

Financial Statements of the Commonwealth Secretariat Fund

Year Ended 30 June 2013



The Commonwealth

Kamallesh Sharma
Secretary-General

23 December 2013

Mmasekgoa Masire-Mwamba
Deputy Secretary-General

23 December 2013

COMMONWEALTH SECRETARIAT FUND

PRINCIPAL ACTIVITIES AND OPERATING STRUCTURE

Principal Activities of the Commonwealth Secretariat

The Commonwealth is a voluntary association of 53 independent countries.

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

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

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

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

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

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

Commonwealth Secretariat Fund

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

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

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

Accordingly, these are the financial statements of the **Commonwealth Secretariat Fund** for the year ended 30 June 2013.

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

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

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

COMMONWEALTH SECRETARIAT FUND

PRINCIPAL ACTIVITIES AND OPERATING STRUCTURE

Governance and Structure

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

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

The Secretary-General is assisted by two Deputy Secretaries-General, an Assistant Secretary-General and 12 directors in managing the activities of the organisation. The Commonwealth 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 that are sufficient to show and explain the Fund's transactions and disclose with reasonable accuracy at any time the financial position of the Fund;
- safeguarding the assets;
- such internal control as is determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- taking reasonable steps for the prevention and detection of fraud and other irregularities; and
- maintaining the integrity of the audited financial statements published on the Commonwealth Secretariat's website.

COMMONWEALTH SECRETARIAT FUND

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS

We have audited the financial statements of the Commonwealth Secretariat Fund for the year ended 30 June 2013, which comprise the Statement of Financial Position, the Statement of Financial Performance, the Statement of Changes in Net Assets, the Cash Flow Statement and the related notes 1 to 24 .

Our report is made solely to the Board of Governors in accordance with the engagement letter dated 22 August 2012 and the Financial Regulations of the funds. Our work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors as a body, for our audit work, for our reports, or for the opinions we have formed.

Secretary-General's responsibilities for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Commonwealth Secretariat Fund as at 30 June 2013, 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

24 December 2013

COMMONWEALTH SECRETARIAT FUND

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

		30 June 2013	30 June 2012
ASSETS	Notes	£	£
Current Assets			
Cash and Cash Equivalents	2	6,635,729	4,871,856
Inventories	3	6,466	12,942
Receivables and Prepayments	4	1,388,671	1,228,089
Members' Contributions Receivable	9	1,660,286	2,328,905
		9,691,152	8,441,792
Non-Current Assets			
Property, Plant and Equipment	5	18,915,767	18,915,805
		18,915,767	18,915,805
TOTAL ASSETS		28,606,919	27,357,597
LIABILITIES			
Current Liabilities			
Payables and Other Current Liabilities	6	4,857,875	4,322,858
Deferred Income	11	187,164	94,788
Members' Contributions Prepaid	9	142,119	104,552
Provisions	8	695,669	959,312
Finance Lease Liability	22(a)	403,336	665,120
		6,286,163	6,146,630
Non-Current Liabilities			
Payables and Other Non-Current Liabilities	6	2,609,458	3,124,314
Finance Lease Liability	22(a)	127,201	528,711
Pension Liabilities	7	12,937,200	13,967,700
Provisions	8	1,973,656	2,096,313
		17,647,515	19,717,038
TOTAL LIABILITIES		23,933,678	25,863,668
NET ASSETS		4,673,241	1,493,929
FUND BALANCES AND RESERVES			
General Reserve		(8,859)	(1,755,668)
Working Capital Fund		2,219,838	2,219,838
Joint Office in New York	19	327,793	490,132
Small States Office in Geneva	19	(68,886)	132,398
Designated Funds	12	443,552	319,833
Revaluation Reserve		14,697,003	14,055,096
Pension Reserve	7	(12,937,200)	(13,967,700)
TOTAL FUND BALANCES AND RESERVES		4,673,241	1,493,929

COMMONWEALTH SECRETARIAT FUND

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

		2012-13	2011-12
	Notes	£	£
REVENUE			
Contributions to COMSEC	9(a)	16,140,966	15,852,455
Contributions to Joint Office in New York	9(b)	450,510	560,508
Contributions to Small States Office in Geneva	9(c)	164,814	276,822
Common Service Charge	10(a)	4,471,629	4,262,487
Project Service Charge	10(b)	2,259,161	2,524,689
Special Projects	11	197,010	846,483
Designated Funds	12	237,760	150,390
Interest Revenues	13	9,560	7,222
Other Income	13	2,310,853	2,130,962
Currency Gain		657	-
TOTAL REVENUE		26,242,920	26,612,018
EXPENSES			
Staff Costs	14	15,376,993	16,091,582
General Administration	16	7,761,889	7,682,629
Training and Workshops	17	777,914	1,209,469
Finance Costs		63,746	114,375
Currency Loss		-	6,531
TOTAL EXPENSES		23,980,542	25,104,586
SURPLUS FOR THE YEAR		2,262,378	1,507,432

