



150 years of humanitarian action
**Council of Delegates of the International
Red Cross and Red Crescent Movement**
Sydney, Australia, November 2013



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**COUNCIL OF DELEGATES
OF THE INTERNATIONAL RED CROSS
AND RED CRESCENT MOVEMENT**

Sydney, Australia
17-18 November 2013

**REPORT OF THE JOINT COMMISSION
OF THE EMPRESS SHÔKEN FUND**

**Document prepared by
Joint Commission of the Empress Shôken Fund**

Geneva, October 2013

Executive Summary

This report covers the period from 1st January 2011 to 31st May 2013 and include the outcomes of the special initiatives organized to mark the centenary of the Fund (established in 1912).

Since January 1, 2011, the value of the Empress Shôken Fund assets has increased from 10,016,382 Swiss francs to 14,339,257 Swiss francs as at May 31, 2013.

The Fund received additional capital contributions from the Japanese Red Cross in the amount of 57,234 Swiss francs in 2011 and 114,742 Swiss francs in 2012. In May 2013, following the closing of the national campaign organized in Japan for the commemoration of the 100th anniversary of the Empress Shôken Fund, the Japanese Red Cross made an exceptional contribution of 3,636,955 Swiss francs in addition to their customary annual donation of 50,445 Swiss francs.

Consistent with the Fund's regulations, in 2011, 2012, and 2013 the Joint Commission decided to make available an amount of up to CHF 100,000 from the reserve for loss on investments in order to meet its commitment and make annual distributions. In 2011 the Fund allocated grants to three National Societies totalling 91,319 Swiss Francs. In 2012, five National Societies received the grant allocations for a total of 100,076 Swiss Francs, and in 2013 a total of 98,779 Swiss Francs was distributed to five National Societies.

2012 marked the 100th anniversary of the Empress Shôken Fund. On this occasion, the Joint Commission of the Empress Shôken Fund published the book "The Empress Shôken Fund – A century of Japanese beneficence" on the history and development of the Fund. The book was launched in June 2012 during an event hosted by the Permanent mission of Japan in Geneva that was joined by local authorities, representatives of other countries, ICRC, and IFRC (both by Secretariat staff, senior managers, and Governing Board members). About 1'000 copies of the book were produced and distributed to all National Societies, ICRC and IFRC offices around the world. A photo exhibition on the Empress Shôken Fund was displayed in Geneva at the Permanent mission of Japan and at the IFRC Secretariat. Based on the content of the book, a dedicated website was also created (www.shokenfund.org).

REPORT 2011-2013

Joint Commission of the EMPRESS SHÔKEN FUND

1. INTRODUCTION

The Empress Shôken Fund was established in 1912 when HM The Empress Shôken donated 100,000 Japanese yen to the Red Cross in support of National Societies.

In 1934, a second gift from HM The Empress Kojun and HM The Dowager Empress Teimei of Japan increased the Fund to 200,000 Japanese yen.

Over the years, due to the generous contributions of the Japanese Imperial Household and the Japanese Red Cross Society, the value of the Fund's capital grew and stood, at the beginning of 2011, at about 10.0 million Swiss francs. In 2011, 2012, and 2013, the Japanese Red Cross made additional contributions to the capital of the Fund totaling about 4.3 million Swiss francs (this include the exceptional donation to mark the Fund centenary). Today, the total capital stands at 14,339,257 (May 31, 2013).

The Fund operates as an endowment fund distributing annual grants for the implementation of National Societies projects contributing to their development.

The purpose of the Fund is to support National Society peacetime activities in the areas of disaster preparedness, health, youth, blood, first aid and rescue, social welfare and the dissemination of the humanitarian ideals of the Red Cross and Red Crescent.

On 11 April each year - the anniversary of the Empress's passing - the Joint Commission announces the allocation of grants to the National Societies. The Fund receives approximately 30 requests per year. Approximately 100,000 Swiss Francs are set aside for distribution to National Societies per year. The Joint Commission continues to emphasize the importance of good quality, well presented submissions consistent with the criteria and regulations of the Fund. The Joint Commission encourages National Societies to contact the country and regional delegations of the International Federation and ICRC for support when preparing submissions.

