

**COMMONWEALTH WAR
GRAVES COMMISSION**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2016

COMMONWEALTH WAR GRAVES COMMISSION

Financial Statements

for the year ended 31 March 2016

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COMMONWEALTH WAR GRAVES COMMISSION

Financial Statements

for the year ended 31 March 2016

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 Lockwood Smith KNZM PhD
Australian	HE The Hon. Alexander Downer AC
South African	HE Mr Obed Thembinkosi Mlaba
Indian	HE Mr Ranjan Mathai (To January 2016) HE Mr Navtej Singh Sarna (From February 2016)
Canadian	HE Mr Gordon Campbell (To July 2016) HE Mme Janice Charette (From August 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 Finance (To April 2015) Director of External Relations (From May 2015)
Judith O'Connell	Director of Resources (From May 2015)
Barry Murphy	Director of Operations
Steve Luckhurst	Director of Human Resources
Gillian Stedman	Director of Legal Services

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 2016

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 (the *de facto* operational Chairman) is a retired senior UK military officer. 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, Strategy and Ethics. The Artistic Advisor attends Commission meetings as an Observer.

Objectives, Activities and Achievements delivering Public Benefit

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.

At the beginning of the year the centenary anniversary of the Allied landings at Gallipoli was marked by a significant programme of commemorative events which the local team of 16 on the Gallipoli peninsula worked tirelessly to support and which also entailed the renovation of 31 adjacent cemeteries.

In August public online access to almost 600,000 Second World War burial records of war dead was provided, a year after the public was provided with online access to the First World War registers of war dead. These registers enable the graves and memorials to be located and visited.

In September, marking the centenary of the Battle of Loos, the Commission launched the Loos Remembrance Trail designed to help the public remember and commemorate the sacrifices made in this largely unknown battle which resulted in 8,500 British Army deaths.

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In recent years the Commission has begun to actively encourage public access to its treasured document and photographic archives which are now showing an increase in year on year visitor numbers. Dedicated study days have been held to engage with, and encourage interest in, the Commission's archives amongst university-level students and academics as well as community groups.

In October a new memorial dedicated to missing soldiers and casualties with no known grave was unveiled at Brookwood. The majority of the casualties commemorated by this new memorial are servicemen and women from the land forces of the United Kingdom (UK), who subsequently died in the care of their families. They were not commemorated by the Commission at the time but, through the efforts of relatives and research groups including the "In From The Cold" project, these casualties have since been found. There are still cases to be resolved and the memorial therefore allows for further names to be added.

In Eritrea a challenging restoration at the Keren Cremation Memorial, due to access issues, was undertaken following a lightning strike. The memorial commemorates almost 300 Indian soldiers who died on the Keren battlefield.

In November "The Living Memory Pilot Project", part-funded by the UK Government, was launched with the aim of reminding people of the 300,000 war graves and memorials in the UK which are located at over 13,000 sites. The Commission worked initially with 36 local groups with the aim of reconnecting the British public to the heritage on their doorstep. The project encourages community groups to discover and visit Commission war grave sites in the British Isles, to remember the war dead in those places from the First and Second World Wars, and to share and raise awareness of these commemorations with their wider communities. The success of the initial engagement led to the growth and development of the pilot scheme to over 141 community groups across the UK linked to the centenary commemoration of the 141 days of the Somme campaign.

Significant work in the current year has been devoted to event preparations for the 100th anniversaries of the Battles of the Somme and of Jutland, with the Commission working with delivery partners to frame, position, organise and publicise the events, and get the cemeteries and memorials ready. Preparations included the first stage of a significant restoration of Thiépval, the Commission's largest memorial, bearing the names of over 72,000 casualties. This will be the focus of the Somme anniversary commemorations and for which a UK Government grant of £1.6m for restoration was awarded.

The Commission is active on the following social media sites: Facebook, Twitter, LinkedIn and Instagram through which it conducts a wide range of marketing and anniversary-led campaigns. These social media channels have seen an average increase of 40% in followers extending the Commission's reach and engagement.

Strategy and Future Plans

A new five-year strategic plan, built on the Centenary Committee's vision and long-term trajectory, for the period 2016 to 2020 was agreed by Commissioners. The period covered by the plan includes the centenary of the First World War and the Commission's own centenary in 2017. This plan is the route map for the Commission to move into its second century of operations. The most significant change is the expansion of the Commission's core task, 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:

- 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;

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- Operate efficiently, offering excellent value for money;
- Develop and support a skilled team who are proud to work for the Commission and live its values.

Business plans and work streams are being developed to support the achievement of these objectives. Progress against key benchmarks will be monitored and reported at Commission meetings.

