

**International Federation of Red Cross
and Red Crescent Societies (IFRC), Geneva**

Report of the Independent Auditors

On the IFRC's Financial Statements for the Bay
of Bengal Earthquake and Tsunami Appeal
(M04EA028)
for the year ended 31 December 2008



KPMG SA

Audit

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Report of the Independent Auditors

Bay of Bengal Earthquake and Tsunami Appeal (M04EA028) of the International Federation of Red Cross and Red Crescent Societies (IFRC)

We have audited the accompanying financial statements (income and expenditure statement and related notes) of the Bay of Bengal Earthquake and Tsunami Appeal (M04EA028) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the year ended 31 December 2008. These financial statements are the responsibility of the IFRC's management. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion of these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the accompanying financial statements have been prepared, in all material respects in accordance with the IFRC accounting policies.

KPMG SA

William D. Laneville
Licensed Audit Expert
Auditor in Charge

Christine Fox

Geneva, 18 November 2009

Enclosure:

- Income and expenditure statement and related notes.

INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES

STATEMENT OF INCOME AND EXPENDITURE OF BAY OF BENGAL EARTHQUAKE & TSUNAMI
 APPEAL (M04EA028)
 YEAR ENDED 31 DECEMBER 2008

	Note	2008 CHF	2007 CHF
Voluntary contributions	2.3 (a), 3	42,471,770	141,697,800
Bilateral services income	2.3 (b)	3,347,309	3,256,508
Interest income	2.3 (c)	1,303,861	1,492,463
Other income		235,819	57,916
Total INCOME	5	47,358,759	146,504,687
OPERATING EXPENDITURE			
Supplies		46,693,438	44,995,522
Vehicles and equipment		1,346,859	1,647,449
Transport and storage	2.5	1,908,728	2,952,594
Personnel expenditure	2.6	14,535,009	18,301,807
Workshops and training		1,467,913	1,885,825
General expenditure		5,840,888	5,942,719
Depreciation	2.7	69,017	63,096
Contributions to National Societies		230,957	780,323
Contributions to other organisations		12,575,267	125,000
Programme support	4	-1,562,931	-474,037
Operational provisions	2.8	-887,635	-269,969
Total OPERATING EXPENDITURE	5	82,217,508	75,950,329
EXCESS OF EXPENDITURE OVER INCOME	5	-34,858,749	70,554,358
FUNDS HELD FOR OPERATIONS			
Brought forward	2.4	160,576,354	90,021,996
Excess of expenditure over income		-34,858,749	70,554,358
FUNDS HELD FOR OPERATIONS		125,717,605	160,576,354

The notes on pages 2 to 5 are an integral part of this Income and Expenditure statement.

**NOTES TO THE STATEMENT OF INCOME AND EXPENDITURE OF BAY OF BENGAL EARTHQUAKE
& TSUNAMI APPEAL (M04EA028)
YEAR ENDED 31 DECEMBER 2008**

NOTE 1 - ACTIVITIES

Founded in 1919, the International Federation of Red Cross and Red Crescent Societies (IFRC) is a membership organisation comprising 186 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's mission is to improve the lives of vulnerable people by mobilizing the power of humanity. Its principal activities include:

- promoting individual and community humanitarian principles and values
- responding to disasters by providing assistance to vulnerable people, from refugees to victims of natural disasters
- disaster preparedness activities which aim to make National Societies and communities more aware of the risks they face, how to reduce their vulnerability, and how to cope when disaster strikes
- health and community care activities to enable communities to reduce their vulnerability to disease, and prepare for and respond to public health crises
- guiding and supporting the development of National Societies to enable them to fulfil their responsibilities in providing humanitarian services in their own countries.

The financials presented comprise the Income and Expenditure and supporting Notes of all projects linked to the Bay of Bengal Earthquake and Tsunami Appeal (M04EA028), hereafter referred to as the Appeal Financial Statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Appeal Financial Statements are presented in Swiss Francs and have been prepared under the historical cost convention. The information contained herein has been extracted from the Consolidated Financial Statements of the IFRC which are prepared in accordance with International Financial Reporting Standards.

2.2 Foreign currency transactions

Foreign currency transactions are translated into Swiss Francs using rates which approximate the prevailing rate at the date of the transactions.

2.3 Income

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

a) Voluntary contributions

Unearmarked cash contributions are recognised when a confirmed written pledge has been received from the donor.

Earmarked cash contributions are recognised as income when a confirmed written pledge has been received from the donor unless: either they are earmarked for a future accounting period, in which case they are booked as deferred income and taken to the Income and Expenditure Statement in the period for which they were earmarked or; in the case of earmarked contributions made which are subject to a specific service contract, in which case income is recognised as the contractual obligations are fulfilled and expenditure incurred.

