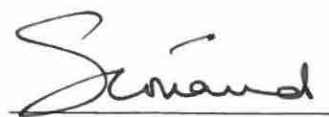


# Financial Statements of the Commonwealth Secretariat Fund

Year Ended 30 June 2019



The Commonwealth



The RT Hon  
Patricia Scotland QC  
*Secretary-General*  
17 December 2019



Dr Arjoon Suddhoo  
*Deputy Secretary-General*  
17 December 2019

## COMMONWEALTH SECRETARIAT FUND

### PRINCIPAL ACTIVITIES AND OPERATING STRUCTURE

#### Principal Activities of the Commonwealth Secretariat

The Commonwealth is a voluntary association of 53 independent countries and equal sovereign states. Its members are bound together by respect for all states and peoples; by shared values and principles; and by concern for the vulnerable.

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

The Commonwealth:

- Supports Commonwealth member states to achieve development, democracy and peace. It is a voice for small and vulnerable states and a champion for young people.
- Helps to strengthen governance, build inclusive institutions and promote justice and human rights. Its work helps to grow economies and boost trade, empower young people, and address threats such as climate change, debt and inequality.
- Provides technical assistance and supports decision-makers to draw up legislation and deliver policies. The Commonwealth deploys experts and observers who offer impartial advice and solutions to national issues. The Commonwealth also provides systems, software and research for managing resources.

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

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

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

#### Commonwealth Secretariat Fund

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

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

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

Accordingly, these are the financial statements of the **Commonwealth Secretariat Fund** for the year ended 30 June 2019.

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

The financial statements for COMSEC include the financial performance and position of the Joint Office for Commonwealth Permanent Missions to the United Nations which is based in New York and the Commonwealth Small States Office which is based in Geneva. The Joint Office for Commonwealth Permanent Missions to the United Nations operates as a base for nine Commonwealth small states and one regional body, to work out of and represent their respective countries at the United Nations. Both offices are funded by the tenants together with contributions from other donor countries. 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.

**COMMONWEALTH SECRETARIAT FUND**  
**PRINCIPAL ACTIVITIES AND OPERATING STRUCTURE**

**Governance and Structure**

The Commonwealth is headed by a Secretary-General, The RT Hon Patricia Scotland QC, who is appointed by the Heads of Government of the Commonwealth Member States.

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

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

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

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

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

## COMMONWEALTH SECRETARIAT FUND

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

#### Independent auditor's report to the Board of Governors of Commonwealth Secretariat Fund

#### Report on the audit of the non-statutory financial statements

##### Opinion

In our opinion the non-statutory financial statements of Commonwealth Secretariat Fund (the 'Fund'):

- give a true and fair view of the state of the affairs of the Fund as at 30 June 2019 and of its financial performance for the year then ended; and
- have been properly prepared in accordance with International Public Sector Accounting Standards and the Financial Regulations as authorised by the Commonwealth Heads of Government.

We have audited the non-statutory financial statements which comprise:

- the statement of financial position;
- the statement of financial performance;
- the statement of changes in net assets;
- the cash flow statement; and
- the related notes 1 to 21

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

##### Basis for opinion

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

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

##### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Secretary-General's use of the going concern basis of accounting in preparation of the non-statutory financial statements is not appropriate; or
- the Secretary-General has not disclosed in the non-statutory financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the non-statutory financial statements are authorised for issue.

We have nothing to report in respect of these matters.

##### Responsibilities of directors

The Secretary-General is responsible for the preparation of the non-statutory financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Secretary-General determines is necessary to enable the preparation of non-statutory financial statements that are free from material misstatement, whether due to fraud or error.

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

## COMMONWEALTH SECRETARIAT FUND

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

#### **Auditor's responsibilities for the audit of the non-statutory financial statements**

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

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

#### **Use of our report**

This report is made solely for the exclusive use of the Board of Governors in accordance with the engagement letter dated 20 August 2019 and the Financial Regulations of the funds. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without prior written express consent. We accept no duty, responsibility or liability to any other party in connection with the report or this engagement.



Deloitte LLP  
St Albans, United Kingdom  
**17 December 2019**

**COMMONWEALTH SECRETARIAT FUND**

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

		30 June 2019	30 June 2018
	Notes	£	£
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	2	9,399,194	13,302,392
Investments	3	4,000,000	-
Inventories		3,611	5,259
Prepayments		762,530	565,814
Members' Contributions Receivable from non-exchange transactions	9(a)	928,337	89,146
Other Receivables from exchange transactions	4	896,033	194,300
		<b>15,989,705</b>	<b>14,156,911</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	5(a)(i), 5(b)(i)	17,282,537	18,640,977
Intangible Assets	5(a)(ii), 5(b)(ii)	168,093	8,995
		<b>17,450,630</b>	<b>18,649,972</b>
<b>TOTAL ASSETS</b>		<b>33,440,335</b>	<b>32,806,883</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Provisions	8	1,492,740	747,609
Deferred Income from non-exchange transactions	11(a), 11(b)	490,074	850,544
Prepaid Contribution from non-exchange transactions	11(c)(i)	-	112,539
Prepaid Income from exchange transactions	11(c)(ii)	-	18,555
Members' Contributions Prepaid from non-exchange transactions	9(a)(i), 9(a)(ii)	221,044	202,070
Payables and Other Liabilities from exchange transactions	6	5,209,819	4,540,548
		<b>7,413,677</b>	<b>6,471,865</b>
<b>Non-Current Liabilities</b>			
Provisions	8	639,512	1,994,156
Payables and Other Liabilities from exchange transactions	6	1,832,449	1,551,602
Pension Liabilities	7	1,533,000	2,747,000
		<b>4,004,961</b>	<b>6,292,758</b>
<b>TOTAL LIABILITIES</b>		<b>11,418,638</b>	<b>12,764,623</b>
<b>NET ASSETS</b>		<b>22,021,697</b>	<b>20,042,260</b>
<b>FUND BALANCES AND RESERVES</b>			
General Reserve		2,887,149	2,644,727
Working Capital Fund		3,724,838	3,724,838
Joint Office in New York	16	468,364	451,927
Small States Office in Geneva	16	(76,980)	(73,014)
Designated Funds	1.17	2,682,251	1,816,906
Revaluation Reserve	1.17	13,869,075	14,223,876
Pension Reserve	7	(1,533,000)	(2,747,000)
<b>TOTAL FUND BALANCES AND RESERVES</b>		<b>22,021,697</b>	<b>20,042,260</b>



**COMMONWEALTH SECRETARIAT FUND**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019**

		<b>2018-19</b>	<b>2017-18</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>			
Contributions to COMSEC	9(a)(i), 9(a)(ii)	16,849,693	16,830,137
Contributions to Joint Office in New York	9(b)	665,758	495,165
Contributions to Small States Office in Geneva	9(c)	501,920	392,704
Special Projects	11(a), 11(b), 16	1,730,473	612,741
Service in-kind - Rent	12(b)(ii)	2,057,391	1,924,728
<b>SUB-TOTAL REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>		<b><u>21,805,235</u></b>	<b><u>20,255,475</u></b>
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>			
Common Service Charge	10	2,423,577	2,526,136
Office Consolidation Charge	1.18(b)(vi)	338,885	-
Interest Revenue	12(a)	90,719	38,692
Other Income	12(b)(i)	1,950,328	1,848,541
Currency Gain		29,992	-
<b>SUB-TOTAL REVENUE FROM EXCHANGE TRANSACTIONS</b>		<b><u>4,833,501</u></b>	<b><u>4,413,369</u></b>
<b>TOTAL REVENUE</b>		<b><u>26,638,736</u></b>	<b><u>24,668,844</u></b>
<b>EXPENSES</b>			
Staff Costs	13	9,190,428	9,355,391
Other Costs	14	13,306,503	11,327,330
Depreciation & Amortisation	5(a)(iii), 5(b)(iii)	1,515,802	783,716
Finance Costs		7,236	5,671
Currency Loss		-	57,814
<b>TOTAL EXPENSES</b>		<b><u>24,019,969</u></b>	<b><u>21,529,922</u></b>
<b>SURPLUS FOR THE YEAR</b>		<b><u>2,618,767</u></b>	<b><u>3,138,922</u></b>

**COMMONWEALTH SECRETARIAT FUND**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	General Reserve	Working Capital Fund	Joint Office	Small States Office	Designated Funds	Revaluation Reserve	Pension Reserve	Total
		£	£	£	£	£	£	£	£
<b>Balance as at 1 July 2017</b>		<b>1,817,779</b>	<b>3,224,838</b>	<b>458,296</b>	<b>(76,766)</b>	<b>1,346,932</b>	<b>15,566,103</b>	<b>(5,338,000)</b>	<b>16,999,182</b>
Surplus		3,138,922	-	-	-	-	-	-	3,138,922
Revaluation of Leasehold Property	5(a)(i)	-	-	-	-	-	(1,342,227)	-	(1,342,227)
Actuarial Loss on Former SG's Pension Scheme	7(a)	-	-	-	-	-	-	(47,000)	(47,000)
Actuarial Gain on Defined Benefit Scheme	7(b)	-	-	-	-	-	-	1,312,000	1,312,000
Actuarial Loss on Supplementary Pension	7(c)	-	-	-	-	-	-	(16,000)	(16,000)
Transfer of Funds to Pension Reserve	7(a,b,c)	(1,342,000)	-	-	-	-	-	1,342,000	-
Transfer of General Reserve to Designated Funds	1.17	(500,000)	-	-	-	500,000	-	-	-
Transfer from Designated Funds to General Reserve	1.17	30,026	-	-	-	(30,026)	-	-	-
Transfer from General Reserve to Working Capital Fund	1.17	(500,000)	500,000	-	-	-	-	-	-
Currency Translation of Foreign Operations		-	-	(6,369)	3,752	-	-	-	(2,617)
<b>Balance as at 30 June 2018</b>		<b>2,644,727</b>	<b>3,724,838</b>	<b>451,927</b>	<b>(73,014)</b>	<b>1,816,906</b>	<b>14,223,876</b>	<b>(2,747,000)</b>	<b>20,042,260</b>
Surplus		2,618,767	-	-	-	-	-	-	2,618,767
Revaluation of Leasehold Property	5(a)(i)	-	-	-	-	-	(354,801)	-	(354,801)
Actuarial Loss on Former SG's Pension Scheme	7(a)	-	-	-	-	-	-	(174,000)	(174,000)
Actuarial Loss on Defined Benefit Scheme	7(b)	-	-	-	-	-	-	(53,000)	(53,000)
Actuarial Loss on Supplementary Pension	7(c)	-	-	-	-	-	-	(70,000)	(70,000)
Transfer of Funds to Pension Reserve	7(a,b,c)	(1,511,000)	-	-	-	-	-	1,511,000	-
Transfer of General Reserve to Designated Funds	1.17	(1,201,529)	-	-	-	1,201,529	-	-	-
Transfer from Designated Funds to General Reserve	1.17	336,184	-	-	-	(336,184)	-	-	-
Currency Translation of Foreign Operations		-	-	16,437	(3,966)	-	-	-	12,471
<b>Balance as at 30 June 2019</b>		<b>2,887,149</b>	<b>3,724,838</b>	<b>468,364</b>	<b>(76,980)</b>	<b>2,682,251</b>	<b>13,869,075</b>	<b>(1,533,000)</b>	<b>22,021,697</b>



