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 2019

KPMG SA
Geneva, 30 April 2020
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Independent Auditor's Report to the President of the IFRC on the Consolidated Financial Statements

International Federation of Red Cross and Red Crescent Societies, Geneva

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Report on the Audit of the Consolidated Financial Statements

Opinion
As independent auditor, we have audited the accompanying consolidated financial statements of the International Federation of Red Cross and Red Crescent Societies ("the Federation"), which comprise the consolidated statement of comprehensive income, the consolidated statements of financial position, changes in reserves and cash flows and notes for the year ended 31 December 2019.

In our opinion, the consolidated financial statements for the year ended 31 December 2019 give a true and fair view of the consolidated financial position of the Federation, its consolidated results of operations and its consolidated cash flows in accordance with International Financial Reporting Standards (IFRS).

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

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

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

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

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

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

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

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

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

KPMG SA

Hélène Béguin
Licensed Audit Expert

Karina Vartanova
Licensed Audit Expert

Geneva, 30 April 2020

Enclosure:

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER

	Note	Restricted 2019 CHF 000s	Unrestricted 2019 CHF 000s	Total 2019 CHF 000s	Total 2018 CHF 000s
OPERATING INCOME					
Statutory contributions		-	35,567	35,567	35,426
Voluntary contributions	6	150,572	43	150,615	113,314
Donations	6	110,958	31,785	142,743	146,430
Services income	7	31,425	227	31,652	29,842
Other income	8	1,897	1,012	2,909	2,678
Total OPERATING INCOME		294,852	68,634	363,486	327,690
OPERATING EXPENDITURE					
Humanitarian response		131,461	-	131,461	129,397
Thematic		110,703	-	110,703	119,130
Other resources (Programmes)	9	242,164	-	242,164	248,527
Supplementary services	9	29,107	-	29,107	30,507
Regular resources	9	-	63,860	63,860	68,360
Total OPERATING EXPENDITURE		271,271	63,860	335,131	347,394
NET SURPLUS / (DEFICIT) FROM OPERATING ACTIVITIES		23,581	4,774	28,355	(19,704)
FINANCE INCOME AND EXPENSE					
Finance income	10	-	7,128	7,128	2,101
Finance expense	10	(3,245)	(1,014)	(4,259)	(9,206)
NET FINANCE INCOME / (EXPENSE)		(3,245)	6,114	2,869	(7,105)
NET SURPLUS / (DEFICIT) FOR THE YEAR		20,336	10,888	31,224	(26,809)
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to income or expenditure					
Actuarial (losses) on defined benefit plans	24	(3,129)	(4,895)	(8,024)	(5,782)
Items that are or may be reclassified subsequently to income or expenditure					
Cash flow hedge - effective portion of changes to fair value	11	-	(29)	(29)	67
Cash flow hedge - amount reclassified during the year	11	-	(67)	(67)	36
Total OTHER COMPREHENSIVE INCOME FOR THE YEAR		(3,129)	(4,991)	(8,120)	(5,679)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		17,207	5,897	23,104	(32,488)
Attributable to:					
Restricted reserves	25	17,207	-	17,207	(22,980)
Unrestricted reserves		-	5,897	5,897	(9,508)
		17,207	5,897	23,104	(32,488)

There were no discontinued operations during the year.

The notes on pages 8 to 50 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER

		2019	2018
ASSETS	**Note**	**CHF 000s**	**CHF 000s**
Current Assets			
Cash and cash equivalents		119,647	125,141
Cash and cash equivalents - ESSN Project	12	144,902	-
Total cash and cash equivalents	13	264,549	125,141
Investments	14	124,391	106,732
Receivables	15	143,566	129,333
Prepayments and contract assets	16	6,602	7,305
Inventories, net		1,202	1,148
Asset held for sale		412	1,028
Total Current Assets		540,722	370,687
Non-Current Assets			
Investments	14	35,000	15,000
Receivables	15	31,168	39,717
Property, vehicles and equipment	17	126,509	69,204
Intangible assets	18	2,469	911
Total Non-Current Assets		195,146	124,832
Total ASSETS		735,868	495,519
LIABILITIES AND RESERVES			
Current Liabilities			
Payables	19	29,728	38,215
Short-term employee benefits	20	4,472	4,483
Provisions	21	41,195	32,001
Receipt in advance - ESSN Project	12	144,902	-
Deferred income and contract liabilities	22	107,339	96,296
Loans and borrowings	23	3,169	1,415
Total Current Liabilities		330,805	172,410
Non-Current Liabilities			
Deferred income	22	50,709	7,552
Loans and borrowings	23	66,245	60,371
Post-employment defined benefit liability, net	24	57,470	47,658
Total Non-Current Liabilities		174,424	115,581
Total LIABILITIES		505,229	287,991
Reserves			
Restricted reserves	25	170,487	153,378
Unrestricted reserves		58,267	51,220
Designated reserves	26	1,885	2,930
Total RESERVES		230,639	207,528
Total LIABILITIES and RESERVES		735,868	495,519

The notes on pages 8 to 50 are an integral part of these consolidated financial statements.

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

2019	Notes	Restricted CHF 000s	Unrestricted CHF 000s	Designated CHF 000s	Total CHF 000s
Balance at 31 December 2018		153,378	51,220	2,930	207,528
Opening balance adjustment		44	(38)	-	6
Adjusted balance at 1 January 2019		153,422	51,182	2,930	207,534
Transfers to/from reserves	25				
Increase in operations with temporary deficit financing		895	-	-	895
Increase in donor-restricted contributions for specific operations		17,290	-	-	17,290
Reclassification of prior year actuarial losses on defined benefit plans		2,152	-	-	2,152
Unrestricted net surplus for the year		-	10,888	-	10,888
Net surplus for the year		20,337	10,888	-	31,225
Other comprehensive income					
Items that will not be reclassified to income or expenditure					
- Actuarial losses on defined benefit plans	24	(3,129)	(4,895)	-	(8,024)
Items to be reclassified to income or expenditure	11				
Cash flow hedge - effective portion of changes to fair value		-	(29)	-	(29)
Cash flow hedge - amount reclassified to income or expenditure during the year		-	(67)	-	(67)
Total other comprehensive income for the year		(3,129)	(4,991)	-	(8,120)
Total comprehensive income for the year		17,208	5,897	-	23,105
Used during the year	26	3	1,791	(1,794)	-
Allocations during the year	26	(146)	(603)	749	-
Balance at 31 December	25 & 26	170,487	58,267	1,885	230,639

2018	Notes	Restricted CHF 000s	Unrestricted CHF 000s	Designated CHF 000s	Total CHF 000s
Balance at 1 January		176,476	61,583	1,957	240,016
Opening balance reclassification		42	(42)	-	-
Transfers to/from reserves	25				
Increase in operations with temporary deficit financing		(1,511)	-	-	(1,511)
Decrease in donor-restricted contributions for specific operations		(17,116)	-	-	(17,116)
Reclassification of prior year actuarial losses on defined benefit plans		(2,152)	-	-	(2,152)
Unrestricted net deficit for the year			(6,030)		(6,030)
Net deficit for the year		(20,779)	(6,030)	-	(26,809)
Other comprehensive income					
Items that will not be reclassified to income or expenditure					
- Actuarial losses on defined benefit plans	24	(2,201)	(3,581)	-	(5,782)
Items to be reclassified to income or expenditure:	11				
Cash flow hedge - effective portion of changes to fair value		-	67	-	67
Cash flow hedge - amount reclassified to income or expenditure during the year		-	36	-	36
Total other comprehensive income for the year		(2,201)	(3,478)	-	(5,679)
Total comprehensive income for the year		(22,980)	(9,508)	-	(32,488)
Used during the year	26	39	-	(39)	-
Allocations during the year	26	(199)	(813)	1,012	-
Balance at 31 December	25 &26	153,378	51,220	2,930	207,528

The notes on pages 8 to 50 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER

	Note	2019 CHF 000s	2018 CHF 000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Net surplus / (deficit) for the year		31,224	(26,809)
Adjustment for:			
Non-cash finance (income)		(721)	(762)
Depreciation and amortisation of tangible and intangible assets	9d	9,120	4,212
Impairment losses on tangible and intangible assets	9d	365	40
Income from in-kind government grants for capital	9c	(2,321)	-
Gain from disposals of fixed assets, net		(559)	(1,145)
Donated assets, net		145	564
Movement in fair value of financial assets		(5,087)	3,855
Movement in non-cash pension obligations		1,954	2,699
Incease/(decrease) in provisions	21	9,194	7,221
Realised losses on cash flow hedges	11	(54)	(8)
Non-cash impact of implementing IFRS 16 Leases	28	28	-
		12,064	16,676
Changes in working capital			
Increase in receipt in advance ESSN	12	144,902	-
(Increase)/decrease in receivables, net	15	(5,684)	6,183
Decrease in prepayments and contract assets	16	703	2,912
(Increase) in inventories		(54)	(432)
(Increase)/decrease in asset held for sale		(616)	2
(Decrease) increase in payables	19	(8,487)	(3,492)
(Decrease)/increase in employee benefit liabilities	20	(11)	487
Increase/(decrease) in deferred income and contract liabilities	22	11,502	(8,921)
Net change in working capital		142,255	(3,261)
NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES		185,543	(13,395)
CASH FLOWS (USED IN) / GENERATED FROM INVESTING ACTIVITIES			
Acquisition of property, vehicles, equipment and intangibles		(18,596)	(29,253)
Acquisition of financial assets at fair value through profit and loss		(16,137)	(14,043)
Proceeds from disposal of financial assets at fair value through profit and loss		8,962	10,370
Proceeds from disposals of property, vehicles and equipment		2,675	3,884
Bank deposits placed, net	14	(25,000)	-
Bank interest received, net	10	15	5
NET CASH USED IN INVESTING ACTIVITIES		(48,081)	(29,037)
CASH FLOWS GENERATED FROM FINANCING ACTIVITIES			
Proceeds from issue of loan	23	4,206	22,200
Loan repayments	23	(1,415)	-
Lease payments	23	(1,570)	-
NET CASH GENERATED FROM FINANCING ACTIVITIES		1,221	22,200
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		138,683	(20,231)
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		125,141	144,502
Effect of exchange rate fluctuations on cash held		725	870
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR	13	264,549	125,141

The notes on pages 8 to 50 are an integral part of these consolidated financial statements.

1. Activities and organisation

Founded in 1919, the International Federation of Red Cross and Red Crescent Societies (IFRC) is a membership organisation comprising 192 member Red Cross and Red Crescent societies governed by a Governing Board and with management support provided by a Secretariat with more than 60 delegations strategically located to support activities around the world. The IFRC secretariat headquarters' address is 17, Chemin des Crêts, Petit-Saconnex, 1209 Geneva, Switzerland.

