

Financial Statements of the Commonwealth Secretariat Fund

Year Ended 30 June 2014



The Commonwealth



Kamallesh Sharma
Secretary-General
5th May 2015



Paula Harris
Director - Corporate Services
5th May 2015

COMMONWEALTH SECRETARIAT FUND

PRINCIPAL ACTIVITIES AND OPERATING STRUCTURE

Principal Activities of the Commonwealth Secretariat

The Commonwealth is a voluntary association of 53 independent countries.

The Commonwealth Secretariat implements the decisions and plans of Commonwealth Leaders.

It also organises meetings for members to discuss global and Commonwealth issues; promotes members' interests at international forums; offers advice; and provides experts who share their skills and experience with governments and institutions.

The Commonwealth Secretariat partners with other international and Commonwealth organisations to deliver its work.

Commonwealth organisations are involved in diverse activities, from helping countries with trade negotiations to encouraging women in leadership, building the small business sector, supporting youth participation at all levels of society and providing experts to write laws.

The Commonwealth Secretariat continues to be a pioneer in many areas of development. Our work on maritime boundaries is leading strategic thinking on ocean governance internationally. The Commonwealth Youth Programme has championed rights of young people for more than 40 years.

Further information regarding The Commonwealth Secretariat's current four year Strategic Plan from 2013-14 to 2016-17, which was approved in May 2013, can be found on the website www.thecommonwealth.org.

Commonwealth Secretariat Fund

The activities of The Commonwealth are funded by Member Governments via three separate multilateral funds:

- Commonwealth Secretariat Fund (COMSEC)
- Commonwealth Fund for Technical Co-operation (CFTC)
- Commonwealth Youth Programme Fund (CYP)

The Memoranda of Understanding of the three funds require The Commonwealth to operate and prepare separate audited financial statements for each of the funds.

Accordingly, these are the financial statements of the **Commonwealth Secretariat Fund** for the year ended 30 June 2014.

COMSEC facilitates consultation and consensus building amongst Commonwealth governments. It monitors international developments, conducts research and prepares briefings on political, social and economic issues which are of interest to member countries.

The financial statements for COMSEC also include the financial performance and position of the Joint Office for Commonwealth Permanent Missions to the United Nations which is based in New York. This office operates as a base for eleven smaller Commonwealth countries, i.e. "small states", to work out of and represent their respective countries at the United Nations. The office is funded by these states together with contributions from other major donor countries.

The financial performance and position of the Geneva office is included within the financial statements for COMSEC. The Commonwealth Small States Office in Geneva provides subsidised office space for diplomatic missions of Commonwealth small states and a business centre for tenants and visiting small states delegations attending multilateral meetings. The office is funded by the small states tenants together with contributions from other major donor countries.

COMMONWEALTH SECRETARIAT FUND

PRINCIPAL ACTIVITIES AND OPERATING STRUCTURE

Governance and Structure

The Commonwealth is headed by a Secretary-General, Mr Kamalesh Sharma, who is appointed by the Heads of Government of the Commonwealth Member Countries and is responsible to them and the Board of Governors for the management of The Commonwealth.

The Secretary-General reports to the Heads of Government through individual meetings and also collectively at the biennial Commonwealth Heads of Government Meeting (CHOGM). The Secretary-General is also held accountable through the Commonwealth's Board of Governors which meets regularly in London on behalf of member governments at senior diplomatic level.

The Secretary-General is assisted by three Deputy Secretaries-General, and 13 directors in managing the activities of the organisation. The Commonwealth has 14 divisions and units which carry out programmes of work based on mandates set at CHOGM.

The organisation has its headquarters in Marlborough House, Pall Mall, London SW1Y 5HX, United Kingdom.

Responsibilities of the Secretary-General

The Secretary-General of the Commonwealth Secretariat is responsible for preparing financial statements in accordance with the requirements of International Public Sector Accounting Standards and the Financial Regulations as authorised by the Commonwealth Heads of Government.

The Secretary-General of the Commonwealth Secretariat is also responsible for:

- keeping adequate accounting records that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund;
- safeguarding the assets;
- such internal control as is determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- taking reasonable steps for the prevention and detection of fraud and other irregularities; and
- maintaining the integrity of the audited financial statements published on the Commonwealth Secretariat's website.

COMMONWEALTH SECRETARIAT FUND

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS

We have audited the financial statements of the Commonwealth Secretariat Fund for the year ended 30 June 2014, which comprise the Statement of Financial Position, the Statement of Financial Performance, the Statement of Changes in Net Assets, the Cash Flow Statement and the related notes 1 to 24 .

Our report is made solely to the Board of Governors in accordance with the engagement letter dated 20 August 2014 and the Financial Regulations of the funds. Our work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors as a body, for our audit work, for our reports, or for the opinions we have formed.

Secretary-General's responsibilities for the Financial Statements

The Secretary-General of the Commonwealth Secretariat is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards and the Financial Regulations as authorised by the Commonwealth Heads of Government, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 International Standards on Auditing. Those standards require that we comply with the Auditing Practices Board's Ethical Standards for Auditors and plan and perform the audit to obtain reasonable assurance about 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 internal control 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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

In our opinion, the financial statements give a true and fair view of the financial position of the Commonwealth Secretariat Fund as at 30 June 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards and the Financial Regulations as authorised by the Commonwealth Heads of Government.



Deloitte LLP
Chartered Accountants and Statutory Auditor
St Albans, UK

6 May 2015

COMMONWEALTH SECRETARIAT FUND

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

		30 June 2014	30 June 2013
ASSETS	Notes	£	£
Current Assets			
Cash and Cash Equivalents	2	5,634,250	6,635,729
Inventories	3	10,364	6,466
Receivables	4	3,030,327	630,080
Prepayments		684,563	752,238
Members' Contributions Receivable	9(a)	1,532,915	1,525,876
		<u>10,892,419</u>	<u>9,550,389</u>
Non-Current Assets			
Property, Plant and Equipment	5	18,530,195	18,915,767
Prepayments		3,038	6,353
Members' Contributions Receivable	9(a)	315,408	134,410
		<u>18,848,641</u>	<u>19,056,530</u>
TOTAL ASSETS		<u>29,741,060</u>	<u>28,606,919</u>
LIABILITIES			
Current Liabilities			
Payables and Other Current Liabilities	6	5,251,726	4,857,875
Deferred Income	11(a)	168,075	187,164
Members' Contributions Prepaid	9(a)	169,053	142,119
Provisions	8	1,183,016	695,669
Finance Lease Liability	22(a)	126,813	403,336
		<u>6,898,683</u>	<u>6,286,163</u>
Non-Current Liabilities			
Payables and Other Non-Current Liabilities	6	1,851,975	2,609,458
Finance Lease Liability	22(a)	-	127,201
Pension Liabilities	7	13,018,100	12,937,200
Provisions	8	1,775,933	1,973,656
		<u>16,646,008</u>	<u>17,647,515</u>
TOTAL LIABILITIES		<u>23,544,691</u>	<u>23,933,678</u>
NET ASSETS		<u>6,196,369</u>	<u>4,673,241</u>
FUND BALANCES AND RESERVES			
General Reserve		1,168,130	(8,859)
Working Capital Fund		2,219,838	2,219,838
Joint Office in New York	19	347,246	327,793
Small States Office in Geneva	19	(92,326)	(68,886)
Designated Funds	12	476,927	443,552
Revaluation Reserve		15,094,654	14,697,003
Pension Reserve	7	(13,018,100)	(12,937,200)
TOTAL FUND BALANCES AND RESERVES		<u>6,196,369</u>	<u>4,673,241</u>

COMMONWEALTH SECRETARIAT FUND

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

		2013-14	2012-13
	Notes	£	£
REVENUE			
Contributions to COMSEC	9(a)	16,296,661	16,140,966
Contributions to Joint Office in New York	9(b)	406,625	450,510
Contributions to Small States Office in Geneva	9(c)	154,505	164,814
Common Service Charge	10(a)	3,504,860	4,471,629
Project Service Charge	10(b)	-	2,259,161
Special Projects	11	50,000	197,010
Designated Funds	12	163,983	237,760
Interest Revenues	13	9,628	9,560
Other Income	13	2,519,826	2,310,853
Currency Gain		-	657
TOTAL REVENUE		23,106,088	26,242,920
EXPENSES			
Staff Costs	14	11,769,982	15,376,993
General Administration	16	7,597,578	7,761,889
Training and Workshops	17	1,400,242	777,914
Finance Costs		29,079	63,746
Currency Loss		41,201	-
TOTAL EXPENSES		20,838,082	23,980,542
SURPLUS FOR THE YEAR		2,268,006	2,262,378

COMMONWEALTH SECRETARIAT FUND

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

	Notes	General Reserve	Working Capital Fund	Joint Office	Small States Office	Designated Funds	Revaluation Reserve	Pension Reserve	Total
		£	£	£	£	£	£	£	£
Balance at 30 June 2012		(1,755,668)	2,219,838	490,132	132,398	319,833	14,055,096	(13,967,700)	1,493,929
Surplus		2,627,428	-	(156,450)	(208,600)	-	-	-	2,262,378
Revaluation of Leasehold Property	5	-	-	-	-	-	641,907	-	641,907
Actuarial Loss on Former SG's Pension Scheme	7(a)	-	-	-	-	-	-	(267,000)	(267,000)
Actuarial Gain on Defined Benefit Scheme	7(b)	-	-	-	-	-	-	1,428,600	1,428,600
Actuarial Loss on Supplementary Pension	7(c)	-	-	-	-	-	-	(888,000)	(888,000)
Transfer of Funds to Pension Reserve	7(a,b,c)	(756,900)	-	-	-	-	-	756,900	-
Transfer of Designated Funds Surplus from General Reserve	12(a)	(123,719)	-	-	-	123,719	-	-	-
Currency Translation of Foreign Operations		-	-	(5,889)	7,316	-	-	-	1,427
Balance at 30 June 2013		(8,859)	2,219,838	327,793	(68,886)	443,552	14,697,003	(12,937,200)	4,673,241
Surplus / (Deficit)		2,241,964	-	52,914	(26,872)	-	-	-	2,268,006
Revaluation of Leasehold Property	5	-	-	-	-	-	397,651	-	397,651
Actuarial Loss on Former SG's Pension Scheme	7(a)	-	-	-	-	-	-	(223,000)	(223,000)
Actuarial Loss on Defined Benefit Scheme	7(b)	-	-	-	-	-	-	(809,500)	(809,500)
Actuarial Loss on Supplementary Pension	7(c)	-	-	-	-	-	-	(80,000)	(80,000)
Transfer of Funds to Pension Reserve	7(a,b,c)	(1,031,600)	-	-	-	-	-	1,031,600	-
Transfer of Designated Funds Surplus from General Reserve	12(a)	(33,375)	-	-	-	33,375	-	-	-
Currency Translation of Foreign Operations		-	-	(33,461)	3,432	-	-	-	(30,029)
Balance at 30 June 2014		1,168,130	2,219,838	347,246	(92,326)	476,927	15,094,654	(13,018,100)	6,196,369

