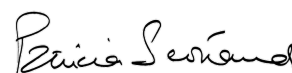


# Financial Statements of the Commonwealth Secretariat Fund

Year Ended 30 June 2022



The Commonwealth



**The Rt Hon  
Patricia Scotland KC**  
*Secretary-General*  
22 December 2022



**Dr Arjoon Suddhoo**  
*Deputy Secretary-General*  
22 December 2022



# THE COMMONWEALTH SECRETARIAT FUND

## PRINCIPAL ACTIVITIES AND OPERATING STRUCTURE

### Principal Activities of The Commonwealth

The Commonwealth is a voluntary association of 56 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.

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

The Commonwealth:

- Supports The 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 2021-22 to 2024-25, which was approved in September 2021, can be found on the website [www.thecommonwealth.org](http://www.thecommonwealth.org).

### The Commonwealth Secretariat

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 2022.

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 COMMONWEALTH SECRETARIAT FUND

### PRINCIPAL ACTIVITIES AND OPERATING STRUCTURE

#### **The Commonwealth (Continued)**

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.

#### **Governance and Structure**

The Commonwealth is headed by a Secretary-General, The Rt Hon Patricia Scotland KC, 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.

# THE COMMONWEALTH SECRETARIAT FUND

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

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

#### Opinion

We have audited the non-statutory financial statements of The Commonwealth Secretariat Fund (COMSEC) for the year ended 30 June 2022 which comprise the Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets, Cash Flow Statement and notes to the non-statutory financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Public Sector Accounting Standards and the Financial Regulations as authorised by the Commonwealth Heads of Government.

In our opinion the non-statutory financial statements:

- give a true and fair view of the state of COMSEC's affairs as at 30 June 2022 and of its surplus 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.

#### 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 COMSEC in accordance with the ethical requirements that are relevant to our audit of the non-statutory financial statements in the UK, including the FRC's Ethical Standard, and also 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

In auditing the non-statutory financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the non-statutory financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on COMSEC's ability to continue as a going concern for a period of at least twelve months from when the non-statutory financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

#### Other information

The Board are responsible for the other information. The other information comprises the information included in the annual report, other than the non-statutory financial statements and our auditor's report thereon. Our opinion on the non-statutory financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the non-statutory financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-statutory financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the non-statutory financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS

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

**Responsibilities of the Secretary-General**

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 COMSEC'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 COMSEC or to cease operations, or has no realistic alternative but to do so.

**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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the non-statutory financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which COMSEC operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the non-statutory financial statements. The laws and regulations we considered in this context were the Commonwealth Secretariat Act 1966 (as amended by the International Organisations Act 2005) and financial reporting standards. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related non-statutory financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the non-statutory financial statements but compliance with which might be fundamental to COMSEC's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within COMSEC for fraud

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Board and other management and inspection of regulatory and legal correspondence, if any.

## THE COMMONWEALTH SECRETARIAT FUND

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

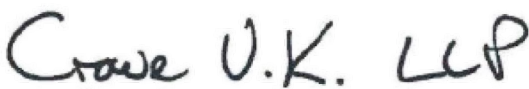
#### Independent auditor's report to the Board of Governors of The Commonwealth Secretariat Fund

We identified the greatest risk of material impact on the non-statutory financial statements from irregularities, including fraud, to be within the override of controls by management. Our audit procedures to respond to these risks included enquiries of management and the Audit Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence, and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the non-statutory financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the non-statutory financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

#### Use of our report

This report is made solely to the Board of Governors in accordance with the engagement letter dated 16 May 2022 and the Financial Regulations of COMSEC. Our audit work has been undertaken so that we might state to COMSEC's Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than COMSEC's Board of Governors, for our audit work, for this report, or for the opinions we have formed.



Crowe UK LLP  
London, United Kingdom

Date: 22 December 2022

**THE COMMONWEALTH SECRETARIAT FUND**

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022**

		<b>30 June 2022</b>	<b>30 June 2021</b>
<b>ASSETS</b>	<b>Notes</b>	<b>£</b>	<b>£</b>
<b>Current Assets</b>			
Cash and Cash Equivalents	2	5,313,840	11,355,064
Investments	3	10,750,000	3,500,000
Inventories		5,483	5,312
Prepayments		447,489	315,074
Members' Contributions Receivable from Non-exchange Transactions	9(a)	1,083,413	1,686,228
Other Receivables from Exchange Transactions	4	1,726,752	555,352
		<b>19,326,977</b>	<b>17,417,030</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	5(a)(i),5(b)(i)	20,847,342	16,869,794
Intangible Assets	5(a)(ii),5(b)(ii)	288,941	161,538
Members' Contributions Receivable from non-exchange transactions	9(a)	-	19,082
Pension Assets	7	1,255,000	219,000
		<b>22,391,283</b>	<b>17,269,414</b>
<b>TOTAL ASSETS</b>		<b>41,718,260</b>	<b>34,686,444</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Provisions	8	462,970	377,791
Deferred Income from Non-exchange Transactions	11(a),11(b)	206,230	270,699
Members' Contributions Prepaid from Non-exchange Transactions	9(a)(i),9(a)(ii)	699,482	167,613
Payables and Other Liabilities from Exchange Transactions	6	6,033,021	5,083,668
		<b>7,401,703</b>	<b>5,899,771</b>
<b>Non-Current Liabilities</b>			
Provisions	8	591,134	397,596
Payables and Other Liabilities from Exchange Transactions	6	1,338,335	1,305,186
		<b>1,929,469</b>	<b>1,702,782</b>
<b>TOTAL LIABILITIES</b>		<b>9,331,172</b>	<b>7,602,553</b>
<b>NET ASSETS</b>		<b>32,387,088</b>	<b>27,083,891</b>
<b>FUND BALANCES AND RESERVES</b>			
General Reserve		5,569,214	6,212,592
Working Capital Fund		5,074,838	3,724,838
Joint Office in New York	16	488,824	429,163
Small States Office in Geneva	16	(82,155)	(74,783)
Designated Funds	1.17	2,042,265	2,923,738
Revaluation Reserve	1.17	18,039,102	13,649,343
Pension Reserve	7	1,255,000	219,000
<b>TOTAL FUND BALANCES AND RESERVES</b>		<b>32,387,088</b>	<b>27,083,891</b>



THE COMMONWEALTH SECRETARIAT FUND

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2021-22 £	2020-21 £
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>			
Contributions to COMSEC	9(a)(i),9(a)(ii)	16,881,850	16,881,850
Contributions to Joint Office in New York	9(b)	650,043	639,370
Contributions to Small States Office in Geneva	9(c)	492,028	486,255
Special Projects	11(a), 11(b), 16	311,228	148,403
Service in-kind - Rent	12(b)(ii)	2,083,379	2,083,379
<b>SUB-TOTAL REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>		<b>20,418,528</b>	<b>20,239,257</b>
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>			
Common Service Charge	10	2,743,417	2,561,039
Interest Revenue	12(a)	26,602	2,439
Other Income	12(b)(i)	1,179,029	1,202,591
Currency Gain		6,526	3,802
<b>SUB-TOTAL REVENUE FROM EXCHANGE TRANSACTIONS</b>		<b>3,955,574</b>	<b>3,769,871</b>
<b>TOTAL REVENUE</b>		<b>24,374,102</b>	<b>24,009,128</b>
<b>EXPENSES</b>			
Staff Costs	13	11,233,042	10,489,608
Other Costs	14	10,775,584	7,838,667
Depreciation and Amortisation	5(a)(iii),5(b)(iii)	868,899	727,094
Finance Costs		2,777	2,056
Currency Loss		64,651	2,965
<b>TOTAL EXPENSES</b>		<b>22,944,953</b>	<b>19,060,390</b>
<b>SURPLUS FOR THE YEAR</b>		<b>1,429,149</b>	<b>4,948,738</b>

**THE COMMONWEALTH SECRETARIAT FUND**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022**

	Notes	General Reserve	Working Capital Fund	Joint Office	Small States Office	Designated Funds	Revaluation Reserve	Pension Reserve	Total
		£	£	£	£	£	£	£	£
<b>Balance as at 01 July 2020</b>		<b>2,893,770</b>	<b>3,724,838</b>	<b>482,334</b>	<b>(81,591)</b>	<b>2,724,822</b>	<b>13,510,919</b>	<b>(5,600,000)</b>	<b>17,655,092</b>
Surplus		4,948,738	-	-	-	-	-	-	4,948,738
Revaluation of Leasehold Property	5(a)(i)	-	-	-	-	-	138,424	-	138,424
Actuarial Loss on Former SG's Pension Scheme	7(a)	-	-	-	-	-	-	(43,000)	(43,000)
Actuarial Gain on Defined Benefit Scheme	7(b)	-	-	-	-	-	-	4,606,000	4,606,000
Actuarial Loss on Supplementary Pension	7(c)	-	-	-	-	-	-	(175,000)	(175,000)
Transfer of Funds to Pension Reserve	7(a,b,c)	(1,431,000)	-	-	-	-	-	1,431,000	-
Transfer from General Reserve to Designated Funds	1.17	(279,000)	-	-	-	279,000	-	-	-
Transfer from Designated Funds to General Reserve	1.17	80,084	-	-	-	(80,084)	-	-	-
Currency Translation of Foreign Operations		-	-	(53,171)	6,808	-	-	-	(46,363)
<b>Balance as at 30 June 2021</b>		<b>6,212,592</b>	<b>3,724,838</b>	<b>429,163</b>	<b>(74,783)</b>	<b>2,923,738</b>	<b>13,649,343</b>	<b>219,000</b>	<b>27,083,891</b>
Surplus		1,429,149	-	-	-	-	-	-	1,429,149
Revaluation of Leasehold Property	5(a)(i)	-	-	-	-	-	4,389,759	-	4,389,759
Actuarial Gain on Former SG's Pension Scheme	7(a)	-	-	-	-	-	-	298,000	298,000
Actuarial Loss on Defined Benefit Scheme	7(b)	-	-	-	-	-	-	(1,032,000)	(1,032,000)
Actuarial Gain on Supplementary Pension	7(c)	-	-	-	-	-	-	166,000	166,000
Transfer of Funds to Pension Reserve	7(a,b,c)	(1,604,000)	-	-	-	-	-	1,604,000	-
Transfer from Designated Funds to General Reserve	1.17	881,473	-	-	-	(881,473)	-	-	-
Transfer from General Reserve to Working Capital Fund	1.16	(1,350,000)	1,350,000	-	-	-	-	-	-
Currency Translation of Foreign Operations		-	-	59,661	(7,372)	-	-	-	52,289
<b>Balance as at 30 June 2022</b>		<b>5,569,214</b>	<b>5,074,838</b>	<b>488,824</b>	<b>(82,155)</b>	<b>2,042,265</b>	<b>18,039,102</b>	<b>1,255,000</b>	<b>32,387,088</b>