Principles Underpinning Pay and Reward

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

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

Risk management

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. The most significant risks have currently been identified as:

- Reputational risk principally arising from the security threat which precludes the Commission from maintaining and/or monitoring standards at some of its sites. This may in turn require significant funding when access is restored. Some mitigation is provided by the up to date information which is provided in some locations by local UK consular staff. Moreover detailed plans of sites are maintained which will facilitate site restoration once works access becomes feasible.
- 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 those countries' current national constitutions. Mitigation actions undertaken include applying for and obtaining formal legal status in a number of jurisdictions to strengthen the Commission's legal position and, where feasible, the Commission continues to register its land titles with the current jurisdictions.
- Growing security risks for staff in insecure environments is being mitigated by increased training, staff access to real time information on the security situation and regular reviews by operation managers of current and proposed travel plans in light of latest security updates.
- Funding and financial risk arising from an ageing and iconic estate requiring extensive renovation grant funding, from a variety of sources, is likely to be a key financing element in the conservation of the Commission's estate.

Moving into its second century the Commission has become aware that the value of its estate is not purely commemorative, and that the public also values the cemeteries and memorials for their cultural and historical associations. The Commission has become the guardian of a historic estate which requires a different approach and it has therefore reviewed how it manages and maintains this estate. On a practical level, managing the estate as a heritage asset will result in moving from an eight year cycle of repair,

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replacement and renovation to a five year cycle of condition surveys with an emphasis on preservation, conservation and maintenance work. Conservation management plans, underpinned by surveys, have been developed for a number of the Commission's iconic sites.

Risk reporting mechanisms are in place. These are regularly reported to the Audit Committee and overseen by the Commissioners quarterly.

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, at £0.8m, was below the targeted level.

Financial results for the year ended 31 March 2016

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")). This framework changed during the year as a result of the development of Financial Reporting Standard 102 (FRS102). This has brought about changes to results, format, descriptions and disclosures. The introduction of FRS102 has resulted in a cumulative reduction in reserves amounting to £2.5m which substantially arises from the requirement to accrue the value of employee benefits and untaken holiday, to the extent that they have not been discharged. Over half of this accrued cost arises in the Commission's operations in France where labour regulations provide that holidays are taken in the year following which they have been accrued. There is no cash entitlement to untaken holiday unless there is a cessation of employment. The remaining costs relate to the changed depreciation policy in relation to buildings.

The Commission's funding comes primarily from the six Member Governments in proportions based upon the number of their casualties. The Member Governments contributed £60.9m (2014/15 £59.9m). The Commission also receives agency funding from these governments for the care of military graves from other periods and for war memorials. Increased levels of grant income, mostly arising in relation to the renovation of the Thiepval monument, account for more than half of the increase in income in the year, which has risen from £67.5m to £70.1m.

In November the UK Chancellor announced a special one-off award of £2m to the Commission to renovate and tend approximately 6,000 non-world war graves, predominately in the UK. It is a condition of this award that these monies, which were outstanding at the balance sheet date, are treated as a restricted fund for accounting purposes and £95k has been recognised as restricted income in the year reflecting the initial scoping work undertaken.

Expenditure in the year of £68.2m (2014/15 £68m) has marginally increased with higher expenditure on the Thiepval project mitigated by reduced employment and headstone costs.

The statement of financial activities indicates a surplus, before actuarial gains, of £1.9m on income of £70.1m which comprises: an underlying operational surplus of £1.1m (2014/15: £-0.26m) and an FRS102 pension accounting adjustment of £0.72m (2014/15: £-0.26m).

The Commission's operational surplus of £1.1m was ahead of the target of £0.7m due principally to a reduction in the budgeted level of headstone production, which fell from 22,000 to 12,000. The above-target surplus is being used to create a designated reserve to fund capital expenditure in 2016/17 as no separate funding allocation for capital is made.

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The Commission's working capital at £0.8m demonstrates a significant improvement on the previous year's restated negative position of -£1.4m and results from the above-target surplus and the deferred receipt of property sales proceeds.

The value of fixed assets has fallen reflecting the disposal of properties in Rome and the ongoing transition of the vehicle fleet from a wholly-owned model to a lease-finance model. Headstone stock, because it is not available for resale, is now included within debtors and prepayments, as required under FRS102 rather than shown separately.

The Commission's overall balance sheet position continues to show a net deficit, albeit reduced, of £-3.1m (2015: £-8.7m), due to the pension deficit. The Commission's pension deficit – as defined by FRS102 – has fallen from £18.7m to £14.3m, a reduction of £4.4m. This improvement is attributable to an increase in the investment return benchmark used to value the pension scheme's liabilities; a slowdown in improvements to life expectancy and the closure of the pension scheme to future accrual.

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). The outcome of the finalised triennial actuarial valuation at 31 March 2014 was a deficit of £200k which was paid by the Commission during the year.