**COMMONWEALTH SECRETARIAT FUND**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019**

		2018-19	2017-18
	Notes	£	£
<b>Cash Flow from Operating Activities</b>			
Surplus for the year		<b>2,618,767</b>	<b>3,138,922</b>
<b>Non-Cash Movements</b>			
Amortisation	5(a)(ii),5(b)(ii)	45,408	24,843
Depreciation	5(a)(i),5(b)(i)	1,470,394	758,873
Loss on Disposal of Fixed Assets	14	20,788	32,336
Currency Translations on Foreign Operations		(38,695)	56,272
(Increase)/Decrease in Contributions Receivable		(839,191)	882,749
(Decrease)/Increase in Donor Contributions Prepaid		(112,539)	112,539
(Decrease)/Increase in Prepaid Income		(18,555)	18,555
Increase in Member Contributions Prepaid		18,974	95,546
(Increase)/Decrease in Other Receivables		(701,733)	208,394
(Increase)/Decrease in Prepayments		(196,716)	31,082
Decrease in Inventories		1,648	475
Increase/(Decrease) in Payables and Other Current Liabilities		669,271	(3,874,289)
(Decrease)/Increase in Provisions		(609,513)	361,502
(Decrease)/Increase in Deferred Income from non-exchange transactions		(360,470)	785,204
Increase/(Decrease) in Payables and Other Non Current Liabilities		376,847	(347,788)
Pension Actuarial Adjustments		(1,511,000)	(1,342,000)
<b>Net Cash Flow from Operating Activities</b>		<b>833,685</b>	<b>943,215</b>
<b>Cash Flow from Investing Activities</b>			
Investments in Fixed Term Deposits		(4,000,000)	-
Asset Disposal Proceeds		8,500	15,500
Purchase of Non Current Assets (non-lease)	5(a)(i),5(b)(i)	(646,372)	(169,047)
<b>Net Cash Flow Used In Investing Activities</b>		<b>(4,637,872)</b>	<b>(153,547)</b>
<b>Cash Flow from Financing Activities</b>			
Repayment of Bank Loans		(96,000)	(96,000)
<b>Net Cash Flow Used In Financing Activities</b>		<b>(96,000)</b>	<b>(96,000)</b>
<b>Net Increase in Cash and Cash Equivalents</b>		<b>(3,900,187)</b>	<b>693,668</b>
Cash and Cash Equivalents at the Beginning of the Period		13,302,392	12,608,724
Effects of Exchange Rate Changes on the Balance of Cash Held in Foreign Currencies		(3,011)	-
<b>Cash and Cash Equivalents at the End of the Period</b>	2	<b>9,399,194</b>	<b>13,302,392</b>

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 1. Accounting Policies

##### 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.

The financial statements include segmental information relating to Special Projects and the Joint Office for Commonwealth Permanent Missions to the United Nations (Joint Office) and the Commonwealth Small States Office in Geneva (together referred as Commonwealth Small States Offices - CSSOs). Information is analysed into statement of financial position and statement of financial performance for each segment. The segmental information does not include income, expenses, advances or loans to or between segments.

##### 1.1.1 New Accounting Standards

The International Public Sector Accounting Standards Board (IPSAB) introduced IPSAS 39: Employee Benefits which replaced IPSAS 25 and requires entities to apply this standard for annual financial statements covering periods beginning on or after 1 January 2018. The Commonwealth elected for early adoption in 2017/18 and has applied IPSAS 39 in preparing these Financial Statements.

##### 1.1.2 Standards Issued not yet effective: IPSAS 41 – Financial Instruments

IPSAS 41, which replaces IPSAS 29, addresses the principles for recognition, measurement, classification and de-recognition of financial assets, financial liabilities and some contracts to buy or sell non-financial items. The main changes from IPSAS 29 to IPSAS 41 are the introduction of simplified classification and measurement requirements for financial assets, a forward looking impairment model, and a flexible hedge accounting model. IPSAS 41 will be effective from 1 January 2022. Its impact on the financial statements will be assessed prior to that date and the Commonwealth will be ready for its implementation by the time it becomes effective.

##### 1.2 Change to Accounting Policies

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

##### 1.3 Basis for Non-Consolidation of Financial Statements

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

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

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

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

##### 1.4 Accounting Convention

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

##### 1.5 Going Concern Assumption

The financial statements have been prepared on the going-concern basis. Management has a reasonable expectation that The Commonwealth will continue in operational existence for the foreseeable future and at least for a period of 12 months subsequent to the date of signature of these financial statements. The Board of Governors has approved the 2019-20 Budget and Delivery Plan along with the associated funding by member states.

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 1.6 Functional and Presentational Currency

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

#### 1.7 Financial Instruments

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

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

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that COMSEC has both the intention and the ability to hold to maturity. As at 30 June 2019, no held-to-maturity financial assets were held by COMSEC.

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

#### 1.8 Cash and Cash Equivalents

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

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

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

#### 1.9 Property, Plant and Equipment

##### (a) Costs

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

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

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

Capital work in progress represents the value of expenditure on incomplete assets or projects as at 30 June 2019. The total expenditure is transferred to the relevant asset category on the completion of the asset or project and then depreciated.

##### (b) Revaluation

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

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

##### (c) Depreciation

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

Depreciation for assets is provided from the month the asset is made available for use. The estimated useful lives applicable are as follows:

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

##### 1.10 Impairment

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

##### 1.11 Intangible Assets

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

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

##### 1.12 Inventories

Inventories held for sale are measured at the lower of cost and net realisable value. Inventories held for distribution at no or nominal charge are valued at the lower of cost and current replacement cost. Write downs from cost to current replacement cost or net realizable value are recognized in the Statement of Financial Performance.

##### 1.13 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.

##### 1.14 Deferred Income

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

Details on deferred income are given in note 1.18(a)(ii).



## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 1.15 Borrowings

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

#### 1.16 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.

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

#### 1.18 Revenue

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

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

##### (i) Contributions

COMSEC is financed by assessed contributions from the 53 member states of the Commonwealth. Revenue is recognised in the period to which the contribution relates following agreement of contributions at the annual meeting of the Board of Governors. Where contributions are received in advance of the year to which they relate, the amount is recognised as a non-exchange liability in the Statement of Financial Position.

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

The Joint Office for Commonwealth Permanent Missions to the United Nations in New York and the Commonwealth Small States Office in Geneva are financed by contributions from donors.

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 1.18 Revenue (a) Revenue from Non-Exchange Transactions (Continued)

##### (ii) Special Projects

COMSEC receives additional contributions and grants from member states, 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.

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

##### (iii) Service In-Kind

Service in-kind represents the provision of Marlborough House free of rent as recognised under IPSAS 23 Revenue from Non-Exchange Transactions.

#### (b) Revenue from Exchange Transactions

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

##### (i) Common Service Charge

COMSEC levies an administrative charge referred to as the Common Service Charge, on the Commonwealth Fund for Technical Co-operation, Commonwealth Youth Programme and Commonwealth Association of Tax Administrators. The charge recovers from these institutions some of the costs incurred by COMSEC in operating the internal corporate business support functions which includes Finance, Human Resources and Facility Management, Information Technology, Strategy, Portfolio and Partnerships and to a lesser extent Communications.

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

##### (ii) Designated Funds

This income relates to monies generated from certain self-financing funds. Any surpluses or losses arising during the financial period are carried forward to the next year in the Designated Funds Reserves (see note 1.17).

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

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

##### (iv) Interest Receivable

Interest received from interest-bearing accounts and investments. Such income is recognised in the period in which the transaction occurred not when the income is received.

##### (v) Other Income

Other income consists of:

- rent and service charges received from tenants in Commonwealth House;
- rent received and costs recovered from tenants in the Joint Office for Commonwealth Permanent Missions to the United Nations in New York and the Commonwealth Small States Office in Geneva;
- costs recovered from the Commonwealth Foundation in COMSEC;
- recoveries by COMSEC, the Joint Office and the Small States Office of various costs, through insurance and tax reclaims; and
- administration fees charged for managing Special Projects.

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



## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

##### (vi) Office Consolidation Charge

The Commonwealth has embarked upon a project to consolidate its London operations into one office building, Marlborough House, in order to generate savings and improved ways of working. To facilitate this consolidation, in December 2018 The Commonwealth exercised the lease break option in its current lease for Commonwealth House without incurring a penalty.

COMSEC has levied an office consolidation charge on the Commonwealth Fund for Technical Co-operation and the Commonwealth Youth Programme to recover some of the costs incurred by COMSEC in delivering the consolidation project. The method of apportioning these costs is based on the projected total revenue used to fund expenditure in each of COMSEC, CFTC and CYP.

The consolidation project costs cover activities associated with the vacating and yielding up of Commonwealth House to the landlord, accelerated depreciation on Commonwealth House building improvements, enabling and upgrade works required in Marlborough House, and the physical move of staff and operations from Commonwealth House into Marlborough House.

#### 1.19 Expenses

##### (a) Staff costs

###### (i) Unused annual leave

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

###### (iii) 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.

###### (iv) Home leave

The Commonwealth pays for home leave passages for overseas recruited staff after serving 18 months of their contracts. A provision for future home leave passages is included within staff costs in the financial statements.

##### (v) Pensions

The Commonwealth operates:

- two defined benefit pension schemes which are now closed. One for three former Secretaries-General and another for permanent staff who opted in prior to 2002;
- a supplementary arrangement in conjunction to the Staff Defined Benefit Pension Scheme; and
- a defined contribution Workplace Pension Scheme which came into operation on 1 January 2018.

##### Former Secretaries-General Pension Scheme

An unfunded, defined benefit pension scheme is in operation for three former Secretaries-General. Costs relating to the financial year are recognised in the Statement of Financial Performance of COMSEC.

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.

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 1.19 Expenses (a) Staff Costs (v) Pensions Staff Defined Benefit Pension Scheme (Continued)

The current Schedule of Contributions requires the employer to contribute the amount required to bring the aggregate contribution to one twelfth of 80.7% 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 £90,000 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 Neal Thompson, Partner, First Actuarial LLP. The audited financial statements and details of advisors are available on request from the Payroll and Pensions Team, Finance and Management Information Section, Marlborough House, London, SW1Y 5HX.

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

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

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

#### **Supplementary Pension**

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

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

#### **Workplace Pension Scheme**

Effective 1 January 2018, a Defined Contribution Pension Scheme was set up with Scottish Widows, which operates in line with the requirements of Automatic Enrolment. Staff can elect to have all or part of 15% of their gross salary invested in this Scottish Widows Workplace Pension Scheme. Employer contributions are recognised in the Statement of Financial Performance in the period in which the obligation arise.

The Commonwealth's contributions to the workplace pension scheme are recognised as staff costs in the statement of financial performance.

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 1.19 Expenses (a) Staff Costs (Continued)

##### (vi) Gratuity

For staff who opt out of or select the reduced contribution to the Commonwealth Secretariat Workplace Pension Scheme, The Commonwealth contributes up to 15% of gross salary into the Staff Gratuity Fund. The Commonwealth's contributions to the staff gratuity 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 a COMSEC 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. The relating asset and liability are reported in the Statement of Financial Position of COMSEC because it is not possible to readily separate the proportion relating to COMSEC employees. The liability is classified as current or non-current dependent on the expiry dates of the employees' contracts.

##### (b) Office Rental Cost

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

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

##### (c) Direct Projects

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

##### (d) Leases

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

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

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

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

##### (e) Foreign Currency Transactions

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

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



## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 1.20 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.

#### 1.21 Use of Estimates and Judgements

Preparing financial statements in accordance with IPSAS requires The Commonwealth to make estimates, judgements and assumptions in the selection and application of accounting policies and in the reported amounts of assets, liabilities, revenues and expenses. For this reason, actual results may differ from those estimates.

Accounting estimates and underlying assumptions are reviewed on an on-going basis and revisions to estimates are recognised in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include the bad debt provision. Further details are given where applicable in the individual notes to the assets and liabilities.

#### 2. Cash and Cash Equivalents

Restricted balances are held only for the specific purposes of the special project funds, the staff gratuity fund, the Joint Office in New York and Small States Office in Geneva as well as the office rental deposit for the Small States Office in Geneva.

	Unrestricted		Restricted		Total	
	30 June		30 June		30 June	
	2019	2018	2019	2018	2019	2018
	£	£	£	£	£	£
Cash and Current Cash Deposits	217,401	6,007,476	584,702	302,478	802,103	6,309,954
Non-Current Cash Deposits	-	-	1,019,908	632,052	1,019,908	632,052
Foreign Bank Accounts	-	-	980,240	764,806	980,240	764,806
Money Market	1,224,705	3,161,318	344,427	395,998	1,569,132	3,557,316
Fixed Term Deposits	4,000,000	-	1,027,811	2,038,264	5,027,811	2,038,264
<b>Total Cash and Cash Equivalents</b>	<b>5,442,106</b>	<b>9,168,794</b>	<b>3,957,088</b>	<b>4,133,598</b>	<b>9,399,194</b>	<b>13,302,392</b>

#### 3. Investments

Fixed term deposits held for a period of more than three months have been classified as investments.