THE COMMONWEALTH SECRETARIAT FUND

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

		2021-22	2020-21
	Notes	£	£
<b>Cash Flow from Operating Activities</b>			
Surplus for the year		<b>1,429,149</b>	<b>4,948,738</b>
<b>Non-Cash Movements</b>			
Amortisation	5(a)(ii),5(b)(ii)	61,747	44,527
Depreciation	5(a)(i),5(b)(i)	807,152	682,567
Loss on Disposal of Fixed Assets	14	-	9,904
Currency Translations on Foreign Operations		16,845	30,516
Decrease/(Increase) in Contributions Receivable		621,897	(630,932)
Increase in Member Contributions Prepaid		531,869	76,956
(Increase) in Other Receivables		(1,171,400)	(254,830)
(Increase)/Decrease in Prepayments		(132,415)	226,372
(Increase) in Inventories		(171)	(2,505)
Increase/(Decrease) in Payables and Other Current Liabilities		925,353	(1,488,792)
Increase/(Decrease) in Provisions		278,717	(38,000)
(Decrease) in Deferred Income from Non-exchange Transactions		(64,469)	(78,402)
Decrease/(Increase) in Payables and Other Non Current Liabilities		129,149	(63,605)
Pension Adjustments		(1,604,000)	(1,431,000)
<b>Net Cash Flow generated from Operating Activities</b>		<b><u>1,829,423</u></b>	<b><u>2,031,514</u></b>
<b>Cash Flow from Investing Activities</b>			
Investments in Fixed Term Deposits		(10,750,000)	(3,500,000)
Cash from Fixed Term Deposit Maturities		3,500,000	2,512,000
Asset Disposal Proceeds		1,180	-
Purchase of Non Current Assets (non-lease)	5(a)(i)(ii),5(b)(i)	(516,420)	(633,630)
<b>Net Cash Flow (used In)/Generated From Investing Activities</b>		<b><u>(7,765,240)</u></b>	<b><u>(1,621,630)</u></b>
<b>Cash Flow from Financing Activities</b>			
Repayment of Bank Loans		(72,000)	(96,000)
<b>Net Cash Flow Used In Financing Activities</b>		<b><u>(72,000)</u></b>	<b><u>(96,000)</u></b>
<b>Net Increase in Cash and Cash Equivalents</b>		<b>(6,007,817)</b>	<b>313,884</b>
Cash and Cash Equivalents at the Beginning of the Period		11,355,064	11,037,381
Effects of Exchange Rate Changes on the Balance of Cash Held in Foreign Currencies		(33,407)	3,799
<b>Cash and Cash Equivalents at the End of the Period</b>	2	<b><u>5,313,840</u></b>	<b><u>11,355,064</u></b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

## 1. Accounting Policies

### 1.1 Statement of Compliance

The financial statements of 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 to as Commonwealth Small States Offices - CSSOs). Information is analysed into the 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 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 2023. COMSEC has not yet implemented this standard whose expected impact on the COMSEC's financial statements is minimal primarily because the entity already recognises impairment losses on its financial assets at the earliest opportunity.

##### IPSAS 42 – Social Benefits

IPSAS 42, also effective from 1 January 2023 applies to a transaction that meets the definition of a social benefit. This standard has not been implemented by COMSEC as the nature of the entity's work does not include transactions which would be classified as social benefits.

### 1.2 Change to Accounting Policies

COMSEC 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 35 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

**1.5 Going Concern Assumption**

The financial statements have been prepared on the going concern basis. The Secretariat has considered and modelled different scenarios to quantify the potential impact of a reduction in income collection from member countries. After due consideration, 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 signing these financial statements. The Board of Governors has approved the 2022-23 Budget and Delivery Plan along with the associated funding by member states.

**1.6 Functional and Presentational Currency**

The financial statements have been presented in GB Pounds Sterling which is COMSEC'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 initially 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.

Financial assets with fixed or determinable payments that are not quoted in active markets comprise contributions receivable in cash, other receivables and cash and cash equivalents are initially measured at fair value and subsequently stated at amortised cost.

Financial assets with fixed or determinable payments and fixed maturity dates that COMSEC has both the intention and the ability to hold to maturity are initially measured at fair value and subsequently measured at amortised cost. As at 30 June 2022, no such 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

**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 2022. 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.

**(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 in which 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
Equipment	12 years or term of lease
Fixtures and Fittings	8 years or term of lease
Vehicles	5 years or term of lease
Computers - Hardware	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 has a value greater than £1,000 is capitalised and amortised to residual value over its 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 its intended use.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

**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 the 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).

**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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

**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 annual budget; 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 56 member states of the Commonwealth (54 for the 2021-22 period). 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 are stated at the agreed amount and reduced by a provision for doubtful balances.

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

**(ii) Special Projects**

COMSEC receives additional contributions and grants from member 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 in the Statement of Financial Position. The revenue for these projects is recognised when these conditions are met.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

**(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 in which COMSEC provides a service and receives 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 Fund 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 include Finance, Human Resources and Facilities Management, Information and Communications Technology, Strategy, Portfolio, Partnerships and Digital and to a lesser extent, Communications.

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

**(ii) Designated Funds**

This income relates mainly 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 their tenants for using the office facilities. Tenants re-charges are recognised when it is probable that economic benefits will flow into the Joint Office for Commonwealth Permanent Missions to the United Nations in New York and the Commonwealth Small States Office in Geneva.

**(iv) Interest Receivable**

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

**(v) Other Income**

Other income consists of:

- 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

**1.19 Expenses**

**(a) Staff costs**

The Commonwealth Secretariat has provided for below staff benefits according to IPSAS 25.

**(i) Unused annual leave**

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

**(ii) 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.

**(iii) 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.

**(iv) 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 with 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.

The current Schedule of Contributions requires the employer to contribute the amount required to bring the aggregate contribution to one twelfth of 99.7% 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

**1.19 Expenses (a) Staff costs (iv) Pensions - Staff Defined Benefit Pension Scheme (Continued)**

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 Scheme**

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.

**(v) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

**1.19 Expenses (a) Staff costs (v) Gratuity (Continued)**

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 Costs**

The headquarters of The Commonwealth is located in London at Marlborough 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 are capitalised and depreciated through the statement of financial performance over the useful life of the improvements for Marlborough House.

**(c) Direct Projects**

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

**(d) Leases**

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

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

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

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

**(e) Foreign Currency Transactions**

Transactions in foreign currencies are translated to GB Pounds Sterling at the rate of exchange on the date of the transactions. 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 the 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

**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. Revisions to estimates are recognised in the year in which they are revised and in any future period affected.

There were no critical judgements in the year made during the process of applying the accounting policies.

The following are key sources of uncertainty in the estimates that have the most significant effect on the amounts recognised in the financial statements:

**Pension provision assumptions**

As set out in accounting policy 1.19(iv), The Commonwealth operates two defined benefit pension schemes, both of which are now closed to new members. There are a number of assumptions that are used by the actuary in calculating the pension provision at financial year end including the discount rate, RPI inflation, CPI inflation, and mortality assumptions. Movements in any of these assumptions may lead to a material movement in the pension provision. The assumptions used by the actuary are consistent with our internal financial forecasting assumptions. The sensitivity of the assumptions used to measure the pension provision is set out in note 7.

**Valuation of land and buildings**

The valuation of the Fund's land and buildings (note 5) is a source of estimation uncertainty that has a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The Fund had a full valuation of the Secretary-General's residence (the only land and building that the Fund owns) conducted in year and this property was valued at £18.75m (2021: £14.5m) and the valuation has been applied to the Fund's accounts.

The valuers indicated that Russia's invasion of Ukraine resulted in significant volatility across global markets. The unpredictable nature of the conflict, its impact globally and the uncertain timeline for any resolution mean that there is a risk the value of this asset may be subject to greater volatility than would usually be expected.

