



COMMONWEALTH
WAR GRAVES



**COMMONWEALTH WAR
GRAVES COMMISSION**

ANNUAL REPORT

FOR THE YEAR ENDED

31 MARCH 2020

COMMONWEALTH WAR GRAVES COMMISSION

Consolidated Financial Statements

for the year ended 31 March 2020

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COMMONWEALTH WAR GRAVES COMMISSION

Commissioners, Executive Directors and Advisors

for the year ended 31 March 2020

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| President | HRH The Duke of Kent KG GCMG GCVO ADC(P) |
| Chairman | The Rt Hon Ben Wallace MP (from 24 July 2019) The Rt Hon Penny Mordaunt MP (from May 2019 to 23 July 2019) The Rt Hon Gavin Williamson MP CBE (to April 2019) |
| Commissioners | |
| Vice-Chairman | Lieutenant General Sir Bill Rollo KCB CBE (from July 2019) Vice Admiral Sir Tim Laurence KCVO CB ADC(P) (to June 2019) |
| Australian | HE The Hon George Brandis QC |
| Canadian | HE Mme Janice Charette |
| Indian | HE Excellency Gaitri Issar Kumar (from June 2020) HE Ms Ruchi Ghanashyam (to May 2020) |
| New Zealand | HE Bede Corry (from April 2020) HE The Rt Hon Sir Jerry Mateparae, GNZM, QSO, KStJ (to March 2020) |
| South African | HE Ms Nomatamba Tambo |
| Mr Edward Chaplin CMG OBE (to September 2019) Sir Tim Hitchens KCVO CMG (from October 2019) Vice Admiral Peter Hudson CB CBE (from July 2019) Dame Judith Mayhew Jonas DBE Air Marshal David Walker CB CBE AFC | The Rt Hon Philip Dunne MP Dame Diana Johnson DBE MP The Hon Mrs Ros Kelly AO Mr Vasuki Shastry |
| Commonwealth War Graves Foundation Trustees | |
| The Hon Mrs Ros Kelly AO Chair Maj Gen Alastair Bruce OBE VR KStJ HE Mme Janice Charette Lady Lucy French OBE The Rt Hon Kevan Jones MP Mr Terence Hewett | Dame Judith Mayhew Jonas DBE Sir Adrian Montague CBE Captain Jay Singh-Sohal Mr William Shawcross CVO |
| Executive Directors | |
| Victoria Wallace Barry Murphy Judith O'Connell Jamie Redmond Liz Woodfield Julian Evans | Director General (Resigned July 2020) Interim Director General and Director of Operations Director of Resources Director of Human Resources Director of Communication & Information Director of International and Community Engagement (Resigned August 2020) |
| Advisors | |
| <u>Artistic Advisor</u> | Peter Inskip MBE (Resigned May 2020) |
| <u>Bankers</u> | <u>Independent Auditors</u> |
| HSBC 9 The Boulevard, Crawley, West Sussex, RH10 1UT | Buzzacott LLP 130 Wood Street, London, EC2V 6DL |

COMMONWEALTH WAR GRAVES COMMISSION

Commissioners, Executive Directors and Advisors

for the year ended 31 March 2020

Structure and Governance

The Commonwealth War Graves Commission (the 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 but is recognised as having charitable status by the UK's tax authorities, HMRC.

The Commission has one subsidiary, the Commonwealth War Graves Foundation (the Foundation), which was registered with the Charity Commission of England and Wales in March 2017 as a charitable incorporated organisation (CIO). The main objectives of the Foundation are to support and publicise the work of the Commission, to educate and engage young people with commemoration and to fundraise. Branches of the Foundation are registered and active in Belgium and France.

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 customarily 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. Lay members serve an initial term of three years which can be renewed.

The Foundation is governed by a separate Board of Trustees who are appointed by the Commission; the majority of the Foundation's Trustees are not Commissioners.

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

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

The Commissioners are currently supported by committees on Finance, Audit, and Remuneration. During the year a Committee was established to review the Commission's records to identify gaps in commemoration and to recommend steps to rectify omissions.

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 over 150 countries and territories 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.

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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 using a sensitive conservation approach to its heritage structures. Also, and in accordance with guidelines laid down in 1918, horticulture (including shrubs and trees) is undertaken at each site in order “to strike the proper note of brightness and life”. The Commission also maintains archives and the official casualty database.

During the year a new five year plan was developed and approved by the Commissioners covering the period 2019-2024. The 5 pillars underpinning the five year plan comprise:

Caring, sustainably.

The Commission is the guardian of the war dead of the Commonwealth, for now and for the future. After 100 years of care, the Commission needs to focus in particular on sustainability, improving our environmental impact, and consolidating our conservation programme.

