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For information

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

Nairobi, Kenya
23-25 November 2009

Report of the Joint Commission
of the Empress Shôken Fund
for 2008 and the first half of 2009
(Item 9 of the Draft Provisional Annotated Agenda)

Report

Document prepared by
the Joint Commission of the Empress Shôken Fund

Geneva, October 2009

Executive Summary

Since December 2007, the value of the Empress Shôken Fund's assets has decreased from CHF 13.1M to CHF 9.5M as of the end of June 2009. This has been as a result of the impact of the global financial crisis on the fund's investment portfolio.

The Fund has received further contributions from the Japanese Red Cross Society for a total amount of CHF 348,813 over the last two years.

In 2008, the Empress Shôken Fund distributed CHF 469,598 to National Society projects. In 2009, despite the global financial crisis and associated bad performance of the fund, CHF 148,252 was be distributed.

REPORT 2008-2009
Joint Commission of the
EMPRESS SHÔKEN FUND

1. INTRODUCTION

The Empress Shôken Fund was established in 1912 when HM The Empress Shôken presented Yen 100,000 to the Red Cross to promote activities by National Societies. In 1934, a second gift from HM The Empress Kojun and HM The Dowager Empress Teimei of Japan brought the Fund up to Yen 200,000.

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 at the end of June 2009 stands at CHF 9.5 million. In 2008 and 2009, the Japanese Red Cross brought additional contributions to the capital of CHF 348,813.

This enables the Fund to make an important annual contribution to the development of National Societies worldwide.

The purpose of the Fund is to support National Society projects related to 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 death, the Joint Commission announces the allocation of grants to the National Societies whose projects have been selected. Although the Fund now receives about 50 requests per year, the Commission continues to stress the need for good quality, well presented submissions in line with the criteria and regulations of the Fund. The Commission encourages 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 its financial management.

The Commission has continued to meet annually under the chairmanship of the ICRC. Since the last report, the chairman remains the same, Mr. Olivier Vodoz (Vice-President, ICRC). The other members of the Commission are Mr. Ibrahim Osman (Deputy Secretary General, International Federation), Ms. Paloma Vora (International Federation), Mr. Eduard Abegg (ICRC), Ms. Jacqueline Hugentobler (ICRC) and Mr. Jean-Etienne Brodier (International Federation), Secretary for the Joint Commission.

3. FINANCIAL SITUATION OF THE FUND

The Fund has been negatively impacted by the global financial crisis. The investment performance in 2008 was -26.24 per cent (below the benchmark of -18.45 per cent). The total value of the Fund's assets have decreased from CHF 13.1 million at the end of 2007 to CHF 9.5 million at the end of June 2009

The first six months of 2009 have seen a slight improvement of CHF 189,000 in the value of the Fund from CHF 9.3 million at the end of 2008 to CHF 9.5 million as at 30 June 2009. In addition the capital reserve of the Fund increased by CHF 236,561 as a result of a generous contribution from the Japanese Red Cross Society. The Joint Commission would like to thank the Japanese Imperial Household, Meiji Jingu Sukeikai Society and the Japanese Red Cross Society for their continuous and generous financial support.

In 2008, the Empress Shôken Fund distributed CHF 469,598 to National Society projects. Despite the global financial crisis and associated bad performance of the Fund, CHF 148,252 could be distributed to National Society projects during 2009. The Japanese Red Cross agreed that CHF 59,252 of its annual contribution of CHF 295,813 could be added to the sum available for distribution this year as an exceptional measure to ensure continuity of the Fund's activity despite the crisis.

4. GRANT ALLOCATIONS – 2008-2009

During the period of 2008-2009, there have been two annual distributions of the Empress Shôken Fund (the 87th and 88th distributions). Grants to the value of CHF 617,850 were made to fourteen National Societies.

A special emphasis is being placed on African initiatives, which received around one third of 2008-2009 grants.

The awarded projects focus on a range of themes, including volunteer management and youth education in Mozambique and Benin, first aid in South Africa, Lebanon, Syria and Argentina, procurement of a minivan for the Praisia Day centre for the elderly in Cape Verde, reducing the risk of trafficking among young people in Lithuania, construction of high raised platform & other preparedness programs in flood prone areas in 2 branches in India, off-road ambulance for health and disaster-related emergencies in Fiji.

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, feasibility and sustainability of the activities planned.

87th Distribution - 2008

A total of 36 project applications by 33 National Societies were submitted. The following distributions were made to 10 National Societies.

