

# Financial Statements of the Commonwealth Secretariat Fund

Year Ended 30 June 2017



The Commonwealth

The RT Hon  
Patricia Scotland QC  
Secretary-General  
8 December 2017

Nigel Morland  
Chief Operating Officer  
8 December 2017



## COMMONWEALTH SECRETARIAT FUND

### PRINCIPAL ACTIVITIES AND OPERATING STRUCTURE

#### **Principal Activities of the Commonwealth Secretariat**

The Commonwealth is a voluntary association of 52 independent countries and equal sovereign states. Its members are bound together by respect for all states and peoples; by shared values and principles; and by concern for the vulnerable.

Commonwealth members are supported by a network of more than 80 intergovernmental, civil society and professional organisations.

The Commonwealth, supports Commonwealth member states to achieve development, democracy and peace. The Commonwealth is a voice for small and vulnerable states and a champion for young people.

The Commonwealth helps to strengthen governance, build inclusive institutions and promote justice and human rights. The Commonwealth's work helps to grow economies and boost trade, empower young people, and address threats such as climate change, debt and inequality.

The Commonwealth provides technical assistance and supports decision-makers to draw up legislation and deliver policies. The Commonwealth deploys experts and observers who offer impartial advice and solutions to national issues. The Commonwealth also provides systems, software and research for managing resources.

At Commonwealth summits, the Commonwealth brings together government leaders whose decisions will have an enduring impact on all citizens.

Priority areas of work are agreed at Commonwealth Heads of Government Meetings (CHOGM), which occur every two years.

Further information regarding The Commonwealth's current four year Strategic Plan from 2017-18 to 2020-21, which was approved in June 2017, can be found on the website [www.thecommonwealth.org](http://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); and
- 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 2017.

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 include the financial performance and position of the Joint Office for Commonwealth Permanent Missions to the United Nations which is based in New York and the Commonwealth Small States Office which is based in Geneva. The Joint Office for Commonwealth Permanent Missions to the United Nations operates as a base for ten Commonwealth 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 Commonwealth Small States Office 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, The RT Hon Patricia Scotland QC, who is appointed by the Heads of Government of the Commonwealth Member States.

The Secretary-General reports to the Heads of Government through individual meetings and also collectively at the biennial CHOGM. The Secretary-General is also held accountable through the Commonwealth's Board of Governors which meets regularly in London on behalf of all member governments at a senior diplomatic level. The Board of Governors also approves the Commonwealth Secretariat's strategic plan and supporting delivery plan and budget.

The Secretary-General is assisted by a senior management team in managing the activities of the organisation.

The Commonwealth Secretariat's structure is split into three directorates:

- Governance and Peace;
- Trade, Oceans and Natural Resources; and
- Economic, Youth and Sustainable Development.

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

## COMMONWEALTH SECRETARIAT FUND

### INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS

#### Report on the audit of the financial statements

##### Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Fund as at 30 June 2017 and of its financial performance and its cash flows for the year then ended; and
- have been properly prepared in accordance with International Public Sector Accounting Standards and the Financial Regulations as authorised by the Commonwealth Heads of Government.

We have audited the financial statements of Commonwealth Secretariat Fund (the 'Fund') 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 21.

The financial reporting framework that has been applied in their preparation is International Public Sector Accounting Standards and the Financial Regulations as authorised by the Commonwealth Heads of Government.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Responsibilities of Secretary-General

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 determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary-General is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Secretary-General either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

##### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## COMMONWEALTH SECRETARIAT FUND

### INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS

#### Use of our report

This report is made solely to the Board of Governors in accordance with the engagement letter dated 18 October 2017 and the Financial Regulations of the funds. Our audit 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 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, for our audit work, for this report, or for the opinions we have formed.



Craig Wisdom ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP  
Statutory Auditor

St Albans, United Kingdom

6 DECEMBER 2017

# COMMONWEALTH SECRETARIAT FUND

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

|  |                   | 30 June 2017      | 30 June 2016      |
|--|-------------------|-------------------|-------------------|
|  | Notes             | £                 | £                 |
| <b>ASSETS</b>  |                   |                   |                   |
| <b>Current Assets</b>  |                   |                   |                   |
| Cash and Cash Equivalents  | 2                 | 12,608,724        | 9,902,309         |
| Inventories  |                   | 5,734             | 8,322             |
| Prepayments  |                   | 596,896           | 740,367           |
| Members' Contributions Receivable from non-exchange transactions - net | 8(a)              | 731,274           | 1,458,618         |
| Other Receivables from exchange transactions - net                     | 3                 | 402,694           | 1,111,183         |
|  |                   | <b>14,345,322</b> | <b>13,220,799</b> |
| <b>Non-Current Assets</b>  |                   |                   |                   |
| Property, Plant and Equipment  | 4(a)(i),4(b)(i)   | 20,679,755        | 19,349,596        |
| Intangible Assets  | 4(a)(ii),4(b)(ii) | 33,838            | 59,145            |
| Members' Contributions Receivable from non-exchange transactions       | 8(a)              | 240,621           | 373,174           |
|  |                   | <b>20,954,214</b> | <b>19,781,915</b> |
| <b>TOTAL ASSETS</b>  |                   | <b>35,299,536</b> | <b>33,002,714</b> |
| <b>LIABILITIES</b>   |                   |                   |                   |
| <b>Current Liabilities</b>   |                   |                   |                   |
| Provisions   | 7                 | 745,289           | 596,184           |
| Deferred Income from non-exchange transactions                         | 10(a)             | 65,340            | 508,149           |
| Members' Contributions Prepaid from non-exchange transactions          | 8(a)(i)           | 106,524           | 84,514            |
| Payables and Other Liabilities from exchange transactions              | 5                 | 8,414,837         | 5,134,280         |
|  |                   | <b>9,331,990</b>  | <b>6,323,127</b>  |
| <b>Non-Current Liabilities</b>   |                   |                   |                   |
| Provisions   | 7                 | 1,634,974         | 2,063,336         |
| Payables and Other Liabilities from exchange transactions              | 5                 | 1,995,390         | 2,540,970         |
| Pension Liabilities  | 6                 | 5,338,000         | 13,201,000        |
|  |                   | <b>8,968,364</b>  | <b>17,805,306</b> |
| <b>TOTAL LIABILITIES</b>   |                   | <b>18,300,354</b> | <b>24,128,433</b> |
| <b>NET ASSETS</b>  |                   | <b>16,999,182</b> | <b>8,874,281</b>  |
| <b>FUND BALANCES AND RESERVES</b>                                      |                   |                   |                   |
| General Reserve  |                   | 1,817,779         | 1,952,724         |
| Working Capital Fund   |                   | 3,224,838         | 2,724,838         |
| Joint Office in New York   | 15                | 458,296           | 443,183           |
| Small States Office in Geneva  | 15                | (76,766)          | (109,062)         |
| Designated Funds   | 1.16              | 1,346,932         | 1,666,460         |
| Revaluation Reserve  |                   | 15,566,103        | 15,397,138        |
| Pension Reserve  | 6                 | (5,338,000)       | (13,201,000)      |
| <b>TOTAL FUND BALANCES AND RESERVES</b>                                |                   | <b>16,999,182</b> | <b>8,874,281</b>  |

**COMMONWEALTH SECRETARIAT FUND**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30 JUNE 2017**

|   |              | <b>2016-17</b>           | <b>2015-16</b>           |
|---|--------------|--------------------------|--------------------------|
|   | <b>Notes</b> | <b>£</b>                 | <b>£</b>                 |
| <b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>           |              |                          |                          |
| Contributions to COMSEC                                 | 8(a)(i)(ii)  | 16,817,538               | 16,817,537               |
| Contributions to Joint Office in New York               | 8(b)         | 463,809                  | 354,822                  |
| Contributions to Small States Office in Geneva          | 8(c)         | 356,752                  | 284,263                  |
| Special Projects  | 10(a)(b)     | 455,648                  | 130,173                  |
| Service in-kind - Rent                                  | 11(b)(ii)    | 1,740,000                | 1,900,000                |
| <b>SUB-TOTAL REVENUE FROM NON-EXCHANGE TRANSACTIONS</b> |              | <b><u>19,833,747</u></b> | <b><u>19,486,795</u></b> |
| <b>REVENUE FROM EXCHANGE TRANSACTIONS</b>               |              |                          |                          |
| Common Service Charge                                   | 9            | 2,358,442                | 3,980,214                |
| Interest Revenues                                       | 11(a)        | 11,136                   | 20,600                   |
| Other Income  | 11(b)(i)     | 1,372,819                | 881,967                  |
| Currency Gain   |              | 94,522                   | 68,874                   |
| <b>SUB-TOTAL REVENUE FROM EXCHANGE TRANSACTIONS</b>     |              | <b><u>3,836,919</u></b>  | <b><u>4,951,655</u></b>  |
| <b>TOTAL REVENUE</b>                                    |              | <b><u>23,670,666</u></b> | <b><u>24,438,450</u></b> |
| <b>EXPENSES</b>   |              |                          |                          |
| Staff Costs   | 12           | 7,824,897                | 9,105,453                |
| Other Costs   | 13           | 12,031,465               | 11,080,893               |
| Depreciation & Amortisation                             | 4(a)(b)(iii) | 699,067                  | 505,604                  |
| Finance Costs   |              | 12,680                   | 17,948                   |
| <b>TOTAL EXPENSES</b>                                   |              | <b><u>20,568,109</u></b> | <b><u>20,709,898</u></b> |
| <b>SURPLUS FOR THE YEAR</b>                             |              | <b><u>3,102,557</u></b>  | <b><u>3,728,552</u></b>  |



**COMMONWEALTH SECRETARIAT FUND**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017**

|   | Notes    | General Reserve  | Working Capital Fund | Joint Office   | Small States Office | Designated Funds | Revaluation Reserve | Pension Reserve     | Total             |
|---|----------|------------------|----------------------|----------------|---------------------|------------------|---------------------|---------------------|-------------------|
|   |          | £                | £                    | £              | £                   | £                | £                   | £                   | £                 |
| <b>Balance as at 1 July 2015</b>                                  |          | <b>1,731,698</b> | <b>2,219,838</b>     | <b>372,193</b> | <b>(94,569)</b>     | <b>578,918</b>   | <b>15,245,896</b>   | <b>(12,229,000)</b> | <b>7,824,974</b>  |
| Surplus / (Deficit)   |          | 3,736,061        | -                    | 6,456          | (13,965)            | -                | -                   | -                   | 3,728,552         |
| Revaluation of Leasehold Property                                 | 4(b)(i)  | -                | -                    | -              | -                   | -                | 151,242             | -                   | 151,242           |
| Depreciation Write Back to General Reserve on Asset Derecognition | 4(b)(iv) | 62,507           | -                    | -              | -                   | -                | -                   | -                   | 62,507            |
| Actuarial Loss on Former SG's Pension Scheme                      | 6(a)     | -                | -                    | -              | -                   | -                | -                   | (93,000)            | (93,000)          |
| Actuarial Loss on Defined Benefit Scheme                          | 6(b)     | -                | -                    | -              | -                   | -                | -                   | (2,891,000)         | (2,891,000)       |
| Actuarial Gain on Supplementary Pension                           | 6(c)     | -                | -                    | -              | -                   | -                | -                   | 27,000              | 27,000            |
| Transfer of Funds to Pension Reserve                              | 6(a,b,c) | (1,985,000)      | -                    | -              | -                   | -                | -                   | 1,985,000           | -                 |
| Transfer of Designated Funds from General Reserve                 |          | 22,458           | -                    | -              | -                   | (22,458)         | -                   | -                   | -                 |
| Transfer from General Reserve to Working Capital Fund             |          | (505,000)        | 505,000              | -              | -                   | -                | -                   | -                   | -                 |
| Transfer from General Reserve to Designated Funds                 |          | (1,110,000)      | -                    | -              | -                   | 1,110,000        | -                   | -                   | -                 |
| Currency Translation of Foreign Operations                        |          | -                | -                    | 64,534         | (528)               | -                | -                   | -                   | 64,006            |
| <b>Balance as at 30 June 2016</b>                                 |          | <b>1,952,724</b> | <b>2,724,838</b>     | <b>443,183</b> | <b>(109,062)</b>    | <b>1,666,460</b> | <b>15,397,138</b>   | <b>(13,201,000)</b> | <b>8,874,281</b>  |
| Surplus   |          | 3,062,948        | -                    | 549            | 39,060              | -                | -                   | -                   | 3,102,557         |
| Revaluation of Leasehold Property                                 | 4(a)(i)  | -                | -                    | -              | -                   | -                | 168,965             | -                   | 168,965           |
| Actuarial Gain on Former SG's Pension Scheme                      | 6(a)     | -                | -                    | -              | -                   | -                | -                   | 38,000              | 38,000            |
| Actuarial Gain on Defined Benefit Scheme                          | 6(b)     | -                | -                    | -              | -                   | -                | -                   | 4,350,000           | 4,350,000         |
| Actuarial Gain on Supplementary Pension                           | 6(c)     | -                | -                    | -              | -                   | -                | -                   | 549,000             | 549,000           |
| Transfer of Funds to Pension Reserve                              | 6(a,b,c) | (2,926,000)      | -                    | -              | -                   | -                | -                   | 2,926,000           | -                 |
| Transfer of Designated Funds to General Reserve                   |          | 228,107          | -                    | -              | -                   | (319,528)        | -                   | -                   | (91,421)          |
| Transfer from General Reserve to Working Capital Fund             |          | (500,000)        | 500,000              | -              | -                   | -                | -                   | -                   | -                 |
| Currency Translation of Foreign Operations                        |          | -                | -                    | 14,564         | (6,764)             | -                | -                   | -                   | 7,800             |
| <b>Balance as at 30 June 2017</b>                                 |          | <b>1,817,779</b> | <b>3,224,838</b>     | <b>458,296</b> | <b>(76,766)</b>     | <b>1,346,932</b> | <b>15,566,103</b>   | <b>(5,338,000)</b>  | <b>16,999,182</b> |