Perpetuating commemoration

The Commission wants to carry on the legacy of the centenary commemorations, engaging younger people, working to tell the stories of all those we commemorate, from both World Wars.

Engaging the public with the Commission’s work

The Commission needs to offer an enriching and meaningful experience for visitors, encouraging more visits both to our online resources and to the cemeteries and memorials.

Building Commonwealth cohesion

To meet the Charter’s ambition of bringing the people of the Commonwealth closer together as a result of their shared sacrifice, the Commission needs to build partnerships with other bodies across the Commonwealth and its global estate.

Organisational fitness

The Commission wants its operational standards to be matched by its efficient management, dedicated teams and the effective use of its member states’ resources.

This plan was developed prior to the outbreak of COVID 19 and it is likely that the new Director General, when appointed, will review and modify some aspects of the plan to deal with the medium and long-term challenges that COVID 19 may create for the Commission, but which currently remain to be fully ascertained.

Activities and Performance

During 2019 - 20 we:

- Played a major role in delivering the plans of our member governments to commemorate campaigns, battles and significant events, and in particular 75th anniversary events of the Second World War including: D Day at both Portsmouth and Bayeux; Monte Cassino; and the Battle of Arnhem. This required the Commission to work with delivery partners to frame, position, organise and publicise the events, and to ensure the cemeteries and memorials were ready. We also produced and developed podcasts, to support the Second World War anniversaries and commemoration events and a sound archive was created and launched to capture people’s reflections on World War 2 and the Commission’s memorial sites across the globe.
- Completed global structural, base site and capital contracts costing just over £5m, which included 3 cemeteries in Flanders, the RAF memorial at Runnymede, the Tower Hill Naval memorial, and Sangro River (Italy).

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- Our conservation led approach ensured that these projects were undertaken in a way that is appropriate to their heritage value, and that is sustainable. We also successfully re-secured our site at Kariakor in Kenya which had suffered encroachment over many years.
 - Replaced 1,502 headstones over the course of the year and continued to reduce the level of headstone replacement and re-engraved 10,216 headstones.
 - Continued to enhance our horticultural practice and standards using the in house developed online horticultural quality site assessment system (PQMS).
 - Completed a 12 month study of our chemical use which will result in a number of changes, including an integrated Pest and Weed management approach, to the manner in which we manage our principal cemetery features: headstones; borders; and, turf.
 - Launched and welcomed 4,831 visitors to our newly opened French Visitor Centre close to Arras. 22,984 visitors were received at the Belgian Information Centre in Ieper.
 - Delivered year 3 of the Youth Interns programme. Two tranches of 12 interns were deployed over an eight-month period in welcoming and engaging with visitors at key Commission sites in Belgium and France.
 - Social Media engagements (the number of people who engaged with our posts across all platforms) continued to increase with Facebook and Twitter almost doubling their growth over the same reporting period for 2018/19. Instagram again showed the largest increase in growth (53%) across our channels while engagements have also increased from 66,798 in 2018/19 to 92,496 during this reporting period. It should also be noted that there has been a 48% growth in followers on our LinkedIn account. This growth across our channels is attributed to the increase in quality and volume of content.
 - Increased active presence on our web-pages by 35.7m, 13%, (2018/19 31.5m) page views with users numbers showing a small decrease to 1.92m, 3%, (2018/19 1.97m).
 - Commenced implementation of a new group-wide HR system; developed a group-wide fleet management strategy; and piloted a bespoke project management system.

The Foundation:

- Completed the Heritage Lottery funded "Lest we Forget" first world war citizen archive project.
- Established a branch in France so that the Foundation's activities can be promoted at the Commission's visitor centre at Beaurains, near Arras.
- Delivered, in conjunction with the Commission, the first year pilot of the, "Eyes On Hands On" volunteering project which encourages volunteering grave care activity at the Commission's more remote and scattered UK sites; obtained a further funding pledge, totalling £1.6m, from Annington Homes to fund "Eyes On Hands On" over 3 years.
- Delivered, with the Commission and funded, through a scheme operated by the Association of Independent Museums, by Biffa, an exhibition at Runnymede celebrating the life of Special Operations Executive Noor Inayat Khan.
- Sold £31k of merchandise and printed goods from its head office and the information centres in Ieper and Beaurains with the profits generated assisting in defraying the Foundation's running costs.
- Raised £50k from the Kantor Foundation to fund a "Speakers programme".