**THE COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**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.

	<b>Unrestricted</b>		<b>Restricted</b>		<b>Total</b>	
	<b>30 June</b>		<b>30 June</b>		<b>30 June</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Cash and Current Deposits	164,690	70,186	714,575	2,837,212	879,265	2,907,398
Foreign Bank Accounts	-	-	656,868	438,772	656,868	438,772
Call Accounts	1,571,477	4,238,195	206,230	270,699	1,777,707	4,508,894
Fixed Term Deposits	2,000,000	3,500,000	-	-	2,000,000	3,500,000
<b>Total Cash and Cash Equivalents</b>	<b>3,736,167</b>	<b>7,808,381</b>	<b>1,577,673</b>	<b>3,546,683</b>	<b>5,313,840</b>	<b>11,355,064</b>

**3. Investments**

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

	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>£</b>	<b>£</b>
Term deposits - current	10,750,000	3,500,000
<b>Total Investments</b>	<b>10,750,000</b>	<b>3,500,000</b>

**4. Other Receivables from Exchange Transactions**

	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>£</b>	<b>£</b>
Staff Advances	111,586	35,511
Receivables for the Geneva Office	34,172	9,866
Receivables for the New York Office	70,856	60,077
Other Receivables	327,926	412,932
Commonwealth Association for Tax Administrators	-	4,173
Commonwealth Foundation Re-charges	109,897	145,804
Commonwealth Fund for Technical Co-operation	1,241,659	56,895
<b>Total Receivables</b>	<b>1,896,096</b>	<b>725,258</b>
Less: Provision for doubtful debt	(169,344)	(169,906)
<b>Total Net Receivables</b>	<b>1,726,752</b>	<b>555,352</b>

The change in the provision for doubtful debt during 2021-22 is as follows:

	<b>Provision as at 1 July 2021</b>	<b>Increase in provision</b>	<b>(Decrease) in provision</b>	<b>Provision Used in the year</b>	<b>Provision as at 30 June 2022</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Provision for doubtful debt</b>	<b>169,906</b>	<b>-</b>	<b>(562)</b>	<b>-</b>	<b>169,344</b>

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 a decrease in provision of £562 during the year (2021: £652) due to exchange rate movements in relation to outstanding balances from prior years at the New York Office and a decrease in provision for a long outstanding debt.

THE COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

**4. Other Receivables from Exchange Transactions (Continued)**

Ageing of receivables from exchange transactions:

	30 June 2022	30 June 2021
	£	£
< 12 months	1,726,752	555,352
<b>Total</b>	<b>1,726,752</b>	<b>555,352</b>

**THE COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**5. Non-Current Assets**

**5. (a) Non-Current Assets 2022**

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

	LAND AND BUILDINGS	BUILDING IMPROVEMENTS	FURNITURE & FIXTURES	HARDWARE	EQUIPMENT	VEHICLES	CAPITAL WORK IN PROGRESS (CWIP)	TOTAL
	£	£	£	£	£	£	£	£
<b>Cost</b>								
<b>Balance as at 1 July 2021</b>	<b>14,500,000</b>	<b>1,119,100</b>	<b>707,874</b>	<b>1,411,498</b>	<b>731,140</b>	<b>80,916</b>	<b>-</b>	<b>18,550,528</b>
Additions	-	-	4,020	316,402	6,748	-	-	327,170
Disposals	-	-	-	(1,206)	-	-	-	(1,206)
Revaluation Adjustments	4,250,000	-	-	-	-	-	-	4,250,000
Currency Translations	-	111,412	20,233	3,261	13,217	-	-	148,123
<b>Closing Balance as at 30 June 2022</b>	<b>18,750,000</b>	<b>1,230,512</b>	<b>732,127</b>	<b>1,729,955</b>	<b>751,105</b>	<b>80,916</b>	<b>-</b>	<b>23,274,615</b>
<b>Depreciation</b>								
<b>Balance as at 1 July 2021</b>	<b>-</b>	<b>(502,813)</b>	<b>(249,177)</b>	<b>(607,933)</b>	<b>(239,896)</b>	<b>(80,916)</b>	<b>-</b>	<b>(1,680,735)</b>
Depreciation	(139,759)	(113,117)	(86,735)	(406,263)	(61,278)	-	-	(807,152)
Disposals	-	-	-	126	-	-	-	126
Revaluation Adjustments	139,759	-	-	-	-	-	-	139,759
Currency Translations	-	(55,841)	(12,837)	(3,183)	(7,410)	-	-	(79,271)
<b>Closing Balance as at 30 June 2022</b>	<b>-</b>	<b>(671,771)</b>	<b>(348,749)</b>	<b>(1,017,253)</b>	<b>(308,584)</b>	<b>(80,916)</b>	<b>-</b>	<b>(2,427,273)</b>
<b>Net Book Value 30 June 2022</b>	<b>18,750,000</b>	<b>558,741</b>	<b>383,378</b>	<b>712,702</b>	<b>442,521</b>	<b>-</b>	<b>-</b>	<b>20,847,342</b>

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

	Balance as at 1 July 2021	ADDITIONS	DISPOSALS	AMORTISATION CHARGE FOR THE PERIOD	Closing Balance as at 30 June 2022
	£	£	£	£	£
<b>Cost</b>	<b>386,381</b>	<b>271,648</b>	<b>(121,873)</b>	<b>-</b>	<b>536,156</b>
Amortisation	(224,843)	-	39,375	(61,747)	(247,215)
<b>Net Book Value</b>	<b>161,538</b>	<b>271,648</b>	<b>(82,498)</b>	<b>(61,747)</b>	<b>288,941</b>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

5. Non-Current Assets (a) Non-Current Assets 2022 (Continued)

(iii) Depreciation and Amortisation Charge

	Note	Closing Balance as at 30 June 2022 £
Property Plant and Equipment	5(a)(i)	807,152
Intangible Assets (Software)	5(a)(ii)	61,747
<b>Total Depreciation and Amortisation Charge</b>		<b>868,899</b>

During the reporting year, COMSEC at the London office had furniture and fixtures, hardware equipment and software additions of £598,818 (2021: £634,230) and disposals in building improvements, hardware and equipment of £123,079 (2021: £630,081). The office in New York had no additions (2021: £Nil) or disposals (2021: £Nil). The office in Geneva had no additions (2021: £Nil) or disposals (2021: £Nil).

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

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

A full valuation of the property was performed by Knight Frank in June 2022. This valuation was based on a review of the current market for similar buildings and was considered to be in the order of £18.75 million. The valuers are independent from The Commonwealth and conform to the Royal Institution of Chartered Surveyors Appraisal and Valuations standards.

**THE COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**5. (b) Non-Current Assets 2021**

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

	LAND AND BUILDINGS	BUILDING IMPROVEMENTS	FURNITURE & FIXTURES	HARDWARE	EQUIPMENT	VEHICLES	CAPITAL WORK IN PROGRESS (CWIP)	TOTAL
	£	£	£	£	£	£	£	£
<b>Cost</b>								
<b>Balance as at 1 July 2020</b>	<b>14,500,000</b>	<b>1,221,286</b>	<b>726,369</b>	<b>1,479,847</b>	<b>755,558</b>	<b>80,916</b>	<b>600</b>	<b>18,764,576</b>
Additions	-	-	-	506,411	45,320	-	-	<b>551,731</b>
Disposals	-	-	-	(571,749)	(57,732)	-	(600)	<b>(630,081)</b>
Revaluation Adjustments	-	-	-	-	-	-	-	-
Currency Translations	-	(102,186)	(18,495)	(3,011)	(12,005)	-	-	<b>(135,697)</b>
<b>Closing Balance as at 30 June 2021</b>	<b>14,500,000</b>	<b>1,119,100</b>	<b>707,874</b>	<b>1,411,498</b>	<b>731,141</b>	<b>80,916</b>	<b>-</b>	<b>18,550,529</b>
<b>Depreciation</b>								
<b>Balance as at 1 July 2020</b>	<b>-</b>	<b>(426,966)</b>	<b>(170,970)</b>	<b>(916,375)</b>	<b>(215,960)</b>	<b>(80,916)</b>	<b>-</b>	<b>(1,811,187)</b>
Depreciation	(138,425)	(114,162)	(86,870)	(265,813)	(77,297)	-	-	<b>(682,567)</b>
Disposals	-	-	-	571,589	47,988	-	-	<b>619,577</b>
Revaluation Adjustments	138,425	-	-	-	-	-	-	<b>138,425</b>
Currency Translations	-	38,315	8,663	2,666	5,373	-	-	<b>55,017</b>
<b>Closing Balance as at 30 June 2021</b>	<b>-</b>	<b>(502,813)</b>	<b>(249,177)</b>	<b>(607,933)</b>	<b>(239,896)</b>	<b>(80,916)</b>	<b>-</b>	<b>(1,680,735)</b>

<b>Net Book Value 30 June 2021</b>	<b>14,500,000</b>	<b>616,287</b>	<b>458,697</b>	<b>803,565</b>	<b>491,245</b>	<b>-</b>	<b>-</b>	<b>16,869,794</b>
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**(ii) Intangible Assets (Software)**

	BALANCE AS AT 1 JULY 2020	ADDITIONS	DISPOSALS	AMORTISATION CHARGE FOR THE PERIOD	BALANCE AS AT 30 JUNE 2021
	£	£	£	£	£
<b>Cost</b>	<b>303,882</b>	<b>82,499</b>	<b>-</b>	<b>-</b>	<b>386,381</b>
Amortisation	(180,316)	-	-	(44,527)	<b>(224,843)</b>
<b>Net Book Value</b>	<b>123,566</b>	<b>82,499</b>	<b>-</b>	<b>(44,527)</b>	<b>161,538</b>

**THE COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**5. Non-Current Assets (b) Non-Current Assets 2021 (Continued)**

**(iii) Depreciation and Amortisation Charge**

	<b>BALANCE AS AT 30 June 2021</b>	
	<b>Note</b>	<b>£</b>
Property Plant and Equipment	5(b)(i)	682,567
Intangible Assets (Software)	5(b)(ii)	44,527
<b>Total Depreciation and Amortisation Charge</b>		<b>727,094</b>

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

**Amounts falling due within one year**

	<b>Notes</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
		<b>£</b>	<b>£</b>
Bank Loans	(a)	120,000	96,000
Trade Payables and Accruals		2,188,718	1,905,060
Rent Incentives and Payables for the New York Office		588,358	415,979
Payables for the Geneva Office		546,676	420,079
Staff Gratuity Fund Obligations	(b)	2,290,395	2,192,172
Staff Balances		140,746	22,219
Commonwealth Youth Programme Fund		132,350	13,976
Accrued Rent Incentive	(c)	20,540	18,183
Commonwealth Association for Tax Administrators		5,238	-
<b>Total Payables and Current Liabilities</b>		<b>6,033,021</b>	<b>5,083,668</b>

Payables for the Geneva office includes £494,912 intercompany payments to Commonwealth Fund For Technical Corporation.