## COMMONWEALTH SECRETARIAT FUND

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

|   | 2016-17            | 2015-16            |
|---|--------------------|--------------------|
|   | £                  | £                  |
| <b>Cash Flow from Operating Activities</b>                        |                    |                    |
| Surplus for the year  | 3,102,557          | 3,728,552          |
| <b>Non-Cash Movements</b>   |                    |                    |
| Amortisation  | 25,307             | 27,347             |
| Depreciation  | 673,760            | 478,257            |
| Fixed Asset Adjustment  | 23,623             | -                  |
| Loss on Disposal of Fixed Asset                                   | 106,376            | 181,182            |
| Decrease in Contributions Receivable                              | 859,897            | 42,088             |
| Increase/(Decrease) in Contributions Prepaid                      | 22,010             | (75,535)           |
| Decrease in Other Receivables                                     | 708,489            | 1,248,107          |
| Decrease/(Increase) in Prepayments                                | 143,471            | (168,923)          |
| Decrease in Inventories   | 2,588              | 2,032              |
| Increase in Payables and Other Current Liabilities                | 3,280,557          | 357,634            |
| (Decrease)/Increase in Provisions                                 | (279,257)          | 40,988             |
| Decrease in Deferred Income from non-exchange transactions        | (442,809)          | (81,880)           |
| (Decrease)/Increase in Payables and Other Non Current Liabilities | (449,580)          | 640,931            |
| Pension Actuarial Adjustments                                     | (2,926,000)        | (1,985,000)        |
| <b>Net Cash Flow from Operating Activities</b>                    | <b>4,850,989</b>   | <b>4,435,780</b>   |
| <b>Cash Flow from Investing Activities</b>                        |                    |                    |
| Purchase of Non Current Assets (non-lease)                        | (2,066,677)        | (1,341,098)        |
| <b>Net Cash Flow from Investing Activities</b>                    | <b>(2,066,677)</b> | <b>(1,341,098)</b> |
| <b>Cash Flow from Financing Activities</b>                        |                    |                    |
| Repayment of Bank Loans   | (96,000)           | (96,000)           |
| <b>Net Cash Flow from Financing Activities</b>                    | <b>(96,000)</b>    | <b>(96,000)</b>    |
| <b>Net Increase in Cash and Cash Equivalents</b>                  | <b>2,688,312</b>   | <b>2,998,682</b>   |
| Cash and Cash Equivalents at the Beginning of the Period          | 9,902,309          | 6,844,579          |
| Currency Translations on Foreign Operations                       | 18,103             | 59,048             |
| <b>Cash and Cash Equivalents at the End of the Period</b>         | <b>12,608,724</b>  | <b>9,902,309</b>   |

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 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 Commonwealth has not opted for early adoption of the following International Public Sector Accounting Standards:

- IPSAS 34 Separate Financial Statements (effective date 1 January 2017);
- IPSAS 35 Consolidated Financial Statements (effective date 1 January 2017);
- IPSAS 36 Investments in Associates and Joint Ventures (effective date 1 January 2017);
- IPSAS 37 Joint Arrangements (effective date 1 January 2017); and
- IPSAS 38 Disclosure of Interests in Other Entities (effective date 1 January 2017).

The Commonwealth is of the opinion that the introduction of these statements will not have any impact on the financial statements.

### 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); and
- 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 may 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. In June 2017 the Board of Governors on behalf of the member states approved The Commonwealth's new strategic plan from 2017-18 to 2020-21 along with the supporting 2017-18 delivery plan and budget. There is a commitment from the Board of Governors to fund this budget effective July 2017.

A new Commonwealth organisational structure was implemented on 1 July 2017 resulting in the structural reconfiguration of the old structure and way of working. The new structure is to create a more streamlined and efficient organisation.

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 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 amortised 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 2017, no held-to-maturity financial assets were held by COMSEC.

All non-derivative financial liabilities are recognised initially at fair value, and subsequently measured at amortised 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.

Cash and cash equivalents held for use for specific purposes are considered as restricted.

#### 1.9 Property, Plant and Equipment

##### (a) Costs

Items of property, plant and equipment that meet the recognition criteria for capitalisation are capitalised and depreciated to residual value over their useful life if they:

- Have a value greater than £1,000; or
- Have a value of less than £1,000 but are part of a group of similar assets with a value greater than £10,000.

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.

Capital work in progress represents the value of expenditure on incomplete assets or projects as at 30 June 2017. The total expenditure is transferred to the relevant asset category on the completion of the asset or project and then depreciated.

##### (b) Revaluation

Land and buildings are revalued every five years. This is supplemented by interim professional 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.

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1.9 Property, Plant and Equipment (Continued)

##### (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 for assets is provided from the month the asset is made available for use. 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  |

##### 1.10 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 Intangible Assets

Computer software purchased for internal use which meets the recognition criteria for intangible assets and have a value greater than £1,000 are capitalised and amortised to residual value over their useful life. Computer software is recorded at cost, which includes the purchase price and directly attributable costs of bringing the software to usable condition for their intended use.

Computer software is amortised from the month it is made available for use. The estimated useful life is four years.

##### 1.12 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.

##### 1.13 Deferred Income

COMSEC receives additional contributions and grants from member governments, non-Commonwealth countries and other organisations. These are awarded subject to specific performance conditions. The revenue for these contributions and grants is recognised when the conditions are met and is reported in the Statement of Financial Performance as Special Project Income under revenue from non-exchange transactions. The unutilised balance is reported as Deferred Income from non-exchange transactions in the Statement of Financial Position.

Details on deferred income are given in note 1.17(a)(ii).

##### 1.14 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.

##### 1.15 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

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1.15 Provisions and Contingent Liabilities (Continued)

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.

#### 1.16 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 4. 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 as well as Funds set aside for specific purposes within the overall reserves as agreed by the Board of Governors as part of the budget paper; and
- Pension Reserve, created to reflect the surplus or deficit on The Commonwealth's pension obligations.

#### 1.17 Revenue

##### (a) Revenue from Non-exchange Transactions

Non-exchange transactions are transactions in which COMSEC receives contributions with no or nominal consideration provided directly in return.

##### (i) Contributions

COMSEC is financed by assessed contributions from the 52 Member Governments of 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 June. Where contributions are received in advance of the year to which they relate, the amount is recognised as a non-exchange 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 and the Commonwealth Small States Office in Geneva are financed by contributions from donors.

##### (ii) Special Projects

COMSEC receives additional contributions and grants from member governments, non-Commonwealth countries and other organisations for special projects (see note 10 for details of individual special projects). These funds are awarded subject to specific performance conditions.

Where a transfer is subject to conditions that, if unfulfilled, require the return of the transferred resources, deferred income is reported as a non-exchange liability on the Statement of Financial Position. The revenue for these projects is recognised when these conditions are met.

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1.17 Revenue (Continued)

##### (b) Revenue from Exchange Transactions

Exchange transactions are transactions in which COMSEC provides a service and receives fair value consideration in return.

##### (i) 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 internal business support functions which includes Corporate Services, Human Resources, Strategic Planning & Evaluation and to a lesser extent Communications and the Office of the Secretary-General.

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.

##### (ii) Designated Funds

This income relates to monies generated from certain self-financing funds. Any surpluses or losses arising during the financial period are carried forward to the next year in the Designated Funds Reserves (see note 1.16).

##### (iii) Tenants Re-charges

In addition to contributions from donors the Joint Office for Commonwealth Permanent Missions to the United Nations in New York and the Commonwealth Small States Office in Geneva are also financed by contributions from the tenants using the office facilities.

##### (iv) Other Income

Other income consists of:

- interest received from interest-bearing accounts and investments;
- rent and service charges received from tenants in Commonwealth House;
- 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.

#### 1.18 Expenses

##### (a) Staff costs

##### (i) Unused annual leave

Staff are permitted to accumulate unused annual leave for use in future periods. 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 15% 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.

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1.18 Expenses (a) Staff costs (iii) Staff Gratuity Fund (Continued)

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.

##### 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 Neal Thompson, Partner, First Actuarial LLP. 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.



## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1.18 Expenses (a) Staff costs (vi) Pensions (Continued)

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.

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 actuarial 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) Office Rental Cost**

The headquarters of The Commonwealth is located in London and its operations are sited in two separate office buildings: Marlborough House and Commonwealth 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 Commonwealth House in proportion to the office area in Marlborough House.

Significant improvements made to Marlborough House or Commonwealth House are capitalised and depreciated through the statement of financial performance over the useful life of the improvements for Marlborough House and the remaining term of the lease for Commonwealth House respectively.

##### **(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.

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 1.18 Expenses (Continued)

#### (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. 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.

#### 1.19 Use of Estimates and Judgements

Preparing financial statements in accordance with IPSAS requires The Commonwealth to make estimates, judgements and assumptions in the selection and application of accounting policies and in the reported amounts of assets, liabilities, revenues and expenses. For this reason, actual results may differ from those estimates. Accounting estimates and underlying assumptions are reviewed on an on-going basis and revisions to estimates are recognised in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include: bad debt provision. Further details are given where applicable in the individual notes to the assets and liabilities.