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Business plan 2020/21

In the first year of the new business strategy we plan, subject to limitations arising from COVID 19, on:

- Undertaking £5.3m of structural contracts including £0.5m for five cemeteries in Belgium, part subsidised by Flemish Heritage;
- Completing 72% of the outstanding structural surveys;
- Continuing to play a role, supporting our member governments, in the commemoration of campaigns, battles and significant events, which in 2020/21 will include:
 - 75th anniversaries of: VE and VJ day;
 - 80th anniversaries of Dunkirk and the Battle of Britain
 - 76th anniversary of D Day landing; and
 - the 105th Anzac commemoration at Gallipoli;albeit with an increased focus on delivering event support through digital channels and using social media e.g. digital walls of remembrance
- Conducting a review of our environmental impact and working out how we move towards carbon neutrality;
- Submitting the report of the Special Committee on Non-Commemoration to the Commission for review and action;
- Developing the use and mainstreaming of volunteers by rolling out the “Eyes On Hands On” project nationally;
- Launching and using a new website, alongside social media, to facilitate easier access to the casualty database and to increase public engagement;
- Working with member governments to encourage diverse audiences to engage with the Commission’s work by public engagement activities being undertaken in relation to a new memorial in South Africa and redevelopment at our site in Kariakor (Kenya);
- Developing a records management policy and a key documents consolidation plan and agreeing a preferred solution for a digital asset management system;
- Achieving National Archive accreditation archive status;
- Rolling out a new online expenses system and to have completed over 50 % of the implementation work for the new HR system.

The Foundation’s planned deliverables in 2020/21 include:

- Rollout nationwide of the “Eyes On Hands On Project” following its successful pilot in two regions in 2019/20.
- Develop content, activity and project plans, source funding if not already secured, and launch three key projects, listed below, which were identified and agreed at the Foundation’s strategy meeting:
 - PGCE Teacher Training Project which will develop an annual programme for engaging with ITE providers, to support trainee teachers teaching the First and Second World War and to engage them with the work and history of the CWGC;
 - Kantor Speakers Programmes, a programme targeted at developing a national network of trained volunteer speakers delivering inspiring talks to schools, colleges, and other community groups;

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- An International Schools Commemorative Project which aims to develop a digital hub and resources for schools to connect internationally by uploading, mapping and sharing their research and stories of casualties and how they came to be serving side by side);
 - Further developing the Foundation's income streams from donations, membership and surpluses from the sale of merchandise at our Ieper Information centre and French visitor centre; and
 - Review and refresh the membership programme for supporters.

Remuneration policy for key management personnel

The Commission is committed to the following principles in determining pay for all employees:

- All employees receive equal pay for work of equal value, work rated as equivalent and the same or broadly similar work;
- All roles are evaluated using an internationally recognised global job evaluation system ensuring fairness and consistency;
- Pay bands span from lower quartile to a maxima range, to acknowledge growth of individual skills and performance levels.

Our policy on setting rates of pay is to follow the median market of benchmarked pay data for the not-for-profit sector.

The Senior Leadership Team's remuneration is determined by the Director General and is overseen by the Commission's Remuneration Committee. Pay for this group is based on the following:

- Being competitive with comparable organisations by independent benchmarking;
- Recognising individual contribution and rewarding performance;
- Alignment with forecasted salary increases for the not-for-profit sector.

These principles are also applied by the Commission's Remuneration Committee, acting as a sub-committee of the main board who independently determine the remuneration package for the Director General and the annual fee of the Vice-Chairman.

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 £6.1m (2019 -£5.4m) and above the target due mainly to advance receipt of funding of £3.4m mostly for LIBOR financed projects and the creation of designated reserves to fund future business plan commitments.

Risk Management

The Commission's most significant risks are outlined on the next page along with the currently identified mitigations.

The pandemic risk manifesting from the spread of COVID-19 has an impact across numerous strands of the Commission's operations and activities; a separate and discrete risk register for COVID related risk impacts has been developed. In the short-term outdoor activities on construction and horticulture ceased whilst office based staff transitioned relatively seamlessly to working from home. Day to day maintenance activities were resumed whenever local regulations permitted but some delay to large projects requiring international oversight is inevitable. Across France Belgium and the UK around 80% of outdoor staff returned to work in a socially

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distanced manner within a month. The longer term impacts of COVID 19 for the Commission are yet to be fully discerned.