In-kind contributions of goods (comprising relief supplies) and services (in the form of staff or transport) are recognised on the date of receipt of the goods or service and are reported as equal contributions and expenses in the Income and Expenditure Statement. In-kind goods and services received in response to appeals are measured at fair value.

The fair value of in-kind goods is taken as the donor indication of the value. This value is tested for reasonableness and adjusted accordingly, by comparing it to the cost that would be incurred by the IFRC if it were to buy similar goods for the same intended use in the open market.

NOTES TO THE STATEMENT OF INCOME AND EXPENDITURE OF BAY OF BENGAL EARTHQUAKE
& TSUNAMI APPEAL (M04EA028)
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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.

b) Income from the provision of services

Income from services is recognised in the period in which the service is rendered. For the provision of services across accounting periods, income is recognised according to the stage of completion of the service by reference to services performed to date as a percentage of total services to be performed.

The majority of income from the provision of services is derived from services provided to implementing National Societies in countries where they are working bilaterally with the local National Society, rather than multilaterally with the IFRC and the local National Society. Income from these types of services is included under Bilateral services income in the Income and Expenditure statement.

c) Interest income

Interest earned on unspent funds, has been allocated to the Tsunami appeal following the decision of IFRC's Governing Board in June 2006. The total of CHF 1,304k relates to interest earned for 2008. The total of CHF 1,492k reported in 2007 relates to interest earned from June 2006 to December 2007, of which CHF 54k relates to 2006.

2.4 Funds held for operations

The cumulative excess of voluntary contributions received over operating expenditure incurred is recorded as funds held for operations. In the event that the funds cannot be spent, the IFRC obtains agreement from the donor for a reallocation of those funds for a different use, or reimburses them to the donor. Reimbursements to donors are accounted for as reversals of voluntary contributions received; consequently, funds held for operations are diminished accordingly.

2.5 Transport and storage

The cost of renting vehicles from the IFRC's Vehicle Fleet Base for use on the Tsunami operation is recorded under Transport and storage.

2.6 Personnel expenditure

Personnel expenditure includes salary and benefit costs of international delegates, in-kind delegates, national staff and consultants' fees and expenses.

2.7 Depreciation

Depreciation is charged to those projects which are using the related vehicles or equipment. It is calculated on the straight-line method to write off assets to their estimated residual values over their estimated useful lives as follows:

Vehicles	4-5 years
Computer equipment	3-4 years
Other equipment	3-5 years

2.8 Operational provisions

Operational provisions represent the value of working advances made to National Societies which have not yet been reported by the recipient National Societies. Detailed breakdowns of the expenditure incurred by the National Societies are therefore not known as at 31 December 2008, but are normally reported on thereafter.

The value of unreported working advances as at 31 December 2007 was higher than that at 31 December 2008 resulting in a decrease in the provision for outstanding working advances and hence a credit to the provision expense in 2008.

**NOTES TO THE STATEMENT OF INCOME AND EXPENDITURE OF BAY OF BENGAL EARTHQUAKE
& TSUNAMI APPEAL (M04EA028)
YEAR ENDED 31 DECEMBER 2008**

3 Voluntary contributions analysis

	Cash	Outstanding Pledges (Revalued)	Goods In-Kind	Services In-Kind	2008 TOTAL	2007 TOTAL
	CHF	CHF	CHF	CHF	CHF	CHF
American Red Cross	15,850,682	(3,714,491)	-	62,000	12,198,190	55,746,072
Australian Red Cross	(2,408,691)	(21,978)	-	192,480	(2,238,189)	6,562,864
Bahrain Red Crescent	-	-	-	-	-	372,095
Belgium Red Cross (Flanders)	875,243	(170,914)	-	-	704,329	1,825,706
Belguim Red Cross (French)	-	-	-	59,500	59,500	(1,434,229)
British Red Cross	52,101	(231,061)	-	220,700	41,740	5,210,878
Canadian Red Cross	29,076,794	(5,871,954)	-	57,400	23,262,240	14,991,940
China Red Cross Society	-	-	-	-	-	2,420,000
Cyprus Red Cross	1,000,000	(1,000,000)	-	-	-	-
Finnish Red Cross	121,785	(76,734)	-	24,933	69,984	553,321
French Red Cross	528,077	(67,435)	-	-	460,642	10,386,241
German Red Cross	285,857	(300,000)	-	-	(14,143)	2,682,689
Hong Kong Red Cross	3,894,824	(1,415,125)	-	37,253	2,516,953	11,194,000
Icelandic Red Cross	-	-	-	-	-	515,858
Irish Red Cross	2,701,232	(1,545,761)	-	20,800	1,176,271	3,901,210
Japanese Red Cross	3,081,879	-	-	21,560	3,103,439	6,807,607
Korea Republic Red Cross	103,093	-	-	-	103,093	1,270,039
Maldives Government	1,157,100	-	-	-	1,157,100	-
Netherlands Red Cross	613,860	-	-	-	613,860	5,414,462
New Zealand Red Cross	2,384	-	-	47,080	49,464	1,061,896
Norwegian Red Cross	957,720	(1,353,937)	-	-	(396,217)	3,637,218
Singapore Red Cross	-	-	-	-	-	2,000,000
South African Red Cross	-	(51,645)	-	-	(51,645)	982,245
Spanish Red Cross	-	-	(111,971)	-	(111,971)	223,942
Swedish Red Cross	(369,710)	-	-	102,000	(267,710)	1,854,027
Swedish Red Cross (from Swedish Government)	155,776	-	-	-	155,776	-
Taiwan Red Cross Organisation	212,921	(879,704)	-	-	(666,783)	281,950
United Arab Emirates Red Crescent	-	(96,312)	-	-	(96,312)	1,963,499
Other	158,980	399,646	(111,971)	83,533	642,159	1,272,270
	58,051,907	(16,397,405)	(111,971)	929,239	42,471,770	141,697,800