COMMONWEALTH SECRETARIAT FUND

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

	Notes	General Reserve	Working Capital Fund	Joint Office	Small States Office	Designated Funds	Revaluation Reserve	Pension Reserve	Total
		£	£	£	£	£	£	£	£
Balance at 30 June 2011		(2,472,854)	2,213,278	418,199	281,209	275,444	12,427,623	(12,665,800)	477,099
Surplus / (Deficit)		1,565,135	-	67,554	(125,257)	-	-	-	1,507,432
Revaluation Reserve		-	-	-	-	-	1,627,473	-	1,627,473
Actuarial Gain on Supplementary Pension	7(c)	-	-	-	-	-	-	332,000	332,000
Actuarial Loss on Defined Benefit Scheme	7(b)	-	-	-	-	-	-	(2,527,900)	(2,527,900)
Actuarial Gain on Former SG's Pension Scheme	7(a)	-	-	-	-	-	-	97,000	97,000
Transfer of Funds to Pension Reserve	7(a,b,c)	(797,000)	-	-	-	-	-	797,000	-
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		(1,755,668)	2,219,838	490,132	132,398	319,833	14,055,096	(13,967,700)	1,493,929
Surplus / (Deficit)		2,627,428	-	(156,450)	(208,600)	-	-	-	2,262,378
Revaluation of Leasehold Property	5	-	-	-	-	-	641,907	-	641,907
Actuarial Loss on Former SG's Pension Scheme	7(a)	-	-	-	-	-	-	(267,000)	(267,000)
Actuarial Gain on Defined Benefit Scheme	7(b)	-	-	-	-	-	-	1,428,600	1,428,600
Actuarial Loss on Supplementary Pension	7(c)	-	-	-	-	-	-	(888,000)	(888,000)
Transfer of Funds to Pension Reserve	7(a,b,c)	(756,900)	-	-	-	-	-	756,900	-
Transfer of Designated Funds Surplus from General Reserve		(123,719)	-	-	-	123,719	-	-	-
Currency Translation of Foreign Operations		-	-	(5,889)	7,316	-	-	-	1,427
Balance at 30 June 2013		(8,859)	2,219,838	327,793	(68,886)	443,552	14,697,003	(12,937,200)	4,673,241

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CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	2012-13 £	2011-12 £
Cash Flow from Operating Activities		
Surplus from Ordinary Activities	2,262,378	1,507,432
Non-Cash Movements		
Depreciation	1,099,106	1,037,628
Interest Revenues	(9,560)	(7,222)
Decrease in Contributions Receivable	668,619	1,020,192
Increase in Contributions Prepaid	37,567	5,701
Increase in Receivables and Prepayments	(160,582)	(612,705)
Decrease / (Increase) in Inventories	6,476	(1,362)
Increase / (Decrease) in Payables and Other Current Liabilities	532,410	(982,139)
(Decrease) / Increase in Provisions	(386,300)	731,325
Increase / (Decrease) in Deferred Income	92,376	(199,839)
(Decrease) / Increase in Payables and Other Non Current Liabilities	(240,569)	387,153
Pension Actuarial Adjustments	(756,900)	(797,000)
Net Cash Flow from Operating Activities	3,145,021	2,089,164
Cash Flow from Investing Activities		
Purchase of Non Current Assets (non-lease)	(453,551)	(34,021)
Interest Revenues	9,560	7,222
Net Cash Flow from Investing Activities	(443,991)	(26,799)
Cash Flow from Financing Activities		
Repayments of Lease Liabilities	(663,294)	(602,555)
Repayments of Bank Loans and Overdrafts	(271,681)	(550,220)
Net Cash Flow from Financing Activities	(934,975)	(1,152,775)
Currency Translations on Foreign Operations	(2,182)	(19,175)
Net Increase in Cash and Cash Equivalents	1,763,873	890,415
Cash and Cash Equivalents at the Beginning of Period	4,871,856	3,981,441
Cash and Cash Equivalents at the End of Period	6,635,729	4,871,856
Movement in Cash and Cash Equivalents	1,763,873	890,415

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. Accounting Policies

1.1.1 Statement of Compliance

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

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

1.1.2 New Accounting Standards

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

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

1.3 Basis for Non-Consolidation of Financial Statements

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

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

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

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

1.4 Accounting Convention

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

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.5 Going Concern Assumption

The financial statements have been prepared on the going concern basis. Management has a reasonable expectation that The Commonwealth will continue in operational existence for the foreseeable future. The Board of Governors have approved the 2013-14 budget paper on behalf of the member states; the most significant liabilities are in respect of pensions which fall due in future periods in excess of one year.

The Board of Governors also approved the new four year Strategic Plan from 2013-14 to 2016-17. 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 Commonwealth's functional currency. All financial information presented in GB Pounds Sterling has been rounded to the nearest £1.

1.7 Financial Instruments

Financial instruments are 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 and receivables. These are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. It is considered that there is no material difference between fair value, amortised cost and historical cost.

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 Commonwealth 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.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

£1,000, are capitalised and depreciated to residual value over their useful life. Assets not previously recognised by The Commonwealth prior to its adoption of IPSAS 17 on 1 July 2008 were recognised at their fair value on the date of first recognition and credited back to the General Reserve.

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

(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 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1.15 Reserves

COMSEC's reserves consist of the following balances:

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

1.16 Revenue

(a) Contributions

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

(c) Project Service Charge

COMSEC charges a levy called Project Service Charge to CFTC. The charge is a reallocation of actual diplomatic and professional staff costs from programmatic divisions to reflect the level of activities they provide as part of the work of the CFTC Fund.

(d) Special Projects

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

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

(e) Designated Funds

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

(f) Other Income

Other income consists of:

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

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

1.17 Expenses

(a) Staff costs

i) Unused annual leave

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

ii) Tax

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

iii) Staff Gratuity Fund

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

iv) Relocation expenses

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

v) Home leave

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

vi) Pensions

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

Former Secretaries General Pension Scheme

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

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

Staff Defined Benefit Pension Scheme

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

The current Schedule of Contributions requires the employer to contribute the amount required to bring the aggregate contribution to one twelfth of 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 Assure UK. The scheme's actuary is Ms Elaine Pickering, Senior Pensions Actuary, Equitable Life Assurance Society. The audited financial statements and details of advisors are available on request from the Payroll and Pensions Team, Finance and Management Information Section, Marlborough House, London SW1Y 5HX.

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

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

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

Supplementary Pension

To supplement The Commonwealth Secretariat Pension & Life Assurance Scheme (1979), The Commonwealth may also award an additional increase on a discretionary basis. A review is carried out annually to compare the

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

pension benefits to UK Public Sector pension increases, and consider whether to award an additional increase on a discretionary basis to bring them into line. This arrangement is paid as supplementary to the pension payment.

