

**COMMONWEALTH WAR
GRAVES COMMISSION**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2017

COMMONWEALTH WAR GRAVES COMMISSION

Financial Statements

for the year ended 31 March 2017

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COMMONWEALTH WAR GRAVES COMMISSION

Financial Statements

for the year ended 31 March 2017

Commissioners

President:	HRH The Duke of Kent KG GCMG GCVO ADC(P)
Chairman:	The Rt Hon. Michael Fallon MP
Vice-Chairman:	Vice Admiral Sir Tim Laurence KCVO CB ADC(P) (From July 2016) Air Chief Marshal Sir Joe French KCB CBE (To June 2016)
New Zealand	HE The Rt. Hon. Sir Jerry Mateparae, GNZM, QSO, KStJ (From May 2017)
Australian	HE The Rt. Hon. Sir Lockwood Smith KNZM PhD (To April 2017)
South African	HE The Hon. Alexander Downer AC
Indian	HE Mr Obed Thembinkosi Mlaba HE Mr Navtej Singh Sarna (To November 2016) HE Mr Yashvardhan Kumar Sinha (From December 2016)
Canadian	HE Mr Gordon Campbell (To July 2016)
	Professor Sir Hew Strachan PhD FRSE The Rt. Hon. Keith Simpson MP Mr Kevan Jones MP Mr Edward Chaplin CMG OBE The Hon. Mrs Ros Kelly AO Mr Robert Fox MBE Lieutenant General Sir William Rollo KCB CBE Air Marshal David Walker CB CBE AFC (From July 2016)

Executive Directors

Victoria Wallace	Director General
Colin Kerr	Director of External Relations (To May 2017)
Steve Luckhurst	Director of Human Resources (To June 2017)
Barry Murphy	Director of Operations
Judith O'Connell	Director of Resources
Jamie Redmond	Director of Human Resources (From June 2017)
Gillian Stedman	Director of Legal Services (To May 2017)
Liz Woodfield	Director of Information

Advisors

Artistic Advisor

Peter Inskip MBE

Bankers

HSBC
9 The Boulevard
Crawley
West Sussex RH10 1UT

Independent Auditors

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London NW1 2EP

COMMONWEALTH WAR GRAVES COMMISSION

Commissioners' report and operating and financial review

for the year ended 31 March 2017

Structure and Governance

The Commonwealth War Graves Commission (Commission) was established by Royal Charter in May 1917 which was amended by a supplemental charter in June 1964. The Commission's status is not that of a charity as its purposes are not exclusively charitable.

The Commissioners comprise "the Board" which governs the organisation in line with the provisions of the Royal Charter, and oversees the Commission's strategic direction. The Chairman is the serving UK Secretary of State for Defence, whilst the Vice-Chairman acts as the *de facto* operational Chairman. The Commissioners include the High Commissioners of the five Commonwealth Member Governments, together with two Members of Parliament and other lay members.

Induction for new Commissioners includes the provision of a comprehensive briefing pack supported by meetings with the Director General and the head office senior management team.

The Commissioners meet four times a year, with the Director General and various members of the senior management team in attendance.

The Commissioners are currently supported by committees on Finance, Audit, Remuneration, Centenary, 1914-18 and Ethics. The Artistic Advisor attends Commission meetings as an Observer.

Objectives

The "core business" of the Commission, as defined in the Royal Charter, is the commemoration "in perpetuity" of almost 1,700,000 members of the Commonwealth forces who gave their lives in the two world wars. This means in practice that the Commission cares for graves and memorials at more than 23,000 locations in 154 countries and maintains the relevant records.

These men and women are commemorated either on a headstone (where identification was possible) or on a memorial. Memorials are, in this case, those central locations such as the Thiepval Memorial, the Menin Gate and the Runnymede Memorial, where the names of the missing are inscribed. Moreover, where there is a grave of an unidentified casualty (i.e. in Kipling's words, "a soldier of the Great War known unto God"), then that grave, too, is maintained.

The Royal Charter tasks the Commission with "maintaining fit provision" of the graves and memorials. Consequently, the Commission's primary objective is to ensure that each headstone and memorial is well maintained, that the names are legible and that the surrounding infrastructure (i.e. walls, gates, benches) is sound. Also, and in accordance with guidelines laid down in 1918, horticulture (including shrubs and trees) is undertaken on each site in order "to strike the proper note of brightness and life".

There is no charge to the public for visiting our cemeteries.

Activities and Achievements

Strategy 2016-2021

The Commission has a five year strategic plan, built on the Centenary Committee's vision and long-term trajectory, for the period 2016 to 2021. This strategic plan is the route map for the Commission to move into its second century of operations. The period covered by the plan includes the centenary of the First World War and the Commission's own centenary in 2017. The plan provides for an expansion of the Commission's core task, i.e. caring for cemeteries and memorials, to include ensuring that new generations are able to commemorate those who fell in the two world wars, as a result of the Commission's endeavours to engage, inform and encourage more people to visit its sites. The plan's key objectives are to:

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Commissioners' report and operating and financial review

for the year ended 31 March 2017

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- Commemorate the fallen servicemen and women of the two World Wars
 - Preserve and maintain the cemeteries and memorials in perpetuity
 - Maintain and improve access to records and archives
 - Develop an understanding of, and support for, the Commission's mission
 - Operate efficiently, offering excellent value for money, and
 - Develop and support a skilled team who are proud to work for the Commission and live its values.

Our aims in 2016-17 were to:

Establish a clear direction for our global teams towards delivering the conservation agenda and improving standards with sustainable and affordable approaches.

Our teams are focused on achieving the best way to conserve and maintain our sites, in a way that is appropriate to their heritage value, and that is sustainable. We now have a clear understanding of the condition of at least 90% of our built estate, and a ten year plan to tackle that liability, estimated at around £22m, which we believe to be achievable and are now developing a realistic timeframe for delivery, communicating and reinforcing the training messages with staff. We have also significantly reduced the number of headstones we are replacing and are now focussing efforts on conservation-minded headstone legibility criteria stressing use of other options particularly re-engraving. Sustainability and environment enhancing horticultural practice are key goals of the Commission's horticulture programme which includes the piloting of a trial of chemical-free sites in Western Europe and the development of less intensively irrigated sites in water-challenged regions.

Confirm our position as a trusted delivery partner for member nations in their national and international commemorative agenda.

We commemorated centenary anniversaries for the Battles of the Somme campaign and Jutland, the sinking of the SS Mendi, and the 75th anniversaries of the Battles of Crete, Hong Kong and the Fall of Singapore. The Commission worked tirelessly with delivery partners to frame, position, organise and publicise the events, and to ensure the cemeteries and memorials were ready - for which the Commission's staff were widely acknowledged to have added great value. We completed a significant restoration of a memorial to more than 2,000 African servicemen at Abuja, Nigeria who died in both World Wars.

Launch our public face, with our Supporters' scheme and our volunteer and supporter network building on the short term projects we deliver for the Somme centenary.

