



**FINANCIAL STATEMENTS  
OF THE  
COMMONWEALTH SECRETARIAT FUND  
FOR THE YEAR ENDED  
30 JUNE 2012**

**Stephen Cutts**

**Assistant Secretary General**

**17 December 2012**

**Kamallesh Sharma**

**Secretary General**

**17 December 2012**



## **COMMONWEALTH SECRETARIAT FUND**

### **PRINCIPAL ACTIVITIES AND OPERATING STRUCTURE**

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

The Commonwealth Secretariat (The Secretariat) is an inter-governmental organisation set up by the 54 Commonwealth Member Governments to promote democracy, good governance, economic and human development in member countries.

The Secretariat's role is articulated in the following Mission Statement:

"We work as a trusted partner for all Commonwealth people as:

- A force for peace, democracy, equality, equity, respect and good governance;
- A catalyst for global consensus-building; and
- A source of assistance for sustainable development and poverty eradication"

The Secretariat delivers its core programmes of work in four main areas: policy development, advisory services and advocacy, technical assistance, and consensus-building.

Further information regarding The Secretariat's current four year Strategic Plan from 2008/09 to 2011/12, which was extended to allow for full consideration of the mandates from CHOGM 2011 to be developed into a new Strategic Plan, can be found on the website [www.thecommonwealth.org](http://www.thecommonwealth.org).

#### **Commonwealth Secretariat Fund**

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

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

The Memoranda of Understanding of the three funds require The Secretariat 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 2012.

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

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

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

## **COMMONWEALTH SECRETARIAT FUND**

### **PRINCIPAL ACTIVITIES AND OPERATING STRUCTURE**

#### **Governance and Structure**

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

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

The Secretary General is assisted by two Deputy Secretaries General, an Assistant Secretary General and 11 directors in managing the activities of the organisation. The Secretariat has 13 divisions and units which carry out programmes of work based on mandates set at CHOGM.

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

#### **Responsibilities of the Secretary-General**

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

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

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

## COMMONWEALTH SECRETARIAT FUND

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

We have audited the financial statements of the Commonwealth Secretariat Fund for the year ended 30 June 2012, 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 25.

Our report will be made solely to the Board of Governors in accordance with this engagement letter and the Financial Regulations of the funds. Our work will be undertaken so that we might state to the Secretary-General those matters we are required to state to them in an independent auditor's report and for no other purpose. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Board of Governors as a body, for our audit work, for our reports, or for the conclusions we form.

#### Secretary General's responsibilities for the Financial Statements

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

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with the Auditing Practices Board's Ethical Standards for Auditors and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Commonwealth Secretariat Fund as at 30 June 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards and the Financial Regulations as authorised by the Commonwealth Heads of Government.

  
Deloitte LLP  
Chartered Accountants and Statutory Auditor  
St Albans, UK

15 December 2012



# COMMONWEALTH SECRETARIAT FUND

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

		30 June 2012	30 June 2011
		£	Restated £
<b>ASSETS</b>	<b>Notes</b>		
<b>Current Assets</b>			
Cash and Cash Equivalents	2	4,871,856	3,981,441
Inventories	3	12,942	11,580
Receivables and Prepayments	4	1,228,089	615,384
Members' Contributions Receivable	9	2,328,905	3,349,097
		<b>8,441,792</b>	<b>7,957,502</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	5	18,915,805	17,842,000
		<b>18,915,805</b>	<b>17,842,000</b>
<b>TOTAL ASSETS</b>		<b>27,357,597</b>	<b>25,799,502</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables and Other Current Liabilities	6	4,322,858	5,583,561
Deferred Income	11	94,788	294,627
Members' Contributions Prepaid	9	104,552	98,851
Provisions	8	959,312	1,229,700
Finance Lease Liability	22(a)	665,120	579,319
		<b>6,146,630</b>	<b>7,786,058</b>
<b>Non-Current Liabilities</b>			
Payables and Other Non-Current Liabilities	6	3,124,314	3,008,818
Finance Lease Liability	22(a)	528,711	767,127
Pension Liabilities	7	13,967,700	12,665,800
Provisions	8	2,096,313	1,094,600
		<b>19,717,038</b>	<b>17,536,345</b>
<b>TOTAL LIABILITIES</b>		<b>25,863,668</b>	<b>25,322,403</b>
<b>NET ASSETS</b>		<b>1,493,929</b>	<b>477,099</b>
<b>FUND BALANCES AND RESERVES</b>			
General Reserve		(1,755,668)	(2,472,854)
Working Capital Fund		2,219,838	2,213,278
Joint Office in New York	19	490,132	418,199
Small States Office in Geneva	19	132,398	281,209
Designated Funds	12	319,833	275,444
Revaluation Reserve		14,055,096	12,427,623
Pension Reserve		(13,967,700)	(12,665,800)
<b>TOTAL FUND BALANCES AND RESERVES</b>		<b>1,493,929</b>	<b>477,099</b>

# COMMONWEALTH SECRETARIAT FUND

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

		2011-12	2010-11
	Notes	£	Restated £
<b>REVENUE</b>			
Contributions to COMSEC	9(a)	15,852,455	15,542,509
Contributions to Joint Office in New York	9(b)	560,508	557,491
Contributions to Small States Office in Geneva	9(c)	276,822	401,154
Common Service Charge	10(a)	4,262,487	3,962,448
Project Service Charge	10(b)	2,524,689	-
Special Projects	11	846,483	1,112,883
Designated Funds	12	150,390	163,446
Interest Revenues	13	7,222	4,240
Other Income	13	2,130,962	2,001,177
<b>TOTAL REVENUE</b>		<u><u>26,612,018</u></u>	<u><u>23,745,348</u></u>
<b>EXPENSES</b>			
Staff Costs	14	16,091,582	14,596,302
General Administration	16	7,682,629	7,281,042
Training and workshops	17	1,209,469	1,354,779
Finance Costs		114,375	112,859
Currency Loss		6,531	4,775
<b>TOTAL EXPENSES</b>		<u><u>25,104,586</u></u>	<u><u>23,349,757</u></u>
<b>SURPLUS FOR THE YEAR</b>		<u><u>1,507,432</u></u>	<u><u>395,591</u></u>



COMMONWEALTH SECRETARIAT FUND

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Note	General Reserve	Working Capital Fund	Joint Office	Small States Office	Designated Funds	Revaluation Reserve	Pension Reserve	Total
		£	£	£	£	£	£	£	£
Balance at 1 July 2010 as previously stated		(2,332,242)	2,209,767	327,613	-	208,187	10,350,000	(11,587,400)	(834,175)
Restatement	24	-	-	-	-	-	-	(4,040,000)	(4,040,000)
Restated Balance at 1 July 2010		(2,332,242)	2,209,767	327,613	-	208,187	10,350,000	(15,637,400)	(4,874,175)
Surplus		36,258	-	111,640	247,695	-	-	-	395,591
Revaluation Reserve		-	-	-	-	-	2,077,623	-	2,077,623
Actuarial Gain on Supplementary Pension	7(c)	-	-	-	-	-	-	1,046,000	1,046,000
Actuarial Gain on Defined Benefit Scheme	7(b)	-	-	-	-	-	-	1,831,500	1,831,500
Increase in Liability - Former SG's Pension Scheme	7(a)	-	-	-	-	-	-	(12,000)	(12,000)
Transfer of Funds to Pension Reserve		(106,100)	-	-	-	-	-	106,100	-
Transfer of Designated Funds Surplus from General Reserve		(67,257)	-	-	-	67,257	-	-	-
Interest Income (Excluding Joint Office)		(3,511)	3,511	-	-	-	-	-	-
Currency Translation of Foreign Operations		-	-	(20,954)	33,514	-	-	-	12,560
Restated Balance at 30 June 2011		(2,472,854)	2,213,278	418,199	281,209	275,444	12,427,623	(12,685,800)	477,939
Surplus		1,565,135	-	67,554	(125,257)	-	-	-	1,507,432
Revaluation of Leasehold Property	5	-	-	-	-	-	1,627,473	-	1,627,473
Actuarial Gain on former SG's Pension Scheme	7(a)	-	-	-	-	-	-	97,000	97,000
Actuarial Loss on Defined Benefit Scheme	7(b)	-	-	-	-	-	-	(2,527,900)	(2,527,900)
Actuarial Gain on Supplementary Pension	7(c)	-	-	-	-	-	-	332,000	332,000
Transfers to Pension Reserve	7(a,b,c)	(767,000)	-	-	-	-	-	767,000	-
Transfer of Designated Funds Surplus from General Reserve		(44,389)	-	-	-	44,389	-	-	-
Interest Income (Excluding Joint Office and Small States Office)		(6,560)	6,560	-	-	-	-	-	-
Currency Translation of Foreign Operations		-	-	4,379	(23,554)	-	-	-	(19,175)
Balance at 30 June 2012		(1,746,688)	2,219,838	490,132	132,398	319,833	14,055,096	(13,967,700)	1,493,929