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 five members and a Chair elected in a personal capacity by the General Assembly, gives advice on financial matters affecting the IFRC. The Audit and Risk Commission, comprising five members and a Chair elected in a personal capacity by the General Assembly, gives advice on audit and risk matters affecting the IFRC.

The 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 192 member National Societies, the IFRC acts before, during and after disasters and health emergencies to meet the needs and improve the lives of vulnerable people. It does so with impartiality as to nationality, race, gender, religious beliefs, class and political opinions.

2020 guides the collective plan of action for the IFRC and its member National Societies to respond to the major humanitarian and development challenges of this decade; the IFRC is committed to 'saving lives and changing minds'. The bi-ennial plan and budget of the IFRC is approved by the General Assembly. Once the plan and budget has been approved, the IFRC's Secretary General and senior management are responsible for securing the projected income and delivering on the plan's objectives.

The activities of the IFRC, as approved in the plan and budget for the years 2018 and 2019, are separated into Other resources budget (Programmes and Operations) 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'. The IFRC may occasionally receive resources for activites undertaken as part of the Regular resources budget which have certain restrictions. These amounts are presented as 'Unrestricted' in these financial statements. Performance against approved (unaudited) budget, Expenditure by Results against approved (unaudited) budget, and Expenditure by Structure against approved (unaudited) budget are shown in notes 32 to 34 to these consolidated financial statements.

These financial statements of the IFRC for the year ended 31 December 2019 are consolidated to include the International Federation of Red Cross and Red Crescent Societies at the United Nations, Inc. (IFRC at the UN Inc.) and the Foundation for the International Federation of Red Cross and Red Crescent Societies (the Foundation), as well as activities of the Geneva secretariat and all IFRC delegations. The Foundation was liquidated on 17 January 2020. There were no material impacts arising from this liquidation. The IFRC accounts for its interests in certain jointly controlled operations by recognising and measuring the assets and liabilities and related revenues and expenses related to the IFRC interest in the joint operations, for the purposes of these financial statements. The consolidated financial statements presented do not include the results of the member National Societies. Each of these has its own legal status separate from that of the IFRC and the IFRC exercises no control over them.

2. Statement of compliance and basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and are presented in accordance with the IFRC's Financial Regulations. The consolidated financial statements were authorized for issue by the Audit and Risk Commission on 29 April 2020.

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

The consolidated financial statements have been prepared under the historical cost convention, except for:

- voluntary contributions and donations received in-kind for goods, services and assets, including properties, measured at fair value;
- investments in securities that are designated to be measured at fair value;
- cash flow hedges that are measured at fair value;
- the net defined benefit liability that is stated at fair value of plan assets less present value of the defined benefit obligation.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Details of the IFRC's accounting policies, including changes during the year, are included in notes 36 and 37 of these consolidated financial statements.

3. Presentational format of the Consolidated Statement of Comprehensive Income

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

In the updated 2016-2020 plan and budget, approved by the IFRC's General Assembly, there are four strategies for implementation to cover critical IFRC functions, followed by eight programmatic areas of focus representing the thematic areas where National Societies have agreed to partner through the IFRC and where consolidated results will be measured. The plan and budget are supported by a results-based framework and a results-based budget architecture to improve financial management, planning, monitoring and reporting.

4. Functional and presentation currency

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

5. Critical accounting estimates and judgements

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

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

(a) Judgements

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

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

- Note 36A – Basis of Consolidation: whether the IFRC has control over its subsidiaries and classification of joint arrangements;
- Note 36C – Income from voluntary contributions and donations: whether a voluntary contribution or a donation is fully under the control of the IFRC and its accounting treatment;
- Note 36C – Income from provision of services: whether services income is recognised over time or at point in time;
- Note 36D – Expenditure: Classification of functional expense categories;
- Note 36E – Leases: whether arrangements are, or contain, leases and the reasonably certain lease term.

(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 24 – Post-employment defined benefit plans: key actuarial assumptions.
- Note 36C – Fair value of in-kind contributions and donations: key assumptions used to estimate value of in-kind contributions and donations;
- Note 36L – Impairment test: key assumptions underlying recoverable amounts of IFRC assets, and the calculation and provision of expected credit losses;
- Note 36N – Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of resource flows.

6. Voluntary contributions and donations

	Restricted CHF 000s	Unrestricted CHF 000s	2019 Total CHF 000s	2018 Total CHF 000s
Voluntary contributions	150,572	43	150,615	113,314
Donations	110,958	31,785	142,743	146,430
	261,530	31,828	293,358	259,744

	Cash CHF 000s	Goods in-kind CHF 000s	Services in-kind CHF 000s	2019 Total CHF 000s	2018 Total CHF 000s
National Societies	141,580	2,458	6,577	150,615	113,314
Governments	84,071	2,810	-	86,881	69,128
Multi-lateral agencies	40,529	-	-	40,529	56,289
Corporations	7,640	383	-	8,023	10,171
Others	6,544	540	226	7,310	10,842
	280,364	6,191	6,803	293,358	259,744

7. Services income

	2019 Restricted CHF 000s	2019 Unrestricted CHF 000s	2019 Total CHF 000s	2018 Total CHF 000s
Administrative services	11,935	155	12,090	10,517
Contracted services	2,285	-	2,285	6,905
Fleet services	3,156	-	3,156	3,487
Logistics services	9,411	-	9,411	4,947
Services income from contracts with customers	26,787	155	26,942	25,856
Administrative services - lease income	475	72	547	-
Fleet services - lease income	4,163	-	4,163	3,986
Total Services income	31,425	227	31,652	29,842

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

		2019 Opening balances CHF 000s	2019 Revenue recognised CHF 000s	2019 Closing balances CHF 000s
Contract assets	16	4,604	(2,518)	2,086
Contract liabilities	22	(6,693)	(14,037)	(20,730)
Receivables from Customers	15	8,319	1,111	9,430
		6,230	(15,444)	(9,214)

		2018 Opening balances CHF 000s	2018 Revenue recognised CHF 000s	2018 Closing balances CHF 000s
Contract assets	16	6,999	(2,395)	4,604
Contract liabilities	22	(3,830)	(2,863)	(6,693)
Receivables from Customers	15	6,950	1,369	8,319
		10,119	(3,889)	6,230

In 2019, there were no assets recognised from the costs to obtain or fulfil a contract (2018: Nil). There were no variable contract considerations that reduced transaction prices for service income recognised (2018: CHF 84k).

8. Other income

	2019 Restricted CHF 000s	2019 Unrestricted CHF 000s	2019 Total CHF 000s	2018 Total CHF 000s
Hosted programme membership fees	1,486	-	1,486	1,644
Other income	411	1,012	1,423	1,034
	1,897	1,012	2,909	2,678

9. Operating expenditure

	(a) (c) Employee benefits	(b) (c) Relief supplies, transportation & storage	Contributions to National Societies	(d) Depreciation & amortisation	Supplementary services cost recoveries	(e) Other costs & allocations	(f) Indirect cost recovery	Pledge fees	Total 2019	Total 2018
	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s	CHF 000s
Humanitarian response	39,691	46,286	4,400	58	4,347	28,150	7,822	707	131,461	129,397
Thematic	44,753	10,691	3,611	224	8,181	36,028	6,219	996	110,703	119,130
Total Other resources	**84,444**	**56,977**	**8,011**	**282**	**12,528**	**64,178**	**14,041**	**1,703**	**242,164**	**248,527**
Administrative services	16,207	738	-	2,686	(18,573)	9,421	718	-	11,197	10,847
Contracted services	175	10	1,514	-	42	(280)	128	1	1,590	7,354
Fleet services	3	152	-	-	4,381	2,571	-	-	7,107	7,452
Logistics services	-	8,366	-	-	960	(113)	-	-	9,213	4,854
Total Supplementary services	**16,385**	**9,266**	**1,514**	**2,686**	**(13,190)**	**11,599**	**846**	**1**	**29,107**	**30,507**
Total RESTRICTED	**100,829**	**66,243**	**9,525**	**2,968**	**(662)**	**75,777**	**14,887**	**1,704**	**271,271**	**279,034**
Regular resources	**62,463**	**1,167**	**28**	**6,517**	**662**	**9,614**	**(14,887)**	**(1,704)**	**63,860**	**68,360**
Total UNRESTRICTED	**62,463**	**1,167**	**28**	**6,517**	**662**	**9,614**	**(14,887)**	**(1,704)**	**63,860**	**68,360**
Total OPERATING EXPENDITURE 2019	**163,292**	**67,410**	**9,553**	**9,485**	**-**	**85,391**	**-**	**-**	**335,131**	**347,394**
Total OPERATING EXPENDITURE 2018	**156,708**	**78,634**	**19,570**	**4,255**	**-**	**88,227**	**-**	**-**	**347,394**	

Included within operating expenditure above is CHF 4,711k related to short term leases and CHF 46k related to low value leases. In 2018, CHF 18,519k was recognised as operating lease rental expense (See note 28).

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9(a) Employee benefit costs

	2019 Restricted CHF 000s	2019 Unrestricted CHF 000s	2019 Total CHF 000s	2018 Total CHF 000s
Wages and salaries	85,270	51,037	136,307	129,963
Contributed services	6,862	34	6,896	6,668
Termination benefits	545	550	1,095	675
Social security costs	2,089	1,362	3,451	3,526
Pension costs - defined benefit plans	6,063	9,480	15,543	15,876
	100,829	62,463	163,292	156,708

9(b) Relief supplies, transportation and storage

	2019 Restricted CHF 000s	2019 Unrestricted CHF 000s	2019 Total CHF 000s	2018 Total CHF 000s
Relief supplies	55,768	-	55,768	65,208
Transportation & storage	10,475	1,167	11,642	13,426
	66,243	1,167	67,410	78,634

9(c) In-kind expenditure

In-kind contributions and donations of goods and services 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 6):

	2019 Goods CHF 000s	2019 Services CHF 000s	2019 Other Operating costs CHF 000s	2019 Total CHF 000s	2018 Total CHF 000s
Employee benefit costs	-	6,803	-	6,803	6,668
Relief supplies	2,723	-	-	2,723	2,527
Land and buildings depreciation	-	-	2,321	2,321	-
Leasehold property operating cost:	-	-	934	934	1,961
Transportation & storage	217	-	-	217	598
	2,940	6,803	3,255	12,998	11,754

9(d) Depreciation and amortisation

	2019 CHF 000s	2018 CHF 000s
Depreciation - property, plant and equipment	8,546	3,473
Amortisation on intangible assets - computer software	574	742
Impairment loss on vehicles	344	40
Impairment loss on computer software	21	-
	9,485	4,255

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

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9(e) Other costs & allocations

	2019 Restricted CHF 000s	2019 Unrestricted CHF 000s	2019 Total CHF 000s	2018 Total CHF 000s
Workshops & training	14,316	713	15,029	15,959
Travel	11,931	3,082	15,013	13,837
Administration, office and general	10,563	2,734	13,297	17,514
Consultancy fees	7,146	734	7,880	7,796
Vehicles and equipment	7,486	291	7,777	6,195
Information	3,412	1,370	4,782	3,597
Other costs and allocations	20,923	690	21,613	23,329
	75,777	9,614	85,391	88,227

Other costs and allocations include provisions for operations, where there was an increase in the value of operational advances that have not been reported on by the reporting date (see note 21). There are no other specific, material, or unusual amounts included within Other costs and allocations.