The Supporters' scheme will be operated by the Commonwealth War Graves Foundation, a new Charity registered with the Charity Commission just prior to the year-end, which has a key objective in raising awareness of the Commission for which the Supporters' scheme will be a key element of its funding strategy. The Foundation has its own separate independent Board of Trustees. The Commission's communications, social media and community engagement has made a step change. We now engage with the public as a matter of routine, recognising it to be a core part of what we do. The Commission is active on Facebook, Twitter, LinkedIn and Instagram, through which it conducts a wide range of marketing and anniversary-led campaigns. Our followers, across the range of social media platforms, total 73,349, which represents a 31% annual increase, extending the Commission's reach and engagement.

Our Living Memory Project in the UK organised and co-ordinated 250 volunteer and community-led events around the 141 days of the Somme campaign, encouraging community groups to discover, explore and visit CWGC war grave sites in the British Isles and to remember the war dead in those places from the First and Second World Wars. This initiative has provided the Commission with solid experience as well as a platform for building national partnerships, local networks and creating community liaison which will allow the Commission to roll out engagement and volunteer schemes wherever they will have most impact; the

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cemetery and memorial sites at Brookwood and Plymouth being the initial focus for such groups in the forthcoming year.

Increased partnership working with a range of UK sports bodies has resulted in the Commission being selected as the English Rugby Union's military charity for 2017.

Explore new systems which deliver both greater efficiency and real savings.

We are working on transformational working systems and employment practices; reviewing our use of water worldwide; managing to absorb in year a reduction of up to 20% in buying power in our overseas commitments (excluding Europe) due to currency fluctuations and localising some posts previously undertaken by expatriates.

Make ourselves more compliant, and reduce risk.

We understand where we stand on global compliance, and have plans in hand to tackle any remaining shortcomings. We have ensured everyone working for us is doing so safely, and we have improved welfare facilities in many places where they fell short of acceptable minima. Enormous strides have been taken to ensure that we satisfy the regulatory regimes of the countries in which we operate, and in achieving legal status in a number of jurisdictions, which facilitates and eases local operational activities, even if that brings with it an increased administrative and cost burden.

Our key deliverables in 2017/18

In addition to our core tasks of maintaining our cemeteries, memorials and archives, we plan:

- To complete an unprecedented £4.4m of restoration projects, adhering consistently to the highest conservation standards
- To balance maintaining the high standards of the war cemeteries with making real improvements in standards in places we have found hard to reach, whilst at the same time reducing our operating costs
- To mark the Commission's centenary with appropriate dignity, and through that means, to make a major media and public impression, thereby enhancing public engagement with our new website, our events and our other activities
- To establish our new charitable foundation, linking us to volunteers who wish to support CWGC's work, and generating the funding we need for more outreach activity
- To play a major role in delivering the plans of our member Governments to commemorate key campaigns and battles in two world wars, drawing in a wider public to understand the sacrifice of those we remember.
- To make tangible progress on encouraging more visitors to our new information centres and to our cemeteries and memorials, offering them a welcome through our interns and other volunteers, and offering them the information and interpretation which our research tells us they are seeking, before, during and after their visits
- To continue to improve our internal processes and reduce our operating costs, ensuring that the Commission's employees at all levels, understand the true costs of our work in relation to the impact it achieves.

Principles Underpinning Pay and Reward

The following principles underpinning pay and reward are set out in the Commission's reward strategy:

- All jobs are evaluated using the global job evaluation framework and this forms the basis for the grading structures;
- Pay ranges are based upon lower quartile to median market benchmarked pay data and provide systems of progression that recognise increased skills, contribution and performance;

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- All staff receive equal pay for work of equal value, work rated as equivalent and the same or broadly similar work.

Based on these principles the Commission's Remuneration Committee, acting as a sub-committee of the main board, independently determines the terms and conditions of the Director General, including salary. The Committee also determines the annual fee of the Vice-Chairman.

It is the policy of the Committee to:

- Be competitive with comparable organisations by independent benchmarking;
- Recognise individual contribution;
- Reward in line with performance.

These principles are also applied to senior executives' pay and reward which are determined by the Director General and which, with effect from June 2017, are also subject to the oversight of the Remuneration Committee.

Reserves

The Commission, due to its status and the sources of its funding, does not have a reserves policy but a working capital target of £2m was agreed with the UK Ministry of Defence a number of years ago. Working capital at the year-end, was £3m (2016 -£0.8m).

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Risk Management

The Commission's most significant risks are outlined below along with the currently identified mitigations:

RISKS	MITIGATIONS
<p>The location of some of the Commission's cemeteries and memorials in territories with ongoing conflicts and instability means some level of risk is inevitable and give rise to:</p> <ul style="list-style-type: none"> • Reputational risk; principally arising from the security threat which precludes the Commission from maintaining and/or monitoring standards at some of its sites, e.g. Syria, Iraq, Yemen which may in turn require significant funding when access is restored. • Risks over the long-term security of the graves in some countries where there is an absence of legal documentation concerning ownership of cemeteries or agreements that predate countries' current national constitutions. • Risk of staff death or injury due to conflict or terrorism. 	<p>Accurate plans are held to enable restoration, once the security situation permits, ensuring safe access by staff.</p> <p>Where practical, the Commission tries to secure cemetery boundaries or hire local security or watchmen on site. Local diplomatic contacts are deployed where possible.</p> <ul style="list-style-type: none"> • The Commission also receives some assistance from Consular Staff as well as partner High Commission staff in countries, to help us monitor the situation (e.g. Democratic Republic of Congo, Iraq, and Myanmar). • Complex Environment Awareness Training (CEAT) has been provided for travelling supervising staff. The Commission subscribes to "Control Risks" to provide pre-deployment and up-to-date security advice while staff are deployed. Trauma first aid training has been completed for travelling supervisors, for whom the greatest threat remains a road traffic accident.
<p>Risks resulting from severe environmental and climatic change which can impose a significant cost to repair or mitigate the threat of further damage.</p>	<p>Prior to any decision to invest in rebuilding the infrastructure, all possible options are routinely explored (such as alternative commemoration or exhumation). In some cases, regular maintenance of surrounding drainage and contact with municipal councils can minimise the chance of flood recurrence.</p>
<p>Funding/financial risk arising from general rate of inflation and pay increases running ahead of members' annual funding award which is generally lower than inflation due to public sector financial constraints.</p>	<p>Savings to fund this gap continue to be generated from the horticulture efficiency programme, a reduction in expatriate posts, improvements in procurement, ongoing pay benchmarking and revisions to employment terms for new staff in some countries.</p>

COMMONWEALTH WAR GRAVES COMMISSION

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<p>Pension scheme funding risk arising from adverse investment conditions and the continued low interest rate environment which have the potential to result in a significant actuarial/funding deficit which in turn could create a significant annual funding commitment.</p>	<p>The scheme was closed to future benefit accrual on 31 March 2016. All contributions due under the 2014 triennial valuation have been made.</p> <p>The Commission and its advisers have discussed key assumptions with the Scheme's actuary, though a fuller understanding of the current situation will not be available until Autumn 2017, following the triennial review for March 2017</p>
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Risk reporting mechanisms are in place which are regularly reported to the Audit Committee and overseen by the Commissioners quarterly.

