

The Empress Shôken Fund, Geneva

**Auditor's report
to the Members of the
Joint Commission
Financial Statements 2005**

KPMG Fides Peat
Geneva, 15 March 2006
Ref. BN/JM



**KPMG Fides Peat
Audit**

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Auditor's Report to the Members of the Joint Commission of

The Empress Shôken Fund, Geneva

As independent auditors, we have audited the accounting records and the financial statements (balance sheet, statement of income and expenditure and notes) of The Empress Shôken Fund for the year ended 31 December 2005.

These financial statements are the responsibility of the Secretary of the Joint Commission. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and the financial statements comply with the Regulations of the Fund.

We recommend that the financial statements submitted to you be approved.

KPMG Fides Peat



Beat Nyffenegger



Jérôme Maret

Geneva, 15 March 2006

Enclosures:

- Financial statements (balance sheet, statement of income and expenditure and notes)

THE EMPRESS SHŌKEN FUND
Balance Sheet as at 31 December 2005 (CHF)

ASSETS	<u>31.12.2005</u> CHF	<u>31.12.2004</u> CHF
Accounts receivable	0	550
Investments (Note 7)	12,991,473	10,823,358
Fixed-term bank deposits	0	135,000
Two-day call bank deposits	400,000	0
Cash at banks	150,381	650,467
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	<u>13,541,854</u>	<u>11,609,375</u>
LIABILITIES		
Capital (Note 3)	9,041,488	8,705,788
Reserve for loss on investments (Note 8)	2,598,295	2,164,672
Allocations not fully spent (Note 4)	38,000	87,000
Reserve for future distributions (Note 6)	1,851,200	651,915
Accounts payable (Note 5)	12,871	
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	<u>13,541,854</u>	<u>11,609,375</u>

THE EMPRESS SHÔKEN FUND
Statement of Income and Expenditure
for the year ended 31 December 2005

	<u>2005</u> CHF	<u>2004</u> CHF
<u>OPERATING INCOME</u>		
Interest income from investments	252,733	245,526
Japan Red Cross contributions	335,700	182,227
Unrealised gain on investments	1,873,451	338,582
	<hr/>	<hr/>
	2,461,884	766,335
 <u>OPERATING EXPENDITURE</u>		
Allocation to capital	335,700	182,227
Allocation to reserve for loss on investments (Note 8)	433,623	144,420
Allocation to reserve for future distributions	1,439,828	194,162
Investment manager fee	51,905	48,382
Translation expenses	4,101	2,484
Communication expenses	5,016	0
Fund administration fee	25,000	25,000
Audit fee	4,304	4,304
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	2,299,477	600,979
 <u>OPERATING RESULT</u>		
Excess of income over expenditure	<hr/> <u>162,407</u>	<hr/> <u>165,356</u>

THE EMPRESS SHŌKEN FUND

Notes to Financial Statements for the year ended 31 December 2005

Note 1 - Activity

The Fund is administrated by a Joint Commission of six members chosen in their personal capacity. The Joint Commission is composed equally of three members appointed by the International Committee of the Red Cross and three by the International Federation of Red Cross and Red Crescent Societies.

Only interest and capital gains may be used for allocations awarded by the Joint Commission to meet all or part of the cost of the activities detailed in Article 3 of the Regulations for The Empress Shoken Fund.

Note - 2 - Significant accounting policies

Investment in securities are valued at market value. A reserve amounting to 20% of this value is maintained to cover any potential future losses on investments.

Interest and other income from securities are recorded in the year in which they are received.

According to Article 9 of the Regulations, administrative expenses to cover the cost of administering the Fund and assisting the National Societies concerned in the realisation of their projects shall not exceed twelve per cent of the total annual distributions.

Note 3 - Capital as at 31 December 2005

CHF

Capital as at 01 January 2005	8,705,788
Japan Red Cross contributions 2005	335,700
	<hr/>
Capital as at 31 December 2005	<u>9,041,488</u>

Note 4 - Allocations not fully spent

Allocations not fully spent:

Guinea - 83rd distribution	38,000
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	<u>38,000</u>

Note 5 - Accounts payable Federation

Balance brought forward	550
Translation and communication costs	(9,117)
Audit fee 2004	(4,304)
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	<u>(12,871)</u>

THE EMPRESS SHŌKEN FUND

Notes to Financial Statements for the year ended 31 December 2005

Note 6 - Reserve for future distribution

CHF

Opening Balance 2005		651,915
84th Allocations voted for 2005	(402,950)	
Allocation of unrealised gains on investments	1,439,828	
Excess of income over expenditure	162,407	
		<u>1,199,285</u>
		<u>1,851,200</u>

Note 7 - Investments

	Shares	Bonds/Notes	Total
Closing Balance 2004	5,824,248	4,999,110	10,823,358
Closing Balance 2005	6,938,738	6,052,735	12,991,473
Capital appreciation	<u>1,114,490</u>	<u>1,053,625</u>	<u>2,168,115</u>

Note 8 - Reserve for loss on investments

Opening balance 2005	2,164,672
Allocation of unrealised gains on investments	433,623
	<u>2,598,295</u>

Total represents 20% market value of securities to cover future capital & foreign exchange fluctuations

The Empress Shôken Fund, Geneva

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to the Members of the
Joint Commission
Financial Statements 2006**

KPMG SA
Geneva, 19 March 2007
Ref. BN/JM



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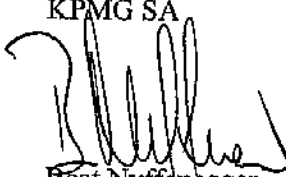
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In our opinion, the accounting records and the financial statements comply with the Regulations of the Fund.