9(g) Indirect cost recovery, net

	2019 Restricted CHF 000s	2019 Unrestricted CHF 000s	2019 Total CHF 000s	2018 Total CHF 000s
Programme and services support recovery	14,887	(14,887)	-	-
	14,887	(14,887)	-	-

In keeping with the IFRC's principle of full cost recovery, the direct costs of programmes and services are subject to a standard indirect cost recovery to fund the costs of providing indirect support services, essential to the success of operations. The support for 2019 amounted to CHF 14,887k (2018: CHF 15,277k) and is added to unrestricted reserves.

10. Net finance income / (expense)

	2019 Restricted CHF 000s	2019 Unrestricted CHF 000s	2019 Total CHF 000s	2018 Total CHF 000s
Interest income on bank deposits	-	15	15	5
Dividend income on global equity fund	-	564	564	514
Interest income on global bond fund	-	1,319	1,319	1,582
Gains on disposal of global equity fund and global bond fund	-	38	38	-
Net change in fair value of financial assets at fair value through profit or loss	-	5,087	5,087	-
Net foreign exchange gains on revaluations of assets & liabilities	-	105	105	-
Finance income	-	7,128	7,128	2,101
Net foreign exchange (losses) on pledge settlements	(2,336)	(960)	(3,296)	(4,844)
Net foreign exchange (losses) on revaluations of assets & liabilities	(909)	-	(909)	(629)
Net change in fair value of financial assets at fair value through profit or loss	-	-	-	(3,725)
Net realised (losses) from cash flow hedge	-	(54)	(54)	(8)
Finance expense	(3,245)	(1,014)	(4,259)	(9,206)
Net finance income / (expense)	(3,245)	6,114	2,869	(7,105)

11. Other comprehensive income

Cash flow hedges	2019 CHF 000s Hedge Contract value	2019 CHF 000s Fair value balance	2018 CHF 000s Hedge Contract value	2018 CHF 000s Fair value balance
Forward exchange contracts in Euros	4,067	(23)	5,429	57
Forward exchange contracts in United States	1,986	(6)	706	10
Total cash flow hedges	6,053	(29)	6,135	67

Movement in Other Comprehensive Income that may be reclassified to Income or Expenditure in subsequent period	2019 CHF 000s	2018 CHF 000s
Cash flow hedge - effective portion of changes to fair value	29	(67)
Amount reclassified from Other Comprehensive Income to Operating Income and Expenditure statement	67	(36)
	96	(103)

Expected cash flows in subsequent period	2019 CHF 000s Carrying value	Hedge Contract cash flows CHF 000s 1 - 6 months	2018 CHF 000s Carrying value	Hedge Contract cash flows CHF 000s 1 - 6 months
Forward exchange contracts used for hedging				
- Ouflow	(29)	(6,082)	-	(6,068)
- Inflow	-	6,053	67	6,135
	(29)	(29)	67	67

In 2019, the IFRC entered into foreign currency forward exchange contracts, with final maturities of 31 March 2020, in order to hedge the foreign exchange risk of receiving statutory contributions of CHF 4,067k in Euros and CHF 1,986k in US Dollars. The hedges were designated as cash flow hedges for hedge-accounting purposes. At 31 December 2019, the foreign currency forward exchange contracts had a net negative fair value of CHF 29k, that is included in Other Comprehensive Income, which will be recycled to Operating Income and Expenditure at maturity. Amounts recycled to Operating Income and Expenditure amounted to CHF 67k, comprising CHF 15k (2018: CHF Nil) arising from hedge ineffectiveness and CHF 52k (2018: CHF 36k) for the effective portion of 2018 foreign currency forward exchange contracts. The settlement of the 2018 foreign currency forward exchange contracts resulted in a net realised loss of CHF 54k (2018: CHF 8k).

12. Emergency Social Safety Net (ESSN) project

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

Component A: Beneficiary identification

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

Component C: Comprehensive monitoring, evaluation, accountability and learning

The delivery of cash to beneficiaries under Component B above accounts for 448,620k Euro (approximately CHF 487,201k) of the contract value. In accordance with IFRC's accounting policies (Note 36O), the delivery of cash to beneficiaries under component B above does not constitute a performance obligation under the ESSN agreement. The IFRC is redistributing cash provided by ECHO to designated beneficiaries. This portion of the contract is recognised as a financial liability in the Consolidated Statement of Financial Position. It is not recognised in the Consolidated Statement of Comprehensive Income.

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

Cash and cash equivalents- ESSN (see note 13)
Included in cash and cash equivalents is the amount of CHF 144,902k held with Citibank and Credit Agricole Indosuez for the onward distribution to beneficiaries under the ESSN. This balance is distinguished from other cash and cash equivalents in the Consolidated Statement of Financial Position.

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

Receipt in advance - ESSN
Included in liabilities is an amount of CHF 144,902k received for onward distribution to beneficiaries under ESSN (component B). This liability is distinguished from other liabilities in the Consolidated Statement of Financial Position.

The other portions of the contract will be disclosed as Services income and Thematic expenditure within the Consolidated Statement of Comprehensive Income. At the end of 2019 the IFRC had received CHF 18,567k from ECHO in relation to the other portions of the contract. This is recorded as Contract liabilities.

IFRC's indirect cost recovery is applied only to the first CHF 50,000k of costs each financial year in keeping with the IFRC's accounting policy to cap indirect cost recovery on large operations (Note 36P).

13. Cash and cash equivalents

	2019 CHF 000s	2018 CHF 000s
Cash in hand	446	372
Cash at bank	232,557	93,224
Bank deposits (original maturities < 3 months)	31,546	31,545
	264,549	125,141

The balance above includes CHF 144,902k for the delivery of cash to beneficiaries under Component B of the ESSN project (see note 12).

	2019 CHF 000s	2018 CHF 000s
Currency		
Swiss Franc	116,126	118,319
Euro	145,537	461
United States Dollar	2,386	5,068
Philippine Peso	107	71
Bangladesh Taka	93	74
Other currencies	300	1,148
	264,549	125,141

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External credit ratings of cash and cash equivalents, short-term investments, and non-current investments are as follows:

	2019 CHF 000s	2018 CHF 000s
Fitch ratings		
AAA	767	831
AA-	-	1
A+	208,696	53,866
A	30,099	45,002
A-	22,683	22,627
BBB	54	-
BBB-	11	-
BB+	62	3
BB	27	101
BB-	38	3
B+	1	131
B	214	242
CCC+	6	89
Unrated	445	873
Other ratings: current account - S&P's AA (Glarner KantonalBank)	1,000	1,000
Cash in hand	446	372
	264,549	125,141
Short-term investments (see note 14)		
Fitch AA (Banque Raiffeisen)	10,000	15,000
ZKB AA+ (Banque Cantonale Fribourg)	10,000	10,000
Fitch A+ (Banque Raiffeisen Moleson)	10,000	-
	30,000	25,000
Non-current investments (see note 14)		
Fitch AA (Banque Raiffeisen)	15,000	5,000
ZKB AA+ (Banque Cantonale Fribourg)	10,000	10,000
Fitch A+ Banque CIC Suisse	10,000	-
	35,000	15,000

In 2019, CHF 445k of cash at bank were held with unrated institutions (2018: CHF 873k), where due diligence has been performed. The IFRC considers that there are no significant counter-party risks from the IFRC's holdings with these banks.

14. Investments

	2019 CHF 000s	2018 CHF 000s
Bank deposits measured at amortised cost (see note 13)		
Short-term investment (maturities > 3 months)	30,000	25,000
Long-term investment (maturities > 1 year)	35,000	15,000
Total bank deposits measured at amortised cost	65,000	40,000
Financial assets measured at fair value through profit and loss		
Global bond fund	67,280	60,035
Global equity fund	27,111	21,697
Total financial assets measured at fair value through profit and loss	94,391	81,732
Total Investments	159,391	121,732
Current investments	124,391	106,732
Non-current investments	35,000	15,000
Total Investments	159,391	121,732

15. Receivables

	2019 CHF 000s	2018 CHF 000s
Accounts receivable		
Statutory contributions	31,493	34,765
Provision for estimated credit losses (ECL) on statutory contributions	(31,493)	(34,765)
	-	-
Voluntary contributions	136,830	137,625
Provision for ECL on voluntary contributions	(3,304)	(2,130)
	133,526	135,495
National Societies receivables	35,159	27,174
Provision for ECL on National Societies receivables	(1,192)	(1,161)
	33,967	26,013
Other receivables (see note below)	3,160	2,403
Provision for ECL on Other receivables	(3)	(222)
	3,157	2,181
Total accounts receivable	170,650	163,689
Other receivables		
Advances to employees	1,432	1,543
Taxes refundable	976	1,676
Sundry receivables	1,676	2,075
Fair value of cash flow hedges	-	67
Total other receivables	4,084	5,361
Total Receivables	174,734	169,050
Current receivables	143,566	129,333
Non-current receivables - voluntary contributions	31,168	39,717
Total Receivables	174,734	169,050

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

	Provision for voluntary contributions receivable CHF 000s	Provision for national societies receivable CHF 000s	Provision for unpaid statutory contributions CHF 000s	Provision for other accounts receivable CHF 000s	Total CHF 000s
2019					
Balance at 1 January	2,130	1,161	34,765	222	38,278
Changes to provision for ECL	3,548	197	(3,272)	225	698
Write offs during the year	(1,580)	-	-	(226)	(1,806)
Unused provisions reversed	(794)	(166)	-	(218)	(1,178)
Balance at 31 December	3,304	1,192	31,493	3	35,992
2018					
Balance at 1 January	604	1,322	32,355	82	34,363
Changes to provision for ECL	1,644	168	2,410	174	4,396
Write offs during the year	(118)	(329)	-	(16)	(463)
Unused provisions reversed	-	-	-	(18)	(18)
Balance at 31 December	2,130	1,161	34,765	222	38,278

Provisions for ECL are made based on probability-based model that considers credit risks over the expected life of the receivables, which are affected by economic factors, historical trend, and forward-looking information. (see Note 27). The provisions for ECL above includes impairment of CHF 902k (2018: CHF 962k) for receivables and contract assets that relate to contracts with customers (see Note 7).