Financial results for the year ended 31 March 2017

The financial accounts are prepared, in as far as is practicably possible, in line with best practice in the UK Charities sector (Accounting and Reporting by Charities: Statement of Recommended Practice (the "SORP")). The Commission's funding comes primarily from the six member governments in proportions based upon the number of their graves; to that end, the Member Governments contributed £61.6m (2015/16 £60.9m). The Commission also receives agency funding from these governments for the care of military graves from other periods and for war memorials. The current year's income at £70.8m was broadly in line with that of the previous year, £70.1m, with a significant increase in agency income offsetting a reduction in grant income which had been boosted in the previous year by £1.6m of grants for the restoration of the Thiépval monument.

Restricted income reflects income from a one-off UK LIBOR government grant of £2m awarded to renovate and tend approx. 6,000 Non-World War graves, predominately in the UK. It is a condition of this grant that these monies are treated as a restricted fund for accounting purposes and £0.2m has been recognised as restricted income in the year reflecting the work, mostly scoping, undertaken. During the year the Commission was awarded a further £1.3m of LIBOR grants to fund an interns/youth guides' programme and to develop a visitor centre at our key French operational site, adjacent to Arras. This funding was received subsequent to the year end.

Expenditure in the year of £70.0m (2015/16 £68.2m) has increased, with additional costs for retirement indemnities, agency activity, exchange and an expanded range of external engagement activity; this increase in cost was part mitigated by a further reduction in headstone costs.

The Commission's operational surplus of £1.2m is in excess of the target £691k due to a five year peak in legacy income and high levels of agency income.

The statement of financial activities indicates a surplus, before actuarial losses, of £797k on income of £70.8m. which comprises: an underlying operational surplus of £1.2m (2015/16: £1.1m) and an FRS 102 pension accounting adjustment of -£391k (2015/16: £0.7m).

The Commission's working capital at £3m demonstrates a significant improvement on the previous year's working capital position of £0.8m due to new cost provisions, for items such as holiday pay and retirement indemnities being unmatched, in the short-term, by equivalent cash-flows.

COMMONWEALTH WAR GRAVES COMMISSION

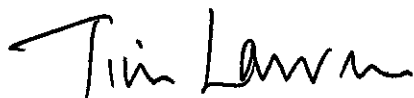
Commissioners' report and operating and financial review

for the year ended 31 March 2017

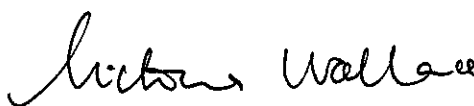
Capital expenditure, including intangible assets, in the current year was £2.2m broadly funded by the depreciation charge of £2m resulting in the net book value of fixed assets showing a modest increase of £0.2m.

The Commission's overall balance sheet position continues to show a net deficit, of -£11.8m, which has increased from -£3.1m due to the Commission's pension deficit. The pension deficit – as defined by FRS 102 – has increased from £14.3m to £24.1m, a deterioration of £9.8m. This increase is attributable to a reduction in the investment return benchmark used to value the pension scheme's liabilities and an increase in the anticipated rate of inflation.

This FRS102 pension deficit is a long-term liability and cash payments to fund the deficit are determined by the actuarial deficit (which is calculated on a different basis). Future pension funding obligations will be agreed between the Commission and the Pension Trustees over the course of 2017-2018.



Sir Tim Laurence
Vice-Chairman



Victoria Wallace
Director General

Date: 13 September 2017

COMMONWEALTH WAR GRAVES COMMISSION

Statement of internal controls

for the year ended 31 March 2017

As Accounting Officer to the UK Ministry of Defence, I am responsible for ensuring that the internal controls of the organisation are fit for purpose and that reliance can be placed on the control of resources used in the Commission.

The corporate governance of these processes centres on the Audit Committee, chaired by Sir Bill Rollo during the year under review, with two other Commissioners. The Committee's terms of reference have been set by the Commissioners and the accountability is to the Commission; all minutes are presented to the Commissioners. The Committee met three times during 2016-17.

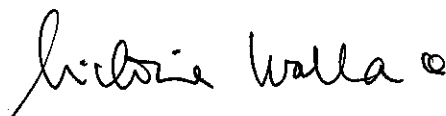
The Audit Committee appointed Moore Stephens to undertake internal audit services for the three year period from April 2014. Moore Stephens work to a three year strategic audit plan approved by the Committee which has been updated and modified during the year. Moore Stephens attend each meeting of the Audit Committee, at which they present a full report on activities; they also have access to the Committee Chairman. During the year Moore Stephens identified potential significant risk from failures in compliance with the Commission's procurement policies: activity is now ongoing to implement appropriate remedial action.

Grant Thornton UK LLP were appointed as external auditors by the Commissioners a number of years ago. They attend each meeting of the Audit Committee. Their audit plan for each year is discussed with the Committee and they submit a "management letter" each year, summarising their findings. In line with best practice, Grant Thornton are afforded the opportunity to meet with the Committee at the conclusion of their audit, without the Commission's management being present.

At an operational level, the Director of Resources is responsible for the internal controls of the organisation. An "in-house" audit function is also in place with a remit on internal controls and transactional testing. The team, based in Israel, co-ordinates its activities with the programme of Moore Stephens to ensure delivery of a well-rounded audit function. The in-house team attends meetings of, and reports to, the Audit Committee on its activities.

The Audit Committee is responsible for ensuring that the Commission's risk reporting is fit for purpose. The governance related to this is also reviewed regularly by Moore Stephens and reported to the Audit Committee.

Moore Stephens, in their annual report to the Audit Committee, concluded that "there is some risk that the system of internal control, governance and risk management will fail to meet management's objectives – in some areas there are adequate and effective systems of governance, but there are also some specific areas of significant risk. Significant improvements are required in specific areas to improve the adequacy and / or effectiveness of governance, risk management and internal control.



Victoria Wallace
Director General

Date: 13 September 2017

COMMONWEALTH WAR GRAVES COMMISSION

Commissioners' Responsibilities Statement

for the year ended 31 March 2017

The Commissioners are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

The Commission's Royal Charter of Incorporation requires the Commission to prepare financial statements for each financial year. The Commission has elected to prepare the financial statements in accordance with the Accounting and Reporting by Charities: Statement of Recommended Practice (SORP), applicable to entities preparing their accounts in accordance with FRS102, to the extent that the SORP is applicable to the Commission, and applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice's legal framework including FRS102).

Guidance under Company law recommends that the Commissioners must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Commission and of the incoming resources and application of resources, including the income and expenditure, of the Commission for that period. In preparing these financial statements, the Commissioners are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP FRS102;
- Make judgments and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Commission will continue in operation.

The Commissioners are responsible for keeping adequate accounting records that are sufficient to show and explain the Commission's transactions and to disclose, with reasonable accuracy at any time the financial position of the Commission and to enable them to ensure that the financial statements comply with the requirements of the Charities SORP FRS102 to the extent that the Charities SORP is applicable to the Commission's legal framework. They are also responsible for safeguarding the assets of the Commission and hence for taking steps for the detection and prevention of fraud and other irregularities.