## COMMONWEALTH SECRETARIAT FUND

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	2011-12	2010-11
	£	Restated £
<b>Cash Flow from Operating Activities</b>		
Surplus from Ordinary Activities	1,507,432	395,591
<b>Adjustments for</b>		
Depreciation	1,037,628	1,038,441
Interest Revenues	(7,222)	(4,240)
Decrease in Contributions Receivable	1,020,192	370,915
Increase / (Decrease) in Contributions Prepaid	5,701	(115,772)
(Increase) / Decrease in Receivables and Prepayments	(812,705)	346,149
Increase in Inventories	(1,362)	(4,125)
Decrease in Payables and Other Current Liabilities	(982,139)	(1,073,542)
Increase in Provisions	731,325	774,300
Decrease in Deferred Income	(199,839)	(245,324)
Increase / (Decrease) in Payables and Other Non Current Liabilities	387,153	(380,799)
Pension Actuarial Transactions	(797,000)	(106,100)
<b>Net Cash Flow from Operating Activities</b>	<b>2,089,164</b>	<b>995,494</b>
<b>Cash Flow from Investing Activities</b>		
Purchase of Non Current Assets (non-lease)	(34,021)	(176,348)
Interest Revenues	7,222	4,240
<b>Net Cash Flow from Investing Activities</b>	<b>(26,799)</b>	<b>(172,108)</b>
<b>Cash Flow from Financing Activities</b>		
Repayments of Lease Liabilities	(602,555)	(655,290)
Repayments of Bank Loans and Overdrafts	(550,220)	(89,685)
<b>Net Cash Flow from Financing Activities</b>	<b>(1,152,775)</b>	<b>(744,975)</b>
<b>Currency (Loss) / Gain arising on Foreign Operations</b>	<b>(19,175)</b>	<b>12,560</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>890,415</b>	<b>90,971</b>
Cash and Cash Equivalents at the Beginning of Period	3,981,441	3,890,470
Cash and Cash Equivalents at the End of Period	4,871,856	3,981,441
<b>Movement in Cash and Cash Equivalents</b>	<b>890,415</b>	<b>90,971</b>

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

- IPSAS 28 Financial Instruments: Presentation (effective date 1 January 2013)
- IPSAS 29 Financial Instruments: Recognition & Measurement (effective date 1 January 2013)
- IPSAS 30 Financial Instruments: Disclosure (effective date 1 January 2013)

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

IPSASB has introduced IPSAS 31 (Intangible Assets) and requires entities to apply this standard for annual financial statements covering periods beginning on or after 1 April 2011. The Commonwealth Secretariat has applied IPSAS 31 in preparing these financial statements.

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

#### 1.2 Change to Accounting Policies

The Secretariat 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 Secretariat are funded by Member Governments via three separate multilateral funds:

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

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

The Secretariat 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.

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### 1.5 Going Concern Assumption

The financial statements have been prepared on the going-concern basis. Management has a reasonable expectation that The Secretariat will continue in operational existence for the foreseeable future. The Board of Governors have approved the 2012-13 budget paper on behalf of the member states; the most significant liabilities in respect of pensions fall due in future periods in excess of one year.

The new Strategic Plan is being developed and is expected to be finalised before the end of 2012. There is a commitment from the Board of Governors to fund this Strategic Plan effective July 2013.

#### 1.6 Functional and Presentational Currency

The financial statements have been presented in GB Pounds Sterling which is The Secretariat'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 initially measured at fair value plus transaction costs unless they are carried at fair value through profit and loss in which case transaction costs are charged to operating costs.

The categorisation of financial assets and liabilities depends on the purpose for which the asset or liability is held or acquired. Management determines the categorisation of assets and liabilities at initial recognition and re-evaluates this designation at each reporting date.

Current financial assets held by COMSEC comprise cash and cash equivalents, investments, inventories, receivables and prepayments. These are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. Since these balances are expected to be realised within twelve months of the reporting date, there is no material difference between fair value, amortised cost and historical cost. COMSEC does not hold any non-current financial assets.

Current financial liabilities held by COMSEC comprise payables, accruals and deferred income. For liabilities expected to be settled within twelve months of the reporting date, there is no material difference between fair value, amortised cost and historical cost.

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.

#### 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.

Managed investments are held in interest bearing accounts on the money market or as fixed short term deposits. All investments are due to mature within three months and, as such, are all classified as cash and cash equivalents under current assets. The fixed term deposits relate to restricted balances held for the Staff Gratuity Fund and are not available for general use by COMSEC.

#### 1.9 Inventories

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

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

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### 1.10 Property, Plant and Equipment

##### (a) Costs

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

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

##### (b) Revaluation

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

##### (c) Depreciation

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

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

• Leasehold building	Remaining life of the building or Term of Lease
• Building Improvements	Remaining life of the building or Term of Lease
• Plant and Equipment	12 years or Term of Lease
• Fixtures and Fittings	8 years or Term of Lease
• Motor Vehicles	5 years or Term of Lease
• Computers	4 years or Term of Lease

##### (d) Impairment

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

#### 1.11 Payables and Accruals

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

#### 1.12 Deferred Income

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

#### 1.13 Borrowings

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

#### 1.14 Provisions and Contingent Liabilities

Provisions are made for future liabilities and charges where COMSEC has a present legal or constructive obligation as a result of a past event. Other obligations, which do not meet the recognition criteria for liabilities, are

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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.

#### 1.15 Reserves

COMSEC's reserves consist of the following balances:

- General Reserve, is carried forward after accounting for contributions, other sources of income and expenses for all programme related and administrative categories;
- Working Capital Fund is credited with interest income receivable in the year. Advances from the fund are provided to improve cash flow constraints pending the receipt of contributions from member states;
- General Reserves of the Joint Office for Commonwealth Permanent Missions to the United Nations in New York and the Commonwealth Small States Office in Geneva, are included as they form part of COMSEC's activities;
- Revaluation Reserve, relates to the revaluation of the Secretary General's residence, see note 5. The balance is made up of gains and losses in the value of the property since its acquisition in 2001 and subsequent refurbishment;
- Designated Funds, specifically relate to the Publication and the Marlborough House Funds carried forward to the next year. See note 1.16(e); and
- Pension Reserve, created to reflect the surplus or deficit on The Secretariat's defined pension obligations.

#### 1.16 Revenue

##### (a) Contributions

COMSEC is financed by assessed contributions from the 54 Member Governments that make up the Commonwealth. Revenue is recognised in the period to which the contribution relates following agreement of contributions at the meeting of the Board of Governors held annually in May. Where contributions are received in advance of the year to which they relate, the amount is recognised as a liability in the Statement of Financial Position.

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

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

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

##### (b) Common Service Charge

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

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.

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### (c) Project Service Charge

With effect from 1 July 2011, COMSEC introduced a Project Service Charge to the CFTC Fund. The charge is a reallocation of diplomatic and professional staff costs from programmatic divisions to reflect the level of activities they provide as part of the work of the CFTC Fund.

The charge is calculated based on actual diplomatic and professional staff salaries.

#### (d) Special Projects

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

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

#### (e) Designated Funds

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

#### (f) Other Income

Other income consists of:

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

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

### 1.17 Expenses

#### (a) Staff costs

##### i) Unused annual leave

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

##### ii) Tax

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



## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 Secretariat. These are recognised as restricted cash and cash equivalents in the Statement of Financial Position, with a corresponding liability. This liability is classified as both current and non-current dependent on the expiry dates of the employees' contracts.

#### iv) Relocation expenses

The Secretariat 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 Secretariat 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 Secretariat 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 Secretariat'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 Secretariat 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 Secretariat 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 40% 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 £109,000 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 Ash Shaw LLP. The scheme's actuary is Mr. M C Richmond, Senior Manager, Pensions, Equitable Life Assurance Society. The audited financial statements and details of advisors are available on request from the Payroll and Pensions Team, Finance and Management Information Section, Marlborough House, London SW1Y 5HX.