Whilst the overall number of risks remained fairly constant through the year there was a reduction in the risk rating of a number of high-level risks due to work undertaken during the year on mitigating actions.

| 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 gives 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. • Risk of staff death or injury due to civil conflict. | <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> <p>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.</p> |
| <p>Risks resulting from severe environmental and climatic change of further damage which can impose a significant cost to repair or mitigate the threat.</p> | <p>Accurate plans of cemeteries are held to enable restoration.</p> <p>Area programmes and budgets would be adjusted to take unexpected damage into account.</p> <p>Regular monitoring of sites through the inspection cycle and surveys to identify issues and prioritise restoration.</p> <p>A policy for recording extreme weather events has been documented. Areas are to report extreme weather events going forward in order that such events can be monitored and assessed on a timely basis for impacts across the Commission.</p> |
| <p>Driving risk can lead to fatalities and injuries and increases when staff are driving in unfamiliar locations overseas.</p> | <p>The fleet manager role is now embedded. CWGC has implemented a corporate Vehicle & Road Safety Policy across all Areas. This includes the completion of an eLearning module with an assessment. Employees must score 100% to pass. This has been published in the 7 main languages of CWGC. To work alongside this policy, all Areas have started implementing a driver training programme to mitigate the risk of driving by the end of the 2020-2021 financial year.</p> |

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| RISKS | MITIGATIONS |
|---|--|
| <p>Potential injury to staff, contractors or the public at our sites arising from collapse or failure of our structures or trees.</p> <p>The risk of accidents at work causing physical harm to staff and reducing delivery capacity.</p> <p>Potential death & damage at our sites resulting from a terrorist attack.</p> | <p>Structural conditions surveys of all sites are being undertaken as well as visitor risk assessments.</p> <p>Health and safety systems are in place and regular training provided to achieve Commission agreed global standards.</p> <p>Liaison with local police and increased security measures in place for higher risk locations.</p> |
| <p>Cybercrime including hacking and phishing activity creates financial and reputational risk. A major risk of cybercrime is that it will result in a personal data breach and the consequences of that could be wide ranging from complaints, litigation, fines, or enforcement action. Such risks have increased following changes in working arrangements to address government working from home requirements following COVID-19.</p> | <p>Risk from hacking and phishing mitigated by good staff awareness; tight information security and strong, regularly tested firewalls.</p> <p>Periodic network and website penetration testing.</p> <p>Regular training and reminders of risks.</p> |
| <p>COVID 19.</p> <p>Financial risk due to uncertainty around future funding.</p> <p>Government lockdown measures may reduce staff ability to travel to offices and sites. Social distancing requirements may lead to sub-optimal working practices and increased costs.</p> <p>Increased risk of staff sickness and absenteeism.</p> | <p>Contingency financial planning scenarios to be developed.</p> <p>Close monitoring of social distancing requirements and careful controls established for those returning to work. All overseas travel is monitored and restricted to essential travel with director level approval and sign off.</p> <p>Staff surveys and feedback run by Human Resources department. Support and counselling available to those in need.</p> |
| <p>Risk of physical harm to staff in areas of civil unrest.</p> | <p>We are monitoring political developments for potential impacts.</p> |
| <p>Pension scheme funding risk arising from adverse investment conditions, exacerbated by COVID 19, and the continued low interest rate environment which have the potential to result in a significant actuarial/funding deficit which in turn could create an additional annual funding commitment.</p> | <p>The scheme was closed to future benefit accrual on 31 March 2016. The most recent triennial valuation at March 2017 resulted in a deficit of £4.6m which is being funded over a period of ten years. The Commission plans to work closely with the pension trustees to reach a deficit payment plan that will be both affordable and acceptable.</p> |

Financial results for the year ended 31 March 2020

The financial accounts are prepared, 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 Commissioners assess it appropriate to confirm and prepare the financial statements on a going concern basis.

Total consolidated income for the year was £74.2m compared with £73.4m in 2019, an increase of £0.8m. The Commission's income was £73.9m (2019 -£73.2m). Funding comes primarily from the six-member governments in proportions based upon the number of their graves; to that end, the Member Governments contributed £64.8m, an increase of £1.3m over the previous year. The Commission also receives agency funding from these governments for the care of military graves from other periods and for war memorials. Agency income increased by £400k, mainly relating to the increase to the Ontario graves contract in Canada.

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Other income was broadly in line with the previous year. Restricted income reflects income from one-off UK government grants, funded from LIBOR penalties, awarded to: renovate and tend approx. 6,000 Non-World War graves, predominately in the UK; and, to run an Interns scheme at the Commission's key operational sites in France and Belgium. It is a condition of these grants that these monies are treated as a restricted fund for accounting purposes and £331k (2019 £757k) has been recognised as restricted in the year. The Foundation recorded restricted income of £210k (2019 £103k) for its : "Eyes On Hands On" ('EOHO') project sponsored by Annington Homes; Speakers Programme sponsored by Kantor; and, the Noor Khan project funded by Biffa in conjunction with the Association of Independent Museums.

The Commission's consolidated expenditure has increased year on year by 1.9% to £72.3m (2019 - £71.0m). The Commission's expenditure was £72.0m (2019 - £70.9m). The increase of 1.9% in expenditure reflects general inflationary increases, mostly payroll related.