2. THE JOINT COMMISSION

The Fund is administered by the Joint Commission of the Empress Shôken Fund, which decides on the annual allocation of grants and oversees the financial management of the Fund.

The Joint Commission continues to meet annually under the chairmanship of the ICRC, with the secretariat support and daily management provided by the IFRC. Since last report, the Joint Commission chairman remained Mr. Olivier Vodoz (Vice-President, ICRC) while the previous secretary, Mr. Jean-Etienne Brodier, was replaced by Mrs. Roberta Zuchegna (International Federation). The other members of the Commission were Mr. Ariel Kestens, recently replaced by Mr. Roger Bracke, and Mr. Andrew Rizk from the International Federation, Mr. Eduard Abegg, replaced by Mr. Emmanuel Séïté, and Ms. Jacqueline Hugentobler, replaced by Christine Zaninetti, from the ICRC.

3. FINANCIAL SITUATION OF THE FUND

The value of the Fund at January 1, 2011 was 10 million Swiss Francs. Interest income and unrealized loss on investments in 2011 totaled 206,192 and 179,584 Swiss Francs, respectively. Interest income and unrealized gains on investments in 2012 totaled 585,243 Swiss Francs. The value of the Fund at December 31, 2012 was 10.5 million Swiss francs. Investment returns for the first five months of 2013 have been promising at 3.3%. This performance is, in principle, in line with a global recovery in equity markets.

The reserve for loss on investments has increased from 356,737 Swiss (2011) francs to 741,395 Swiss francs (December 31, 2012). As the reserve for loss on investments should be equal to 20% of the total of assets, it is anticipated that the reserves will continue to be replenished in future years as the underlying investment portfolio appreciates in value.

Despite the need to restore the reserve for loss of investments, the Joint Commission decided to make available from the annual revenues an amount of up to CHF 100,000 from the reserve in order to meet its commitment and make annual distributions.

The Japan Red Cross has made an exceptional transfer of CHF 3,636,955 to commemorate the centenary of the Empress Shôken Fund. These funds have been invested according to the existing portfolio mandate.

4. GRANT ALLOCATIONS 2011-2013

During the period of 2011-2013, there have been three annual rounds of distributions of the Empress Shôken Fund (the 90th, 91st, and 92nd distributions) totaling 290,174 Swiss francs to 13 National Societies as detailed at the end of this report.

90th Distribution - 2011

A total of 40 National Societies submitted their project proposals. The following distributions were made to 3 National Societies.

Region/ National Society	Programme/project	Grant allocation (CHF)
Africa		
Burundi Red Cross	Food and environmental protection in the provinces of Kayanza and Ruyigi	26,320
Asia and Pacific		
Vanuatu Red Cross Society	Youth empowering in the vulnerable communities	39,260
Middle East and Northern Africa		
Iraqi Red Crescent Society	Health education for the schools' children	25,739
Total for 2011		91,319

91st Distribution – 2012

A total of 35 National Societies applied for the 91st grants distribution. The following allocations were distributed to 5 National Societies in 2012.

Region/ National Society	Programme/project	Grant allocation (CHF)
Africa		
Senegal Red Cross Society	Promotion of living standards for vulnerable women in the suburbs of Dakar.	24,821
Americas		
Mexico Red Cross Society	Don't let the climate affect your health: preventing diseases driven by climate change	11,147
Trinidad and Tobago Red Cross Society	Equipping the National Society with video conferencing capability	19,108
Europe		
Azerbaijan Red Crescent Society	Azerbaijan Red Crescent Society activities towards creating opportunity for continuing education of 90 children from vulnerable families living in rural areas of Ismayilli region	25,000
Middle East and Northern Africa		
Tunisia Red Crescent Society	Pilot project for the creation and development of Club 25 for blood donation in universities and professional settings.	20,000
	TOTAL - CHF	100,076

92nd Distribution - 2013

A total of 26 National Societies applied for the 92nd grants distribution. The following allocations were distributed to 5 National Societies in 2013.