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



## **COMMONWEALTH SECRETARIAT FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

The current service cost, interest on scheme liabilities and expected return on the scheme assets are recognised in the Statement of Financial Performance. COMSEC staff costs also include the shortfall on the defined benefit scheme for all The Secretariat staff, the supplementary payments to The Secretariat's existing entitled pensioners and the pension payments to the former Secretaries General. These additional costs are recovered through the common service charge to the other funds.

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 Secretariat 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.

The liability associated with the supplementary pension has been recognised for the first time in these financial statements and a prior period restatement has been made. See note 24 for details.

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

The supplementary pension 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.

#### **Group Stakeholder Defined Contribution Pension Scheme**

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

#### **(b) Accommodation costs**

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

#### **(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.

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

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

#### (e) Foreign currency transactions

Transactions in foreign currencies are translated to GB Pounds Sterling at the rate of exchange on the date of the transactions. Realised gains and losses resulting from the settlement of foreign currency transactions are recognised in the Statement of Financial Performance.

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.

#### 1.18 Use of Estimates and Judgements

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

#### 2. Cash and Cash Equivalents

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

	Unrestricted		Restricted		Total	
	2012	2011	2012	2011	2012	2011
	£	£	£	£	£	£
Cash and Cash Deposits	(20,263)	1,851	979,691	469,359	959,428	471,210
Foreign Bank Accounts	-	-	350,120	407,572	350,120	407,572
Money Market	801,632	487,648	-	-	801,632	487,648
Fixed Term Deposit	-	-	2,760,676	2,615,011	2,760,676	2,615,011
<b>Total Cash and Cash Equivalents</b>	<b>781,369</b>	<b>489,499</b>	<b>4,090,487</b>	<b>3,491,942</b>	<b>4,871,856</b>	<b>3,981,441</b>

#### 3. Inventories

	2012	2011
	£	£
Commissariat Stock	1,931	3,451
Souvenirs and Gifts	11,011	8,129
<b>Total Inventories</b>	<b>12,942</b>	<b>11,580</b>

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### 4. Receivables and Prepayments

	Notes	2012	2011 Restated
		£	£
Staff Advances & Season Ticket Loans		49,897	52,643
Prepayments	(a)	764,500	234,623
Geneva Office Receivables		3,012	17,930
New York Office Receivables		116,597	108,529
Publishing Debtors		63,992	19,136
Other Debtors		76,079	60,131
Miscellaneous		4,473	15,717
Related Party: Commonwealth Youth Programme Fund		121,764	57,586
Commonwealth Foundation Re-charges		85,661	49,089
Commonwealth Association for Tax Administrators		5,106	-
<b>Sub-Total Receivables and Prepayments</b>		<b>1,291,081</b>	<b>615,384</b>
Provision – Doubtful Debt		(62,992)	-
<b>Total Receivables and Prepayments</b>		<b>1,228,089</b>	<b>615,384</b>

(a) Prepayments include amounts paid in advance towards project and administration expense.

The 2011 figures above have been restated as a result of the change in categories reported, in order to make them comparable to the 2012 figures.

**COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**5 (a). Non-Current Assets**

**Property, Plant & Equipment 2012**

Cost	LAND AND BUILDINGS	BUILDING IMPROVEMENT	FURNITURE & FIXTURES	HARDWARE	EQUIPMENT	VEHICLES	TOTAL 2012
	£	£	£	£	£	£	£
Opening Balance as at 1 July 2011	14,500,000	2,223,906	664,865	3,131,259	170,374	71,661	20,761,965
Additions	-	3,045	-	491,537	-	-	494,582
Disposals	-	-	-	(522,672)	-	-	(522,672)
Revaluation Adjustments	1,500,000	-	-	-	-	-	1,500,000
Closing Balance as at 30 June 2012	16,000,000	2,226,951	664,865	3,100,124	170,374	71,661	22,233,975

**Depreciation**

Opening Balance as at 1 July 2011	-	(868,324)	(294,885)	(1,688,130)	(43,217)	(35,611)	(2,919,967)
Depreciation	(127,473)	(107,377)	(105,653)	(664,316)	(19,570)	(13,238)	(1,037,627)
Disposals	-	-	-	522,672	-	-	522,672
Revaluation Adjustments	127,473	-	-	-	-	-	127,473
Currency Translations	-	(4,202)	(3,903)	(2,516)	-	-	(10,621)
Closing Balance as at 30 June 2012	-	(969,903)	(404,241)	(1,832,290)	(62,787)	(48,849)	(3,318,070)

Assets held under Finance Leases	-	-	-	1,181,627	-	-	1,181,627
Other Assets	16,000,000	1,257,048	260,624	86,207	107,587	22,712	17,734,178
Net Book Value 30 June 2012	16,000,000	1,257,048	260,624	1,267,834	107,587	22,712	18,915,805

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

## 5 (b). Non-Current Assets

## Property, Plant &amp; Equipment 2011

	Land & Buildings	Building Improvement	Furniture & Fixtures	Hardware & Software	Equipment	Vehicles	Total 2011
	£	£	£	£	£	£	£
<b>Cost</b>							
Opening Balance at 1 July	12,750,000	2,177,829	612,500	3,089,402	170,374	36,620	18,836,725
Additions	-	46,077	54,241	43,000	-	34,941	178,259
Revaluation Adjustment	1,750,000	-	-	-	-	-	1,750,000
Currency Translations	-	-	(1,876)	(1,143)	-	-	(3,019)
Closing Balance as at 30 June	14,500,000	2,223,906	664,865	3,131,259	170,374	71,561	20,761,965

## Depreciation

Opening Balance at 1 July	(218,416)	(798,572)	(194,525)	(994,849)	(23,647)	(20,247)	(2,210,256)
Depreciation	(109,207)	(99,529)	(100,622)	(694,149)	(19,570)	(15,364)	(1,038,441)
Revaluation Adjustment	327,623	-	-	-	-	-	327,623
Currency Translations	-	(223)	462	870	-	-	1,109
Closing Balance as at 30 June	-	(868,324)	(294,685)	(1,688,128)	(43,217)	(36,611)	(2,919,965)

Assets held under Finance Leases	-	-	-	1,346,448	-	-	1,346,448
Other Assets	14,500,000	1,365,582	370,180	96,683	127,157	36,950	16,495,552
Net Book Value 30 June 2011	14,500,000	1,365,582	370,180	1,443,131	127,167	36,950	17,842,000

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

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

In accordance with The Secretariat's accounting policy, a full valuation was due by 30 June 2013. However, due to the increase in the value of the property, and in line with IPSAS 17, a full valuation of the property was brought forward and carried out by Knight Frank LLP on 20 August 2012. This valuation was based on an inspection of the property together with a detailed review of the current market for similar buildings. The valuation was considered to be in the order of £16 million due to strong international demand and limited supply for this type of property. Accordingly, an adjustment was made in the Financial Statements to revalue the asset to £16 million. The valuers are independent from The Commonwealth Secretariat and conform to the Royal Institution of Chartered Surveyors Appraisal and Valuations standards.

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

### 6. Payables and Other Liabilities

#### Amounts falling due within one year

	Notes	2012	2011
		£	£
Bank Clearing Accounts		-	281,179
Bank Loans	(a)	271,725	269,109
Trade Payables & Accruals		1,985,312	1,459,862
Staff Gratuity Fund Obligations	(b)	2,011,682	1,886,555
Staff Expenses		52,898	38,940
Related Parties:			
Commonwealth Fund for Technical Co-operation		323	1,617,437
Miscellaneous		918	30,479
<b>Total Payables and Current Liabilities</b>		<b>4,322,868</b>	<b>5,583,561</b>

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

	Notes	2012	2011
		£	£
Staff Gratuity Fund Obligations	(b)	1,543,552	1,156,398
Bank Loans	(a)	1,580,762	1,862,420
<b>Total Non-Current Liabilities</b>		<b>3,124,314</b>	<b>3,008,818</b>

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### (a) Bank Loans

##### Acquisition of Secretary-General's Residence

In March 2001 The Secretariat purchased a 125-year lease on the Secretary-General's residence at 40b Hill Street in Mayfair, for £2,000,000. This property was refurbished at a cost of £400,000 giving a total historic cost of £2,400,000. A loan was negotiated with Barclays Bank plc to cover these costs, and Barclays hold a first charge on this property. The capital is repayable in 100 equal quarterly instalments of £24,000 over 25 years and interest is payable quarterly. The first quarterly payment of capital was made on 11 June 2001. The balance on the loan at 30 June 2012 was £1,320,000 of which £96,000 is due for repayment in the next twelve months. The interest of £18,275 on this loan is expensed during the year.