Full provision is made for all statutory contributions outstanding at year end. This does not invalidate the obligation of National Societies to pay amounts due. In 2019, CHF 704k of statutory contributions arrears due from National Societies in default (2018: CHF 562k) and CHF 1,150k due from the American Red Cross Society (2018: CHF 1,150k), which had not been previously recognised, were received and recognised in the Consolidated Statement of Comprehensive Income.

Receivables ageing

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

	Not past due CHF 000s	Past due 1-60 days CHF 000s	Past due 61-90 days CHF 000s	Past due more than 90 days CHF 000s	Total CHF 000s
2018					
Gross carrying amount	140,378	6,213	9,283	51,454	207,328
Provision for ECL	-	-	-	(38,278)	(38,278)
Receivables	136,847	6,213	9,283	16,707	169,050

Receivables credit exposure	2019 CHF 000s	2018 CHF 000s
National Societies	56,870	42,456
Governments	72,584	65,726
Corporations	9,571	13,019
Multi-lateral agencies	30,119	31,553
Others	5,590	16,296
	174,734	169,050

Receivables currency analysis	2019 CHF 000s	2018 CHF 000s
Currency		
Swiss Franc	34,337	25,838
United States Dollar	74,994	57,015
Euro	38,560	56,321
Pound Sterling	17,005	19,765
Canadian Dollar	1,866	2,989
Other currencies	7,972	7,122
	174,734	169,050

16. Prepayments and contract assets

	2019 CHF 000s	2018 CHF 000s
Prepayments	4,516	2,701
Contract assets	2,086	4,604
	6,602	7,305

17. Property, vehicles and equipment

	Land and buildings CHF 000s	Work in Progress CHF 000s	Vehicles CHF 000s	Other equipment CHF 000s	2019 Total CHF 000s	2018 Total CHF 000s
Cost						
Balance at 31 December 2018	1,919	50,422	27,886	3,071	83,298	-
Recognition of right-of-use assets on initial application of IFRS 16	2,750	-	-	40	2,790	-
Adjusted balance at 1 January	4,669	50,422	27,886	3,111	86,088	54,617
Additions	55,995	3,220	5,620	422	65,257	35,728
Transfer from Work in progress	51,411	(52,540)	-	1,129	-	-
Disposals and write offs	(794)	-	(3,715)	(269)	(4,778)	(5,609)
Reclassification to intangible assets	-	-	-	-	-	(130)
Reclassifications of assets held for sale, net	-	-	(1,167)	-	(1,167)	(1,308)
Balance at 31 December	111,281	1,102	28,624	4,393	145,400	83,298
Accumulated depreciation and impairment losses						
Balance at 1 January	(841)	-	(10,536)	(2,717)	(14,094)	(14,234)
Depreciation charge for the year	(4,989)	-	(3,262)	(295)	(8,546)	(3,473)
Disposals	588	-	2,275	254	3,117	3,329
Impairment loss	-	-	(122)	-	(122)	-
Reclassifications of assets held for sale, net	-	-	754	-	754	284
Balance at 31 December	(5,242)	-	(10,891)	(2,758)	(18,891)	(14,094)
Net book value at 31 December	106,039	1,102	17,733	1,635	126,509	69,204
Net book value at 1 January	1,078	50,422	17,350	354	69,204	40,383

Property, vehicles and equipment include right-of-use assets of CHF 5,004k related to leased properties and equipment (see note 28).

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

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

Property, vehicles and equipment at 31 December include the following amounts that have been received as in-kind donations:

	Land and buildings	Other equipment	2019 Total
	CHF 000s	CHF 000s	CHF 000s
Gross carrying amount	45,635	242	45,877
Accumulated depreciation	(1,827)	(124)	(1,951)
Net book value	43,808	118	43,926
Depreciation charge for the year	(2,285)	(36)	(2,321)

The Gross carrying amount of Land and buildings includes CHF 44,428k that have been received as non-monetary in-kind donations from host country governments, for right-of-use premises in Dubai, Budapest, Geneva and Panama City. On 1 January 2019, a donation of CHF 7,213k, for right-of-use premises in Budapest, previously recognised as a government grant related to income has been reclassified as a government grant relating to an asset, in order to recognise the asset consistently with the recognition of leased assets under IFRS 16 Leases. The property assets are depreciated on a straight-line basis over the durations of the grant agreements or the useful life of the building, and grant income is systematically recognised, in the Consolidated Statement of Comprehensive Income, so as to match the depreciation expense.

18. Intangible assets

	Computer software	Computer software under development	2019 Total Computer software	2018 Total Computer software
	CHF 000s	CHF 000s	CHF 000s	CHF 000s
Cost				
Balance at 1 January	9,864	41	9,905	11,027
Additions	-	2,153	2,153	114
Transfers	-	-	-	-
Reclassification from fixed assets	-	-	-	130
Disposal and write offs	(121)	(21)	(142)	(1,366)
Balance at 31 December	9,743	2,173	11,916	9,905
Accumulated amortisation and impairment losses				
Balance at 1 January	(8,994)	-	(8,994)	(9,578)
Impairment losses	-	-	-	(40)
Amortisation charge for the year	(574)	-	(574)	(742)
Disposals	121	-	121	1,366
Balance at 31 December	(9,447)	-	(9,447)	(8,994)
Net book value at 31 December	296	2,173	2,469	911
Net book value at 1 January	870	41	911	1,449

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

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19. Payables

	2019 CHF 000s	2018 CHF 000s
Accounts payable		
Suppliers	15,388	16,434
National Societies	2,426	2,443
Payroll taxes payable	624	695
Other	1,212	3,120
Total accounts payable	19,650	22,692
Accrued expenses	10,049	15,523
Total accrued expenses	10,049	15,523
Fair value of cash flow hedges	29	-
Total other payables	29	-
Total Payables	29,728	38,215

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

	2019 CHF 000s	2018 CHF 000s
Currency		
Swiss Francs	18,155	23,914
US Dollar	5,397	4,580
Syrian Pound	1,757	3,676
Euro	854	1,919
Kenyan Schilling	472	382
Other currencies	3,093	3,744
	29,728	38,215

20. Short-term employee benefits

	2019 CHF 000s	2018 CHF 000s
Staff vacation accrual	3,968	4,270
Accruals for other short-term benefits	504	213
	4,472	4,483

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

21. Provisions

	Operations CHF 000s	Pledge and services deficits CHF 000s	Redundancy CHF 000s	2019 Total CHF 000s	2018 Total CHF 000s
Current provisions					
Balance at 1 January	24,424	6,699	878	32,001	24,779
Additional provisions	31,216	9,976	2,611	43,803	33,188
Unused amounts reversed	-	(6,699)	(878)	(7,577)	(4,882)
Used during the year	(24,424)	(1,266)	(1,342)	(27,032)	(21,084)
Balance at 31 December	31,216	8,710	1,269	41,195	32,001

All provisions are current, and the IFRC expects to incur the liabilities within the next year. The ultimate outflow of economic benefits arising from project deficits will be determined by the IFRC's ability to cover the unfunded project expenditure through fund-raising activities. The provision for operations includes the estimated cash working advances with National Societies that have not been reported at the reporting date, along with estimated costs of other operational liabilities that have incurred at the reporting date, where the timing or amount is uncertain. The provision for pledge and services deficit includes the estimated costs of covering expenditure on individual pledges and services, where expenditure exceeds income recognised at the reporting date. The redundancy provision includes the costs of known redundancies that were announced in 2019 and will be settled within the next twelve months (see note 9 (a)).

22. Deferred income and contract liabilities

Current liabilities	2019 CHF 000s	2018 CHF 000s
Deferred income	86,499	89,353
Contract liabilities	20,730	6,693
Statutory contributions received in advance	110	250
	107,339	96,296

Non-current liabilities	2019 CHF 000s	2018 CHF 000s
Deferred income	50,709	7,552

Included within Deferred income above is CHF 43,887k related to non-monetary in-kind donations from host country governments. Included within Contract liabilities above is CHF 18,567k related to service income received in advance for the ESSN project (see note 12).

The IFRC is not in a position to reliably determine, in which future periods donations that are deferred due to specific contractual obligations under the accounting policy set out in note 36C, will be recognised as income in the Consolidated Statement of Comprehensive Income. Accordingly, all amounts deferred consistent with that accounting policy are included in current liabilities, although some amounts may ultimately be recognised as income more than one year after the period end date. Non-current liabilities include voluntary contributions and donations that are earmarked for use in a future period, more than one year from the period end date.

23. Loans and borrowings

Current liabilities	2019 CHF 000s	2018 CHF 000s
Loans for building	1,415	1,415
Lease liabilities	1,754	-
	3,169	1,415

Non-current liabilities	2019 CHF 000s	2018 CHF 000s
Loans for building	63,162	60,371
Lease liabilities	3,083	-
	66,245	60,371

Loans for building

On 3 September 1998, the IFRC and the *Fondation des Immeubles pour les Organisations Internationales* (FIPOI) entered into an agreement for an unsecured loan for up to a maximum of CHF 12,061k, at 0% interest, for the construction of an extension to its then existing office building at the Geneva headquarters. Against this loan facility, in 1998, the IFRC borrowed a total of CHF 11,347k. This amount is being repaid with one instalment of CHF 220k in 1998 and 49 equal annual instalments of CHF 227k starting in 1999. The remaining loan balance as at 31 December 2019 amounted to CHF 6,359k (2018: CHF 6,586k).

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 included CHF 5,000k to finance the initial, pre-construction phase, related to an agreement signed with FIPOI on 8 October 2014, and CHF 54,406k to finance the construction. The loan is unsecured, and it shall be repaid in equal annual instalments of CHF 1,188k, beginning on the 31 December of the year in which the IFRC fully accepts the building. In 2019, CHF 4,206k had been drawn down from FIPOI in relation to the agreement (2018: CHF 22,200k), bringing the total loan amount to CHF 59,406k. The IFRC moved into its new office premises in January 2019 and made the first loan repayment of CHF 1,188k in December 2019. The remaining loan balance at 31 December 2019 amounted to CHF 58,218k (2018: 55,200k)

The city of Geneva has a tradition of hosting international organizations. For this reason, reference is made to "International Geneva". Since the founding of the Red Cross in 1863, International Geneva has evolved considerably into what is now one of the foremost centres of global governance. It thus symbolises the significant international humanitarian commitment made by the Swiss Confederation and by Geneva itself. It is common practice that international organisations have access to interest free loans for building improvements from the Government of Switzerland through FIPOI. As such, a market for such loans exists and the market rate of interest for them is 0%. The amortised cost of the financial liability is equal to the actual costs of the financial liability as recorded in the IFRC’s accounts, and there is no in-kind benefit from a below-market interest.