Sir Tim Laurence
Vice-Chairman



Victoria Wallace
Director General

Date: 5th October 2016

COMMONWEALTH WAR GRAVES COMMISSION

Statement of internal controls

for the year ended 31 March 2016

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 Tim Laurence 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 and all minutes of Committee meetings are presented to the Commissioners. The Committee met three times during 2015/16.

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, resulting in a smaller number of audits but which have a more in-depth focus. Moore Stephens attend each meeting of the Committee, at which they present a full report on activities. They also have direct access to the Committee Chairman.

The Commissioners have previously appointed Grant Thornton UK LLP as external auditors. They also 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 Commission 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 covering 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 reviewed annually by Moore Stephens and reported to the Committee.

Moore Stephens, in their annual report to the Audit Committee, concluded that "there is an adequate and effective system of governance, risk management and internal control to address the risk that management's objectives are not fully achieved".



Victoria Wallace
Director General

Date: 5th October 2016

COMMONWEALTH WAR GRAVES COMMISSION

Commissioners' Responsibilities Statement

for the year ended 31 March 2016

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's legal framework, and applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice's 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 charity 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 2016 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 engagement dated 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 8, 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 2016 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: 5 October 2016

COMMONWEALTH WAR GRAVES COMMISSION

Statement of financial activities

for the year ended 31 March 2016

	Note	General Purposes 2016 £'000	Agency Purposes 2016 £'000	Restricted Funds 2016 £'000	Total 2016 £'000	Total 2015 £'000
Incoming resources						
Funds received from Member Governments	1	60,877	-	-	60,877	59,884
Funds received for agency purposes	2	-	5,364	-	5,364	5,304
Grant funds from government	3	1,723	-	-	1,723	320
Investment income	4	1,005	-	-	1,005	941
Other incoming resources	5/6	1,048	-	95	1,143	1,049
Total incoming resources		64,653	5,364	95	70,112	67,498
Resources expended						
Expenditure in respect of general activities	7	58,992	-	-	58,992	61,072
Expenditure in respect of agency purposes	9	-	5,364	-	5,364	5,304
Expenditure in respect of grant activities	10	2,548	-	-	2,548	402
Net exchange loss	11	279	-	-	279	184
Other resources expended	12/13	964	-	95	1,059	1,051
Total resources expended		62,783	5,364	95	68,242	68,013
Net incoming/(outgoing) resources for the year before other recognised gains and losses		1,870	-	-	1,870	(515)
Other recognised gains/(losses)						
Actuarial gain/(loss) on defined benefit pension scheme	21	3,705	-	-	3,705	(12,394)
Net movement in funds		5,575	-	-	5,575	(12,909)
Reconciliation of funds						
Total funds brought forward	24	(8,615)	(106)	35	(8,686)	4,223
Net movement in funds	24	5,575	-	-	5,575	(12,909)
Total funds carried forward	24	(3,040)	(106)	35	(3,111)	(8,686)

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 2016

	Note	General Purposes 2016 £'000	Agency Purposes 2016 £'000	Restricted Funds 2016 £'000	Total 2016 £'000	Total 2015 £'000
Intangible assets						
Software systems	16	587	-	-	587	313
Fixed assets						
Tangible assets	17	14,905	63	-	14,968	15,870
		15,492	63	-	15,555	16,183
Current assets						
Debtors	18	4,178	728	95	5,001	3,504
Cash at bank and in hand		17,817	-	-	17,817	15,431
		21,995	728	95	22,818	18,935
Creditors: amounts falling due within one year	19	(21,017)	(897)	(60)	(21,974)	(20,330)
Net current assets/(liabilities)		978	(169)	35	844	(1,395)
Total assets less current liabilities		16,470	(106)	35	16,399	14,788
Provisions for liabilities and charges	20	(5,240)	-	-	(5,240)	(4,775)
Total assets excluding pension scheme liability		11,230	(106)	35	11,159	10,013
Defined benefit pension scheme liability	21	(14,270)	-	-	(14,270)	(18,699)
Net assets/(liabilities) including pension scheme liability		(3,040)	(106)	35	(3,111)	(8,686)
Funds of the Commission						
General purposes	24	4,727	(106)	35	4,656	3,977
Revaluation reserve	24	6,036	-	-	6,036	6,036
Fixed asset reserve	24	467	-	-	467	-
Pension reserve	24	(14,270)	-	-	(14,270)	(18,699)
	24	(3,040)	(106)	35	(3,111)	(8,686)

The financial statements were approved by the Commission on 14 September 2016.