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

Group Stakeholder Defined Contribution Pension Scheme

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

(b) Accommodation costs

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

(c) Direct Projects

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

(d) Leases

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

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

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

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

(e) Foreign currency transactions

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

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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	
	2013	2012	2013	2012	2013	2012
	£	£	£	£	£	£
Cash and Cash Deposits	1,574,155	(20,263)	1,202,103	979,691	2,776,258	959,428
Foreign Bank Accounts	-	-	103,348	350,120	103,348	350,120
Money Market	959,678	801,632	-	-	959,678	801,632
Fixed Term Deposit	-	-	2,796,445	2,760,676	2,796,445	2,760,676
Total Cash and Cash Equivalents	2,533,833	781,369	4,101,896	4,090,487	6,635,729	4,871,856

3. Inventories

	2013	2012
	£	£
Commissariat Stock	1,023	1,931
Souvenirs and Gifts	5,443	11,011
Total Inventories	6,466	12,942

4. Receivables and Prepayments

	Notes	2013	2012
		£	£
Staff Advances & Season Ticket Loans		68,525	49,897
Prepayments		758,591	764,500
Geneva Office Receivables		9,665	3,012
New York Office Receivables	(a)	220,345	116,597
Publishing Debtors		-	63,992
Other Debtors		127,578	81,185
Miscellaneous		3,102	4,473
Related Party: Commonwealth Youth Programme Fund		-	121,764
Commonwealth Foundation		270,597	85,661
Sub-Total Receivables and Prepayments		1,458,403	1,291,081
Provision – Doubtful Debt		(69,732)	(62,992)
Total Receivables and Prepayments		1,388,671	1,228,089

(a) The balance of New York Office receivables of £150,613 is made up of the balance of receivables at 30 June 2013 of £220,345 less a provision of £69,732 (2012: £Nil) made against outstanding contributions.

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

5. (a) Non-Current Assets

Property, Plant & Equipment 2013

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

Depreciation

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

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

5. (b) Non-Current Assets

Property, Plant & Equipment 2012

Cost	LAND AND BUILDINGS	BUILDING IMPROVEMENT	FURNITURE & FIXTURES	HARDWARE	EQUIPMENT	VEHICLES	TOTAL 2012
	£	£	£	£	£	£	£
Balance as at 30 June 2011	14,500,000	2,223,906	664,865	3,131,259	170,374	71,561	20,761,965
Additions	-	3,045	-	491,537	-	-	494,582
Disposals	-	-	-	(522,672)	-	-	(522,672)
Revaluation Adjustments	1,500,000	-	-	-	-	-	1,500,000
Balance as at 30 June 2012	16,000,000	2,226,951	664,865	3,100,124	170,374	71,561	22,233,875

Depreciation

Balance as at 30 June 2011	-	(858,324)	(294,685)	(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)
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
Book Value as at 30 June 2012	16,000,000	1,257,048	260,624	1,267,834	107,587	22,712	18,915,805

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

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

A full valuation was last performed by Knight Frank LLP in August 2012. Therefore in accordance with The Commonwealth's accounting policy, a desktop valuation was done in July 2013 to ensure that the carrying amount does not differ materially from fair value.

This valuation was based on a detailed review of the current market for similar buildings. The valuation was considered to be in the order of £16.5 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 £16.5 million. The valuers are independent from The Commonwealth and conform to the Royal Institution of Chartered Surveyors Appraisal and Valuations standards.

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

3. Payables and Other Liabilities

Amounts falling due within one year

	Notes	2013	2012
		£	£
Bank Loans	(a)	274,331	271,725
Trade Payables & Accruals		1,586,383	1,985,312
Staff Gratuity Fund Obligations	(b)	2,513,780	2,011,682
Staff Expenses		33,507	52,898
Related Parties:			
Commonwealth Fund for Technical Co-operation		429,093	323
Commonwealth Youth Programme		20,313	-
Miscellaneous		468	918
Total Payables and Current Liabilities		4,857,875	4,322,858

Amounts falling due after more than one year

	Notes	2013	2012
		£	£
Bank Loans	(a)	1,306,475	1,580,762
Staff Gratuity Fund Obligations	(b)	1,302,983	1,543,552
Total Non-Current Liabilities		2,609,458	3,124,314

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

(a) Bank Loans

Acquisition of Secretary-General's Residence

in March 2001 The Commonwealth purchased a 125 year lease on the Secretary-General's residence at 40b Hill Street in Mayfair, for £2,000,000. This property was refurbished at a cost of £400,000 giving a total historic cost of £2,400,000. A loan was negotiated with Barclays Bank plc to cover these costs, and Barclays hold a first charge on this property. The capital is repayable in 100 equal quarterly instalments of £24,000 over 25 years and interest is payable quarterly. The first quarterly payment of capital was made on 11 June 2001. The balance on the loan at 30 June 2013 was £1,224,000 (2012: £1,320,000) of which £96,000 is due for repayment in the next twelve months. The interest of £12,561 (2011-12: £18,275) on this loan is expensed during the year.

Refurbishment of Quadrant House

In December 1999 The Commonwealth took out a 25 year lease on Quadrant House, Pall Mall, London, which is used as office premises. A loan of £1,900,000 from HSBC Bank plc was taken out in 2002 to cover the costs of the refurbishment of this property. The loan is repayable in quarterly instalments over thirteen years and interest is payable quarterly. The first quarterly payment was made in October 2002. The balance on the loan at 30 June 2013 was £356,806 (2012: £532,487) of which £178,331 is due for repayment in the next twelve months. The interest of £6,467 (2011-12: £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.

