingent asset and has not been recognised as a receivable or as income in these consolidated financial statements.

In August 2015, the IFRC entered into an agreement with United Nations Development Programme (UNDP) to reintegrate Red Cross Red Crescent burial team volunteers, involved in the response to Ebola in West Africa, into their respective communities. Under the terms of the agreement, the IFRC is due to receive funding amounting to USD 1,846k (equivalent to CHF 1,907k at 31 December 2016 exchange rate) during an eleven month period from August 2015 to June 2016. At the end of 2016, CHF 532k was identified within the agreement as being conditional upon performance (2015:). Accordingly, this amount is considered a contingent asset and has not been recognised as a receivable or as income in these consolidated financial statements.

In October 2014, the IFRC entered into a three year project cooperation agreement with The Canadian Red Cross Society to reduce the vulnerability to natural disasters, of vulnerable communities, in South East Asia. Under the terms of the agreement, the IFRC is due to receive funding amounting to CAD 5,380k (equivalent to CHF 4,089k at 31 December 2016 exchange rate). The amount outstanding and conditional upon performance at the end of 2016 was CAD 850k (equivalent to CHF 646k at 31 December 2016 exchange rate) (2015: CAD 1,601k equivalent to CHF 1,137k at 31 December 2015 exchange rate). Accordingly, this amount is considered a contingent asset and has not been recognised as a receivable or income in these consolidated financial statements.

In October 2014, the IFRC entered into a five year agreement with Nestlé SA. Under the terms of the signed grant agreement, the IFRC is due to receive CHF 5,000k over a five year period. At the end of 2016, CHF 1,250k of this funding is identified within the agreement as being conditional upon performance (2015: CHF 2,250k). Accordingly, this amount is considered a contingent asset and has not been recognised as a receivable or as income in these consolidated financial statements.

One other agreement was entered into in 2014 which resulted in a contingent asset in 2016 and 2015. For legal reasons, the IFRC has not disclosed all the related information as required by IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

In May 2013, the IFRC entered into an agreement with The World Bank Group to undertake community based risk management in Nepal. Under the terms of the agreement, the IFRC is due to receive funding amounting to USD 600k (equivalent to CHF 535k at 31 December 2013 exchange rate) in a series of tranches. All tranches subsequent to the initial payment at contract signature, are conditional upon receipt and acceptance of reports by The World Bank Group. The amount outstanding and conditional on performance at the end of 2016 was USD 90k (equivalent to CHF 93k at 31 December 2016 exchange rate) (2015: CHF 208k). Accordingly, this amount is considered a contingent asset and has not been recognised as a receivable or as income in these consolidated financial statements.

In January 2013, the IFRC entered into a five year partnership agreement with Zurich Insurance Company Ltd and Z Zurich Foundation. Under the terms of the signed Memorandum of Understanding between the parties, the IFRC is due to receive grant funding amounting to CHF 21,000k over a five year period. During 2015, the total amount of grant funding was reduced to CHF 14,850k. At the end of 2016, CHF 3,350k was identified as being conditional upon progress against shared objectives and the availability of suitable community projects (2015: CHF 6,600k). Accordingly, this amount is considered a contingent asset and has not been recognised as a receivable or as income in these consolidated financial statements.

29(b) Contingent liabilities

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

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

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

30. Related parties

30(a) Identity of related parties

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

Other parties related to the IFRC include the Masambo Fund with the Secretary General and other senior managers sitting on its governing board; representatives comprising the Standing Commission; individual members of the Governing Board, Finance Commission, Audit and Risk Commission together with close members of their families or households; key management personnel; and both of the IFRC's retirement plans which are independent funds that constitute separate legal entities.

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

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

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

National Societies are not parties related to the IFRC.

30(b) Key management compensation

The salaries and benefits of the Secretary General, Under Secretaries General and Regional Directors of the IFRC are set by the Governing Board. Their total benefits amounted to CHF 2,859k (2015: CHF 2,612k), comprised as follows:

	2016 CHF 000s	2015 CHF 000s
Short-term employee benefits	2,376	2,173
Post-employment benefits	483	439
	2,859	2,612

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

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

30(c) Transactions with related parties

Details of pension related transactions between the IFRC and its pension plans are provided in note 23. During the year, the IFRC recognised service income of CHF 344k (2015: CHF 401k) relating to supplementary services provided to the pension fund. At 31 December 2016, the IFRC had an outstanding receivable due from the pension fund amounting to CHF 87k (2015: CHF 202k).