We recommend that the financial statements submitted to you be approved.

KPMG SA



Beat Nyffenegger



Jérôme Maret

Geneva, 19 March 2007

Enclosures:

- Financial statements (balance sheet, statement of income and expenditure and notes)

EMPRESS SHÖKEN FUND
Balance Sheet as at 31 December 2006

ASSETS	<u>31.12.2006</u> CHF	<u>31.12.2005</u> CHF
Investments (Note 6)	12,918,089	12,991,473
Two-day call bank deposits	600,000	400,000
Cash at banks	380,867	150,381
	<hr/>	<hr/>
	<u>13,898,956</u>	<u>13,541,854</u>

LIABILITIES

Capital (Note 3)	9,102,755	9,041,488
Reserve for loss on investments (Note 7)	2,583,618	2,598,295
Allocations not fully spent	0	38,000
Reserve for future distributions (Note 5)	2,204,110	1,851,200
Accounts payable (Note 4)	8,473	12,871
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	<u>13,898,956</u>	<u>13,541,854</u>

EMPRESS SHÔKEN FUND
Statement of Income and Expenditure
for the year ended 31 December 2006

	<u>2006</u>	<u>2005</u>
	CHF	CHF
<u>OPERATING INCOME</u>		
Interest income from investments	273,996	252,733
Japan Red Cross contributions	61,267	335,700
Unrealised gain on investments	<u>621,842</u>	<u>1,873,451</u>
	957,105	2,461,884
 <u>OPERATING EXPENDITURE</u>		
Investment manager fee	55,359	51,905
Translation expenses	8,473	4,101
Communication expenses	0	5,016
Fund administration fee	50,000	25,000
Audit fee	<u>4,950</u>	<u>4,304</u>
	118,782	90,326
 <u>OPERATING RESULT</u>		
Excess of income over expenditure	<u>838,323</u>	<u>2,371,558</u>
 <u>ALLOCATIONS</u>		
Allocation to Capital (Note 3)	61,267	335,700
(Reversal from) / Allocation to Reserve for loss on investments (Note 7)	-14,677	433,623
Allocation to Reserve for future distributions (Note 5)	<u>791,733</u>	<u>1,602,235</u>
	<u>838,323</u>	<u>2,371,558</u>

EMPRESS SHŌKEN FUND

Notes to Financial Statements for the year ended 31 December 2006

Note 1 - Activity

The Fund is administrated by a Joint Commission of six members chosen in their personal capacity. The Joint Commission is composed equally of three members appointed by the International Committee of the Red Cross and three by the International Federation of Red Cross and Red Crescent Societies.

Only interest and capital gains may be used for allocations awarded by the Joint Commission to meet all or part of the cost of the activities detailed in Article 3 of the Regulations for The Empress Shoken Fund.

Note - 2 - Significant accounting policies

Investment in securities are valued at market value. A reserve amounting to 20% of this value is maintained to cover any potential future losses on investments.

Interest and other income from securities are recorded in the year in which they are received.

According to Article 9 of the Regulations, a sum which shall not exceed CHF 50,000 shall be set aside to cover the cost of International Federation of Red Cross and Red Crescent Societies in administering the Fund and in assisting the National Societies concerned in the realization of their projects.

Note 3 - Capital as at 31 December 2006

CHF

Capital as at 01 January 2006	9,041,488
Japan Red Cross contributions 2006	61,267
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Capital as at 31 December 2006	<u>9,102,755</u>

Note 4 - Accounts payable Federation

Translation costs	(8,473)
	<hr/>
	<u>(8,473)</u>

Note 5 - Reserve for future distribution

Opening Balance 2006		1,851,200
85th Allocations voted for 2006	-440,627	
Allocation of excess of income over expenditure	791,733	
Reallocation of unused Grant funds	1,804	
		<hr/>
		352,910
		<u>2,204,110</u>

EMPRESS SHÖKEN FUND

Notes to Financial Statements for the year ended 31 December 2006

Note 6 - Investments

	Shares CHF	Bonds/Notes CHF	Total CHF
Closing Balance 2005	6,938,738	6,052,735	12,991,473
Closing Balance 2006	8,198,696	4,719,393	12,918,089
Capital variance	1,259,958	-1,333,342	-73,384

Note 7 - Reserve for loss on investments

Opening balance 2006	2,598,295
Allocation of unrealised gains on investments	-14,677
	2,583,618

Total represents 20% market value of securities to cover future capital & foreign exchange fluctuations