The Commissioners confirm that:

- So far as each Commissioner is aware, there is no relevant audit information of which the Commission's auditors are unaware; and
- They have taken all the steps that they ought to have taken as Commissioners in order to make themselves aware of any relevant audit information and to establish that the Commission's auditors are aware of that information.

Independent auditor's report to the Commissioners of Commonwealth War Graves Commission

We have audited the financial statements of Commonwealth War Graves Commission for the year ended 31 March 2017 which comprise the balance sheet, the statement of financial activities, the cash flow statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Commission's Commissioners, as a body, in accordance with our letter of 23 August 2016. Our audit work has been undertaken so that we might state to the Commission's Commissioners those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Commission and the Commission's Commissioners as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Commissioners' Responsibilities Statement set out on page 10, the Commissioners are responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the Commission's affairs as at 31 March 2017 and of its incoming resources and application of resources for the year then ended in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

Date: 13 September 2017

COMMONWEALTH WAR GRAVES COMMISSION

Statement of financial activities

for the year ended 31 March 2017

	Note	General Purposes 2017 £'000	Agency Purposes 2017 £'000	Restricted Funds 2017 £'000	Total 2017 £'000	Total 2016 £'000
Incoming resources						
Funds received from Member Governments	1	61,583	-	-	61,583	60,877
Funds received for agency purposes	2	-	6,631	-	6,631	5,364
Grant funds from government	3	83	-	-	83	1,723
Investment income	4	952	-	-	952	1,005
Other incoming resources	5/6	1,327	-	178	1,505	1,143
Total incoming resources		63,945	6,631	178	70,754	70,112
Resources expended						
Expenditure in respect of general activities	7	61,141	-	-	61,141	58,992
Expenditure in respect of agency purposes	9	-	6,631	-	6,631	5,364
Expenditure in respect of grant activities	10	313	-	-	313	2,548
Net exchange loss	11	643	-	-	643	279
Other resources expended	12/13	1,051	-	178	1,229	1,059
Total resources expended		63,148	6,631	178	69,957	68,242
Net incoming resources for the year before other recognised gains and losses		797	-	-	797	1,870
Other recognised (losses)/gains						
Actuarial (loss)/gain on defined benefit pension scheme	21	(9,487)	-	-	(9,487)	3,705
Net movement in funds		(8,690)	-	-	(8,690)	5,575
Reconciliation of funds						
Total funds brought forward	24	(3,040)	(106)	35	(3,111)	(8,686)
Net movement in funds	24	(8,690)	-	-	(8,690)	5,575
Total funds carried forward	24	(11,730)	(106)	35	(11,801)	(3,111)

All incoming resources and resources expended in the general purpose fund have been derived from continuing activities.

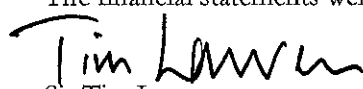
COMMONWEALTH WAR GRAVES COMMISSION

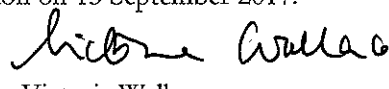
Balance Sheet

as at 31 March 2017

	Note	General Purposes 2017 £'000	Agency Purposes 2017 £'000	Restricted Funds 2017 £'000	Total 2017 £'000	Total 2016 £'000
Intangible assets						
Software systems	16	772	-	-	772	587
Fixed assets						
Tangible assets	17	15,019	-	-	15,019	14,968
		15,791	-	-	15,791	15,555
Current assets						
Debtors	18	3,297	915	108	4,320	5,001
Cash at bank and in hand		8,381	-	1,809	10,190	17,817
		11,678	915	1,917	14,510	22,818
Creditors: amounts falling due within one year	19	(8,559)	(1,021)	(1,882)	(11,462)	(21,974)
Net current assets/(liabilities)		3,119	(106)	35	3,048	844
Total assets less current liabilities		18,910	(106)	35	18,839	16,399
Provisions for liabilities and charges	20	(6,492)	-	-	(6,492)	(5,240)
Total assets excluding pension scheme liability		12,418	(106)	35	12,347	11,159
Defined benefit pension scheme liability	21	(24,148)	-	-	(24,148)	(14,270)
Net liabilities including pension scheme liability		(11,730)	(106)	35	(11,801)	(3,111)
Funds of the Commission						
General purposes	24	5,701	(106)	35	5,630	4,656
Revaluation reserve	24	6,036	-	-	6,036	6,036
Fixed asset reserve	24	681	-	-	681	467
Pension reserve	24	(24,148)	-	-	(24,148)	(14,270)
	24	(11,730)	(106)	35	(11,801)	(3,111)

The financial statements were approved by the Commission on 13 September 2017.


 Sir Tim Laurence
 Vice-Chairman
 13 September 2017


 Victoria Wallace
 Director General
 13 September 2017

COMMONWEALTH WAR GRAVES COMMISSION

Cash flow Statement

for the year ended 31 March 2017

	General Purposes 2017 £'000	Agency Purposes 2017 £'000	Restricted Funds 2017 £'000	Total 2017 £'000	Total 2016 £'000
Net cash inflow from operating activities					
Net incoming resources	797	-	-	797	1,870
Pension scheme adjustment	391	-	-	391	(724)
Depreciation	1,981	-	-	1,981	1,806
Profit on sale of fixed assets	(48)	-	-	(48)	(49)
Impairment/transfer of fixed assets	-	-	-	-	170
(Increase)/Decrease in inventory prepayments	373	-	-	373	(368)
(Increase)/Decrease in debtors	508	(187)	(13)	308	(1,129)
Increase/(Decrease) in creditors	(12,459)	124	1,822	(10,513)	1,644
Increase in termination indemnities	1,115	-	-	1,115	800
Termination indemnities exchange revaluation	297	-	-	297	46
Disbursement of termination indemnities	(207)	-	-	(207)	(546)
Increase/(Decrease) in other provisions	46	-	-	46	165
Net cash inflow from operating activities	(7,206)	(63)	1,809	(5,460)	3,685
Cash flows from investing activities					
Payments to acquire tangible and intangible fixed assets	(2,259)	-	-	(2,259)	(2,046)
Transfer of assets	(63)	63	-	-	-
Receipts from sales of tangible fixed assets	92	-	-	92	747
	(2,230)	63	-	(2,167)	(1,299)
Increase/(Decrease) in cash	(9,436)	-	1,809	(7,627)	2,386
Reconciliation of net cash flow to movement in cash and cash equivalents					
				2017 £'000	2016 £'000
Movement in cash and cash equivalents				(7,627)	2,386
Cash and cash equivalents at 1 April				17,817	15,431
Cash and cash equivalents at 31 March				10,190	17,817

COMMONWEALTH WAR GRAVES COMMISSION

Principal accounting policies

for the year ended 31 March 2017

Basis of Accounting

The Commissioners' Report and accompanying financial statements have been produced in accordance with the Accounting and Reporting by Charities: Statement of Recommended Practice (SORP), applicable to entities preparing their accounts in accordance with FRS102, to the extent that the SORP is applicable to the Commission, and applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice (GAAP) including FRS102). The Commission meets the definition of a public benefit entity under FRS102. The functional currency is sterling.