Sir Tim Laurence
Vice-Chairman

5 October 2016



Victoria Wallace
Director General

5 October 2016

COMMONWEALTH WAR GRAVES COMMISSION

Cash flow Statement

for the year ended 31 March 2016

	General Purposes 2016 £'000	Agency Purposes 2016 £'000	Restricted Funds 2016 £'000	Total 2016 £'000	Total 2015 £'000
Net cash inflow from operating activities					
Net incoming resources	1,870	-	-	1,870	(515)
Pension scheme adjustment	(724)	-	-	(724)	258
Depreciation	1,806	-	-	1,806	1,601
Profit on sale of fixed assets	(49)	-	-	(49)	(15)
Impairment/transfer of fixed assets	170	-	-	170	218
(Increase)/Decrease in inventory prepayments	(368)	-	-	(368)	279
(Increase) in debtors	(930)	(139)	(60)	(1,129)	(191)
Increase in creditors	1,426	158	60	1,644	378
Increase in termination indemnities	800	-	-	800	369
Termination indemnities exchange revaluation	46	-	-	46	(1)
Disbursement of termination indemnities	(546)	-	-	(546)	(235)
Increase/(Decrease) in other provisions	165	-	-	165	(266)
Net cash inflow from operating activities	3,666	19	-	3,685	1,880
Cash flows from investing activities					
Payments to acquire tangible fixed assets	(1,983)	(63)	-	(2,046)	(3,227)
Transfer of assets	(44)	44	-	-	-
Receipts from sales of tangible fixed assets	747	-	-	747	509
	(1,280)	(19)	-	(1,299)	(2,718)
Increase/(Decrease) in cash	2,386	-	-	2,386	(838)
Reconciliation of net cash flow to movement in cash and cash equivalents				2016	2015
				£'000	£'000
Movement in cash and cash equivalents				2,386	(838)
Cash and cash equivalents at 1 April				15,431	16,269
Cash and cash equivalents at 31 March				17,817	15,431

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2016

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. These are the first set of financial statements prepared under FRS102. The most recent set prepared under old GAAP was for the year ended 31 March 2015. The transition is explained further in Note 25.

Going Concern

The accounts have been prepared on a going concern basis which is considered appropriate as a future commitment has been made, in the UK Parliament, to provide inflation-adjusted funding. The UK Government contributes in excess of 75% of the Commission's core funding.

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 created during the 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.

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.

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2016

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. Increased investment in software has resulted in its reclassification as an intangible asset.

The introduction of FRS102, in its transition year only, provides an alternative basis for holding fixed assets which takes the carrying value of land and buildings (whether at cost or market valuation) as the deemed cost.

The Commission has changed its policy in relation to land and building taking advantage of the FRS102 transition provisions with the result that the existing carrying values at 1 April 2014 have now become the deemed cost which dispenses with the need for future valuations. With effect from 1 April 2014, buildings are now being depreciated in line with the policy outlined below.

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 £66k and a small loss on disposal.

In 2014/15 a proportion of the information system costs were re-aligned from a 3 year depreciation period to 7 years which represented a more suitable life period for these particular asset categories. With a focus on software systems and the importance of fit for purpose websites and communication systems, an impairment review was completed on IT systems resulting in an impairment cost of £221k.

Inventory

Stocks of uninscribed 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, 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

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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. The reimbursement figure was capped at £850,000 per annum from 2011-12.

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. During the year, additional funding designated as restricted, to be accounted for separately, was awarded to renovate and tend approximately 6,000 non-world war graves. The details are shown in Note 24.2.

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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. 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.

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

Judgement and estimates are required in relation to payroll taxation and back-dated statutory pay rises. 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.

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1 Incoming resources from Member Governments

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

	Percentage contribution	2016 £'000	2015 £'000
United Kingdom	78.43%	47,748	46,996
Canada	10.09%	6,141	5,994
Australia	6.05%	3,683	3,626
New Zealand	2.14%	1,304	1,283
South Africa	2.09%	1,273	1,261
India	1.20%	728	724
	100.00%	60,877	59,884

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:

	2016 £'000	2015 £'000
Canada	1,694	1,639
United Kingdom	1,735	1,696
Germany	780	835
Australia	727	544
South Africa	135	231
New Zealand	53	117
Other	240	242
	5,364	5,304

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:

	2016 £'000	2015 £'000
UK -DCMS Funding - Historian costs	51	69
UK- DCMS Funding - Thiepval Memorial	1,511	90
UK DCLG Funding	40	-
Belgium-Flanders Walls Grant	121	161
	1,723	320

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4 Investment income- General purposes

	2016 £'000	2015 £'000
Income from the Imperial War Graves Endowment Fund	960	904
Interest on bank deposits and investment income	45	37
	<u>1,005</u>	<u>941</u>

5 Other incoming resources

	2016 £'000	2015 £'000
United Kingdom government funding for offset against VAT	850	850
Legacies and donations	83	31
Other income, equipment sales etc.	115	168
	<u>1,048</u>	<u>1,049</u>