COMMONWEALTH SECRETARIAT FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	2013-14 £	2012-13 £
Cash Flow from Operating Activities		
Surplus from Ordinary Activities	2,268,006	2,262,378
Non-Cash Movements		
Depreciation	913,631	1,099,106
Interest Revenues	(9,628)	(9,560)
(Increase) / Decrease in Contributions Receivable	(188,037)	668,619
Increase in Contributions Prepaid	26,934	37,567
Increase in Receivables	(2,400,247)	(166,491)
Decrease in Prepayments	70,990	5,909
(Increase) / Decrease in Inventories	(3,898)	6,476
Increase in Payables and Other Current Liabilities	393,707	532,410
Increase / (Decrease) in Provisions	289,624	(386,300)
(Decrease) / increase in Deferred Income	(19,089)	92,376
Decrease in Payables and Other Non Current Liabilities	(483,008)	(240,569)
Pension Actuarial Adjustments	(1,031,600)	(756,900)
Net Cash Flow from Operating Activities	<u>(172,615)</u>	<u>3,145,021</u>
Cash Flow from Investing Activities		
Purchase of Non Current Assets (non-lease)	(138,485)	(453,551)
Interest Revenues	9,628	9,560
Net Cash Flow from Investing Activities	<u>(128,857)</u>	<u>(443,991)</u>
Cash Flow from Financing Activities		
Repayments of Lease Liabilities	(403,724)	(663,294)
Repayments of Bank Loans and Overdrafts	(274,331)	(271,681)
Net Cash Flow from Financing Activities	<u>(678,055)</u>	<u>(934,975)</u>
Currency Translations on Foreign Operations	<u>(21,952)</u>	<u>(2,182)</u>
Net Increase in Cash and Cash Equivalents	<u><u>(1,001,479)</u></u>	<u><u>1,763,873</u></u>
Cash and Cash Equivalents at the Beginning of Period	6,635,729	4,871,856
Cash and Cash Equivalents at the End of Period	5,634,250	6,635,729
Movement in Cash and Cash Equivalents	<u><u>(1,001,479)</u></u>	<u><u>1,763,873</u></u>

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. Accounting Policies

1.1.1 Statement of Compliance

The financial statements of the COMSEC have been prepared on an accruals basis in accordance with the International Public Sector Accounting Standards (IPSAS).

- In accordance with IPSAS 1, budgets and related budget reconciliation analysis have not been provided as they are not publicly available.
- Segmental information and analysis relating to the Joint Office for Commonwealth Permanent Missions to the United Nations (Joint Office) and the Commonwealth Small States Office in Geneva (Small States Office) have been provided in the financial statements.

1.1.2 New Accounting Standards

The International Public Sector Accounting Standards Board (IPSASB) has issued IPSAS 28 Financial Instruments: Presentation, IPSAS 29 Financial Instruments: Recognition and Measurement, and IPSAS 30 Financial Instruments: Disclosures. IPSASB requires entities to apply these standards for annual financial statements covering periods beginning on or after 1 January 2013. The Commonwealth Secretariat has applied these standards in preparing these financial statements. The adoption of these standards required retrospective application which has resulted in a different presentation of the comparative results in the 2012-13 audited financial statements. This presentation however has had no effect on the recognition and measurement of the financial instruments, but additional qualitative and quantitative disclosures have been provided in accordance with IPSAS 30. Consequently the presentation in the Statement of Financial Position and Cash flow Statement has been changed to adopt these new standards.

IPSASB introduced IPSAS 32 (Service Concession Arrangements) and requires entities to apply this standard for annual financial statements covering periods beginning on or after 1 January 2014. IPSASB encourages earlier application of this Standard. The Commonwealth has not applied IPSAS 32 in preparing these financial statements since it did not enter into any service concession arrangements within the scope of IPSAS 32.

1.2 Change to Accounting Policies

The Commonwealth reviews its accounting policies on a regular basis and amends them as necessary in line with the prevailing accounting standards and its operational circumstances.

1.3 Basis for Non-Consolidation of Financial Statements

As mentioned previously under Principal Activities and Operating Structure, the activities of The Commonwealth are funded by Member Governments via three separate multilateral funds:

- Commonwealth Secretariat Fund (COMSEC)
- Commonwealth Fund for Technical Co-operation (CFTC)
- Commonwealth Youth Programme Fund (CYP)

The Memoranda of Understanding of the three funds require The Commonwealth to operate and prepare separate audited financial statements for each of the funds. Each fund is controlled by its member governments and these member governments will vary from fund to fund.

The Commonwealth has reviewed IPSAS 6 Consolidated and Separate Financial Statements and considers that the consolidation requirement is not applicable in this situation.

1.4 Accounting Convention

The financial statements have been prepared using the historical cost convention except for the revaluation of property assets.

1.5 Going Concern Assumption

The financial statements have been prepared on the going concern basis. Management has a reasonable expectation that The Commonwealth will continue in operational existence for the foreseeable future. The Board of Governors have approved the 2014-15 budget paper on behalf of the member states; the most significant liabilities are in respect of pensions which fall due in future periods in excess of one year. There is a commitment from the Board of Governors to fund this budget effective July 2014.

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.6 Functional and Presentational Currency

The financial statements have been presented in GB Pounds Sterling which is The Commonwealth's functional currency. All financial information presented in GB Pounds Sterling has been rounded to the nearest £1.

1.7 Financial Instruments

Financial instruments are recognised when COMSEC becomes a party to the contractual provisions of the instrument until such time as when the rights to receive cash flows from those assets have expired or have been transferred and COMSEC has transferred substantially all the risks and rewards of ownership.

Financial assets that are held for trading are measured at fair value and any gains or losses arising from changes in the fair value are accounted for through surplus or deficit and included within the Statement of Financial Performance in the period in which they arise.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. Loans and receivables comprise contributions receivable in cash, other receivables and cash and cash equivalents. Loans and receivables are stated at amortized cost.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that COMSEC has both the intention and the ability to hold to maturity. As at 30 June 2014, no held-to-maturity financial assets were held by COMSEC.

Available-for-sale financial assets are non-derivative financial assets that are not designated within any other category. As at 30 June 2014, no available-for-sale financial assets were held by COMSEC.

All non-derivative financial liabilities are recognized initially at fair value, and subsequently measured at amortized cost using the effective interest method.

1.8 Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and bank balances that can easily be converted into cash without loss of value. Cash deposits are held in instant access interest-bearing bank accounts. Cash deposits denominated in foreign currencies have been translated to GB Pound Sterling at exchange rates prevailing at the reporting date. Realised gains and losses are recognised in the Statement of Financial Performance for the year.

Cash and cash equivalents are held in interest bearing accounts on the money market or as fixed short term deposits. All deposits are due to mature within three months and, as such, are all classified as cash and cash equivalents under current assets.

1.9 Inventories

The Commonwealth operates a limited Commissariat for the sale of duty-free goods to diplomatic staff. Stocks of souvenirs and gifts are held for official purposes.

Stocks of goods held for resale are valued at the lower of cost and net realisable value. Stocks not held for resale are valued at the lower of cost and current replacement cost.

1.10 Property, Plant and Equipment

(a) Costs

Items of property, plant and equipment that meet the recognition criteria for assets and have a value greater than £1,000, or a group of similar assets with a value greater than £10,000 where the individual value is less than £1,000, are capitalised and depreciated to residual value over their useful life. Assets not previously recognised by The Commonwealth prior to its adoption of IPSAS 17 on 1 July 2008 were recognised at their fair value on the date of first recognition and credited back to the General Reserve.

Property, plant and equipment are recorded at cost, which includes the purchase price and directly attributable costs of bringing the asset to working condition for its intended use.

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.10 Continued

(b) Revaluation

Land and buildings are revalued every five years. This is supplemented by interim professional valuations and annual internal valuations to ensure that the carrying amount does not differ materially from fair value. All other classes of property, plant and equipment are carried at cost, less any accumulated depreciation and impairment losses.

(c) Depreciation

Depreciation on purchased and revalued assets is charged in the Statement of Financial Performance to write off the cost or valuation over their estimated useful lives using a straight-line method. Depreciation on assets acquired under finance leases is charged to the Statement of Financial Performance over the shorter of the lease term and the assets' useful life.

Depreciation is provided from the month of acquisition of an asset and in the month of disposal. The estimated useful lives applicable are as follows:

Asset Type	
Leasehold buildings	Remaining term of lease
Building Improvements	Remaining life of the building or term of lease or the useful life of the improvement
Plant Equipment	12 years or term of lease
Fixtures and Fittings	8 years or term of lease
Motor Vehicles	5 years or term of lease
Computers	4 years or term of lease

(d) Impairment

Each year, a review of all assets is carried out for indications of impairment. If such indications exist, management will estimate the recoverable service amount and any loss is charged against the Statement of Financial Performance.

1.11 Payables and Accruals

Payables and accruals include liabilities in respect of goods and services which have been received and are either invoiced but unpaid or not invoiced at the year end. Accruals for purposes of disclosure in the financial statements are aggregated with trade payables.

1.12 Deferred Income

Details on deferred income are given in note 1.16(d).

1.13 Borrowings

Borrowings consist of bank overdraft and bank loans. These are analysed as short- and long-term borrowings in the Statement of Financial Position. Their fair values are determined by the principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest and charges are recognised in the reporting period in which they are incurred.

1.14 Provisions and Contingent Liabilities

Provisions are made for future liabilities and charges where COMSEC has a present legal or constructive obligation as a result of a past event. Other obligations, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence could only be confirmed by the occurrence or non-occurrence of uncertain future events.

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.15 Reserves

COMSEC's reserves consist of the following balances:

- General Reserve, is carried forward after accounting for contributions, other sources of income and expenses for all programme related and administrative categories;
- Working Capital Fund, serves to protect the Fund against temporary shortages of cash, arising from the need to maintain expenditure levels in the event of irregular settlement of receivables by member states. Investments are held separately to represent the Working Capital Fund. In accordance with Section V of the revised Financial Regulations, the reserve will be subject to a maximum of 25% of approved planned expenditure for that year;
- General Reserves of the Joint Office for Commonwealth Permanent Missions to the United Nations in New York and the Commonwealth Small States Office in Geneva, are included as they form part of COMSEC's activities;
- Revaluation Reserve, relates to the revaluation of the Secretary General's residence, see note 5. The balance is made up of gains and losses in the value of the property since its acquisition in 2001 and subsequent refurbishment;
- Designated Funds, specifically relate to the Publication and the Marlborough House Funds carried forward to the next year. See note 1.16(e); and
- Pension Reserve, created to reflect the surplus or deficit on The Commonwealth's pension obligations.

1.16 Revenue

(a) Contributions

COMSEC is financed by assessed contributions from the 53 Member Governments that make up the Commonwealth. Revenue is recognised in the period to which the contribution relates following agreement of contributions at the meeting of the Board of Governors held annually in May. Where contributions are received in advance of the year to which they relate, the amount is recognised as a liability in the Statement of Financial Position.

Members' contributions receivable in the Statement of Financial Position are stated at the agreed amount and reduced by a provision for anticipated delay in settlement of arrears.

The Joint Office for Commonwealth Permanent Missions to the United Nations in New York is financed by contributions from donors together with contributions from the tenants using the office facilities.

The Commonwealth Small States Office in Geneva is financed by contributions from donors and tenants using the office facilities.