Region/ National Society	Programme/project	Grant allocation (CHF)
Africa		
Red Cross society of Eritrea	Emergency health (including first aid training, road safety, volunteer development and deployment).	21,176
Americas		
Bolivian Red Cross	Saving lives, with respect and without violence	19,184
Asia and Pacific		

Kiribati Red Cross Society	Supporting safe and healthy living of vulnerable communities in Kiribati.	18,719
Europe		
Belarus Red Cross	Summer integration camp for children with disabilities.	17,700
Middle East and Northern Africa		
Red Crescent Society of the Islamic Republic of Iran	Changing the lives of youth in correction and rehabilitation centres and prisons, by training them in health issues, first aid and disaster preparedness, while disseminating the Movement humanitarian principles.	22,000
	TOTAL - CHF	98,779

The reports received from the projects granted in 2011 and 2012 show that National Societies were able to respond to local vulnerabilities by educating communities, on RCRC Principles and values (mainly targeting youth), as well as on basic hygiene related skills (Iraq), disaster risk reduction and first aid (Vanuatu and Mexico), health and vocational training for vulnerable women (Senegal), promoting blood donation among youth through the "Club 25" concept (Tunisia) and enabling access to education for children living in vulnerable families in rural areas (Azerbaijan).

For 2013, the Joint Commission appreciated the quality of the project selected and provided recommendations to ensure the sustainability of the proposed initiatives. These recommendations include engaging domestic stakeholders and donors to guarantee the necessary support for the future of the projects; involving the beneficiaries of the project as potential advocates and/or volunteers; and documenting good progress and outcomes of the projects with an emphasis on highlighting their impact on the beneficiaries.

The Commission ensures an appropriate regional distribution in the selection of projects and a balanced allocation between the different kinds of activities. It further puts emphasis on the humanitarian priority, relevancy and sustainability of the projects proposed.

Appendices: Regulations (in force since 2003)
Rules of Procedure
Statement of Accounts for 2011 and 2012

Annex 1

REGULATIONS FOR THE EMPRESS SHÔKEN FUND

(Approved by the Sixteenth International Conference of the Red Cross, London 1938, and revised by the Nineteenth International Conference, New Delhi 1957, the Twenty-fifth International Conference, Geneva 1986, the Council of Delegates, Budapest 1991, the Twenty-seventh International Conference, Geneva, 1999 and the Twenty-eighth International Conference, Geneva 2003)

Article 1 - The sum of 100,000 yen in Japanese gold presented by H.M. The Empress of Japan to the International Red Cross on the occasion of the Ninth International Conference (Washington, 1912) to promote "relief work in time of peace", was increased to 200,000 yen by a further gift of 100,000 yen from their Majesties The Empress and The Dowager Empress of Japan, on the occasion of the Fifteenth International Conference, (Tokyo, 1934). The Fund was further increased by a gift of 3,600,000 yen from H.M. The Empress of Japan, on the occasion of the Red Cross Centenary in 1963, and by successive contributions from the Government of Japan since 1966, and from the Japanese Red Cross Society. This fund shall be entitled: "The Empress Shôken Fund".

Article 2 - The Fund shall be administered and its revenues distributed by a Joint Commission of six members chosen in their personal capacity. The Joint Commission shall be 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; the quorum shall be four. The Chairman of the Joint Commission shall be on a permanent basis one of the representatives of the International Committee of the Red Cross whereas the International Federation of Red Cross and Red Crescent Societies shall provide the Joint Commission's Secretariat. The Joint Commission shall meet at Geneva, in principle at the headquarters of the International Federation of Red Cross and Red Crescent Societies.

Article 3 - The capital of the Fund as well as subsequent donations and contributions shall remain intact. Only revenues provided by 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 enumerated below:

- (a) Disaster preparedness
- (b) Activities in the field of health
- (c) Blood transfusion services
- (d) Youth activities
- (e) First aid and rescue programmes
- (f) Activities in the field of social welfare
- (g) Dissemination of the humanitarian ideals of the Red Cross and Red Crescent
- (h) Such other programmes of general interest for the development of the activities of the National Red Cross and Red Crescent Societies.

Article 4 - National Red Cross and Red Crescent Societies wishing to receive an allocation shall make the necessary application through their Central Committees to the Secretariat of the Joint Commission before 31 December of the year preceding that in which the allocations

are to be made. Applications shall be supported by full details concerning the particular activity selected from among those specified in Article 3 above.

