

**International Federation of Red Cross
and Red Crescent Societies**

**Report of the Auditors
to management on the statement
of income and expenditure for the
Bay of Bengal and Tsunami appeal
(M04EA028) for the year ended
31 December 2006**

Report of the auditors
to Sayed Hashem
Head of the Internal Audit and Risk Management Dept
International Federation of Red Cross and Red
Crescent Societies
Geneva

We have audited the accompanying statement of income and expenditure and the related notes of the Bay of Bengal and Tsunami Appeal (M04EA028) of the International Federation of Red Cross and Red Crescent Societies (the "Federation") for the 12 month period ended 31 December 2006. The statement of income and expenditure and the related notes are the responsibility of the Federation's management. Our responsibility is to express an opinion on the statement of income and expenditure and the related notes based on our audit.

We conducted our audits in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audits to obtain reasonable assurance about whether the statement of income and expenditure and the related notes are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the statement of income and expenditure has been prepared, in all material respects, in accordance with the basis set out in note 2 to the statement.

Without qualifying our opinion, we emphasise that the information contained in the statement of income and expenditure and the related notes is not intended to, and does not, comprise a complete set of financial statements in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers SA



Michael Foley



Thierry James

Geneva, March 26, 2008

Enclosure:

- Statement of income and expenditure, and 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 2006

	Notes ref	CHF
Voluntary contributions	23 (a) & 3	95'828'875
Bilateral Services income	23 (b)	3070'435
Other income		161'707
Total INCOME	5	99'061'017
OPERATING EXPENDITURE		
Supplies		139'148'436
Vehicles and equipment		6'454'827
Transport and storage	2.5	11'145'371
Personnel expenditure	2.6	30'545'572
Workshops and training		2'075'718
General expenditure		9'970'802
Depreciation	2.7	94'706
Contributions to National Societies		1'964'592
Contributions to other organisations		13'707'400
Programme support	4	12'291'369
Operational provisions	2.8	-628'367
Total OPERATING EXPENDITURE	5	226'770'426
EXCESS OF EXPENDITURE OVER INCOME	5	-127'709'409
FUNDS HELD FOR OPERATIONS	2.4	
Brought forward		217'731'405
Excess of expenditure over income		-127'709'409
FUNDS HELD FOR OPERATIONS		90'021'996

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

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 2006

NOTE 1 - ACTIVITIES

Founded in 1919, the International Federation of Red Cross and Red Crescent Societies (IFRC) is a membership organisation comprising 185 member Red Cross and Red Crescent societies governed by a Governing Board and with management support provided by a Secretariat with more than 65 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), hereto referred to as the Appeal Income and Expenditure statement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Appeal Income and Expenditure statement is presented in Swiss Francs. The Appeal Income and Expenditure statement has been prepared under the historical cost convention.

2.2 Foreign currency transactions

Foreign currency transactions are translated into Swiss Francs using the month end exchange rate prevailing prior to the dates 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.

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 2006**

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 these National Societies 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.

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 at the balance sheet date, but are normally reported on thereafter.

The value of unreported working advances as at 31 December 2005 was higher than that at 31 December 2006 resulting in a decrease in the provision for outstanding working advances and hence a credit to the provision expense in 2006.

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 2006**

3 Voluntary contributions analysis

	Cash	Outstanding Pledges (Revalued)	Goods In Kind	Services In-Kind	2006 TOTAL
	CHF	CHF	CHF	CHF	CHF
American Government	7970100	0	0	0	7970100
American Red Cross	29572200	42519	0	143993	29758712
Andorra Red Cross	273793	0	0	0	273793
Australian Government	829084	0	0	0	829084
Australian Red Cross	9277020	46806	0	269914	9589740
Bahrain Red Crescent	0	369830	0	0	369830
Belgian Red Cross (Flanders)	346710	86574	0	0	433284
British Red Cross	3061600	-2263509	0	601107	1399198
Canadian Red Cross	0	4219891	0	511780	4731671
China Red Cross Society	1230000	0	0	0	1230000
Finnish Red Cross	1536658	369789	0	472527	2378974
Hong Kong Red Cross	2827092	2336432	0	0	5163524
Icelandic Red Cross	637403	-267800	0	0	369603
MDRT Foundation	189447	0	0	0	189447
Mongolian Red Cross Society	126050	0	0	0	126050
Netherlands Red Cross	6052441	221683	0	0	6274124
New Zealand Red Cross	43486	11937434	0	390418	12371338
Norwegian Red Cross	1709453	2544866	0	197854	4448173
Pearson	302382	0	0	0	302382
Polish Red Cross	415656	0	0	0	415656
Spanish Red Cross	918000	214000	0	0	1132000
Swedish Red Cross	42061182	-23331125	0	497486	19227543
Others	5815712	-15961068	249060	748924	-9147372
	111187469	-19437658	249060	3830003	95828875

The "Outstanding pledges" column above shows movements in outstanding pledges between 1 January 2006 and 31 December 2006 and the revaluation of outstanding foreign currency pledges as at December 31, 2006.

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 actuals 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 June 2006 in response to the Tsunami appeal have been exempted from programme support recovery charges.

**NOTES TO THE STATEMENT OF INCOME AND EXPENDITURE OF BAY OF BENGAL EARTHQUAKE
& TSUNAMI APPEAL (M04EA028)
YEAR ENDED 31 DECEMBER 2006**

5 Income and Expenditure analysis by country of implementation

	Indonesia CHF	Sri Lanka CHF	Maldives CHF	Other CHF	Total CHF
Voluntary contributions	94,971,044	48,660,469	8,849,517	-56,652,155	95,828,875
Bilateral Services income	1,901,502	1,147,616	21,437	-120	3,070,435
Other income	-	230,749	8,915	-77,957	161,708
Total INCOME	96,872,546	50,038,834	8,879,869	-56,730,232	99,061,017
OPERATING EXPENDITURE					
Supplies	125,769,438	6,602,366	17,076,555	-10,299,923	139,148,436
Vehicles and equipment	5,279,764	841,582	26,307	307,174	6,454,827
Transport and storage	11,360,374	897,017	262,240	-1,374,260	11,145,371
Personnel expenditure	14,284,259	6,921,646	1,811,467	7,528,200	30,545,572
Workshops and training	744,977	249,339	20,313	1,061,089	2,075,718
General expenditure	4,617,472	2,223,278	690,987	2,439,065	9,970,802
Depreciation	92,840	557	-	1,309	94,706
Contributions to National Societies	746,479	1,026,309	-	191,804	1,964,592
Contributions to other organisations	-	13,560,500	-	146,900	13,707,400
Programme support	9,679,964	1,162,985	1,370,959	77,461	12,291,369
Operational provisions	142,944	-956,286	-540	185,514	-628,367
Total OPERATING EXPENDITURE	172,718,513	32,529,293	21,258,287	264,333	226,770,426
EXCESS OF EXPENDITURE OVER INCOME	-75,845,966	17,509,541	-12,378,418	-56,994,565	-127,709,409