	30 June 2019	30 June 2018
	£	£
Term deposits - current	4,000,000	-
<b>Total Investments</b>	<b>4,000,000</b>	<b>-</b>

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 4. Other Receivables from Exchange Transactions

	30 June 2019	30 June 2018
	£	£
Staff Advances & Season Ticket Loans	46,705	69,823
Receivables for the Geneva Office	21,606	6,707
Receivables for the New York Office	23,547	113,420
Other Receivables	873,401	181,355
Commonwealth Foundation Re-charges	92,340	84,993
Commonwealth Youth Programme	7,492	-
<b>Total Receivables</b>	<b>1,065,091</b>	<b>456,298</b>
Less: Provision for doubtful debt	(169,058)	(261,998)
<b>Total Receivables less provision</b>	<b>896,033</b>	<b>194,300</b>

The change in the provision for doubtful debt during 2018-19 is as follows:

	Provision as at 1 July 2018	Increase in provision	(Decrease) in provision	Provision Used in the year	Provision as at 30 June 2019
	£	£	£	£	£
<b>Provision for doubtful debt</b>	261,998	-	(92,940)	-	169,058

The total provision includes royalties due from prior years which are proving difficult to collect due to financial difficulties of the other party. There was no increase in provision during the year (2017-18: Nil). The decrease of £92,940 (2017-18: £15,260) relates to receipts from donors and tenants for outstanding balances from prior years at the New York Office.

Ageing of receivables from exchange transactions:

	30 June 2019	30 June 2018
	£	£
< 12 months	896,033	194,300
<b>Total</b>	<b>896,033</b>	<b>194,300</b>

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 5. Non-Current Assets

#### 5. (a) Non-Current Assets 2019

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

	LAND AND BUILDINGS	BUILDING IMPROVEMENT	FURNITURE & FIXTURES	HARDWARE	EQUIPMENT	VEHICLES	CAPITAL WORK IN PROGRESS	TOTAL
Cost	£	£	£	£	£	£		£
Balance as at 1 July 2018	15,500,000	3,822,429	270,639	768,846	736,335	80,916	72,506	21,251,671
Transfers from CWP	-	-	-	(34,274)	-	-	(72,506)	(106,780)
Additions	-	-	22,663	443,086	82,897	-	-	548,646
Disposals	-	-	-	(902)	(286,975)	-	-	(287,877)
Revaluation Adjustments	(500,000)	-	-	-	-	-	-	(500,000)
Currency Translations	-	54,180	9,330	1,678	5,474	-	-	70,662
Closing Balance as at 30 June 2019	15,000,000	3,876,609	302,632	1,178,434	537,731	80,916	-	20,976,322
Depreciation								
Balance as at 1 July 2018	-	(1,703,069)	(76,096)	(383,377)	(373,628)	(74,524)	-	(2,610,694)
Depreciation	(145,199)	(945,362)	(33,566)	(239,841)	(100,034)	(6,392)	-	(1,470,394)
Disposals	-	-	-	564	258,025	-	-	258,589
Revaluation Adjustments	145,199	-	-	-	-	-	-	145,199
Currency Translations	-	(11,670)	(2,425)	(900)	(1,490)	-	-	(16,485)
Closing Balance as at 30 June 2019	-	(2,660,101)	(112,087)	(623,554)	(217,127)	(80,916)	-	(3,693,785)
Net Book Value 30 June 2019	15,000,000	1,216,508	190,545	554,880	320,604	-	-	17,282,537

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

	BALANCE AS AT 1 JULY 2018	ADDITIONS	DISPOSAL	AMORTISATION CHARGE FOR THE PERIOD	BALANCE AS AT 30 June 2019
	£	£	£	£	£
Cost	99,376	204,506	-	-	303,882
Amortisation	(90,381)	-	-	(45,408)	(135,789)
Net Book Value	8,995	204,506	-	(45,408)	168,093



# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 5. (a) Non-Current Assets 2019 (Continued)

#### (iii) Depreciation and Amortisation Charge

	BALANCE AS AT 30 JUNE 2019	
	Note	£
Property Plant and Equipment	5(a)(i)	1,470,394
Intangible Assets (Software)	5(a)(ii)	45,408
<b>Total Depreciation and Amortisation Charge</b>		<b>1,515,802</b>

During the reporting year, COMSEC at the London office had furniture and fixtures, hardware equipment and software additions of £718,876 (2018: £162,375) and disposals in furniture and fixtures, equipment, motor vehicle and hardware and software of £287,877 (2018: £832,921). The office in New York had no additions (2018: Nil) or disposals in hardware (2018: £15,150). The office in Geneva had no additions of equipment (2018: £6,672) or furniture and fixtures disposals (2018: £38,868).

Previously the Commonwealth depreciated building improvements related to Commonwealth House over a period of 16.5 years, representing the remaining life of the property lease. During the year the Commonwealth exercised the lease break option in its current lease for Commonwealth House, so management has reassessed the useful economic life of the building improvements to 11.3 years. This has resulted in an additional depreciation charge for the year of £675,069.

The Commonwealth previously depreciated the telephone system over a period of 8 years. During the period, The Commonwealth revalued the useful economic life to 4 years in accordance with the Information Technology policy. This has resulted in an additional depreciation charge of £16,796 in the year.

**COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**5. (b) Non-Current Assets 2018 (Continued)**

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

	LAND AND BUILDINGS	BUILDING IMPROVEMENT	FURNITURE & FIXTURES	HARDWARE	EQUIPMENT	VEHICLES	CAPITAL WORK IN PROGRESS	TOTAL
Cost	£	£	£	£	£	£	£	£
Balance as at 1 July 2017	17,000,000	3,870,294	356,693	1,377,959	726,376	112,876	72,506	23,516,704
Additions	-	-	1,054	86,238	81,755	-	-	169,047
Disposals	-	-	(79,198)	(693,763)	(67,922)	(31,960)	-	(872,843)
Revaluation Adjustments	(1,500,000)	-	-	-	-	-	-	(1,500,000)
Currency Translations	-	(47,865)	(7,910)	(1,588)	(3,874)	-	-	(61,237)
Closing Balance as at 30 June 2018	15,500,000	3,822,429	270,639	768,846	736,335	80,916	72,506	21,251,671
Depreciation								
Balance as at 1 July 2017	-	(1,414,772)	(121,739)	(905,384)	(316,721)	(78,333)	-	(2,836,949)
Depreciation	(157,773)	(290,055)	(33,806)	(171,917)	(87,825)	(17,497)	-	(758,873)
Disposals	-	-	79,198	693,762	30,741	21,306	-	825,007
Revaluation Adjustments	157,773	-	-	-	-	-	-	157,773
Currency Translations	-	1,758	251	162	177	-	-	2,348
Closing Balance as at 30 June 2018	-	(1,703,069)	(76,096)	(383,377)	(373,628)	(74,524)	-	(2,610,694)
Net Book Value 30 June 2018	15,500,000	2,119,360	194,543	385,469	362,707	6,392	72,506	18,640,977

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

	BALANCE AS AT 1 JULY 2017	ADDITIONS	DISPOSAL	AMORTISATION CHARGE FOR THE PERIOD	BALANCE AS AT 30 JUNE 2018
	£	£	£	£	£
Cost	113,472	-	(14,096)	-	99,376
Amortisation	(79,634)	-	14,096	(24,843)	(90,381)
Net Book Value	33,838	-	-	(24,843)	8,995

COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

5. (b) Non-Current Assets 2018 (Continued)

(iii) Depreciation and Amortisation Charge

	BALANCE AS AT 30 JUNE 2018	
	Note	£
Property Plant and Equipment	5(b)(i)	758,873
Intangible Assets (Software)	5(b)(ii)	24,843
<b>Total Depreciation and Amortisation Charge</b>		<b>783,716</b>

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

The asset classified as land and buildings relates to the Secretary-General's official residence, a long leasehold property (see note 5 (a)).

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

A desktop valuation of the property was performed by Cushman & Wakefield in June 2019. Further desktop valuations will be performed over the next four years in accordance with The Commonwealth's accounting policy to ensure that the carrying amount does not differ materially from fair value.

This valuation was based on a review of the current market for similar buildings and was considered to be in the order of £15 million. The downward valuation is due to several factors that have negatively affected buyer confidence in the London property market. The valuers are independent from The Commonwealth and conform to the Royal Institution of Chartered Surveyors Appraisal and Valuations standards.

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

##### Amounts falling due within one year

	Notes	30 June 2019	30 June 2018
		£	£
Bank Loans	(a)	96,000	96,000
Trade Payables & Accruals		2,230,775	1,132,585
Payables for the New York Office		242,501	120,319
Payables for the Geneva Office		862,994	601,139
Staff Gratuity Fund Obligations	(b)	1,612,512	2,294,328
Staff Balances		5,482	15,146
Commonwealth Fund for Technical Co-operation		126,702	236,818
Commonwealth Youth Programme Fund		-	23,325
Accrued Rent Incentive	(c)	20,888	20,888
Commonwealth Association for Tax Administrators		11,965	-
<b>Total Payables and Current Liabilities</b>		<b>5,209,819</b>	<b>4,540,548</b>

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

	Notes	30 June 2019	30 June 2018
		£	£
Bank Loans	(a)	552,000	648,000
Staff Gratuity Fund Obligations	(b)	1,019,908	632,052
Accrued Rent Incentive	(c)	260,541	271,550
<b>Total Non-Current Liabilities</b>		<b>1,832,449</b>	<b>1,551,602</b>

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 6. Payables and Other Liabilities from Exchange Transactions (Continued)

#### (a) Bank Loans

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

In March 2001 The Commonwealth purchased a 125-year lease on the Secretary-General's residence at 40b Hill Street in Mayfair, for £2,000,000. This property was refurbished at a cost of £400,000 giving a total historic cost of £2,400,000. A loan was negotiated with Barclays Bank plc to cover these costs, and Barclays holds a first charge on this property.

The capital is repayable in 100 equal quarterly instalments of £24,000 over 25 years and interest is payable quarterly. The first quarterly payment of capital was made on 11 June 2001. The balance on the loan as at 30 June 2019 was £648,000 (2018: £744,000) of which £96,000 is due for repayment in the next twelve months. The interest of £7,236 (2017-18: £5,671) on this loan was expensed during the year.

	2018-19
	£
Bank Loan Opening balance at 1 July 2018	744,000
Repayment of principal on bank loan during the year	(96,000)
<b>Bank Loan Closing balance at 30 June 2019</b>	<b>648,000</b>

#### (b) Staff Gratuity Fund Obligations

The Staff Gratuity Fund Obligations 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.

	30 June 2019		30 June 2018	
	Due within one year	Due after one year	Due within one year	Due after one year
	£	£	£	£
Commonwealth Secretariat Fund	1,120,135	663,793	1,491,806	463,424
Commonwealth Fund for Technical Co-operation	110,085	268,542	558,813	84,242
Commonwealth Youth Programme Fund	10,640	87,574	11,129	61,747
Commonwealth Association of Tax Administrators	33,702	-	-	22,639
Commonwealth Foundation	320,821	-	200,491	-
New York Office	6,135	-	21,661	-
Geneva Office	10,994	-	10,428	-
<b>Total Staff Gratuity Fund Obligations</b>	<b>1,612,512</b>	<b>1,019,909</b>	<b>2,294,328</b>	<b>632,052</b>

#### (c) Accrued Rent Incentive

The Joint Office for Commonwealth Permanent Missions to the United Nations in New York received three months' rent free accommodation (rent incentive) as part of the fifteen-year lease. The rent incentive has been accrued and is offset against the monthly rental expense on a straight line basis over the fifteen-year lease which commenced in April 2017.



## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 7. Pension Liabilities

##### Net liabilities arising from Defined Benefit Obligation

	Notes	30 June 2019	30 June 2018
		£	£
Former Secretaries-General Pension Scheme	(a)	2,716,000	2,694,000
Staff Defined Benefit Scheme - Net	(b)	(3,366,000)	(2,200,000)
Supplementary Pension	(c)	2,183,000	2,253,000
<b>Total</b>		<b>1,533,000</b>	<b>2,747,000</b>

##### (a) Former Secretaries-General Pension Scheme

The Commonwealth operates an unfunded defined benefit pension scheme, the Former Secretaries-General Pension Scheme. This arrangement is not a registered pension scheme in the UK and there are no directly attributable assets held by The Commonwealth to support the liability of the arrangement.

Under the scheme, three former Secretaries-General are entitled to post-retirement monthly instalments amounting to 50% of the incumbent Secretary-General's gross salary. Pensioner members in receipt of a pension are the only category of the scheme.

The Former Secretaries-General Pension Scheme exposes The Commonwealth to the following actuarial risks:

##### Interest risk

The present value of the defined benefit scheme liability is calculated using a discount rate determined by reference to high quality corporate bond yields. A decrease in corporate bond yields would increase the Former Secretary-General Scheme's defined benefit obligation.

##### Inflation risk

The scheme's defined benefit obligation is not directly linked to inflation but to indexation adjustments each time the salary of the current Secretary-General is updated.

##### Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants, both during and after their employment. If Former Secretary-General Scheme members and their eligible spouses live longer than expected, the Former Secretary-General Scheme's benefits will need to be paid for longer thereby increasing the Former Secretary-General Scheme's defined benefit obligation.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out at 30 June 2019 by Ms B Wong, Fellow of the Institute and Faculties of Actuaries of First Actuarial LLP. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.



# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

The principal assumptions used for the purposes of the actuarial valuation were:

	Year Ended 30 June 2019	Year Ended 30 June 2018
Discount rate	2.00%	2.45%
RPI inflation	3.20%	3.10%
Increases to pensions in payment	3.20%	3.10%
Mortality (post-retirement)	90% of S2PMA/S2PFA CMI_2018_M/F 1%	90% of S2PMA/S2PFA CMI_2017_M/F 1%
Average longevity at retirement age for current pensioners:		
Males	26.7	27.2
Average longevity at retirement age for future pensioners:		
Females	28.7	29.3

Amounts recognised in respect of the Former Secretaries-General Pension Scheme are as follows:

	Year Ended 30 June 2019	Year Ended 30 June 2018
	£	£
Service cost:		
Current service cost	-	-
Past service costs and results from settlements	-	-
Net interest expense	63,000	62,000
<b>Components of defined benefit costs recognised in surplus or deficit</b>	<b>63,000</b>	<b>62,000</b>
Re-measurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	-	-
Actuarial gain arising from changes in demographic assumptions	(73,000)	(17,000)
Actuarial loss/(gain) arising from changes in financial assumptions	155,000	(42,000)
Actuarial loss arising from experience adjustments	92,000	106,000
Adjustments for restrictions on the defined benefit asset	-	-
<b>Components of defined benefit cost recognised in net assets/equity</b>	<b>174,000</b>	<b>47,000</b>
<b>Total</b>	<b>237,000</b>	<b>109,000</b>

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

The re-measurement of the net defined benefit liability is included in the Statement of Financial Position. The amount included in the statement of financial position arising from The Commonwealth's obligation in respect of the Former Secretaries-General Pension Scheme is as follows:

	30 June 2019	30 June 2018
	£	£
Present value of defined benefit obligation	2,716,000	2,694,000
Fair value of assets	-	-
Funded status	(2,716,000)	(2,694,000)
Restrictions on asset recognised	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>(2,716,000)</b>	<b>(2,694,000)</b>

Movements in the present value of the defined benefit obligation over the period were as follows:

	Year Ended 30 June 2019	Year Ended 30 June 2018
	£	£
Opening defined benefit obligation	2,694,000	2,800,000
Current service cost	-	-
Interest expense	63,000	62,000
Re-measurement (gains)/losses:		
Actuarial gain arising from changes in demographic assumptions	(73,000)	(17,000)
Actuarial loss/(gain) arising from changes in financial assumptions	155,000	(42,000)
Actuarial loss: experience adjustments	92,000	106,000
Benefits paid	(215,000)	(215,000)
<b>Closing defined benefit obligation</b>	<b>2,716,000</b>	<b>2,694,000</b>

#### Sensitivity Analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate, RPI inflation rate and assumed life expectancy. The sensitivity analysis is set out below.

Assumption	Change in assumption	Change in defined benefit obligation
Discount rate	- 1% pa	+ 11%
RPI inflation	+ 1% pa	+ 12%
Assumed life expectancy	+ 1 year	+ 12%

#### Limitations to Sensitivity Analysis

The sensitivity analysis above provides an approximate guide to the sensitivity of results and may not be as accurate as a full valuation carried out on these assumptions. Each assumption change is considered in isolation, which in practice is unlikely to occur, as changes in some of the assumptions are correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

##### Future funding obligations

The actuarial valuation of the defined benefits obligation is determined by discounting the probable future payment required to settle the obligation resulting from past employee service rendered in prior periods. The discount rate is determined by reference to market yields at the reporting date following a yield curve approach. The discount rate has been determined based on the plan duration and benefit currencies. The benefits receive increases based on the current Secretary-General's salary with pensions being reassessed at four yearly intervals. The valuation method used is known as the projected unit credit method.

The approximate overall duration of the Former Secretary-General Scheme's defined benefit obligation as at 30 June 2019 was 11 years (2018: 11 years).

The Commonwealth expects to make a contribution of £222,000 (2018: £215,000) to the Former Secretary-General Scheme during the financial year beginning 1 July 2019.

£152,000 (2018: £153,000) 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.

#### (b) Staff Defined Benefit Scheme

The Secretariat operates a UK registered trust based pension scheme, Commonwealth Secretariat Pension and Life Assurance Scheme (1979), which provides defined benefits. The Scheme was closed to entrants at 1 January 2002. Pension benefits are linked to the members' final pensionable salaries and service at their retirement or date of leaving if earlier. The Trustees are responsible for running the Scheme in accordance with the Scheme's Trust Deed and Rules, which set out their powers. The Trustees of the Scheme are required to act in the best interests of the beneficiaries of the Scheme. There is a requirement that at least one-third of the Trustees are nominated by the members of the Scheme.

Under the scheme, the members are entitled to post-retirement monthly instalments amounting to 1/43rd of final pensionable pay for each year of service prior to 1 April 1996 plus 1/45th of final pensionable pay for each year of service thereafter, up to a maximum of 30 years (completed days count proportionately). The pensionable pay is the annual rate of basic pay.

The defined benefit scheme requires contributions from members. Contributions are based on a fixed percentage of salary of the members. Members can also make additional voluntary contributions to the scheme.

There are three categories of pension scheme members:

- Active members: currently employed by the Secretariat;
- Deferred members: former employees of the Secretariat not yet in receipt of a pension; and
- Pensioner members: in receipt of a pension.

The Staff Defined Benefit Scheme exposes The Commonwealth to a number of actuarial risks:

##### Investment risk

The present value of the defined benefit scheme liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on scheme asset is below this rate, it will create a scheme deficit. Currently the scheme has a relatively balanced investment in equity securities, debt instruments and real estates. Due to the long-term nature of the scheme liabilities, the Scheme Trustees consider it appropriate that a reasonable portion of the scheme assets should be invested in equity securities to leverage the return generated by the fund.

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 7. Pension Liabilities (b) Staff Defined Benefit Scheme (Continued)

##### **Interest risk**

A decrease in corporate bond yields would increase the scheme's defined benefit obligation; however, this would be partially offset by an increase in the value of the Scheme's bond holdings.

##### **Inflation risk**

A significant proportion of the scheme's defined benefit obligation is linked to inflation, therefore higher inflation will result in a higher defined benefit obligation (subject to the appropriate caps in place). The majority of the scheme's assets are either unaffected by inflation, or only loosely correlated with inflation, therefore an increase in inflation would also increase the deficit.

##### **Longevity risk**

The present value of the defined benefit scheme liability is calculated by reference to the best estimate of the mortality of scheme participants both during and after their employment. If scheme members live longer than expected, the scheme's benefits will need to be paid for longer, increasing the scheme's defined benefit obligation.

##### **Salary risk**

The present value of the defined benefit scheme liability is calculated by reference to the future salaries of scheme participants. As such, an increase in the salary of the scheme participants will increase the scheme's liability.

The Trustees and The Commonwealth manage risks in the Scheme through the following strategies:

- **Diversification:** investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.
- **Investment strategy:** The Trustees are required to review the investment strategy on a regular basis.
- **Annuities:** The Scheme had previously bought out some members' pensions at retirement with an insurance company. This removes investment, inflation, longevity and expense risks after members retire.

The results of the most recent formal actuarial valuation as at 31 March 2016 have been updated to 30 June 2019 by Ms B Wong, Fellow of the Institute and Faculties of Actuaries of First Actuarial LLP. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.



# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 7. Pension Liabilities (b) Staff Defined Benefit Scheme (Continued)

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	Year Ended 30 June 2019	Year Ended 30 June 2018
Discount rate	2.15%	2.65%
RPI inflation	3.25%	3.15%
CPI inflation	2.25%	2.15%
Salary increases	2.00%	2.00%
Inflation linked pension increases in payment: 5% pa or RPI if less, subject to a minimum of 2.5% pa	3.30%	3.25%
Revaluation of deferred pensions:	2.25%	2.15%
Mortality (pre-retirement)	As per post retirement	As per post retirement
Mortality (post-retirement)	90% of S2PMA/S2PFA CMI_2018_M/F 1%	90% of S2PMA/S2PFA CMI_2017_M/F 1%
Average longevity at retirement age for current pensioners		
Males	26.7	27.2
Females	28.7	29.2
Average longevity at retirement age for future pensioners		
Males	27.8	28.4
Females	30.0	30.5

Amounts recognised in respect of the Staff Defined Benefit Scheme are as follows:

	Year Ended 30 June 2019	Year Ended 30 June 2018
	£	£
Service cost:		
Current service cost	105,000	163,000
Past service costs and results from settlements	-	-
Net interest expense	(73,000)	(10,000)
<b>Components of defined benefit costs recognised in surplus or deficit</b>	<b>32,000</b>	<b>153,000</b>
Re-measurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	(2,493,000)	(650,000)
Actuarial gain arising from changes in demographic assumptions	(1,228,000)	(324,000)
Actuarial loss/(gain) arising from changes in financial assumptions	3,861,000	(596,000)
Actuarial (gain)/loss arising from experience adjustments	(87,000)	258,000
<b>Components of defined benefit cost recognised in net assets/equity</b>	<b>53,000</b>	<b>(1,312,000)</b>
<b>Total</b>	<b>85,000</b>	<b>(1,159,000)</b>

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 7. Pension Liabilities (b) Staff Defined Benefit Scheme (Continued)

The current service cost and the net interest expense for the year are included in the employee benefits expense in surplus or deficit. The re-measurement of the net defined benefit liability is included in the Statement of Financial Position.

#### Reconciliation to the Statement of Financial Position

	Year Ended 30 June 2019	Year Ended 30 June 2018
	£	£
Present value of defined benefit obligation	53,200,000	51,348,000
Fair value of assets	56,566,000	53,548,000
Funded status	3,366,000	2,200,000
<b>Net asset arising from defined benefit obligation</b>	<b>3,366,000</b>	<b>2,200,000</b>

A surplus may be recognised if the economic benefits are available in the form of a refund or reduction in future contributions. The Rules of the Scheme state that the Commonwealth will be entitled to any surplus remaining if the Scheme is run until the last member exits the Scheme. Surpluses are therefore recognised in full.