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

	<b>Notes</b>	<b>30 June 2022</b>	<b>30 June 2021</b>
		<b>£</b>	<b>£</b>
Bank Loans	(a)	264,000	360,000
Staff Gratuity Fund Obligations	(b)	868,936	745,171
Accrued Rent Incentive	(c)	205,399	200,015
<b>Total Non-Current Liabilities</b>		<b>1,338,335</b>	<b>1,305,186</b>

# THE COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

### 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 2022 was £384,000 (2021: £456,000) of which £120,000 is due for repayment in the next twelve months. The interest of £2,775 (2021: £2,056 ) on this loan was expensed during the year.

	30 June 2022	30 June 2021
	£	£
Bank Loan Opening balance	456,000	552,000
Repayment of principal on bank loan during the year	(72,000)	(96,000)
<b>Bank Loan Closing balance</b>	<b>384,000</b>	<b>456,000</b>

#### (b) Staff Gratuity Fund Obligations

The Staff Gratuity Fund Obligations include 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 2022		30 June 2021	
	Due within one year	Due after one year	Due within one year	Due after one year
	£	£	£	£
Commonwealth Secretariat Fund	1,629,284	495,876	1,455,568	495,876
Commonwealth Fund for Technical Co-operation	278,648	312,628	461,719	188,520
Commonwealth Youth Programme Fund	47,006	60,432	40,491	60,775
Commonwealth Association of Tax Administrators	32,515	-	21,340	-
Commonwealth Foundation	282,691	-	181,762	-
New York Office	20,251	-	20,611	-
Geneva Office	-	-	10,681	-
<b>Total Staff Gratuity Fund Obligations</b>	<b>2,290,395</b>	<b>868,936</b>	<b>2,192,172</b>	<b>745,171</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 a 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

7. Pension Liabilities

Net Assets arising from Defined Benefit Obligation

	Notes	30 June 2022 £	30 June 2021 £
Former Secretaries-General Pension Scheme	(a)	1,890,000	2,367,000
Staff Defined Benefit Scheme - Net Asset	(b)	(4,938,000)	(4,704,000)
Supplementary Pension	(c)	1,793,000	2,118,000
<b>Total</b>		<b><u>(1,255,000)</u></b>	<b><u>(219,000)</u></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 scheme participants post retirement. 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 scheme liability was carried out at 30 June 2022 by Ms J Hayman, 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.

THE COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

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

	Valuation as at 30 June 2022	Valuation as at 30 June 2021
Discount rate	3.75%	1.60%
RPI inflation	3.35%	3.30%
Increases to pensions in payment	3.35%	3.30%
Mortality (post-retirement)	100% of S3PMA/S3PFA _VL CMI_2021_M/F 1.00%	100% of S3PMA/S3PFA _VL CMI_2020_M/F 1.00%
Average longevity at retirement age for current pensioners:		
Males	28.5	28.5
Females	30.0	29.9
Average longevity at retirement age for future pensioners:		
Males	29.5	29.5
Females	31.0	31.0

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

	2021-22 £	2020-21 £
<b>Service cost:</b>		
Net interest expense	36,000	30,000
<b>Components of defined benefit costs recognised in surplus or deficit</b>	<b>36,000</b>	<b>30,000</b>
<b>Re-measurement on the net defined benefit liability:</b>		
Actuarial (gains) arising from changes in demographic assumptions	-	(25,000)
Actuarial (gains) arising from changes in financial assumptions	(393,000)	(7,000)
Actuarial losses arising from experience adjustments	95,000	75,000
<b>Components of defined benefit cost recognised in net assets/equity</b>	<b>(298,000)</b>	<b>43,000</b>
<b>Total</b>	<b>(262,000)</b>	<b>73,000</b>

The re-measurement of the net defined benefit liability is included in the Statement of Changes in Net Assets. 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 2022 £	30 June 2021 £
Present value of defined benefit obligation	1,890,000	2,367,000
Fair value of assets	-	-
Funded status	(1,890,000)	(2,367,000)
Restrictions on asset recognised	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>(1,890,000)</b>	<b>(2,367,000)</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

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

	30 June 2022	30 June 2021
	£	£
Opening defined benefit obligation	2,367,000	2,509,000
Interest expense	36,000	30,000
<b>Re-measurement (gains)/losses:</b>		
Actuarial (gains) arising from changes in demographic assumptions	-	(25,000)
Actuarial (gains) arising from changes in financial assumptions	(393,000)	(7,000)
Actuarial losses arising from experience adjustments	95,000	75,000
Benefits paid	(215,000)	(215,000)
<b>Closing defined benefit obligation</b>	<b>1,890,000</b>	<b>2,367,000</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% pa
RPI inflation	+1% pa	+9% pa
Assumed life expectancy	+1 year	+13% pa

**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 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 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 scheme 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 2022 was 9 years (2021: 11 years).

The Commonwealth expects to make a contribution of £214,000 (2021: £215,000) to the Former Secretary-General Scheme during the financial year beginning 1 July 2022.

£179,000 (2021: £185,000) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

**7. Pension Liabilities (Continued)**

**(b) Staff Defined Benefit Scheme**

The Secretariat operates a UK registered trust based pension scheme, the Commonwealth Secretariat Pension and Life Assurance Scheme (1979), that 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 sets 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 pensionable pay 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 may create a scheme deficit. Following the Scheme Trustees' review of the scheme now holds invested assets in diversified credit funds, diversified growth funds and liability driven investments (LDI) pooled funds. Due to the long-term nature of the defined benefit obligation, the Scheme Trustees consider it appropriate that a portion of the scheme assets should be invested in diversified growth funds to leverage the return generated by the fund. The diversified growth funds are expected to outperform corporate bonds in the long-term but may have some volatility and risk in the short term.

**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 and LDI pooled fund 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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

**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 defined benefit obligation.

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. These annuities have been excluded from both the value of assets and defined benefit obligation.

The results of the most recent formal actuarial valuation as at 31 March 2019 have been updated to 30 June 2022 by Ms J Hayman, 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.

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

	Valuation as at 30 June 2022	Valuation as at 30 June 2021
Discount rate	3.80%	1.75%
RPI inflation	3.25%	3.30%
CPI inflation	2.25%	2.30%
Future 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	3.45%	3.45%
Revaluation of deferred pensions:	2.25%	2.30%
Mortality (pre-retirement)	Nil deaths	Nil deaths
Mortality (post-retirement)	100% of S3PMA/S3PFA CMI_2021_M/F 1%	100% of S3PMA/S3PFA CMI_2020_M/F 1%
Average longevity at retirement age for current pensioners:		
Males	26.3	26.3
Females	29.0	28.9
Average longevity at retirement age for future pensioners:		
Males	27.5	27.5
Females	30.1	30.1

**THE COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

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

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

	<b>2021-22</b>	<b>2020-21</b>
	<b>£</b>	<b>£</b>
<b>Service cost:</b>		
Current service cost	23,000	107,000
Net interest expense	(92,000)	6,000
<b>Components of defined benefit costs recognised in surplus or deficit</b>	<b>(69,000)</b>	<b>113,000</b>
<b>Re-measurement on the net defined benefit liability:</b>		
Return on scheme assets (excluding amounts included in net interest expense)	12,116,000	(1,445,000)
Actuarial (gains) arising from changes in demographic assumptions	(31,000)	(1,128,000)
Actuarial (gains) arising from changes in financial assumptions	(11,423,000)	(2,023,000)
Actuarial losses/(gains) arising from experience adjustments	370,000	(10,000)
<b>Components of defined benefit cost recognised in net assets/equity</b>	<b>1,032,000</b>	<b>(4,606,000)</b>
<b>Total</b>	<b>963,000</b>	<b>(4,493,000)</b>

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 Changes in Net Assets.