Lease liabilities
Lease liabilities are payable as follows:

Maturity analysis - contractual undiscounted cash flows	**2019** **CHF 000s**
Less than one year	(1,754)
One to five years	(3,083)
More than five years	-
Total undiscounted lease liabilities as at 31 December 2019	(4,837)

There were no movements in liabilities arising from financing activities other than those presented in the cash flow statement.

24. Post-employment defined benefit liability, net

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

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

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

	2019 **CHF 000s**	**2018** **CHF 000s**
Present value of funded obligations	(316,949)	(269,944)
Fair value of plan assets	259,479	222,286
Liability per Consolidated Statement of Financial Position	(57,470)	(47,658)

Change in defined benefit obligation during the year:

	2019 **CHF 000s**	**2018** **CHF 000s**
Defined benefit obligation 1 January	269,944	270,035
Net current service cost	14,661	15,230
Interest cost on Defined Benefit Obligation	2,082	1,571
Employee contributions	8,466	8,068
Net benefits paid	(15,303)	(13,852)
Loss due to experience	6,623	4,389
(Gain) due to demographic assumption changes	-	(7,127)
Loss/(gain) due to financial assumption changes	30,310	(8,370)
Special termination benefits	166	-
Defined benefit obligation 31 December	316,949	269,944

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

	2019 **CHF 000s**	**2018** **CHF 000s**
Defined Benefit Obligation for active members	218,264	176,152
Defined Benefit Obligation for passive members	98,685	93,792
	316,949	269,944

Change in plan assets during the year:

	2019 CHF 000s	2018 CHF 000s
Fair value of plan assets at 1 January	222,286	230,858
Employer contributions (see below)	13,755	13,177
Employee contributions	8,466	8,068
Net benefits paid	(15,303)	(13,852)
Actual administration expenses paid	(574)	(471)
Interest income on plan assets	1,774	1,396
Return on plan assets excluding amounts included in interest income	28,909	(16,890)
One-off employer contribution to finance special termination benefits	166	-
Fair value of plan assets at 31 December	259,479	222,286

Reconciliation of net defined benefit liability:

Reconciliation of net defined benefit/(liability):

	2019 CHF 000s	2018 CHF 000s
Net liability at 1 January	(47,658)	(39,177)
Total (charge) recognised in employee benefits operating expenditure	(15,709)	(15,876)
Total remeasurements recognised in other comprehensive income	(8,024)	(5,782)
Employer contributions	13,755	13,177
One-off employer contribution to finance special termination benefits	166	-
Net liability at 31 December	(57,470)	(47,658)

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

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

	2019 CHF 000s	2018 CHF 000s
Service cost	14,827	15,230
Net interest on the net defined benefit liability	308	175
Administration expenses	574	471
Total included in employee benefits expenditure	15,709	15,876

24(c) Details of approved plan changes

There were no plan amendments, curtailments or settlements as per IAS 19 during either the year ended 31 December 2019 or the year ended 31 December 2018. In November 2019, the Pension Fund Board announced that in 2020 it would consider solutions to ensure the continued future financial stability of the pension fund in light of anticipated lower long-term investment returns and demographic changes, notably, increasing life-expectancy. Details of solutions have yet to be announced, but are expected to be effective from 1 January 2021. The IFRC is not in a position to estimate the likely impact on its financial results.

24(d) Amounts in Other Comprehensive Income

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

	2019 CHF 000s	2018 CHF 000s
Defined benefit obligation (gain) due to changes in demographic assumptions	-	(7,127)
Defined benefit obligation loss/(gain) due to changes in financial assumptions	30,310	(8,370)
Defined benefit obligation loss due to experience	6,623	4,389
Return on plan assets excluding amounts included in interest income	(28,909)	16,890
Total included in Other Comprehensive Income	8,024	5,782

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

The discount rate was decreased from 0.80% in 2018 to 0.15% in 2019, resulting in a defined benefit obligation loss of CHF 30,734k. Changes to other financial assumptions generated defined benefit obligation gains of CHF 424k (2018: losses CHF 9k). In 2019, the pension plans' assets returned more than assumed leading to a gain on assets of CHF 28,909k (2018: loss CHF 16,890k). With CHF 6,623k experience losses on liabilities (2018: CHF 4,389k), the total actuarial losses on financial assumptions is CHF 36,933k (2018: CHF 11,108k).

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

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

24(e) Significant assumptions

The significant actuarial assumptions used were as follows:

	2019	2018
Discount rate	0.15%	0.80%
Underlying consumer price inflation	1.00%	1.10%
Rate of future compensation increases	1.25%	1.40%
Rate of pension increases	0.00%	0.00%
Interest rate credited to account balances	2.00%	2.00%
Increase in maximum lump sum death benefit	1.00%	1.10%
Change life expectancy at retirement age (mortality rate)	LPP 2015 fully generational	LPP 2015 fully generational

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

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

Impact on the defined benefit obligation	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 7.6% CHF 24,088k	Increase by 8.7% CHF 27,575k
Interest rate credited to account balances	0.50%	Increase by 1.8% CHF 5,705k	Decrease by 1.7% CHF 5,388k
Change life expectancy at retirement age	1 year	Increase by 3.1% CHF 9,825k	Decrease by 3.2% CHF 10,142k

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.

24(f) Asset-liability matching

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

24(g) Plan assets

At 31 December 2019, the fair value of plan assets was CHF 259,479k (2018: CHF 222,286k).

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

	2019 Proportion	**2019 Of which quoted in an active market**	**2018 Proportion**	**2018 Of which quoted in an active market**
Cash and cash equivalents	9.8%		8.1%	
Equity securities	42.1%	42.1%	39.3%	39.3%
Debt securities	23.4%	23.4%	24.9%	24.9%
Real estate	17.4%	17.4%	20.3%	20.3%
Other	7.3%		7.4%	
Total	100.0%		100.0%	

As stated in note 27, the IFRC does not have capital as defined by IFRS. Accordingly, the IFRC does not have its own transferable financial instruments, such as equity or debt securities, and the plan assets do not include any such financial instruments. The plan assets also do not include any property occupied or used by the IFRC.

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

24(h) Funding obligations, including Swiss legal requirements

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

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

According to the Pension Fund rules, the IFRC must make contributions of 16% (2018: 16%) of contributory salary for the Base Pension Plan and 5% (2018: 5%) of contributory salary for the Supplemental Pension Plan, for each covered participant. In the event that the Pension Fund becomes underfunded according to the requirements of Swiss law, the IFRC could be requested to make additional contributions. Whilst it is possible that the IFRC makes contributions in excess of the amounts specified in the Pension Fund rules, the IFRC usually only makes contributions as per the Pension Fund rules and the IFRC does not anticipate making additional contributions within the foreseeable future.

As explained above, pension obligations are covered by independent pension fund assets which are held in a single, separate legal foundation that is governed by Swiss law. Pension benefits due, including lump sum payments and annuities, are calculated and paid in accordance with the requirements of Swiss law. According to the latest actuarial calculations, in accordance with Swiss legal requirements, the pension obligations were 115% funded at 31 December 2019 and 110% funded at 31 December 2018. The difference in the underfunded position shown in the Consolidated Statement of Financial Position and the more than fully funded position according to Swiss law, arises due to the use of different actuarial valuation models to estimate the likely pension liabilities. Under Swiss law, the Pension Fund Board is primarily responsible to ensure that the independent pension fund's assets are sufficient to meet pension obligations as they fall due, without legal recourse to the IFRC as employer to improve any underfunding situation. Accordingly, pursuant to Swiss law, the IFRC had no further financial obligations to the independent pension fund's foundation at either 31 December 2019 or 31 December 2018.

With a diversified investment portfolio, full funding according to the requirements of Swiss law, and no legal recourse to the IFRC in the event of under-funding, management considers that, whilst the IAS 19 valuation shows a net liability position, the Pension Fund does not expose the IFRC to any unusual, specific or significant concentrations of risk.

24(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 2020 is CHF 11,957k. The weighted average duration of the DBO at the end of the current financial year is 16.3 years.

25. Restricted reserves

Funds held for operations

	2019 CHF 000s	2018 CHF 000s
Operations with temporary deficit financing	(11,316)	(12,211)
Temporarily unfunded defined benefit pension obligations recognised in Other Comprehensive Income	(14,044)	(10,916)
Reclassification of prior year temporarily unfunded defined benefit pension obligations from donor-restricted contributions	-	(2,152)
Donor-restricted contributions	195,847	178,657
	170,487	153,378

Operations are considered as having deficit financing as soon as the contributions pledged do not cover the expenditure incurred. As explained in note 3 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 24(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 2019 or 31 December 2018 these amounts, included within Other Comprehensive Income, are temporary and disclosed separately.

In 2019, CHF 973k was reimbursed to donors in respect of voluntary contributions and donations received in previous years (2018: CHF 2,764k). These reimbursements were recorded under other costs and allocations and not as a reduction of income.

26. Designated reserves

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

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

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

- Planned obsolescence including major renovation and replacement works
- Emergency repairs

27. Financial instruments – Fair values and risk management

27(a) Measurement and Fair values

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

Financial asset/liability	Note	Measured at	Fair value level	Carrying amount 2019 (CHF 000s)	Carrying amount 2018 (CHF 000s)
Investments – global bond funds	14	Fair value through profit or loss	1	67,280	60,035
Investments – global equity Funds	14	Fair value through profit or loss	2	27,111	21,697
Foreign exchange forward contracts	11	Fair value - hedging instruments	2	(29)	67
Investments – bank deposits	14	Amortised cost		65,000	40,000
Cash and cash equivalents	13	Amortised cost		264,549	125,141
Receivables[1]	15	Amortised cost		172,326	165,764
Payables	19	Amortised cost		29,728	38,215
Receipt in advance – ESSN project	12	Amortised cost		144,902	-
Loans and borrowings	23	Amortised cost		69,413	61,786

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

Transfers between levels of fair value hierarchy are recognised at the date of the event or change in circumstances that caused the transfer. There were no transfers between levels in 2019 (2018: none).

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

27(b) Risk management

The IFRC is exposed to a variety of financial risks, namely market risk, credit risk, and liquidity risk. The IFRC actively seeks to minimise potential adverse effects arising from these exposures as detailed below.

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

(i) Market risk

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

Foreign exchange risk

The risk arises primarily from bank deposits and pledge receivables in currencies other than Swiss Francs, revalued against Swiss Francs over the period between the pledge date and the settlement date. Foreign exchange risk on these assets is naturally mitigated by the foreign exchange risk on accounts payable that are denominated in currencies other than Swiss Francs. The main currencies influencing foreign exchange risk are the Euro, Canadian Dollar, Pound Sterling, Syrian Pound,

[1] Financial instruments include Accounts receivable and Sundry receivables only

and United States (US) Dollar. The IFRC maintains the net exposure within acceptable levels by buying or selling foreign currencies at spot rates to meet short-term needs.