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

During the year, the IFRC received CHF 1,627k (2015 CHF: 1,568k) cash voluntary contribution income from the IFRC at the UN Inc.

During the year, the IFRC transferred CHF 200k (2015: CHF 200k) to the Standing Commission as a contribution towards the operational costs of the Standing Commission for the year. The IFRC also recognised service income of CHF 188k (2015: CHF 225k) relating to supplementary services provided to the Standing Commission. At 31 December 2016, the IFRC had an outstanding receivable due from the Standing Commission amounting to CHF 19k (2015: CHF Nil).

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

31. Performance against budget

2016	Budget (unaudited) CHF 000s	Actuals CHF 000s	Actuals on a comparable basis CHF 000s	Performance Variance (unaudited) CHF 000s
OPERATING INCOME				
Voluntary contributions, net	417,000	248,012	244,900	(172,100)
Services income	45,000	53,705	53,700	8,700
Statutory contributions	36,500	35,119	33,400	(3,100)
Other income	500	2,629	6,000	5,500
Total OPERATING INCOME	499,000	339,465	338,000	(161,000)
OPERATING EXPENDITURE				
Regular resources	105,000	56,836	50,600	(54,400)
Other resources	357,000	255,774	248,700	(108,300)
Supplementary services	38,000	56,084	53,000	15,000
Total OPERATING EXPENDITURE	500,000	368,694	352,300	(147,700)
NET (DEFICIT) FROM OPERATING ACTIVITIES	(1,000)	(29,229)	(14,300)	(13,300)
FINANCE INCOME/(EXPENSE)				
Finance income	1,000	3,275	-	(1,000)
Finance expense	-	(1,261)	-	-
NET FINANCE INCOME/(EXPENSE)	1,000	2,014	-	(1,000)
NET (DEFICIT) FOR THE YEAR	-	(27,215)	(14,300)	(14,300)

2015	Budget (unaudited) CHF 000s	Actuals CHF 000s	Actuals on a comparable basis CHF 000s	Performance Variance (unaudited) CHF 000s
OPERATING INCOME				
Voluntary contributions, net	281,000	330,872	323,782	42,782
Services income	38,000	56,500	56,627	18,627
Statutory contributions	36,500	35,091	34,898	(1,602)
Other income	600	2,727	3,124	2,524
Total OPERATING INCOME	356,100	425,190	418,431	62,331
OPERATING EXPENDITURE				
Regular resources	42,400	38,273	36,248	(6,152)
Other resources	277,000	341,344	336,270	59,270
Supplementary services	38,000	54,914	55,974	17,974
Total OPERATING EXPENDITURE	357,400	434,531	428,492	71,092
NET (DEFICIT) FROM OPERATING ACTIVITIES	(1,300)	(9,341)	(10,061)	(8,761)
FINANCE INCOME/(EXPENSE)				
Finance income	1,300	3,443	2,795	1,495
Finance expense	-	(7,461)	2	2
NET FINANCE INCOME/(EXPENSE)	1,300	(4,018)	2,797	1,497
NET (DEFICIT) FOR THE YEAR	-	(13,359)	(7,264)	(7,264)

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

32. Expenditure by Results against budget (unaudited)

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

33. Expenditure by Structure against budget (unaudited)

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

Budgets in the tables above refer to the budget approved by the General Assembly pursuant to Plan and Budget 2016 – 2020, which informs the new presentation for consolidated income and expenditure by results and structure. As this format is applicable starting 2016, the 2015 information is not detailed. (refer to Note 2 (c) - Presentational format of the Consolidated Statement of Comprehensive Income). Income and expenditure as reported under notes 31 to 33 are not audited and are presented for information purposes.

34. Subsequent events

On 12 January 2017, the IFRC signed a grant agreement with the Global Fund to Fights AIDS, Tuberculosis and Malaria (Global Fund) to reduce malaria morbidity and mortality in the Central African Republic. Under the agreement Global Fund commits grant funds up to EUR 17,961k (equivalent to CHF 19,254k at 31 December 2016 exchange rate) for use during the period 1 July 2016 to 31 December 2017. The grant agreement covers expenses incurred by the IFRC prior to the agreement signing date, accordingly, Service income recognised in 2016 includes CHF 4,587k earned for the provision of services under this agreement during the period 1 July 2016 to 31 December 2017.