Going Concern

The accounts have been prepared on a going concern basis. The Commission's accounts are in a net liability position of £11.8m at 31 March 2017 (£3.1m net liability at 31 March 2016) due to the deficit of £24.1m at that date (£14.3m at 31 March 2016) in the UK based pension scheme. The UK based pension scheme is a long-term liability and its deficit position is continually under review. The deficit in the scheme does not impact the assessment of going concern, as the liability is not going to unwind for a number of years and there are no issues with the Commission meeting the annual running costs of the scheme for the foreseeable future. The outcome of the triennial valuation at March 2017 will become available during 2017/18 and the Commission's future plans will embrace any necessary and agreed annual funding requirements, which emerge from this valuation. In addition, in terms of future funding of the Commission, a commitment has been made in UK Parliament to provide inflation adjusted funding; the UK Government contributes in excess of 78% of the Commission's core funding. The Commission also expects its other income to both continue and grow over the medium term, as the Commission increases its ability to both identify and attract new sources of grant, agency and charitable funding. On this basis, the Commission is considered to be a going concern.

Fund accounting

General purposes reserves are unrestricted funds that are available for use at the Commissioners' discretion in furtherance of the objectives of the Commission.

Restricted funds are subject to specific restrictions imposed by the donors of the relevant investments.

In accordance with FRS102 – "Retirement benefits", a pension reserve is included within unrestricted funds representing the pension deficit.

A fixed asset reserve has been brought forward from the prior year to cover the acquisition of fixed assets which are not separately funded.

Incoming resources

Income, including funding from Member Governments, investment income and income due from the Trustees of the Imperial War Graves Endowment Fund, is recognised in the period in which the Commission is entitled to receive the funds and where the amount can be measured with reasonable clarity.

Grant Funding

UK Government funding from LIBOR receipts are treated as restricted funds and shown separately in the statement of financial activities as this is mandated by these grant agreements. The income is recognised on a cost of completion basis. Other grants, such as the Belgian government funding subsidies in respect of Flanders Walls are included within general purpose funding because the grantor has not applied prescriptive statutory reporting conditions and the funding is granted in arrears

COMMONWEALTH WAR GRAVES COMMISSION

Principal accounting policies

for the year ended 31 March 2017

Resources expended

Expenditure is analysed between Royal Charter activities and agency activities. Costs are included in the statement of financial activities on an accruals basis.

Governance costs

Governance costs represent direct expenditure incurred by, or on behalf of, the Commissioners and internal audit as well as external audit costs.

Allocation and apportionment

All costs are allocated to general purposes, other than costs directly attributable to agency work (for example, memorials or non-world war cemeteries) and costs apportioned to agency work (for non-world war or agency government headstones, situated within wider Commission world war cemeteries) and some of the grant-funded projects which are designated as restricted activities.

Tangible fixed assets and depreciation

Tangible fixed assets costing more than £5k are capitalised and included at cost, including any incidental costs of acquisition. For IT procurement, the provisions of “grouped assets” apply to all items of equipment forming part of the Commission’s IT infrastructure. Investment in software is classified as an intangible asset.

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost by equal annual instalments, on a straight line basis, over their expected useful economic lives as follows:

- Freehold land	Not depreciated
- Freehold buildings	50 years on initial costs; 25 years on refurbishment
- Vehicles	5 years
- Trucks	10 years
- Machinery	5 years
- Computer infrastructure	3 years
- Information systems	Between 3 & 7 years

During the year the Commission continued its process of transferring vehicles less than 5 years old to a sale and leaseback contract provided there was a suitable business case. This resulted in a cash receipt of £70k for sales of old vehicles to third-parties.

Inventory

Stocks of unscribed headstones and other consumables are included in debtors as prepayments. They are valued at cost and charged to the statement of financial activities subsequent to being engraved.

Provisions

Provisions for future liabilities are recognised when the Commission has a legal or constructive financial obligation that can be readily estimated and for which there is a reasonable expectation that payment will be made.

Foreign currencies

Transactions in foreign currencies are translated into sterling at fixed internal rates of exchange set before the beginning of the financial year. For each foreign currency in which the Commission has material expenditure,

COMMONWEALTH WAR GRAVES COMMISSION

Principal accounting policies

for the year ended 31 March 2017

these are the floor rates at which budgeted cash flows in these currencies have been set for the ensuing year. Balances at year-end are re-translated at the equivalent fixed rates of exchange set for the ensuing year. The net exchange gain or loss arising on foreign currency transactions is shown as a separate item within expenditure in respect of general purposes activities.

Pension schemes

Until 31 March 2016 the Commission operated a defined benefit pension scheme in the UK and for overseas based staff contracted in the UK whose employment with the Commission commenced prior to 1 January 2013. Following the closure of the scheme to future accrual, UK-contracted staff accrue pension benefits under a defined contribution arrangement which was established in January 2013 for members of UK staff who were not eligible to join the defined benefit scheme. In most European countries, the Commission complies with local schemes which are mandated legally. Across the rest of the countries in which the Commission operates, a range of termination indemnity schemes are in place, some of which are mandated legally and some of which have been established voluntarily by the Commission.

The defined benefit pension scheme is accounted for in accordance with FRS102. Scheme assets are measured at fair values and quoted securities are measured at bid price. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality bond rates. The net surplus or deficit is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is considered recoverable under the terms of FRS102 by the Commission.

The current service cost and costs from settlements and curtailments are charged against net incoming resources. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net of support costs. Actuarial gains and losses are reported within other recognised gains/ (losses) in the statement of financial activities.

Operating leases

Rentals payable under operating leases are charged to the statement of financial activities as incurred, on a straight line basis, over the term of the lease.

Heritage assets

The Commission holds a large number of cemeteries and memorials, none of which has been recognised in the balance sheet as the assets are held in perpetuity on behalf of the Member Governments and there is therefore no question of disposal for commercial gain.

UK Value Added Tax (VAT)

Until March 2011, all VAT costs incurred by the Commission were reimbursed in full by the UK Ministry of Defence. In 2011-12 the amount reimbursed was limited to £850k. VAT reimbursed in the current year was £858.8k (2015/16 £ 850k). Unrecovered VAT amounted to £193k (2015/16 £114k).

The funding received from the UK Ministry of Defence is shown separately within other incoming resources and the VAT incurred by the Commission is shown separately within other resources expended.

Restricted funds

The Commission accounts for restricted funds, being one fund for which the capital was donated independently of Member Governments, although the income can be used for the Commission's general activities. Along with the additional funding designated as restricted in 2015/16 awarded to renovate and tend approximately 6,000 non-world war graves, in-year additional funding has been awarded to support an

COMMONWEALTH WAR GRAVES COMMISSION

Principal accounting policies

for the year ended 31 March 2017

interns/youth-guides programme and to develop a visitor centre adjacent to the site in Arras. The details are shown in Note 24.2.

Significant estimates and judgements

Where contractual revenue and costs cannot be allocated with certainty, but are related to the current financial period, an estimate of the income or liability is booked within the accounts based on the accruals principle. Income and costs for operational or specific activities are estimated (accrued) using principally a calculation for the percentage cost of work completed.

The projected life of refurbishments, equipment and IT systems, and their replacement timescale, is the driver for estimating the depreciation policy.