6 Other incoming resources - Restricted

	2016 £'000	2015 £'000
Grant funding MoD graves scoping	95	-

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7 Expenditure in respect of general activities

	2016 £'000	2015 £'000
Employee and staff costs (note 14)	38,444	39,312
Termination indemnity provision charge (note 20)	800	369
Termination indemnity state payments	160	162
Staff support	2,131	1,899
Supplies and equipment	5,947	5,898
Contract costs	8,356	7,046
Travel costs	2,934	2,922
Transport costs	1,924	1,842
Facilities costs - rent, rates and insurance	1,015	1,123
Maintenance	558	500
Depreciation	1,806	1,601
Restructuring	309	717
Legal costs and provisions	195	67
Net financial income on pension scheme liabilities (note 21)	(724)	258
Professional fees	1,154	1,079
Governance costs (note 8)	378	384
Marketing and publications	250	299
Communications	389	413
IT	729	678
Other administrative expenses	244	209
	<u>66,999</u>	<u>66,778</u>
Less: Recoverable costs incurred for agency purposes (note 9)	(5,364)	(5,304)
Less: Recoverable costs incurred for grant funding (note 10)	(2,548)	(402)
Less: Recoverable costs incurred for grant restricted purposes (note 13)	(95)	-
	<u>58,992</u>	<u>61,072</u>

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

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8 Governance costs

	2016 £'000	2015 £'000
Internal audit fees	41	38
Commission internal audit costs	148	157
Commissioners' costs and expenses (note 15)	114	117
External audit fees – statutory audit & other services	75	72
	<u>378</u>	<u>384</u>

Other services provided by the external auditors relate to employment taxes - £9k (2015: £15k), with £66k for the statutory audit (2015: £57k).

9 Expenditure in respect of agency purposes

	2016 £'000	2015 £'000
Indirect staff and staff support cost	1,542	1,816
Indirect non-staff costs	1,039	905
Direct staff costs	745	721
Direct non-staff costs	1,486	1,256
	<u>4,812</u>	<u>4,698</u>
Management charges	552	606
	<u>5,364</u>	<u>5,304</u>

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

10 Expenditure in respect of grant funding

	2016 £'000	2015 £'000
UK -DCMS Funding – Historian costs	61	56
UK- DCMS Funding - Thiepval Memorial	2,102	89
UK DCLG Funding	93	-
Flanders Walls Grant	292	257
	<u>2,548</u>	<u>402</u>

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

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for the year ended 31 March 2016

11 Exchange loss

	2016 £'000	2015 £'000
Opening balance sheet revaluation	99	-
Termination indemnity revaluation	22	-
Net exchange loss in year	<u>158</u>	<u>184</u>
	<u>279</u>	<u>184</u>

12 Other resources expended

	2016 £'000	2015 £'000
UK input VAT	<u>964</u>	<u>1,051</u>

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

13 Expenditure in respect of grant restricted purposes

	2016 £'000	2015 £'000
Indirect staff and staff support cost	50	-
Indirect non staff costs	33	-
Management charges	12	-
	<u>95</u>	<u>-</u>

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for the year ended 31 March 2016

14 Employees and staff costs

	2016 £'000	2015 £'000
Wages and salaries	28,240	29,276
Less: Governance allocation	(123)	(122)
Social security costs	6,316	6,733
Less: Governance allocation	(25)	(35)
Staff allowances	1,177	1,166
Casual labour costs	717	438
Pension – defined contribution scheme	283	205
Pensions – current service cost (note 21)	1,859	1,647
Pensions – past service cost (note 21)	-	4
	<u>38,444</u>	<u>39,312</u>
Governance	148	157
Restructuring	309	717
Termination indemnity	960	531
	<u>39,861</u>	<u>40,717</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:

	2016 Number	2015 Number
Western European Area	582	586
United Kingdom and Northern Europe Area	109	106
Asia, Africa & Pacific Area	186	186
Mediterranean Area	228	248
Canada	9	9
Headstone production unit	9	13
Head office – United Kingdom	101	106
	<u>1,224</u>	<u>1,254</u>

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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 listing below includes the emoluments of 15 employees who received allowances and payments in relation to their overseas employment (2015: 17). The emoluments (excluding overseas allowances) of 13 of these employees would otherwise have fallen below the reporting threshold (2015: 12). 5 out of 7 of the Commission's employees falling within the top seven pay ranges were based overseas (2015: 4 out of 4). The table below shows the number of higher-paid staff with emoluments, excluding pension contributions, falling in the following ranges:

	2016 Number	2015 Number
£60,000 to £69,999	8	9
£70,000 to £79,999	4	7
£80,000 to £89,999	4	3
£90,000 to £99,999	3	1
£100,000 to £109,999	2	1
£120,000 to £129,299	1	-
£130,000 to £136,999	-	1
£140,000 to £149,999	-	1
£160,000 to £169,999	1	-

15 Commissioners' and Director General expenses

The Vice-Chairman of the Commission receives a salary of £55,800 (2015: £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 (2015: 14) Commissioners amounted to £58,049 (2015: £61,439).