The Commission's consolidated net income before actuarial gains was £1.9m (2019 - £2.5m) of which £1.9m was recorded in the Commission. This exceeded the target of £0.7m due to underspend arising in relation to COVID-19, which limited activities in the last two months of the year, better than anticipated income on the Endowment Fund and underspends on travel and payroll.

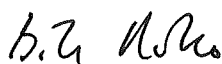
The consolidated statement of financial activities shows a surplus, after pension scheme(actuarial) gains, of £8.9m (2019 – deficit after actuarial losses of £5.5m). £8.9m was recorded in the Commission and the charity's surplus was £3.4k (2019 - £180k). The Commission's working capital at £8.2m has increased from the previous year's working capital position of £6.1m due to the current year's net income and a reduction in creditors.

Capital expenditure was £2.1m (2019 - £3.5m) and was lower than the previous year which had been exceptionally high due to the creation of a visitor centre in France. Capital expenditure was funded by: the depreciation charge of £2.1m. There was no capital expenditure in the Foundation.

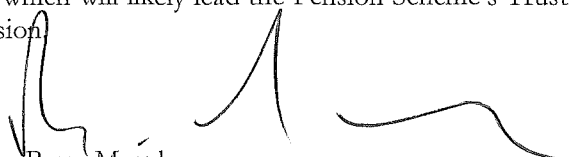
The Commission's consolidated balance sheet position has improved significantly with a reported net deficit, of -£5.3m, a £8.9m reduction on the previous year's net deficit position of -£14.2m resulting from the decrease in the pension deficit of £7.7m together with the in year net income.

The Commonwealth War Graves Foundation recorded income of £342k (2019 - £313k) of which 45% comprised donations and legacies and 38% restricted grant funding. The Foundation's expenditure was £338k (2019 - £133k) resulting in a surplus of £3k (2019 - £180k) in its third year of operations.

The accounting pension deficit as calculated using FRS 102 was £25.7m at the year-end (2019-£32.4.m). The reduction in the deficit is due mainly to a reduction in the inflation rate assumption which more than mitigates the impact of changes in other assumptions including a reduction in the discount rate used to value the scheme's liabilities. This FRS102 pension deficit is a long-term liability and cash payments to fund the deficit are determined by the triennial actuarial valuation (which is calculated on a different basis). The outcome of the triennial actuarial pension valuation at 31 March 2017 was a deficit of £4.6m. A ten-year funding plan, entailing ongoing annual payments averaging around £500k by the Commission, was agreed with the Pension Fund's Trustees to discharge this liability following an initial payment of £1m in March 2018. An increase in the triennial actuarial deficit at 31 March 2020 is anticipated which will likely lead the Pension Scheme's Trustees to request increased deficit contributions of the Commission.



Sir Bill Rollo
Vice-Chairman



Barry Murphy
Interim Director General

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Statement of internal controls

for the year ended 31 March 2020

As Accounting Officer to the UK Ministry of Defence, the Director General is responsible for safeguarding the Commission's assets, ensuring that proper records are maintained and ensuring that the internal controls and risk management processes 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 David Walker 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 committee meeting minutes are presented to the Commissioners. The Committee met three times during 2019-20.

Mazars LLP are the Commission's external internal auditors and work to Public Sector Internal Audit Standard. Mazars are working to a three-year strategic audit plan approved by the Committee which has been updated and modified during the year. Mazars undertook 5 audits during the year, 1 of which reported substantial assurance, 3 for which there was an adequate assurance rating outcome and 1, cyber security, for which a limited assurance rating was reported.

Mazars, in their annual report to the Audit Committee, reported an assurance rating of "adequate" which is lower than the previous year's "substantial" rating. All significant weaknesses and recommendations identified by Mazars have been accepted by management and plans established to address the identified issues.

Mazars attended each meeting of the Audit Committee, at which they presented a full report on their activities.

The Audit Committee decided to seek tenders to undertake the provision of external audit services for the Commission's financial statements as the incumbent provider, Grant Thornton UK LLP, had been first appointed many years previously. Following a tender process, led by the Audit Committee, Buzzacott LLP were appointed the Commission's external auditors. The external auditors 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, the auditors 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 covering internal controls and transactional testing. The team co-ordinates its activities with the programme of Mazars 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 also responsible for ensuring that the Commission's risk reporting is fit for purpose. Areas and head office functions regularly compile and identify risks within their respective spheres of operation which are then reviewed and collated on a consolidated basis and submitted to the Audit Committee. Top level risks are reported at quarterly Commission meetings. A risk appetite statement has also been developed which recognises that different objectives may have differing levels of risk tolerance. The risk appetite statement is regularly reviewed by the Audit Committee and endorsed by the Commissioners.