##### Refurbishment of Quadrant House

In December 1999 The Secretariat took out a 25 year lease on Quadrant House, Pall Mall, London, which is used as office premises. A loan of £1,900,000 from HSBC Bank plc was taken out in 2002 to cover the costs of the refurbishment of this property. The loan is repayable in quarterly instalments over thirteen years and interest is payable quarterly. The first quarterly payment was made in October 2002. The balance on the loan at 30 June 2012 was £532,487 of which £175,725 is due for repayment in the next twelve months. The interest of £9,076 on this loan is expensed during the year.

#### (b) Staff Gratuity Fund Obligations

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

	2012		2011	
	Due within one year	Due after one year	Due within one year	Due after one year
	£	£	£	£
Commonwealth Secretariat Fund	1,467,202	904,943	1,366,688	752,796
Commonwealth Fund for Technical Co-operation	391,360	585,306	319,345	365,680
Commonwealth Youth Programme Fund	55,638	28,625	100,832	26,814
Commonwealth Association of Tax Administrators	-	24,678	-	11,108
Commonwealth Foundation	97,482	-	99,690	-
<b>Total Staff Gratuity Fund Obligations</b>	<b>2,011,682</b>	<b>1,543,552</b>	<b>1,886,555</b>	<b>1,156,398</b>

#### 7. Pension Liabilities

	Notes	2012	2011
		£	Restated £
Former Secretaries General Pension Scheme	(a)	2,552,000	2,698,000
Staff Defined Benefit Scheme	(b)	8,817,700	6,982,800
Supplementary Pension	(c)	2,598,000	2,985,000
<b>Total</b>		<b>13,967,700</b>	<b>12,665,800</b>

For details of the restatement, see note 24.



# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### (a) Former Secretaries General Pension Scheme

An actuarial valuation of the scheme as at 30 June 2012 was carried out by First Actuarial LLP for the specific purpose of these accounts, in line with the provisions of IPSAS 25. £49,000 (2011: £nil) has been transferred to the pension reserve from the general reserve.

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

Payments into the scheme for the year ending 30 June 2013 are estimated at £200,000.

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

	2012	2011	2010	2009	2008
	£	£	£	£	£
Defined Benefit Obligations	2,552,000	2,698,000	2,686,000	2,696,000	2,861,000
Experience adjustments on Scheme liabilities	163,000	(39,000)	n/a	n/a	n/a
Change of basis adjustments on Scheme liabilities	(66,000)	(27,000)	n/a	n/a	n/a

The cumulative actuarial losses recognised through the Statement of Changes in Net Assets as at 30 June 2012 amounted to £321,326 (2011: £418,326).

### Statement of Financial Position:

For the 12 months ending	2012	2011
	£	£
Fair Value of Assets	-	-
Value of liabilities (defined benefit obligations)	2,552,000	2,698,000
Funded Status	(2,552,000)	(2,698,000)

### Statement of Financial Performance:

For the 12 months ending	2011-12	2010-11
	£	£
Interest cost on scheme liabilities	143,000	137,000
Total recognised in Statement of Financial Performance	143,000	137,000

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

	2012	2011
	£	£
Defined Benefit Obligation at the beginning of period	2,698,000	2,686,000
Movement in period:		
Interest cost on obligation	143,000	137,184
Benefits paid	(192,000)	(191,184)
Actuarial (gain) loss on liabilities	(97,000)	66,000
Defined Benefit Obligation at end of period	2,552,000	2,698,000



# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The following assumptions were used in the actuarial valuation calculations:

	2012	2011
Discount Rate	4.3%	5.5%
Price Inflation (RPI)	2.4%	3.5%

- Mortality - standard mortality tables PNMA00 and PNFA00 with an allowance for future improvements in mortality in accordance with the core CMI mortality projection model CMI 2009, with long term rates of improvement of 1% p.a.
- Marital Status - members' actual marital statuses have been taken into account along with their spouses' dates of birth.
- Pension Increases - on average, member's pensions are assumed to increase in line with RPI each year with pensions being reassessed at four yearly intervals. The next review date is assumed to be in 2016 and an approximate adjustment has been made in the above valuation to allow for this.

The discount rate at 30 June 2012 has been taken as the yield on the Markit iBoxx £ Corporates AA15+ corporate bond index.

The amount of the surplus for the year ending 30 June 2012 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 £2,552,000 to £2,832,000. If the assumed rate of RPI was 1% p.a higher, the liabilities would increase from £2,552,000 to £2,788,000.

### (b) Staff Defined Benefit Scheme

Equitable Life Assurance Society carried out an actuarial valuation of the assets and liabilities of the scheme as at 30 June 2012 for the specific purpose of these accounts, in line with the provisions of IPSAS 25.

	2012	2011
	£	£
Present value of funded obligations	42,012,600	37,021,600
Fair value of scheme assets	(33,194,900)	(30,038,800)
Net liability	8,817,700	6,982,800

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

	2012	2011	2010	2009	2008
	£	£	£	£	£
Defined Benefit Obligations	(42,012,600)	(37,021,600)	(36,610,200)	(32,528,100)	(30,805,400)
Scheme Assets	33,194,900	30,038,800	27,698,800	24,076,200	26,122,300
Deficit	(8,817,700)	(6,982,800)	(8,911,400)	(8,451,900)	(4,683,100)
Experience adjustments on Scheme liabilities	106,100	(132,000)	737,400	203,600	n/a
Experience adjustments on Scheme assets	1,531,500	1,395,100	2,684,000	(3,672,000)	n/a

The cumulative actuarial losses recognised through the Statement of Changes in Net Assets as at 30 June 2012 amounted to £5,344,300 (2011: £2,816,400).

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### Statement of Financial Position:

The assets valued below are in the form of portfolios of investments with Legal & General Investment Management and Standard Life, an insurance policy invested in the unit-linked Index-linked Gilt fund with the Equitable Life Assurance Society and scheme bank accounts. The value of the Legal & General holding has been taken as the value at bid price as at the year end. The value of the Standard Life holding has been taken as the market value as at the year end. The value of the assets held in the Equitable Life unit-linked fund has been taken as the value of the units at bid price as at the year end. The value of the bank accounts has been taken as the amounts held, less payments due, on 30 June 2012. The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2012	2011
	%	%
Gilts	23	43
Corporate Bonds	6	8
Index Linked Bonds	23	-
Equities	37	41
Cash	11	8

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

Gilts:	the yield on the FT-SE Actuaries 15 year gilt index
Corporate Bonds:	the yield on the iBoxx £ Corporates AA 15+index
Cash:	the Bank of England base rate
Equity and Property:	the above gilt yield plus 4% p.a
Deduction for Expenses:	Approximately £88,000 assumed

Overall expected rate of return for the year beginning 1 July 2012 = 3.4% (2010-11: 5.2%)

#### Statement of Financial Performance:

For the 12 months ending	2011-12	2010-11
	£	£
Current service cost	327,900	359,200
Expected return on the assets	(1,476,700)	(1,346,200)
Interest cost on scheme liabilities	2,011,000	1,926,400
Total included in pension costs	862,200	939,400
Actual return on plan assets	3,008,200	2,741,300

Members' and employers' contributions into the scheme for the year ending 30 June 2013 are estimated at £1,619,000.

The actuarial loss charged to the pension reserve is the net of the actuarial loss on liabilities (£4,165,900) and the actuarial gain on scheme assets £1,638,000 which equals £2,527,900. (Actuarial gain in 2010-11: £1,831,500). An amount of £693,000 (2010-11: £97,100) was transferred to the pension reserve in the year.