### 2. Cash and Cash Equivalents

Restricted balances are held only for the specific purposes of the Special Projects, the Staff Gratuity Fund, the Joint Office in New York and Small States Office in Geneva as well as the office rental deposit for the Small States Office in Geneva.

|  | Unrestricted     |                  | Restricted       |                  | Total             |                  |
|--|------------------|------------------|------------------|------------------|-------------------|------------------|
|  | 2017             | 2016             | 2017             | 2016             | 2017              | 2016             |
|  | £                | £                | £                | £                | £                 | £                |
| Cash and Cash Deposits                 | 80,207           | 213,300          | 501,869          | 73,120           | 582,076           | 286,420          |
| Foreign Bank Accounts                  | -                | -                | 564,440          | 559,568          | 564,440           | 559,568          |
| Money Market                           | 3,008,158        | 4,073,394        | -                | 1,493,867        | 3,008,158         | 5,567,261        |
| Fixed Term Deposit                     | 4,900,000        | -                | 3,554,050        | 3,489,060        | 8,454,050         | 3,489,060        |
| <b>Total Cash and Cash Equivalents</b> | <b>7,988,365</b> | <b>4,286,694</b> | <b>4,620,359</b> | <b>5,615,615</b> | <b>12,608,724</b> | <b>9,902,309</b> |

### 3. Other Receivables from Exchange Transactions

|  | 2017           | 2016             |
|--|----------------|------------------|
|  | £              | £                |
| Staff Advances & Season Ticket Loans           | 51,544         | 63,376           |
| Geneva Office                                  | 77,602         | 21,191           |
| New York Office                                | 298,175        | 914,447          |
| Other Debtors                                  | 169,934        | 307,147          |
| Commonwealth Foundation Re-charges             | 82,697         | 79,530           |
| Commonwealth Association of Tax Administrators | -              | 2,655            |
| <b>Total Receivables</b>                       | <b>679,952</b> | <b>1,388,346</b> |
| Less: Provision for doubtful debt              | (277,258)      | (277,163)        |
| <b>Total Receivables less provision</b>        | <b>402,694</b> | <b>1,111,183</b> |

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 3. Other Receivables from Exchange Transactions (Continued)

The change in the provision for doubtful debt during 2016-17 is as follows:

|                                    | Provision<br>as at 30<br>June<br>2016 | Increase in<br>provision | (Decrease)<br>in<br>provision | Provision<br>Used in the<br>year |
|------------------------------------|---------------------------------------|--------------------------|-------------------------------|----------------------------------|
|                                    | £                                     | £                        | £                             | £                                |
| <b>Provision for doubtful debt</b> | 277,163                               | 14,046                   | (13,951)                      | 277,258                          |

The total provision includes royalties due from prior years which are proving difficult to collect due to financial difficulties of the other party. The increase in provision of £14,046 (2015-16: £40,318) relates to an outstanding balance from prior years for a donor in the New York Office. The decrease in provision of £13,951 (2015-16: £Nil) relates to receipt from a donor for outstanding balances from prior years at the New York Office.

Ageing of receivables from exchange transactions:

|              | 2017           | 2016             |
|--------------|----------------|------------------|
|              | £              | £                |
| < 12 months  | 402,694        | 1,111,183        |
| <b>Total</b> | <b>402,694</b> | <b>1,111,183</b> |

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 4. (a) Non-Current Assets

#### (i) Property, Plant & Equipment 2017

| Cost                               | LAND AND BUILDINGS | BUILDING IMPROVEMENT | FURNITURE & FIXTURES | HARDWARE       | EQUIPMENT      | VEHICLES      | CAPITAL WORK IN PROGRESS | TOTAL             |
|------------------------------------|--------------------|----------------------|----------------------|----------------|----------------|---------------|--------------------------|-------------------|
|                                    | £                  | £                    | £                    | £              | £              | £             |                          | £                 |
| Balance as at 1 July 2016          | 16,750,000         | 2,781,030            | 187,050              | 1,341,709      | 574,923        | 112,876       | 79,599                   | 21,827,187        |
| Additions                          | 236,695            | 1,231,299            | 211,324              | 100,883        | 213,970        | -             | 72,506                   | 2,066,677         |
| Disposals                          | -                  | (135,656)            | (36,913)             | (65,543)       | (61,804)       | -             | (79,599)                 | (379,515)         |
| Revaluation Adjustments            | 13,305             | -                    | -                    | -              | -              | -             | -                        | 13,305            |
| Currency Translations              | -                  | (6,379)              | (845)                | 910            | (713)          | -             | -                        | (7,027)           |
| Other Fixed Asset Adjustments      | -                  | -                    | (3,923)              | -              | -              | -             | -                        | (3,923)           |
| Closing Balance as at 30 June 2017 | 17,000,000         | 3,870,294            | 356,693              | 1,377,959      | 726,376        | 112,876       | 72,506                   | 23,516,704        |
| <b>Depreciation</b>                |                    |                      |                      |                |                |               |                          |                   |
| Balance as at 1 July 2016          | -                  | (1,227,959)          | (131,437)            | (768,468)      | (293,969)      | (55,758)      | -                        | (2,477,591)       |
| Depreciation                       | (155,660)          | (216,023)            | (30,252)             | (165,914)      | (83,336)       | (22,575)      | -                        | (673,760)         |
| Disposals                          | -                  | 29,782               | 36,417               | 29,037         | 61,804         | -             | -                        | 157,040           |
| Revaluation Adjustments            | 155,660            | -                    | -                    | -              | -              | -             | -                        | 155,660           |
| Currency Translations              | -                  | (572)                | (407)                | (39)           | (972)          | -             | -                        | (1,990)           |
| Other Fixed Asset Adjustments      | -                  | -                    | 3,940                | -              | (248)          | -             | -                        | 3,692             |
| Closing Balance as at 30 June 2017 | -                  | (1,414,772)          | (121,739)            | (905,384)      | (316,721)      | (78,333)      | -                        | (2,836,949)       |
| <b>Net Book Value 30 June 2017</b> | <b>17,000,000</b>  | <b>2,455,522</b>     | <b>234,954</b>       | <b>472,575</b> | <b>409,655</b> | <b>34,543</b> | <b>72,506</b>            | <b>20,679,755</b> |

#### (ii) Intangible Assets (Software) 2017

|                       | BALANCE AS AT 30 JUNE 2016 | ADDITIONS | DISPOSAL | AMORTISATION CHARGE FOR THE PERIOD | BALANCE AS AT 30 JUNE 2017 |
|-----------------------|----------------------------|-----------|----------|------------------------------------|----------------------------|
|                       | £                          | £         | £        | £                                  | £                          |
| Cost                  |                            |           |          |                                    |                            |
| Amortisation          | 113,472                    | -         | -        | -                                  | 113,472                    |
|                       | (54,327)                   | -         | -        | (25,307)                           | (79,634)                   |
| <b>Net Book Value</b> | <b>59,145</b>              | <b>-</b>  | <b>-</b> | <b>(25,307)</b>                    | <b>33,838</b>              |

**COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**4. (a) Non-Current Assets (Continued)**

**(iii) Depreciation and Amortisation Charge 2017**

|   | <b>BALANCE AS AT<br/>30 JUNE 2017</b> |                |
|---|---------------------------------------|----------------|
|   | <b>Note</b>                           | <b>£</b>       |
| Property Plant and Equipment                      | 5(a)(i)                               | 673,760        |
| Intangible Assets (Software)                      | 5(a)(ii)                              | 25,307         |
| <b>Total Depreciation and Amortisation Charge</b> | <b>Note</b>                           | <b>699,067</b> |

**4. (b) Non-Current Assets**

**(i) Property, Plant & Equipment 2016**

|                                    | LAND AND<br>BUILDINGS | BUILDING<br>IMPROVEMENT | FURNITURE &<br>FIXTURES | HARDWARE         | EQUIPMENT        | VEHICLES        | CAPITAL<br>WORK IN<br>PROGRESS | TOTAL              |
|------------------------------------|-----------------------|-------------------------|-------------------------|------------------|------------------|-----------------|--------------------------------|--------------------|
| Cost                               | £                     | £                       | £                       | £                | £                | £               | £                              | £                  |
| Balance as at 1 July 2015          | 16,750,000            | 2,212,814               | 178,876                 | 794,527          | 544,345          | 112,876         | 183,662                        | 20,777,100         |
| Transfer from Capital WIP          | -                     | 183,662                 | -                       | -                | -                | -               | (183,662)                      | -                  |
| Additions                          | -                     | 694,992                 | 1,610                   | 541,862          | 23,035           | -               | 79,599                         | 1,341,098          |
| Disposals                          | -                     | (311,620)               | (2,767)                 | -                | -                | -               | -                              | (314,387)          |
| Currency Translations              | -                     | 1,182                   | 9,331                   | 5,320            | 7,543            | -               | -                              | 23,376             |
| <b>Balance as at 30 June 2016</b>  | <b>16,750,000</b>     | <b>2,781,030</b>        | <b>187,050</b>          | <b>1,341,709</b> | <b>574,923</b>   | <b>112,876</b>  | <b>79,599</b>                  | <b>21,827,187</b>  |
| <b>Depreciation</b>                |                       |                         |                         |                  |                  |                 |                                |                    |
| Balance as at 1 July 2015          | -                     | (1,257,243)             | (102,023)               | (728,056)        | (207,365)        | (33,183)        | -                              | (2,327,870)        |
| Depreciation                       | (151,242)             | (162,830)               | (24,794)                | (35,236)         | (81,580)         | (22,575)        | -                              | (478,257)          |
| Disposals                          | -                     | 193,018                 | 2,594                   | -                | -                | -               | -                              | 195,612            |
| Revaluation Adjustment             | 151,242               | -                       | -                       | -                | -                | -               | -                              | 151,242            |
| Currency Translations              | -                     | (904)                   | (7,214)                 | (5,176)          | (5,024)          | -               | -                              | (18,318)           |
| <b>Balance as at 30 June 2016</b>  | <b>-</b>              | <b>(1,227,959)</b>      | <b>(131,437)</b>        | <b>(768,468)</b> | <b>(293,969)</b> | <b>(55,758)</b> | <b>-</b>                       | <b>(2,477,591)</b> |
| <b>Net Book Value 30 June 2016</b> | <b>16,750,000</b>     | <b>1,553,071</b>        | <b>55,613</b>           | <b>573,241</b>   | <b>280,954</b>   | <b>57,118</b>   | <b>79,599</b>                  | <b>19,349,596</b>  |

**COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**4. (b) Non-Current Assets (Continued)**

**(ii) Intangible Assets (Software) 2016**

|                       | BALANCE AS AT<br>30 JUNE 2015 | ADDITIONS | DISPOSALS | AMORTISATION<br>CHARGE FOR<br>THE PERIOD | BALANCE<br>AS AT<br>30 JUNE 2016 |
|-----------------------|-------------------------------|-----------|-----------|--|----------------------------------|
| Cost                  | 113,472                       | -         | -         | -  | 113,472                          |
| Amortisation          | (26,980)                      | -         | -         | (27,347)                                 | (54,327)                         |
| <b>Net Book Value</b> | <b>86,492</b>                 | <b>-</b>  | <b>-</b>  | <b>(27,347)</b>                          | <b>59,145</b>                    |

**(iii) Depreciation and Amortisation Charge 2016**

|   | Balance as at<br>30 June 2016 | Note     |
|---|-------------------------------|----------|
| Property Plant and Equipment                      | £                             |          |
| Intangible Assets (Software)                      | 478,257                       | 5(b)(i)  |
| <b>Total Depreciation and Amortisation Charge</b> | <b>27,347</b>                 | 5(b)(ii) |
|   | <b>505,604</b>                |          |

**(iv) Reverse to General Reserve 2016**

|   | Balance as at<br>30 June 2016 | £             |
|---|-------------------------------|---------------|
| Accumulated Depreciation on Derecognised Assets                 |                               | 193,017       |
| Depreciation – Partial Disposal                                 |                               | (130,510)     |
| <b>Depreciation Charge Prior to Capitalisation Written Back</b> |                               | <b>62,507</b> |

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 4. Non-Current Assets (Continued)

The asset classified as land and buildings relates to the Secretary-General's official residence, a long leasehold property (see note 5 (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 of the property was performed by Cushman & Wakefield in June 2017. Thereafter, a desktop valuation will be performed every five years in accordance with The Commonwealth's accounting policy 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 £17.0 million due to strong international demand and limited supply for this type of property. The valuers are independent from The Commonwealth and conform to the Royal Institution of Chartered Surveyors Appraisal and Valuations standards.