The total emoluments of the Director General for the year were £160,000 (2015: £76,310 due to being in the post for seven months). Employer contributions to her pension fund totalled £14,400 (2015: £9,035). In addition, the directly incurred expenses of the Director General in the year were £33,002 (2015: £17,973).

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

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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. Following the transition to FRS102 these costs were transferred from computer costs, within tangible assets, to intangible assets.

	Software systems £'000	Assets in course of construction £'000	Total £'000
Cost			
At 1 April 2015	19	302	321
Additions	413	-	413
Transfer	302	(302)	-
As 31 March 2016	734	-	734
Depreciation			
At 1 April 2015	8	-	8
Charge for year	139	-	139
At 31 March 2016	147	-	147
Net Book Value			
At 31 March 2016	587	-	587
At 31 March 2015	11	302	313

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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						
2015	10,274	4,656	2,969	4,739	1,745	24,383
Additions	253	560	287	322	210	1,632
Transfer	1,465	6	96	93	(1,626)	34
Impairment	-	-	-	(160)	(119)	(279)
Disposals	(662)	(53)	(417)	(469)	-	(1,601)
At 31 March 2016	11,330	5,169	2,935	4,525	210	24,169
Depreciation						
At 1 April						
2015	210	3,348	2,241	2,714	-	8,513
Charge for year	233	553	243	638	-	1,667
Eliminated on disposals	-	(44)	(383)	(552)	-	(979)
At 31 March 2016	443	3,857	2,101	2,800	-	9,201
Net Book Value						
At 31 March 2016	10,887	1,312	834	1,725	210	14,968
At 31 March 2015	10,064	1,308	728	2,025	1,745	15,870

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

The Commission previously adopted a policy of revaluation of freehold land and buildings and did not provide for depreciation on buildings. The Commission has chosen to avail of the FRS102 transition provisions which provide an alternative basis for holding fixed assets which takes the carrying value of land and buildings at 1 April 2014 (whether at cost or valuation) as the deemed cost and regular revaluations will not be required in the future. The deemed cost for land is £2.7m and for buildings £7.9m, and in the current year a depreciation charge of £233k net of disposals, with a prior year charge of £210k.

During the year the properties in Italy were sold realising net proceeds of £675k, resulting in a £13k gain on disposal.

The majority of capital projects were completed within the year. A small level of expenditure, not yet completed or operational, remains under the assets in the course of construction category. It comprises a website hosting tool and a new UK payroll system which once operational will be accounted for as additions and, where applicable, depreciation will commence.

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

During the year a contract was signed to upgrade Microsoft GP from GP2010 to GP2015. Impairment charges were taken on the old system and on other redundant systems.

18 Debtors

	General purposes 2016 £'000	Agency purposes 2016 £'000	Total 2016 £'000	Total 2015 £'000
Amounts falling due within one year				
Recoverable taxes	760	-	760	394
Accrued income from Member Governments and other agencies	536	728	1,264	1,054
Headstones	1,095	-	1,095	727
Restricted Grant income	-	95	95	-
Staff advances	155	-	155	150
Short-term funding of agency and restricted activities	605	-	605	128
Other debtors and prepayments	1,027	-	1,027	1,051
Total debtors	4,178	823	5,001	3,504

19 Creditors: amounts falling due within one year

	General Purposes 2016 £'000	Agency Purposes 2016 £'000	Restricted Purposes 2016 £'000	Total 2016 £'000	Total 2015 £'000
Member Government funding received in advance	12,271	173	-	12,444	12,648
Trade creditors	2,527	-	-	2,527	1,953
Trade accruals	2,312	-	-	2,312	1,681
Social security and other taxes	900	-	-	900	1,087
Holiday pay & other staff cost accruals	2,994	-	-	2,994	2,686
Short-term obligations of agency & restricted activities	-	545	60	605	128
Other creditors	13	179	-	192	147
	21,017	897	60	21,974	20,330

There were no balances due after more than one year (2015: £0).

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20 Provisions for liabilities and charges

	Restructuring provision £'000	Provision for legal costs £'000	Taxation & services £'000	Termination indemnities £'000	Total £'000
At 1 April 2015	294	-	331	4,150	4,775
Paid	(269)	-	(41)	(546)	(856)
Released/transferred	-	-	(200)	-	(200)
Exchange rate revaluation	-	-	-	46	46
Charged during the year	226	22	427	800	1,475
At 31 March 2016	251	22	517	4,450	5,240

A final figure for the payroll taxation liability in the Mediterranean Area has been negotiated with the overseas tax authorities. However payment had not been made at the balance sheet date. The liability resulted in consultancy fees of £41k and a provision release of £200k. In 2015/16 new provisions of £574k have been provided for payroll taxation in countries where employment status risks are being addressed and also for utility bills in the Mediterranean Area. These amounts reflect a best estimate of the potential risk.