(b) Common Service Charge

COMSEC levies an administrative charge referred to as the Common Service Charge, on the Commonwealth Fund for Technical Co-operation, Commonwealth Youth Programme and Commonwealth Association of Tax Administrators. The charge recovers from these institutions some of the costs incurred by COMSEC in operating the common service divisions. The common service divisions are Office of the Secretary General, Strategic Planning & Evaluation, Corporate Services, Human Resources and Communications.

The present method of apportioning these costs is based on the proportion of the staff members' time devoted to supporting activities in a particular area of work. The costs are apportioned on the basis of an agreed formula which includes staff costs, office accommodation and other administrative costs related to the common service divisions.

(c) Project Service Charge

In 2011-12 COMSEC introduced a Project Service Charge to CFTC. The charge was a reallocation of actual diplomatic and professional staff costs from programmatic divisions to reflect the level of activities they provide as part of the work of the CFTC Fund. This was discontinued in 2013-14 and replaced with the direct allocation to CFTC of all staff costs associated with delivering the programmes as per the new Strategic Plan.

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(d) Special Projects

COMSEC receives additional contributions and grants from member governments, non-Commonwealth countries and other organisations for special projects (see note 11 for details of individual special projects). These funds are awarded subject to specific performance conditions.

The revenue for these projects is recognised when expenditure has been incurred, which is when specific performance conditions are met. When revenue has been received but the expenditure has not been incurred, it is reported as deferred income on the Statement of Financial Position. Excess funds are returned to the provider.

(e) Designated Funds

This income relates to monies generated from certain self-financing funds (see note 12 for details of the individual designated funds). Any surpluses or losses arising during the financial period are carried forward to the next year in the Designated Funds Reserves (see note 1.15).

(f) Other Income

Other income consists of:

- interest received from interest-bearing accounts and investments;
- rent received and costs recovered from tenants in the Joint Office for Commonwealth Permanent Missions to the United Nations in New York and the Commonwealth Small States Office in Geneva;
- costs recovered from the Commonwealth Foundation in COMSEC;
- recoveries by COMSEC, the Joint Office and the Small States Office of various costs, through insurance and tax reclaims; and
- service in-kind, representing the provision of Marlborough House free of rent, as recognised under IPSAS 23 Revenue from Non-Exchange Transactions.

Such income is recognised in the period to which the transaction relates, not when the income is received.

1.17 Expenses

(a) Staff costs

i) Unused annual leave

The value of unused annual leave at the year-end has been estimated using salary pay points and number of leave days outstanding and is included in staff costs in the Statement of Financial Performance. The obligation is recognised as an accrual in the Statement of Financial Position.

ii) Tax

The Commonwealth operates an Internal Tax System under an agreement with the UK Government. Tax deducted from emoluments of staff is retained by the organisation.

iii) Staff Gratuity Fund

The Commonwealth contributes fifteen percent of gross salary on a monthly basis for permanent members of staff who opt in to the Staff Gratuity Fund instead of the Staff Defined Contribution Pension Scheme. Contributions to the fund are recognised as staff costs in the Statement of Financial Performance. Payments of accumulated gratuity plus interest are made to staff at the end of their contract or on leaving The Commonwealth.

The contributions are paid into the fund's bank account and managed separately in readily convertible investments. Cash deposits and fixed term deposits relating to the staff gratuity fund are not available for general use by The Commonwealth. These are recognised as restricted cash and cash equivalents in the Statement of Financial Position, with a corresponding liability. This liability is classified as either current or non-current dependent on the expiry dates of the employees' contracts.

iv) Relocation expenses

The Commonwealth pays relocation expenses for overseas recruited staff and experts at the beginning and end of their contracts. A provision for future costs is included within staff costs in the financial statements.

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

v) Home leave

The Commonwealth pays for home leave passages for overseas recruited staff after serving 20 months of their contracts. A provision for future home leave passages is included within staff costs in the financial statements.

vi) Pensions

The Commonwealth operates two defined benefit pension schemes, one for former Secretaries General and one for permanent staff, with a supplementary arrangement as described below.

Former Secretaries General Pension Scheme

The pension scheme for former Secretaries General is unfunded. Costs relating to the financial year are recognised in the Statement of Financial Performance.

An actuarial valuation of The Commonwealth's obligation as at the year end is obtained with the liability recognised in the Statement of Financial Position. The present value of the defined benefit obligations due to the former Secretaries General is determined by discounting the estimated future cash outflows using agreed assumptions. There are no directly attributable investments or assets to support the obligations of this scheme. Unrealised actuarial gains and losses are recognised in the Statement of Changes in Net Assets.

Staff Defined Benefit Pension Scheme

The Commonwealth operates a funded, defined benefit scheme (Commonwealth Secretariat Pension and Life Assurance Scheme (1979)) where the benefits are based on final pensionable pay. The scheme is managed by a board of trustees nominated by The Commonwealth as employer and scheme members in line with UK pension regulations.

The current Schedule of Contributions requires the employer to contribute the amount required to bring the aggregate contribution to one twelfth of 72% of the total contributory payroll of the active members of all the funds each month in respect of future service, together with additional monthly contributions of £137,333 to meet the past service shortfall on behalf of entitled employees. Also payable are insurance premiums for death-in-service benefits and expenses incurred by the trustees in administering the scheme.

The Scheme is subject to UK pension regulations. It undertakes valuations every three years and prepares financial statements to 31 March. The financial statements of the scheme are audited by Assure UK. The scheme's actuary is Ms Elaine Pickering, Senior Pensions Actuary, Equitable Life Assurance Society. The audited financial statements and details of advisors are available on request from the Payroll and Pensions Team, Finance and Management Information Section, Marlborough House, London SW1Y 5HX.

The Scheme which was accessible to staff of COMSEC, CFTC, CYP and Commonwealth Science Council Funds was closed to new members with effect from 1 January 2002. It is not possible to separate the scheme liabilities relating to staff under the different funds. The entire liability is therefore recognised in the Statement of Financial Position in COMSEC. The liability or asset recognised in respect of the scheme is the fair value of the plan assets less the present value of the defined obligation at the reporting date.

The current service cost, interest on scheme liabilities and expected return on the scheme assets are recognised in the Statement of Financial Performance.

Actuarial gains and losses are recognised in full in the period in which they occur in the Statement of Changes in Net Assets.

Supplementary Pension

To supplement The Commonwealth Secretariat Pension & Life Assurance Scheme (1979), The Commonwealth may also award an additional increase on a discretionary basis. A review is carried out annually to compare the pension benefits to UK Public Sector pension increases, and consider whether to award an additional increase on a discretionary basis to bring them into line. This arrangement is paid as supplementary to the pension payment.

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.17 Continued

An actuarial valuation of The Commonwealth's obligation as at the year end is obtained with the entire liability recognised in the Statement of Financial Position of COMSEC as it is not possible to separate the scheme liabilities under the different funds. The present value of the supplementary pension obligations is determined by discounting the estimated future cash outflows using agreed assumptions. There are no directly attributable investments or assets to support the obligations of this scheme. Unrealised gains and losses are recognised in the Statement of Changes in Net Assets.

Group Stakeholder Defined Contribution Pension Scheme

The Commonwealth also operates a defined contribution pension scheme for staff. All employer contributions are recognised in the Statement of Financial Performance in the period in which the obligations arise.

(b) Accommodation costs

The headquarters of The Commonwealth is located in London and its operations are sited in two separate office buildings: Marlborough House and Quadrant House. Marlborough House is provided free of rent by the UK Government. Under IPSAS 23 Revenue from Non-Exchange Transactions, the value of this service in-kind is recognised as both income and expense. The service in-kind has been estimated using the rental value of Quadrant House in proportion to the office area in Marlborough House.

Significant improvements made to the Marlborough House or Quadrant House are capitalised and depreciated through the statement of financial performance over the useful life of the improvements in case of Marlborough House and the remaining term of lease in case of Quadrant house.

(c) Direct Projects

Direct Project Costs are expenses related to programmatic activities. Where these expenses occur against a contract issued to a service provider, the related cost is recognised in the Statement of Financial Performance when specific conditions in the individual contracts are fulfilled.

(d) Leases

Leases are classified at their inception. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incident to ownership. Such classification is made in accordance with the substance and financial reality of the lease, not merely with its legal form.

Assets acquired under finance leases are recognised as assets in the Statement of Financial Position and the associated lease liabilities are recognised as liabilities. The assets and liabilities are recognised at amounts equal to the fair value of the leased asset at the inception of the lease or, if lower, at the present value of the minimum lease payments.

Finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is recognised in the Statement of Financial Performance each year during the lease term.

Lease payments under an operating lease are recognised as an expense in the Statement of Financial Performance on a straight line basis over the lease term.

(e) Foreign currency transactions

Transactions in foreign currencies are translated to GB Pounds Sterling at the rate of exchange on the date of the transactions. Realised gains and losses resulting from the settlement of foreign currency transactions are recognised in the Statement of Financial Performance. COMSEC does not have any hedging arrangements.

Assets and liabilities of the Joint Office in New York and the Small States Office in Geneva are translated at the exchange rates existing at reporting date. Revenues and expenses are translated at the average rate of exchange over the financial year. Unrealised gains and losses from the revaluation of foreign operations are recognised in the Statement of Changes in Net Assets as currency translations.

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.18 Use of Estimates and Judgements

The financial statements include amounts based on estimates and key assumptions about the future made by management. These estimates and underlying assumptions are reviewed on an on-going basis. Further details are given where applicable in the individual notes to the assets and liabilities.

2. Cash and Cash Equivalents

Restricted balances relate to Special Projects funds, Joint Office in New York, Small States Office in Geneva and the Staff Gratuity Fund, which are held only for these specific purposes.

