

PAKISTAN EARTHQUAKE EMERGENCY APPEAL (05EA022)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 2006

 **ERNST & YOUNG**

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AUDITORS' REPORT TO THE MANAGEMENT

We have audited the annexed balance sheet of **Pakistan Earthquake Emergency Appeal (05EA022)** ("the Appeal") of **The International Federation of Red Cross and Red Crescent Societies** ("the Federation") as at July 31, 2006 and the related income and expenditure account together with the notes forming part thereof (here-in-after referred to as the "financial statements") for the period from October 09, 2005 to July 31, 2006.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the generally accepted accounting principles. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing and audit guidelines as required by the Federation's Risk Management and Audit Department. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedure selected depends on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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.

Opinion

Distribution of relief goods is made through various locations, which are spread through out earthquake affected areas. We understand that consolidated reports of distribution of goods are maintained by the Appeal. However, due to the non availability of supporting records the accuracy and completeness of these reports were not independently ensured. Accordingly, we have accepted expenses related to distribution of relief supplies amounting to CHF 65,388,670 on the basis of approval of the management.

In our opinion, except for the effect on the financial statements of the matter referred above, the financial statements of the emergency Appeal, drawn from the Appeal accounts, present a true and fair view of the financial position of the appeal as of July 31, 2006 and of revenue recognized and of cost incurred for the period then ended in accordance with generally accepted accounting standards and reflect in all material respects, due economic prudence in the management of the Appeal.

ISLAMABAD: 28 FEB 2007

Ford Rhodes Sidat Hyder & Co.
CHARTERED ACCOUNTANTS

(28/2/07)





INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
PAKISTAN EARTHQUAKE EMERGENCY APPEAL (05EA022)
BALANCE SHEET
AS AT JULY 31, 2006

	Note	Amount CHF
ASSETS		
Bank balance with IFRC, Geneva	3	29,448,317
Account receivable	6.1	1,467,921
Total assets		<u>30,916,238</u>
LIABILITIES AND FUND BALANCE		
Excess of income over expenditure transferred from Income and Expenditure Account		30,622,531
Provisions		293,707
Total liabilities and fund balance		<u>30,916,238</u>

The annexed notes 1 to 21 form an integral part of these financial statements.

(Rashed Co.)


Finance Delegate
IFRC, Pakistan Delegation


Head of Delegation
IFRC, Pakistan Delegation




INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
PAKISTAN EARTHQUAKE EMERGENCY APPEAL (05EA022)
INCOME AND EXPENDITURE ACCOUNT
FOR THE PERIOD OCTOBER 9, 2005 TO JULY 31, 2006

	Note	Amount CHF
INCOME		
Donations in cash	4	79,153,206
Donations in kind	5	49,428,432
Outstanding pledges	6	<u>1,467,921</u>
		130,049,559
EXPENDITURE		
Relief supplies	7	65,388,700
Storage cost	8	348,628
Distribution and monitoring	9	16,534,276
Transport and vehicle plying cost	10	2,780,614
Personnel costs	11	5,558,771
Program Support Recovery (PSR)	12	5,511,507
Capital expenditure	13	1,378,905
Workshops and training		91,457
Travelling	14	474,466
Information and public relations	15	75,921
Administrative expenses	16	487,256
Communication expenses	17	314,693
Security charges		26,289
Professional charges		24,353
Financial charges	18	55,725
Depreciation		1,919
Other general expenditure		79,841
Operational provisions	19	<u>293,707</u>
		99,427,028
Excess of income over expenditure transferred to balance sheet		<u>30,622,531</u>

The annexed notes 1 to 21 form an integral part of these financial statements.

For and to the account of


Finance Delegate
IFRC, Pakistan Delegation


Head of Delegation
IFRC, Pakistan Delegation



**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
PAKISTAN EARTHQUAKE EMERGENCY APPEAL (05EA022)
NOTES TO THE ACCOUNTS
FOR THE PERIOD OCTOBER 9, 2005 TO JULY 31, 2006**

1. NATURE OF OPERATIONS

1.1. IFRC

The International Federation of Red Cross and Red Crescent Societies (IFRC/ the Federation) is the world's largest humanitarian organization founded in 1919, providing assistance without discrimination as to nationality, race, religious beliefs, class or political opinions. It comprise 185 members Red Cross and Red Crescent societies ("National Societies") governed by a Governing Board with management support provided by a Secretariat ("The Federation Secretariat") through more than 65 delegations strategically located to support activities around the world.

The IFRC carries its operations in Pakistan through its main office situated at Sector H-8, Islamabad.

1.2. Pakistan Earthquake Emergency Appeal (05EA022)

An earthquake with a magnitude of 7.6 on the Richter scale, centred 95 kilometers north-east of Pakistan's capital, Islamabad, struck at 0350 GMT (0850 local time) on 8 October 2005, with tremors felt across the region from Kabul to Delhi. The quake has decimated northern Pakistan and northern India, killing over 54,000 people – with some estimates much higher – and injuring some 82,500 people and displacing more than three million people.