Article 5 - The Joint Commission shall examine the applications mentioned in the previous Article and shall make such allocations as it considers just and suitable. It shall each year communicate the decisions it has taken to National Red Cross and Red Crescent Societies.

Article 6 - National Red Cross and Red Crescent Societies which feel obliged by circumstances to put the allocations received to uses other than those specified in their applications for grants under Article 4 must ask for the Joint Commission's approval before doing so.

Article 7 - National Red Cross and Red Crescent Societies shall send to the Joint Commission, not later than twelve months after receipt of the allocations, a report on the use of the allocations received.

Article 8 - The announcement of distribution shall take place each year on 11 April, the anniversary of the death of H.M. the Empress Shôken.

Article 9 - A sum which shall not exceed twelve per cent of the annual interest on the capital shall be set aside to cover the cost of administering the Fund and of assisting the National Societies concerned in the realisation of their projects.

Article 10- The Joint Commission shall present to each Council of Delegates of the Red Cross and Red Crescent a report on the current financial situation of the Fund, the allocations which have been made since the preceding Council and the use made of those allocations by National Societies. The Council of Delegates shall transmit this report to the Japanese Imperial Family through the intermediary of the Japanese Red Cross Society.

Annex 2

(Original French)

**RULES OF PROCEDURE OF THE JOINT COMMISSION
OF THE EMPRESS SHÔKEN FUND**

Adopted by the Commission at its 8 September 1980 meeting and
Revised at its meetings of 29 March 1985 and 18 May 1990

Article 1 - The present Rules of Procedure reflect the Joint Commission's practice for more than 20 years, and amplify and complete the "Regulations for the Fund" approved by the XVIth International Red Cross Conference, London 1938, and revised by the XIXth International Conference, New Delhi 1957, the XXVth International Conference, Geneva 1986, and the Council of Delegates, Budapest 1991.

Article 2 - Composition of the Joint Commission As provided in Article 2 of the Regulations for the Fund, the Joint Commission shall be composed of three members appointed by the International Committee of the Red Cross (ICRC) and three members appointed by the International Federation of Red Cross & Red Crescent Societies (Federation). The two institutions shall inform the Chairman of the Joint Commission of the names of their regular representatives. Should a member be absent or unable to attend, he may be replaced by a substitute.

Article 3 - Secretariat of the Joint Commission The Secretariat of the Joint Commission shall be assumed permanently by the Federation in order to ensure continuity and stability in the work. The Federation shall appoint one of its members to serve as Secretary of the Joint Commission.

Article 4 - Management of the Funds The Secretariat shall manage the Funds under the guidance and supervision of the Joint Commission. The Chairman of the Commission may set up a working group to help with the work of the Secretariat.

Article 5 - Japanese Representation To ensure regular contact with the Japanese Red Cross and government, the Joint Commission shall invite to its annual meeting, in the capacity of observer, the head of the Permanent Mission of Japan to the United Nations in Geneva or his deputy.

Article 6 - Application for Allocations To be eligible for consideration applications must give full and exact details of the activity for which the allocation applied for will be used. If the cost of the project exceeds the usual amount of allocations from the Fund, the application must include a plan for financing.

Article 7 - Criteria for Allocations When examining the requests submitted, the Joint Commission of the Empress Shôken Fund shall take the following guidelines into account:

- (a) to restrict the number of allocations so that the amounts allocated for each are sufficient to enable the approved projects to be successfully implemented;
- (b) to give priority to developing Societies and, among them, to those that have previously least benefited from the Fund or according to objective criteria, are in greatest need. Some reasonable degree of regional balance should be maintained.
- (c) to exclude request from Societies that have not provided satisfactory written reports on the use of previous allocations from the fund;

- (d) to allocate no more than one half of the total annual allocation for human resource development projects – including training, staff-on-loan support, volunteer and staff scholarship assistance. It will be expected that women will benefit on a equal basis with men;
- (e) to allocate no more than one half of the total annual allocation for equipment and materials that are clearly linked to the objectives of the Fund (excluding transportation items, which are already identified under (f) below);
- (f) to allocate no more than half of the total annual allocation for transportation (cars, ambulances and other vehicles – including spare parts);
- (g) to allocate annually no more than a total of CHF 100,000 for one or several regional programmes. Commitments, within an overall annual expenditure level of CHF 100,000, can be made for regional programmes for a period of up to five years. Actual allocations for each (when longer-term commitments have been made) shall be subject to satisfactory performance progress reports to the Commission. Programme proposals must be signed by all parties to be responsible (e.g. by the Federation and/or the ICRC and two or several National Societies).