	2013		2012	
	Due within one year	Due after one year	Due within one year	Due after one year
	£	£	£	£
Commonwealth Secretariat Fund	1,579,770	913,626	1,467,202	904,943
Commonwealth Fund for Technical Co-operation	627,580	344,578	391,360	585,306
Commonwealth Youth Programme Fund	48,987	44,779	55,638	28,625
Commonwealth Association of Tax Administrators	38,509	-	-	24,678
Commonwealth Foundation	195,690	-	97,482	-
New York Office	23,244	-	-	-
Total Staff Gratuity Fund Obligations	2,513,780	1,302,983	2,011,682	1,543,552

7. Pension Liabilities

	Notes	2013	2012
		£	£
Former Secretaries-General Pension Scheme	(a)	2,725,000	2,552,000
Staff Defined Benefit Scheme	(b)	6,808,200	8,817,700
Supplementary Pension	(c)	3,404,000	2,598,000
Total		12,937,200	13,967,700

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

(a) Former Secretaries-General Pension Scheme

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

An actuarial valuation of the scheme as at 30 June 2013 was carried out by First Actuarial LLP for the specific purpose of these Financial Statements, in line with the provisions of IPSAS 25.

Payments into the scheme for the year ending 30 June 2014 are estimated at £201,000.

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

	2013	2012	2011	2010	2009
	£	£	£	£	£
Defined Benefit Obligations	2,725,000	2,552,000	2,698,000	2,686,000	2,696,000
Experience adjustments on Scheme liabilities	(34,000)	163,000	(39,000)	n/a	n/a
Change of basis adjustments on Scheme liabilities	(233,000)	(66,000)	(27,000)	n/a	n/a

The cumulative actuarial losses recognised through the Statement of Changes in Net Assets as at 30 June 2013 amounted to £588,326 (2012: £321,326).

Statement of Financial Position:

For the 12 months	2013	2012
	£	£
Fair Value of Assets	-	-
Value of liabilities (defined benefit obligations)	2,725,000	2,552,000
Funded Status	(2,725,000)	(2,552,000)

Statement of Financial Performance:

For the 12 months ending	2012-13	2011-12
	£	£
Interest cost on scheme liabilities	106,000	143,000
Total recognised in Statement of Financial Performance	106,000	143,000

£94,000 (2012: £49,000) has been transferred to the pension reserve from the general reserve representing the difference between the cost recognised in Statement of Financial Performance and benefits paid out.

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

	2013	2012
	£	£
Defined Benefit Obligation at the beginning of period	2,552,000	2,698,000
Movement in period:		
Interest cost on obligation	106,000	143,000
Benefits paid	(200,000)	(192,000)
Actuarial loss (gain) on liabilities	267,000	(97,000)
Defined Benefit Obligation at end of period	2,725,000	2,552,000

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The following assumptions were used in the actuarial valuation calculations:

	2013	2012
Discount Rate	4.5%	4.3%
Price Inflation (RPI)	3.1%	2.4%

- Mortality – 90% PNMA00 and PNFA00 with an allowance for future improvements in mortality in accordance with the core CMI mortality projection model CMI 2012, 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 2013 has been taken as the yield on the iBoxx £ Corporates AA15+ corporate bond index.

The amount of the liabilities for the year ending 30 June 2013 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 £2,725,000 to £3,038,000. If the assumed rate of RPI was 1% p.a higher, the liabilities would increase from £2,725,000 to £3,019,000.

(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 2013 for the specific purpose of these accounts, in line with the provisions of IPSAS 25.

	2013	2012
	£	£
Present value of funded obligations	43,932,000	42,012,600
Fair value of scheme assets	(37,123,800)	(33,194,900)
Net liability	6,808,200	8,817,700

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

	2013	2012	2011	2010	2009
	£	£	£	£	£
Defined Benefit Obligations	(43,932,000)	(42,012,600)	(37,021,600)	(36,610,200)	(32,528,100)
Scheme Assets	37,123,800	33,194,900	30,038,800	27,698,800	24,076,200
Deficit	(6,808,200)	(8,817,700)	(6,982,800)	(8,911,400)	(8,451,900)
Experience adjustments on Scheme liabilities	(54,800)	106,100	(132,000)	737,400	203,600
Experience adjustments on Scheme assets	1,396,100	1,531,500	1,395,100	2,684,000	(3,672,000)

The cumulative actuarial losses recognised through the Statement of Changes in Net Assets as at 30 June 2013 amounted to £3,915,700 (2012: £5,344,300).

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Statement of Financial Position:

The assets valued below are in the form of portfolios of investments with Legal & General Investment Management and Standard Life, an insurance policy invested in the unit-linked Index-linked Gilt fund with the Equitable Life Assurance Society and the scheme bank accounts. The value of the Legal & General holding has been taken as the value at bid price as at the year end. The value of the Standard Life holding has been taken as the market value as at the year end. The value of the assets held in the Equitable Life unit-linked fund has been taken as the value of the units at bid price as at the year end. The value of the bank accounts has been taken as the amounts held, less payments due, on 30 June 2013. The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2013	2012
	%	%
Gilts	20	23
Corporate Bonds	6	6
Index Linked Bonds	22	23
Equities	40	37
Cash	12	11

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

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

Overall expected rate of return for the year beginning 1 July 2013 = 3.9% (2012: 3.4%).

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

Statement of Financial Performance:

For the 12 months ending	2012-13	2011-12
	£	£
Current service cost	370,700	327,900
Expected return on the assets	(1,160,700)	(1,476,700)
Interest cost on scheme liabilities	1,791,800	2,011,000
Total included in pension costs	1,001,800	862,200
Actual return on plan assets	2,556,800	3,008,200

Members' and employers' contributions into the scheme for the year ending 30 June 2014 are estimated at £1,550,000.

An amount of £580,900 (2012: £693,000) was transferred to the pension reserve from the general reserve in the year representing the difference between the cost recognised in the Statement of Financial Performance and contributions made to the scheme.