**Reconciliation to the Statement of Financial Position**

	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>£</b>	<b>£</b>
Present value of defined benefit obligation	40,700,000	52,956,000
Fair value of assets	45,638,000	57,660,000
Funded status	4,938,000	4,704,000
Restrictions on assets recognised	-	-
<b>Net assets arising from defined benefit obligation</b>	<b>4,938,000</b>	<b>4,704,000</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 on 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:**

	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>£</b>	<b>£</b>
Opening defined benefit obligation	52,956,000	57,383,000
Current service cost	23,000	107,000
Interest expense	910,000	763,000
Contributions from scheme participants	2,000	6,000
Benefits paid	(2,107,000)	(2,142,000)
<b>Re-measurement (gains)/losses:</b>		
Actuarial (gains) arising from changes in demographic assumptions	(31,000)	(1,128,000)
Actuarial (gains) arising from changes in financial assumptions	(11,423,000)	(2,023,000)
Actuarial losses/(gains) arising from experience adjustments	370,000	(10,000)
<b>Closing defined benefit obligation</b>	<b>40,700,000</b>	<b>52,956,000</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

**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:

	30 June 2022	30 June 2021
	£	£
Opening fair value of assets	57,660,000	56,402,000
Interest revenue	1,002,000	757,000
<b>Re-measurement gains/(losses):</b>		
Return on scheme assets (excluding amounts included in net interest expense)	(12,116,000)	1,445,000
Contributions from the employer	1,197,000	1,192,000
Contributions from scheme participants	2,000	6,000
Benefits paid	(2,107,000)	(2,142,000)
<b>Closing fair value of assets</b>	<b>45,638,000</b>	<b>57,660,000</b>

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

	30 June 2022	30 June 2021
	£	£
<b>Asset Class</b>		
<b>Cash and cash equivalents</b>	<b>342,000</b>	<b>350,000</b>
<b>Equity investments:</b>		
Equity instrument funds	-	-
Diversified Growth Funds	14,230,000	15,996,000
Diversified Credit Funds	23,358,000	27,980,000
Liability Driven Investments	7,708,000	13,334,000
<b>Total</b>	<b>45,638,000</b>	<b>57,660,000</b>
<b>Actual return on assets over period:</b>	<b>(11,114,000)</b>	<b>2,202,000</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 benefit 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
Discount rate	+1% pa	-10%
	-1% pa	+12%
RPI inflation	+1% pa	+5%
	-1% pa	-4%
Future salary increases	+1% pa	+0.1%
Assumed life expectancy	+1 year	+5%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

**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. 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 scheme 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 2019. This valuation revealed a funding shortfall of £4.7 million.

The Commonwealth Secretariat agreed to pay annual contributions, which together with the 6% members' contributions rate, total 99.7% 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 2019, The Commonwealth agreed to pay £1,080,000 per annum in equal monthly instalments to the Scheme for 3 years and 5 months from 1 June 2020. The funding requirements are based on the local actuarial measurement framework. In this framework, the discount rate is set on a prudent basis.

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

The Commonwealth expects to make contributions of £1,109,000 (2021: £1,182,000) to the Pension and Life Assurance Scheme (1979) for the financial year beginning 1 July 2022.

An amount of £1,266,000 (2021: £1,079,000) 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 2022 is 12 years (2021: 14 years). This number can be analysed as follows:

- active members: 19 years (2021: 24 years);
- deferred members: 17 years (2021: 19 years); and
- retired members: 10 years (2021: 12 years).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

**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 after retirement 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 2022 by Ms J Hayman, 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.

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

	Valuation as at 30 June 2022	Valuation as at 30 June 2021
Discount rate	3.75%	1.60%
RPI inflation	3.35%	3.30%
CPI inflation	2.75%	2.60%
Discretionary increases over guaranteed increases to pension in payment	0.20%	0.10%
Mortality (post-retirement)	100% S3PMA/S3PFA CMI_2021_M/F 1.00%	100% of S3PMA/S3PFA CMI_2020_M/F 1.00%
Average longevity at retirement age for current pensioners		
Males	26.3	26.3
Females	29.0	28.9
Average longevity at retirement age for future pensioners		
Males	27.5	27.5
Females	30.1	30.1

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

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

	2021-22 £	2020-21 £
<b>Service cost:</b>		
Net interest expense	32,000	25,000
<b>Components of defined benefit costs recognised in surplus or deficit</b>	<b>32,000</b>	<b>25,000</b>
<b>Re-measurement on the defined benefit liability:</b>		
Actuarial (gains) arising from changes in demographic assumptions	(1,000)	(25,000)
Actuarial (gains)/losses arising from changes in financial assumptions	(131,000)	180,000
Actuarial (gains)/losses arising from experience adjustments	(34,000)	20,000
<b>Components of defined benefit costs recognised in net assets/equity</b>	<b>(166,000)</b>	<b>175,000</b>
<b>Total</b>	<b>(134,000)</b>	<b>200,000</b>

The remeasurement of the net defined liability is included in the Statement of changes in Net Assets.

Reconciliation to the Statement of Financial Position

	30 June 2022 £	30 June 2021 £
Present value of defined benefit obligation	1,793,000	2,118,000
Fair value of assets	-	-
Funded status	(1,793,000)	(2,118,000)
Restrictions on asset recognised	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>(1,793,000)</b>	<b>(2,118,000)</b>

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

	30 June 2022 £	30 June 2021 £
Opening defined benefit obligation	2,118,000	2,110,000
Interest expense	32,000	25,000
Benefits paid	(191,000)	(192,000)
<b>Re-measurement (gains)/losses:</b>		
Actuarial (gains) arising from changes in demographic assumptions	(1,000)	(25,000)
Actuarial (gains)/losses arising from changes in financial assumptions	(131,000)	180,000
Actuarial (gains)/losses arising from experience adjustments	(34,000)	20,000
<b>Closing defined benefit obligation</b>	<b>1,793,000</b>	<b>2,118,000</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

**7. Pension Liabilities (c) Supplementary Pension Scheme (Continued)****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.

	Change in assumption	Change in defined benefit obligation
<b>Assumption</b>		
Discount rate	-1% pa	+8%
RPI inflation	+1% pa	+79%
Assumed life expectancy	+1 year	+11%

**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.

**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 benefits receive increases linked to inflation with pensions being reassessed at four yearly intervals.

The approximate overall duration of the Supplementary Pension scheme's defined benefit obligation as at 30 June 2022 was 8 years (2021: 8 years).

The Secretariat expects to make a contribution of £186,000 (2021: £197,000) to the Supplementary Pension Scheme during the financial year beginning 1 July 2022.

An amount of £159,000 (2021: £167,000) 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 COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**8. Provisions**

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

	<b>As at 30 June 2022</b>		<b>As at 30 June 2021</b>	
	<b>Due within one year</b>	<b>Due after one year</b>	<b>Due within one year</b>	<b>Due after one year</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Relocation Expenses	385,240	585,185	298,985	397,596
Home Leave Expenses	77,730	5,949	78,806	-
<b>Total Provisions</b>	<b>462,970</b>	<b>591,134</b>	<b>377,791</b>	<b>397,596</b>

Movements in provisions during the year are as follows:

<b>Provisions for Liabilities</b>	<b>Notes</b>	<b>As at 1 July 2021</b>	<b>Increase in provision</b>	<b>Amount used in year</b>	<b>As at 30 June 2022</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Relocation Expenses	(a)	696,581	375,119	(101,275)	970,425
Home Leave Expenses	(b)	78,806	33,815	(28,942)	83,679
<b>Total Provisions for Liabilities</b>		<b>775,387</b>	<b>408,934</b>	<b>(130,217)</b>	<b>1,054,104</b>

(a) 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.

(b) 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.

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

	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>£</b>	<b>£</b>
Current	1,566,423	2,038,683
Provision for doubtful accounts	(483,010)	(352,455)
<b>Total net current contributions receivable</b>	<b>1,083,413</b>	<b>1,686,228</b>
Non-Current	331,934	444,992
Provision for doubtful accounts	(331,934)	(425,910)
<b>Total net non-current contributions receivable</b>	<b>-</b>	<b>19,082</b>

The provision for doubtful accounts relates to members' contributions. The net current contributions receivable is £1,083,413 (2021: £1,705,310).

In order to manage and reduce long outstanding arrears, affected member countries are invited to discuss and agree a suitable payment plan. The member countries have agreed a payment plan for arrears amounting to £368,425 (2021: £500,056).



**THE COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

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

Ageing of receivables from non-exchange transactions:

	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>£</b>	<b>£</b>
Less than one year	771,615	1,274,921
Between one and two years	288,746	422,302
More than two years	23,052	8,087
<b>Total</b>	<b><u>1,083,413</u></b>	<b><u>1,705,310</u></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 2021-22 is as follows:

	<b>Provision as at 1 July 2021</b>	<b>Increase in provision</b>	<b>(Decrease) in provision</b>	<b>Provision as at 30 June 2022</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Provision for Doubtful Debt	<b><u>778,365</u></b>	<b><u>469,571</u></b>	<b><u>(432,992)</u></b>	<b><u>814,944</u></b>

There was an increase in provision for doubtful contributions of £469,571 (2021: £192,921). The decrease in the provision of £432,992 (2021: £628,663) relates to receipts for amounts provided for in prior periods.