Movements in the present value of the defined benefit obligation over the period were as follows:

	Year Ended 30 June 2019	Year Ended 30 June 2018
	£	£
Opening defined benefit obligation	51,348,000	52,373,000
Current service cost	105,000	163,000
Interest expense	1,334,000	1,341,000
Contributions from scheme participants	9,000	13,000
Benefits paid	(2,142,000)	(1,880,000)
<b>Re-measurement (gains)/losses:</b>		
Actuarial gain arising from changes in demographic assumptions	(1,228,000)	(324,000)
Actuarial loss/(gain) arising from changes in financial assumptions	3,861,000	(596,000)
Actuarial (gain)/loss: experience adjustments	(87,000)	258,000
<b>Closing defined benefit obligation</b>	<b>53,200,000</b>	<b>51,348,000</b>



# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 7. Pension Liabilities (b) Staff Defined Benefit Scheme (Continued)

Movements in the fair value of the main assets of the Staff Defined Benefit Scheme over the period were as follows:

	Year Ended 30 June 2019	Year Ended 30 June 2018
	£	£
Opening fair value of assets	53,548,000	52,212,000
Interest revenue	1,407,000	1,351,000
Re-measurement gain/(loss):		
Return on scheme assets (excluding amounts included in net interest expense)	2,493,000	650,000
Contributions from the employer	1,251,000	1,202,000
Contributions from scheme participants	9,000	13,000
Benefits paid	(2,142,000)	(1,880,000)
<b>Closing fair value of assets</b>	<b>56,566,000</b>	<b>53,548,000</b>

The fair value of the scheme assets at the end of the reporting period for each category, are as follows:

Asset Class	Year Ended 30 June 2019	Year Ended 30 June 2018
	£	£
Cash and cash equivalents	557,000	439,000
Equity investments:		
Equity instrument funds	24,178,000	23,002,000
Diversified Growth Fund	20,060,000	18,495,000
Diversified Credit Funds	4,438,000	4,347,000
Liability Driven Investment	7,333,000	7,265,000
<b>Total</b>	<b>56,566,000</b>	<b>53,548,000</b>

The fair value of all the assets listed above have a quoted market price in an active market, apart from cash held in the Scheme's bank accounts.

### Sensitivity Analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate, RPI inflation rate, salary increases and assumed life expectancy. The sensitivity analysis is set out below.

Assumption	Change in assumption	Change in defined benefit obligation
Discount rate	+ 1% pa	- 13%
	- 1% pa	+ 15%
RPI inflation	+ 1% pa	+ 7%
	- 1% pa	- 4%
Future salary increases	+ 1% pa	+ 0.2%
Assumed life expectancy	+ 1 year	+ 5%

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 7. Pension Liabilities (b) Staff Defined Benefit Scheme (Continued)

##### Limitations of the sensitivity analysis

The sensitivity analysis above provides an approximate guide to the sensitivity of results and may not be as accurate as a full valuation carried out on these assumptions. Each assumption change is considered in isolation, which in practice is unlikely to occur, as changes in some of the assumptions are correlated. The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

##### Future funding obligation

The Trustees are required to carry out an actuarial valuation every three years. The last actuarial valuation of the Main Scheme was performed by the Scheme Actuary for the Trustees as at 31 March 2016. This valuation revealed a funding shortfall of £12.4 million.

The Commonwealth Secretariat agreed to pay annual contributions, which together with the 6% members' contributions rate, total 80.7% of the Total Contributory Payroll each year to meet the cost of future service accrual. In respect of the funding shortfall in the Scheme as at 31 March 2016, The Commonwealth agreed to pay £1,080,000 per annum in equal monthly instalments to the Scheme for 11 years and 9 months from 1 July 2017. The funding requirements are based on the local actuarial measurement framework. In this framework, the discount rate is set on a prudent rate.

In addition, The Commonwealth will either pay directly or reimburse the Trustees to cover operational expenses, including the Pension Protection levy and death in service premiums associated with the Scheme.

The Commonwealth expects to make contributions of £1,170,000 (2018: £1,262,000) to the Pension and Life Assurance Scheme (1979) during the financial year beginning 1 July 2019.

An amount of £1,219,000 (2018: £1,049,000) was transferred to the pension reserve from the general reserve in the year representing the difference between the cost recognised in the Statement of Financial Performance and contributions made to the scheme.

The actuarial valuation of the defined benefits obligation is determined by discounting the probable future payment required to settle the obligation resulting from employee service rendered in the current and prior periods. The discount rate is determined by reference to market yields at the reporting date following a yield curve approach. The discount rate has been determined based on the Scheme's duration and benefit currencies.

The average duration of the Scheme's defined benefit obligation as at 30 June 2019 is 14 years (2018: 15 years). This number can be analysed as follows:

- active members: 19.9 years (2018: 20.4 years)
- deferred members: 18.3 years (2018: 18.4 years); and
- retired members: 12.4 years (2018: 12.7 years).

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 7. Pension Liabilities (Continued)

##### (c) Supplementary Pension Scheme

The Secretariat operates an unfunded defined benefit pension plan, Supplementary Pension. This arrangement is not a registered pension scheme in the UK and there are no directly attributable assets held by The Commonwealth to support the liability of the arrangement.

Under the plan, the members are entitled to post-retirement monthly instalments that provide discretionary pension increases in payment over and above the minimum pension increases set out in the Trust Deed and Rules of the Commonwealth Secretariat Pension & Life Assurance Scheme (1979) ("the Main Scheme").

Members are guaranteed a 2.5% increase on pension payments each year. Additional increases may be awarded on a discretionary basis based on an annual review by The Commonwealth.

Pensioner members in receipt of a pension are the only category of the scheme.

The Supplementary Pension exposes The Commonwealth to the following actuarial risks:

##### **Interest risk**

The present value of the Supplementary Pension liability is calculated using a discount rate determined by reference to high quality corporate bond yields. A decrease in corporate bond yields would increase the plan's defined benefit obligation.

##### **Inflation risk**

All of the Supplementary Pension's defined benefit obligation is linked to inflation, therefore higher inflation will result in a higher defined benefit obligation and an increase in the deficit.

##### **Longevity risk**

The present value of the Supplementary Pension liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. If plan members live longer than expected, the plan's benefits will need to be paid for longer, increasing the plan's defined benefit obligation.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out at 30 June 2019 by Ms B Wong, Fellow of the Institute and Faculties of Actuaries of First Actuarial LLP. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 7. Pension Liabilities (c) Supplementary Pension (Continued)

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	Year Ended 30 June 2019	Year Ended 30 June 2018
Discount rate	2.00%	2.45%
RPI inflation	3.20%	3.10%
CPI inflation	2.20%	2.10%
Discretionary increases over guaranteed increases to payment in payment	0.00%	0.00%
Mortality (post-retirement)	90% of S2PMA/S2PFA CMI_2018_M/F 1%	90% of S2PMA/S2PFA CMI_2017_M/F 1%
Average longevity at retirement age for current pensioners		
Males	26.7	27.2
Females	28.7	29.2
Average longevity at retirement age for future pensioners		
Males	27.8	28.4
Females	30.0	30.5

Amounts recognised in respect of the Supplementary Pension are as follows:

	Year Ended 30 June 2019	Year Ended 30 June 2018
	£	£
<b>Service cost:</b>		
Current service cost	-	-
Past service costs and results from settlements	-	-
Net interest expense	53,000	52,000
<b>Components of defined benefit costs recognised in surplus or deficit</b>	<b>53,000</b>	<b>52,000</b>
Re-measurement on the defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	-	-
Actuarial gain arising from changes in demographic assumptions	(58,000)	(15,000)
Actuarial loss/(gain) arising from changes in financial assumptions	81,000	(29,000)
Actuarial loss arising from experience adjustments	47,000	60,000
<b>Components of defined benefit costs recognised in net assets/equity</b>	<b>70,000</b>	<b>16,000</b>
<b>Total</b>	<b>123,000</b>	<b>68,000</b>

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 7. Pension Liabilities (c) Supplementary Pension (Continued)

#### Reconciliation to The Statement of Financial Position

	Year Ended 30 June 2019	Year Ended 30 June 2018
	£	£
Present value of defined benefit obligation	2,183,000	2,253,000
Fair value of assets	-	-
Funded status	(2,183,000)	(2,253,000)
Restrictions on asset recognised	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>(2,183,000)</b>	<b>(2,253,000)</b>

Movements in the present value of the defined benefit obligation over the period:

	Year Ended 30 June 2019	Year Ended 30 June 2018
	£	£
Opening defined benefit obligation	2,253,000	2,377,000
Current service cost	-	-
Interest expense	53,000	52,000
<b>Re-measurement (gains)/losses:</b>		
Actuarial gain arising from changes in demographic assumptions	(58,000)	(15,000)
Actuarial loss/(gain) arising from changes in financial assumptions	81,000	(29,000)
Actuarial loss: experience adjustments	47,000	60,000
Benefits paid	(193,000)	(192,000)
<b>Closing defined benefit obligation</b>	<b>2,183,000</b>	<b>2,253,000</b>

#### Sensitivity Analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate, RPI inflation rate and assumed life expectancy. The sensitivity analysis is set out below.

Assumption	Change in assumption	Change in defined benefit obligation
Discount rate	- 1% pa	+ 9%
RPI inflation	+ 1% pa	+ 77%
Assumed life expectancy	+ 1 year	+ 9%

#### Limitations of the sensitivity analysis

These calculations provide an approximate guide to the sensitivity of results and may not be as accurate as a full valuation carried out on these assumptions. Each assumption change is considered in isolation, which in practice is unlikely to occur, as changes in some of the assumptions are correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.



## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 7. Pension Liabilities (c) Supplementary Pension (Continued)

##### Future funding obligations

The actuarial valuation of the defined benefits obligation is determined by discounting the probable future payment required to settle the obligation resulting from employee service rendered in the current and prior periods. The discount rate is determined by reference to market yields at the reporting date following a yield curve approach. The discount rate has been determined based on the plan duration and benefit currencies.

The approximate overall duration of the Supplementary Pension scheme's defined benefit obligation as at 30 June 2019 was 8 years (2018: 8 years).

The Secretariat expects to make a contribution of £197,000 (2018: £196,000) to the defined benefit plan during the financial year beginning 1 July 2019.

An amount of £140,000 (2018: £140,000) 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.

#### 8. Provisions

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

	As at 30 June 2019		As at 30 June 2018	
	Due within one year	Due after one year	Due within one year	Due after one year
	£	£	£	£
Provision for Building Dilapidation	1,000,000	-	-	1,190,000
Relocation Expenses	299,044	622,646	312,306	766,898
Home Leave Expenses	52,668	16,866	65,684	37,258
Arbitral Tribunal	141,028	-	369,619	-
<b>Total Provisions</b>	<b>1,492,740</b>	<b>639,512</b>	<b>747,609</b>	<b>1,994,156</b>

Movements in provisions during the year are as follows:

Provisions for Liabilities	Notes	As at 1 July 2018	Increase/ (Decrease) in provision	Amount used in year	As at 30 June 2019
		£	£	£	£
Provision for Dilapidation	(a)	1,190,000	(190,000)	-	1,000,000
Relocation Expenses	(b)	1,079,204	(109,068)	(48,446)	921,690
Home Leave Expenses	(c)	102,942	8,612	(42,020)	69,534
Arbitral Tribunal	(d)	369,619	(8,890)	(219,701)	141,028
<b>Total Provisions for Liabilities</b>		<b>2,741,765</b>	<b>(299,346)</b>	<b>(310,167)</b>	<b>2,132,252</b>

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 8. Provisions (Continued)

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

Following The Commonwealth exercising the lease break option for Commonwealth House in December 2018, negotiations have taken place with the landlord to determine the value of the dilapidations final settlement. Based on these discussions, the provision in COMSEC has decreased to £1,000,000 (2018: £1,190,000).

(b) COMSEC incurs relocation expenses for overseas recruited staff at the beginning and end of their contracts. The costs of relocation are variable as they depend on the timing of the relocation, which can be at any stage within the maximum contract period of nine years (subject to renewal of three year contracts); the location from which the staff member is relocated; the size and circumstances of the family; and the complexity of the individual's affairs at the time.