On 17 January 2017, the IFRC signed a grant agreement with the Global Fund to contribute to reducing tuberculosis morbidity and mortality, tuberculosis/human immunodeficiency virus (TB/HIV) co-infection and multi-drug resistant (MDR) TB in the Central African Republic. Under the agreement, Global Fund commits grant funds up to EUR 17,836,443 (equivalent to CHF 19,121k at 31 December 16 exchange rate) for use during the period 1 October 2016 to 31 December 2017. The grant agreement covers expenses incurred by the IFRC prior to the agreement signing date, accordingly, Service income recognised in 2016 includes CHF 672k earned for the provision of services under this agreement during the period 1 July 2016 to 31 December 2017.

On 8 December 2016, the IFRC signed a legal status agreement and a supplementary agreement with the Government of Hungary, under the terms of which, together with the Government of Hungary, the IFRC will establish and operate a new office premises for the IFRC’s Europe Regional Office and new Global Services Centre in Budapest. Under the terms of these agreements, the Government of Hungary shall provide the IFRC with office premises for a period of fifteen years free of charge. This arrangement is renewable and the IFRC expects to move into the new premises in April 2017.

On 3 January 2017, as part of its restructuring programme the IFRC confirmed a decision to restructure its Logistics Department. The IFRC estimates the cost of resultant redundancies to be CHF 569k and this would be recognised in 2017 consolidated financial statements.

35. Changes in accounting policies

The accounting policies adopted in preparing these consolidated financial statements are consistent with those of the previous financial year.

36. Significant accounting policies

The IFRC has consistently applied the following accounting policies in preparing these consolidated financial statements.

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

A. Basis of Consolidation

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

The Foundation for the International Federation of Red Cross and Red Crescent Societies (the Foundation) is a special Foundation, which the IFRC controls. Although the IFRC does not control more than half of the voting power of the Foundation, the IFRC controls the Foundation by virtue of having 100% interest in the net assets of the Foundation. The Foundation was established to support the objectives of the IFRC, by providing the necessary institutional framework for international revenue projects undertaken by, and to the benefit of, the IFRC and its member Red Cross and Red Crescent National Societies. The assessment of whether the IFRC controls the Foundation includes an examination of all facts and circumstances.

The IFRC consolidates its interest in the Foundation by combining the financial statements of the IFRC and the Foundation line-by-line adding together like items of assets, liabilities, equity, income, expenses and cashflows. Inter-entity transactions and balances are eliminated upon consolidation. The Foundation's accounting policies are consistent with those adopted by the IFRC.

(b) Joint arrangements
During the year ended 31 December 2016, the IFRC has interests in the following hosted programmes that are joint arrangements whose activities are in accordance with the IFRC's principal activities, as outlined above: Global Road Safety Partnership; Steering Committee Human Response; Stop AIDS Alliance. The assessment of the nature of the joint arrangement includes an assement by the IFRC of its rights and obligations by considering the structure and legal form of the arrangement, the contractual terms agreed to by the parties to the arrangement and other relevant facts and circumstances.

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

B. Foreign Currency Transactions

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

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

	Closing rate of exchange		**Average rate of exchange**	
	2016	**2015**	**2016**	**2015**
EUR	1.07	1.08	1.09	1.06
USD	1.03	0.99	0.99	0.96
GBP	1.26	1.47	1.33	1.47
CAD	0.76	0.71	0.75	0.75
SEK – (100s)	11.21	11.83	11.51	11.39

C. Income

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

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

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

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

(b) Voluntary contributions
Cash contributions are recognised when a written pledge has been received from the donor.

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

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

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

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

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

(c) Earmarking
Voluntary contributions are identified according to the level of earmarking (see also note 34S *Donor-restricted contributions*).

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

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

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

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

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

The majority of income from the provision of services is derived from services provided to National Societies under service agreements, including vehicles under lease, logistics services and in countries where National Societies are working bi-laterally with the local National Society, rather than multi-laterally with the IFRC and the local National Society. Income from these types of services is included under Services income in the Consolidated Statement of Comprehensive Income.

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

D. Expenditure

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

(a) Functional expenditure categories

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

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

i) Humanitarian response

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

ii) Thematic

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

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

Supplementary services activities comprise:

i) Administrative services

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

ii) Logistics services

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

iii) Fleet services

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

iv) Contracted services

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

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

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

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

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

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

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

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

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

E. Leases

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

(a) Finance leases
The IFRC has no interest in finance leases, as either lessor or lessee.