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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	2013	2012
	£	£
Assets in scheme at beginning of period	33,194,900	30,038,800
Movement in period:		
Expected return on assets	1,160,700	1,476,700
Employer contributions	1,582,700	1,555,200
Equitable Life Payment Scheme – Government Compensation Scheme	1,318,200	-
Member contributions	44,100	42,600
Benefits paid	(1,572,900)	(1,556,400)
Actuarial gain on assets	1,396,100	1,638,000
Assets in scheme at end of period	37,123,800	33,194,900

Liabilities	2013	2012
	£	£
Liabilities in scheme at the beginning of period	42,012,600	37,021,600
Movement in period:		
Interest cost	1,791,800	2,011,000
Current Service cost	370,700	327,900
Member contributions	44,100	42,600
Benefits paid	(1,572,900)	(1,556,400)
Actuarial loss on liabilities	1,285,700	4,165,900
Liabilities in scheme at end of period	43,932,000	42,012,600

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

The actuarial gain charged to the pension reserve is the net of the actuarial loss on liabilities (£1,285,700) and the actuarial gain on scheme assets (£1,396,100) and the ELPS gain, totalling £1,428,600 (Actuarial loss in 2011-12: £2,527,900).

The assumptions used in calculating the liabilities were as follows:

	2013	2012
	%	%
Inflation (RPI)	3.1	2.4
Rate of Increases in Salary in 2013-14	1.2	5.4
Rate of Increases in Salary thereafter	3.0	5.4
Pension Increases:		
Subject to RPI, maximum 5%, minimum 2.5%	3.3	2.8
Statutory Revaluation in Deferment	2.1	1.7
Discount Rate (pre and post retirement)	4.5	4.3

The discount rate on 30 June 2013 has been taken as the yield on the iBoxx £ Corporates AA15+ corporate bond index.

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Mortality after retirement at 90% PNMA00 and PNFA00 with an allowance for future improvements in mortality in accordance with the core CMI mortality projection model CMI 2012, with long term rates of improvement of 1% p.a.

The actuarial assumptions are identified as key judgements and sources of uncertainty, and the amount of the liability for the year ending 30 June 2013 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 £43,932,000 to £51,500,000. If the assumed RPI and CPI rates were 1.0% p.a. higher the liabilities would increase from £43,932,000 to £46,200,000.

(c) Supplementary Pension

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

An actuarial valuation as at 30 June 2013 was carried out by First Actuarial LLP for the specific purpose of these accounts, in line with the provisions of IPSAS 25.

Payments in relation to these pensions for the year ending 30 June 2014 are estimated at £221,000.

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

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

The cumulative actuarial gains recognised through the Statement of Changes in Net Assets as at 30 June 2013 amounted to £490,000 (2012: £1,378,000).

Statement of Financial Position:

For the 12 months ending	2013	2012
	£	£
Fair Value of Assets	-	-
Value of liabilities (defined benefit obligations)	3,404,000	2,598,000
Funded Status	(3,404,000)	(2,598,000)

Statement of Financial Performance:

For the 12 months ending	2012-13	2011-12
	£	£
Past service cost	18,000	-
Interest cost on liabilities	107,000	158,000
Total recognised in Statement of Financial Performance	125,000	158,000

£82,000 has been transferred to the pension reserve from the general reserve (2012: £55,000) representing the difference between cost recognised in the Statement of Financial Performance and benefits paid out.

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Changes in the present value of the supplementary pensions obligations are as follows:

	2013	2012
	£	£
Defined Benefit Obligation at the beginning of period	2,598,000	2,985,000
Movement in period:		
Past service cost	18,000	-
Interest cost on liabilities	107,000	158,000
Benefits paid	(207,000)	(213,000)
Actuarial loss (gain) on liabilities	888,000	(332,000)
Defined Benefit Obligation at end of period	3,404,000	2,598,000

The following assumptions were used in the actuarial valuation calculations:

	2013	2012
Discount Rate	4.1%	4.3%
Price Inflation (RPI)	2.9%	2.4%
Price Inflation (CPI)	1.9%	1.7%
Discretionary increase over guaranteed increase	0.2%	0.0%

The main assumptions used in the valuation as at 30 June 2012, were identical to those used for the Defined Benefit Scheme. The duration of liabilities has been reduced to 9 years. After a review as at 30 June 2013, the specific assumptions have been provided for use in the actuarial valuation calculations as follows:

- a lower discount rate assumption of 4.1% pa which reflects a shorter duration for the Supplementary Pensions' liabilities, compared to the Defined Benefit Scheme; the discount rate has been taken as the yield on the iBoxx £ Corporates AA15+ corporate bond index;
- a lower CPI inflation assumption of 1.9% pa which similarly reflects the shorter duration;
- Mortality assumption base tables – Male: 90% PNMA000 and Female 90% PNFA00;
- Future mortality improvement – Core CMI mortality projection model CMI_2012, with long term minimum rates of improvement of 1% pa; and
- Members' actual marital statuses have been taken into account along with their spouses' dates of births.

The amount of the liabilities for the year ending 30 June 2013 varies if the main financial assumptions used in the valuation change, in particular the discount rate and inflation rates. If the assumed discount rate was 1% pa lower, the liabilities would increase from £3,404,000 to £3,811,000. If the assumed rate of RPI and CPI were 1% pa higher, the liabilities would increase from £3,404,000 to £4,813,000.