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

(c) The Home Leave Expenses 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. The movement in the provisions for the year has been included within the Statement of Financial Performance under Staff Costs.

(d) A provision for compensation and related costs was established further to a Commonwealth Secretariat Arbitral Tribunal (CSAT) ruling.

#### 9. (a) Commonwealth Secretariat Members' Contributions from Non-Exchange Transactions

	30 June 2019	30 June 2018
	£	£
Current	1,151,646	410,933
Provision for doubtful accounts	(223,309)	(321,787)
<b>Total net current contributions receivable</b>	<b>928,337</b>	<b>89,146</b>
Non-Current	335,699	315,258
Provision for doubtful accounts	(335,699)	(315,258)
<b>Total net non-current contributions receivable</b>	<b>-</b>	<b>-</b>

The prior year comparatives in net current and non-current contributions receivable and provision for doubtful accounts are restated to reflect the net position after allocating the provision for doubtful arrears against current and non-current receivables. The restatement had no effect on the previously reported net members' contributions receivable.

The provision for doubtful accounts relates to member contributions. The net current contributions receivable is £928,337 (2018: £89,146).

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 9. (a) Commonwealth Secretariat Members' Contributions from Non-Exchange Transactions (Continued)

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, two governments had agreed payment plans for arrears amounting to £376,507 (2018: £353,652).

Ageing of receivables from non-exchange transactions:

	30 June 2019	30 June 2018
	£	£
Less than one year	911,787	89,146
Between one and two years	16,550	-
More than two years	-	-
<b>Total</b>	<b>928,337</b>	<b>89,146</b>

The provision for doubtful accounts is for the outstanding contributions receivable where there has been a delay in settlement of arrears. The change in the provision for doubtful accounts during 2018-19 is as follows:

	Provision as at 1 July 2018	Increase in provision	(Decrease) in provision	Provision as at 30 June 2019
	£	£	£	£
Provision for Doubtful Debt	637,045	109,066	(187,103)	559,008

There was an increase in provision for doubtful contribution of £109,066 (2018: £242,116). The decrease in provision of £187,103 (2018: £921,620) relates to receipts for amounts provided for in prior periods.

**COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**9. (a) (i) Commonwealth Secretariat Members' Contributions from Non-Exchange Transactions 2018-19**

Country	Balance as at 30 June 2018		Assessment	Received	Balance as at 30 June 2019	
	Receivable	Prepaid	2018-19	2018-19	Receivable	Prepaid
	£	£	£	£	£	£
Antigua & Barbuda	-	-	40,194	35,194	5,000	-
Australia	-	-	2,090,110	2,090,110	-	-
The Bahamas	-	-	120,583	132,789	-	(12,206)
Bangladesh	-	-	104,505	104,505	-	-
Barbados	-	-	48,233	48,233	-	-
Belize	32,156	-	32,156	64,312	-	-
Botswana	-	-	120,583	120,583	-	-
Brunei Darussalam	-	-	136,661	136,661	-	-
Cameroon	27,840	-	104,505	132,345	-	-
Canada	-	-	3,416,525	3,416,525	-	-
Cyprus	-	-	168,817	168,817	-	-
Dominica	307,151	-	32,156	-	339,307	-
Eswatini	-	(14,765)	40,194	40,194	-	(14,765)
Fiji	-	(39,989)	48,233	8,930	-	(686)
The Gambia	12,598	-	32,156	-	44,754	-
Ghana	-	-	120,583	-	120,583	-
Grenada	-	(32,156)	32,156	-	-	-
Guyana	-	(47,190)	40,193	50,721	-	(57,718)
India	-	-	763,693	763,693	-	-
Jamaica	-	-	104,505	104,505	-	-
Kenya	-	-	120,583	213,090	-	(92,507)
Kiribati	-	(9,839)	32,156	18,772	3,545	-
Lesotho	-	-	32,156	32,156	-	-
Malawi	-	-	40,194	40,194	-	-
Malaysia	-	-	361,750	361,750	-	-
Maldives*	73,511	-	-	-	73,511	-
Malta	-	-	120,583	120,583	-	-
Mauritius	-	-	104,505	104,505	-	-
Mozambique	-	(3,874)	48,233	-	44,359	-
Namibia	-	-	104,505	104,505	-	-
Nauru	-	-	32,156	-	32,156	-
New Zealand	-	-	361,750	361,750	-	-
Nigeria	1,645	-	313,516	-	315,161	-
Pakistan	-	-	241,166	241,166	-	-
Papua New Guinea	-	-	48,233	48,233	-	-
Rwanda	-	-	40,194	-	40,194	-
St Kitts & Nevis	-	-	32,156	32,156	-	-
St Lucia	-	(11,095)	32,156	-	21,061	-
St Vincent & the Grenadines	46,500	-	32,156	41,456	37,200	-
Samoa	-	-	32,156	32,156	-	-
Seychelles	-	-	32,156	32,156	-	-
Sierra Leone	-	-	32,156	32,156	-	-
Singapore	-	-	442,139	442,139	-	-
Solomon Islands	-	-	32,156	32,156	-	-
South Africa	-	(43,162)	442,139	442,139	-	(43,162)
Sri Lanka	-	-	136,661	136,661	-	-
Tanzania	113,570	-	104,505	208,257	9,818	-
Tonga	-	-	32,156	32,156	-	-
Trinidad & Tobago	-	-	168,817	-	168,817	-
Tuvalu	32,079	-	32,156	-	64,235	-
Uganda	-	-	104,505	-	104,505	-
United Kingdom	-	-	5,482,713	5,482,713	-	-
Vanuatu	64,235	-	32,156	96,391	-	-
Zambia	14,906	-	48,233	-	63,139	-
<b>Total</b>	<b>726,191</b>	<b>(202,070)</b>	<b>16,849,693</b>	<b>16,107,513</b>	<b>1,487,345</b>	<b>(221,044)</b>

\* Maldives withdrew from The Commonwealth in 2016.

**COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**9. (a) (ii) Commonwealth Secretariat Members' Contributions from Non-Exchange Transactions 2017-18**

Country	Balance as at 1 July 2017		Assessment 2017-18	Received 2017-18	Balance as at 30 June 2018	
	Receivable	Prepaid			Receivable	Prepaid
	£	£	£	£	£	£
Antigua & Barbuda	25,000	-	40,194	65,194	-	-
Australia	-	-	2,090,110	2,090,110	-	-
Bahamas	-	(400)	120,583	120,183	-	-
Bangladesh	-	-	104,505	104,505	-	-
Barbados	-	-	48,233	48,233	-	-
Belize	32,079	-	32,156	32,079	32,156	-
Botswana	-	-	120,583	120,583	-	-
Brunei Darussalam	-	-	136,661	136,661	-	-
Cameroon	63,335	-	104,505	140,000	27,840	-
Canada	-	-	3,416,525	3,416,525	-	-
Cyprus	-	-	168,817	168,817	-	-
Dominica	274,995	-	32,156	-	307,151	-
Fiji	-	-	48,233	88,222	-	(39,989)
Eswatini	-	(14,765)	40,194	40,194	-	(14,765)
The Gambia	32,622	-	12,598	32,622	12,598	-
Ghana	238,896	-	120,583	359,479	-	-
Grenada	-	-	32,156	64,312	-	(32,156)
Guyana	-	(46,753)	40,194	40,631	-	(47,190)
India	-	-	763,694	763,694	-	-
Jamaica	-	-	104,505	104,505	-	-
Kenya	-	-	120,583	120,583	-	-
Kiribati	65,491	-	32,156	107,486	-	(9,839)
Lesotho	-	-	32,156	32,156	-	-
Malawi	-	-	40,194	40,194	-	-
Malaysia	-	-	361,750	361,750	-	-
Maldives*	73,511	-	-	-	73,511	-
Malta	-	-	120,583	120,583	-	-
Mauritius	-	-	104,505	104,505	-	-
Mozambique	38,125	-	48,233	90,232	-	(3,874)
Namibia	-	-	104,505	104,505	-	-
Nauru	33,057	-	32,156	65,213	-	-
New Zealand	-	-	361,750	361,750	-	-
Nigeria	541,235	-	313,516	853,106	1,645	-
Pakistan	-	-	241,166	241,166	-	-
Papua New Guinea	-	-	48,233	48,233	-	-
Rwanda	-	-	40,194	40,194	-	-
St Kitts & Nevis	-	-	32,156	32,156	-	-
St Lucia	20,985	-	32,156	64,236	-	(11,095)
St Vincent & the Grenadines	84,531	-	32,156	70,187	46,500	-
Samoa	-	(1,444)	32,156	30,712	-	-
Seychelles	-	-	32,156	32,156	-	-
Sierra Leone	31,790	-	32,156	63,946	-	-
Singapore	-	-	442,139	442,139	-	-
Solomon Islands	32,079	-	32,156	64,235	-	-
South Africa	-	(43,162)	442,139	442,139	-	(43,162)
Sri Lanka	-	-	136,661	136,661	-	-
Tanzania	222,857	-	104,505	213,792	113,570	-
Tonga	-	-	32,156	32,156	-	-
Trinidad & Tobago	157,430	-	168,817	326,247	-	-
Tuvalu	32,079	-	32,156	32,156	32,079	-
Uganda	222,856	-	104,505	327,361	-	-
United Kingdom	-	-	5,482,713	5,482,713	-	-
Vanuatu	65,491	-	32,156	33,412	64,235	-
Zambia	-	-	48,233	33,327	14,906	-
<b>Total</b>	<b>2,288,444</b>	<b>(106,524)</b>	<b>16,830,137</b>	<b>18,487,936</b>	<b>726,191</b>	<b>(202,070)</b>

\* Maldives withdrew from The Commonwealth in 2016.



# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 9. (b) Joint Office in New York – Donors Contributions from Non-Exchange Transactions 2018-19

Country	2018-19	2017-18
	£	£
Australia	134,089	124,629
New Zealand	196,940	149,395
India	192,073	76,517
Malaysia	15,348	15,622
Singapore	23,418	22,486
Cyprus	3,070	6,002
United Kingdom	100,820	100,514
<b>Total Donors</b>	<b>665,758</b>	<b>495,165</b>

### 9. (c) Small States Office in Geneva Donors Contributions from Non-Exchange Transactions 2018-19

Country	2018-19	2017-18
	£	£
India	115,853	60,773
Australia	68,181	63,719
New Zealand	194,498	144,908
Singapore	23,863	23,206
United Kingdom	99,525	100,098
<b>Total Contributions</b>	<b>501,920</b>	<b>392,704</b>

### 10. Common Service Charge from Exchange Transactions

Fund	2018-19	2017-18
	£	£
Commonwealth Fund for Technical Co-operation	1,945,338	1,991,224
Commonwealth Youth Programme Fund	431,887	474,579
Commonwealth Association of Tax Administrators	46,352	60,333
<b>Total</b>	<b>2,423,577</b>	<b>2,526,136</b>

**COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**11. (a) Deferred Income from Non-Exchange Transactions 2018-19**

<b>Special Projects</b>	<b>Deferred Income Balance 1 July 2018</b>	<b>Project Cash Receipts</b>	<b>Project Expenses</b>	<b>Adjustments</b>	<b>Deferred Income Balance 30 June 2019</b>
	£	£	£	£	£
Commonwealth Media Development	62,172	-	(50,111)	-	12,061
Commonwealth Election Professional (CEP II) Initiative	222,309	245,091	(159,242)	-	308,158
Strengthen the Electoral Process	228,349	1,026,169	(1,418,118)	163,600	-
Support to the High Level Group to review the Commonwealth Secretariat's Governance Arrangements	136	53,600	(53,517)	-	219
Faith in the Commonwealth - Promoting Global Citizenship and Religious Literacy	59,459	-	(57,697)	-	1,762
Inclusive Dialogue/ Enhanced Women's Participation	278,119	-	(110,245)	-	167,874
<b>Total</b>	<b>850,544</b>	<b>1,324,860</b>	<b>(1,848,930)</b>	<b>163,600</b>	<b>490,074</b>

Adjustments represent funds claimable from donors.