**THE COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**9. (a) (i) Commonwealth Secretariat Members' Contributions from Non-Exchange Transactions 2021-22**

<b>Country</b>	<b>Balance as at 1 July 2021</b>		<b>Assessment</b>	<b>Received</b>	<b>Balance as at 30 June 2022</b>	
	<b>Receivable</b>	<b>Prepaid</b>	<b>2021-22</b>	<b>2021-22</b>	<b>Receivable</b>	<b>Prepaid</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Antigua & Barbuda	35,194	-	39,686	15,000	59,880	-
Australia	-	-	2,063,647	2,063,647	-	-
The Bahamas	-	-	119,056	119,056	-	-
Bangladesh	-	-	103,182	103,182	-	-
Barbados	48,233	-	47,623	95,856	-	-
Belize	-	(6,000)	31,748	25,748	-	-
Botswana	-	-	119,056	119,056	-	-
Brunei Darussalam	-	-	134,932	135,509	-	(577)
Cameroon	99,735	-	119,057	-	218,792	-
Canada	-	-	3,373,272	3,373,272	-	-
Cyprus	-	-	166,679	166,679	-	-
Dominica	366,611	-	31,748	89,089	309,270	-
eSwatini	-	(14,765)	39,686	-	24,921	-
Fiji	-	-	47,623	47,841	-	(218)
The Gambia	33,878	-	31,749	-	65,627	-
Ghana	120,583	-	119,056	239,639	-	-
Grenada	32,156	-	31,748	64,040	-	(136)
Guyana	-	(59,599)	39,686	9,326	-	(29,239)
India	-	-	754,026	754,026	-	-
Jamaica	-	-	47,623	47,623	-	-
Kenya	59,054	-	134,932	193,986	-	-
Kiribati	9,708	-	31,748	9,708	31,748	-
Lesotho	-	-	31,748	-	31,748	-
Malawi	40,194	-	39,686	40,194	39,686	-
Malaysia	-	-	436,542	436,542	-	-
Maldives	114,363	-	47,624	102,832	59,155	-
Malta	-	-	119,056	238,112	-	(119,056)
Mauritius	-	-	103,182	103,182	-	-
Mozambique	-	-	47,623	47,623	-	-
Namibia	-	-	103,182	103,182	-	-
Nauru	-	(268)	31,748	32,990	-	(1,510)
New Zealand	-	-	357,170	358,697	-	(1,527)
Nigeria	615,724	-	357,170	1,331,883	-	(358,989)
Pakistan	-	-	238,113	-	238,113	-
Papua New Guinea	96,466	-	103,183	-	199,649	-
Rwanda	-	(2)	47,622	-	47,620	-
St Kitts & Nevis	635	-	31,748	64,812	-	(32,429)
St Lucia	32,156	-	31,748	63,904	-	-
St Vincent & the Grenadines	19,082	-	31,748	107,664	-	(56,834)
Samoa	32,156	-	31,748	64,100	-	(196)
Seychelles	-	-	39,687	39,687	-	-
Sierra Leone	-	-	31,748	31,748	-	-
Singapore	-	-	436,541	436,541	-	-
Solomon Islands	64,312	-	31,748	64,312	31,748	-
South Africa	-	(43,162)	357,170	357,170	-	(43,162)
Sri Lanka	-	(33,817)	238,113	-	204,296	-
Tanzania	105,827	-	103,182	209,009	-	-
Tonga	-	(10,000)	31,748	21,748	-	-
Trinidad & Tobago	337,634	-	166,679	168,817	335,496	-
Tuvalu	32,156	-	31,748	63,904	-	-
Uganda	104,505	-	47,623	151,520	608	-
United Kingdom	-	-	5,412,729	5,412,729	-	-
Vanuatu	64,312	-	31,748	96,060	-	-
Zambia	19,001	-	103,182	177,792	-	(55,609)
<b>Total</b>	<b>2,483,675</b>	<b>(167,613)</b>	<b>16,881,850</b>	<b>17,999,037</b>	<b>1,898,357</b>	<b>(699,482)</b>

\*Gabon and Togo joined The Commonwealth in June 2022.

**THE COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**9. (a) (ii) Commonwealth Secretariat Members' Contributions from Non-Exchange Transactions 2020-21**

<b>Country</b>	<b>Balance as at 1 July 2020</b>		<b>Assessment</b>	<b>Received</b>	<b>Balance as at 30 June 2021</b>	
	<b>Receivable</b>	<b>Prepaid</b>	<b>2020-21</b>	<b>2020-21</b>	<b>Receivable</b>	<b>Prepaid</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Antigua & Barbuda	15,000	-	40,194	20,000	35,194	-
Australia	-	-	2,090,110	2,090,110	-	-
The Bahamas	-	(12,206)	120,583	108,377	-	-
Bangladesh	-	-	104,505	104,505	-	-
Barbados	-	-	48,233	-	48,233	-
Belize	-	(3,000)	32,156	35,156	-	(6,000)
Botswana	-	-	120,583	120,583	-	-
Brunei Darussalam	-	-	136,661	136,661	-	-
Cameroon	104,505	-	104,505	109,275	99,735	-
Canada	-	-	3,416,525	3,416,525	-	-
Cyprus	-	-	168,817	168,817	-	-
Dominica	371,463	-	32,156	37,008	366,611	-
eSwatini	-	(14,765)	40,194	40,194	-	(14,765)
Fiji	640	-	48,233	48,873	-	-
The Gambia	1,722	-	32,156	-	33,878	-
Ghana	241,166	-	120,583	241,166	120,583	-
Grenada	-	-	32,156	-	32,156	-
Guyana	-	(17,524)	40,194	82,269	-	(59,599)
India	-	-	763,694	763,694	-	-
Jamaica	-	-	104,505	104,505	-	-
Kenya	28,076	-	120,583	89,605	59,054	-
Kiribati	4,505	-	32,156	26,953	9,708	-
Lesotho	-	-	32,156	32,156	-	-
Malawi	40,194	-	40,194	40,194	40,194	-
Malaysia	-	-	361,750	361,750	-	-
Maldives	90,259	-	32,156	8,052	114,363	-
Malta	-	-	120,583	120,583	-	-
Mauritius	-	-	104,505	104,505	-	-
Mozambique	92,592	-	48,232	140,824	-	-
Namibia	104,505	-	104,505	209,010	-	-
Nauru	2,510	-	32,156	34,934	-	(268)
New Zealand	-	-	361,750	361,750	-	-
Nigeria	302,208	-	313,516	-	615,724	-
Pakistan	241,166	-	241,166	482,332	-	-
Papua New Guinea	48,233	-	48,233	-	96,466	-
Rwanda	40,194	-	40,194	80,390	-	(2)
St Kitts & Nevis	-	-	32,156	31,521	635	-
St Lucia	-	-	32,156	-	32,156	-
St Vincent & the Grenadines	37,201	-	32,156	50,275	19,082	-
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	-	64,312	-
South Africa	-	(43,162)	442,139	442,139	-	(43,162)
Sri Lanka	-	-	136,661	170,478	-	(33,817)
Tanzania	114,323	-	104,505	113,001	105,827	-
Tonga	22,156	-	32,156	64,312	-	(10,000)
Trinidad & Tobago	168,817	-	168,817	-	337,634	-
Tuvalu	-	-	32,156	-	32,156	-
Uganda	104,505	-	104,505	104,505	104,505	-
United Kingdom	-	-	5,482,713	5,482,713	-	-
Vanuatu	32,156	-	32,156	-	64,312	-
Zambia	48,233	-	48,233	77,465	19,001	-
<b>Total</b>	<b>2,288,485</b>	<b>(90,657)</b>	<b>16,881,850</b>	<b>16,763,616</b>	<b>2,483,675</b>	<b>(167,613)</b>

\*Maldives re-joined The Commonwealth in 2020.

# THE COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

Country	2021-22	2020-21
	£	£
Australia	131,226	129,730
New Zealand	190,721	182,757
India	187,754	185,615
Malaysia	15,020	14,849
Singapore	22,531	22,274
Cyprus	3,004	2,970
United Kingdom	99,787	101,175
<b>Total Donors</b>	<b>650,043</b>	<b>639,370</b>

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

Country	2021-22	2020-21
	£	£
India	111,411	107,525
Australia	64,805	64,930
New Zealand	192,885	184,571
Singapore	23,588	24,479
United Kingdom	99,339	104,750
<b>Total Contributions</b>	<b>492,028</b>	<b>486,255</b>

### 10. Common Service Charge from Exchange Transactions

Fund	2021-22	2020-21
	£	£
Commonwealth Fund for Technical Co-operation	2,248,591	2,097,420
Commonwealth Youth Programme Fund	437,493	409,223
Commonwealth Association of Tax Administrators	57,333	54,396
<b>Total</b>	<b>2,743,417</b>	<b>2,561,039</b>

**THE COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**11. (a) Deferred Income from Non-Exchange Transactions 2021-22**

<b>Special Projects</b>	<b>Deferred Income Balance as at 1 July 2021</b>	<b>Project Cash Receipts</b>	<b>Project Expenses</b>	<b>Deferred Income Balance as at 30 June 2022</b>
	£	£	£	£
Commonwealth Media Development	10,844	-	-	10,844
Commonwealth Election Professional (CEP II) Initiative	29,324	271,752	(165,546)	135,530
Inclusive Dialogue/ Enhanced Women's Participation	230,531	-	(170,675)	59,856
<b>Total</b>	<b>270,699</b>	<b>271,752</b>	<b>(336,221)</b>	<b>206,230</b>

**11. (b) Deferred Income from Non-Exchange Transactions 2020-21**

<b>Special Projects</b>	<b>Deferred Income Balance as at 1 July 2020</b>	<b>Project Cash Receipts</b>	<b>Project Expenses</b>	<b>Deferred Income Balance as at 30 June 2021</b>
	£	£	£	£
Commonwealth Media Development	10,844	-	-	10,844
Commonwealth Election Professional (CEP II) Initiative	46,730	77,999	(95,405)	29,324
Faith in the Commonwealth - Promoting Global Citizenship and Religious Literacy	1,762	-	(1,762)	-
Inclusive Dialogue/ Enhanced Women's Participation	289,765	-	(59,234)	230,531
<b>Total</b>	<b>349,101</b>	<b>77,999</b>	<b>(156,401)</b>	<b>270,699</b>

**THE COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

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

	<b>2021-22</b>	<b>2020-21</b>
	<b>£</b>	<b>£</b>
Interest on Bank Deposits	26,602	2,439
<b>Total Interest Income</b>	<b><u>26,602</u></b>	<b><u>2,439</u></b>

Interest bearing accounts and investments yielded an average rate of 0.40% (2021: 0.05%) during the reporting period.