	Unrestricted		Restricted		Total	
	2014	2013	2014	2013	2014	2013
	£	£	£	£	£	£
Cash and Cash Deposits	677,335	1,574,155	781,924	1,202,103	1,459,259	2,776,258
Foreign Bank Accounts	-	-	496,193	103,348	496,193	103,348
Money Market	917,624	959,678	-	-	917,624	959,678
Fixed Term Deposit	-	-	2,761,174	2,796,445	2,761,174	2,796,445
Total Cash and Cash Equivalents	1,594,959	2,533,833	4,039,291	4,101,896	5,634,250	6,635,729

3. Inventories

	2014	2013
	£	£
Commissariat Stock	1,207	1,023
Souvenirs and Gifts	9,157	5,443
Total Inventories	10,364	6,466

4. Receivables

	2014	2013
	£	£
Current Receivables		
Staff Advances & Season Ticket Loans	72,248	68,525
Geneva Office	8,411	9,665
New York Office	147,690	220,345
Other debtors	228,816	127,578
Miscellaneous	2,520	3,102
Commonwealth Fund for Technical Co-operation	2,552,477	-
Commonwealth Foundation Re-charges	83,791	270,597
	3,182,901	699,812
Provision for doubtful debt	(65,626)	(69,732)
Total Current Receivables	3,030,327	630,080

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4. Continued

The change in the provision for doubtful debt during 2013-14 is as follows:

	2013	Decrease	2014
	£	£	£
Provision for doubtful debt	69,732	(4,106)	65,626

Ageing of receivables that are past due but not impaired:

	2014	2013
	£	£
Neither past due nor impaired	2,624,980	68,525
< 12 months	325,392	541,620
> 12 months	79,955	19,935
Total	3,030,327	630,080

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

5. (a) Non-Current Assets

Property, Plant & Equipment 2014

	LAND AND BUILDINGS	BUILDING IMPROVEMENT	FURNITURE & FIXTURES	HARDWARE	EQUIPMENT	VEHICLES	TOTAL 2014
Cost	£	£	£	£	£	£	£
Balance as at 30 June 2013	16,500,000	2,188,023	670,356	3,186,563	515,114	83,897	23,143,953
Additions	-	25,000	38,184	49,667	25,634	-	138,485
Disposals	-	-	-	(114,358)	(46,050)	-	(160,408)
Revaluation Adjustments	250,000	-	-	-	-	-	250,000
Currency Translations	-	(537)	(5,083)	(2,828)	(3,859)	-	(12,307)
Closing Balance as at 30 June 2014	16,750,000	2,212,486	703,457	3,119,044	490,839	83,897	23,359,723

Depreciation

Balance as at 30 June 2013	-	(1,056,206)	(507,501)	(2,540,346)	(104,100)	(20,033)	(4,228,186)
Depreciation	(147,651)	(99,781)	(107,887)	(468,714)	(72,819)	(16,779)	(913,631)
Disposals	-	-	-	114,358	46,050	-	160,408
Revaluation Adjustments	147,651	-	-	-	-	-	147,651
Currency Translations	-	167	2,226	1,137	700	-	4,230
Closing Balance as at 30 June 2014	-	(1,155,820)	(613,162)	(2,893,565)	(130,169)	(36,812)	(4,829,528)

Assets held under Finance Leases

Other Assets	-	-	-	156,311	-	-	156,311
Net Book Value 30 June 2014	16,750,000	1,056,666	90,295	69,168	360,670	47,085	18,373,884
	16,750,000	1,056,666	90,295	225,479	360,670	47,085	18,530,195

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

5. (b) Non-Current Assets

Property, Plant & Equipment 2013

	LAND AND BUILDINGS	BUILDING IMPROVEMENT	FURNITURE & FIXTURES	HARDWARE	EQUIPMENT	VEHICLES	TOTAL 2013
Cost	£	£	£	£	£	£	£
Balance as at 30 June 2012	16,000,000	2,226,951	664,865	3,100,124	170,374	71,561	22,233,875
Asset Reclassification	-	(38,192)	-	(1,241)	39,433	-	-
Additions	-	-	7,106	89,400	308,089	48,956	453,551
Disposals	-	-	-	-	-	(36,620)	(36,620)
Revaluation Adjustments	500,000	-	-	-	-	-	500,000
Currency Translations	-	(736)	(1,615)	(1,720)	(2,782)	-	(6,853)
Balance as at 30 June 2013	16,500,000	2,188,023	670,356	3,186,563	515,114	83,897	23,143,953

Depreciation

Balance as at 30 June 2012	-	(969,903)	(404,241)	(1,832,290)	(62,787)	(48,849)	(3,318,070)
Asset Reclassification	-	8,474	-	65	(8,539)	-	-
Depreciation	(141,907)	(99,634)	(106,486)	(710,819)	(32,456)	(7,804)	(1,099,106)
Disposals	-	-	-	-	-	36,620	36,620
Revaluation Adjustments	141,907	-	-	-	-	-	141,907
Currency Translations	-	4,857	3,226	2,698	(318)	-	10,463
Balance as at 30 June 2013	-	(1,056,206)	(507,501)	(2,540,346)	(104,100)	(20,033)	(4,228,186)
Assets held under Finance Leases	-	-	-	598,750	-	-	598,750
Other Assets	16,500,000	1,131,817	162,855	47,467	411,014	63,864	18,317,017
Net Book Value as at 30 June 2013	16,500,000	1,131,817	162,855	646,217	411,014	63,864	18,915,767

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

5 Continued

The asset classified as land and buildings relates to the Secretary-General's official residence, a long leasehold property (see note 6 (a)).

The fair value of the residence has been determined with reference to its market value. It is assumed to be part of the super prime sector of the market due to its size, stature and location. The valuation is made on the assumption that The Commonwealth has full vacant possession of the property.

A full valuation was last performed by Knight Frank LLP in August 2012. In accordance with The Commonwealth's accounting policy, a desktop valuation was performed in June 2014 to ensure that the carrying amount does not differ materially from fair value.

This valuation was based on a detailed review of the current market for similar buildings. The valuation was considered to be in the order of £16.75 million due to strong international demand and limited supply for this type of property. Accordingly, an adjustment was made in the Financial Statements to revalue the asset to £16.75 million. The valuers are independent from The Commonwealth and conform to the Royal Institution of Chartered Surveyors Appraisal and Valuations standards.

COMSEC's computer hardware and software purchases are largely funded by finance lease arrangements with Hewlett-Packard and ECS UK respectively. The leases are spread over three to five years. See note 22(a).

6. Payables and Other Liabilities

Amounts falling due within one year

	Notes	2014	2013
		£	£
Bank Loans	(a)	274,475	274,331
Trade Payables & Accruals		2,164,625	1,555,603
Staff Gratuity Fund Obligations	(b)	2,576,615	2,513,780
Staff Expenses		5,322	33,507
New York Office		13,058	12,654
Geneva Office		181,769	18,126
Related Parties:			
Commonwealth Fund for Technical Co-operation		-	429,093
Commonwealth Youth Programme		35,710	20,313
Miscellaneous		152	468
Total Payables and Current Liabilities		5,251,726	4,857,875

Amounts falling due after more than one year

	Notes	2014	2013
		£	£
Bank Loans	(a)	1,032,000	1,306,475
Staff Gratuity Fund Obligations	(b)	819,975	1,302,983
Total Non-Current Liabilities		1,851,975	2,609,458

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(a) Bank Loans

Acquisition of Secretary-General's Residence

In March 2001 The Commonwealth purchased a 125 year lease on the Secretary-General's residence at 40b Hill Street in Mayfair, for £2,000,000. This property was refurbished at a cost of £400,000 giving a total historic cost of £2,400,000. A loan was negotiated with Barclays Bank plc to cover these costs, and Barclays hold a first charge on this property. The capital is repayable in 100 equal quarterly instalments of £24,000 over 25 years and interest is payable quarterly. The first quarterly payment of capital was made on 11 June 2001. The balance on the loan as at 30 June 2014 was £1,128,000 (2013: £1,224,000) of which £96,000 is due for repayment in the next twelve months. The interest of £9,494 (2012-13: £12,561) on this loan is expensed during the year.

Refurbishment of Quadrant House

In December 1999 The Commonwealth took out a 25 year lease on Quadrant House, Pall Mall, London, which is used as office premises. A loan of £1,900,000 from HSBC Bank plc was taken out in 2002 to cover the costs of the refurbishment of this property. The loan is repayable in quarterly instalments over thirteen years and interest is payable quarterly. The first quarterly payment was made in October 2002. The balance on the loan of £178,475 (2013: £356,806) is due for full repayment within the next twelve months. The interest of £4,352 (2012-13: £6,467) on this loan is expensed during the year.

(b) Staff Gratuity Fund Obligations

The Staff Gratuity Fund Obligations also includes amounts relating to other funds and separate entities as analysed below. The total amount is covered by restricted balances held within cash and cash equivalents.

	2014		2013	
	Due within one year	Due after one year	Due within one year	Due after one year
	£	£	£	£
Commonwealth Secretariat Fund	1,879,516	570,047	1,579,770	913,626
Commonwealth Fund for Technical Co-operation	384,568	220,993	627,580	344,578
Commonwealth Youth Programme Fund	109,028	6,471	48,987	44,779
Commonwealth Association of Tax Administrators	-	13,075	38,509	-
Commonwealth Foundation	203,503	-	195,690	-
New York Office	-	9,389	23,244	-
Total Staff Gratuity Fund Obligations	2,576,615	819,975	2,513,780	1,302,983

7. Pension Liabilities

	Notes	2014	2013
		£	£
Former Secretaries-General Pension Scheme	(a)	2,866,000	2,725,000
Staff Defined Benefit Scheme	(b)	6,751,100	6,808,200
Supplementary Pension	(c)	3,401,000	3,404,000
Total		13,018,100	12,937,200

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(a) Former Secretaries-General Pension Scheme

There are no directly attributable assets held by The Commonwealth to support the above pension liability.

An actuarial valuation of the scheme as at 30 June 2014 was carried out by First Actuarial LLP for the specific purpose of these Financial Statements, in line with the provisions of IPSAS 25.

Payments into the scheme for the year ending 30 June 2015 are estimated at £201,000.

The present values of the defined benefit obligation for the current and previous four years are as follows:

	2014	2013	2012	2011	2010
	£	£	£	£	£
Defined Benefit Obligations	2,866,000	2,725,000	2,552,000	2,698,000	2,686,000
Experience adjustments on Scheme liabilities	(4,000)	(34,000)	163,000	(39,000)	n/a
Change of basis adjustments on Scheme liabilities	(219,000)	(233,000)	(66,000)	(27,000)	n/a

The cumulative actuarial losses recognised through the Statement of Changes in Net Assets as at 30 June 2014 amounted to £811,326 (2013: £588,326).

Statement of Financial Position:

As at 30 June	2014	2013
	£	£
Fair Value of Assets	-	-
Value of liabilities (defined benefit obligations)	2,866,000	2,725,000
Funded Status	(2,866,000)	(2,725,000)

Statement of Financial Performance:

For the 12 months ending 30 June	2014	2013
	£	£
Interest cost on scheme liabilities	118,000	106,000
Total recognised in Statement of Financial Performance	118,000	106,000

£82,000 (2013: £94,000) has been transferred to the pension reserve from the general reserve representing the difference between the cost recognised in Statement of Financial Performance and benefits paid out.

Changes in the present value of the defined benefit obligations are as follows:

	2014	2013
	£	£
Defined Benefit Obligation at the beginning of period	2,725,000	2,552,000
Movement in period:		
Interest cost on obligation	118,000	106,000
Benefits paid	(200,000)	(200,000)
Actuarial loss on liabilities	223,000	267,000
Defined Benefit Obligation at end of period	2,866,000	2,725,000

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The following assumptions were used in the actuarial valuation calculations:

	2014	2013
Discount Rate	3.8%	4.5%
Price Inflation (RPI)	3.2%	3.1%

- Mortality – 90% PNMA00 and PNFA00 with an allowance for future improvements in mortality in accordance with the core CMI mortality projection model CMI_2013, with long term rates of improvement of 1% p.a.
- Marital Status - members' actual marital statuses have been taken into account along with their spouses' dates of birth.
- Pension Increases – on average, member's pensions are assumed to increase in line with RPI each year with pensions being reassessed at four yearly intervals. The next review date is assumed to be in 2016 and an approximate adjustment has been made in the above valuation to allow for this.

The discount rate at 30 June 2014 has been taken as the yield on the iBoxx £ Corporates AA15+ corporate bond index.

The amount of the liabilities for the year ending 30 June 2014 varies if the main financial assumptions used in the valuation change, in particular the discount rate and inflation rates. If the assumed discount rate was 1% p.a lower, the liabilities would increase from £2,866,000 to £3,209,000. If the assumed rate of RPI was 1% p.a higher, the liabilities would increase from £2,866,000 to £3,201,000.