**11. (b) Deferred Income from Non-Exchange Transactions 2017-18**

<b>Special Projects</b>	<b>Deferred Income Balance 1 July 2017</b>	<b>Project Cash Receipts</b>	<b>Project Expenses</b>	<b>Adjustments</b>	<b>Deferred Income Balance 30 June 2018</b>
	£	£	£	£	£
Commonwealth Media Development	62,172	-	-	-	62,172
Commonwealth Observer Missions	3,168	-	-	(3,168)	-
Electoral Modernisation Observation	-	144,169	(143,245)	(924)	-
Commonwealth Election Professional (CEP II) Initiative	-	304,591	(202,691)	120,409	222,309
Strengthen the Electoral Process	-	228,349	-	-	228,349
Support to the High Level Group to review the Commonwealth Secretariat's Governance Arrangements	-	76,400	(76,264)	-	136
Faith in the Commonwealth - Promoting Global Citizenship and Religious Literacy	-	250,000	(190,541)	-	59,459
Inclusive Dialogue/Enhanced Women's Participation	-	278,119	-	-	278,119
<b>Total</b>	<b>65,340</b>	<b>1,281,628</b>	<b>(612,741)</b>	<b>116,317</b>	<b>850,544</b>

**COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**11. (c) (i) Small States Office in Geneva – Prepaid Contribution from non-Exchange Transactions**

<b>Country</b>	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>£</b>	<b>£</b>
India	-	112,539
<b>Total</b>	<b>-</b>	<b>112,539</b>

**11. (c) (ii) Small States Office in Geneva – Prepaid Income from Exchange Transactions**

<b>Tenant</b>	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>£</b>	<b>£</b>
Seychelles	-	1,374
Malawi	-	6,891
Vanuatu	-	3,886
Solomon Islands	-	6,404
<b>Total</b>	<b>-</b>	<b>18,555</b>

**12. (a) Interest Receivable from Exchange Transactions**

	<b>2018-19</b>	<b>2017-18</b>
	<b>£</b>	<b>£</b>
Interest on Bank Deposits	90,719	38,692
<b>Total Interest Income</b>	<b>90,719</b>	<b>38,692</b>

Interest bearing accounts and investments yielded an average rate of 0.63% (2017-18: 0.28%) during the reporting period.

**12. (b) (i) Other Income from Exchange Transactions**

	<b>2018-19</b>	<b>2017-18</b>
	<b>£</b>	<b>£</b>
Income for Joint Office in New York	487,430	416,255
Income for Small States Office in Geneva	503,233	562,099
Rent Income	353,664	346,662
Marlborough House Makeover	83,538	39,936
Recovery of Expenses	147,678	208,393
Special Project Administration Fees	118,457	17,322
Miscellaneous Income	256,328	257,874
<b>Total Other Income</b>	<b>1,950,328</b>	<b>1,848,541</b>

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 12. (b) (ii) Other Income from Non-Exchange Transactions

	2018-19	2017-18
	£	£
Service in-kind: Provision of Rent Free Property	2,057,391	1,924,728

During the financial year 2018-19 the Commonwealth entered into a two-year agreement with Bloomberg Finance L.P., which provided in-kind equipment, furniture, promotional materials, and subscription service, for the Commonwealth to use a Bloomberg terminal in Marlborough House. On expiration of the agreement, the Commonwealth can retain the goods received except for the Bloomberg terminal keyboard, which is to be returned unless the subscription service is renewed.

#### 13. Staff Costs

	Notes	2018-19	2017-18
		£	£
Salaries and allowances		7,308,770	7,386,744
Employers National Insurance Contributions		697,265	649,586
Contributions to Staff Gratuity Fund		754,456	795,116
Contributions to Staff Defined Contribution Scheme		322,232	171,684
Pension Contributions and Expenses - Other	(a)	176,414	240,170
Termination Costs	(b)	31,747	31,193
Provision for Relocation Expenses	8 (b)	(109,068)	37,014
Provision for Home Leave Expenses	8 (c)	8,612	43,884
<b>Total Staff Costs</b>		<b>9,190,428</b>	<b>9,355,391</b>

(a) Pension Contributions and Expenses – Other includes actuarial gains/losses, the shortfall on the defined benefit scheme for all The Commonwealth staff, as well as costs relating to the supplementary pension arrangements and the former Secretaries General Scheme. (See note 7).

(b) During the financial year 2016-17 the Commonwealth implemented a new organisational structure which came into effect 1 July 2017. As a result of the structural reconfiguration, the Commonwealth incurred termination benefit costs during the period for compulsory redundancies. The Commonwealth recognised an obligation for estimated termination benefit costs in the Statement of Financial Performance in 2016-17 in relation to the organisational restructure costs, and the provision was utilised in 2017-18 on implementation of the organisational restructure.

During the financial year 2018-19, The Commonwealth outsourced its internal print service. As a result, The Commonwealth incurred termination benefit costs which were paid during the period.

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 14. Other Costs

	2018-19	2017-18
	£	£
Rent and Rates	3,157,848	3,244,930
Travel and Subsistence Costs	2,481,607	1,536,202
Notional Value of Rent for Marlborough House	2,057,391	1,924,728
Accommodation and Venue Costs	905,794	478,468
Short Term Consultants Costs	864,983	1,074,313
Conference Costs	821,720	436,208
Property Services and Maintenance Costs	692,986	601,430
Communication, Publicity and Information	629,750	594,947
Equipment Maintenance	357,533	325,673
Tribunal Expenses	346,610	94,119
Other Miscellaneous Expenses	253,385	318,602
Professional Fees	168,934	213,748
Other Property Costs	121,448	117,443
Utilities	104,720	146,310
Insurance	97,138	88,693
Audit Fees	76,122	82,084
Pension Administration Costs	63,674	93,702
Staff Development	41,761	92,977
Library and Subscriptions	37,791	42,205
Vehicle Maintenance and Running Costs	37,136	31,008
Recruitment Costs	27,456	35,330
Bank & Finance Charges	26,857	31,758
Loss on De-recognition of Fixed Assets	20,788	32,336
Net Provisions	(86,929)	(309,884)
<b>Total Other Costs</b>	<b>13,306,503</b>	<b>11,327,330</b>

All lease agreements are registered in COMSEC and the costs shared among all the three Funds. Operating lease costs are recognised in the Statement of Financial Performance of the respective Funds. Total operating lease costs recognised in COMSEC in 2018-19 is £1,227,986 (2017-18: £1,157,775). The total future minimum rentals under operating leases are detailed in note 19.



## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

A breakdown of direct project expenses analysed according to the outcomes in the four year 2017-18 to 2020-21 Strategic Plan is provided below:

	2018-19	2017-18
	£	£
Democracy	1,524,844	1,696,276
Public Institutions	1,218,410	627,419
Youth and Social Development	548,830	418,901
Small and Other Vulnerable States	140,354	339,241
Economic Development	169,186	165,508
Cross Cutting	1,797,467	1,755,047
Internal Outcomes	3,517,424	3,477,896
<b>Total</b>	<b>8,916,515</b>	<b>8,480,288</b>

Internal outcomes comprise of Organisational Performance and Results, Communications, Small States Offices and Office of the Secretary-General.

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

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

	Notes	2018-19	2017-18
		£	£
Direct Staff Costs	13	5,195,533	5,018,680
Other Costs	14	3,569,245	3,312,858
Depreciation	5 (a)(b)(i)	151,737	148,750
<b>Total</b>		<b>8,916,515</b>	<b>8,480,288</b>

#### 16. Segmental Information

Segment information is based on the principal activities and sources of financing of COMSEC. These segments are as follows:

##### (a) General Fund

This segment includes all resources of COMSEC that are commingled and not earmarked. The main funding sources of this segment are assessed contributions from Commonwealth member states, other voluntary contributions and miscellaneous revenue. Funding from the contributions is used to carry out programme activities as set out in the annual budget and delivery plan approved by the Board of Governors.

##### (b) Special Project Funds

This segment receives additional contributions and grants from member states, non-Commonwealth countries and other organisations to carry out special projects. The resources in this segment can only be used for the purpose of expenditure subject to specific performance conditions as set out in the agreements with the donors.

##### (c) Commonwealth Small States Offices Fund (CSSOs)

This segment includes all resources of the Joint Office for Commonwealth Permanent Missions to the United Nations in New York and the Commonwealth Small States Office in Geneva. These offices are funded by the small states tenants together with contributions from donor countries. Funding from the contributions is used to support the provision and running of these offices.

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 16. Segmental Information (Continued)

#### STATEMENT OF FINANCIAL POSITION BY SEGMENT AS AT 30 JUNE 2019

	General Fund	Special Projects	CSSOs	Elimination	TOTAL
	£	£	£	£	£
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	8,074,527	344,427	980,240	-	9,399,194
Investments	4,000,000	-	-	-	4,000,000
Inventories	3,611	-	-	-	3,611
Prepayments	746,776	-	15,754	-	762,530
Members' Contributions Receivable from non-exchange transactions	928,337	-	-	-	928,337
Other Receivables from exchange transactions	1,553,873	163,600	584,760	(1,406,200)	896,033
	<b>15,307,124</b>	<b>508,027</b>	<b>1,580,754</b>	<b>(1,406,200)</b>	<b>15,989,705</b>
<b>Non-Current Assets</b>					
Property, Plant and Equipment	16,206,529	-	1,076,008	-	17,282,537
Intangible Assets	168,093	-	-	-	168,093
	<b>16,374,622</b>	<b>-</b>	<b>1,076,008</b>	<b>-</b>	<b>17,450,630</b>
<b>TOTAL ASSETS</b>	<b>31,681,746</b>	<b>508,027</b>	<b>2,656,762</b>	<b>(1,406,200)</b>	<b>33,440,335</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Provisions	1,492,740	-	-	-	1,492,740
Deferred Income from non-exchange transactions	-	490,074	-	-	490,074
Members' Contributions Prepaid from non-exchange transactions	221,044	-	-	-	221,044
Payables and Other Liabilities from exchange transactions	4,593,229	17,953	2,004,837	(1,406,200)	5,209,819
	<b>6,307,013</b>	<b>508,027</b>	<b>2,004,837</b>	<b>(1,406,200)</b>	<b>7,413,677</b>
<b>Non-Current Liabilities</b>					
Provisions	639,512	-	-	-	639,512
Payables and Other Liabilities from exchange transactions	1,571,908	-	260,541	-	1,832,449
Pension Liabilities	1,533,000	-	-	-	1,533,000
	<b>3,744,420</b>	<b>-</b>	<b>260,541</b>	<b>-</b>	<b>4,004,961</b>
<b>TOTAL LIABILITIES</b>	<b>10,051,433</b>	<b>508,027</b>	<b>2,265,378</b>	<b>(1,406,200)</b>	<b>11,418,638</b>
<b>NET ASSETS</b>	<b>21,630,313</b>	<b>-</b>	<b>391,384</b>	<b>-</b>	<b>22,021,697</b>
<b>FUND BALANCES AND RESERVES</b>					
General Reserve	2,887,149	-	-	-	2,887,149
Working Capital Fund	3,724,838	-	-	-	3,724,838
Joint Office in New York	-	-	468,364	-	468,364
Small States Office in Geneva	-	-	(76,980)	-	(76,980)
Designated Funds	2,682,251	-	-	-	2,682,251
Revaluation Reserve	13,869,075	-	-	-	13,869,075
Pension Reserve	(1,533,000)	-	-	-	(1,533,000)
<b>TOTAL FUND BALANCES AND RESERVES</b>	<b>21,630,313</b>	<b>-</b>	<b>391,384</b>	<b>-</b>	<b>22,021,697</b>

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 16. Segmental Information (Continued)

During the reporting year, non-current asset additions under the General Fund were £718,876 (2018: £162,375); disposals were £287,877 (2018: £832,921). There were no non-current asset additions or disposals under Special Projects during the current and prior year. Non-current asset additions under CSSO funds were Nil (2018: £6,672) and disposals were Nil (2018: £54,018).