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

	<b>2021-22</b>	<b>2020-21</b>
	<b>£</b>	<b>£</b>
Income for Joint Office in New York	466,123	452,174
Income for Small States Office in Geneva	517,263	562,954
Publication/Marlborough House Makeover	10,128	11,816
Recovery of Expenses	159,924	160,890
Special Project Administration Fees	24,993	7,998
Miscellaneous Income	598	6,759
<b>Total Other Income</b>	<b><u>1,179,029</u></b>	<b><u>1,202,591</u></b>

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

	<b>2021-22</b>	<b>2020-21</b>
	<b>£</b>	<b>£</b>
<b>Service in-kind: Provision of Rent Free Property</b>	<b><u>2,083,379</u></b>	<b><u>2,083,379</u></b>

The Commonwealth is party to 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**

	<b>Notes</b>	<b>2021-22</b>	<b>2020-21</b>
		<b>£</b>	<b>£</b>
Salaries and Allowances		8,645,679	8,222,624
Employers National Insurance Contributions		849,229	809,545
Contributions to Staff Gratuity Fund		805,825	828,164
Contributions to Staff Defined Contribution Scheme		495,217	416,473
Pension Contributions and Expenses - Other	(a)	28,158	154,765
Provision for Relocation Expenses	8 (a)	375,119	4,021
Provision for Home Leave Expenses	8 (b)	33,815	54,016
<b>Total Staff Costs</b>		<b><u>11,233,042</u></b>	<b><u>10,489,608</u></b>

£246,450 (2021:£420,206) of staff costs has been charged to projects and included in other costs. (see note 14).

(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).

**THE COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**14. Other Costs**

	<b>2021-22</b>	<b>2020-21</b>
	<b>£</b>	<b>£</b>
Notional Value of Rent for Marlborough House	2,083,379	2,083,379
Rent and Rates	1,935,469	1,974,500
Travel and Subsistence Costs	1,782,359	283,328
Accommodation and Venue Costs	965,631	131,926
Communication, Publicity and Information	832,816	553,309
Short Term Consultants Costs	541,894	850,646
Conference Costs	537,331	503,915
Equipment Maintenance	512,703	483,799
Property Services and Maintenance Costs	477,398	417,003
Professional Fees	271,909	197,692
Other Miscellaneous Expenses	234,076	192,783
Insurance	98,731	108,614
Pension Administration Costs	76,461	71,384
Audit Fees	62,789	29,628
Library and Subscriptions	60,689	50,293
Utilities	56,207	94,204
Other Property Costs	55,403	72,192
Staff Development	49,683	56,168
Recruitment Costs	42,684	38,620
Vehicle Maintenance and Running Costs	35,588	23,102
Increase/(Decrease) in Provision for Doubtful Balances	35,179	(434,341)
Bank and Finance Charges	21,405	46,157
Tribunal Expenses	5,800	462
Loss on Derecognition of Fixed Assets	-	9,904
<b>Total Other Costs</b>	<b><u>10,775,584</u></b>	<b><u>7,838,667</u></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 2021-22 amounted to £Nil (2021: £Nil). The total future minimum rentals under operating leases are detailed in note 19.

# THE COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

A breakdown of direct project expenses analysed according to the outcomes in the four year 2021-22 to 2024-25 Strategic Plan is provided below:

	2021-22	2020-21
	£	£
Democracy & Governance	4,116,377	932,787
Sustainable Development	877,856	-
Resilience & Climate Action	559,988	-
Small and Other Vulnerable States	494,485	160,338
Cross Cutting Outcomes	796,392	1,535,650
Catalysts for Agile and Adaptive Delivery	150,649	-
Internal Outcomes	3,220,534	3,133,031
Public Institutions	-	1,008,068
Youth and Social Development	-	517,342
Economic Development	-	467,352
<b>Total</b>	<b>10,216,281</b>	<b>7,754,568</b>

As the 2017-18 to 2020-21 strategic plan outcomes differ from those of the current strategic plan. Prior period expenditure is reported under new strategic plan.

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	2021-22	2020-21
		£	£
Direct Staff Costs	13	5,941,715	5,645,336
Other Costs	14	4,129,895	1,955,846
Depreciation	5(a)(i), 5(b)(i)	144,671	153,386
<b>Total</b>		<b>10,216,281</b>	<b>7,754,568</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.



THE COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

16. Segmental Information (Continued)

STATEMENT OF FINANCIAL POSITION BY SEGMENT AS AT 30 JUNE 2022

	General Fund £	Special Projects £	CSSOs £	Elimination £	TOTAL £
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	4,451,481	205,491	656,868	-	5,313,840
Investments	10,750,000	-	-	-	10,750,000
Inventories	5,483	-	-	-	5,483
Prepayments	356,342	-	91,147	-	447,489
Members' Contributions Receivable from Non-exchange Transactions	1,083,413	-	-	-	1,083,413
Other Receivables from Exchange Transactions	2,135,076	1,189	901,212	(1,310,725)	1,726,752
	<b>18,781,795</b>	<b>206,680</b>	<b>1,649,227</b>	<b>(1,310,725)</b>	<b>19,326,977</b>
<b>Non-Current Assets</b>					
Property, Plant and Equipment	20,183,212	-	664,130	-	20,847,342
Intangible Assets	288,941	-	-	-	288,941
Pension Assets	1,255,000	-	-	-	1,255,000
	<b>21,727,153</b>	<b>-</b>	<b>664,130</b>	<b>-</b>	<b>22,391,283</b>
<b>TOTAL ASSETS</b>	<b>40,508,948</b>	<b>206,680</b>	<b>2,313,357</b>	<b>(1,310,725)</b>	<b>41,718,260</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Provisions	462,970	-	-	-	462,970
Deferred Income from Non-exchange Transactions	-	206,230	-	-	206,230
Members' Contributions Prepaid from Non-exchange Transactions	699,482	-	-	-	699,482
Payables and Other Liabilities from Exchange Transactions	5,642,010	450	1,701,286	(1,310,725)	6,033,021
	<b>6,804,462</b>	<b>206,680</b>	<b>1,701,286</b>	<b>(1,310,725)</b>	<b>7,401,703</b>
<b>Non-Current Liabilities</b>					
Provisions	591,134	-	-	-	591,134
Payables and Other Liabilities from Exchange Transactions	1,132,933	-	205,402	-	1,338,335
	<b>1,724,067</b>	<b>-</b>	<b>205,402</b>	<b>-</b>	<b>1,929,469</b>
<b>TOTAL LIABILITIES</b>	<b>8,528,529</b>	<b>206,680</b>	<b>1,906,688</b>	<b>(1,310,725)</b>	<b>9,331,172</b>
<b>NET ASSETS</b>	<b>31,980,419</b>	<b>-</b>	<b>406,669</b>	<b>-</b>	<b>32,387,088</b>
<b>FUND BALANCES AND RESERVES</b>					
General Reserve	5,569,214	-	-	-	5,569,214
Working Capital Fund	5,074,838	-	-	-	5,074,838
Joint Office in New York	-	-	488,824	-	488,824
Small States Office in Geneva	-	-	(82,155)	-	(82,155)
Designated Funds	2,042,265	-	-	-	2,042,265
Revaluation Reserve	18,039,102	-	-	-	18,039,102
Pension Reserve	1,255,000	-	-	-	1,255,000
<b>TOTAL FUND BALANCES AND RESERVES</b>	<b>31,980,419</b>	<b>-</b>	<b>406,669</b>	<b>-</b>	<b>32,387,088</b>

During the reporting year, non-current asset additions under the General Fund were £598,818 (2021: £634,230); disposals were £123,079 (2021: £630,081). 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 (2021: £Nil) and disposals were £Nil (2021: £Nil).

THE COMMONWEALTH SECRETARIAT FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

16. Segmental Information (Continued)

STATEMENT OF FINANCIAL PERFORMANCE BY SEGMENT FOR THE YEAR ENDED 30 JUNE 2022

	General Fund £	Special Projects £	CSSOs £	Elimination £	TOTAL £
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>					
Contributions to COMSEC	16,881,850	-	-	-	16,881,850
Contributions to Joint Office in New York	-	-	650,043	-	650,043
Contributions to Small States Office in Geneva	-	-	492,028	-	492,028
Special Projects	-	336,221	-	(24,993)	311,228
Service in-kind - Rent	2,083,379	-	-	-	2,083,379
<b>SUB-TOTAL REVENUE FROM NON- EXCHANGE TRANSACTIONS</b>	<b>18,965,229</b>	<b>336,221</b>	<b>1,142,071</b>	<b>(24,993)</b>	<b>20,418,528</b>
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>					
Common Service Charge	2,743,417	-	-	-	2,743,417
Interest Revenue	26,602	-	-	-	26,602
Other Income	195,643	-	1,366,146	(382,760)	1,179,029
Currency Gain	-	-	6,526	-	6,526
<b>SUB-TOTAL REVENUE FROM EXCHANGE TRANSACTIONS</b>	<b>2,965,662</b>	<b>-</b>	<b>1,372,672</b>	<b>(382,760)</b>	<b>3,955,574</b>
<b>TOTAL REVENUE</b>	<b>21,930,891</b>	<b>336,221</b>	<b>2,514,743</b>	<b>(407,753)</b>	<b>24,374,102</b>
<b>EXPENSES</b>					
Staff Costs	10,888,474	-	344,568	-	11,233,042
Other Costs	8,821,619	336,221	2,025,497	(407,753)	10,775,584
Depreciation and Amortisation	724,228	-	144,671	-	868,899
Finance Costs	2,777	-	-	-	2,777
Currency Loss	64,644	-	7	-	64,651
<b>TOTAL EXPENSES</b>	<b>20,501,742</b>	<b>336,221</b>	<b>2,514,743</b>	<b>( 407,753)</b>	<b>22,944,953</b>
<b>SURPLUS FOR THE YEAR</b>	<b>1,429,149</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,429,149</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 column 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 £1,310,725, of which £785,262 was between COMSEC and the Joint Office of the United Nations in New York and £525,462 was between COMSEC and the Small States Office in Geneva.