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 retirement. In 2015/16 the provision has been increased to cover the pending change to calculations associated with a back-dated pay increase and tax obligation of £370k in India.

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 is determined on the advice of independent qualified actuaries.

The scheme was funded and the employer's contribution was 22.4% of pensionable pay (2015: 22.4%). The employees' contribution was 1.5% of pensionable pay (2015: 1.5%). Contributions paid by the Commission during the year were £1.359m (2015: £1.285m) and a deficit payment of £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 2016.

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.

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

	2016 %	2015 %
Discount rate	3.45	3.10
Rate of increase in salaries	n/a	2.50
Rate of increase in pensions	2.00	2.00
Expected long-term rate of return on scheme assets	6.6	6.6
Inflation – CPI assumption	2.00	2.00
Inflation – RPI assumption	3.00	3.00

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

	Male 2016 Years	Male 2015 Years	Female 2016 Years	Female 2015 Years
Current pensioner aged 65	22.0	22.1	24.3	24.5
Future retiree upon reaching 65	23.2	23.4	25.8	26.0

The assets of the pension scheme are identifiable by category.

	2016 %	2016 £'000	2015 %	2015 £'000
Cash at bank	0.7	609	0.1	108
Standard Life Global Absolute Fund	31.5	25,866	51.0	44,045
Schroder Life Diversified Growth Fund	33.6	27,695	35.0	30,203
Investec Diversified Growth Fund	12.5	10,258	-	-
L&G Active Corporate Bond	10.5	8,682	8.5	7,381
Schroder LDI Portfolio	11.2	9,221	5.4	4,629
Fair value of pension scheme assets	100.0	82,331	100.0	86,366

The amounts recognised in the balance sheet are as follows:

	2016 £'000	2015 £'000
Present value of pension scheme liabilities	(96,601)	(105,065)
Fair value of pension scheme assets	82,331	86,366
Net pension deficit at end of year	(14,270)	(18,699)

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The amounts to be recognised in the statement of financial activities for the year ended 31 March 2016 are as follows:

	2016 £'000	2015 £'000
Included within resources expended		
Current service costs	1,859	1,683
Past service cost	-	4
Curtailements	<u>(1,783)</u>	<u>-</u>
	<u>76</u>	<u>1,687</u>

The amounts recognised in the financial statement

Service cost – including current service costs, past service costs, settlements and curtailments	76	1,687
Net interest on the defined benefit liability	<u>559</u>	<u>222</u>
Total expense	<u>635</u>	<u>1,909</u>

Other recognised gains/(losses):

Actuarial gain/(loss) on pension scheme liabilities	(7,959)	14,217
Return on assets, excluding interest income	<u>4,254</u>	<u>(1,823)</u>
Net actuarial (loss) on defined benefit pension scheme	<u>(3,705)</u>	<u>(12,394)</u>

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

	2016 £'000	2015 £'000
Opening defined benefit obligation	105,065	89,244
Current service cost	1,859	1,683
Employee contributions	78	86
Interest cost	3,199	3,841
Past service cost	-	4
Net transfers (out)	(32)	(105)
Curtailements	(1,783)	-
Benefits paid	(3,826)	(3,905)
Actuarial gain/(loss)	<u>(7,959)</u>	<u>14,217</u>
Closing defined benefit obligation	<u>96,601</u>	<u>105,065</u>

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

	2016 £'000	2015 £'000
Opening fair value of scheme assets	86,366	83,559
Interest income on scheme assets	2,640	3,619
Expected return	(4,254)	1,823
Employer contributions	1,359	1,285
Payment in respect of past service cost	-	4
Employee contributions	78	86
Net transfers (out)	(32)	(105)
Benefits paid	(3,826)	(3,905)
Closing fair value of scheme assets	82,331	86,366

The history of experience gains and losses is as follows:

	2016 £'000	2015 £'000
Experience adjustments on scheme liabilities	(7,959)	14,217
<i>As a percentage of scheme liabilities</i>	<i>8.24%</i>	<i>(13.5)%</i>
Experience adjustments on scheme assets	4,254	(1,823)
<i>As a percentage of scheme assets</i>	<i>(5.17%)</i>	<i>2.11%</i>

The cumulative amount of actuarial gains and losses recognised in the statement of financial activities since 1 April 2009 is a £19.587m loss (2015: £23.362m loss).

22 Contingent liabilities

Resolution in principle of the Mediterranean Area tax liability, advised in the 2014 accounts, was achieved during the year. However at the balance sheet date the cash settlement remained outstanding.