#### 5. Payables and Other Liabilities from Exchange Transactions

##### Amounts falling due within one year

|   | Notes | 2017             | 2016             |
|---|-------|------------------|------------------|
|   |       | £                | £                |
| Bank Loans                                      | (a)   | 96,000           | 96,000           |
| Trade Payables & Accruals                       |       | 1,644,406        | 2,890,642        |
| Staff Gratuity Fund Obligations                 | (b)   | 3,055,723        | 1,850,939        |
| Staff Expenses                                  |       | 20,103           | 25,336           |
| Commonwealth Fund for Technical Co-operation    |       | 2,572,404        | -                |
| Commonwealth Youth Programme Fund               |       | 370,990          | -                |
| Accrued Rent Incentive                          | (c)   | 21,184           | -                |
| New York Office                                 |       | 34,677           | 19,495           |
| Geneva Office                                   |       | 565,698          | 251,868          |
| Commonwealth Association for Tax Administrators |       | 33,652           | -                |
| <b>Total Payables and Current Liabilities</b>   |       | <b>8,414,837</b> | <b>5,134,280</b> |

##### Amounts falling due after more than one year

|                                      | Notes | 2017             | 2016             |
|--------------------------------------|-------|------------------|------------------|
|                                      |       | £                | £                |
| Bank Loans                           | (a)   | 744,000          | 840,000          |
| Staff Gratuity Fund Obligations      | (b)   | 954,831          | 1,700,970        |
| Accrued Rent Incentive               | (c)   | 296,559          | -                |
| <b>Total Non-Current Liabilities</b> |       | <b>1,995,390</b> | <b>2,540,970</b> |

#### (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 holds a first charge on

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 5. Payables and Other Liabilities from exchange transactions (a) Bank Loans (Continued)

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 2017 was £840,000 (2016: £936,000) of which £96,000 is due for repayment in the next twelve months. The interest of £5,200 (2015-16: £7,941) on this loan was 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.

|  | 2017                |                    | 2016                |                    |
|--|---------------------|--------------------|---------------------|--------------------|
|  | Due within one year | Due after one year | Due within one year | Due after one year |
|  | £                   | £                  | £                   | £                  |
| Commonwealth Secretariat Fund                  | 2,219,368           | 608,055            | 1,240,762           | 1,198,975          |
| Commonwealth Fund for Technical Co-operation   | 382,949             | 299,593            | 331,540             | 349,636            |
| Commonwealth Youth Programme Fund              | 230,332             | 11,091             | 4,122               | 142,189            |
| Commonwealth Association of Tax Administrators | 4,493               | 9,977              | 41,818              | -                  |
| Commonwealth Foundation                        | 218,581             | -                  | 218,829             | -                  |
| New York Office                                | -                   | 15,151             | -                   | 4,695              |
| Geneva Office                                  | -                   | 10,964             | 13,869              | 5,475              |
| <b>Total Staff Gratuity Fund Obligations</b>   | <b>3,055,723</b>    | <b>954,831</b>     | <b>1,850,940</b>    | <b>1,700,970</b>   |

#### (c) Accrued Rent Incentive

The Joint Office for Commonwealth Permanent Missions to the United Nations in New York received three months rent free accommodation (rent incentive) as part of the fifteen year lease for the new office premises. The rent incentive has been accrued and will be offset against the monthly rental expense on a straight line basis over the fifteen year lease.

#### 6. Pension Liabilities

|   | Notes | 2017             | 2016              |
|---|-------|------------------|-------------------|
|   |       | £                | £                 |
| Former Secretaries-General Pension Scheme | (a)   | 2,800,000        | 2,980,000         |
| Staff Defined Benefit Scheme - Net        | (b)   | 161,000          | 7,181,000         |
| Supplementary Pension                     | (c)   | 2,377,000        | 3,040,000         |
| <b>Total</b>                              |       | <b>5,338,000</b> | <b>13,201,000</b> |

#### (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 2017 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 2017 are estimated at £214,000.



# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 6. (a) Former Secretaries-General Pension Scheme (Continued)

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

|   | 2017      | 2016      | 2015      | 2014      | 2013      |
|---|-----------|-----------|-----------|-----------|-----------|
|   | £         | £         | £         | £         | £         |
| Defined Benefit Obligations                       | 2,800,000 | 2,980,000 | 2,997,000 | 2,866,000 | 2,725,000 |
| Experience adjustments on Scheme liabilities      | 4,000     | 18,000    | (61,000)  | (4,000)   | (34,000)  |
| Change of basis adjustments on Scheme liabilities | 34,000    | (111,000) | (165,000) | (219,000) | (233,000) |

The cumulative actuarial losses recognised through the Statement of Changes in Net Assets as at 30 June 2017 amounted to £1,092,000 (2016: £1,130,000).

#### Statement of Financial Position:

| As at 30 June                                      | 2017        | 2016        |
|--|-------------|-------------|
|  | £           | £           |
| Fair Value of Assets                               | -           | -           |
| Value of liabilities (defined benefit obligations) | 2,800,000   | 2,980,000   |
| Funded Status                                      | (2,800,000) | (2,980,000) |

#### Statement of Financial Performance:

| For the 12 months ending 30 June                              | 2016-17       | 2015-16       |
|---|---------------|---------------|
|   | £             | £             |
| Interest cost on scheme liabilities                           | 72,000        | 96,000        |
| <b>Total recognised in Statement of Financial Performance</b> | <b>72,000</b> | <b>96,000</b> |

£142,000 (2016: £110,000) 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:

|  | 2017             | 2016             |
|--|------------------|------------------|
|  | £                | £                |
| <b>Defined Benefit Obligation at the beginning of period</b> | <b>2,980,000</b> | <b>2,997,000</b> |
| Movement in period:  |                  |                  |
| Interest cost on obligation                                  | 72,000           | 96,000           |
| Benefits paid  | (214,000)        | (206,000)        |
| Actuarial (gain)/loss on liabilities                         | (38,000)         | 93,000           |
| <b>Defined Benefit Obligation at end of period</b>           | <b>2,800,000</b> | <b>2,980,000</b> |

The following assumptions were used in the actuarial valuation calculations:

|                       | 2017 | 2016 |
|-----------------------|------|------|
| Discount Rate         | 2.3% | 2.5% |
| Price Inflation (RPI) | 3.1% | 2.7% |

- Mortality – 90% S2PMA and S2PFA with an allowance for future improvements in mortality in accordance with the core CMI mortality projection model CMI\_2016, 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.

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 6. (a) Former Secretaries-General Pension Scheme (Continued)

- 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 last pension review was in April 2016. The next review date is assumed to be in 2020 and an approximate adjustment has been made in the above valuation to allow for this.

The discount rate at 30 June 2017 is determined from a yield curve which is derived from AA rated bonds in the iBoxx sterling corporate bond index, having taken into account of the duration of the scheme liabilities and implied approximate shape of future cashflows.

The amount of the liabilities for the year ending 30 June 2017 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 £2,800,000 to £3,131,000. If the assumed rate of RPI was 1% p.a higher, the liabilities would increase from £2,800,000 to £3,103,000.

#### (b) Staff Defined Benefit Scheme

First Actuarial LLP carried out an actuarial valuation of the assets and liabilities of the scheme as at 30 June 2017 for the specific purpose of these accounts, in line with the provisions of IPSAS 25.

|                                     | 2017           | 2016             |
|-------------------------------------|----------------|------------------|
|                                     | £              | £                |
| Present value of funded obligations | 52,373,000     | 52,838,000       |
| Fair value of scheme assets         | (52,212,000)   | (45,657,000)     |
| <b>Net liability</b>                | <b>161,000</b> | <b>7,181,000</b> |

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

|  | 2017         | 2016         | 2015         | 2014         | 2013         |
|--|--------------|--------------|--------------|--------------|--------------|
|  | £            | £            | £            | £            | £            |
| Defined Benefit Obligations                  | (52,373,000) | 52,838,000   | (49,836,000) | (46,093,200) | (43,932,000) |
| Plan Assets                                  | 52,212,000   | (45,657,000) | 43,790,000   | 39,342,100   | 37,123,800   |
| Deficit                                      | (161,000)    | (7,181,000)  | (6,046,000)  | (6,751,100)  | (6,808,200)  |
| Experience adjustments on Scheme liabilities | 64,000       | 370,000      | 461,000      | (337,600)    | (54,800)     |
| Experience adjustments on Scheme assets      | 4,011,000    | 766,000      | 3,017,000    | 1,012,400    | 1,396,100    |

The cumulative actuarial losses recognised through the Statement of Changes in Net Assets as at 30 June 2017 amounted to £4,011,100 (2016: £8,361,100).

#### Statement of Financial Position:

The assets valued below are in the form of portfolios invested on the Old Mutual Wealth platform across seven funds. The values of these funds have been taken as the value at bid price as at the end of the year. The value of the bank accounts has been taken as the amounts held, less payments due, on 30 June 2017. The major categories of scheme assets as a percentage of total scheme assets are as follows:

| As at 30 June                           | 2017 | 2016 |
|---|------|------|
|   | %    | %    |
| Liability Driven Investment             | 13   | 16   |
| Equities, Emerging Markets and Property | 44   | 40   |
| Cash and Derivatives                    | 1    | 8    |
| Diversified Growth Fund                 | 42   | 36   |

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 6. (b) Staff Defined Benefit Scheme (Continued)

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

|  |   |
|--|---|
| Gilts and LDI:                           | Yield on the FTSE Actuaries 15 year gilt index  |
| Equities, Emerging Markets and Property: | Net FTSE All share dividend yield plus RPI inflation plus 0.5% p.a assumed real dividend growth |
| Cash and Derivatives:                    | Current Bank of England base rate   |
| Diversified Growth Fund:                 | In line with Equities, Emerging Markets and Property, plus 4% p.a                               |

Overall expected rate of return for the year beginning 1 July 2017 = 5.8% (2016: 5.2%). This has been derived by calculating the weighted average of the expected rate of return for each asset class.

The rate of return given allows for an average annual management charge on investments of 0.4% p.a on the Scheme's investments.

### Statement of Financial Performance:

| For the 12 months ending 30 June       | 2016-17          | 2015-16        |
|--|------------------|----------------|
|  | £                | £              |
| Current service cost                   | 186,000          | 186,000        |
| Expected return on the assets          | (2,470,000)      | (1,828,000)    |
| Interest cost on scheme liabilities    | 1,459,000        | 1,755,000      |
| <b>Total included in pension costs</b> | <b>(825,000)</b> | <b>113,000</b> |

Members' and employers' contributions into the scheme for the year ending 30 June 2018 are estimated at £1,323,000. An amount of £2,670,000 (2016: £1,756,000) 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.

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   | 2017              | 2016              |
|--|-------------------|-------------------|
|  | £                 | £                 |
| <b>Assets in scheme at beginning of period</b> | <b>45,657,000</b> | <b>43,790,000</b> |
| Movement in period:                            |                   |                   |
| Expected return on assets                      | 2,470,000         | 1,828,000         |
| Employer contributions                         | 1,845,000         | 1,869,000         |
| Member contributions                           | 18,000            | 20,000            |
| Benefits paid                                  | (1,789,000)       | (2,616,000)       |
| Actuarial gain on assets                       | 4,011,000         | 766,000           |
| <b>Assets in scheme at end of period</b>       | <b>52,212,000</b> | <b>45,657,000</b> |
| <b>Actual return on plan assets</b>            | <b>6,481,000</b>  | <b>2,594,000</b>  |

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 6. (b) Staff Defined Benefit Scheme (Continued)

| Liabilities   | 2017              | 2016              |
|---|-------------------|-------------------|
|   | £                 | £                 |
| <b>Liabilities in scheme at the beginning of period</b> | <b>52,838,000</b> | <b>49,836,000</b> |
| Movement in period:                                     |                   |                   |
| Interest cost   | 1,459,000         | 1,755,000         |
| Current Service cost                                    | 186,000           | 186,000           |
| Member contributions                                    | 18,000            | 20,000            |
| Benefits paid   | (1,789,000)       | (2,616,000)       |
| Actuarial (gain) / loss on liabilities                  | (339,000)         | 3,657,000         |
| <b>Liabilities in scheme at end of period</b>           | <b>52,373,000</b> | <b>52,838,000</b> |

The assumptions used in calculating the liabilities were as follows:

|  | 2017 | 2016 |
|--|------|------|
|  | %    | %    |
| Inflation (RPI)                          | 3.3  | 3.0  |
| Rate of Increases in Salary from 2016-17 | 2.0  | 2.0  |
| Pension Increases:                       |      |      |
| Subject to RPI, maximum 5%, minimum 3%   | 3.3  | 3.1  |
| Statutory Revaluation in Deferment       | 2.3  | 2.0  |
| Discount Rate (pre and post retirement)  | 2.6  | 2.8  |

### Net Actuarial Movement:

|   | 2017               | 2016             |
|---|--------------------|------------------|
|   | £                  | £                |
| Defined Benefit Obligation                                | (52,373,000)       | (52,838,000)     |
| Plan Assets   | 52,212,000         | 45,657,000       |
| Deficit   | (161,000)          | (7,181,000)      |
| Actuarial (Gain) / Loss on Liabilities                    | (339,000)          | 3,657,000        |
| Actuarial Gain on Plan Assets                             | 4,011,000          | 766,000          |
| <b>Actuarial (Gain) / Loss charged to Pension Reserve</b> | <b>(4,350,000)</b> | <b>2,891,000</b> |

The discount rate at 30 June 2017 is determined from a yield curve which is derived from AA rated bonds in the iBoxx sterling corporate bond index, having taken into account of the duration of the scheme liabilities and implied approximate shape of future cashflows

Mortality after retirement at 90% S2PMA and S2PFA with an allowance for future improvements in mortality in accordance with the core CMI mortality projection model CMI\_2016, 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 2017 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 £52,373,000 to £60,924,000. If the assumed RPI inflation and associated assumptions were 1.0% p.a. higher the liabilities would increase from £52,373,000 to £56,488,000.