(b) Staff Defined Benefit Scheme

Equitable Life Assurance Society carried out an actuarial valuation of the assets and liabilities of the scheme as at 30 June 2014 for the specific purpose of these accounts, in line with the provisions of IPSAS 25.

	2014	2013
	£	£
Present value of funded obligations	46,093,200	43,932,000
Fair value of scheme assets	(39,342,100)	(37,123,800)
Net liability	6,751,100	6,808,200

The present values of the defined benefit obligations and scheme assets for the current and previous four years are as follows:

	2014	2013	2012	2011	2010
	£	£	£	£	£
Defined Benefit Obligations	(46,093,200)	(43,932,000)	(42,012,600)	(37,021,600)	(36,610,200)
Scheme Assets	39,342,100	37,123,800	33,194,900	30,038,800	27,698,800
Deficit	(6,751,100)	(6,808,200)	(8,817,700)	(6,982,800)	(8,911,400)
Experience adjustments on Scheme liabilities	(337,600)	(54,800)	106,100	(132,000)	737,400
Experience adjustments on Scheme assets	1,012,400	1,396,100	1,531,500	1,395,100	2,684,000

The cumulative actuarial losses recognised through the Statement of Changes in Net Assets as at 30 June 2014 amounted to £4,725,200 (2013: £3,915,700).

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Statement of Financial Position:

The assets valued below are in the form of portfolios of investments with Legal & General Investment Management and Standard Life, an insurance policy invested in the unit-linked Index-linked Gilt fund with the Equitable Life Assurance Society and the scheme bank accounts. The value of the Legal & General holding has been taken as the value at bid price as at the year end. The value of the Standard Life holding has been taken as the market value as at the year end. The value of the assets held in the Equitable Life unit-linked fund has been taken as the value of the units at bid price as at the year end. The value of the bank accounts has been taken as the amounts held, less payments due, on 30 June 2014. The major categories of scheme assets as a percentage of total scheme assets are as follows:

As at 30 June	2014	2013
	%	%
Gilts	23	20
Corporate Bonds	3	6
Index Linked Bonds	20	22
Equities	41	40
Cash	12	12

The expected rate of return on plan assets is determined as follows:

Gilts:	the yield on the FT-SE Actuaries 15 year gilt index
Corporate Bonds:	the yield on the iBoxx £ Corporates AA 15+index
Cash:	the Bank of England base rate
Equity and Property:	the above gilt yield plus 3.5% p.a

Overall expected rate of return for the year beginning 1 July 2014 = 4.1% (2013: 3.9%).

The rate of return given allows for the annual management charges on investment at 0.7% per annum by Standard Life and 0.1% by Legal and General Investment Management.

Statement of Financial Performance:

For the 12 months ending 30 June	2014	2013
	£	£
Current service cost	330,300	370,700
Expected return on the assets	(1,438,300)	(1,160,700)
Interest cost on scheme liabilities	1,941,900	1,791,800
Total included in pension costs	833,900	1,001,800
Actual return on plan assets	2,450,700	2,556,800

Members' and employers' contributions into the scheme for the year ending 30 June 2015 are estimated at £2,100,000.

An amount of £866,600 (2013: £580,900) was transferred to the pension reserve from the general reserve in the year representing the difference between the cost recognised in the Statement of Financial Performance and contributions made to the scheme.

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The movement in surplus during the period is as follows (unless otherwise specified, the figures calculated are based on the assumptions as at the beginning of the period):

Assets	2014	2013
	£	£
Assets in scheme at beginning of period	37,123,800	33,194,900
Movement in period:		
Expected return on assets	1,438,300	1,160,700
Employer contributions	1,700,500	1,582,700
Equitable Life Payment Scheme – Government Compensation Scheme	-	1,318,200
Member contributions	40,300	44,100
Benefits paid	(1,973,200)	(1,572,900)
Actuarial gain on assets	1,012,400	1,396,100
Assets in scheme at end of period	39,342,100	37,123,800

Liabilities	2014	2013
	£	£
Liabilities in scheme at the beginning of period	43,932,000	42,012,600
Movement in period:		
Interest cost	1,941,900	1,791,800
Current Service cost	330,300	370,700
Member contributions	40,300	44,100
Benefits paid	(1,973,200)	(1,572,900)
Actuarial loss on liabilities	1,821,900	1,285,700
Liabilities in scheme at end of period	46,093,200	43,932,000

During 2012-13, an amount of £1,318,200 was received from the Government Compensation Scheme with regards to Equitable Life Payment Scheme (ELPS) for relative financial loss suffered as a result of previous maladministration in the regulation of Equitable Life. This was treated as an actuarial gain in the Defined Benefit Scheme. The net pension liability at the end of the financial year ending 30 June 2013 was therefore reduced by this amount.

The actuarial loss charged to the pension reserve is the net of the actuarial loss on liabilities (£1,821,900) and the actuarial gain on scheme assets (£1,012,400) totalling £809,500 (Actuarial gain including the ELPS gain in 2012-13: £1,428,600).

The assumptions used in calculating the liabilities were as follows:

	2014	2013
	%	%
Inflation (RPI)	3.3	3.1
Rate of Increases in Salary in 2014-15	3.0	1.2
Rate of Increases in Salary thereafter	3.0	3.0
Pension Increases:		
Subject to RPI, maximum 5%, minimum 2.5%	3.4	3.3
Statutory Revaluation in Deferment	2.3	2.1
Discount Rate (pre and post retirement)	4.2	4.5

The discount rate on 30 June 2014 has been taken as the yield on the iBoxx £ Corporates AA15+ corporate bond index.

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Mortality after retirement at 90% PNMA00 and PNFA00 with an allowance for future improvements in mortality in accordance with the core CMI mortality projection model CMI_2013, with long term rates of improvement of 1% p.a.

The actuarial assumptions are identified as key judgements and sources of uncertainty, and the amount of the liability for the year ending 30 June 2014 varies if the main financial assumptions used in the valuation change, in particular the discount rate and inflation rates. If the assumed discount rate was 1.0% p.a. lower the liabilities would increase from £46,093,200 to £54,043,700. If the assumed RPI and CPI rates were 1.0% p.a. higher the liabilities would increase from £46,093,200 to £48,363,900.

(c) Supplementary Pension

There are no directly attributable assets held by The Commonwealth to support the above pension liability.

An actuarial valuation as at 30 June 2014 was carried out by First Actuarial LLP for the specific purpose of these accounts, in line with the provisions of IPSAS 25.

Payments in relation to these pensions for the year ending 30 June 2015 are estimated at £216,000.

The present values of the defined benefit obligation for the current and previous years are as follows:

	2014	2013	2012	2011	2010
	£	£	£	£	£
Defined Benefit Obligations	3,401,000	3,404,000	2,598,000	2,985,000	4,040,000
Experience (loss) / gain on liabilities	(18,000)	(41,000)	(61,000)	62,000	n/a
Change of basis adjustments on liabilities	(62,000)	(847,000)	393,000	984,000	n/a

The cumulative actuarial gains recognised through the Statement of Changes in Net Assets as at 30 June 2014 amounted to £410,000 (2013: £490,000).

Statement of Financial Position:

For the 12 months ending	2014	2013
	£	£
Fair Value of Assets	-	-
Value of liabilities (defined benefit obligations)	3,401,000	3,404,000
Funded Status	(3,401,000)	(3,404,000)

Statement of Financial Performance:

For the 12 months ending	2013-14	2012-13
	£	£
Past service cost	-	18,000
Interest cost on liabilities	135,000	107,000
Total recognised in Statement of Financial Performance	135,000	125,000

£83,000 has been transferred to the pension reserve from the general reserve (2013: £82,000) representing the difference between cost recognised in the Statement of Financial Performance and benefits paid out.

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Changes in the present value of the supplementary pension's obligations are as follows:

	2014	2013
	£	£
Defined Benefit Obligation at the beginning of period	3,404,000	2,598,000
Movement in period:		
Past service cost	-	18,000
Interest cost on liabilities	135,000	107,000
Benefits paid	(218,000)	(207,000)
Actuarial loss (gain) on liabilities	80,000	888,000
Defined Benefit Obligation at end of period	3,401,000	3,404,000

The following assumptions were used in the actuarial valuation calculations:

	2014	2013
Discount Rate	3.8%	4.1%
Price Inflation (RPI)	3.2%	2.9%
Price Inflation (CPI)	2.2%	1.9%
Discretionary increase over guaranteed increase	0.2%	0.2%

After a review of the market conditions as at 30 June 2014, specific assumptions have been provided for use in the actuarial valuation calculations as follows:

- a lower discount rate assumption of 3.8% pa which reflects a shorter duration for the Supplementary Pensions' liabilities, compared to the Defined Benefit Scheme; the discount rate has been taken as the yield on the iBoxx £ Corporates AA15+ corporate bond index;
- a lower CPI inflation assumption of 2.2% pa which similarly reflects the shorter duration;
- Mortality assumption base tables – Male: 90% PNMA000 and Female 90% PNFA00;
- Future mortality improvement – Core CMI mortality projection model CMI_2013, with long term minimum rates of improvement of 1% pa; and
- Members' actual marital statuses have been taken into account along with their spouses' dates of births.

The amount of the liabilities for the year ending 30 June 2014 varies if the main financial assumptions used in the valuation change, in particular the discount rate and inflation rates. If the assumed discount rate was 1% pa lower, the liabilities would increase from £3,401,000 to £3,806,000. If the assumed rate of RPI and CPI were 1% pa higher, the liabilities would increase from £3,401,000 to £5,987,000.

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

8. Provisions

The provisions classified as such in the Statement of Financial Position are as follows:

	2014		2013	
	Due within one year	Due after one year	Due within one year	Due after one year
	£	£	£	£
Provision for Building Dilapidation	-	878,976	-	840,000
Relocation Expenses	885,122	834,780	562,364	1,082,461
Home Leave Expenses	104,586	62,177	133,305	51,195
Termination Benefits Provision	193,308	-	-	-
Total Provisions	1,183,016	1,775,933	695,669	1,973,656

Movements in provisions during the year are as follows:

Provisions for Liabilities	Notes	2013	Increase in provision	Amount used in year	2014
		£	£	£	£
Provision for Dilapidation	(a)	840,000	38,976	-	878,976
Relocation Expenses	(b)	1,644,825	200,542	(125,465)	1,719,902
Home Leave Expenses	(c)	184,500	35,369	(53,106)	166,763
Termination Benefits Provision	(d)	-	193,308	-	193,308
Total Provisions for Liabilities		2,669,325	468,195	(178,571)	2,958,949

(a) The terms of the lease for Quadrant House renders The Commonwealth liable for any dilapidation the property may suffer while in use over its lease period. A desktop exercise was carried out in July 2012 which resulted in an estimate of cost of repairs covering the lease period to 2024. In 2012 a provision of £840,000 for these costs was included in the Statement of Financial Position in COMSEC and the expenditure was shared among the three Funds. In April 2013, The Commonwealth commissioned MHBC to prepare a building surveyor's report relating to the assessment of likely dilapidation responsibilities at Quadrant House. In April 2014 the Commonwealth commissioned MHBC to conduct a follow up desktop review of this assessment. The findings in this report have been considered and COMSEC has accordingly increased the provision by £38,976 to £878,976 (2013: £840,000).