Article 8 - Financial Provisions

- (a) allocations will be transferred to beneficiaries only on presentation of an invoice or other document justifying the expenditure made;
- (b) in view of the facilities enjoyed by the Secretariat of the Commission, it may in some cases make purchases itself on behalf of the beneficiary Societies;
- (c) allocations which are not claimed or are unused in the year following their award may be withdrawn and added to the amount available for the following distributions or to the capital of the Fund;
- (d) the same rule shall apply in the case of excess allocations. The difference between the amount allocated and actual expenditure shall be added to the amount available for future distributions or to the capital of the Fund;
- (e) after the distribution of the revenue of the Funds has been announced, if for unforeseen reasons the amounts allocated are insufficient to carry out the project(s), and if no other resource is available to cover the deficit(s) the Secretariat may use the balance, if any, of the sums set aside to cover the cost of administering the Fund as provided for Article 9 of the Regulations, or the sums made available as provided for in (c) and (d) of this Article.
- (f) The accounts of the Fund shall be reviewed every year by the firm of auditors appointed by the Joint Commission.

Article 9 - Revision of the Rules of Procedure The Commission may by consensus revise or modify the present Rules of Procedure in order to adapt them to circumstances within the framework of the Regulations in force.

The Empress Shôken Fund, Geneva
Report of the Independent Auditor
on the Financial Statements
to the Members of Joint Commission
Financial Statements 2011

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Report of the Independent Auditor on the Financial Statements to the Members of the Joint Commission of

The Empress Shôken Fund, Geneva

As independent auditor, we have audited the accompanying financial statements of The Empress Shôken Fund, which comprise the balance sheet, income statement and notes for the year ended 31 December 2011.

Secretary of the Joint Commission's Responsibility

The Secretary of the Joint Commission is responsible for the preparation of the financial statements. 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. The Secretary of the Joint Commission is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we 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 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.

Opinion

In our opinion, the financial statements for the year ended 31 December 2011 comply with the Regulations of the Fund and the accounting principles as set out in Note 2.

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

KPMG SA

Pierre Henri Pingeon
Licensed Audit Expert
Auditor in Charge

Christine Fox

Geneva, 27 February 2012

Enclosure: Financial statements (balance sheet, income statement and notes)

EMPRESS SHÔKEN FUND
Balance Sheet as at 31 December

<u>ASSETS</u>	<u>2011</u> CHF	<u>2010</u> CHF
Current assets		
Cash at banks	372,811	277,033
Two-day call bank deposits	426,193	311,418
Investments (Note 5)	9,141,937	9,427,931
	<u>9,940,941</u>	<u>10,016,382</u>
 <u>LIABILITIES AND CAPITAL RESERVES</u>		
Current liabilities		
Accounts payable (Note 7)	20,326	62,149
Capital & Reserves		
Capital (Note 3)	9,563,878	9,506,644
Reserve for loss on investments (Note 6)	356,737	447,589
Reserve for future distributions (Note 4)	-	-
	<u>9,940,941</u>	<u>10,016,382</u>