#### STATEMENT OF FINANCIAL PERFORMANCE BY SEGMENT FOR THE YEAR ENDED 30 JUNE 2019

	General Fund	Special Projects	CSSOs	Elimination	TOTAL
	£	£	£	£	£
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>					
Contributions to COMSEC	16,849,693	-	-	-	16,849,693
Contributions to Joint Office in New York	-	-	665,758	-	665,758
Contributions to Small States Office in Geneva	-	-	501,920	-	501,920
Special Projects	-	1,848,930	-	(118,457)	1,730,473
Service in-kind - Rent	2,057,391	-	-	-	2,057,391
<b>SUB-TOTAL REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>	<b>18,907,084</b>	<b>1,848,930</b>	<b>1,167,678</b>	<b>( 118,457)</b>	<b>21,805,235</b>
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>					
Common Service Charge	2,423,577	-	-	-	2,423,577
Office Consolidation Charge	338,885	-	-	-	338,885
Interest Revenues	90,695	-	24	-	90,719
Other Income	959,666	-	1,382,144	(391,482)	1,950,328
Currency Gain	33,792	-	(3,800)	-	29,992
<b>SUB-TOTAL REVENUE FROM EXCHANGE TRANSACTIONS</b>	<b>3,846,615</b>	<b>-</b>	<b>1,378,368</b>	<b>( 391,482)</b>	<b>4,833,501</b>
<b>TOTAL REVENUE</b>	<b>22,753,699</b>	<b>1,848,930</b>	<b>2,546,046</b>	<b>( 509,939)</b>	<b>26,638,736</b>
<b>EXPENSES</b>					
Staff Costs	8,846,134	-	344,294	-	9,190,428
Other Costs	9,917,498	1,848,930	2,050,015	(509,939)	13,306,504
Depreciation & Amortisation	1,364,064	-	151,737	-	1,515,801
Finance Costs	7,236	-	-	-	7,236
Currency Loss	-	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>20,134,932</b>	<b>1,848,930</b>	<b>2,546,046</b>	<b>( 509,939)</b>	<b>24,019,969</b>
<b>SURPLUS FOR THE YEAR</b>	<b>2,618,767</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,618,767</b>

Some internal activities result in accounting transactions which create inter-segment revenue, expense, advance or loan balances in the financial statements. Inter-segment transactions are reflected in the elimination columns to accurately present these financial statements, the most significant examples of which are the transfers from COMSEC to CSSOs or CSSO contributions received in COMSEC. The aggregate amount of these transfers was £1,406,200, of which £533,881 was between COMSEC and the Joint Office of the United Nations in New York and £872,319 was between COMSEC and the Small States Office in Geneva.

Included in Total Expenses of £20,134,932 is the sum of £8,916,515 which represents direct costs incurred by the Commonwealth. Direct costs are analysed within note 15(a) and 15(b) of these financial statements.

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 17. Related Party Disclosures

##### (a) Controlled Entities

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

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

As described in note 1.18(b)(i) 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 7(b)).

##### (b) Other Related Parties

The Secretary-General of The Commonwealth is a member of the Board of Governors of two sister organisations of The Commonwealth. They are the Commonwealth of Learning and Commonwealth Foundation. These fellow intergovernmental Commonwealth organisations each have a separate Memorandum of Understanding, Board of Governors and Executive Management independent of The Commonwealth Secretariat.

COMSEC recognises Staff Gratuity Fund assets and liabilities for the Commonwealth Foundation within the Statement of Financial Position (See note 7(b)).

In the financial year to 30 June 2019, there were no transactions outside the normal operations between The Commonwealth and the two Commonwealth organisations mentioned above (2018: £nil).

##### (c) 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 on a full time equivalent basis for COMSEC during the year was as follows:

	Number of persons		Aggregate Remuneration	
	2018-19	2017-18	2018-19	2017-18
			£	£
Senior Management Committee	5	6	675,043	844,603
Directors	1	2	131,191	198,935
<b>TOTAL</b>	<b>6</b>	<b>8</b>	<b>806,234</b>	<b>1,043,538</b>

Key management personnel includes members of the Senior Management Committee of the Commonwealth, which comprised the Secretary-General, Deputy Secretary-General, Assistant Secretary-General, Chief of Staff and Senior Directors. The Senior Management Committee has the authority and responsibility for planning, directing and controlling the activities of The Commonwealth. Key management personnel also includes the Directors of Divisions.

Aggregate remuneration includes salary, allowances and employer's contribution to the gratuity fund and/or workplace pension scheme as analysed further below. The Secretary-General is provided with rent-free accommodation at The Commonwealth's official residence at Hill Street along with a chauffeur driven car for official use which is also available for the Secretary-General's private use.

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 17. Related Party Disclosures (c) Key Management Personnel (Continued)

	Senior Management Committee		Directors	
	2018-19	2017-18	2018-19	2017-18
	£	£	£	£
Salary	452,072	575,247	83,702	141,039
Allowances	120,515	149,114	30,872	33,672
Gratuity	95,396	120,242	12,275	24,224
Contributions to Staff Defined Contribution Scheme	7,060	-	4,342	-
<b>TOTAL</b>	<b>675,043</b>	<b>844,603</b>	<b>131,191</b>	<b>198,935</b>

There were no loans to key management personnel that were not available to other staff as at 30 June 2019.

### 18. Contingencies

As at 30 June 2019, there were no contingent liabilities (2018: Nil).

### 19. Commitments

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

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

	Gross Future Payment	Gross Future Payment
	30 June 2019	30 June 2018
	£	£
Not later than one year	2,738,531	3,628,590
Later than one year and not later than five years	7,184,698	14,139,159
Later than five years	11,994,264	16,066,079
<b>Total Due</b>	<b>21,917,493</b>	<b>33,833,828</b>

The sublease receipts received in 2018-19 under non-cancellable subleases for office space in Commonwealth House in London is £353,664 (2017-18: £346,662).

The total minimum future sublease payments expected to be received under non-cancellable subleases for office space in Commonwealth House in London is £110,000 (2018: £350,000).



## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 20. Financial Instruments

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

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

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

#### (a) Fair Values

The assets of COMSEC are categorised as follows:

	30 June 2019	30 June 2018
	£	£
Financial assets	15,223,564	13,585,838
Non-financial assets	18,216,771	19,221,045
<b>Total</b>	<b>33,440,335</b>	<b>32,806,883</b>

The liabilities of COMSEC are categorised as follows:

	30 June 2019	30 June 2018
	£	£
Financial liabilities	6,760,839	5,799,712
Non-financial liabilities	4,657,799	6,964,911
<b>Total</b>	<b>11,418,638</b>	<b>12,764,623</b>

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

#### Financial Assets:

	Carrying Amount	Fair values
	£	£
<b>2019:</b>		
Cash and Cash Equivalents	9,399,194	9,399,194
Investments	4,000,000	4,000,000
Current Receivables	1,824,370	1,824,370
<b>Total</b>	<b>15,223,564</b>	<b>15,223,564</b>
<b>2018:</b>		
Cash and Cash Equivalents	13,302,392	13,302,392
Current Receivables	283,446	283,446
<b>Total</b>	<b>13,585,838</b>	<b>13,585,838</b>

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 20. Financial Instruments (a) Fair Values (Continued)

#### Financial Liabilities:

	Carrying Amount	Fair Values
	£	£
<b>2019:</b>		
Borrowings	648,000	648,000
Payables	6,112,839	6,112,839
<b>Total</b>	<b>6,760,839</b>	<b>6,760,839</b>
<b>2018:</b>		
Borrowings	744,000	744,000
Payables	5,055,712	5,055,712
<b>Total</b>	<b>5,799,712</b>	<b>5,799,712</b>

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

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

#### (b) Foreign Currency Risk

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

The functional currencies of the Joint Office for Commonwealth Permanent Missions to the United Nations in New York, and The Commonwealth Small States Office in Geneva are, United States Dollars and Swiss Francs respectively. To manage the currency risk rents are charged to tenants in the applicable functional currency, in which the expenditure is incurred. The value of net assets for the overseas offices is given in the segmental information note 16.

At 30 June 2019, 90% of cash and cash equivalents are denominated in GB Pound Sterling, 8% in Swiss Francs and 2% in United States Dollars. (2018: 92% in GB Pound Sterling, 3% in Swiss Francs and 5% United States Dollars).

## COMMONWEALTH SECRETARIAT FUND

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### 20. Financial Instruments (Continued)

##### (c) Credit Risk

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

The treasury and investment management policy manages credit risk on cash and cash equivalents by limiting the amount of credit exposure to any one counterparty and ensuring these financial assets are held with well-recognised financial institutions. As at 30 June 2019, 100% of these financial assets were held at counterparty banks with a Standard and Poor's credit rating of A3 and higher.

Receivables comprise amounts mostly due from Member States and related parties. COMSEC manages risk on these receivables by actively seeking recovery of all amounts due. At the reporting date

COMSEC assessed the past due receivables, creating a provision for those debts where it is considered that COMSEC will not collect the full amount due.

##### (d) Liquidity Risk

Liquidity risk is the risk of COMSEC not being able to meet its obligations as they fall due. This liquidity risk is managed by monitoring on a regular basis the available funds against anticipated expenditure and commitments.

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

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

2019	<6 months	6 – 12 months	1 – 5 years	>5 years	Total
	£	£	£	£	£
<b>Liabilities</b>					
Borrowings	-	96,000	480,000	72,000	<b>648,000</b>
Payables	6,112,839	-	-	-	<b>6,112,839</b>
<b>Total Liabilities</b>	<b>6,112,839</b>	<b>96,000</b>	<b>480,000</b>	<b>72,000</b>	<b>6,760,839</b>

2018	<6 months	6 – 12 months	1 – 5 years	>5 years	Total
	£	£	£	£	£
<b>Liabilities</b>					
Borrowings	-	96,000	480,000	168,000	<b>744,000</b>
Payables	5,055,712	-	-	-	<b>5,055,712</b>
<b>Total Liabilities</b>	<b>5,055,712</b>	<b>96,000</b>	<b>480,000</b>	<b>168,000</b>	<b>5,799,712</b>

##### (e) Market Risk

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

# COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 20. Financial Instruments (Continued)

#### (f) Interest Rate Risk

The interest rates charged on COMSEC's financing debt are fixed at the contract date. Details of bank loans and interest paid are given in note 6(a).

Owing to the short maturity of cash and investments an interest rate sensitivity analysis does not disclose significant variations in value. If the weighted average interest rate at 30 June 2019 had been 25% higher or lower, the interest income would have been affected as follows:

	Increase (+) / Decrease (-)	Effect on Surplus / Deficit
Cash and Cash Equivalents	%age	£
Movement in Interest Income due to change in weighted average Interest Rate	+25%	22,680
Movement in Interest Income due to change in weighted average Interest Rate	-25%	(22,680)

#### (g) Foreign Currency Risk

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

2019	GBP	Other Currencies	Total
	£	£	£
Financial Assets	14,203,439	1,020,125	15,223,564
Percentage of Total	93%	7%	100%
Financial Liabilities	5,637,780	1,393,059	6,760,839
Percentage of Total	79%	21%	100%

The table below shows the impact of a 25% movement in the relative value of the GB Pound Sterling against the foreign currency balances as at 30 June 2019.

	Increase (+) / Decrease (-)	Effect on Balances
Financial Assets	%	£
Movement in the relative value of the GB Pound Sterling	+25%	255,031
Movement in the relative value of the GB Pound Sterling	-25%	(255,031)

	Increase (+) / Decrease (-)	Effect on Balances
Financial Liabilities	%	£
Movement in the relative value of the GB Pound Sterling	+25%	348,265
Movement in the relative value of the GB Pound Sterling	-25%	(348,265)

## **COMMONWEALTH SECRETARIAT FUND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

#### **21. Events After Reporting Date**

There are no material events, favourable or unfavourable that occurred between the reporting date, 30 June 2019, and the date of authorisation for issue that would have impacted these statements.

The Secretary-General authorised these financial statements for issue on 17 December 2019.