Barry Murphy
Interim Director General

Date 9 September 2020

COMMONWEALTH WAR GRAVES COMMISSION

Commissioners' responsibilities statement

for the year ended 31 March 2020

The Commissioners are responsible for preparing the annual report and the Group's financial statements in accordance with applicable law and regulations. The Group comprises the Commission and its sole wholly owned subsidiary the Commonwealth War Graves Foundation.

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). The Foundation, due to its status as a Charitable Incorporated Organisation (CIO), prepares its financial statements for submission to the Charity Commission in accordance with the Accounting and Reporting by Charities: Statement of Recommended Practice (SORP), applicable to entities preparing their accounts in accordance with 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 the Group and of the income and expenditure of the Group 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 and its subsidiary 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 its subsidiary 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 its subsidiary 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

Opinion

We have audited the financial statements of Commonwealth War Graves Commission (the 'Commission') and its subsidiaries (the 'group') for the year ended 31 March 2020, which comprise the consolidated statement of financial activities, consolidated balance sheet, Commission balance sheet, consolidated cash flow statement, principal accounting policies and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements give a true and fair view of the state of the group's and Commission's affairs as at 31 March 2020 and of the group's incoming resources and application of resources for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and Commission in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The Commissioners are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Responsibilities of Commissioners for the financial statements

As explained more fully in the Commissioners' responsibilities statement set out on page 11, the Commissioners are responsible for the preparation of the financial statements which give a true and fair view, and for such internal control as the Commissioners determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Commissioners are responsible for assessing the group's and the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Commissioners either intend to liquidate the group or Commission or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Commission's Commissioners, as a body, in accordance with our letter. 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.



Buzzacott LLP
Statutory Auditor, Chartered Accountants
London

Date: 19 October 2020

COMMONWEALTH WAR GRAVES COMMISSION

Consolidated statement of financial activities

for the year ended 31 March 2020

| | Note | General Purposes 2020 £'000 | Agency Purposes 2020 £'000 | Restricted Funds 2020 £'000 | Total 2020 £'000 | Total 2019 £'000 |
|---|-----------|--------------------------------------|-------------------------------------|--------------------------------------|------------------------|------------------------|
| Income from: | | | | | | |
| Funds received from Member Governments | 1 | 64,789 | - | - | 64,789 | 63,545 |
| Funds received for agency purposes | 2 | - | 6,188 | - | 6,188 | 5,744 |
| Grant funds from government & charitable activities | 3 | 483 | - | - | 483 | 997 |
| Investment income | 4 | 1,298 | - | - | 1,298 | 1,198 |
| Other income | 5/6 | 1,137 | - | 331 | 1,468 | 1,963 |
| Total income | | 67,707 | 6,188 | 331 | 74,226 | 73,447 |
| Expenditure | | | | | | |
| Expenditure in respect of general activities | 7 | 63,669 | - | - | 63,323 | 61,938 |
| Expenditure in respect of agency purposes | 9 | - | 6,188 | - | 6,188 | 5,744 |
| Expenditure in respect of grant & charitable activities | 10/11 | 885 | - | 469 | 1,354 | 2,215 |
| Net exchange losses/(gains) | 12 | 191 | - | - | 191 | (2) |
| Other expenditure | 13 | 961 | - | - | 961 | 1,084 |
| Total expenditure | | 65,706 | 6,188 | 469 | 72,363 | 70,979 |
| Net income/(expenditure) for the year before other recognised gains and losses | | 2,001 | - | (138) | 1,863 | 2,468 |
| Other recognised gains and losses | | | | | | |
| Actuarial gain/(loss) on defined benefit pension scheme | 22 | 7,048 | - | - | 7,048 | (7,995) |
| Net movement in funds | | 9,049 | - | (138) | 8,911 | (5,527) |
| Reconciliation of funds | | | | | | |
| Total funds brought forward | 24 | (15,111) | 728 | 214 | (14,169) | (8,642) |
| Transfer between reserves | 24 | 967 | (983) | 16 | - | - |
| Net movement in funds | 24 | 9,049 | - | (138) | 8,911 | (5,527) |
| Total funds carried forward | 24 | (5,095) | (255) | 92 | (5,258) | (14,169) |

All income and expenditure in the general purpose fund has been derived from continuing activities.