Country/region	Programme/project	Grant allocation (CHF)
Africa		
Red Cross of Benin	Train Red Cross youth to build community disaster preparedness and risk reduction.	49,557
Red Cross of Cape Verde	Procurement of a mini-van for the Praia Day centre for the elderly.	31,064
Mozambique Red Cross Society	Volunteers management and youth education	50,000
South African Red Cross Society	First aid in the community	35,149
Americas		
Argentine Red Cross	Promoting the work of young people within the community.	50,000
Asia and Pacific		
India Red Cross Society	Construction of high raised platform & other preparedness programs in flood prone areas in 2 branches.	75,704
Fiji Red Cross Society	Off-road ambulance for health and disaster-related emergencies	50,000
Europe		
Lithuanian Red Cross Society	Reducing the risk of trafficking among young people	46,528
Middle East and North Africa		
Lebanese Red Cross	Communication, standardization and modernization within the first aid teams of the Lebanese Red Cross.	41,797
Syrian Arab Red Crescent	First aid training for the SARC volunteers and within the local community.	39,799
Total for 2008		469,598

88th Distribution - 2009

A total of 47 project applications were submitted by 35 National Societies. The following distributions were made to 4 National Societies.

Country/region	Programme/project	Grant allocation (CHF)
Africa		
Comoros	Health and Care (Blood donation)	50,000
Americas		
Panama	Community-based risk reduction education	37,182
Europe		
Malta	Integration and cultural orientation of migrants	11,070
Central Asia sub-region		
Kazakhstan	Strengthening financial systems	50,000
Total for 2009		148,252

Appendices: Regulations (in force since 2003)
Rules of Procedure
Statement of Accounts for 2007 and 2008

REGULATIONS FOR THE EMPRESS SHŌKEN 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 Shōken 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 CHF 50,000 shall be set aside to cover the cost of administering the Fund and of assisting the National Societies concerned in the realization 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.

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

Auditor's report
to the Members of the
Joint Commission
Financial Statements 2007

KPMG Ltd
Geneva, 18 March 2008
Ref. BN/JM



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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 2007.

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 Ltd

Beat Nyffenegger

Jérôme Maret

Geneva, 18 March 2008

Enclosure:

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

EMPRESS SHÔKEN FUND
Balance Sheet as at 31 December 2007 (CHF)

<u>ASSETS</u>	<u>31.12.2007</u>	<u>31.12.2006</u>
Investments (Note 5)	12,299,398	12,918,089
Two-day call bank deposits	500,000	600,000
Cash at banks	330,894	380,867
	<u>13,130,292</u>	<u>13,898,956</u>
<u>LIABILITIES</u>		
Capital (Note 3)	9,160,435	9,102,755
Reserve for loss on investments (Note 6)	2,459,880	2,583,618
Reserve for future distributions (Note 4)	1,509,977	2,204,110
Accounts payable	0	8,473
	<u>13,130,292</u>	<u>13,898,956</u>

EMPRESS SHÔKEN FUND
Statement of Income and Expenditure for the year ended 31 December 2007

	<u>2007</u> CHF	<u>2006</u> CHF
<u>OPERATING INCOME</u>		
Interest income from investments	260,898	273,996
Japan Red Cross contributions	57,680	61,267
Unrealised gain on investments	0	621,842
	<u>318,578</u>	<u>957,105</u>
 <u>OPERATING EXPENDITURE</u>		
Unrealised loss on investments	506,298	0
Investment manager fee	56,409	55,359
Translation expenses	0	8,473
Fund administration fee	50,000	50,000
Audit fee	4,573	4,950
	<u>617,280</u>	<u>118,782</u>
 <u>OPERATING RESULT</u>		
Excess of expenditure over income / income over expenditure	<u>-298,702</u>	<u>838,323</u>
 <u>ALLOCATIONS</u>		
Allocation to Capital (Note 3)	57,680	61,267
Allocation to Reserve for loss on Investments (Note 6)	-123,738	-14,677
Allocation to Reserve for future distributions (Note 4)	-232,644	791,733
	<u>-298,702</u>	<u>838,323</u>

EMPRESS SHŌKEN FUND

Notes to the Financial Statements for the year ended 31 December 2007

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 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 2007

	CHF
Capital as at 01 January 2007	9,102,755
Contributions from Japanese Red Cross Society	57,680
Capital as at 31 December 2007	<u>9,160,435</u>

Note 4 - Reserve for future distribution

Opening Balance 2007		2,204,110
86th Allocations approved in 2007	-461,489	
Allocation of excess of income over expenditure	-232,644	
		<u>-694,133</u>
		<u>1,509,977</u>

EMPRESS SHOKEN FUND

Notes to the Financial Statements for the year ended 31 December 2007

Note 5 - Investments

	Alternative Investments	Shares	Bonds/Notes	Total
Closing Balance 2006	454,121	8,198,698	4,265,270	12,918,089
Closing Balance 2007	2,145,071	6,799,402	3,354,925	12,299,398
Capital appreciation	<u>1,690,950</u>	<u>-1,399,296</u>	<u>-910,345</u>	<u>-618,691</u>

Alternative investments include hedge funds and derivatives

Note 6 - Reserve for loss on investments

Opening balance 2007	2,583,618
Allocation of unrealised gains on investments	-123,738
	<u>2,459,880</u>

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



The Empress Shôken Fund, Geneva

Auditor's report to
the Members of the
Joint Commission
Financial Statements 2008

The Empress Shôken Fund, Geneva

Auditor's report to
the Members of the
Joint Commission
Financial Statements 2008



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Auditor's Report o 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, statement of income and expenditure and notes for the year ended 31 December 2008.