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 6. Pension Liabilities (Continued)

#### (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 2017 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 2018 are estimated at £198,000.

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

|  | 2017      | 2016      | 2015      | 2014      | 2013      |
|--|-----------|-----------|-----------|-----------|-----------|
|  | £         | £         | £         | £         | £         |
| Defined Benefit Obligations                | 2,377,000 | 3,040,000 | 3,186,000 | 3,401,000 | 3,404,000 |
| Experience gain / (loss) on liabilities    | 70,000    | 228,000   | (120,000) | (18,000)  | (41,000)  |
| Change of basis adjustments on liabilities | 479,000   | (201,000) | 249,000   | (62,000)  | (847,000) |

The cumulative actuarial gains recognised through the Statement of Changes in Net Assets as at 30 June 2017 amounted to £1,115,000 (2016: £566,000).

#### Statement of Financial Position:

| For the 12 months ending                           | 2017        | 2016        |
|--|-------------|-------------|
|  | £           | £           |
| Fair Value of Assets                               | -           | -           |
| Value of liabilities (defined benefit obligations) | 2,377,000   | 3,040,000   |
| Funded Status                                      | (2,377,000) | (3,040,000) |

#### Statement of Financial Performance:

| For the 12 months ending                                      | 2016-17       | 2015-16        |
|---|---------------|----------------|
|   | £             | £              |
| Interest cost on liabilities                                  | 74,000        | 102,000        |
| <b>Total recognised in Statement of Financial Performance</b> | <b>74,000</b> | <b>102,000</b> |

£114,000 has been transferred to the pension reserve from the general reserve (2016: £119,000) representing the difference between cost recognised in the Statement of Financial Performance and benefits paid out.

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

|  | 2017             | 2016             |
|--|------------------|------------------|
|  | £                | £                |
| <b>Defined Benefit Obligation at the beginning of period</b> | <b>3,040,000</b> | <b>3,186,000</b> |
| Movement in period:  |                  |                  |
| Interest cost on liabilities                                 | 74,000           | 102,000          |
| Benefits paid  | (188,000)        | (221,000)        |
| Actuarial gain on liabilities                                | (549,000)        | (27,000)         |
| <b>Defined Benefit Obligation at end of period</b>           | <b>2,377,000</b> | <b>3,040,000</b> |

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 6. (c) Supplementary Pension (Continued)

The following assumptions were used in the actuarial valuation calculations:

|   | 2017 | 2016 |
|---|------|------|
| Discount Rate                                   | 2.3% | 2.5% |
| Price Inflation (RPI)                           | 3.1% | 2.7% |
| Price Inflation (CPI)                           | 2.1% | 1.7% |
| Discretionary increase over guaranteed increase | 0.0% | 0.1% |

After a review of the market conditions as at 30 June 2017, specific assumptions have been provided for use in the actuarial valuation calculations as follows:

- The discount rate at 30 June 2017 is determined from a yield curve which is derived from AA rated bonds in the iBoxx sterling corporate bond index, having taken into account of the duration of the scheme liabilities and implied approximate shape of future cashflows;
- a lower CPI inflation assumption of 2.1% pa which similarly reflects the shorter duration;
- Mortality assumption base tables – Male: 90% of S2PMA and Female 90% of S2PFA;
- Future mortality improvement – Core CMI mortality projection model CMI\_2016, 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 2017 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 £2,377,000 to £2,602,000. If the assumed rate of RPI and CPI were 1% pa higher, the liabilities would increase from £2,377,000 to £4,215,000.

#### 7. Provisions

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

|                                     | As at 30 June 2017  |                    | As at 30 June 2016  |                    |
|-------------------------------------|---------------------|--------------------|---------------------|--------------------|
|                                     | Due within one year | Due after one year | Due within one year | Due after one year |
|                                     | £                   | £                  | £                   | £                  |
| Provision for Building Dilapidation | -                   | 1,019,397          | -                   | 984,301            |
| Relocation Expenses                 | 641,160             | 606,127            | 463,513             | 1,053,745          |
| Home Leave Expenses                 | 72,916              | 9,450              | 79,391              | 25,290             |
| Arbitral Tribunal                   | -                   | -                  | 53,280              | -                  |
| Provision for Redundancy            | 31,213              | -                  | -                   | -                  |
| <b>Total Provisions</b>             | <b>745,289</b>      | <b>1,634,974</b>   | <b>596,184</b>      | <b>2,063,336</b>   |

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 7. Provisions (Continued)

Movements in provisions during the year are as follows:

| Provisions for Liabilities              | Notes | As at 30 June 2016 | Increase/ (Decrease) in provision | Amount used in year | As at 30 June 2017 |
|---|-------|--------------------|-----------------------------------|---------------------|--------------------|
|   |       | £                  | £                                 | £                   | £                  |
| Provision for Dilapidation              | (a)   | 984,301            | 35,096                            | -                   | 1,019,397          |
| Relocation Expenses                     | (b)   | 1,517,259          | (159,144)                         | (110,828)           | 1,247,287          |
| Home Leave Expenses                     | (c)   | 104,680            | 25,227                            | (47,541)            | 82,366             |
| Arbitral Tribunal                       | (d)   | 53,280             | (53,280)                          | -                   | -                  |
| Provision for Redundancy                | (e)   | -                  | 31,213                            | -                   | 31,213             |
| <b>Total Provisions for Liabilities</b> |       | <b>2,659,520</b>   | <b>(120,888)</b>                  | <b>(158,369)</b>    | <b>2,380,263</b>   |

(a) The terms of the lease for Commonwealth 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 Commonwealth House. Since then, on an annual basis, The Commonwealth has commissioned MHBC to conduct follow up desktop reviews of this assessment. The findings in the 2017 report have been considered and COMSEC has accordingly increased the provision by £35,096 to £1,019,397 (2016: £984,301).

(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 from 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) There was one litigation claim against COMSEC in 2015-16 and an estimated provision was made in the 2015-16 financial statements. The claim was discharged without costs in 2016-17 and the provision made in the financial statements has since been reversed.

(e) During the financial year 2016-17 the Commonwealth implemented a new organisational structure which came into effect on 1 July 2017. The Commonwealth has provided for compulsory redundancy costs in the Statement of Financial Performance in 2016-17 in relation to the organisational restructure costs that will occur in the 2017-18 financial period.

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 8. (a) Commonwealth Secretariat Members' Contributions from Non-exchange Transactions

|   | 2017           | 2016             |
|---|----------------|------------------|
|   | £              | £                |
| Current                                   | 2,047,823      | 1,982,629        |
| Provision for doubtful accounts           | (1,316,549)    | (524,011)        |
| <b>Total contributions receivable</b>     | <b>731,274</b> | <b>1,458,618</b> |
| Non-Current                               | 240,621        | 373,174          |
| <b>Total net contributions receivable</b> | <b>971,895</b> | <b>1,831,792</b> |

The provision for doubtful accounts relates to current member contributions. The net current contributions receivable is £731,274 (2016: £1,458,618).

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, one government had agreed payment plans for arrears amounting to £274,995 (2016: £457,977).

Ageing of receivables from non-exchange transactions:

|                           | 2017           | 2016             |
|---------------------------|----------------|------------------|
|                           | £              | £                |
| Less than one year        | 679,027        | 1,659,978        |
| Between one and two years | 273,827        | 171,814          |
| More than two years       | 19,041         | -                |
| <b>Total</b>              | <b>971,895</b> | <b>1,831,792</b> |

The provision for doubtful accounts is for the outstanding contributions receivable where there has been a delay in settlement of arrears. The change in the provision for doubtful accounts during 2016-17 is as follows:

|                             | Provision as at 30 June 2016 | Increase in provision | (Decrease) in provision | Provision as at 30 June 2017 |
|-----------------------------|------------------------------|-----------------------|-------------------------|------------------------------|
|                             | £                            | £                     | £                       | £                            |
| Provision for doubtful debt | 524,011                      | 1,041,011             | (248,473)               | 1,316,549                    |

The increase in provision of £1,041,011 (2016: £33,412) is for outstanding contributions receivable from members that have outstanding contributions exceeding two years and are not on a payment plan.

The decrease in provision of £248,473 (2016: £60,551) relates to receipts for amounts provided for in prior periods.



# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 8. (a) (i) Commonwealth Secretariat Members' Contributions from Non-exchange Transactions 2016-17

| Country                     | Balance as at 30 June 2016 |                  | Assessment<br>2016-17 | Received<br>2016-17 | Balance as at 30 June 2017 |                   |
|-----------------------------|----------------------------|------------------|-----------------------|---------------------|----------------------------|-------------------|
|                             | Receivable                 | Prepaid          |                       |                     | Receivable                 | Prepaid           |
|                             | £                          | £                | £                     | £                   | £                          | £                 |
| Antigua & Barbuda           | 33,412                     | -                | 40,099                | 48,511              | 25,000                     | -                 |
| Australia                   | -                          | -                | 2,085,126             | 2,085,126           | -                          | -                 |
| Bahamas                     | -                          | -                | 120,296               | 120,696             | -                          | ( 400)            |
| Bangladesh                  | -                          | -                | 104,256               | 104,256             | -                          | -                 |
| Barbados                    | -                          | -                | 48,118                | 48,118              | -                          | -                 |
| Belize                      | -                          | -                | 32,079                | -                   | 32,079                     | -                 |
| Botswana                    | -                          | -                | 120,296               | 120,296             | -                          | -                 |
| Brunei Darussalam           | -                          | -                | 136,335               | 136,335             | -                          | -                 |
| Cameroon                    | 90,780                     | -                | 104,256               | 131,701             | 63,335                     | -                 |
| Canada                      | -                          | -                | 3,408,379             | 3,408,379           | -                          | -                 |
| Cyprus                      | 211,373                    | -                | 168,414               | 379,787             | -                          | -                 |
| Dominica                    | 323,081                    | -                | 32,079                | 80,165              | 274,995                    | -                 |
| Fiji                        | 134,896                    | -                | 48,118                | 183,014             | -                          | -                 |
| The Gambia*                 | 32,622                     | -                | -                     | -                   | 32,622                     | -                 |
| Ghana                       | 118,600                    | -                | 120,296               | -                   | 238,896                    | -                 |
| Grenada                     | -                          | -                | 32,079                | 32,079              | -                          | -                 |
| Guyana                      | -                          | ( 1,727)         | 40,099                | 85,125              | -                          | ( 46,753)         |
| India                       | -                          | -                | 761,873               | 761,873             | -                          | -                 |
| Jamaica                     | 237,200                    | -                | 104,256               | 341,456             | -                          | -                 |
| Kenya                       | 72,652                     | -                | 120,296               | 192,948             | -                          | -                 |
| Kiribati                    | 33,412                     | -                | 32,079                | -                   | 65,491                     | -                 |
| Lesotho                     | -                          | -                | 32,079                | 32,079              | -                          | -                 |
| Malawi                      | 33,412                     | -                | 40,099                | 73,511              | -                          | -                 |
| Malaysia                    | 269,626                    | -                | 360,887               | 630,513             | -                          | -                 |
| Maldives*                   | 33,412                     | -                | 40,099                | -                   | 73,511                     | -                 |
| Malta                       | -                          | -                | 120,296               | 120,296             | -                          | -                 |
| Mauritius                   | -                          | -                | 104,256               | 104,256             | -                          | -                 |
| Mozambique                  | -                          | ( 2,493)         | 48,118                | 7,500               | 38,125                     | -                 |
| Namibia                     | -                          | -                | 104,256               | 104,256             | -                          | -                 |
| Nauru                       | 33,412                     | -                | 32,079                | 32,434              | 33,057                     | -                 |
| New Zealand                 | -                          | -                | 360,887               | 360,887             | -                          | -                 |
| Nigeria                     | 228,466                    | -                | 312,769               | -                   | 541,235                    | -                 |
| Pakistan                    | -                          | -                | 240,591               | 240,591             | -                          | -                 |
| Papua New Guinea            | 33,412                     | -                | 48,118                | 81,530              | -                          | -                 |
| Rwanda                      | -                          | -                | 40,099                | 40,099              | -                          | -                 |
| St Kitts & Nevis            | -                          | -                | 32,079                | 32,079              | -                          | -                 |
| St Lucia                    | -                          | ( 11,094)        | 32,079                | -                   | 20,985                     | -                 |
| St Vincent & the Grenadines | 66,823                     | -                | 32,079                | 14,371              | 84,531                     | -                 |
| Samoa                       | 4,612                      | -                | 32,079                | 38,135              | -                          | ( 1,444)          |
| Seychelles                  | 33,412                     | -                | 32,079                | 65,491              | -                          | -                 |
| Sierra Leone                | -                          | ( 289)           | 32,079                | -                   | 31,790                     | -                 |
| Singapore                   | -                          | -                | 441,084               | 441,084             | -                          | -                 |
| Solomon Islands             | -                          | -                | 32,079                | -                   | 32,079                     | -                 |
| South Africa                | -                          | ( 43,162)        | 441,084               | 441,084             | -                          | ( 43,162)         |
| Sri Lanka                   | -                          | -                | 136,335               | 136,335             | -                          | -                 |
| Swaziland                   | -                          | ( 14,765)        | 40,099                | 40,099              | -                          | ( 14,765)         |
| Tanzania                    | 118,601                    | -                | 104,256               | -                   | 222,857                    | -                 |
| Tonga                       | -                          | -                | 32,079                | 32,079              | -                          | -                 |
| Trinidad & Tobago           | -                          | ( 10,984)        | 168,414               | -                   | 157,430                    | -                 |
| Tuvalu                      | -                          | -                | 32,079                | -                   | 32,079                     | -                 |
| Uganda                      | 118,600                    | -                | 104,256               | -                   | 222,856                    | -                 |
| United Kingdom              | -                          | -                | 5,469,640             | 5,469,640           | -                          | -                 |
| Vanuatu                     | 33,412                     | -                | 32,079                | -                   | 65,491                     | -                 |
| Zambia                      | 60,576                     | -                | 48,118                | 108,694             | -                          | -                 |
| <b>Total</b>                | <b>2,355,804</b>           | <b>( 84,514)</b> | <b>16,817,538</b>     | <b>16,906,908</b>   | <b>2,288,444</b>           | <b>( 106,524)</b> |