COMMONWEALTH WAR GRAVES COMMISSION

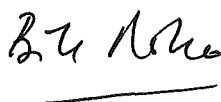
Consolidated balance sheet

as at 31 March 2020

| | Note | General Purposes 2020 £'000 | Agency Purposes 2020 £'000 | Restricted Funds 2020 £'000 | Total 2020 £'000 | Total 2019 £'000 |
|---|------|--------------------------------------|-------------------------------------|--------------------------------------|------------------------|------------------------|
| Intangible assets | | | | | | |
| Software systems | 16 | 210 | - | - | 210 | 355 |
| Fixed assets | | | | | | |
| Tangible assets | 17 | 16,775 | - | - | 16,775 | 16,709 |
| | | <u>16,985</u> | <u>-</u> | <u>-</u> | <u>16,985</u> | <u>17,064</u> |
| Current assets | | | | | | |
| Debtors | 19 | 2,160 | 838 | 62 | 3,060 | 4,300 |
| Cash at bank and in hand | | 28,606 | - | 1,470 | 30,076 | 27,697 |
| | | <u>30,766</u> | <u>838</u> | <u>1,532</u> | <u>33,136</u> | <u>31,997</u> |
| Creditors: amounts falling due within one year | 20 | <u>(22,359)</u> | <u>(1,093)</u> | <u>(1,440)</u> | <u>(24,892)</u> | <u>(25,873)</u> |
| Net current assets/(liabilities) | | <u>8,407</u> | <u>(255)</u> | <u>92</u> | <u>8,244</u> | <u>6,124</u> |
| Total assets less current liabilities | | <u>25,392</u> | <u>(255)</u> | <u>92</u> | <u>25,229</u> | <u>23,188</u> |
| Provisions for liabilities and charges | 21 | <u>(4,794)</u> | <u>-</u> | <u>-</u> | <u>(4,794)</u> | <u>(4,972)</u> |
| Total assets excluding pension scheme liability | | <u>20,598</u> | <u>(255)</u> | <u>92</u> | <u>20,435</u> | <u>18,216</u> |
| Defined benefit pension scheme liability | 22 | <u>(25,693)</u> | <u>-</u> | <u>-</u> | <u>(25,693)</u> | <u>(32,385)</u> |
| Net liabilities including pension scheme liability | | <u>(5,095)</u> | <u>(255)</u> | <u>92</u> | <u>(5,258)</u> | <u>(14,169)</u> |
| Funds of the Group | | | | | | |
| General purposes | 24 | 10,484 | (255) | 92 | 10,321 | 8,102 |
| Revaluation reserve | 24 | 6,036 | - | - | 6,036 | 6,036 |
| Fixed asset reserve | 24 | 478 | - | - | 478 | 478 |
| Thiepval reserve | 24 | 2,000 | - | - | 2,000 | 2,000 |
| Structural projects reserve | 24 | 700 | - | - | 700 | 700 |
| Exchange reserve | 24 | 500 | - | - | 500 | 500 |
| Interns reserve | 24 | 400 | - | - | 400 | 400 |
| Pension reserve | 24 | <u>(25,693)</u> | <u>-</u> | <u>-</u> | <u>(25,693)</u> | <u>(32,385)</u> |
| | | <u>(5,095)</u> | <u>(255)</u> | <u>92</u> | <u>(5,258)</u> | <u>(14,169)</u> |

The financial statements were approved by the Commission on 9 September 2020.

Sir Bill Rollo
Vice-Chairman



Barry Murphy
Interim Director General



The accompanying accounting policies and notes on pages 18 to 40, form an integral part of these financial statements