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

8. Provisions

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

	2013		2012	
	Due within one year	Due after one year	Due within one year	Due after one year
	£	£	£	£
Arbitral Tribunal Claims	-	-	30,000	-
Provision for Building Work	-	-	263,210	-
Provision for Building Dilapidation	-	840,000	-	840,000
Relocation Expenses	562,364	1,082,461	590,817	1,218,683
Home Leave Expenses	133,305	51,195	75,285	37,630
Total Provisions	695,669	1,973,656	959,312	2,096,313

Movements in provisions during the year are as follows:

Provisions for Liabilities	Notes	2012	(Decrease)/ Increase in provision	Amount used in year	2013
		£	£	£	£
Arbitral Tribunal Claims	(a)	30,000	(30,000)	-	-
Provision for Building Work	(b)	263,210	(146,847)	(116,363)	-
Provision for Building Dilapidation	(c)	840,000	-	-	840,000
Relocation Expenses	(d)	1,809,500	21,964	(186,639)	1,644,825
Home Leave Expenses	(e)	112,915	141,655	(70,070)	184,500
Total Provisions for Liabilities		3,055,625	(13,228)	(373,072)	2,669,325

- (a) At the beginning of the year there was one litigation claim against COMSEC which was resolved without costs and the related provision has been written back to the Statement of Financial Performance under general administration.
- (b) Under the terms of the lease for Quadrant House, The Commonwealth is liable for maintenance costs for the property. An assessment was carried out in 2010-11 and a provision for maintenance was made in COMSEC. The related costs have been charged against the provision in 2012-13 and the balance has been written back to the Statement of Financial Performance under general administration.
- (c) The terms of the lease for Quadrant House renders The Commonwealth liable for any dilapidation the property may suffer while in use over its lease period. A desktop exercise was carried out in July 2012 which resulted in an estimate of cost of repairs covering the lease period to 2024. In 2012 a provision of £840,000 for these costs was included in the Statement of Financial Position in COMSEC and the expenditure was shared among the three Funds. In April 2013, The Commonwealth commissioned MHBC to prepare a building surveyor's report relating to the assessment of likely dilapidation responsibilities at Quadrant House. The findings in this report have been considered and COMSEC is of the opinion that the provision amount remains reasonable and has been maintained at the same level in the Financial Statements for 2012-13.

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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

Country	Balance at 30 June 2012		Assessment 2012/13		Receipts in year	Balance at 30 June 2013	
	Receivable	Prepaid				Receivable	Prepaid
	£	£	%	£	£	£	£
Antigua & Barbuda	15,828	-	0.20	32,232	(41,000)	7,060	-
Australia	-	-	12.18	1,965,167	(1,965,167)	-	-
Bahamas	-	-	0.71	114,409	(114,409)	-	-
Bangladesh	-	-	0.71	114,409	(114,409)	-	-
Barbados	56,182	-	0.71	114,409	(170,591)	-	-
Belize	27,107	-	0.20	32,232	(69,290)	-	(9,951)
Botswana	-	(14,255)	0.71	114,409	(114,409)	-	(14,255)
Brunei Darussalam	-	-	1.01	162,478	(162,478)	-	-
Cameroon	-	-	0.71	114,409	(124,074)	-	(9,665)
Canada	-	-	20.28	3,273,672	(3,273,672)	-	-
Cyprus	200,257	-	1.26	203,902	(404,159)	-	-
Dominica	418,351	-	0.20	32,232	-	450,583	-
Fiji	84,152	-	0.00	-	-	84,152	-
The Gambia	124,821	-	0.20	32,232	(157,053)	-	-
Ghana	-	-	0.71	114,409	-	114,409	-
Grenada	111,728	-	0.20	32,232	(27,932)	116,028	-
Guyana	-	(3,317)	0.20	32,232	(32,257)	-	(3,342)
India	-	-	4.03	650,239	(650,239)	-	-
Jamaica	112,364	-	0.71	114,409	(226,773)	-	-
Kenya	112,363	-	0.71	114,409	(82,746)	144,026	-
Kiribati	165,336	-	0.20	32,232	(85,450)	112,118	-
Lesotho	60,930	-	0.20	32,232	(93,162)	-	-
Malawi	31,656	-	0.20	32,232	(53,418)	10,470	-
Malaysia	-	-	1.61	260,096	(260,096)	-	-
Maldives	31,656	-	0.20	32,232	(63,888)	-	-
Malta	-	-	0.71	114,409	-	114,409	-
Mauritius	-	-	0.71	114,409	(114,409)	-	-
Mozambique	-	(21,137)	0.20	32,232	(25,251)	-	(14,156)
Namibia	-	-	0.71	114,409	(114,409)	-	-
Nauru	-	-	0.20	32,232	(32,232)	-	-
New Zealand	-	-	2.73	439,914	(439,914)	-	-
Nigeria	-	-	1.37	220,390	(220,390)	-	-
Pakistan	-	-	1.37	220,390	(220,390)	-	-
Papua New Guinea	79,189	-	0.20	32,232	(111,421)	-	-
Rwanda	31,656	-	0.20	32,232	-	63,888	-
St Kitts & Nevis	31,702	-	0.20	32,232	(46,759)	17,175	-
St Lucia	-	(9,939)	0.20	32,232	(38,759)	-	(16,466)
St Vincent & the Grenadines	68,184	-	0.20	32,232	(37,058)	63,358	-
Samoa	-	-	0.20	32,232	(32,232)	-	-
Seychelles	31,656	-	0.20	32,232	(63,888)	-	-
Sierra Leone	260,577	-	0.20	32,232	(164,999)	127,810	-
Singapore	-	-	2.73	439,914	(439,914)	-	-
Solomon Islands	-	-	0.20	32,232	(32,232)	-	-
South Africa	-	(43,162)	2.73	439,914	(439,914)	-	(43,162)
Sri Lanka	112,364	-	0.71	114,409	(226,773)	-	-
Swaziland	60,930	-	0.20	32,232	(113,299)	-	(20,137)
Tanzania	-	(1,758)	0.71	114,409	-	112,651	-
Tonga	-	-	0.20	32,232	-	32,232	-
Trinidad & Tobago	-	(10,984)	1.01	162,478	(162,479)	-	(10,985)
Tuvalu	27,427	-	0.20	32,232	(32,232)	27,427	-
Uganda	-	-	0.71	114,409	-	114,409	-
United Kingdom	-	-	32.60	5,262,654	(5,262,654)	-	-
Vanuatu	58,763	-	0.20	32,232	(58,763)	32,232	-
Zambia	97,877	-	0.20	32,232	(130,109)	-	-
Total	2,413,056	(104,552)	100.00	16,140,966	(16,847,152)	1,744,437	(142,119)

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The net balance of members' contributions in the Statement of Financial Position of £1,660,286 is made up of the balance receivable at 30 June 2013 of £1,744,437 less a provision of £84,151 (2012: £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, three governments had discussed or agreed payment plans for arrears amounting to £355,956 (2012: £260,576) of which £134,410 is due after one year (2012: £130,288).