\*The Gambia and Maldives withdrew from The Commonwealth in 2013 and 2016 respectively.

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 8. (a) (ii) Commonwealth Secretariat Members' Contributions from Non-exchange Transactions 2015-16

| Country                     | Balance as at 30 June 2015 |                  | Assessment<br>2015-16 | Received<br>2015-16 | Balance as at 30 June 2016 |                 |
|-----------------------------|----------------------------|------------------|-----------------------|---------------------|----------------------------|-----------------|
|                             | Receivable                 | Prepaid          |                       |                     | Receivable                 | Prepaid         |
|                             | £                          | £                | £                     | £                   | £                          | £               |
| Antigua & Barbuda           | 33,412                     | -                | 33,412                | 33,412              | 33,412                     | -               |
| Australia                   | -                          | -                | 2,037,173             | 2,037,173           | -                          | -               |
| Bahamas                     | -                          | -                | 118,600               | 118,600             | -                          | -               |
| Bangladesh                  | -                          | -                | 118,600               | 118,600             | -                          | -               |
| Barbados                    | -                          | -                | 118,600               | 118,600             | -                          | -               |
| Belize                      | 33,412                     | -                | 33,412                | 66,824              | -                          | -               |
| Botswana                    | 82,470                     | -                | 118,600               | 201,070             | -                          | -               |
| Brunei Darussalam           | -                          | -                | 168,431               | 168,431             | -                          | -               |
| Cameroon                    | 118,600                    | -                | 118,600               | 146,420             | 90,780                     | -               |
| Canada                      | -                          | -                | 3,393,624             | 3,393,624           | -                          | -               |
| Cyprus                      | 211,373                    | -                | 211,373               | 211,373             | 211,373                    | -               |
| Dominica                    | 365,491                    | -                | 33,412                | 75,822              | 323,081                    | -               |
| Fiji                        | 153,037                    | -                | 118,600               | 136,741             | 134,896                    | -               |
| The Gambia*                 | 32,622                     | -                | -                     | -                   | 32,622                     | -               |
| Ghana                       | 233,009                    | -                | 118,600               | 233,009             | 118,600                    | -               |
| Grenada                     | -                          | -                | 33,412                | 33,412              | -                          | -               |
| Guyana                      | -                          | (38,981)         | 33,412                | (3,842)             | -                          | (1,727)         |
| India                       | -                          | -                | 674,064               | 674,064             | -                          | -               |
| Jamaica                     | 118,600                    | -                | 118,600               | -                   | 237,200                    | -               |
| Kenya                       | -                          | (7,362)          | 118,600               | 38,586              | 72,652                     | -               |
| Kiribati                    | -                          | -                | 33,412                | -                   | 33,412                     | -               |
| Lesotho                     | -                          | -                | 33,412                | 33,412              | -                          | -               |
| Malawi                      | 43,882                     | -                | 33,412                | 43,882              | 33,412                     | -               |
| Malaysia                    | -                          | -                | 269,626               | -                   | 269,626                    | -               |
| Maldives                    | 33,412                     | -                | 33,412                | 33,412              | 33,412                     | -               |
| Malta                       | -                          | -                | 118,600               | 118,600             | -                          | -               |
| Mauritius                   | -                          | -                | 118,600               | 118,600             | -                          | -               |
| Mozambique                  | 13,506                     | -                | 33,412                | 49,411              | -                          | (2,493)         |
| Namibia                     | -                          | -                | 118,600               | 118,600             | -                          | -               |
| Nauru                       | -                          | -                | 33,412                | -                   | 33,412                     | -               |
| New Zealand                 | -                          | -                | 456,033               | 456,033             | -                          | -               |
| Nigeria                     | -                          | -                | 228,466               | -                   | 228,466                    | -               |
| Pakistan                    | 3,626                      | -                | 228,466               | 232,092             | -                          | -               |
| Papua New Guinea            | 66,034                     | -                | 33,412                | 66,034              | 33,412                     | -               |
| Rwanda                      | 22,971                     | -                | 33,412                | 56,383              | -                          | -               |
| St Kitts & Nevis            | 33,412                     | -                | 33,412                | 66,824              | -                          | -               |
| St Lucia                    | -                          | (11,094)         | 33,412                | 33,412              | -                          | (11,094)        |
| St Vincent & the Grenadines | 33,411                     | -                | 33,412                | -                   | 66,823                     | -               |
| Samoa                       | -                          | -                | 33,412                | 28,800              | 4,612                      | -               |
| Seychelles                  | -                          | -                | 33,412                | -                   | 33,412                     | -               |
| Sierra Leone                | -                          | (33,701)         | 33,412                | -                   | -                          | (289)           |
| Singapore                   | -                          | -                | 456,033               | 456,033             | -                          | -               |
| Solomon Islands             | 66,034                     | -                | 33,412                | 99,446              | -                          | -               |
| South Africa                | -                          | (43,162)         | 456,033               | 456,033             | -                          | (43,162)        |
| Sri Lanka                   | -                          | -                | 118,600               | 118,600             | -                          | -               |
| Swaziland                   | -                          | (14,765)         | 33,412                | 33,412              | -                          | (14,765)        |
| Tanzania                    | 304,836                    | -                | 118,600               | 304,835             | 118,601                    | -               |
| Tonga                       | 33,412                     | -                | 33,412                | 66,824              | -                          | -               |
| Trinidad & Tobago           | -                          | (10,984)         | 168,431               | 168,431             | -                          | (10,984)        |
| Tuvalu                      | 54,627                     | -                | 33,412                | 88,039              | -                          | -               |
| Uganda                      | 234,393                    | -                | 118,600               | 234,393             | 118,600                    | -               |
| United Kingdom              | -                          | -                | 5,455,484             | 5,455,484           | -                          | -               |
| Vanuatu                     | 33,412                     | -                | 33,412                | 33,412              | 33,412                     | -               |
| Zambia                      | 66,034                     | -                | 33,412                | 38,870              | 60,576                     | -               |
| <b>Total</b>                | <b>2,425,028</b>           | <b>(160,049)</b> | <b>16,817,537</b>     | <b>16,811,226</b>   | <b>2,355,804</b>           | <b>(84,514)</b> |

\*The Gambia withdrew from The Commonwealth in 2013.

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 8. (b) Joint Office in New York – Donors Contributions from Non-exchange Transactions 2016-17

| Country             | 2016-17        | 2015-16        |
|---------------------|----------------|----------------|
|                     | £              | £              |
| Australia           | 137,767        | 116,613        |
| New Zealand         | 151,583        | 130,406        |
| India               | 78,846         | 66,739         |
| Malaysia            | 30,844         | -              |
| Singapore           | 15,769         | 13,348         |
| Cyprus              | -              | 2,716          |
| United Kingdom      | 49,000         | 25,000         |
| <b>Total Donors</b> | <b>463,809</b> | <b>354,822</b> |

### 8. (c) Small States Office in Geneva Donors Contributions from Non-exchange Transactions 2016-17

| Country                    | 2016-17        | 2015-16        |
|----------------------------|----------------|----------------|
|                            | £              | £              |
| India                      | 62,719         | 54,692         |
| Australia                  | 70,845         | 63,393         |
| New Zealand                | 157,466        | 127,402        |
| Singapore                  | 15,913         | 13,776         |
| United Kingdom             | 49,809         | 25,000         |
| <b>Total Contributions</b> | <b>356,752</b> | <b>284,263</b> |

### 9. Common Service Charge from Exchange Transactions

| Fund  | 2016-17          | 2015-16          |
|---|------------------|------------------|
|   | £                | £                |
| Commonwealth Fund for Technical Co-operation (CFTC)   | 1,865,590        | 3,257,694        |
| Commonwealth Youth Programme Fund (CYP)               | 455,065          | 646,674          |
| Commonwealth Association of Tax Administrators (CATA) | 37,787           | 75,846           |
| <b>Total</b>  | <b>2,358,442</b> | <b>3,980,214</b> |

### 10. (a) Special Projects from Non-exchange Transactions 2016-17

| Special Projects  | Deferred Income Balance 30 June 2016 | Project Cash Receipts | Project Expenses | Adjustments     | Deferred Income Balance 30 June 2017 |
|---|--------------------------------------|-----------------------|------------------|-----------------|--------------------------------------|
|   | £                                    | £                     | £                | £               | £                                    |
| Commonwealth Media Development  | 62,172                               | -                     | -                | -               | 62,172                               |
| Commonwealth Observer Missions  | 397,659                              | -                     | (394,489)        | (2)             | 3,168                                |
| Partnership – Commonwealth Family International Organisations               | 48,318                               | -                     | -                | (48,318)        | -                                    |
| Support for the Reform of the Commonwealth Secretariat                      | -                                    | 33,750                | (31,159)         | (2,591)         | -                                    |
| Contribution towards the Commonwealth Secretariat Corporate Services Review | -                                    | 30,000                | (30,000)         | -               | -                                    |
| <b>TOTAL</b>  | <b>508,149</b>                       | <b>63,750</b>         | <b>(455,648)</b> | <b>(50,911)</b> | <b>65,340</b>                        |

The adjustments represent funds that have been transferred to other income.