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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	2012	2011
	£	£
Assets in scheme at beginning of period	30,038,800	27,698,800
Movement in period:		
Expected return on assets	1,476,700	1,346,200
Employer contributions	1,555,200	1,036,500
Member contributions	42,600	45,000
Benefits paid	(1,556,400)	(1,482,800)
Actuarial gain on assets	1,638,000	1,395,100
Assets in scheme at end of period	33,194,900	30,038,800

Liabilities	2012	2011
	£	£
Liabilities in scheme at the beginning of period	37,021,600	36,610,200
Movement in period:		
Interest cost	2,011,000	1,926,400
Current service cost	327,900	359,200
Member contributions	42,600	45,000
Benefits paid	(1,556,400)	(1,482,800)
Actuarial loss (gain) on liabilities	4,165,900	(436,400)
Liabilities in scheme at end of period	42,012,600	37,021,600

The assumptions used for calculating the liabilities were as follows:

	2012	2011
	%	%
Inflation	2.40	3.50
Salary Escalation	5.40	6.50
Pension Increases:		
Subject to RPI, maximum 5%, minimum 2.5%	2.80	3.50
Statutory Revaluation in Deferment	1.70	2.80
Discount Rate (pre and post retirement)	4.30	5.50

The discount rate on 30 June 2012 has been taken as the yield on the Markit iBoxx £ Corporates AA15+ corporate bond index.

Mortality after retirement has been assumed to be in accordance with the standard mortality tables PNMA00 and PNFA00, with an allowance for future improvements in mortality in accordance with the core CMI mortality projection model CMI-2009, with long term rates of improvement of 1% p.a for men and women.

The actuarial assumptions are identified as key judgements and sources of uncertainty, and the amount of the surplus for the year ending 30 June 2012 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 £42,012,600 to £49,270,400. If the assumed RPI rate was 1.0% p.a. higher the liabilities would increase from £42,012,600 to £44,856,600.

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### (c) Supplementary Pension

The liability associated with the supplementary pension has been recognised for the first time in these financial statements and a prior period restatement has been made. See note 24 for details.

An actuarial valuation as at 30 June 2012 was carried out by First Actuarial LLP for the specific purpose of these accounts, in line with the provisions of IPSAS 25. £55,000 has been transferred to the pension reserve from the general reserve (2011: £9,000).

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

Payments in relation to these pensions for the year ending 30 June 2013 are estimated at £216,000.

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

	2012	2011	2010
	£	£	£
Defined Benefit Obligations	2,598,000	2,985,000	4,040,000
Experience (loss) / gain on liabilities	(51,000)	62,000	n/a
Change of basis adjustments on liabilities	393,000	984,000	n/a

The cumulative actuarial gains recognised through the Statement of Changes in Net Assets as at 30 June 2012 amounted to £1,378,000 (2010-11: £1,046,000).

### Statement of Financial Position:

For the 12 months ending	2012	2011
	£	£
Fair Value of Assets	-	-
Value of liabilities (defined benefit obligations)	2,598,000	2,985,000
Funded Status	(2,598,000)	(2,985,000)

### Statement of Financial Performance:

For the 12 months ending	2011-12	2010-11
	£	£
Interest cost on liabilities	158,000	208,000
Total recognised in Statement of Financial Performance	158,000	208,000

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

	2012	2011
	£	£
Defined Benefit Obligation at the beginning of period	2,985,000	4,040,000
Movement in period:		
Interest cost on obligation	158,000	208,000
Benefits paid	(213,000)	(217,000)
Actuarial (gain) loss on liabilities	(332,000)	(1,046,000)
Defined Benefit Obligation at end of period	2,598,000	2,985,000

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The following assumptions were used in the actuarial valuation calculations:

	2012	2011
Discount Rate	4.3%	5.5%
Price Inflation (RPI)	2.4%	3.5%

- Mortality - standard mortality tables PNMA00 and PNFA00 with an allowance for future improvements in mortality in accordance with the core CMI mortality projection model CMI 2009, 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.

The discount rate at 30 June 2012 has been taken as the yield on the Markit iBoxx £ Corporates AA15+ corporate bond index.

The amount of the surplus for the year ending 30 June 2012 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 £2,598,000 to £2,845,000. If the assumed rate of RPI was 1% p.a higher, the liabilities would increase from £2,598,000 to £3,115,000.

### 8. Provisions

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

	2012		2011	
	Due within one year	Due after one year	Due within one year	Due after one year
	£	£	£	£
Arbitral Tribunal Claims	30,000	-	441,000	-
Provision for Building Work	263,210	-	350,000	-
Provision for Building Dilapidation	-	840,000	-	-
Relocation Expenses	590,817	1,218,683	438,700	1,094,600
Home Leave Expenses	75,285	37,630	-	-
<b>Total Provisions</b>	<b>959,312</b>	<b>2,096,313</b>	<b>1,229,700</b>	<b>1,094,600</b>

Movements in provisions during the year are as follows:

Provisions for Liabilities	Notes	2011	(Decrease)/ Increase in provision	Amount used in year	2012
		£	£	£	£
Arbitral Tribunal Claims	(a)	441,000	(411,000)	-	30,000
Provision for Building Work	(b)	350,000	15,000	(101,790)	263,210
Provision for Building Dilapidation	(c)	-	840,000	-	840,000
Relocation Expenses	(d)	1,533,300	410,372	(134,172)	1,809,500
Home Leave Expenses	(e)	-	112,915	-	112,915
<b>Total Provisions for Liabilities</b>		<b>2,324,300</b>	<b>967,287</b>	<b>(235,962)</b>	<b>3,055,625</b>

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

- (a) One litigation claim against COMSEC was dropped and another revised during the year and the related provision has been written back in the financial statements.
- (b) Under the terms of the leases for Quadrant House and 40b Hill Street, The Secretariat is liable for maintenance costs for these properties. An assessment was carried out in 2010-11 and a provision made in COMSEC for works to be carried out on the properties in 2011-12. Maintenance works were carried out at 40b Hill Street but were deferred for Quadrant House. The provision for Quadrant House was therefore retained.
- (c) The terms of the lease for Quadrant House renders The Secretariat 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. A provision of £840,000 for these costs is included in the Statement of Financial Position in COMSEC and the expenditure has been shared among the three Funds and reported in their respective Statements of Financial Performance.
- (d) COMSEC incurs relocation expenses for overseas recruited staff at the beginning and end of their contracts. The costs of relocation are variable as they depend on the timing of the relocation, which can be at any stage within the maximum contract period of nine years (depending on renewal of three year contracts); the location to which the staff member is relocated; the size and circumstances of the family; and the complexity of the individual's affairs at the time.

The level of the provision is based on an annual review of future costs and the movement on the provisions for the year has been included in the Statement of Financial Performance under staff costs.

- (e) The provision relates to home leave passages for overseas recruited staff. Overseas recruited staff are provided with home leave passages after serving 20 months of any of their contracts. 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.

**COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**9 a (i). Commonwealth Secretariat Members' Contributions 2011-12**