23 Commitments

23.1 Capital commitments

Capital commitments at 31 March 2016 amounted to £70k (2015: £0) and include an accounting system upgrade, a website hosting tool and a new UK payroll system.

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23.2 Leasing commitments

In 2015/16, 72 new vehicles were leased. At 31 March 2016 the Commission had commitments under non-cancellable operating leases as follows:

	2016 £'000	2015 £'000
Within one year		
Accommodation & office equipment	147	36
Vehicles	707	600
Between 2 and 5 years		
Office equipment	129	3
Vehicles	<u>1,775</u>	<u>1,439</u>
	<u>2,758</u>	<u>2,078</u>

24 Retained funds

	2016 £'000	2015 £'000
Unrestricted fund (note 24.1)	(3,146)	(8,721)
Restricted funds (note 24.2)	<u>35</u>	<u>35</u>
	<u>(3,111)</u>	<u>(8,686)</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 2015	4,048	(106)	-	6,036	(18,699)	(8,721)
Net movement in funds for year	1,146	-	-	-	4,429	5,575
Transfer to designated fund	<u>(467)</u>	-	<u>467</u>	-	-	<u>-</u>
Funds at 31 March 2016	<u>4,727</u>	<u>(106)</u>	<u>467</u>	<u>6,036</u>	<u>(14,270)</u>	<u>(3,146)</u>

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24.2 Restricted funds

	2016 £'000	2015 £'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.

25 Transition to FRS102

	Notes	2013/14
Restated reserves for the year ended 31st March 2014		
Original reserves brought forward		6,720
Employee contractual benefits		
- 14th/15th month pay Mediterranean Area	25.1	(254)
- Contractual bonuses Africa, Asia Pacific Area	25.2	(38)
- Holiday pay accrual	25.3	<u>(2,205)</u>
Total		<u>(2,497)</u>
Restated reserves brought forward		<u>4,223</u>
		2014/15
Restated reserves for the year ended 31st March 2015		
Original reserves brought forward		(6,164)
- See above 2013/14 re-statement costs		(2,497)
Employee Contractual Benefits		
- 14th/15th month pay Mediterranean Area	25.1	(15)
- Contractual bonus Africa, Asia Pacific Area	25.2	2
- Holiday pay accrual	25.3	<u>198</u> 185
Buildings depreciation	25.4	<u>(210)</u>
Restated reserves brought forward		<u>(8,686)</u>

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25 Transition to FRS102 continued

	Notes	2014/15
Restated net movement in funds before other recognised gains and losses		
Original net movement in funds		1,320
- 2014/15 re-statement of costs		185
- Pension adjustment	25.5	(1,810)
- Buildings depreciation		(210)
Restated net movement in funds before other recognised gains and losses		<u>(515)</u>

25.1/25.2 Additional month's salaries & contractual bonus

FRS102 requires that all short-term employee benefits must be accrued to the extent that they have not been discharged as obligations. Both the additional months' salary payments in the Mediterranean Area and the contractual bonuses in Africa, Asia Pacific Area were not previously accounted for on an accruals basis. The current year adjustment resulted in a decrease in the provision of £17k, in 2014/15 an increase of £13k, with the opening adjustment a reduction to the closing 2013/14 reserves of £292k.

25.3 Holiday Pay accrual

FRS102 also requires that, where entities allow employees to carry forward unused holiday or where the holiday year and the financial year are not aligned, an accrual is made for the amount to which each employee is entitled as a result of services undertaken in that period, which remains untaken at the year-end. The current year adjustment was an increase in the provision of £22k, in 2014/15 a reduction of £198k, and the opening adjustment to the closing 2013/14 reserves of £2.2m.

25.4 Building Depreciation

FRS102, in its transition year only, provides an alternative basis for holding fixed assets. As advised in note 17, the deemed cost approach at 1 April 2014 has been incorporated, with buildings now being depreciated, to comply with FRS102. In the current year this increased the depreciation charge by £233k, and in 2014/15 it created a depreciation charge of £210k.

25.5 Pension adjustment

FRS102 requires changes in the calculation of net interest included as interest income. This is calculated as the fair value of the plan assets multiplied by the discount rate applied to calculate the interest cost. This discount rate should reflect the yield on high quality corporate bonds rather than the expected return on plan assets used to calculate interest income under the previous accounting standard FRS17. The liability for benefits which vest over time is recognised immediately but measurement takes into account the likelihood of vesting. Under FRS102, such liabilities are recognised over the vesting period. The adjustment to the calculation for 2014/15 was a reallocation of the pension charge within net movement in funds of £1.8m. (previously included within other recognised gains and losses).

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Notes to the financial statements

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26 Related party transactions

There were no material related party transactions during the year (2015: 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.