Having a presence in 154 countries is challenging with regards to employment and retirement contracts/schemes. In place of a pension scheme, it is the Commission's policy in a number of countries outside of the UK and European Union to provide for termination indemnities (see note 20). The Commission has a number of different statutory/legal or contractual arrangements in place where the liability is estimated based on the specific country or employee contract arrangements. On cessation of an employee's contract, the termination indemnity payment is made. In year a calculation and provision has been made for the retirement indemnity position in France, to bring the Commission's accounts in line with how entities in France account for this obligation, which is payable at the statutory retirement date.

The holiday pay accrual is calculated based on local legislation and employee contractual arrangements.

Judgement and estimates are required in making pay and taxation accruals for those countries where the Commission's pay awards are linked to government scales which may result in the backdating of pay awards. These are calculated based on the most up-to-date information as at the balance sheet date.

The final area of cost where judgement is required relates to the highly sensitive assumptions used in calculating the obligations of the Commission's defined benefit pension scheme, details of which are provided in Note 21.

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2017

1 Incoming resources from Member Governments

The value and percentage of contributions being made by Member Governments is as follows:

	Percentage contribution	2017 £'000	2016 £'000
United Kingdom	78.31%	48,225	47,748
Canada	10.17%	6,261	6,141
Australia	6.04%	3,720	3,683
New Zealand	2.14%	1,317	1,304
South Africa	2.14%	1,320	1,273
India	1.20%	740	728
	100.00%	<u>61,583</u>	<u>60,877</u>

Apart from exchange rate rounding, the percentage basis of contributions has remained unchanged since 2007 and is reviewed annually by the Commission.

2 Incoming resources for agency purposes

The value of the funds received/receivable for agency purposes by government and other associations is as follows:

	2017 £'000	2016 £'000
Canada	2,703	1,694
United Kingdom	1,796	1,735
Germany	813	780
Australia	629	727
South Africa	161	135
New Zealand	45	53
Other	484	240
	<u>6,631</u>	<u>5,364</u>

3 Grant Funds from Governments

The value of the funds received/receivable for activities funding through grants by government and other associations is as follows:

	2017 £'000	2016 £'000
UK -DCMS Funding – Somme/Historian costs	11	51
UK- DCMS Funding - Thiepval Memorial	-	1,511
UK-DCMS Funding - Big Ideas	50	-
UK DCLG Funding – Big Ideas	50	40
Belgium-Flanders Walls Grant	(28)	121
	<u>83</u>	<u>1,723</u>

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2017

4 Investment income- General purposes

	2017 £'000	2016 £'000
Income from the Imperial War Graves Endowment Fund	910	960
Interest on bank deposits and investment income	42	45
	<u>952</u>	<u>1,005</u>

5 Other incoming resources

	2017 £'000	2016 £'000
United Kingdom government funding for offset against VAT	859	850
Legacies and donations	382	83
Other income, equipment sales etc.	86	115
	<u>1,327</u>	<u>1,048</u>

6 Other incoming resources - Restricted

	2017 £'000	2016 £'000
Grant funding MoD graves scoping	169	95
Grant funding – guides programme	9	-
	<u>178</u>	<u>95</u>

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2017

7 Expenditure in respect of general activities

	2017	2016
	£'000	£'000
Employee and staff costs (note 14)	39,018	38,444
Termination indemnity provision charge (note 20)	361	800
Retirement indemnity provision in France (note 20)	781	-
Termination indemnity state payments	158	160
Staff support	1,928	2,131
Supplies and equipment	5,736	5,947
Contract costs	7,467	8,356
Travel costs	3,009	2,934
Transport costs	2,039	1,924
Facilities costs - rent, rates and insurance	1,113	1,015
Maintenance	636	558
Depreciation	1,981	1,806
Restructuring	435	309
Legal costs and provisions	13	195
Net financial charge/(income) on pension scheme liabilities (note 21)	391	(724)
Professional fees	1,249	1,154
Governance costs (note 8)	318	378
Marketing and publications	360	250
Communications	491	389
IT	735	729
Other administrative expenses	44	244
	<u>68,263</u>	<u>66,999</u>
Less: Recoverable costs incurred for agency purposes (note 9)	(6,631)	(5,364)
Less: Recoverable costs incurred for grant funding (note 13)	(178)	(2,548)
Less: Recoverable costs incurred for grant restricted purposes (note 10)	(313)	(95)
	<u>61,141</u>	<u>58,992</u>

In the current and prior year the total expenditure balance wholly relates to funds received from member governments for general purposes.

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2017

8 Governance costs

	2017 £'000	2016 £'000
Internal audit fees & other services	29	41
Commission internal audit costs	150	148
Commissioners' costs and expenses (note 15)	71	114
External auditors fees for statutory audit	53	66
External auditors other fees for taxation advice	16	9
	<u>319</u>	<u>378</u>

9 Expenditure in respect of agency purposes

	2017 £'000	2016 £'000
Indirect staff and staff support cost	1,571	1,542
Indirect non-staff costs	1,122	1,039
Direct staff costs	829	745
Direct non-staff costs	2,346	1,486
	<u>5,868</u>	<u>4,812</u>
Management charges	763	552
	<u>6,631</u>	<u>5,364</u>

In the current and prior year the total expenditure wholly relates to funds received from agency contract funders for agency purposes.

10 Expenditure in respect of grant funding

	2017 £'000	2016 £'000
UK -DCMS Funding – Somme/Historian costs	11	61
UK- DCMS Funding - Thiepval Memorial	-	2,102
UK- DCMS Funding - Big Ideas	50	-
UK- DCLG Funding - Big Ideas	50	93
Flanders Walls Grant	202	292
	<u>313</u>	<u>2,548</u>

In the current and prior year the total expenditure wholly relates to funds received from grant funders for general purposes.

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2017

11 Exchange loss

	2017 £'000s	2016 £'000s
Opening balance sheet revaluation	(61)	99
Termination indemnity revaluation	297	22
Bank accounts exchange loss/(gain)	(49)	-
Net exchange loss in year	456	158
	<u>643</u>	<u>279</u>

12 Other resources expended

	2017 £'000	2016 £'000
UK input VAT	<u>1,051</u>	<u>964</u>

In the current year and prior year the expenditure balance solely relates to general activities.