On October 9, 2005, the IFRC launched an Emergency Appeal (05EA022) ("the Appeal") for four months seeking CHF 10.8 million in cash, kind and services to assist 30,000 families. A revised emergency and recovery appeal was launched on 28 March 2006 for CHF 227 million to assist over 1,085,000 beneficiaries through to the end of 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

These Financial statements have been prepared on the basis of historical cost convention and the guidelines of the Federation.

Estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates and the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

2.2. Reporting currency

The figures in the financial statements are expressed in Swiss Francs (CHF). Income received and expenditure incurred in Pakistan and outside Pakistan has been translated into CHF at transaction date using average monthly rate prescribed by Head Office, Geneva.

2.3. Account receivable

Receivables comprise outstanding pledges (written commitments) received from donors, and amounts due from National Societies and sundry customers for the provision of services.

Receivables are stated at original pledge or invoice amount less provision made for impairment of these receivables.

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

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2.4. Fixed assets and depreciation

Property, vehicles, and equipment are stated at historical cost less accumulated depreciation and are capitalized when they are used by the Appeal.

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

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

Property up to 50 years
Vehicles 4 - 5 years
Computer equipment 3 - 4 years
Other equipment 3 – 5 years

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in the Income and Expenditure Account.

Repairs and maintenance costs are charged in the Income and Expenditure Account during the financial period in which they are incurred.

Subsequent expenditure is capitalized only when it increases the probable future economic benefits of the asset.

2.5. Capital expenditure

All assets of capital nature costing more than CHF 10,000 are capitalized and assets costing less than CHF 10,000 are charged as expense. Any asset donated to Pakistan Red Crescent Society (PRCS) is charged as expense to the Appeal. There are no fixed assets at the balance sheet date as all expenditure incurred on capital nature items was below capitalization limit.

2.6. Provisions

Provisions for operations are recognized when there is a present legal or constructive obligation as a result of past events and 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.

2.7. Donation

Donations comprise contributions received, in cash and in kind, from National Societies, Governments, Private donors and amount reallocated from other Appeals. These are recognized as income as and when it is received. Outstanding pledges are recognized as income as and when they are confirmed by donor. In Kind donations are valued according to the invoice given by the donor along with the donation.

2.8. Expenditure

Expenditures are recorded when these are incurred.

3. BANK BALANCE WITH IFRC, GENEVA

Bank balance of the Appeal is maintained at The Federation Secretariat in Geneva where funds from all appeals are deposited.

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	Note	Amount CHF
4. DONATIONS IN CASH		
Donations received for Pakistan Earthquake Emergency Appeal (05EA022)	4.1	78,093,004
Donations re-allocated from other Appeals/Projects of IFRC, Geneva	4.2	1,060,202
		<u>79,153,206</u>
4.1. Donations received for Pakistan Earthquake Emergency Appeal (05EA022)		
American Private Donors		754,622
American Red Cross		7,068,381
Australian Red Cross		4,971,257
British Red Cross		11,944,448
Canadian Red Cross		5,674,157
China Red Cross		1,230,000
Danish Red Cross		1,151,518
European Commission		1,009,866
Finnish Red Cross		212,340
German Red Cross		1,816,078
Hong Kong Red Cross		1,085,624
Intel Foundation		656,000
Irish Government		1,623,575
Irish Red Cross		2,311,764
Italian Government		311,400
Japanese Government		3,698,800
Japanese Red Cross		5,577,510
Luxembourg Government		309,100
Netherlands Red Cross		3,830,572
New York Office		644,007
Norwegian Red Cross		5,254,517
Online Donations		868,826
Swedish Red Cross		10,232,099
Others		5,856,543
		<u>78,093,004</u>
4.2. Donations re-allocated from other Appeals/Projects of IFRC, Geneva		
American Government		29,594
American Red Cross		31,102
Australian Government		22,855
British Red Cross		125,847
Finnish Red Cross		18,892
German Red Cross		619,190
Japanese Red Cross		56,266
Swedish Red Cross		122,080
Others		34,376
		<u>1,060,202</u>
5. DONATIONS IN KIND		
Relief goods		48,181,668
Delegates' support cost		1,246,764
		<u>49,428,432</u>