(b) COMSEC incurs relocation expenses for overseas recruited staff at the beginning and end of their contracts. The costs of relocation are variable as they depend on the timing of the relocation, which can be at any stage within the maximum contract period of nine years (depending on renewal of three year contracts); the location to which the staff member is relocated; the size and circumstances of the family; and the complexity of the individual's affairs at the time. The level of the provision is based on an annual review of future costs and the movement on the provision for the year has been included in the Statement of Financial Performance under staff costs.

(c) The provision relates to home leave passages for overseas recruited staff. Overseas recruited staff and their dependents are provided with one home leave passage per contract. The level of provision is based on an annual review of future costs and the movement on the provisions for the year has been included in the Statement of Financial Performance under staff costs.

(d) During the financial year 2013-14 the Commonwealth implemented a new organisational structure which came into effect on 1 July 2014. COMSEC has recognised an obligation for estimated termination benefits that will occur in the 2014-15 financial period resulting from this structural reconfiguration.

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

9. (a) Commonwealth Secretariat Members' Contributions

	2014	2013
	£	£
Current	1,617,066	1,610,027
Non- Current	315,408	134,410
Total contributions receivable	1,932,474	1,744,437
Provision for doubtful accounts	(84,151)	(84,151)
Total net contributions receivable	1,848,323	1,660,286

The provision for doubtful debts relates to current member contributions. The net current contributions receivable is £1,532,915 (2013:£1,525,876).

In order to manage and reduce long outstanding arrears, affected governments are invited to discuss and agree suitable payment plans. As at the year end, three governments had agreed payment plans for arrears amounting to £479,208 (2013: £355,956).

Ageing of receivables that are past due but not impaired:

	2014	2013
	£	£
Less than 1 year	1,072,845	825,811
Between one and two years	328,892	124,057
More than two years	446,586	710,418
Total	1,848,323	1,660,286

The provision for doubtful accounts is for the outstanding contributions receivable where there is delay in settlement of arrears. The change in the provision for doubtful accounts during 2013-14 is as follows:

	2014	2013
	£	£
Provision for doubtful debt	84,151	84,151

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

9. (a) (i) Commonwealth Secretariat Members' Contributions 2013-14

Country	Balance at 30 June 2013		Assessment 2013/14		Receipts in year	Balance at 30 June 2014	
	Receivable	Prepaid				Receivable	Prepaid
	£	£	%	£	£	£	£
Antigua & Barbuda	7,060	-	0.20	32,622	(23,176)	16,506	-
Australia	-	-	12.17	1,988,945	(1,988,945)	-	-
Bahamas	-	-	0.71	115,793	(115,793)	-	-
Bangladesh	-	-	0.71	115,793	(115,793)	-	-
Barbados	-	-	0.71	115,793	(115,793)	-	-
Belize	-	(9,951)	0.20	32,622	(22,671)	-	-
Botswana	-	(14,255)	0.71	115,793	(19,068)	82,470	-
Brunei Darussalam	-	-	1.01	164,444	(164,444)	-	-
Cameroon	-	(9,665)	0.71	115,793	-	106,128	-
Canada	-	-	20.27	3,273,672	(3,273,672)	-	-
Cyprus	-	-	1.26	206,370	(206,370)	-	-
Dominica	450,583	-	0.20	32,622	(77,290)	405,915	-
Fiji	84,152	-	-	-	-	84,152	-
The Gambia	-	-	0.20	32,622	-	32,622	-
Ghana	114,409	-	0.71	115,793	(115,793)	114,409	-
Grenada	116,028	-	0.20	32,622	(123,854)	24,796	-
Guyana	-	(3,342)	0.20	32,622	(31,309)	-	(2,029)
India	-	-	4.02	658,107	(658,107)	-	-
Jamaica	-	-	0.71	115,793	-	115,793	-
Kenya	144,026	-	0.71	115,793	(144,026)	115,793	-
Kiribati	112,118	-	0.20	32,622	(96,243)	48,497	-
Lesotho	-	-	0.20	32,622	-	32,622	-
Malawi	10,470	-	0.20	32,622	(32,622)	10,470	-
Malaysia	-	-	1.60	263,244	(263,244)	-	-
Maldives	-	-	0.20	32,622	(32,622)	-	-
Malta	114,409	-	0.71	115,793	(230,202)	-	-
Mauritius	-	-	0.71	115,793	(115,793)	-	-
Mozambique	-	(14,156)	0.20	32,622	(38,372)	-	(19,906)
Namibia	-	-	0.71	115,793	(115,793)	-	-
Nauru	-	-	0.20	32,622	-	32,622	-
New Zealand	-	-	2.73	445,238	(445,238)	-	-
Nigeria	-	-	1.37	223,058	(177,331)	45,727	-
Pakistan	-	-	1.37	223,058	(223,058)	-	-
Papua New Guinea	-	-	0.20	32,622	-	32,622	-
Rwanda	63,888	-	0.20	32,622	(63,888)	32,622	-
St Kitts & Nevis	17,175	-	0.20	32,622	(49,797)	-	-
St Lucia	-	(16,466)	0.20	32,622	(27,250)	-	(11,094)
St Vincent & the Grenadines	63,358	-	0.20	32,622	(31,656)	64,324	-
Samoa	-	-	0.20	32,622	(32,622)	-	-
Seychelles	-	-	0.20	32,622	(32,622)	-	-
Sierra Leone	127,810	-	0.20	32,622	(227,544)	-	(67,112)
Singapore	-	-	2.73	445,238	(445,238)	-	-
Solomon Islands	-	-	0.20	32,622	-	32,622	-
South Africa	-	(43,162)	2.73	445,238	(445,238)	-	(43,162)
Sri Lanka	-	-	0.71	115,793	(115,793)	-	-
Swaziland	-	(20,137)	0.20	32,622	(27,250)	-	(14,765)
Tanzania	112,651	-	0.71	115,793	-	228,444	-
Tonga	32,232	-	0.20	32,622	(64,854)	-	-
Trinidad & Tobago	-	(10,985)	1.01	164,444	(164,444)	-	(10,985)
Tuvalu	27,427	-	0.20	32,622	-	60,049	-
Uganda	114,409	-	0.71	115,793	(114,409)	115,793	-
United Kingdom	-	-	32.59	5,326,331	(5,326,331)	-	-
Vanuatu	32,232	-	0.20	32,622	-	64,854	-
Zambia	-	-	0.20	32,622	-	32,622	-
Total	1,744,437	(142,119)	100.00	16,296,661	(16,135,558)	1,932,474	(169,053)

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

9. (a) (ii) Commonwealth Secretariat Members' Contributions 2012-13

Country	Balance at 30 June 2012		Assessment 2012/13		Receipts in year	Balance at 30 June 2013	
	Receivable	Prepaid				Receivable	Prepaid
	£	£	%	£	£	£	£
Antigua & Barbuda	15,828	-	0.20	32,232	(41,000)	7,060	-
Australia	-	-	12.17	1,965,167	(1,965,167)	-	-
Bahamas	-	-	0.71	114,409	(114,409)	-	-
Bangladesh	-	-	0.71	114,409	(114,409)	-	-
Barbados	56,182	-	0.71	114,409	(170,591)	-	-
Belize	27,107	-	0.20	32,232	(69,290)	-	(9,951)
Botswana	-	(14,255)	0.71	114,409	(114,409)	-	(14,255)
Brunei Darussalam	-	-	1.01	162,478	(162,478)	-	-
Cameroon	-	-	0.71	114,409	(124,074)	-	(9,665)
Canada	-	-	20.27	3,273,672	(3,273,672)	-	-
Cyprus	200,257	-	1.26	203,902	(404,159)	-	-
Dominica	418,351	-	0.20	32,232	-	450,583	-
Fiji	84,152	-	0.00	-	-	84,152	-
The Gambia	124,821	-	0.20	32,232	(157,053)	-	-
Ghana	-	-	0.71	114,409	-	114,409	-
Grenada	111,728	-	0.20	32,232	(27,932)	116,028	-
Guyana	-	(3,317)	0.20	32,232	(32,257)	-	(3,342)
India	-	-	4.02	650,239	(650,239)	-	-
Jamaica	112,364	-	0.71	114,409	(226,773)	-	-
Kenya	112,363	-	0.71	114,409	(82,746)	144,026	-
Kiribati	165,336	-	0.20	32,232	(85,450)	112,118	-
Lesotho	60,930	-	0.20	32,232	(93,162)	-	-
Malawi	31,656	-	0.20	32,232	(53,418)	10,470	-
Malaysia	-	-	1.60	260,096	(260,096)	-	-
Maldives	31,656	-	0.20	32,232	(63,888)	-	-
Malta	-	-	0.71	114,409	-	114,409	-
Mauritius	-	-	0.71	114,409	(114,409)	-	-
Mozambique	-	(21,137)	0.20	32,232	(25,251)	-	(14,156)
Namibia	-	-	0.71	114,409	(114,409)	-	-
Nauru	-	-	0.20	32,232	(32,232)	-	-
New Zealand	-	-	2.73	439,914	(439,914)	-	-
Nigeria	-	-	1.37	220,390	(220,390)	-	-
Pakistan	-	-	1.37	220,390	(220,390)	-	-
Papua New Guinea	79,189	-	0.20	32,232	(111,421)	-	-
Rwanda	31,656	-	0.20	32,232	-	63,888	-
St Kitts & Nevis	31,702	-	0.20	32,232	(46,759)	17,175	-
St Lucia	-	(9,939)	0.20	32,232	(38,759)	-	(16,466)
St Vincent & the Grenadines	68,184	-	0.20	32,232	(37,058)	63,358	-
Samoa	-	-	0.20	32,232	(32,232)	-	-
Seychelles	31,656	-	0.20	32,232	(63,888)	-	-
Sierra Leone	260,577	-	0.20	32,232	(164,999)	127,810	-
Singapore	-	-	2.73	439,914	(439,914)	-	-
Solomon Islands	-	-	0.20	32,232	(32,232)	-	-
South Africa	-	(43,162)	2.73	439,914	(439,914)	-	(43,162)
Sri Lanka	112,364	-	0.71	114,409	(226,773)	-	-
Swaziland	60,930	-	0.20	32,232	(113,299)	-	(20,137)
Tanzania	-	(1,758)	0.71	114,409	-	112,651	-
Tonga	-	-	0.20	32,232	-	32,232	-
Trinidad & Tobago	-	(10,984)	1.01	162,478	(162,479)	-	(10,985)
Tuvalu	27,427	-	0.20	32,232	(32,232)	27,427	-
Uganda	-	-	0.71	114,409	-	114,409	-
United Kingdom	-	-	32.59	5,262,654	(5,262,654)	-	-
Vanuatu	58,763	-	0.20	32,232	(58,763)	32,232	-
Zambia	97,877	-	0.20	32,232	(130,109)	-	-
Total	2,413,056	(104,552)	100.00	16,140,966	(16,847,152)	1,744,437	(142,119)

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

9. (b) Joint Office in New York – Major Donors Contributions 2013-14

Country	2013-14	2012-13
	£	£
Australia	107,564	111,425
Canada	39,066	111,425
New Zealand	183,661	116,699
India	61,560	63,770
Malaysia	-	12,754
Nigeria	-	12,754
Singapore	12,312	12,754
Cyprus	2,462	2,551
Malta	-	6,378
Total Donors	406,625	450,510

9. (c) Small States Office in Geneva Contributions 2013-14

Country	2013-14	2012-13
	£	£
India	-	50,870
Australia	49,796	50,430
New Zealand	90,581	49,970
Singapore	14,128	13,544
Total Contributions	154,505	164,814

10. (a) Common Service Charge

Fund	2013-14	2012-13
	£	£
Commonwealth Fund for Technical Co-operation (CFTC)	2,933,253	3,780,679
Commonwealth Youth Programme Fund (CYP)	528,126	647,086
Commonwealth Association of Tax Administrators (CATA)	43,481	43,864
Total	3,504,860	4,471,629

10. (b) Project Service Charge

	2013-14	2012-13
	£	£
Commonwealth Fund for Technical Co-operation (CFTC)	-	2,259,161
Total	-	2,259,161

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

11. (a) Special Projects 2013-14

Special Projects	Deferred Income Balance 30 June 2013	Receipts	Expenses	Adjustments	Deferred Income Balance 30 June 2014
	£	£	£	£	£
Commonwealth Media Development	62,018	76	-	-	62,094
Commonwealth Observer Missions	105,353	-	-	628	105,981
Absolute Return for Kids (ARK)	19,793	-	-	(19,793)	-
COG Maldives	-	50,000	(50,000)	-	-
TOTAL	187,164	50,076	(50,000)	(19,165)	168,075

The adjustments represent funds that have been written off, paid back to donor or transferred to debtors for recovery in the subsequent financial period.