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 10. (b) Special Projects from Non-exchange Transactions 2015-16

| Special Projects  | Deferred Income Balance 30 June 2015 | Project Cash Receipts | Project Expenses | Adjustments | Deferred Income Balance 30 June 2016 |
|---|--------------------------------------|-----------------------|------------------|-------------|--------------------------------------|
|   | £                                    | £                     | £                | £           | £                                    |
| Commonwealth Media Development                                | 62,172                               | -                     | -                | -           | 62,172                               |
| Commonwealth Observer Missions                                | 527,832                              | -                     | (130,173)        | -           | 397,659                              |
| COG – Solomon Islands   | 25                                   | -                     | -                | (25)        | -                                    |
| Partnership – Commonwealth Family International Organisations | -                                    | 48,318                | -                | -           | 48,318                               |
| <b>TOTAL</b>  | <b>590,029</b>                       | <b>48,318</b>         | <b>(130,173)</b> | <b>(25)</b> | <b>508,149</b>                       |

### 11. (a) Interest Receivable from Exchange Transactions

|                              | 2016-17       | 2015-16       |
|------------------------------|---------------|---------------|
|                              | £             | £             |
| Interest on Bank Deposits    | 11,136        | 20,600        |
| <b>Total Interest Income</b> | <b>11,136</b> | <b>20,600</b> |

Interest bearing accounts and investments yielded an average rate of 0.19% (2015-16: 0.33%) during the reporting period.

### 11. (b) (i) Other Income from Exchange Transactions

|  | 2016-17          | 2015-16 Re-stated |
|--|------------------|-------------------|
|  | £                | £                 |
| Income for Joint Office in New York      | 360,987          | 301,597           |
| Income for Small States Office in Geneva | 665,102          | 277,400           |
| Recovery of Expenses                     | 299,651          | 237,685           |
| Marlborough House Makeover               | 47,079           | 58,070            |
| Inventory Sales                          | -                | 7,215             |
| <b>Total Other Income</b>                | <b>1,372,819</b> | <b>881,967</b>    |

### 11. (b) (ii) Other Income from Non-exchange Transactions

|  | 2016-17   | 2015-16   |
|--|-----------|-----------|
|  | £         | £         |
| Service in-kind: Provision of Rent Free Property | 1,740,000 | 1,900,000 |

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 12. Staff Costs

|   | Notes | 2016-17          | 2015-16          |
|---|-------|------------------|------------------|
|   |       | £                | £                |
| Salaries and allowances                             |       | 6,521,829        | 7,173,820        |
| Employers National Insurance Contributions          |       | 644,943          | 654,104          |
| Contributions to Staff Gratuity Fund                |       | 825,392          | 782,636          |
| Pension Contributions - Defined Contribution Scheme |       | 84,247           | 103,573          |
| Pension Contributions & Expenses                    | (a)   | (271,958)        | 256,562          |
| Termination Benefits                                | (b)   | 154,361          | 21,316           |
| Provision for relocation expenses                   | 7(b)  | (159,144)        | 123,516          |
| Provision for home leave expenses                   | 7(c)  | 25,227           | (10,074)         |
| <b>Total Staff Costs</b>                            |       | <b>7,824,897</b> | <b>9,105,453</b> |

(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 6).

(b) During the financial year 2016-17 the Commonwealth implemented a new organisational structure which came into effect 1 July 2017. As a result of the structural reconfiguration, the Commonwealth has incurred termination benefits during the period for compulsory redundancies. The Commonwealth has also recognised an obligation for estimated termination benefits in the Statement of Financial Performance in 2016-17 in relation to the organisational restructure costs that will occur in the 2017-18 financial period.

In 2013-14, The Commonwealth implemented a structural reconfiguration which came into effect on 1 July 2014. The Commonwealth incurred termination benefits for voluntary and compulsory redundancies during the period 2014-15 and 2015-16 as a result of the reconfiguration. The 2015-16 cost relates to payments in-lieu of notice for staff who left in that year.

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 13. Other Costs

|  | 2016-17           | 2015-16           |
|--|-------------------|-------------------|
|  | £                 | £                 |
| Rent & Rates                                 | 2,722,922         | 2,356,616         |
| Notional Value of Rent for Marlborough House | 1,740,000         | 1,900,000         |
| Property Services and Maintenance Costs      | 910,622           | 504,363           |
| Utilities                                    | 193,461           | 149,410           |
| Other Property Costs                         | 203,917           | 205,490           |
| Equipment Maintenance                        | 386,767           | 428,141           |
| Communication, Publicity & Information       | 713,264           | 920,657           |
| Vehicle Maintenance and Running Costs        | 42,375            | 39,983            |
| Insurance                                    | 100,919           | 102,471           |
| Library & Subscriptions                      | 68,173            | 79,470            |
| Staff Development                            | 35,199            | 82,623            |
| Professional Fees                            | 330,921           | 267,343           |
| Audit Fees                                   | 68,904            | 68,040            |
| Bank & Finance Charges                       | 40,595            | 38,969            |
| Tribunal Expenses                            | 96,615            | 169,147           |
| Recruitment Costs                            | 62,819            | 179,607           |
| Pension Administration Costs                 | 61,097            | 68,375            |
| Short Term Consultants Costs                 | 570,538           | 351,538           |
| Conference Costs                             | 682,720           | 637,860           |
| Travel Costs & Subsistence Costs             | 1,149,693         | 1,440,308         |
| Accommodation and Venue Costs                | 404,169           | 534,232           |
| Inventory Expenses                           | -                 | 7,215             |
| Loss on Derecognition of Fixed Assets        | 105,875           | 181,182           |
| Other Miscellaneous Expenses                 | 602,364           | 355,537           |
| Net Provisions                               | 737,536           | 12,316            |
| <b>Total Other Costs</b>                     | <b>12,031,465</b> | <b>11,080,893</b> |

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. Total operating lease costs recognised in COMSEC in 2016-17 is £1,273,238 (2015-16: £1,186,302). The total future minimum rentals under operating leases are detailed in note 18(a).

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 14. (a) Direct Project Expenses by Outcome

For additional information, a breakdown of direct project expenses analysed according to the outcomes in the four year 2013-14 to 2016-17 Strategic Plan is provided below:

|   | 2016-17          | 2015-16<br>Restated |
|---|------------------|---------------------|
|   | £                | £                   |
| Democracy                                       | 2,146,256        | 2,366,226           |
| Public Institutions                             | 316,682          | 25,030              |
| Social Development                              | 252,616          | 482,718             |
| Development Pan-Commonwealth                    | 329,243          | 463,037             |
| Development: Small States and Vulnerable States | 2,283,375        | 1,540,240           |
| Global Advocacy                                 | 2,200,386        | 2,467,320           |
| Technical Assistance                            | 30,447           | 70,883              |
| Commonwealth Profile                            | 765,216          | 988,803             |
| Internal Outcomes                               | 183,109          | 172,826             |
| <b>Total</b>                                    | <b>8,507,330</b> | <b>8,577,083</b>    |

#### 14. (b) Direct Project Expenses by Cost Type

For additional information, a breakdown of direct project expenses is provided below according to cost type:

|                    |     | Notes      | 2016-17          | 2015-16<br>Restated |
|--------------------|-----|------------|------------------|---------------------|
|                    |     |            | £                | £                   |
| Direct Staff Costs |     | 12&13      | 3,877,226        | 4,034,847           |
| Other Costs        |     | 13         | 4,551,540        | 4,514,557           |
| Depreciation       | (a) | 4(a)(b)(i) | 78,564           | 27,679              |
| <b>Total</b>       |     |            | <b>8,507,330</b> | <b>8,577,083</b>    |

(a) The depreciation charge relates to assets maintained at the Joint Office for Commonwealth Permanent Missions to the United Nations in New York and the Commonwealth Small States Office in Geneva.

#### 15. Segmental Information

Segmental information is based on the structure of activities of the London based office, the Joint Office for Commonwealth Permanent Missions to the United Nations in New York (New York) and the Commonwealth Small States Office in Geneva (Geneva). The activities of the New York and Geneva Offices, their financial performance and position have been disclosed separately in the statements on page 6.

The offices in New York and Geneva have been established to provide subsidised office space as a base for Commonwealth Small States representing their respective countries at UN and other multilateral meetings. For purposes of the segmental report, the COMSEC office in London, the Joint Office for Commonwealth Permanent Missions to the United Nations in New York and the Commonwealth Small States Office in Geneva are referred in the report as London, New York and Geneva respectively.

**COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**15. Segmental Information (Continued)**

**Statement of Financial Position as at 30 June 2017**

|                          | London              |                     | New York         |                  | Geneva             |                  | Consolidation Adjustments |                    | TOTAL               |                     |
|--------------------------|---------------------|---------------------|------------------|------------------|--------------------|------------------|---------------------------|--------------------|---------------------|---------------------|
|                          | 2017                | 2016                | 2017             | 2016             | 2017               | 2016             | 2017                      | 2016               | 2017                | 2016                |
|                          | £                   | £                   | £                | £                | £                  | £                | £                         | £                  | £                   | £                   |
| <b>ASSETS</b>            |                     |                     |                  |                  |                    |                  |                           |                    |                     |                     |
| Current Assets           | 14,403,056          | 12,641,822          | 572,486          | 1,218,821        | 460,070            | 361,508          | (1,090,290)               | (1,001,352)        | 14,345,322          | 13,220,799          |
| Non-current Assets       | 19,579,678          | 19,750,714          | 253,381          | 13,679           | 1,121,155          | 17,522           | -                         | -                  | 20,954,214          | 19,781,915          |
| <b>TOTAL ASSETS</b>      | <b>33,982,734</b>   | <b>32,392,536</b>   | <b>825,867</b>   | <b>1,232,500</b> | <b>1,581,225</b>   | <b>379,030</b>   | <b>(1,090,290)</b>        | <b>(1,001,352)</b> | <b>35,299,536</b>   | <b>33,002,714</b>   |
| <b>LIABILITIES</b>       |                     |                     |                  |                  |                    |                  |                           |                    |                     |                     |
| Current Liabilities      | (8,719,392)         | (6,047,070)         | (55,861)         | (789,317)        | (1,647,027)        | (488,092)        | 1,090,290                 | 1,001,352          | (9,331,990)         | (6,323,127)         |
| Non-current Liabilities  | (8,645,690)         | (17,805,306)        | (311,710)        | -                | (10,964)           | -                | -                         | -                  | (8,968,364)         | (17,805,306)        |
| <b>TOTAL LIABILITIES</b> | <b>(17,365,082)</b> | <b>(23,852,376)</b> | <b>(367,571)</b> | <b>(789,317)</b> | <b>(1,657,991)</b> | <b>(488,092)</b> | <b>1,090,290</b>          | <b>1,001,352</b>   | <b>(18,300,354)</b> | <b>(24,128,433)</b> |
| <b>NET ASSETS</b>        | <b>16,617,652</b>   | <b>8,540,160</b>    | <b>458,296</b>   | <b>443,183</b>   | <b>(76,766)</b>    | <b>(109,062)</b> | <b>-</b>                  | <b>-</b>           | <b>16,999,182</b>   | <b>8,874,281</b>    |

During the reporting year, the London office had Building improvements, Equipment and furniture additions of £635,036 (2016: £1,326,050) and disposals in Building Improvements of £240,593 (2016: £314,387). New York had Building improvements, Equipment and furniture additions of £259,775 (2016: £10,140) and disposals of £49,844 (2016: £nil). Geneva had Building improvements, Equipment and furniture of £1,171,866 (2016: £4,908) and disposals of £89,078 (2016: £nil).



**COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**15. Segmental Information (Continued)**

**Statement of Financial Performance for the year ended 30 June 2017**

|          | London           |                  | New York    |              | Geneva        |                 | Consolidation Adjustments |           | TOTAL            |                  |
|----------|------------------|------------------|-------------|--------------|---------------|-----------------|---------------------------|-----------|------------------|------------------|
|          | 2017             | 2016             | 2017        | 2016         | 2017          | 2016            | 2017                      | 2016      | 2017             | 2016             |
|          | £                | £                | £           | £            | £             | £               | £                         | £         | £                | £                |
| REVENUE  | 21,780,453       | 23,196,171       | 1,253,053   | 949,594      | 1,069,932     | 583,138         | (432,772)                 | (290,453) | 23,670,666       | 24,438,450       |
| EXPENSES | (18,717,505)     | (19,460,110)     | (1,252,504) | (943,138)    | (1,030,872)   | (597,103)       | 432,772                   | 290,453   | (20,568,109)     | (20,709,898)     |
| SURPLUS  | <u>3,062,948</u> | <u>3,736,061</u> | <u>549</u>  | <u>6,456</u> | <u>39,060</u> | <u>(13,965)</u> | <u>-</u>                  | <u>-</u>  | <u>3,102,557</u> | <u>3,728,552</u> |

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 16. 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); and
- Commonwealth Youth Programme Fund (CYP).