At 31 December 2019, if the Swiss Franc had strengthened by 5% against the aforementioned currencies, with all other variables held constant, the net surplus result and total comprehensive income for the year would have increased by CHF 6,362k (In 2018, the net deficit result and total comprehensive loss for the year would have decreased by CHF 7,371k), primarily as a result of foreign exchange gains/losses on translation of pledge receivable balances and bank balances held mostly in Euros and US Dollars.

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

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

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

The global bond funds are measured at FVTPL and are held in a listed fund indexed to the Citigroup World Government Bonds Index. A 5% increase in this Index at the reporting date would have increased the global bond funds, the net surplus result, and total comprehensive income for the year by CHF 3,364k (2018: CHF 3,002k). An equal change in the opposite direction would have decreased the global bond fund investment, the net surplus result, and total comprehensive income for the year by CHF 3,364k (2018: CHF 3,002k).

The global equity funds are measured at FVTPL and are held in a global equity trust fund that is not listed. This equity trust fund invests in actively traded equity securities to mirror the listed MSCI World Index. A 5% increase in the MSCI World Index at the reporting date would have increased the global equity funds investment, the net surplus result, and total comprehensive income for the year by CHF 1,356k (2018: CHF 1,085k). An equal change in the opposite direction would have decreased the global equity funds investment, the net surplus result, and total comprehensive income for the year by CHF 1,356k (2018: CHF 1,085k).

There was no exposure to commodities price risk at either 31 December 2019 or 31 December 2018.

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 member National Societies, donor governments, and other international organisations where credit risk is considered to be low. Full provision is made for all unpaid statutory contributions at each period end date. Each category and class of receivable has its own definition of default, and provisions of estimated credit losses are made on the probability of credit losses occuring over the expected lives of the receivables. The movement in estimated credit losses is disclosed in note 15.

The IFRC's Investment Guidelines allows investment only in liquid securities and deposits with counterparties that have good credit ratings, limiting the holding with one financial institution to 25% of the IFRC's total cash and investment holdings at any given time. The Finance Commission of the IFRC has agreed a waiver to this policy in relation to the ESSN project (see note 12) whereby funds related to component B are held in two financial institutions. The IFRC reviews the credit ratings of all financial institution counterparties on a regular basis. Details of cash and cash equivalent holdings by credit ratings of financial instirution are provided in note 13. As investments are measured at FVTPL, they do not require additional impairment for credit losses. The IFRC maintains banking relationships with certain unrated financial institutions where rated financial institutions are not operational. At year end, the value of assets held with such institutions was CHF 445k (2018: CHF 873k, see note 13). Other positions are not material or are covered by provisions.

(iii) Liquidity risk

This concerns the risk that the IFRC will encounter difficulty to meet the obligations associated with its financial liabilities that are settled by cash or another financial asset.

Liquidity risk is minimised by maintaining sufficient funds as cash in hand, on-demand bank deposits or short-term bank deposits with original maturities of three months or less, to meet short-term liabilities. The IFRC anticipates meeting annual FIPOI loan repayments from short-term liquid funds (see note 23). In addition, investments are all in liquid securities which can easily be sold to meet longer term cash flow needs, including annual FIPOI loan repayments should the need arise. No significant contractual payments are due on financial investments, including financial assets at fair value through profit or loss, short-term and long-term investments.

27(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 2019 was CHF 58,268k (2018: CHF 51,220k). The unrestricted reserves are not subject to any externally imposed capital requirement. As further explained in Note 36P, the IFRC holds restricted reserves that are subject to the earmarking requirements of donors.

28. Leases

(a) IFRC as a lessee (IFRS 16)

(i) Short term and low value lease

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

Amounts recognised in the Consolidated Statement of Comprehensive Income

2019 - under IFRS 16	**2019 CHF 000s**
Expenses related to short-term leases	4,711
Expenses related to low-value assets, excluding short-term leases of low value assets	46
	4,757

2018 - Operating leases under IAS 17	**2018 CHF 000s**
Land, buildings and equipment	15,963
Means of transport	2,556
	18,519

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

At transition, for the purposes of applying the modified retrospective approach to property leases, the IFRC elects to:

- apply the practical expedient to exclude initial direct costs from the right-of-use asset;
- apply the practical expedient to rely on its assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets, immediately before the date of initial application, as an alternative to performing an impairment review;
- apply the exemption not to recognize right-of-use assets and liabilities, for leases with less that 12 months of lease term remaining, at the date of initial application;
- apply the practical expedient not to recognize right-of-use assets and liabilities, for low value assets (e.g. IT equipment);
- use hindsight, when determining the lease term, if the contract contains options to extend or terminate the lease.

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For IFRC leases, the lease terms, and the remaining lease terms at the date of initial application, vary. The leases may feature both fixed and variable payments and typically include both termination and renewal options. The IFRC has assessed the leases at either the date of initial application, or the date of inception for new leases, in order to determine the lease period and lease payments the IFRC is reasonably certain it will make.

At lease commencement date, the IFRC assesses whether it is reasonably certain to exercise lease extension options. Some leases contain extension options that have not been reflected in the IFRC's assessment of the lease term as they are not reasonably certain. The IFRC is unable to assess the potential future lease payments that may be made should the IFRC exercise these options.
Right-of-use assets related to leased properties and equipment are presented as property, vehicles and equipment (see note 17).

	Property CHF 000s	Equipment CHF 000s	Total CHF 000s
Balance as at 1 January 2019	2,750	40	2,790
Additions	3,592	204	3,796
Disposals	(206)	-	(206)
Depreciation charge for the year	(1,325)	(51)	(1,376)
Balance as at 31 December 2019	4,811	193	5,004

Leases of property
The IFRC's property leases include leases of offices, residential apartments and warehouses. Previously, the IFRC classified these leases as operating leases under IAS 17.

At the end of 2019, the IFRC had leases for 24 office premises from which it conducts its business around the world.

The IFRC also had leases for 22 residential apartments in 11 locations around the world. Generally, employees are responsible for arranging accommodation, at their own costs, however, in certain duty stations, this responsibility lies with the IFRC. In these instances, the IFRC will sign the accommodation lease and make the necessary arrangements with the landlord.

Finally, the IFRC leased 1 warehouse. Warehouses are used for the strategic pre-positioning of emergency supplies to allow the IFRC to deliver aid to people in need more quickly and at minimum cost. They also allow the IFRC to provide warehousing and handling services to National Societies and other humanitarian agencies.

Leases of equipment
The IFRC leases photocopiers for use by staff in its head office in Geneva and in one of its regional offices.

Lease liabilities recognised in the Consolidated Statement of Financial Position

	2019 CHF 000s
Current lease liabilities	1,754
Non-curent lease liabilities	3,083
	4,837

Amounts recognised in the Consolidated Statement of Cash flows

Amounts recognised in the Consolidated Statement of Cash Flows	**2019 CHF 000s**
Payment of lease liabilities	1,570
	1,570

The total cash outflow for leases including short term leases, low value leases and right of use assets in 2019 is CHF 6,327k.

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

The IFRC lease vehicles to third parties under operating leases. The leases, which run for period of up to five years, are cancellable upon one month's notice, at any time, during the lease period. Leases, for periods of less than five years, may be renewed, however, the maximum lease period is five years. The IFRC retains the right to receive proceeds from disposal of the leased vehicles. The lease contracts contain a number of provisions to manage the IFRC's risk associated with the rights it retains in the underlying vehicle assets, including the following:

- lessees must return the vehicle to the IFRC at the end of lease period;
- lessees must use and manage the vehicles in accordance with the requirements of the IFRC's fleet management procedures;
- vehicle modifications can only be made with prior IFRC approval;
- lessees are required to meet certain minimum insurance standards, and the IFRC self-insures collision damage (see note 36P).

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

	2019	**2018**
	CHF 000s	**CHF 000s**
Rental of vehicles to third parties	4,163	3,986
Leases of office / residential premises	547	-
	4,710	3,986

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

	2019
	CHF 000s
Gross carrying amount	10,916
Accumulated depreciation	(4,153)
Net book value	6,763
Depreciation charge for the year	1,223

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

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

29. Capital commitments

Capital expenditure contracted for at 31 December 2019, but not yet incurred, amounted to CHF 1,479k (2018: CHF 8,482k), of which CHF 234k (2018: CHF 7,186k) related to the construction of the new headquarters in Geneva (see note 23), and CHF 222k (2018: Nil) related to the ERP project.

30. Contingencies

30(a) Contingent assets

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

Donor	Nature of contingent asset	2019 CHF 000s	2018 CHF 000s
British Government	Contingent upon performance	3,446	7,505
German Government	Contingent upon availability of funding in the budget of the Government of Federal Rep of Germany.	1,635	3,100
Swiss Government	Contingent upon performance	342	531
USAID	Contingent upon allocation of funding from USAID	244	-
UNDP	Contingent upon acceptance of final report by UNDP	165	160
Vital Strategies	Contingent upon performance	91	-
WHO	Contingent upon performance	75	129
Total Contingent assets		**5,998**	**11,425**

30(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.

31. Related parties

31(a) Identity of related parties

As described in note 1, parties related to the IFRC include the General Assembly, Governing Board, Finance Commission, Audit and Risk Commission, the IFRC at the UN Inc., the Foundation, and the IFRC's joint arrangements.

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

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

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

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

National Societies are not parties related to the IFRC.

31(b) Key management compensations

The salaries and benefits of the Secretary General, Under Secretaries General and Regional Directors of the IFRC are set by the Governing Board. Their total benefits amounted to CHF 3,687k (2018: CHF 2,999k), comprised as follows:

	2019 CHF 000s	2018 CHF 000s
Short-term employee benefits	2,655	2,479
Post-employment benefits	825	520
Termination benefits	207	-
	3,687	2,999

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 and the Audit and Risk 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.

31(c) Transactions with related parties during the year

Related Party	Nature of transaction	2019 CHF 000s	2018 CHF 000s
Pension Fund	Service income related to services provided to pension fund	429	434
	Outstanding receivable due from pension fund	107	104
Standing Commission	Service income related to services provided to the Standing Commission	215	214
	IFRC contribution to Standing Commission operating costs	177	176
	Outstanding receivable due from Standing Commission	16	-

All transactions were made on terms equivalent to those that prevail in arm’s length transactions. As at 31 December 2019, none of the amounts due to the IFRC have been provided for as the expected credit losses arising on the balances are considered immaterial (2018: Nil). None of the balances are secured and mature within 6 months after period end.