13 Expenditure in respect of grant restricted purposes

	2017 £'000	2016 £'000
Indirect staff and staff support cost	86	50
Indirect non-staff costs	43	33
Direct staff costs	26	-
Direct non-staff costs	1	-
	<u>156</u>	<u>83</u>
Management charges	22	12
	<u>178</u>	<u>95</u>

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2017

14 Employees and staff costs

	2016 £'000	2016 £'000
Wages and salaries	29,587	28,240
Less: Governance allocation	(125)	(123)
Social security costs	6,462	6,316
Less: Governance allocation	(25)	(25)
Staff allowances	1,197	1,177
Casual labour costs	597	717
Pension – defined contribution scheme	1,325	283
Pensions – current service cost (note 21)	-	1,859
	<u>39,018</u>	<u>38,444</u>
Governance	150	148
Restructuring	435	309
Termination indemnity	361	960
Retirement indemnity	781	-
	<u>40,745</u>	<u>39,861</u>

The number of staff employed by the Commission as at 31st March, including contracted part-time staff on a full-time equivalent basis, was:

	2017 Number	2016 Number
Western European Area	584	582
United Kingdom and Northern Europe Area	106	109
Asia, Africa & Pacific Area	191	186
Mediterranean Area	226	228
Canada	10	9
Headstone production unit	4	9
Head office – United Kingdom	98	101
	<u>1,219</u>	<u>1,224</u>

Emoluments include salary, accommodation and other allowances arising in relation to overseas postings and relocations, taxable benefits in kind and other payments to employees. The table below includes emoluments of 13 employees who received allowances and payments in relation to their overseas employment (2016: 15). The emoluments (excluding overseas allowances) of 11 of these employees would otherwise have fallen below the reporting threshold (2016: 13). 4 out of 5 of the Commission's employees falling within the top six pay ranges were based overseas (2016: 5 out of 7).

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2017

The table below shows the number of higher-paid staff with emoluments, excluding pension contributions, falling in the following ranges:

	2017 Number	2016 Number
£60,000 to £69,999	2	7
£70,000 to £79,999	5	4
£80,000 to £89,999	6	4
£90,000 to £99,999	1	3
£100,000 to £109,999	1	2
£120,000 to £129,299	1	1
£140,000 to £149,999	1	-
£160,000 to £169,999	1	1

Total Key Management staff comprises the 7 Executive Directors whose total pay, including allowances amounted to £611k (2016 £601k).

15 Commissioners' and Director General expenses

The Vice-Chairman of the Commission receives a salary of £49,900 (2016: £55,800). No other Commissioner receives remuneration for his/her services. Directly incurred expenditure of the Commissioners borne by the Commission and expenses reimbursed directly to the 14 (2016: 14) Commissioners amounted to £21,318 (2016: £58,049).

The total emoluments of the Director General for the year were £161,800 (2016: £160,000). Employer contributions to her pension fund totalled £14,562 (2016: £14,400). In addition, the directly incurred expenses of the Director General in the year were £32,652 (2016: £33,002).

The most significant element of the Commissioners' and Director General's expenses is the cost of visits to overseas sites.

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2017

16 Intangible assets

The Commission now actively encourages public access to its documentary and photographic archives, allied with the need to engage and communicate electronically across a range of digital platforms globally, which has necessitated significant investment in software systems.

	Software systems £'000	Assets in course of construction £'000	Total £'000
Cost			
At 1 April 2016	734	-	734
Additions	152	248	400
Transfer	50	-	50
As 31 March 2017	936	248	1,184
Depreciation			
At 1 April 2016	147	-	147
Charge for year	265	-	265
At 31 March 2017	412	-	412
Net Book Value			
At 31 March 2017	524	248	772
At 31 March 2016	587	-	587

All intangible fixed assets are used for the general purposes of the Commission. The assets in course of construction are the costs to-date for the Commission's website upgrade, which will be complete in 2017-18.

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2017

17 Tangible fixed assets

	Freehold & leasehold property £'000	Machinery £'000	Motor vehicles £'000	Computer & office equipment & comms. £'000	Assets in course of construction £'000	Total £'000
Cost						
At 1 April						
2016	11,330	5,169	2,935	4,525	210	24,169
Additions	340	702	272	264	281	1,859
Transfer	-	67	55	(19)	(153)	(50)
Impairment	-	-	-	-	(9)	(9)
Disposals	-	(101)	(430)	(886)	-	(1,417)
At 31 March 2017	11,670	5,837	2,832	3,884	329	24,552
Depreciation						
At 1 April						
2016	443	3,857	2,101	2,800	-	9,201
Charge for year	291	579	250	596	-	1,716
Eliminated on disposals	-	(85)	(411)	(888)	-	(1,384)
At 31 March 2017	734	4,351	1,940	2,508	-	9,533
Net Book Value						
At 31 March 2017	10,936	1,486	892	1,376	329	15,019
At 31 March 2016	10,887	1,312	834	1,725	210	14,968

All tangible fixed assets are used for the general purposes of the Commission and agency activity.

The majority of capital projects were completed within the year. A small level of expenditure, not yet completed or operational, that relates to IT equipment not yet in use, remains under the assets in the course of construction category

Disposals of vehicles during the year related to old France Area vehicles which were replaced by new lease contract vehicles.

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2017

18 Debtors

	General purposes 2017 £'000	Agency purposes 2017 £'000	Restricted Purposes 2017 £'000	Total 2017 £'000	Total 2016 £'000
Amounts falling due within one year					
Recoverable taxes	609	-	-	609	760
Accrued income from Member Governments and other agencies	384	915	-	1,299	1,264
Headstones	722	-	-	722	1,095
Restricted Grant income	-	-	108	108	95
Staff advances	114	-	-	114	155
Short-term funding of agency and restricted activities	547	-	-	547	605
Other debtors and prepayments	921	-	-	921	1,027
Total debtors	3,297	915	108	4,320	5,001

19 Creditors: amounts falling due within one year

	General Purposes 2017 £'000	Agency Purposes 2017 £'000	Restricted Purposes 2017 £'000	Total 2017 £'000	Total 2016 £'000
Member Government funding received in advance	-	419	1,809	2,228	12,444
Trade creditors	2,408	-	-	2,408	2,527
Trade accruals	1,985	-	-	1,985	2,312
Social security and other taxes	970	-	-	970	900
Holiday pay & other staff cost accruals	3,172	-	-	3,172	2,994
Short-term obligations of agency & restricted activities	-	474	73	547	605
Other creditors	24	128	-	152	192
	8,559	1,021	1,882	11,462	21,974

£1,587k of the advance funding for restricted purposes for the renovation of the MoD graves relates to funding associated with commitments forecast after more than one year (2016: £0).

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2017

20 Provisions for liabilities and charges

	Restructuring provision £'000	Provision for legal Costs £'000	Taxation & services £'000	Termination indemnities £'000	Retirement indemnities £'000s	Total £'000
At 1 April 2016	251	22	517	4,450	-	5,240
Paid	(371)	(11)	-	(207)	-	(589)
Released/transferred	(126)	(11)	35	-	-	(102)
Exchange rate revaluation	-	-	(21)	297	-	276
Charged during the year	446	60	46	334	781	1,667
At 31 March 2017	200	60	577	4,874	781	6,492

£756k of the retirement indemnity in France relates to provisions for liabilities due after more than one year (2016: £0).

A final figure of £45k was paid in the year to settle the payroll taxation liability in the Mediterranean Area. In 2016/17 new provisions of £781k have been provided for retirement indemnities in France to accurately account for local statutory obligations.

The termination indemnity provision relates to both mandatory and voluntary schemes which the Commission has in place outside the UK to provide for staff benefits on cessation of employment/retirement, which also now includes France.

21 Retirement benefits

The Commission operated a defined benefit pension scheme for the benefit of its employees holding UK contracts of employment, which was closed to future benefit accrual at 31 March 2016.

The assets of the pension scheme are held separately from those of the Commission and are administered by the Trustees of the Superannuation Fund. The pension cost was determined on the advice of independent qualified actuaries.