Country	Balance at 30 June 2011		Assessment 2011/12		Receipts in year	Balance at 30 June 2012	
	Receivable	Prepaid				Receivable	Prepaid
	£	£	%	£	£	£	£
Antigua & Barbuda	13,554	-	0.20	31,656	(29,382)	15,828	-
Australia	-	-	12.18	1,930,040	(1,930,040)	-	-
Bahamas	-	-	0.71	112,364	(112,364)	-	-
Bangladesh	82,413	-	0.71	112,364	(194,777)	-	-
Barbados	100,880	-	0.71	112,364	(157,062)	56,182	-
Belize	27,107	-	0.20	31,656	(31,656)	27,107	-
Botswana	-	(14,255)	0.71	112,364	(112,364)	-	(14,255)
Brunei Darussalam	-	-	1.01	159,573	(159,573)	-	-
Cameroon	65,694	-	0.71	112,364	(178,058)	-	-
Canada	-	-	20.28	3,215,156	(3,215,156)	-	-
Cyprus	-	-	1.26	200,257	-	200,257	-
Dominica	386,895	-	0.20	31,656	-	418,351	-
Fiji	84,152	-	0.00	-	-	84,152	-
The Gambia	153,514	-	0.20	31,656	(60,349)	124,821	-
Ghana	109,642	-	0.71	112,364	(222,006)	-	-
Grenada	130,602	-	0.20	31,656	(50,530)	111,728	-
Guyana	-	(313)	0.20	31,656	(34,660)	-	(3,317)
India	-	-	4.03	638,616	(638,616)	-	-
Jamaica	123,012	-	0.71	112,364	(123,012)	112,364	-
Kenya	180,469	-	0.71	112,364	(180,470)	112,363	-
Kiribati	192,508	-	0.20	31,656	(58,828)	165,336	-
Lesotho	29,274	-	0.20	31,656	-	60,930	-
Malawi	-	-	0.20	31,656	-	31,656	-
Malaysia	217,733	-	1.81	255,447	(473,180)	-	-
Maldives	-	-	0.20	31,656	-	31,656	-
Malta	-	-	0.71	112,364	(112,364)	-	-
Mauritius	123,012	-	0.71	112,364	(235,376)	-	-
Mozambique	-	(20,137)	0.20	31,656	(32,656)	-	(21,137)
Namibia	108,061	-	0.71	112,364	(218,425)	-	-
Nauru	-	-	0.20	31,656	(31,656)	-	-
New Zealand	-	-	2.73	432,051	(432,051)	-	-
Nigeria	-	-	1.37	216,451	(216,451)	-	-
Pakistan	4,419	-	1.37	216,451	(220,870)	-	-
Papua New Guinea	51,928	-	0.20	31,656	(4,395)	79,189	-
Rwanda	-	-	0.20	31,656	-	31,656	-
St Kitts & Nevis	107,340	-	0.20	31,656	(107,294)	31,702	-
St Lucia	42,534	-	0.20	31,656	(84,129)	-	(9,939)
St Vincent & the Grenadines	107,340	-	0.20	31,656	(70,812)	68,184	-
Samoa	-	-	0.20	31,656	(31,656)	-	-
Seychelles	27,107	-	0.20	31,656	(27,107)	31,656	-
Sierra Leone	333,139	-	0.20	31,656	(104,218)	260,577	-
Singapore	-	-	2.73	432,051	(432,051)	-	-
Solomon Islands	27,107	-	0.20	31,656	(58,763)	-	-
South Africa	-	(53,162)	2.73	432,051	(422,051)	-	(43,162)
Sri Lanka	61,505	-	0.71	112,364	(61,505)	112,364	-
Swaziland	29,274	-	0.20	31,656	-	60,930	-
Tanzania	108,757	-	0.71	112,364	(222,880)	-	(1,758)
Tonga	-	-	0.20	31,656	(31,656)	-	-
Trinidad & Tobago	-	(10,984)	1.01	159,573	(159,573)	-	(10,984)
Tuvalu	27,107	-	0.20	31,656	(31,336)	27,427	-
Uganda	286,041	-	0.71	112,364	(398,405)	-	-
United Kingdom	-	-	32.60	5,168,586	(5,168,586)	-	-
Vanuatu	27,107	-	0.20	31,656	-	58,763	-
Zambia	66,221	-	0.20	31,656	-	97,877	-
<b>Total</b>	<b>3,433,248</b>	<b>(98,851)</b>	<b>100.05</b>	<b>15,852,455</b>	<b>(16,878,348)</b>	<b>2,413,056</b>	<b>(104,552)</b>

## **COMMONWEALTH SECRETARIAT FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

The net balance of members' contributions in the Statement of Financial Position of £2,328,905 is made up of the balance receivable at 30 June 2012 of £2,413,056 less a provision of £84,151 (2011: £84,151) made against outstanding contributions for anticipated delays in settlement of arrears for a country temporarily excluded. 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, five governments had discussed or agreed payment plans for arrears amounting to £694,165 (2011: £1,411,138).



**COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**9 a (ii). Commonwealth Secretariat Members' Contributions 2010-11**

Country	Balance at 30 June 2010		Original Assessment 2010-11		Receipts in Year	Balance at 30 June 2011	
	Receivable	Prepaid				Receivable	Prepaid
	£	£	%	£	£	£	£
Antigua & Barbuda	-	(9,951)	0.24	37,058	(13,553)	13,554	-
Australia	139,798	-	11.43	1,742,030	(1,881,828)	-	-
Bahamas	5,181	-	0.66	100,880	(106,061)	-	-
Bangladesh	150,311	-	0.81	123,012	(190,910)	82,413	-
Barbados	5,181	-	0.66	100,880	(5,181)	100,880	-
Belize	-	(9,951)	0.24	37,058	-	27,107	-
Botswana	-	(14,255)	0.81	123,012	(123,012)	-	(14,255)
Brunei Darussalam	936	-	1.01	153,894	(154,830)	-	-
Cameroon	271,735	-	0.81	123,012	(329,053)	65,694	-
Canada	90,376	-	20.03	3,052,747	(3,143,123)	-	-
Cyprus	13,595	-	1.18	179,628	(193,223)	-	-
Dominica	349,637	-	0.24	37,058	-	386,696	-
Fiji	84,152	-	-	-	-	84,152	-
The Gambia	116,456	-	0.24	37,058	-	153,514	-
Ghana	-	(13,370)	0.81	123,012	-	109,642	-
Grenada	163,236	-	0.24	37,058	(69,694)	130,602	-
Guyana	36,749	-	0.32	49,411	(86,473)	-	(313)
India	39,928	-	3.83	583,664	(623,592)	-	-
Jamaica	85,702	-	0.81	123,012	(85,702)	123,012	-
Kenya	168,019	-	0.81	123,012	(110,561)	180,469	-
Kiribati	155,450	-	0.24	37,058	-	192,508	-
Lesotho	66,838	-	0.32	49,411	(86,975)	29,274	-
Malawi	66,838	-	0.32	49,411	(116,249)	-	-
Malaysia	217,733	-	1.54	234,188	(234,188)	217,733	-
Maldives	70,283	-	0.24	37,058	(107,341)	-	-
Malta	5,181	-	0.66	100,880	(106,061)	-	-
Mauritius	135,702	-	0.81	123,012	(135,702)	123,012	-
Mozambique	-	(20,137)	0.32	49,411	(49,411)	-	(20,137)
Namibia	5,181	-	0.66	100,880	-	106,061	-
Nauru	273,351	-	-	-	(273,351)	-	-
New Zealand	32,039	-	2.55	388,594	(420,633)	-	-
Nigeria	766	-	1.37	208,451	(209,207)	-	-
Pakistan	12,737	-	1.37	208,451	(216,769)	4,419	-
Papua New Guinea	110,386	-	0.47	71,543	(130,000)	51,928	-
Rwanda	14,996	-	0.20	30,477	(45,473)	-	-
St Kitts & Nevis	70,283	-	0.24	37,058	-	107,340	-
St Lucia	42,534	-	0.24	37,058	(37,058)	42,534	-
St Vincent & Grenadines	70,283	-	0.24	37,058	-	107,340	-
Samoa	-	(9,951)	0.24	37,058	(27,107)	-	-
Seychelles	-	(9,951)	0.24	37,058	-	27,107	-
Sierra Leone	352,671	-	0.32	49,411	(68,943)	333,139	-
Singapore	68,114	-	2.28	347,419	(416,533)	-	-
Solomon Islands	42,534	-	0.24	37,058	(52,485)	27,107	-
South Africa	-	(53,162)	3.14	478,666	(478,666)	-	(53,162)
Sri Lanka	135,702	-	0.81	123,012	(197,209)	61,506	-
Swaziland	-	(20,137)	0.32	49,411	-	29,274	-
Tanzania	-	(14,255)	0.81	123,012	-	108,757	-
Tonga	-	(9,951)	0.24	37,058	(27,107)	-	-
Trinidad & Tobago	-	(9,650)	1.01	153,894	(155,228)	-	(10,984)
Tuvalu	-	(9,951)	0.24	37,058	-	27,107	-
Uganda	163,029	-	0.81	123,012	-	286,041	-
United Kingdom	132,519	-	31.77	4,840,936	(4,973,455)	-	-
Vanuatu	-	(9,951)	0.24	37,058	-	27,107	-
Zambia	110,385	-	0.47	71,543	(115,707)	66,221	-
<b>Total</b>	<b>4,077,518</b>	<b>(214,623)</b>	<b>100.16</b>	<b>15,269,157</b>	<b>(15,797,652)</b>	<b>3,433,248</b>	<b>(98,851)</b>

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The revenue from members' contributions to COMSEC in the Statement of Financial Performance consists of the 2010-11 assessment of £15,269,157 and the write back on provisions of £273,352.

The net balance of members' contributions in the Statement of Financial Position of £3,349,097 is made up of the balance receivable at 30 June 2011 of £3,433,248 less a provision of £84,151 (2010: £357,503) made against outstanding contributions for anticipated delays in settlement of arrears for countries temporarily excluded.