11. (b) Special Projects 2012-13

Special Projects	Deferred Income Balance 30 June 2012	Receipts	Expenses	Adjustments	Deferred Income Balance 30 June 2013
	£	£	£	£	£
Commonwealth Media Development	61,894	154	(30)	-	62,018
Respect & Understanding	233	-	-	(233)	-
Commonwealth Observer Missions	12,917	157,541	(65,105)	-	105,353
Absolute Return for Kids (ARK)	19,744	49	-	-	19,793
COG Pakistan	-	131,875	(131,875)	-	-
TOTAL	94,788	289,619	(197,010)	(233)	187,164

11. (c) Special Projects by cost type

Special project expenses are analysed below according to cost type 2013-14

	Notes	2013-14	2012-13
		£	£
Staff & Short Term Consultants Costs	14	9,662	98,863
Communications, Publicity & Information		-	11,590
Training & Workshops	17	40,338	40,281
Other Miscellaneous Expenses		-	46,276
Total		50,000	197,010

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

12. (i) Designated Funds 2013-14

Designated Funds		Balance 30 June 2013	Receipts	Payments	Balance 30 June 2014
	Notes	£	£	£	£
Publications Revolving	(a)	368,963	156,293	(122,583)	402,673
Marlborough House Makeover	(b)	74,589	7,690	(8,025)	74,254
TOTAL		443,552	163,983	(130,608)	476,927

12. (ii) Designated Funds 2012-13

Designated Funds		Balance 30 June 2012	Receipts	Expenses	Balance 30 June 2013
	Notes	£	£	£	£
Publications Revolving	(a)	243,175	224,280	(98,492)	368,963
Marlborough House Makeover	(b)	76,658	13,480	(15,549)	74,589
TOTAL		319,833	237,760	(114,041)	443,552

(a) Publications Revolving Fund

The Finance Committee of the Board of Governors, at its meeting on 26 June 1998, agreed that a fund should be established to self-finance and support divisional efforts in contributing to the development and production of publications. Income from royalties and the sales of publications are retained to offset the corresponding expenses.

(b) Marlborough House Makeover Fund

The fund was established to enhance the Commonwealth character of Marlborough House. Income by way of contributions from governments and receipts from tours and room rentals are offset against the relevant expenditure.

13. (a) Interest Receivable

	2013-14	2012-13
	£	£
Interest on Bank Deposits	9,628	9,560
Total Interest Income	9,628	9,560

Interest bearing accounts and investments yielded an average rate of 0.30% (2012-13: 0.27%) during the reporting period.

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

13. (b) Other Income

	2013-14	2012-13
	£	£
Service in-kind: Provision of Rent Free Property	1,609,000	1,609,000
Income for Joint Office in New York	249,349	298,090
Income for Small States Office in Geneva	491,620	209,380
Recovery of Expenses	164,090	181,048
Tax Reclaims	5,767	13,335
Total Other Income	2,519,826	2,310,853

14. Staff Costs

	Notes	2013-14	2012-13
		£	£
Salaries and allowances		5,618,153	10,211,365
Employers National Insurance Contributions		1,010,082	984,648
Contributions to Staff Gratuity Fund		1,208,131	1,281,991
Pension Contributions - Defined Contribution Scheme		36,306	34,403
Pension Contributions & Expenses	(a)	1,198,849	1,316,526
Termination Benefits	(b)	1,116,008	-
Provision for relocation expenses	8(b)	200,542	21,964
Provision for home leave expenses	8(c)	35,369	141,655
Other staff and Short Term Consultants Costs - Directs	18(b)	1,336,880	1,285,578
Other staff and Short Term Consultants Costs - Special	11(c)	9,662	98,863
Total Staff Costs		11,769,982	15,376,993

(a) The pension contributions and expenses also include actuarial gains/losses, the shortfall on the defined benefit scheme for all The Commonwealth staff, as well as costs relating to the supplementary pension arrangements and the former Secretaries General Scheme. (See note 7).

(b) During the financial year 2013-14 the Commonwealth implemented a new organisational structure which came into effect 1 July 2014. As a result of the structural reconfiguration, the Commonwealth has incurred termination benefits during the period for voluntary and compulsory redundancies. The Commonwealth has also recognised an obligation for estimated termination benefits in the Statement of Financial Performance in 2013-14 in relation to the organisational restructure costs that will occur in the 2014-15 financial period.

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

15. Remuneration of Key Management Personnel

The members of the Board of Governors do not receive any remuneration from the organisation for their roles. The aggregate remuneration paid or payable to key management personnel for all three funds during the year was as follows:

	Number of persons		Aggregate Remuneration	
	2013-14	2012-13	2013-14	2012-13
			£	£
Management Committee	4	4	627,183	507,792
Directors	13	11	1,397,486	1,576,629
TOTAL	17	15	2,024,669	2,084,421

The Management Committee consists of the Secretary-General and three Deputy Secretaries-General. Aggregate remuneration includes salary, allowances and employer's contribution to the gratuity fund as analysed further below. The Secretary-General is provided with rent-free accommodation at The Commonwealth's official residence at Hill Street. See note 6(a) for details of purchase price and loan repayment.

	Management Committee		Directors	
	2013-14	2012-13	2013-14	2012-13
	£	£	£	£
Salary	335,497	308,622	910,267	1,128,020
Allowances	240,482	134,938	302,903	256,357
Gratuity	51,204	64,232	184,316	192,252
TOTAL	627,183	507,792	1,397,486	1,576,629

There were no loans to key management personnel that were not available to other staff during the year.

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

16. General Administration

	2013-14	2012-13
	£	£
Rent & Rates	2,124,666	1,984,733
Notional Value of Rent for Marlborough House	1,609,000	1,609,000
Property Services and Maintenance Costs	504,088	607,505
Utilities	167,430	167,710
Other Property Costs	182,902	169,942
Equipment Maintenance	390,029	471,045
Printing and Stationery	188,771	193,272
Communications	325,448	508,451
Vehicle Maintenance and Running Costs	59,328	73,961
Insurance	155,649	151,431
Library & Subscriptions	81,473	82,454
Staff Development	38,448	86,401
Professional Fees	473,189	246,707
Audit Fees	38,400	51,927
Depreciation	913,631	1,099,106
Tribunal Expenses	116,437	78,019
Other Costs	225,205	287,048
Net Provisions	3,484	(106,823)
Total General Administration	7,597,578	7,761,889

All lease agreements are registered in COMSEC and the costs shared among all the three Funds. Operating lease costs are recognised in the Statement of Financial Performance of the respective Funds while finance lease liabilities are recognised in the Statement of Financial Position in COMSEC. Total operating lease costs recognised in COMSEC in 2013-14 is £1,937,541 (2012-13: £1,233,424). The total future minimum rentals under operating leases are detailed in note 22(b).

17. Training and Workshops

	Notes	2013-14	2012-13
		£	£
Training & Workshops - Special Projects	11(c)	40,338	40,281
Training & Workshops - Direct Projects	18(b)	1,359,904	737,633
Total Training and Workshops		1,400,242	777,914

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

18. (a) Direct Project Expenses

For additional information, a breakdown of direct project expenses analysed according to the outcomes in the four year Strategic Plan is provided below:

	2013-14	2012-13
	£	£
Democracy	4,077,876	-
Public Institutions	37,479	-
Social Development	252,317	-
Development Pan-Commonwealth	61,255	-
Development Small States	422,064	-
Global Advocacy	1,422,199	-
Technical Assistance	15,544	-
Commonwealth Profile	974,941	-
Internal Outcomes	447,500	526,649
Democracy & Consensus Building	-	855,159
Economic Development	-	269,295
Environmentally Sustainable Development	-	40,360
Good Offices for Peace	-	333,265
Human Rights	-	29,436
Human Development	-	269,049
Rule of Law	-	38,828
Total	7,711,175	2,362,041

In continuing to improve the reporting of the Commonwealth's results, 2013-14 direct project expenditure has been reported in accordance with the outcomes in the four year Strategic Plan 2013-14 to 2016-17. As the 2009-10 to 2012-13 Strategic Plan programme areas differ from those of the current Strategic Plan, prior period expenditure is reported under the categories of the previous Strategic Plan categories.

18. (b) Direct Project Expenses

Direct project expenses are analysed according to cost type below:

	Notes	2013-14	2012-13
		£	£
Staff Costs	14	4,852,119	-
Other Staff & Short Term Consultants Costs	14	1,336,880	1,285,578
Communications, Publicity & Information		162,272	159,983
Training & Workshops	17	1,359,904	737,633
Other Miscellaneous Expenses		-	178,847
Total		7,711,175	2,362,041

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

19. Segmental Information

Segmental information is based on the structure of activities of COMSEC, the Joint Office for Commonwealth Permanent Missions to the United Nations in New York and the Commonwealth Small States Office in Geneva. The activities of the New York and Geneva Offices, their financial performance and position have not been disclosed separately in the statements on pages 4 to 7.

The offices in New York and Geneva have been set up, and continue to provide, subsidised office space as bases for Commonwealth Small States representing their respective countries at UN and other multilateral meetings.