As described in note 1.17(b)(i) costs of common service divisions are incurred by COMSEC. These charges are recovered from CFTC and CYP, see note 9.

COMSEC also recognises Staff Gratuity Fund assets and liabilities for CFTC and CYP within the Statement of Financial Position (see note 5(b)).

##### (b) Other Related Parties

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 5(b).

In the financial year to 30 June 2017, there were no transactions outside the normal operations between The Commonwealth and the two Commonwealth organisations mentioned above (2016: £nil).

##### (c) Key Management Personnel

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

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 on a full time equivalent basis for COMSEC during the year was as follows:

|                              | Number of persons |          | Aggregate Remuneration |                  |
|------------------------------|-------------------|----------|------------------------|------------------|
|                              | 2016-17           | 2015-16  | 2016-17                | 2015-16          |
|                              |                   |          | £                      | £                |
| Management Committee         | 2                 | 2        | 411,427                | 422,516          |
| Directors and Heads of Units | 9                 | 7        | 917,864                | 876,998          |
| <b>TOTAL</b>                 | <b>11</b>         | <b>9</b> | <b>1,329,291</b>       | <b>1,299,514</b> |

The Management Committee consisted of the Secretary-General, two Deputy Secretaries-General and one Chief Operating Officer. 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

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 16. Related Party Disclosures (Continued)

at The Commonwealth's official residence at Hill Street along with a chauffeur driven car for official use which is also available for the Secretary-General's private use.

|              | Management Committee |                | Directors and Heads of Units |                |
|--------------|----------------------|----------------|------------------------------|----------------|
|              | 2016-17              | 2015-16        | 2016-17                      | 2015-16        |
|              | £                    | £              | £                            | £              |
| Salary       | 266,112              | 250,594        | 681,805                      | 608,526        |
| Allowances   | 86,753               | 113,430        | 119,732                      | 152,026        |
| Gratuity     | 58,562               | 58,492         | 116,327                      | 116,446        |
| <b>TOTAL</b> | <b>411,427</b>       | <b>422,516</b> | <b>917,864</b>               | <b>876,998</b> |

There were no loans to key management personnel that were not available to other staff as at 30 June 2017.

#### 17. Contingencies

As at 30 June 2017, there were no contingent liabilities relating to Arbitral Tribunal claims (2016: £234,000).

#### 18. Commitments

##### (a) Obligations under Operating Leases

The Commonwealth has operating lease commitments for a variety of equipment and for its premises in New York, Geneva and Commonwealth 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 |
|---|----------------------|----------------------|
|   | 2017                 | 2016                 |
|   | £                    | £                    |
| Not later than one year                           | 3,499,402            | 2,735,780            |
| Later than one year and not later than five years | 14,050,739           | 8,167,692            |
| Later than five years                             | 20,010,064           | 6,300,000            |
| <b>Total Due</b>                                  | <b>37,560,205</b>    | <b>17,203,472</b>    |

The sublease payments received in 2016-17 under non-cancellable subleases for office space in Commonwealth house in London is £161,746 (2015-16: £Nil).

The total minimum future sublease payments expected to be received under non-cancellable subleases for office space in Commonwealth House in London is £350,758 (2016: £Nil).

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 19. Restatement of Prior Year Comparatives

Note 11(b)(i), Other Income from Exchange Transactions in 2015-16 has been restated to include Publication Revolving and Marlborough House Makeover Income which were previously reported under Designated Funds from Exchange Transactions note. This note has been discontinued.

The 2015-16 values in note 14(a) and (b), Direct Project Expenses by Outcome and Direct Project Expenses by Cost Type have been restated to include total expenditure for the Joint Office for Commonwealth Permanent Missions to the United Nations in New York and the Commonwealth Small States Office in Geneva. The inclusion is to reflect actual direct expenditure on development of small states and vulnerable states in line with the 2013-14 to 2016-17 strategic outcomes. In 2015-16, only the net COMSEC funding to the Joint Office for Commonwealth Permanent Missions to the United Nations budget shortfall was included in direct costs.

The restatements had no effect on the previously reported total revenue or surplus for the year ended 30 June 2016.

The tables below summarise the changes in Other Income from Exchange Transactions, Direct Project Expenses by Outcome and Direct Project Expenses by Cost Type schedules for the year ended 30 June 2016.

#### Restated notes

##### Note 11(b)(i), Other Income from Exchange Transactions

|                    | As stated in<br>2015-16 | Restatement<br>Adjustment | As Restated in<br>2016-17 |
|--------------------|-------------------------|---------------------------|---------------------------|
|                    | £                       | £                         | £                         |
| Total Other Income | 823,897                 | 58,070                    | 881,967                   |

##### Note 14. (a) Direct Project Expenses by Outcome

|  | As stated in<br>2015-16 | Restatement<br>Adjustment | As Restated in<br>2016-17 |
|--|-------------------------|---------------------------|---------------------------|
|  | £                       | £                         | £                         |
| Total Direct Project Expenses by Outcome | 7,327,296               | 1,249,787                 | 8,577,083                 |

##### Note 14. (b) Direct Project Expenses by Cost Type

|  | As stated in<br>2015-16 | Restatement<br>Adjustment | As Restated in<br>2016-17 |
|--|-------------------------|---------------------------|---------------------------|
|  | £                       | £                         | £                         |
| Total Direct Project Expenses by Cost Type | 7,327,296               | 1,249,787                 | 8,577,083                 |

#### 20. 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.

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 20. Financial Instruments (Continued)

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.

#### (a) Fair Values

The assets of COMSEC are categorised as follows:

|                      | 2017              | 2016              |
|----------------------|-------------------|-------------------|
|                      | £                 | £                 |
| Financial assets     | 13,983,313        | 12,845,284        |
| Non-financial assets | 21,316,223        | 20,157,430        |
| <b>Total</b>         | <b>35,299,536</b> | <b>33,002,714</b> |

The liabilities of COMSEC are categorised as follows:

|                           | 2017              | 2016              |
|---------------------------|-------------------|-------------------|
|                           | £                 | £                 |
| Financial liabilities     | 10,410,227        | 7,675,250         |
| Non-financial liabilities | 7,890,127         | 16,453,183        |
| <b>Total</b>              | <b>18,300,354</b> | <b>24,128,433</b> |

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 values       |
|---------------------------|-------------------|-------------------|
|                           | £                 | £                 |
| <b>2017:</b>              |                   |                   |
| Cash and Cash Equivalents | 12,608,724        | 12,608,724        |
| Current Receivables       | 1,133,968         | 1,133,968         |
| Non-current Receivables   | 240,621           | 240,621           |
| <b>Total</b>              | <b>13,983,313</b> | <b>13,983,313</b> |
| <b>2016:</b>              |                   |                   |
| Cash and Cash Equivalents | 9,902,309         | 9,902,309         |
| Receivables               | 2,569,801         | 2,569,801         |
| Non-current Receivables   | 373,174           | 373,174           |
| <b>Total</b>              | <b>12,845,284</b> | <b>12,845,284</b> |

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 20. Financial Instruments (Continued)

##### Financial Liabilities:

|              | Carrying<br>Amount | Fair Values       |
|--------------|--------------------|-------------------|
|              | £                  | £                 |
| <b>2017:</b> |                    |                   |
| Borrowings   | 840,000            | 840,000           |
| Payables     | 9,570,227          | 9,570,227         |
| <b>Total</b> | <b>10,410,227</b>  | <b>10,410,227</b> |
| <b>2016:</b> |                    |                   |
| Borrowings   | 936,000            | 936,000           |
| Payables     | 6,739,250          | 6,739,250         |
| <b>Total</b> | <b>7,675,250</b>   | <b>7,675,250</b>  |

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.

##### (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 15.

At 30 June 2017, 95% of cash and cash equivalents are denominated in GB Pound Sterling, 3% in Swiss Francs and 2% in United States Dollars. (2016: 94% in GB Pound Sterling, 3% in Swiss Francs and 3% United States Dollars).

##### (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 2017, 100% 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

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 20. Financial Instruments (Continued)

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 a Base Rate Loan facility is available if required. As at 30 June 2017 the Base Rate Loan facility of £1,500,000 was not utilised (2016: Rate Loan facility £1,500,000).

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:

| 2017                     | <6 months        | 6 – 12 months | 1 – 5 years    | >5 years       | Total             |
|--------------------------|------------------|---------------|----------------|----------------|-------------------|
|                          | £                | £             | £              | £              | £                 |
| <b>Liabilities</b>       |                  |               |                |                |                   |
| Borrowings               | -                | 96,000        | 480,000        | 264,000        | 840,000           |
| Payables                 | 9,570,227        | -             | -              | -              | 9,570,227         |
| <b>Total Liabilities</b> | <b>9,570,227</b> | <b>96,000</b> | <b>480,000</b> | <b>264,000</b> | <b>10,410,227</b> |

| 2016                     | <6 months        | 6 – 12 months | 1 – 5 years    | >5 years       | Total            |
|--------------------------|------------------|---------------|----------------|----------------|------------------|
|                          | £                | £             | £              | £              | £                |
| <b>Liabilities</b>       |                  |               |                |                |                  |
| Borrowings               | -                | 96,000        | 480,000        | 360,000        | 936,000          |
| Payables                 | 6,739,250        | -             | -              | -              | 6,739,250        |
| <b>Total Liabilities</b> | <b>6,739,250</b> | <b>96,000</b> | <b>480,000</b> | <b>360,000</b> | <b>7,675,250</b> |

#### (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.

#### (f) 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 5(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 2017 had been 25% higher or lower, the interest income would have been affected as follows:

|   | Increase (+) / Decrease (-) | Effect on Surplus / Deficit |
|---|-----------------------------|-----------------------------|
| <b>Cash and Cash Equivalents</b>  |                             | £                           |
| Movement in Interest Income due to change in weighted average Interest Rate | +25%                        | 2,784                       |
| Movement in Interest Income due to change in weighted average Interest Rate | -25%                        | (2,784)                     |

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 20. Financial Instruments (Continued)

#### Foreign Currency Risk

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

| 2017                       | GBP        | Other Currencies | Total       |
|----------------------------|------------|------------------|-------------|
|                            | £          | £                | £           |
| Financial Assets           | 13,004,747 | 978,566          | 13,983,313  |
| <b>Percentage of Total</b> | <b>93%</b> | <b>7%</b>        | <b>100%</b> |
| Financial Liabilities      | 9,474,955  | 935,272          | 10,410,227  |
| <b>Percentage of Total</b> | <b>91%</b> | <b>9%</b>        | <b>100%</b> |

The table below shows the impact of a 25% movement in the relative value of the GB Pound Sterling against the foreign currency balances as at 30 June 2017.

|   | Increase (+) / Decrease (-) | Effect on Balances |
|---|-----------------------------|--------------------|
| <b>Financial Assets</b>                                 |                             | £                  |
| Movement in the relative value of the GB Pound Sterling | +25%                        | 244,642            |
| Movement in the relative value of the GB Pound Sterling | -25%                        | (244,642)          |

|   | Increase (+) / Decrease (-) | Effect on Balances |
|---|-----------------------------|--------------------|
| <b>Financial Liabilities</b>                            |                             | £                  |
| Movement in the relative value of the GB Pound Sterling | +25%                        | 233,818            |
| Movement in the relative value of the GB Pound Sterling | -25%                        | (233,818)          |

### 21. Events After Reporting Date

The Secretary-General authorised these financial statements for issue on 8 December 2017.

There are no material events, favourable or unfavourable that occurred between the reporting date, 30 June 2017, and the date of authorisation for issue that would have impacted these statements.





Commonwealth Secretariat  
Marlborough House, Pall Mall  
London SW1Y 5HX  
United Kingdom

[thecommonwealth.org](http://thecommonwealth.org)