### 9 (b). Joint Office in New York – Major Donors Contributions 2011-12

Country	2011-12	2010-11
	£	£
Australia	109,965	107,779
United Kingdom	109,965	107,779
Canada	109,965	107,779
New Zealand	116,260	120,952
India	63,529	62,890
Malaysia	12,706	12,578
Nigeria	12,706	12,578
Singapore	12,706	12,578
Cyprus	6,353	6,289
Malta	6,353	6,289
<b>Total Donors</b>	<b>560,508</b>	<b>557,491</b>

### 9 (c). Small States Office in Geneva Contributions 2011-12

Country	2011-12	2010-11
	£	£
India	49,300	98,819
Australia	44,562	94,728
New Zealand	53,193	-
Trinidad & Tobago	14,725	-
Singapore	14,094	13,200
United Kingdom	100,948	-
Swiss Government	-	194,407
<b>Total Contributions</b>	<b>276,822</b>	<b>401,154</b>

### 10 (a). Common Service Charge

Fund	2011-12	2010-11
	£	£
Commonwealth Fund for Technical Co-operation (CFTC)	3,999,305	3,715,295
Commonwealth Youth Programme Fund (CYP)	241,321	226,070
Commonwealth Association of Tax Administrators (CATA)	21,861	21,083
<b>Total</b>	<b>4,262,487</b>	<b>3,962,448</b>

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### 10 (b). Project Service Charge

	2011-12	2010-11
	£	£
Commonwealth Fund for Technical Co-operation (CFTC)	2,524,689	-
<b>Total</b>	<b>2,524,689</b>	<b>-</b>

### 11(a). Special Projects 2011-12

Special Projects	2011	Receipts	Expenses	Adjustments	2012
	£	£	£	£	£
Commonwealth Media Development	62,316	153	(575)	-	61,894
Respect & Understanding	11,113	-	(10,880)	-	233
Commonwealth Observer Missions	135,493	586,743	(709,319)	-	12,917
Absolute Return for Kids (ARK)	84,608	156	(65,020)	-	19,744
Health Ministers Meeting	1,097	-	-	(1,097)	-
Eminent Persons Group	-	60,689	(60,689)	-	-
<b>TOTAL</b>	<b>294,627</b>	<b>647,741</b>	<b>(846,483)</b>	<b>(1,097)</b>	<b>94,788</b>

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

### 11(b). Special Projects 2010-11

Special Projects	2010	Receipts	Expenses	Adjustments	2011
	£	£	£	£	£
Commonwealth Media Development	86,111	36,417	(60,212)	-	62,316
Respect & Understanding	16,034	-	(4,921)	-	11,113
Commonwealth Observer Missions	241,725	628,076	(734,308)	-	135,493
Absolute Return for Kids (ARK)	174,382	266	(90,040)	-	84,608
Workshops on Aid Architecture	2,922	-	-	(2,922)	-
Health Ministers Meeting	18,777	1,525	(19,205)	-	1,097
Eminent Persons Group	-	205,197	(204,197)	(1,000)	-
<b>TOTAL</b>	<b>539,951</b>	<b>871,481</b>	<b>(1,112,883)</b>	<b>(3,922)</b>	<b>294,627</b>

### 11(c). Special Projects 2011-12 by cost type

Special project expenses are analysed below according to cost type.

	Note	2011-12	2010-11
		£	£
Staff & Short Term Consultants Costs		236,298	233,818
Communications, Publicity & Information		11,235	3,887
Training & Workshops	17	569,566	768,769
Other Miscellaneous Expenses		29,384	106,409
<b>Total</b>		<b>846,483</b>	<b>1,112,883</b>

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### 12a (i). Designated Funds 2011-12

Designated Funds		2011	Receipts	Expenses	2012
	Notes	£	£	£	£
Publications Revolving	(a)	208,222	138,144	(103,191)	243,175
Marlborough House Makeover	(b)	67,222	12,246	(2,810)	76,658
<b>TOTAL</b>		<b>275,444</b>	<b>150,390</b>	<b>(106,001)</b>	<b>319,833</b>

### 12a (ii). Designated Funds 2010-11

Designated Funds		2010	Revenue	Expenses	2011
	Notes	£	£	£	£
Publications Revolving	(a)	153,784	144,697	(90,259)	208,222
Marlborough House Makeover	(b)	54,403	18,749	(5,930)	67,222
<b>TOTAL</b>		<b>208,187</b>	<b>163,446</b>	<b>(96,189)</b>	<b>275,444</b>

#### (a) Publications Revolving Fund

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

#### (b) Marlborough House Makeover Fund

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

### 13. Interest Receivable and Other Income

Interest bearing accounts and investments yielded an average rate of 0.33% (2010-11: 0.34%) during the reporting period. Total interest receivable in 2011-12 was £7,222 (2010-11: £4,240).

Other income is analysed below:

	2011-12	2010-11
	£	£
Service in-kind. Provision of Rent Free Property	1,609,000	1,609,000
Income for Joint Office in New York	268,585	258,337
Income for Small States Office in Geneva	109,603	17,734
Recovery of Expenses	135,084	108,629
Tax Reclaims	8,690	7,477
<b>Total Other Income</b>	<b>2,130,962</b>	<b>2,001,177</b>

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### 14. Staff Costs

	Notes	2011-12	2010-11 Restated
		£	£
Salaries and allowances		10,527,581	9,811,332
Employers National Insurance Contributions		957,050	771,144
Contributions to Staff Gratuity Fund		1,278,320	982,706
Pension Contributions & Expenses	(a)	2,027,391	1,559,761
Pension Contributions - Defined Contribution Scheme		18,236	7,601
Actuarial adjustment - Defined Benefit & Supplementary Pension Scheme		(797,000)	(106,100)
Provision for relocation expenses		410,372	125,100
Provision for home leave expenses		112,915	-
Other staff and Short Term Consultants Costs - Directs		1,320,419	1,210,940
Other staff and Short Term Consultants Costs - Special		236,298	233,818
<b>Total Staff Costs</b>		<b>16,091,582</b>	<b>14,596,302</b>

- (a) The pension contributions and expenses also include the shortfall on the defined benefit scheme for all The Secretariat staff, the supplementary payments to The Secretariat's existing entitled pensioners and the pension payments to the former Secretaries General. These additional costs are recharged through the common service charge to the other funds.

The 2010-11 figures above have been restated as a result of the change in categories reported, in order to make them comparable to the 2011-12 figures. The figures have also been restated as a result of the prior year pension restatement (see note 24).

### 15. Remuneration of Key Management Personnel

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

	Number of persons		Aggregate Remuneration	
	2011-12	2010-11	2011-12	2010-11
			£	£
Management Committee	4	4	631,766	572,120
Directors	11	11	1,244,504	1,038,883
<b>TOTAL</b>	<b>15</b>	<b>15</b>	<b>1,876,270</b>	<b>1,611,003</b>

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

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Management Committee		Directors	
	2011-12	2010-11	2011-12	2010-11
	£	£	£	£
Salary	335,342	306,548	881,903	619,543
Allowances	220,259	199,025	214,547	295,676
Gratuity	76,165	66,547	148,054	123,664
<b>TOTAL</b>	<b>631,766</b>	<b>572,120</b>	<b>1,244,504</b>	<b>1,038,883</b>

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

### 16. General Administration

	2011-12	2010-11 Restated
	£	£
Rent & Rates	2,312,536	1,671,986
Notional Value of Rent for Marlborough House	1,609,000	1,609,000
Property Services and Maintenance Costs	629,797	827,418
Utilities	164,687	165,871
Other Property Costs	124,710	180,166
Equipment Maintenance	666,434	420,244
Printing and Stationery	234,650	201,918
Communications	485,256	522,723
Vehicle Maintenance and Running Costs	68,158	74,306
Insurance	123,747	72,254
Library & Subscriptions	76,472	76,774
Staff Development	73,102	67,617
Professional Fees	52,689	38,217
Audit Fees	47,725	33,102
Depreciation	1,037,627	1,038,441
Tribunal Expenses	107,714	61,745
Other Costs	214,572	219,260
Net Provisions Written Back	(346,227)	-
<b>Total General Administration</b>	<b>7,682,629</b>	<b>7,281,042</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 while Finance lease payments are recognised in the Statement of Financial Position in COMSEC. Total Operating Lease costs recognised in COMSEC in 2011-12 is £2,040,224 (2010-11: £1,567,003). The total future minimum rentals under operating leases are detailed in note 22(b).