Included in Total Expenses of £20,501,742 is the sum of £10,216,281 which represents direct costs incurred by the Commonwealth. Direct costs are analysed within note 15(a) and 15(b) of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

**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 6(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 6(b)).

In the financial year to 30 June 2022, there were no transactions outside the normal operations between The Commonwealth and the two Commonwealth organisations mentioned above (2021: £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	
	2021-22	2020-21	2021-22	2020-21
			£	£
Senior Management Committee	2	3	457,988	539,907
Directors	3	3	273,514	292,791
<b>TOTAL</b>	<b>5</b>	<b>6</b>	<b>731,502</b>	<b>832,698</b>

Key management personnel include members of the Senior Management Committee of the Commonwealth, which comprised the Secretary-General, Deputy Secretary-General, Assistant Secretary-General, Director and Head of Office of the Secretary-General 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.

# THE COMMONWEALTH SECRETARIAT FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

	Senior Management Committee		Directors	
	2021-22	2020-21	2021-22	2020-21
	£	£	£	£
Salary	272,176	357,873	218,855	235,683
Allowances	120,039	99,395	14,754	13,851
Gratuity	65,773	82,639	39,905	39,008
Contributions to Staff Defined Contribution Scheme	-	-	-	4,249
<b>TOTAL</b>	<b>457,988</b>	<b>539,907</b>	<b>273,514</b>	<b>292,791</b>

There were no loans to key management personnel that were not available to other staff as at 30 June 2022 (2021: £Nil).

### 18. Contingencies

As at 30 June 2022, there were no contingent liabilities (2021: £Nil).

### 19. Commitments

The Commonwealth has operating lease commitments for its premises in New York and Geneva. 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 2022	30 June 2021
	£	£
Not later than one year	1,733,918	1,727,562
Later than one year and not later than five years	6,767,230	7,314,860
Later than five years	6,804,188	7,970,848
<b>Total Due</b>	<b>15,305,336</b>	<b>17,013,270</b>

### 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.

**THE COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**20. Financial Instruments (Continued)**

**(a) Fair Values**

The assets of COMSEC are categorised as follows:

	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>£</b>	<b>£</b>
Financial assets	18,874,005	17,115,726
Non-financial assets	22,844,255	17,570,718
<b>Total</b>	<b><u>41,718,260</u></b>	<b><u>34,686,444</u></b>

The liabilities of COMSEC are categorised as follows:

	<b>30 June 2022</b>	<b>30 June 2021</b>
	<b>£</b>	<b>£</b>
Financial liabilities	7,145,417	6,170,656
Non-financial liabilities	2,185,755	1,431,897
<b>Total</b>	<b><u>9,331,172</u></b>	<b><u>7,602,553</u></b>

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

**Financial Assets:**

	<b>Carrying Amount</b>	<b>Fair values</b>
	<b>£</b>	<b>£</b>
<b>2022</b>		
Cash and Cash Equivalents	5,313,840	5,313,840
Investments	10,750,000	10,750,000
Current Receivables	2,810,165	2,810,165
<b>Total</b>	<b><u>18,874,005</u></b>	<b><u>18,874,005</u></b>
<b>2021</b>		
Cash and Cash Equivalents	11,355,064	11,355,064
Investments	3,500,000	3,500,000
Current Receivables	2,241,580	2,241,580
Non-current Receivables	19,082	19,082
<b>Total</b>	<b><u>17,115,726</u></b>	<b><u>17,115,726</u></b>

**Financial Liabilities:**

	<b>Carrying Amount</b>	<b>Fair Values</b>
	<b>£</b>	<b>£</b>
<b>2022</b>		
Borrowings	384,000	384,000
Payables	6,761,417	6,761,417
<b>Total</b>	<b><u>7,145,417</u></b>	<b><u>7,145,417</u></b>
<b>2021</b>		
Borrowings	456,000	456,000
Payables	5,714,656	5,714,656
<b>Total</b>	<b><u>6,170,656</u></b>	<b><u>6,170,656</u></b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

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

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 2022, 87.6% of cash and cash equivalents are denominated in GB Pound Sterling, 6.8% in Swiss Francs and 5.6% in United States Dollars. (2021: 97% in GB Pound Sterling, 2% in Swiss Francs and 1% United States Dollars).

**(c) Credit Risk**

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

The treasury and investment management policy manages credit risk on cash and cash equivalents by limiting the amount of credit exposure to any one counterparty and ensuring these financial assets are held with well-recognised financial institutions. As at 30 June 2022, 100% of these financial assets were held at counterparty banks with a Standard and Poor's credit rating of A1 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's commitments as and when they fall due.

**THE COMMONWEALTH SECRETARIAT FUND**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**

**20. Financial Instruments (d) Liquidity Risk (Continued)**

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

<b>2022</b>	<b>&lt;6 months</b>	<b>6 – 12 months</b>	<b>1 – 5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
	£	£	£	£	£
<b>Liabilities</b>					
Borrowings	-	120,000	264,000	-	<b>384,000</b>
Payables	6,761,417	-	-	-	<b>6,761,417</b>
<b>Total Liabilities</b>	<b>6,761,417</b>	<b>120,000</b>	<b>264,000</b>	<b>-</b>	<b>7,145,417</b>

<b>2021</b>	<b>&lt;6 months</b>	<b>6 – 12 months</b>	<b>1 – 5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
	£	£	£	£	£
<b>Liabilities</b>					
Borrowings	-	96,000	360,000	-	<b>456,000</b>
Payables	5,714,656	-	-	-	<b>5,714,656</b>
<b>Total Liabilities</b>	<b>5,714,656</b>	<b>96,000</b>	<b>360,000</b>	<b>-</b>	<b>6,170,656</b>

**(e) Market Risk**

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

**(f) Interest Rate Risk**

The interest rates charged on COMSEC's financing debt are fixed at the contract date. Details of bank loans and interest paid are given in note 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 2022 had been 25% higher or lower, the interest income would have been affected as follows:

	<b>Increase (+) / Decrease (-)</b>	<b>Effect on Surplus / Deficit</b>
<b>Cash and Cash Equivalents</b>	<b>%</b>	<b>£</b>
Movement in Interest Income due to change in weighted average Interest Rate	25%	6,651
Movement in Interest Income due to change in weighted average Interest Rate	-25%	(6,651)

**(g) Foreign Currency Risk**

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

<b>2022</b>	<b>GBP</b>	<b>Other Currencies</b>	<b>Total</b>
	£	£	£
Financial Assets	18,101,187	772,818	18,874,005
<b>Percentage of Total</b>	<b>96%</b>	<b>4%</b>	<b>100%</b>
Financial Liabilities	5,764,195	1,381,223	7,145,418
<b>Percentage of Total</b>	<b>81%</b>	<b>19%</b>	<b>100%</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

**20. Financial Instruments (g) Foreign Currency Risk (Continued)**

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 2022.

	<b>Increase (+) / Decrease (-)</b>	<b>Effect on Balances</b>
<b>Financial Assets</b>	<b>%</b>	<b>£</b>
Movement in the relative value of the GB Pound Sterling	+25%	193,205
Movement in the relative value of the GB Pound Sterling	-25%	(193,205)

	<b>Increase (+) / Decrease (-)</b>	<b>Effect on Balances</b>
<b>Financial Liabilities</b>	<b>%</b>	<b>£</b>
Movement in the relative value of the GB Pound Sterling	+25%	345,306
Movement in the relative value of the GB Pound Sterling	-25%	(345,306)

**21. Capital Management**

The Commonwealth defines the capital that it manages as the aggregate of its net assets, which is comprised of accumulated balances and reserves. The Commonwealth's objectives in managing capital are to safeguard its ability to continue as a going concern to fund its asset base and to fulfil its mission and objectives. The Commonwealth's overall strategy with respect to capital management includes the balancing of its operating and capital activities with its funding on an annual basis.

The Commonwealth manages its capital structure in light of global economic conditions, the risk characteristics of the underlying assets, and working capital requirements. The Commonwealth manages its capital by reviewing, on a regular basis, the actual results against the budgets approved by the Board of Governors.

**22. Events After Reporting Date**

There are no material events, favourable or unfavourable that occurred between the reporting date, 30 June 2022, and the date of authorisation for issue that would have impacted these financial statements.

The Secretary-General authorised these financial statements for issue on 22 December 2022.





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