Secretary of the Joint Commission' 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.

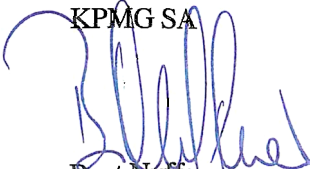
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.

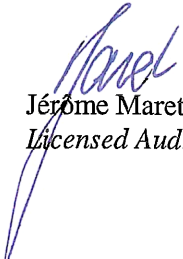
Opinion

In our opinion, the financial statements 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


Beat Nyffenegger
Licensed Audit Expert
Auditor in Charge


Jérôme Maret
Licensed Audit Expert

Geneva, 17 March 2009

Enclosure:

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

EMPRESS SHÔKEN FUND
Balance Sheet as at 31 December 2008 (CHF)

<u>ASSETS</u>	<u>31.12.2008</u>	<u>31.12.2007</u>
Investments (Note 5)	8,328,207	12,299,398
Two-day call bank deposits	400,000	400,000
Cash at banks	610,216	430,894
	<u>9,338,423</u>	<u>13,130,292</u>
 <u>LIABILITIES</u>		
Capital (Note 3)	9,213,435	9,160,435
Reserve for loss on investments (Note 6)	0	2,459,880
Reserve for future distributions (Note 4)	89,839	1,509,977
Accounts payable	35,149	0
	<u>9,338,423</u>	<u>13,130,292</u>

EMPRESS SHÔKEN FUND
Statement of Income and Expenditure for the year ended 31 December 2008

	<u>2008</u> CHF	<u>2007</u> CHF
<u>OPERATING INCOME</u>		
Interest income from investments	100,866	260,898
Japan Red Cross contributions	53,000	57,680
	<hr/> 153,866	<hr/> 318,578
 <u>OPERATING EXPENDITURE</u>		
Unrealised loss on investments	3,410,695	506,298
Investment manager fee	45,695	56,409
Fund administration fee	50,000	50,000
Audit fee	4,896	4,573
	<hr/> 3,511,286	<hr/> 617,280
 <u>OPERATING RESULT</u>		
Excess of expenditure over income	<hr/> <u>-3,357,420</u>	<hr/> <u>-298,702</u>
 <u>ALLOCATIONS</u>		
Allocation to Capital (Note 3)	53,000	57,680
Allocation to Reserve for loss on Investments (Note 6)	-3,410,420	-123,738
Allocation to Reserve for future distributions (Note 4)	0	-232,644
	<hr/> <u>-3,357,420</u>	<hr/> <u>-298,702</u>

EMPRESS SHÔKEN FUND

Notes to the Financial Statements for the year ended 31 December 2008

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. 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

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.

<u>Note 3 - Capital as at 31 December 2008</u>	CHF
Capital as at 01 January 2008	9,160,435
Contributions from Japanese Red Cross Society	53,000
Capital as at 31 December 2008	<u>9,213,435</u>

Note 4 - Reserve for future distribution

Opening Balance 2008	1,509,977
86th Allocations approved in 2008	-469,598
Transfer to reserve for future loss on investments	-950,540
	-1,420,138
	<u>89,839</u>

EMPRESS SHÔKEN FUND

Notes to the Financial Statements for the year ended 31 December 2008

Note 5 - Investments

	Alternative Investments	Shares	Bonds/Notes	Total
Closing Balance 2007	2,145,071	6,799,402	3,354,925	12,299,398
Closing Balance 2008	1,223,308	3,831,442	3,273,457	8,328,207
Capital depreciation	<u>-921,763</u>	<u>-2,967,960</u>	<u>-81,468</u>	<u>-3,971,191</u>

Alternative investments include hedge funds and derivatives

Note 6 - Reserve for loss on investments

Opening balance 2008	2,459,880
Allocation of unrealised loss on investments	-3,410,420
Transfer from reserve for future distribution	950,540
	<u>0</u>

The reserve for loss on investments has a zero balance due at December 2008 to losses experienced in 2008. The reserve will be replenished in future years when the investments appreciate in value.