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

9. (a) (ii) 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	386,695	-	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	-	1.61	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	106,061	-	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	-
Total	3,433,248	(98,851)	100.05	15,852,455	(16,878,348)	2,413,056	(104,552)

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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 (2010-11: £84,151) 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 2012-13

Country	2012-13	2011-12
	£	£
Australia	111,425	109,965
United Kingdom	-	109,965
Canada	111,425	109,965
New Zealand	116,699	116,260
India	63,770	63,529
Malaysia	12,754	12,706
Nigeria	12,754	12,706
Singapore	12,754	12,706
Cyprus	2,551	6,353
Malta	6,378	6,353
Total Donors	450,510	560,508

9. (c) Small States Office in Geneva Contributions 2012-13

Country	2012-13	2011-12
	£	£
India	50,870	49,300
Australia	50,430	44,562
New Zealand	49,970	53,193
Trinidad & Tobago	-	14,725
Singapore	13,544	14,094
United Kingdom	-	100,948
Total Contributions	164,814	276,822

10. (a) Common Service Charge

Fund	2012-13	2011-12
	£	£
Commonwealth Fund for Technical Co-operation (CFTC)	3,780,679	3,999,305
Commonwealth Youth Programme Fund (CYP)	647,086	241,321
Commonwealth Association of Tax Administrators (CATA)	43,864	21,861
Total	4,471,629	4,262,487

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

10. (b) Project Service Charge

	2012-13	2011-12
	£	£
Commonwealth Fund for Technical Co-operation (CFTC)	2,259,161	2,524,689
Total	2,259,161	2,524,689

11. (a) Special Projects 2012-13

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

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 2011-12

Special Projects	Deferred Income Balance 30 June 2011	Receipts	Expenses	Adjustments	Deferred Income Balance 30 June 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)	-	-
TOTAL	294,627	647,741	(846,483)	(1,097)	94,788

11. (c) Special Projects by cost type

Special project expenses are analysed below according to cost type 2012-13

	Notes	2012-13	2011-12
		£	£
Staff & Short Term Consultants Costs	14	98,863	236,298
Communications, Publicity & Information		11,590	11,235
Training & Workshops	17	40,281	569,566
Other Miscellaneous Expenses		46,276	29,384
Total		197,010	846,483

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

12. (a) (i) Designated Funds 2012-13

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

12. (a) (ii) Designated Funds 2011-12

Designated Funds		Balance 30 June 2011	Receipts	Expenses	Balance 30 June 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
TOTAL		275,444	150,390	(106,001)	319,833

(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 0.27% (2011-12: 0.33%) during the reporting period. Total interest receivable in 2012-13 was £9,560 (2011-12: £7,222).

Other income is analysed below:

	2012-13	2011-12
	£	£
Service in-kind: Provision of Rent Free Property	1,609,000	1,609,000
Income for Joint Office in New York	298,090	268,585
Income for Small States Office in Geneva	209,380	109,603
Recovery of Expenses	181,048	135,084
Tax Reclaims	13,335	8,690
Total Other Income	2,310,853	2,130,962

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

14. Staff Costs

	Notes	2012-13	2011-12
		£	£
Salaries and allowances		10,211,365	10,527,581
Employers National Insurance Contributions		984,648	957,050
Contributions to Staff Gratuity Fund		1,281,991	1,278,320
Pension Contributions - Defined Contribution Scheme		34,403	18,236
Pension Contributions & Expenses	(a)	1,316,526	1,230,391
Provision for relocation expenses	8(d)	21,964	410,372
Provision for home leave expenses	8(e)	141,655	112,915
Other staff and Short Term Consultants Costs - Directs	18(b)	1,285,578	1,320,419
Other staff and Short Term Consultants Costs - Special	11(c)	98,863	236,298
Total Staff Costs		15,376,993	16,091,582

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

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	
	2012-13	2011-12	2012-13	2011-12
			£	£
Management Committee	4	4	507,792	631,766
Directors	11	11	1,576,629	1,244,504
TOTAL	15	15	2,084,421	1,876,270

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 Commonwealth's official residence at Hill Street. See note 6(a) for details of purchase price and loan repayment.

	Management Committee		Directors	
	2012-13	2011-12	2012-13	2011-12
	£	£	£	£
Salary	308,622	335,342	1,128,020	881,903
Allowances	134,938	220,259	256,357	214,547
Gratuity	64,232	76,165	192,252	148,054
TOTAL	507,792	631,766	1,576,629	1,244,504

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

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

16. General Administration

	2012-13	2011-12
	£	£
Rent & Rates	1,984,733	2,312,536
Notional Value of Rent for Marlborough House	1,609,000	1,609,000
Property Services and Maintenance Costs	607,505	629,797
Utilities	167,710	164,667
Other Property Costs	169,942	124,710
Equipment Maintenance	471,045	666,434
Printing and Stationery	193,272	234,650
Communications	508,451	485,256
Vehicle Maintenance and Running Costs	73,961	68,158
Insurance	151,431	123,747
Library & Subscriptions	82,454	76,472
Staff Development	86,401	73,102
Professional Fees	246,707	52,689
Audit Fees	51,927	47,725
Depreciation	1,099,106	1,037,627
Tribunal Expenses	78,019	107,714
Other Costs	287,048	214,572
Net Provisions	(106,823)	(346,227)
Total General Administration	7,761,889	7,682,629

All lease agreements are registered in COMSEC and the costs shared among all the three Funds. Operating lease costs are recognised in the Statement of Financial Performance of the respective Funds while finance lease liabilities are recognised in the Statement of Financial Position in COMSEC. Total operating lease costs recognised in COMSEC in 2012-13 is £1,233,424 (2011-12: £2,040,224). The total future minimum rentals under operating leases are detailed in note 22(b).