Other than compensation arising in the ordinary course of business as disclosed above, there were no transactions with key management personnel. 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 from the IFRC during the year.

32. Performance against (unaudited) budget

2019	Budget (unaudited)	Actuals	Actuals on a comparable basis	Performance Variance (unaudited)
	CHF 000s	CHF 000s	CHF 000s	CHF 000s
OPERATING INCOME				
Statutory contributions	36,500	35,567	39,800	3,300
Voluntary contributions and donations	410,000	293,358	290,800	(119,200)
Services income	51,000	31,652	32,100	(18,900)
Other income	2,500	2,909	3,300	800
Total OPERATING INCOME	500,000	363,486	366,000	(134,000)
OPERATING EXPENDITURE				
Regular resources	105,000	63,860	91,800	(13,200)
Other resources	380,000	242,164	241,000	(139,000)
Supplementary services	51,000	29,107	30,000	(21,000)
Cost recoveries	(36,000)		(25,700)	
Total OPERATING EXPENDITURE	500,000	335,131	337,100	(173,200)
NET (DEFICIT) FROM OPERATING ACTIVITIES	-	28,355	28,900	39,200
FINANCE INCOME/(EXPENSE)				
Finance income	-	6,168	5,100	5,100
Finance expense	-	(3,299)	-	-
NET FINANCE INCOME/(EXPENSE)	-	2,869	5,100	5,100
NET (DEFICIT) FOR THE YEAR	-	31,224	34,000	44,300

2018	Budget (unaudited)	Actuals	Actuals on a comparable basis	Performance Variance (unaudited)
	CHF 000s	CHF 000s	CHF 000s	CHF 000s
OPERATING INCOME				
Statutory contributions	36,500	35,426	34,100	(2,400)
Voluntary contributions and donations	410,000	259,744	253,400	(156,600)
Services income	51,000	29,842	30,000	(21,000)
Other income	2,500	2,678	5,000	2,500
Total OPERATING INCOME	500,000	327,690	322,500	(177,500)
OPERATING EXPENDITURE				
Regular resources	105,000	68,360	94,400	(10,600)
Other resources	352,000	248,527	245,300	(106,700)
Supplementary services	43,000	30,507	30,400	(12,600)
Cost recoveries	(36,000)		(26,300)	
Total OPERATING EXPENDITURE	464,000	347,394	343,800	(129,900)
NET (DEFICIT) FROM OPERATING ACTIVITIES	36,000	(19,704)	(21,300)	(47,600)
FINANCE INCOME/(EXPENSE)				
Finance income	-	2,101	-	-
Finance expense	-	(9,206)	(3,800)	(3,800)
NET FINANCE INCOME/(EXPENSE)	-	(7,105)	(3,800)	(3,800)
NET (DEFICIT) FOR THE YEAR	36,000	(26,809)	(25,100)	(51,400)

33. Expenditure by Results against (unaudited) budget

	2019 Budget CHF 000s	2019 Actuals on a comparable basis CHF 000s	2019 Performance Variance CHF 000s	2018 Actuals on a comparable basis CHF 000s
Strategies for Implementation				
1. Strengthen National Societies	50,000	30,300	(19,700)	30,900
2. Ensure effective international disaster management	67,000	67,600	600	58,300
3. Influence others as leading strategic partners	25,000	22,200	(2,800)	21,700
4. Ensure a strong IFRC that is effective	58,000	60,600	2,600	62,400
Total Strategies for Implementation	200,000	180,700	(19,300)	173,300
Areas of Focus				
1. Disaster risk reduction	50,000	10,100	(39,900)	9,800
2. Shelter	37,000	18,600	(18,400)	29,300
3. Livelihoods and basic needs	41,000	27,100	(13,900)	23,900
4. Health	92,000	59,900	(32,100)	64,500
5. Water, sanitation and hygiene	19,000	12,500	(6,500)	16,200
6. Protection, gender and inclusion	8,000	4,300	(3,700)	4,000
7. Migration	53,000	23,900	(29,100)	22,800
Total Areas of Focus	300,000	156,400	(143,600)	170,500
Total expenditure by results	500,000	337,100	(162,900)	343,800

34. Expenditure by Structure against (unaudited) budget

	2019 Budget CHF 000s	2019 Actuals on a comparable basis CHF 000s	2019 Performance Variance CHF 000s	2018 Actuals on a comparable basis CHF 000s
General Assembly, Governing Board, Statutory Commissions and Committees	3,000	5,100	2,100	3,600
Office of the Secretary General	8,500	8,800	300	8,400
Programmes and Operations	52,500	41,300	(11,200)	42,600
Partnerships	23,000	19,100	(3,900)	19,300
Management	17,000	15,600	(1,400)	18,000
Africa	126,500	67,300	(59,200)	65,600
Americas	41,800	38,500	(3,300)	37,000
Asia Pacific	114,800	70,700	(44,100)	75,300
Europe	41,000	27,700	(13,300)	27,100
Middle East and North Africa	63,400	32,000	(31,400)	38,200
Depreciation and amortisation	6,500	9,500	3,000	4,200
General Provision	2,000	1,500	(500)	4,500
Total expenditure by structure	500,000	337,100	(162,900)	343,800

Budgets in the tables above refer to the budget approved by the General Assembly pursuant to Update to Plan and Budget 2016 – 2020, which informs the presentation for consolidated income and expenditure by results and structure. Income and expenditure as reported under notes 32 to 34 are not audited and are presented for information purposes only.

35. Subsequent events

On 11 March 2020, the World Health Organisation (WHO) declared COVID-19 a global pandemic. Since the start of the outbreak, the IFRC and its National Societies have been responding or scaling up the preparedness for response, to address health and socio-economic impacts caused by COVID-19. On 26 March 2020, the IFRC launched a Federation-wide Emergency Appeal seeking CHF 500,000k to support National Red Cross and Red Crescent Societies in health care, prepositioning of goods, risk communication, lessons learned from the global network of local responders, cash grants for families, and mitigating impacts of large outbreaks.

The IFRC also continues working closely with its National Societies to continue life-saving programmes across the world. A slow down in implementation of non-COVID-19 activities is anticipated and the IFRC is working with its partners to mitigate this.

The pandemic has led to economic instability and volatility in financial markets globally. For the reporting date 31 December 2019, the COVID-19 outbreak and the related financial impacts on recognition measurement of assets and liabilities are non-adjusting events. The IFRC has assessed the estimated effects, including the impact on financial assets held at fair value and the impact arising from the volatility of foreign currency exchange markets. The IFRC has determined that these effects are not material to the consolidated financial statements.

36. Significant accounting policies

In the preparation of these consolidated financial statements, the IFRC has consistently applied the following accounting policies that are consistent with those of the previous financial year, except leases (see 35E), as described under changes in significant accounting policies below.

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

Changes in significant accounting policies

The IFRC has applied IFRS 16 with a date of initial application of 1 January 2019. Amendments to a number of other new standards are also effective from 1 January 2019, but they do not have a material effect on the consolidated financial statements.

The IFRC applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized as adjustment to the opening balance of reserves. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

i) Definition of a lease
Previously, the IFRC determined, at contract inception, whether an arrangement is, or contains, a lease under IFRIC 4. Under IFRS 16, the IFRC assesses whether a contract is, or contains, a lease, based on the definition of a lease, as explained in Note 36E. On transition to IFRS 16, the IFRC reassessed existing contractual arrangements and applied the IFRS 16 definition of a lease to them. This reassessment included agreements, previously assessed as non-monetary government grants and recognized in accordance with IAS 20 Government Grants, as either grants related to assets or grants related to income, as relevant. These agreements were still assessed as non-monetary government grants, but, consistent with the IFRC's implementation of IFRS 16, some grants, previously recognized as related to income, are recognised as related to assets, in these consolidated financial statements. For leases where the IFRC is a lessee, it has elected not to separate lease and non-lease components and to account for both as a single lease component.

ii) As a lessee
As a lessee, under IAS 17 payments made under operating leases were recognized in the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term. Under IFRS 16, the IFRC recognizes right-of-use assets and lease liabilities in the Consolidated Statement of Financial Position for most leases.

At transition, lease liabilities were measured at the value of the remaining lease payments, as at 1 January 2019. The IFRC has elected not to measure its lease liabilities on a discounted basis because the effect of discounting is not material. Right-of-use assets are measured as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

For the purposes of applying the modified retrospective approach to property leases, the IFRC elects to:
- apply the practical expedient to exclude initial direct costs from the right-of-use asset;
- apply the practical expedient to rely on its assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets, immediately before the date of initial application, as an alternative to performing an impairment review;
- apply the exemption not to recognize right-of-use assets and liabilities, for leases with less that 12 months of lease term remaining, at the date of initial application;
- apply the practical expedient not to recognize right-of-use assets and liabilities, for leases of low value assets (e.g. IT equipment);
- use hindsight, when determining the lease term, if the contract contains options to extend or terminate the lease.

For IFRC leases, the lease terms, and the remaining lease terms at the date of initial application, vary. The leases may feature both fixed and variable payments and typically include both termination and renewal options. The IFRC has assessed the leases at either the date of initial application, or the date of inception for new leases, in order to determine the lease period and lease payments the IFRC is reasonably certain it will make.

ii) As a lessor
The IFRC is not required to make any adjustments on transition to IFRS for leases in which it acts as a lessor.

iv) Impacts on financial statements
On transition to IFRS 16, the IFRC recognised an additional CHF 2,790k of right-of-use assets (see note 17) and CHF 2,907k of lease liabilities, recognising the difference against reserves.

Under IAS 17 all IFRC leases were assessed as cancellable operating leases, accordingly, no disclosure of commitments under these leases was made in the 2018 consolidated financial statements

A. Basis of consolidation

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

The Foundation for the International Federation of Red Cross and Red Crescent Societies (the Foundation) is an entity that the IFRC controls. The IFRC controls the Foundation by virtue of having 100% interest in the net assets of the entity although it controls not more than half of the voting power. The Foundation was established to support the objectives of the IFRC, by providing the necessary institutional framework for international revenue projects undertaken by, and to the benefit of, the IFRC and its member Red Cross and Red Crescent National Societies. The IFRC consolidates its interest in the Foundation by combining the financial statements of both entities through line-by-line adding of assets, liabilities, equity, income, expenses and cashflows; where inter-entity transactions and balances are eliminated. The Foundation's accounting policies are consistent with those adopted by the IFRC. The assessment of the IFRC's control over the Foundation includes an examination of all facts and circumstances. The Foundation was liquidated on 17 January 2020. There were no material impacts arising from the liquidation.