EMPRESS SHOKEN FUND

Statement of Income and Expenditure for the year ended 31 December

	<u>2011</u> CHF	<u>2010</u> CHF
<u>OPERATING INCOME</u>		
Interest income from investments	206,192	54,504
Japan Red Cross contributions	57,234	56,648
National Society & other contributions	29,522	-
Unrealised gain/(loss) on investments (Note 6)	(179,584)	115,062
	<u>113,364</u>	<u>226,214</u>
<u>OPERATING EXPENDITURE</u>		
Investment manager fee	10,486	35,859
Fund administration fee	50,000	50,000
Audit fee	4,200	4,896
Portfolio analysis fee	-	27,000
Consultant's fee for ESF Centenary book	26,000	-
Sundry expenses	126	-
	<u>90,812</u>	<u>117,755</u>
<u>OPERATING RESULT</u>		
Excess of income over expenditure	<u>22,552</u>	<u>108,459</u>
<u>ALLOCATIONS</u>		
Allocation to Capital (Note 3)	57,234	56,648
Allocation to Reserve for future distributions (Note 4)	-	-
Allocation to Reserve for loss on Investments (Note 6)	(34,682)	51,811
Allocation to Reserve for future distributions (Note 4)	-	-
	<u>22,552</u>	<u>108,459</u>

EMPRESS SHÔKEN FUND

Notes to the Financial Statements for the year ended 31 December 2011

Note 1 - Activity

The Empress Shôken Fund (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 (the "Regulations").

Note - 2 - Significant accounting policies

Investments in securities are valued at market value. In order to cover current as well as potential future losses, unrealised gains are allocated to the "Reserve for loss on investments" until such reserve reaches 20% of the market value.

The reserve for loss on investments held a balance of CHF 356,737 at 31 December 2011 (2010: CHF 447,589). The Reserve will be replenished in future years when the investments appreciate in value.

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 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 2011

	CHF
Capital as at 01 January 2011	9,506,644
Contributions from Japanese Red Cross Society	57,234
Capital as at 31 December 2011	<u>9,563,878</u>

Note 4 - Reserve for future distribution

Opening Balance 2011	-
Transfer from Reserve for loss on investments	91,319
90th Allocations approved in 2011	(91,319)
	<u>-</u>

The Reserve for future distribution will continue to be replenished in future years when the investments appreciate in value.

EMPRESS SHÔKEN FUND

Notes to the Financial Statements for the year ended 31 December 2011

Note 5 - Investments

	Alternative Investments	Shares	Bonds/Notes	Total
PAM closing Balance 2010	258,860	4,425,929	4,743,142	9,427,931
PAM closing Balance 2011	7,713	4,011,998	5,122,226	9,141,937
Net increase / (decrease) in investments	<u>(251,147)</u>	<u>(413,931)</u>	<u>379,084</u>	<u>(285,994)</u>

the net increase / (decrease) in the investments includes purchase, sales and unrealized gain/loss.

During the year ended 31 December 2010, the portfolio of LODH was liquidated and the proceeds were transferred to Pictet Asset Management ("PAM"), Geneva as per the Decision of the Joint Commission of the Fund (letter 06 October 2010).

Note 6 - Reserve for loss on investments

Opening balance 2011	447,589
Transfer South Africa Grant 2008	35,149
Allocation of unrealised loss on investments	(179,584)
Transfer to Reserve for future distribution	(91,319)
Excess of income over expenditure after allocation to Capital & Reserves for future distribution	144,902
	<u>356,737</u>

Note 7 - Accounts payable

Sundry expenses	126
Consultant's fee for ESF Centenary book	26,000
Other contributions received at IFRC	(5,800)
	<u>20,326</u>

The Empress Shôken Fund, Geneva
Report of the Independent Auditor
on the Financial Statements
to the Members of Joint Commission
Financial Statements 2012


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Report of the Independent Auditor on the Financial Statements to the Members of the Joint Commission of

The Empress Shôken Fund, Geneva

As independent auditor, we have audited the accompanying financial statements of The Empress Shôken Fund, which comprise the balance sheet, income statement and notes for the year ended 31 December 2012.

Secretary of the Joint Commission's Responsibility

The Secretary of the Joint Commission is responsible for the preparation of the financial statements. 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. The Secretary of the Joint Commission is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we 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 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.

Opinion

In our opinion, the financial statements for the year ended 31 December 2012 comply with the Regulations of the Fund and the accounting principles as set out in Note 2.