The "Outstanding Pledges" column above shows movements in outstanding pledges between 1 January 2008 and 31 December 2008 and the revaluation of outstanding foreign currency pledges as at 31 December 2008 exchange rates.

Reimbursements of funds to donors referred to in note 2.4 above are recorded as a reduction in cash voluntary contributions if the contributions had already been paid or as a reduction in outstanding pledges if the contributions were still unpaid.

4 Programme support

As a contribution to the costs of support for operations in the field, an additional 6.5% is added to the actual cost of each operation for service provision. This support includes services essential for an operation's success such as human resources, finance, logistics, information technology and other support.

Following a decision by the IFRC's Governing Board in June 2006, all voluntary contributions received from 1 July 2006 onwards have been exempted from programme support recovery charges. The credit of CHF 1,563K (2007 : CHF 474k) relates to reallocation of 2006 expenditure originally charged to funds received prior to 1 July 2006 to funds received after 1 July 2006, resulting in a reversal of programme support recovery charges.

INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES, GENEVA

NOTES TO THE STATEMENT OF INCOME AND EXPENDITURE OF BAY OF BENGAL EARTHQUAKE
& TSUNAMI APPEAL (M04EA028)

YEAR ENDED 31 DECEMBER 2008

5 Income and Expenditure analysis by country of implementation

	Indonesia CHF	Sri Lanka CHF	Maldives CHF	* Other CHF	2008 TOTAL CHF	2007 TOTAL CHF
Voluntary contributions	6,202,473	12,643,635	(137,198)	23,762,860	42,471,770	141,697,800
Bilateral Services income	2,599,386	716,579	1,596	29,748	3,347,309	3,256,508
Interest income	-	-	-	1,303,861	1,303,861	1,492,463
Other income	65,024	165,784	3,463	1,548	235,819	57,915
Total INCOME	8,866,883	13,525,998	(132,139)	25,098,017	47,358,759	146,504,687
OPERATING EXPENDITURE						
Supplies	2,602,047	29,269,106	12,942,373	1,879,910	46,693,436	44,995,522
Vehicles and equipment	714,594	192,421	2,877	436,967	1,346,859	1,647,449
Transport and storage	879,841	746,288	155,305	127,294	1,908,728	2,952,594
Personnel expenditure	5,911,049	4,712,389	1,199,085	2,712,486	14,535,009	18,301,807
Workshops and training	530,360	307,730	58,565	571,258	1,467,913	1,885,825
General expenditure	1,971,246	1,988,836	733,941	1,146,865	5,840,888	5,942,719
Depreciation	61,819	6,336	-	862	69,017	63,096
Contributions to National Societies	-	230,957	-	-	230,957	780,323
Contributions to other organisations	-	12,575,267	-	-	12,575,267	125,000
Programme support	(2,105,503)	372,482	(176,475)	346,565	(1,562,931)	(474,037)
Operational provisions	16,857	27,635	(1,695)	(930,432)	(887,635)	(269,968)
Total OPERATING EXPENDITURE	10,582,310	50,429,447	14,913,976	6,291,775	82,217,508	75,950,329
EXCESS OF EXPENDITURE OVER INCOME	(1,715,427)	(36,903,449)	(15,046,115)	18,806,242	(34,858,749)	70,554,358

* Income included under the "Other" heading consists primarily of unearmarked income which had initially been allocated to a specific country of implementation, but which is subsequently reallocated back to the Tsunami general fund since this income was not originally earmarked for a specific country.