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

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

F. Taxes

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

G. Finance income and expense

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

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

H. Hedging

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

The IFRC uses a cash flow model for hedge accounting purpose, measures the financial instrument at fair value at reporting date, and recognises the effective portion of the changes in fair value as Other Comprehensive Income that would be reclassified to Profit and Loss.

I. Cash and cash equivalents

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

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

J. Financial assets

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

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

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

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

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

K. Receivables

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

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

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

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

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

L. Inventories

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

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

M. Property, vehicles and equipment

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

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

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

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

When the carrying amount of an asset is greater than its estimated recoverable amount, the asset is immediately written down to its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with net carrying amounts, and are recognised in the Consolidated Statement of Comprehensive Income.

Repairs and maintenance costs are recognised in the Consolidated Statement of Comprehensive Income during the financial period in which they are incurred.

Subsequent expenditure is capitalised only when probable future economic benefits will flow to the IFRC and the cost can be measured reliably.

N. Intangible assets

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring the specific software into use.

Amortisation is calculated on the straight-line method to write off assets to their estimated residual values over their estimated useful lives of 3 years.

Costs associated with maintaining software are recognised in the Consolidated Statement of Comprehensive Income during the financial period in which they are incurred.

O. Impairment

In order to determine whether there is any indication of impairment, the carrying amounts of the IFRC's assets, other than financial assets at fair value through profit or loss (see note 36J) and inventories (see note 36L), are reviewed at each period end date, or earlier, if events, or changes in circumstances, indicate that the carrying amount may not be recoverable.

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

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

P. Payables

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

Q. Employee benefit costs

(a) Post-employment benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

R. Provisions

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

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

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

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

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

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

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

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

S. Financial liabilities

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

Geneva plays host to a number of international organisations and it is common practice that such organisations, including the IFRC, have access to interest free loans from the Swiss Government for the purpose of financing building improvements. The market rate of interest for such loans is 0%; consequently, the amortised cost of such a financial liability is equal to the actual cost of the financial liability as recorded in IFRC accounts.

T. Reserves

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

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

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

(b) Unrestricted reserves
Unrestricted reserves are not subject to any legal or third party restriction and can be used as the IFRC sees fit.

Unrestricted reserves may be designated by the IFRC for specific purposes, to meet future obligations or mitigate specific risks. Designated reserves include the following:

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

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

Specific projects
As explained in note 36D, in keeping with the IFRC's principle of full cost recovery, the direct costs of programmes and services are subject to 6.5% indirect cost recovery to fund the costs of providing indirect support services, essential to the success of operations. Such indirect support services include management and leadership, information and communication technology and professional and services functions in the areas of programme quality, reporting, resource mobilisation, finance, information technology and human resources. In the event that there is an operation with expenditure in excess of CHF 50,000k and the total amount charged for a given year exceeds the total amount incurred, the excess is allocated to projects according to a Governing Board decision. Pending the Governing Board decision, the excess is allocated to a designated reserve. As there were no operations with expenditure in excess of CHF 50,000k during either 2015 or 2014, and the total amount of indirect cost recovery charged during each year was less than the total incurred, the balance on this designated reserve was CHF Nil throughout both years.

37. New Standards, Amendments and Interpretations

The following new and revised 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. Their impact on the consolidated financial statements of the IFRC has not yet been systematically analysed; however, a preliminary assessment has been conducted by IFRC's management, and the expected impact of each Standard, Amendment and Interpretation is presented below.

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

Standard / Amendment / Interpretation	Effective date	IFRC planned application	Anticipated impact
IFRS 15 Revenue from Contracts with Customers	1 January 2018	Reporting year 2018	See below
IFRS 16 Leases	1 January 2019	Reporting year 2019	See below
IFRS 9 Financial instruments	1 January 2018	Reporting year 2018	Not material
Disclosure Initiative (Amendments to IAS 7)	1 January 2017	Reporting year 2017	Not material
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	Reporting year 2018	Not material

If IFRS 15 Revenue from Contracts with Customers had been adopted with effect from 1 January 2016, revenue recognition of income from the provisions of services, amounting to CHF 53,705k (2015: CHF 56,500k) (see note 6), may have been accelerated or deferred in comparison with current requirements. It is not practicable to reasonably estimate further the possible impact of the new IFRS on these consolidated financial statements.

The IFRC is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16 Leases.

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

Standard / Amendment / Interpretation	Effective date
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	To be determined
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2018