The scheme was funded and the employer's contribution was 22.4% of pensionable pay. The employees' contribution was 1.5% of pensionable pay. Contributions paid by the Commission during the year were £nil (2016: £1.359m) and a deficit payment of £100k (2016: £200k) was also made.

The last full actuarial valuation was carried out for the Trustees of the Superannuation Fund as at 31 March 2014 and was used by the actuaries for the disclosure requirements of FRS102 as at 31 March 2017.

The assumptions used in determining the overall expected return of the scheme's assets have been set with reference to yields available on government bonds and appropriate risk margins and, where relevant, with consideration to the Bank of England base rate.

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2017

The tables below state the FRS102 actuarial assumptions upon which the valuation of the scheme was based.

	2017 %	2016 %
Discount rate	2.6	3.45
Rate of increase in salaries	n/a	n/a
Rate of increase in pensions	2.4	2.0
Expected long-term rate of return on scheme assets	6.6	6.6
Inflation – CPI assumption	2.4	2.0
Inflation – RPI assumption	3.4	3.0

The underlying mortality assumption adopted imply the following life expectancies at 65 years old:

	Male 2017 Years	Male 2016 Years	Female 2017 Years	Female 2016 Years
Current pensioner aged 65	21.9	22.0	23.7	24.3
Future retiree upon reaching 65	23.0	23.2	25.0	25.8

The assets of the pension scheme are identifiable by category.

	2017 %	2017 £'000	2016 %	2016 £'000
Cash at bank	0.2	206	0.7	609
Standard Life Global Absolute Fund	32.8	29,544	31.5	25,866
Schroder Life Diversified Growth Fund	33.5	30,230	33.6	27,695
Investec Diversified Growth Fund	12.1	10,913	12.5	10,258
L&G Active Corporate Bond	8.9	-	10.5	8,682
SSSF Sterling Liquidity	-	8,013	-	-
Schroder LDI Portfolio	12.5	11,243	11.2	9,221
Fair value of pension scheme assets	100.0	90,149	100.0	82,331

The amounts recognised in the balance sheet are as follows:

	2017 £'000	2016 £'000
Present value of pension scheme liabilities	(114,297)	(96,601)
Fair value of pension scheme assets	90,149	82,331
Net pension deficit at 31 March	(24,148)	(14,270)

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2017

The amounts to be recognised in the statement of financial activities for the year ended 31 March 2017 are as follows:

	2017 £'000	2016 £'000
Included within resources expended		
Current service costs	-	1,859
Curtailments	-	(1,783)
Annual funding	(100)	-
	<u>(100)</u>	<u>76</u>
The amounts recognised in the financial statement		
Service cost – including current service costs, settlements and curtailments plus annual funding	(100)	76
Net interest on the defined benefit liability	491	559
	<u>391</u>	<u>635</u>
Other recognised losses/(gains):		
Actuarial losses/(gains) on pension scheme liabilities	18,806	(7,959)
Return on assets, excluding interest income	(9,319)	4,254
	<u>9,487</u>	<u>(3,705)</u>

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

	2017 £'000	2016 £'000
Opening defined benefit obligation	96,601	105,065
Current service cost	0	1,859
Employee contributions	43	78
Interest cost	3,258	3,199
Net transfers (out)	-	(32)
Curtailments	-	(1,783)
Benefits paid	(4,411)	(3,826)
Actuarial loss/(gain)	18,806	(7,959)
	<u>114,297</u>	<u>96,601</u>

Changes in the fair value of scheme assets are as follows:

	2017 £'000	2016 £'000
Opening fair value of scheme assets	82,331	86,366
Interest income on scheme assets	2,767	2,640
Expected return	9,319	(4,254)
Employer contributions	100	1,359
Employee contributions	43	78
Net transfers (out)	-	(32)
Benefits paid	(4,411)	(3,826)
	<u>90,149</u>	<u>82,331</u>
Closing fair value of scheme assets		

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for the year ended 31 March 2017

The history of experience gains and losses is as follows:

	2017	2016
	£'000	£'000
Experience adjustments on scheme liabilities	18,806	(7,959)
<i>As a percentage of scheme liabilities</i>	<i>(16.45%)</i>	<i>8.24%</i>
Experience adjustments on scheme assets	(9,319)	4,254
<i>As a percentage of scheme assets</i>	<i>10.34%</i>	<i>(5.17)%</i>

The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since 1 April 2009 is a £29.465m loss (2016: £19.587m loss).

22 Contingent liabilities

There are currently no outstanding contingent liabilities. The Mediterranean Area tax liability identified in 2014 was settled during the year.

23 Commitments

23.1 Capital commitments

Capital commitments at 31 March 2017 amounted to £265k (2016: £70k) and include costs for completion of the website upgrade and funds for purchase of land at Beaurains in France.

23.2 Leasing commitments

In 2016/17, 47 new vehicles were leased. (2016 -72). At 31 March 2017 the Commission had commitments under non-cancellable operating leases as follows:

	2017	2016
	£'000	£'000
Within one year		
Accommodation & office equipment	127	147
Vehicles	815	707
Between 2 and 5 years		
Office equipment	157	129
Vehicles	1,649	1,775
	<u>2,748</u>	<u>2,758</u>

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2017

24 Retained funds

	2017 £'000	2016 £'000
Unrestricted fund (note 24.1)	(11,836)	(3,146)
Restricted funds (note 24.2)	35	35
	<u>(11,801)</u>	<u>(3,111)</u>

24.1 Unrestricted funds

	General purposes £'000	Agency purposes £'000	Fixed Asset reserve £'000	Revaluation reserve £'000	Pension reserve £'000	Total £'000
Funds at 1 April 2016	4,727	(106)	467	6,036	(14,270)	(3,146)
Net movement in funds for year	974	-	214	-	(9,878)	(8,690)
Funds at 31 March 2017	<u>5,701</u>	<u>(106)</u>	<u>681</u>	<u>6,036</u>	<u>(24,148)</u>	<u>(11,836)</u>

There is a net movement on the fixed asset reserve of £214k, (£283k) was spent on projects carried forward from 2016 with an increase to the reserve in 2017 of £497k.

24.2 Restricted funds

	2017 £'000	2016 £'000
Cash Investments held for:		
The special purposes fund (see 24.3)	<u>35</u>	<u>35</u>
	<u>35</u>	<u>35</u>

24.3 The Special Purposes Fund

The capital of this fund is held on behalf of the individuals and organisations that originally endowed the value of the fund and is therefore shown on the balance sheet as restricted funds, and as cash, post the disinvestment.

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2017

25 Related party transactions

There were no material related party transactions during the year (2016: none), except for the funds received from the Imperial War Graves Endowment Fund, and the charges incurred by the Commissioners as disclosed in note 15 to the financial statements. The amount due from the Endowment Fund to the Commission at the year-end was £318k (£2016 £264k)

26 Post Balance Sheet Events

A new charity, the Commonwealth War Graves Foundation, was registered at the Charity Commission on 8th March 2017, and the Commission is its single member. The Foundation's inaugural board meeting was held on 14 May 2017.