Statement of Financial Position as at 30 June 2014

	COMSEC		Joint Office		Small States Office		TOTAL	
	2014	2013	2014	2013	2014	2013	2014	2013
	£	£	£	£	£	£	£	£
ASSETS								
Current Assets	10,455,857	9,450,612	390,973	328,504	265,060	101,034	11,111,890	9,880,150
Consolidation adjustment	(219,471)	(219,471)	-	(110,290)	-	-	(219,471)	(329,761)
	10,236,386	9,231,141	390,973	218,214	265,060	101,034	10,892,419	9,550,389
Non-current Assets	18,783,877	18,953,666	20,908	35,187	43,856	67,677	18,848,641	19,056,530
TOTAL ASSETS	29,020,263	28,184,807	411,881	253,401	308,916	168,711	29,741,060	28,606,919
LIABILITIES								
Current Liabilities	6,661,666	6,342,429	55,246	35,898	401,242	237,597	7,118,154	6,615,924
Consolidation adjustment	-	(110,290)	-	-	(219,471)	(219,471)	(219,471)	(329,761)
	6,661,666	6,232,139	55,246	35,898	181,771	18,126	6,898,683	6,286,163
Non-current Liabilities	16,636,619	17,647,515	9,389	-	-	-	16,646,008	17,647,515
TOTAL LIABILITIES	23,298,285	23,879,654	64,635	35,898	181,771	18,126	23,544,691	23,933,678
NET ASSETS	5,721,978	4,305,153	347,246	217,503	127,145	150,585	6,196,369	4,673,241

During the reporting year, The Joint Office in New York had no Property Plant and Equipment additions (2013: £16,598) and no disposals (2013: Nil). The Small States Office in Geneva had Property Plant and Equipment additions valued at £2,130 at cost (2013: £1,521) and no disposals (2013: £211).

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Statement of Financial Performance for the year ended 30 June 2014

	COMSEC		Joint Office		Small States Office		TOTAL	
	2014	2013	2014	2013	2014	2013	2014	2013
	£	£	£	£	£	£	£	£
REVENUE	21,803,932	25,117,846	914,857	750,761	646,130	374,313	23,364,919	26,242,920
Consolidation adjustment	(258,831)	-	-	-	-	-	(258,831)	-
TOTAL REVENUE	21,545,101	25,117,846	914,857	750,761	646,130	374,313	23,106,088	26,242,920
EXPENSES	19,561,968	22,490,418	861,943	907,211	673,002	582,913	21,096,913	23,980,542
Consolidation adjustment	(258,831)	-	-	-	-	-	(258,831)	-
TOTAL EXPENSES	19,303,137	22,490,418	861,943	907,211	673,002	582,913	20,838,082	23,980,542
SURPLUS/(DEFICIT)	2,241,964	2,627,428	52,914	(156,450)	(26,872)	(208,600)	2,268,006	2,262,378

20. Related Party Disclosures

(a) Controlled Entities

The Commonwealth as an organisation operates and separately prepares audited financial statements for the following three funds:

- Commonwealth Secretariat Fund (COMSEC)
- Commonwealth Fund for Technical Co-operation (CFTC)
- Commonwealth Youth Programme Fund (CYP)

As described in note 1.16(b) costs of common service divisions are incurred by COMSEC. These charges are recovered from CFTC and CYP, see note 10.

COMSEC also recognises Staff Gratuity Fund assets and liabilities for CFTC and CYP within the Statement of Financial Position (see note 6(b)).

(b) Key Management Personnel

The Secretary-General of The Commonwealth is a member of the Board of Governors of two organisations which are associated with The Commonwealth. They are the Commonwealth of Learning and Commonwealth Foundation. These organisations although associated with The Commonwealth have separate Memorandum of Understanding, Board of Governors and Executive Management independent of The Commonwealth.

COMSEC recognises Staff Gratuity Fund assets and liabilities for the Commonwealth Foundation within the Statement of Financial Position. See note 6(b).

In the financial year to 30 June 2014, there were no transactions outside the normal operations between The Commonwealth and the two Commonwealth organisations mentioned above (2013: £nil).

There were no transactions outside the normal operations between The Commonwealth and organisations controlled by key management personnel or their close family members.

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

21. Contingencies

As at 30 June 2014, there were contingent liabilities amounting to £79,500 relating to Arbitral Tribunal claims (2013: £51,702).

22. Commitments

(a) Obligations under Finance Leases

The Commonwealth used finance leases to acquire computer hardware and software. The terms of the leases are three to five years and interest rates are fixed at the contract date. These leases are on a fixed repayment basis and have no renewal and/or purchase options. The future minimum lease payments under finance leases fall due as shown in the following table:

	Gross Payment		Finance Charges		Net Payment	
	2014	2013	2014	2013	2014	2013
	£	£	£	£	£	£
Not later than one year	128,587	414,522	(1,774)	(11,186)	126,813	403,336
Later than one year and not later than five years	-	128,553	-	(1,352)	-	127,201
Total due	128,587	543,075	(1,774)	(12,538)	126,813	530,537

(b) Obligations under Operating Leases

The Commonwealth has operating lease commitments for a variety of equipment and for its premises in New York, Geneva and Quadrant House in London. The leases have varying terms, escalation clauses and renewal rights.

The total future minimum rentals under operating leases are as follows:

	Gross Future Payment	Gross Future Payment
	2014	2013
	£	£
Not later than one year	2,293,646	2,375,176
Later than one year and not later than five years	7,111,258	8,262,800
Later than five years	6,187,500	8,937,500
Total Due	15,592,404	19,575,476

23. Financial Instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition and de-recognition, the basis of measurement and the basis on which gains and losses are recognised in respect of each class of financial asset and liability are set out in Note 1.

The Commonwealth's financial risk management policies are framed within the context of its treasury and investment management policy and financial regulations. The primary objectives of the Commonwealth's treasury and investment management policy are security and liquidity. The Commonwealth continues to operate a framework of internal controls designed to safeguard its assets.

The main risks associated with the use of financial instruments in the normal course of its operations are currency, interest rate, credit and liquidity risks.

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(a) Fair Values

The assets of COMSEC are categorised as follows:

	2014	2013
	£	£
Loans and receivables	10,512,900	8,926,095
Non-financial assets	19,228,160	19,680,824
Total	29,741,060	28,606,919

Set out below, is a comparison by class of the carrying amounts and fair value of COMSEC's financial instruments.

Financial Assets:

	Carrying Amount	Fair Value
	£	£
2014:		
Loans and receivables	10,512,900	10,512,900
Total	10,512,900	10,512,900
2013:		
Loans and receivables	8,926,095	8,926,095
Total	8,926,095	8,926,095

Financial Liabilities:

	Carrying Amount	Fair Value
	£	£
2014:		
Borrowings	1,306,475	1,306,475
Payables	5,797,226	5,797,226
Total	7,103,701	7,103,701
2013:		
Borrowings	1,580,807	1,580,807
Payables	5,886,526	5,886,526
Total	7,467,333	7,467,333

Cash and short-term deposits, receivables, payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Non-current liabilities are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest and charges are accrued over the period they become due and are recorded as part of other creditors.

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(b) Foreign Currency Risk

COMSEC is exposed to foreign currency risk arising primarily from Non-GB Pound Sterling holdings to support local operating activities in programme countries. To manage this risk COMSEC maintains a minimum level of assets in local currencies, and whenever possible, maintains bank accounts in GB Pound Sterling.

The functional currencies of the Joint Office for Commonwealth Permanent Missions to the United Nations in New York, and The Commonwealth Small States Office in Geneva are, United States Dollars and Swiss Francs respectively. To manage the currency risk rents are charged to tenants in the applicable functional currency, in which the expenditure is incurred. The value of net assets for the overseas offices is given in the segmental information note 19.

At 30 June 2014, 91 per cent of cash and cash equivalents are denominated in GB Pound Sterling, 5 per cent in Swiss Francs and 4 per cent in United States Dollars (2013: 99 per cent in GB Pound Sterling, 1 per cent in Swiss Francs).

(c) Credit Risk

Credit risk is the risk of financial loss to COMSEC if counterparties and other third parties fail to meet their contractual obligations. COMSEC's exposure relates to receivables and cash and cash equivalents.

The treasury and investment management policy manages credit risk on cash and cash equivalents by limiting the amount of credit exposure to any one counterparty and ensuring these financial assets are held with well-recognised financial institutions. As at 30 June 2014, 91 per cent of these financial assets were held at counterparty banks with a Moody's credit rating of A3 and higher.

Receivables comprise amounts mostly due from Member Governments and related parties. COMSEC manages risk on these receivables by actively seeking recovery of all amounts due. At the reporting date COMSEC assessed the past due receivables, creating a provision for those debts where it is considered that COMSEC will not collect the full amount due.

(d) Liquidity Risk

Liquidity risk is the risk of COMSEC not being able to meet its obligations as they fall due. This liquidity risk is managed by monitoring on a regular basis the available funds against anticipated expenditure and commitments. The use of an overdraft facility is available if required. As at 30 June 2014 the overdraft facility of £750,000 was not utilised (2013: £750,000).

COMSEC ensures that it has sufficient cash on demand to meet expected funding needs of the organisation through the use of cash flow forecasts, taking into consideration timing of investment maturities. All investments are short term in nature to ensure that sufficient funds are available to meet COMSEC commitments as and when they fall due.

The following are contractual liabilities of which interest is included in borrowings:

2014	<6 months	6 – 12 months	1 – 5 years	>5 years	Total
	£	£	£	£	£
Liabilities					
Borrowings	139,342	135,133	480,000	552,000	1,306,475
Payables	5,797,226	-	-	-	5,797,226
Total Liabilities	5,936,568	135,133	480,000	552,000	7,103,701

2013	<6 months	6 – 12 months	1 – 5 years	>5 years	Total
	£	£	£	£	£
Liabilities					
Borrowings	139,342	139,342	654,123	648,000	1,580,807
Payables	5,886,526	-	-	-	5,886,526
Total Liabilities	6,025,868	139,342	654,123	648,000	7,467,333

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(e) Market Risk

Market risk is the possibility that COMSEC might incur financial losses owing to unfavourable movements in foreign currency exchange rates and interest rates.

Interest Rate Risk

The interest rates charged on COMSEC's financing debt are fixed at the contract date. Details of bank loans and interest paid are given in note 6(a). Finance charges relating to COMSEC's finance lease obligations are disclosed in note 22(a).

Owing to the short maturity of cash and investments an interest rate sensitivity analysis does not disclose significant variations in value. If the weighted average interest rate at 30 June 2014 had been 10 per cent higher or lower, the interest income would have been affected as follows:

	Increase (+) / Decrease (-)	Effect on Surplus / Deficit
Cash and Cash Equivalents		£
	+10%	963
	-10%	(963)

Foreign Currency Risk

Foreign currency balances in GB Pound Sterling comprises of the following:

2014	GBP	Other Currencies	Total
	£	£	£
Financial Assets	9,922,749	590,151	10,512,900
Percentage of Total	94%	6%	100%
Financial Liabilities	6,899,485	204,216	7,103,701
Percentage of Total	97%	3%	100%

The table below shows the impact of a 10% movement in the relative value of the GB Pound Sterling against the foreign currency balances as at 30 June 2014.

	Increase (+) / Decrease (-)	Effect on Balances
Financial Assets		£
	+10%	59,015
	-10%	(59,015)

	Increase (+) / Decrease (-)	Effect on Balances
Financial Liabilities		£
	+10%	20,422
	-10%	(20,422)

24. Events After Reporting Date

The Secretary-General authorised these financial statements for issue on 5th May 2015.

There are no material events, favourable or unfavourable that occurred between the reporting date, 30 June 2014, and the date of authorisation for issue that would have impacted these statements.

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