The 2010-11 figures above have been restated as a result of the change in categories reported, in order to make them comparable to the 2011-12 figures.

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### 17. Training and workshops

	Note	2011-12	2010-11
		£	£
Training & Workshops – Special Projects	11(c)	569,586	768,769
Training & Workshops - Direct Projects	18(b)	639,903	586,010
<b>Total Training and workshops</b>		<b>1,209,469</b>	<b>1,354,779</b>

### 18 (a). Direct Project Expenses

For additional information, a breakdown of direct project expenses is provided below. These are analysed according to the strategic plan programme areas:

	2011-12	2010-11
	£	£
Democracy & Consensus Building	763,171	663,733
Economic Development	193,854	233,688
Environmentally Sustainable Development	34,568	27,444
Good Offices for Peace	306,781	245,120
Human Rights	23,901	16,096
Human Development	251,925	186,109
Rule of Law	156,476	77,103
Business Support Functions	585,606	649,295
<b>Total</b>	<b>2,316,282</b>	<b>2,098,588</b>

### 18 (b). Direct Project Expenses

Direct project expenses are analysed according to cost type below:

	Note	2011-12	2010-11
		£	£
Staff & Short Term Consultants Costs		1,320,418	1,210,940
Communications, Publicity & Information		195,406	223,052
Training & Workshops	17	639,903	586,010
Other Miscellaneous Expenses		160,555	78,586
<b>Total</b>		<b>2,316,282</b>	<b>2,098,588</b>

### 19. Segmental Information

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

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

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### Statement of Financial Position as at 30 June 2012

	COMSEC		Joint Office		Small States Office		TOTAL	
	2012	2011 Restated	2012	2011	2012	2011	2012	2011 Restated
	£	£	£	£	£	£	£	£
<b>ASSETS</b>								
Current Assets	7,884,759	7,343,473	482,296	452,486	122,555	185,652	8,489,610	7,981,611
Consolidation adjustment	(47,818)	-	-	(17,626)	-	(6,483)	(47,818)	(24,109)
	7,836,941	7,343,473	482,296	434,860	122,555	179,169	8,441,792	7,957,502
Non-current Assets	18,806,160	17,711,159	25,237	17,126	84,408	113,715	18,915,805	17,842,000
<b>TOTAL ASSETS</b>	<b>26,643,101</b>	<b>25,054,632</b>	<b>507,533</b>	<b>451,986</b>	<b>206,963</b>	<b>292,884</b>	<b>27,357,597</b>	<b>25,799,502</b>
<b>LIABILITIES</b>								
Current Liabilities	6,102,482	7,764,705	17,401	33,787	74,566	11,675	6,194,448	7,810,167
Consolidation adjustment	-	(24,109)	-	-	(47,818)	-	(47,818)	(24,109)
	6,102,482	7,740,596	17,401	33,787	26,747	11,675	6,146,630	7,786,058
Non-current Liabilities	19,717,038	17,536,345	-	-	-	-	19,717,038	17,536,345
<b>TOTAL LIABILITIES</b>	<b>25,819,520</b>	<b>25,276,941</b>	<b>17,401</b>	<b>33,787</b>	<b>26,747</b>	<b>11,675</b>	<b>25,863,668</b>	<b>25,322,403</b>
<b>NET ASSETS</b>	<b>823,581</b>	<b>(222,309)</b>	<b>490,132</b>	<b>418,199</b>	<b>180,216</b>	<b>281,209</b>	<b>1,493,929</b>	<b>477,099</b>

During the reporting year, The Joint Office in New York had disposals valued at £18,052 and additions valued at £14,234 (2011: Nil). The Small State Office in Geneva had additions to building improvements valued at £3,044 (2011: £118,712).

### Statement of Financial Performance for the year ended 30 June 2012

	COMSEC		UN Joint Office		Small States Office		TOTAL	
	2011-12	2010-11 Restated	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11 Restated
	£	£	£	£	£	£	£	£
<b>REVENUE</b>	<b>25,395,839</b>	<b>22,509,903</b>	<b>829,552</b>	<b>816,489</b>	<b>386,827</b>	<b>418,958</b>	<b>26,612,018</b>	<b>23,745,348</b>
<b>EXPENSES</b>	<b>23,830,704</b>	<b>22,473,648</b>	<b>761,998</b>	<b>704,848</b>	<b>511,884</b>	<b>171,261</b>	<b>25,104,586</b>	<b>23,349,757</b>
<b>SURPLUS/(DEFICIT)</b>	<b>1,565,135</b>	<b>36,255</b>	<b>67,554</b>	<b>111,641</b>	<b>(125,257)</b>	<b>247,695</b>	<b>1,507,432</b>	<b>395,591</b>



## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### 20. Related Party Disclosures

##### (a) Controlled Entities

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

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

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

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

##### (b) Key Management Personnel

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

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

In the financial year to 30 June 2012, there were no transactions outside the normal operations between The Commonwealth Secretariat and the two Commonwealth organisations mentioned above (2010-11: £Nil).

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

#### 21. Contingencies

There are no material contingent assets or liabilities relating to the period to 30 June 2012.

#### 22. Commitments

##### (a) Obligations under Finance Leases

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

	Gross Payment		Finance Charges		Net Payment	
	2012	2011	2012	2011	2012	2011
	£	£	£	£	£	£
Not later than one year	689,900	632,887	(24,780)	(53,568)	665,120	579,319
Later than one year and not later than five years	576,391	833,931	(47,680)	(66,804)	528,711	767,127
<b>Total due</b>	<b>1,266,291</b>	<b>1,466,818</b>	<b>(72,460)</b>	<b>(120,372)</b>	<b>1,193,831</b>	<b>1,346,446</b>

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### (b) Obligations under Operating Leases

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

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

	Gross future Payment	Gross future Payment
	2012	2011
	£	£
Not later than one year	2,382,737	2,173,038
Later than one year and not later than five years	7,946,867	8,400,812
Later than five years	10,312,500	12,201,430
<b>Total Due</b>	<b>20,642,104</b>	<b>22,775,280</b>

#### 23. Financial Instruments

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

The risks associated with the use of its financial instruments are currency, interest rate, credit and liquidity risks.

**Currency Risk** - The functional currency of the Joint Office for Commonwealth Permanent Missions to the United Nations in New York is United States Dollars. To manage the currency risk invoices for contribution are levied in US dollars, the currency in which expenditure at New York Office is incurred. The value of net assets for the overseas offices is given in the segmental information note 19.

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

**Credit Risk** - The Secretariat's exposure relate mainly to receivables and investments. The risk is managed by creating adequate provisions for amounts considered uncollectible. The Secretariat actively seeks recovery of all debts due and given present trends does not see this as a material risk. At 30 June 2012 COMSEC shows a provision of £84,151 against members' contributions receivable (2011:£84,151). All bank balances and short term deposits (totalling £4.9 million at the year-end) are held with well-recognised banking institutions.

**Liquidity Risk** - Liquidity risk predominately relates to delays in collecting its receivables. The liquidity risk is managed by continually monitoring both the receivables position and available funds against anticipated expenditure and commitments and the use of loan and overdraft facilities if required. At 30 June 2012 an overdraft facility of £750,000 was not being utilised (2011: £750,000).

#### 24. Prior Period Restatement

The present value of the supplementary pension fund obligation (see note 7(c)) was omitted from the financial statements of 2010-11 and earlier. The prior period comparatives have therefore been restated to correct this omission. The effect of the restatement on these financial statements is summarised below.

The costs relating to the supplementary pensions were previously accounted for as paid. The effect of restating this liability is to decrease previously reported funds at 1 July 2010 by £4,040,000 to £(4,874,175) and to decrease the previously reported funds at 30 June 2011 by £2,985,000 to £477,099.

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Previously reported expenditure for the 2010-11 period decreases by £9,000 to £23,349,757, which relates to the difference between the amount previously recognised as expenditure, and the charge to the Statement of Financial Performance as calculated by the actuary and disclosed in note 7(c).

The cashflow statement has also been restated to reflect the changes to surplus and pension liability.

#### 25. Events After Reporting Date

The Secretary General authorised these financial statements for issue on 17 December 2012.

There are no material events, favourable or unfavourable that occurred between the reporting date, 30 June 2012, and the date of authorisation for issue that would have impacted these statements.