17. Training and Workshops

	Notes	2012-13	2011-12
		£	£
Training & Workshops - Special Projects	11(c)	40,281	569,566
Training & Workshops - Direct Projects	18(b)	737,633	639,903
Total Training and Workshops		777,914	1,209,469

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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:

	2012-13	2011-12
	£	£
Democracy & Consensus Building	855,159	763,171
Economic Development	269,295	193,854
Environmentally Sustainable Development	40,360	34,568
Good Offices for Peace	333,265	306,781
Human Rights	29,436	23,901
Human Development	269,049	251,925
Rule of Law	38,828	156,476
Business Support Functions	526,649	585,606
Total	2,362,041	2,316,282

18. (b) Direct Project Expenses

Direct project expenses are analysed according to cost type below:

	Notes	2012-13	2011-12
		£	£
Staff & Short Term Consultants Costs	14	1,285,578	1,320,418
Communications, Publicity & Information		159,983	195,406
Training & Workshops	17	737,633	639,903
Other Miscellaneous Expenses		178,847	160,555
Total		2,362,041	2,316,282

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 2013

Statement of Financial Position as at 30 June 2013

	COMSEC		Joint Office		Small States Office		TOTAL	
	2013	2012	2013	2012	2013	2012	2013	2012
	£	£	£	£	£	£	£	£
ASSETS								
Current Assets	9,591,375	7,884,759	328,504	482,296	101,034	122,555	10,020,913	8,489,610
Consolidation adjustment	(219,471)	(47,818)	(110,290)	-	-	-	(329,761)	(47,818)
	9,371,904	7,836,941	218,214	482,296	101,034	122,555	9,691,152	8,441,792
Non-current Assets	18,812,903	18,806,160	35,187	25,237	67,677	84,408	18,915,767	18,915,805
TOTAL ASSETS	28,184,807	26,643,101	253,401	507,533	168,711	206,963	28,606,919	27,357,597
LIABILITIES								
Current Liabilities	6,342,429	6,102,482	35,898	17,401	237,597	74,565	6,615,924	6,194,448
Consolidation adjustment	(110,290)	-	-	-	(219,471)	(47,818)	(329,761)	(47,818)
	6,232,139	6,102,482	35,898	17,401	18,126	26,747	6,286,163	6,146,630
Non-current Liabilities	17,647,515	19,717,038	-	-	-	-	17,647,515	19,717,038
TOTAL LIABILITIES	23,879,654	25,819,520	35,898	17,401	18,126	26,747	23,933,678	25,863,668
NET ASSETS	4,305,153	823,581	217,503	490,132	150,585	180,216	4,673,241	1,493,929

During the reporting year, The Joint Office in New York had Property Plant and Equipment additions valued at £16,598 at cost (2012: £14,234) and no disposals (2012: £18,052). The Small States Office in Geneva had Property Plant and Equipment additions valued at £1,521 at cost (2012: £3,044) and disposals valued at £211 at cost (2012: £Nil).

Statement of Financial Performance for the year ended 30 June 2013

	COMSEC		UN Joint Office		Small States Office		TOTAL	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
	£	£	£	£	£	£	£	£
REVENUE	25,117,846	25,395,839	750,761	829,552	374,313	386,627	26,242,920	26,612,018
EXPENSES	22,490,418	23,830,704	907,211	761,998	582,913	511,884	23,980,542	25,104,586
SURPLUS/(DEFICIT)	2,627,429	1,565,135	(156,450)	67,554	(208,600)	(125,257)	2,262,378	1,507,432

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

20. Related Party Disclosures

(a) Controlled Entities

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

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

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

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

(b) Key Management Personnel

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

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

In the financial year to 30 June 2013, there were no transactions outside the normal operations between The Commonwealth and the two Commonwealth organisations mentioned above (2012: £nil).

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

21. Contingencies

As at 30 June 2013, there were contingent liabilities amounting to £51,702 relating to Arbitral Tribunal claims (2012: £nil).

22. Commitments

(a) Obligations under Finance Leases

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

	Gross Payment		Finance Charges		Net Payment	
	2013	2012	2013	2012	2013	2012
	£	£	£	£	£	£
Not later than one year	414,522	689,900	(11,186)	(24,780)	403,336	665,120
Later than one year and not later than five years	128,553	576,391	(1,352)	(47,680)	127,201	528,711
Total due	543,075	1,266,291	(12,538)	(72,460)	530,537	1,193,831

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

(b) Obligations under Operating Leases

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

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

	Gross future Payment	Gross future Payment
	2013	2012
	£	£
Not later than one year	2,375,176	2,382,737
Later than one year and not later than five years	8,262,800	7,946,867
Later than five years	8,937,500	10,312,500
Total Due	19,575,476	20,642,104

23. Financial Instruments

The Commonwealth's financial risk management policies are framed within the context of its investment policy and financial regulations. The Commonwealth 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 Commonwealth's exposure relate mainly to receivables and investments. The risk is managed by creating adequate provisions for amounts considered uncollectible. The Commonwealth actively seeks recovery of all debts due and given present trends does not see this as a material risk. At 30 June 2013 COMSEC shows a provision of £84,151 against members' contributions receivable (2012: £84,151). The New York Office shows a provision of £69,732 against its receivables for donor contributions and rent (2012: £nil). All bank balances and short term deposits (totalling £6.6 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 2013 an overdraft facility of £750,000 was not being utilised (2012: £750,000).

24. Events After Reporting Date

The Secretary-General authorised these financial statements for issue on December 2013.

There are no material events, favourable or unfavourable that occurred between the reporting date, 30 June 2013, and the date of authorisation for issue that would have impacted these statements.

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