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

KPMG SA

Pierre Henri Pigeon
*Licensed Audit Expert
Auditor in Charge*

Christine Fox

Geneva, 5 March 2013

Enclosure: Financial statements (balance sheet, income statement and notes)

EMPRESS SHÔKEN FUND
Balance Sheet as at 31 December

<u>ASSETS</u>	<u>2012</u> CHF	<u>2011</u> CHF
Current assets		
Cash at banks	230,677	372,811
Two-day call bank deposits	230,434	426,193
Investments (Note 5)	9,994,271	9,141,937
	<u>10,455,382</u>	<u>9,940,941</u>

LIABILITIES AND CAPITAL RESERVES

Current liabilities		
Accounts payable (Note 7)	35,367	20,326
Capital & Reserves		
Capital (Note 3)	9,678,620	9,563,878
Reserve for loss on investments (Note 6)	741,395	356,737
Reserve for future distributions (Note 4)	0	0
	<u>10,455,382</u>	<u>9,940,941</u>

EMPRESS SHÔKEN FUND

Statement of Income and Expenditure for the year ended 31 December

	<u>2012</u> CHF	<u>2011</u> CHF
<u>OPERATING INCOME</u>		
Interest income from investments	141,008	206,192
Japan Red Cross contributions	148,647	57,234
National Society & other contributions	-	29,522
Unrealised gain/(loss) on investments (Note 6)	444,235	(179,584)
	<u>733,890</u>	<u>113,364</u>
<u>OPERATING EXPENDITURE</u>		
Investment manager fee	11,042	10,486
Fund administration fee	50,000	50,000
Audit fee	4,100	4,200
Consultant's fee for ESF Centenary book	3,000	26,000
Sundry expenses	-	126
Publication & printing expenses	20,688	-
Courier & postal expenses	3,413	-
Translation expenses	419	-
Audio visual materials	41,752	-
	<u>134,414</u>	<u>90,812</u>
<u>OPERATING RESULT</u>		
Excess of income over expenditure	<u>599,476</u>	<u>22,552</u>
<u>ALLOCATIONS</u>		
Allocation to Capital (Note 3)	114,742	57,234
Allocation to Reserve for future distributions (Note 4)	0	0
Allocation to Reserve for loss on Investments (Note 6)	484,734	(34,682)
	<u>599,476</u>	<u>22,552</u>

EMPRESS SHÔKEN FUND

Notes to the Financial Statements for the year ended 31 December 2012

Note 1 - Activity

The Empress Shôken Fund (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 (the "Regulations").

Note - 2 - Significant accounting policies

Investments in securities are valued at market value. In order to cover current as well as potential future losses, unrealised gains are allocated to the "Reserve for loss on investments" until such reserve reaches 20% of the market value.

The reserve for loss on investments held a balance of CHF 741,395 at 31 December 2012 (2011: CHF 356,737). The Reserve will be replenished in future years when the investments appreciate in value.

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 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 2012

	CHF
Capital as at 01 January 2012	9,563,878
Contributions from Japanese Red Cross Society	114,742
Capital as at 31 December 2012	<u>9,678,620</u>

Note 4 - Reserve for future distribution

Opening Balance 2012	0
Transfer from Reserve for loss on investments	100,076
91st Allocations approved in 2012	(100,076)
	<u>0</u>

The Reserve for future distribution will continue to be replenished in future years when the investments appreciate in value.

EMPRESS SHÔKEN FUND

Notes to the Financial Statements for the year ended 31 December 2012

Note 5 - Investments

	Alternative Investments	Shares	Bonds/Notes	Total
PAM closing Balance 2011	7,713	4,011,998	5,122,226	9,141,937
PAM closing Balance 2012	0	4,494,852	5,499,419	9,994,271
Net increase/(decrease)	<u>(7,713)</u>	<u>482,854</u>	<u>377,193</u>	<u>852,334</u>

The net increase/(decrease) in the investments includes purchases, sales and unrealized gains.

Note 6 - Reserve for loss on investments

Opening balance 2012	356,737
Allocation of unrealised gain on investments	444,235
Transfer to Reserve for future distribution	(100,076)
Excess of income over expenditure after allocation to Capital & Reserves for future distribution	40,499
	<u>741,395</u>

Note 7 - Accounts payable to the IFRC

Publication & printing expenses	20,688
Courier & postal expenses	3,413
Translation expenses	419
Audio visual materials	41,752
Consultant's fee for ESF Centenary book	3,000
Less: contributions received by the IFRC	(33,905)
	<u>35,367</u>