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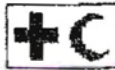
	<u>Note</u>	<u>Amount</u> <u>CHF</u>
5.1. Relief goods		
American Red Cross		5,628,316
Australian Red Cross		2,010,050
Belgium Flanders		4,032,722
British Red Cross		2,754,831
Canadian Red Cross		3,548,747
Finnish Red Cross		4,197,571
German Red Cross		6,154,239
Netherlands Red Cross		4,713,622
Norwegian Red Cross		3,586,759
Qatar Red Cross		2,310,550
Swedish Red Cross		738,581
Swiss Red Cross		2,664,599
Others		5,841,081
		48,181,668
5.2. Delegates' support cost		
Australian Red Cross		136,201
British Red Cross		144,673
Canadian Red Cross		22,440
Finnish Red Cross		41,066
Netherlands Red Cross		86,360
Norwegian Red Cross		390,179
Swedish Red Cross		73,993
Others		351,852
		1,246,764
5.2.1	Value of delegates' support cost has been determined on the basis of benefits given to the delegates by the respective National Societies.	
	<u>Note</u>	<u>Amount</u> <u>CHF</u>
6. OUTSTANDING PLEDGES		
British Red Cross		459,800
Organization of the Petroleum Exporting Countries (OPEC)		739,800
ECHO		255,060
Philippine Red Cross		12,300
Others		961
		1,467,921
6.1	Outstanding pledges are receivable in cash and/or in kind.	
7. RELIEF SUPPLIES		
Shelters		35,984,571
Construction		2,440,912
Clothing and textile		10,415,043
Foods		169,286
Seeds and plants		40,916
Water and sanitation		431,608
Medical and first aid		1,591,969
Teaching material		48,502
Utensils and tools		2,840,380
Other supplies and services		11,425,513
		65,388,700



- 7.1 Supplies represent items distributed to the beneficiaries and services provided to them including items issued from the warehouse for distribution upto July 31, 2006.

	<u>Note</u>	<u>Amount CHF</u>
8. STORAGE COSTS		
Warehouse rentals		241,949
Warehouse other expenses		106,679
		<u>348,628</u>
9. DISTRIBUTION & MONITORING		
Air freight		8,485,130
Shipping costs		7,076,482
Loading and unloading charges		157,302
Import taxes and custom duties		755,491
Road/rail transport charges		9,032
Transport insurance		7,327
National Societies distribution services		32,283
Others		11,229
		<u>16,534,276</u>
10. TRANSPORT AND VEHICLE PLYING COST		
Fuel costs		353,386
Repair and maintenance		79,136
Vehicle insurance		4,668
Car rentals		557,285
Truck rentals		1,302,767
Helicopter fuel and rentals		463,189
Preparation costs		14,333
Vehicle other running costs		5,850
		<u>2,780,614</u>
11. PERSONNEL COSTS		
Delegates' salaries and allowances		4,361,161
National IFRC staff		695,818
National PRCS staff		374,119
Consultants		127,673
		<u>5,558,771</u>
11.1. Personnel costs represent expenditure related to Delegates, IFRC and PRCS staff who were involved in the Appeal related activities. These costs were charged to Pakistan Earthquake Emergency Appeal (05EA022) based on their level of involvement in the Appeal.		
12. PROGRAM SUPPORT RECOVERY (PSR)		
As per general rule of the International Federation of Red Cross and Red Crescent Societies (IFRC), Geneva, these expenditure were charged @ 6.5% on the total expenditure as approved by the donors.		

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	Note	Amount CHF
13. CAPITAL EXPENDITURE		
Land and building		4,538
Vehicles	13.1	808,352
Computer and telecom		403,664
Office/household furniture & equipment		140,265
Others machinery & equipment		22,086
		<u>1,378,905</u>

13.1. These represent purchase of 3 vehicles by IFRC which were subsequently donated to PRCS to carry out its operations for earthquake.

	Note	Amount CHF
14 TRAVELLING		
International travel		370,196
Local travel		25,343
Travel per diem allowance		38,589
Travel accommodation		40,338
		<u>474,466</u>

15. INFORMATION & PUBLIC RELATIONS

Printing and publishing	43,218
Publicity	23,789
Public relation	7,646
Representation expenses	1,268
	<u>75,921</u>

16. ADMINISTRATIVE EXPENSES

Stationery	56,568
Photocopy	1,848
Equipment rentals	195,685
Office rentals	81,435
Repair and maintenance	46,261
Utilities	63,094
Admin reallocation	32,989
Others	9,376
	<u>487,256</u>

17. COMMUNICATION EXPENSES

Postage and courier	25,433
Telephone	81,709
Telefax	5,227
Radio and satellite	168,987
Internet	33,337
	<u>314,693</u>

Prs. 11/16.



	<u>Note</u>	<u>Amount</u> <u>CHF</u>
18 FINANCIAL CHARGES		
Bank charges		3,085
Foreign exchange loss		52,640
		<u>55,725</u>

18.1. Exchange loss/gain calculation is generated automatically by the system and the Delegation has no control over it. The calculation is based on the CODA exchange rate for the period. All CODA exchange rates are provided on monthly basis by Head Office.

19. PROVISION FOR OPERATIONS

The provision for operations represents the value of working advances made to National Societies and all staff which have not yet been reported by the recipient National Societies and staff. Detailed breakdowns of the expenditure incurred by the National Societies are therefore not known at the balance sheet date, but are normally reported shortly thereafter.

20. DATE OF AUTHORISATION FOR FINANCIAL STATEMENTS

The financial statements have been authorized for issue on 26-FEB-07.


21. GENERAL

21.1. As this is first period of financial reporting of the Appeal so there are no comparative figures to report.

21.2. Figures have been rounded off to the nearest CHF.

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Finance Delegate
IFRC, Pakistan Delegation


Head of Delegation
IFRC, Pakistan Delegation