(b) Joint arrangements
During the year ended 31 December 2019, the IFRC had interests in the following hosted programmes under joint arrangements, where the activities of the programmes are in accordance with the IFRC's principal activities: Global Road Safety Partnership; National Society Investment Alliance; Steering Committee Human Response; Stop AIDS Alliance. The IFRC's assessment of the nature of each joint arrangement includes an assessment by the IFRC of its rights and obligations, the structure and legal form of the arrangement, the contractual terms agreed to by the parties to the arrangement, and other relevant facts and circumstances.

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

B. Foreign currency transactions

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

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

	Closing rate of exchange		**Average rate of exchange**	
	2019	**2018**	**2019**	**2018**
EUR	1.09	1.13	1.11	1.15
USD	0.98	0.98	0.99	0.98
GBP	1.28	1.25	1.27	1.30
CAD	0.75	0.72	0.75	0.75
SYP	0.0022	0.0023	0.0023	0.0022

C. Income

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

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

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

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

(b) Voluntary contributions and donations

Cash contributions and donations are recognised when a pledge has been received from the National Society or other donor.

Government grants for specific projects and donations that are based on contracts akin to government grants, are recognised as expenditure is incurred and contractual obligations are fulfilled. Donations received, but not yet recognised, are included in deferred income. The IFRC typically receives such donations from United Nations (UN) agencies, the European Commission Humanitarian Aid Office (ECHO) and government agencies such as the United Kingdom Department for International Development (DFID) and the United States Agency for International Development (USAID). Government grants that are neither for specific projects nor for identifiable assets (see below), and are both earmarked and managed at appeal level (see (c) Earmarking below) are recognised when a confirmed written pledge has been received from the donor and accepted by the IFRC.

Government grants for building operating costs are recognised as operating costs are incurred. Government grants for right-of-use Land and buildings, and for other equipment, are recognised, at fair value, in the Consolidated Statement of Comprehensive Income, over the useful lives of the related assets. Amounts received, but not recognised, are included in deferred income.

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

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

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

The fair value of in-kind goods, assets and property operating cost donations, is taken as the value indicated by the donor. This value is tested for reasonableness by comparing it to the cost that the IFRC would incur if it were to buy in the open market similar goods, assets or property services, for the same intended use. If the market value is found to be significantly different to the value indicated by the donor, the value is revised to the market value. The fair value of in-kind staff is taken as the average cost that would be incurred by the IFRC, if it were to directly employ a person in a similar position.

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

(c) Earmarking

Voluntary contributions and donations are identified according to the level of earmarking (see also note 36P *Donor-restricted contributions and donations*).

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

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

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

(e) Income from the provision of services

Income from the provision of services under service agreements, is derived from services provided to National Societies, including fleet services, logistics services, and administrative services in countries where National Societies are working bi-laterally with the local National Society, rather than multi-laterally with the IFRC and the local National Society. Income from these types of services is included under Services income in the Consolidated Statement of Comprehensive Income.
The IFRC provides contracted services, in the form of grant and programme management services, to other humanitarian actors. These initiatives play a role in ensuring that globally available resources reach vulnerable people as well as positioning the IFRC as a reliable partner, and enhancing the overall credibility of the International Red Cross and Red Crescent Movement.

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

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

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

The ESSN agreement between IFRC and ECHO (see note 12) falls within the scope of IFRS 15. Revenue related to the agreement is disclosed as Services Income in the Consolidated Statement of Comprehensive Income. All services rendered relate to cash distributions to beneficiaries and are accounted for as a single performance obligation. As ECHO receives the benefits of IFRC's performance as cash distributions are made to beneficiaries, the IFRC's performance obligation is satisfied over time and revenue is recognised accordingly

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

Services performed in advance of income being received are classified as Contract assets. Income received in advance of service performance is classified as Contract liabilities.

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

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

(d) Income from the sale of goods

Income from the sale of goods, principally from publications and promotional goods, is recognised when performance obligations have been satisfied, including the transfer of control over the goods.

D. Expenditure

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

(a) Functional expenditure categories

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

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

i) Humanitarian response

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

ii) Thematic

Assistance to National Societies in their programming, in areas of risk reduction and resilience, food security and health including water and sanitation; and in helping them to become stronger organisations; designing clear strategic plans for their programme work as well as helping them mobilise and coordinate domestic and international partners.

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

Expenditure related to the ESSN agreement between IFRC and ECHO (see note 12) is disclosed as Thematic expenditure. The IFRC is assisting TRC in the implementation of programme activities.

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.

ii) Logistics services

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

iii)Fleet services

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

iv)Contracted services

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

Regular resources are funded by unrestricted funds, including statutory contributions, voluntary contributions and donations and cost recoveries, and are separated into the same four Strategies for implementation and eight Areas of focus as Programme and coordination activities. They also include the net costs recovered from the provision of Logistics and Fleet services.

(b) Costing principles

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

Direct costs

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

Indirect costs

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

Pledge fees

Costs are incurred to meet specific donor requirepments. 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

The IFRC has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and continues to be reported under IAS 17. The details of accounting policies under IAS 17 are disclosed separately where they are different from IFRS 16 and the impact of changes is disclosed in note 28.

Accounting policy applicable from 1 January 2019
At inception of a contract, the IFRC assesses whether the contract is, or contains a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the IFRC uses the definition of a lease in IFRS 16.

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

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

Accounting policy applicable before 1 January 2019
At inception of a contract, the IFRC assessed whether the contract was, or contained, a lease. A lease was defined as an agreement whereby the lessor conveyed to the IFRC, in return for a payment or a series of payments, the right to use an asset for an agreed period of time. A finance lease was a lease that transferred substantially all the risks and rewards of ownership. An operating lease was a lease other than a finance lease.

As a lessee

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

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

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

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

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

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

After the commencement date, the lease liability is measured by:

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

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

IFRC presents right-of-use assets in Property, vehicles and equipment and within Loans and borrowings in the Consolidated Statement of Financial Position (See note 28).

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

Under IAS 17
In the comparative period, as a lessee, the IFRC classified leases that transfer substantially all of the risks and rewards incidental to ownership of an asset as finance leases. In 2018, the IFRC had no interest in finance leases as a lessee.

An operating lease was a lease other than a finance lease. In 2018, payments made under operating leases were recognised in the Consolidated Statement of Comprehensive Income on a straight-line basis over the period of the lease.

As a lessor

The accounting polices applicable to the IFRC as a lessor under IFRS 16 and in the comparative period are the same. When the IFRC acts as a lessor, it determines, at inception, whether each lease is a finance lease or an operating lease. To classify each lease, the IFRC makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not, then it is an operating lease. As part of this assessment, the IFRC considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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

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

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

F. Taxes

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

G. Finance income and expense

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

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

H. Financial Instruments

(a) Financial assets

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

(i) Cash and cash equivalents

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

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

(ii) Investments

Short-term investments are initially recognised at fair value, and subsequently measured at amortised cost. They include short-term bank deposits with original maturities of more than three months, but less than one year.
Long term investments are recognised and subsequently measured at fair value through profit or loss, and comprise units held in a global bond fund and units held in a global equity fund. Both funds are classified as financial assets. The fair value of the units is fully determined by reference to published price quotations in an active market. Purchases and sales of units are recognised on the trade date, which is the date that the investment managers commit to purchase or sell the asset, on behalf of the IFRC. Realised or unrealised gains and losses arising from changes in the fair value of financial assets are included in the Consolidated Statement of Comprehensive Income under Net finance income/(expense), in the period in which they arise. Investments with maturities of more than twelve months after the reporting period are classified as non-current assets.

(iii) Receivables

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

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

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

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

Receivables, where the recovery will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the IFRC, are not recognised as receivables in the Consolidated Statement of Financial Position but are disclosed as contingent assets (see note 30). If the effect is material, the fair value of contingent assets is determined by discounting the expected future cash flows that reflect a current market assessment of the time value of money.

(iv) Cash flow hedges

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

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

(b) Financial liabilities

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

I. Inventories

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

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

J. Property, vehicles and equipment

Property, vehicles and equipment are stated at historical cost less accumulated depreciation. Contributed and donated assets received in-kind are accounted for using the same principles as used for purchased assets, with acquisition costs being determined on the basis of donor values. Depreciation is calculated on the straight-line method to write off assets to their estimated residual values over their estimated useful lives as follows:

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

When the carrying amount of an asset is greater than its estimated recoverable amount, the asset is immediately written down to its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with net carrying amounts, and are recognised in the Consolidated Statement of Comprehensive Income.

Subsequent expenditure is capitalised only when probable future economic benefits will flow to the IFRC and the cost can be measured reliably. Repairs and maintenance costs are recognised in the Consolidated Statement of Comprehensive Income during the financial period in which they are incurred.

K. Intangible assets

Acquired computer software is capitalised on the basis of the acquisition costs, and costs incurred, including own labour costs, to bring the specific software into use. Amortisation is calculated on the straight-line method to write off assets to their estimated residual values over their estimated useful lives of 3 to 4 years. Costs associated with maintaining software are recognised in the Consolidated Statement of Comprehensive Income during the financial period in which they are incurred.

L. Impairment

In order to determine whether there is any indication of impairment, the carrying amounts of the IFRC's assets, other than financial assets at fair value through profit or loss and inventories (see note 36H), are reviewed periodically to ascertain the amounts that may not be recoverable.

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

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

M. Employee benefit costs

(a) Post-employment benefit plans

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

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

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

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

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

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

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

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

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

(b) Termination benefits

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

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

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

N. Provisions

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

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

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

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

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

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

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

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

O. Receipt in advance - ESSN project

The cash support to beneficiaries provided under Component B of the ESSN agreement between IFRC and ECHO (see note 12) does not constitute a performance obligation, as the IFRC is redistributing cash provided by ECHO to designated beneficiaries. Funds received for onward distribution to beneficiaries are considered financial liabilities as they shall be settled in cash either by distributing the cash or by returning the funds to ECHO.

P. Reserves

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

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

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

(b) Unrestricted reserves
Unrestricted reserves are not subject to any legal or third party restriction and can be used as the IFRC sees fit. Unrestricted reserves may be designated by the IFRC for specific purposes, to meet future obligations or mitigate specific risks.

(c) Designated reserves
Designated reserves include the following:

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

Statutory meetings reserve
Funds are set aside to meet the anticipated costs of future statutory meetings and Governing Board initiatives as and when the events take place.
Specific projects
As explained in note 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 2019 or 2018, 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.

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

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

37. New Standards, Amendments and Interpretations

The following Standards, Amendments and Interpretations have been issued, but are not yet effective. They have not been applied early in the preparation of these consolidated financial statements. Based on assessments conducted by IFRC's management, the expected impact of each Standard, Amendment and Interpretation is presented below.

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

Standard / Amendment / Interpretation	Effective date	IFRC planned application	Anticipated impact
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020	Reporting year 2020	Not material
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020	Reporting year 2020	Not material