COMMONWEALTH WAR GRAVES COMMISSION

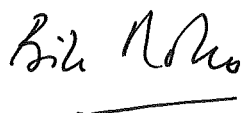
Commission balance sheet

as at 31 March 2020

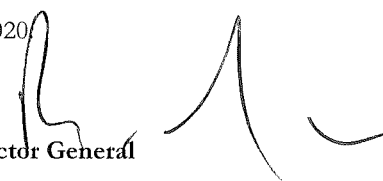
| | Note | General Purposes 2020 £'000 | Agency Purposes 2020 £'000 | Restricted Funds 2020 £'000 | Total 2020 £'000 | Total 2019 £'000 |
|---|------|--------------------------------------|-------------------------------------|--------------------------------------|------------------------|------------------------|
| Intangible assets | | | | | | |
| Software systems | 16 | 210 | - | - | 210 | 355 |
| Fixed assets | | | | | | |
| Tangible assets | 17 | 16,775 | - | - | 16,775 | 16,709 |
| | | 16,985 | - | - | 16,985 | 17,064 |
| Current assets | | | | | | |
| Debtors | 19 | 2,140 | 838 | 62 | 3,040 | 4,337 |
| Cash at bank and in hand | | 28,502 | - | 1,422 | 29,924 | 27,505 |
| | | 30,642 | 838 | 1,484 | 32,964 | 31,842 |
| Creditors: amounts falling due within one year | 20 | (22,348) | (1,093) | (1,422) | (24,863) | (25,807) |
| Net current assets/(liabilities) | | 8,294 | (255) | 62 | 8,101 | 6,035 |
| Total assets less current liabilities | | 25,279 | (255) | 62 | 25,086 | 23,099 |
| Provisions for liabilities and charges | 21 | (4,794) | - | - | (4,794) | (4,972) |
| Total assets excluding pension scheme liability | | 20,485 | (255) | 62 | 20,292 | 18,127 |
| Defined benefit pension scheme liability | 22 | (25,693) | - | - | (25,693) | (32,385) |
| Net liabilities including pension scheme liability | | (5,208) | (255) | 62 | (5,401) | (14,258) |
| Funds of the Commission | | | | | | |
| General purposes | 24 | 10,371 | (255) | 62 | 10,178 | 8,013 |
| Revaluation reserve | 24 | 6,036 | - | - | 6,036 | 6,036 |
| Fixed asset reserve | 24 | 478 | - | - | 478 | 478 |
| Thiepval Reserve | 24 | 2,000 | - | - | 2,000 | 2,000 |
| Structural projects reserve | 24 | 700 | - | - | 700 | 700 |
| Exchange reserve | 24 | 500 | - | - | 500 | 500 |
| Interns reserve | 24 | 400 | - | - | 400 | 400 |
| Pension reserve | 24 | (25,693) | - | - | (25,693) | (32,385) |
| | | (5,208) | (255) | 62 | (5,401) | (14,258) |

The financial statements were approved by the Commission on 9 September 2020

Sir Bill Rollo
Vice-Chairman



Barry Murphy
Interim Director General



The accompanying accounting policies and notes on pages 18 to 40, form an integral part of these financial statements

COMMONWEALTH WAR GRAVES COMMISSION

Consolidated cash flow Statement

for the year ended 31 March 2020

| | General Purposes 2020 £'000 | Agency Purposes 2020 £'000 | Restricted Funds 2020 £'000 | Total 2020 £'000 | Total 2019 £'000 |
|---|--------------------------------------|-------------------------------------|--------------------------------------|------------------------|------------------------|
| Net cash provided by/(used in) operating activities | | | | | |
| Net income/(expenditure) | 2,001 | - | (138) | 1,863 | 2,468 |
| Transfer between reserves | 967 | (983) | 16 | - | - |
| Pension scheme adjustment | 356 | - | - | 356 | 453 |
| Depreciation | 2,166 | - | - | 2,166 | 2,080 |
| Profit on sale of fixed assets | (77) | - | - | (77) | (4) |
| Decrease/(increase) in inventory prepayments | 94 | - | - | 94 | (11) |
| Decrease/(increase) in debtors | 605 | 438 | 103 | 1,146 | (683) |
| (Decrease)/increase in creditors | (665) | 545 | (861) | (981) | 1,261 |
| Increase in termination indemnities | 185 | - | - | 185 | 247 |
| Termination indemnities exchange revaluation | 71 | - | - | 71 | 99 |
| Disbursement of termination indemnities | (26) | - | - | (26) | (1,091) |
| (Decrease) in other provisions | (408) | - | - | (408) | (18) |
| Net cash provided by/(used in) from operating activities | 5,269 | - | (880) | 4,389 | 4,801 |
| Cash flows from investing activities | | | | | |
| Payments to acquire tangible and intangible fixed assets | (2,087) | - | - | (2,087) | (3,538) |
| Receipts from sales of tangible fixed assets | 77 | - | - | 77 | 70 |
| | (2,010) | - | - | (2,010) | (3,468) |
| Increase/(decrease) in cash | 3,259 | - | (880) | 2,379 | 1,333 |

Reconciliation of net cash flow to movement in cash and cash equivalents

| | 2020 £'000 | 2019 £'000 |
|---------------------------------------|---------------|---------------|
| Movement in cash and cash equivalents | 2,379 | 1,333 |
| Cash and cash equivalents at 1 April | 27,697 | 26,364 |
| Cash and cash equivalents at 31 March | 30,076 | 27,697 |

COMMONWEALTH WAR GRAVES COMMISSION

Principal accounting policies

for the year ended 31 March 2020

Basis of Accounting

The Commissioners' Report and accompanying consolidated financial statements have been produced in accordance with the Accounting and Reporting by Charities: Statement of Recommended Practice (SORP), applicable to entities preparing their financial statements 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.

The Commonwealth War Graves Commission is the sole member of the Commonwealth War Graves Foundation (Registered charity number 1171947) and as the Foundation's solitary member exercises control over the Foundation by virtue of it being solely able to amend the Foundation's constitution, merge the entity and wind it up. The financial statements therefore consolidate the results of the Commission and its wholly owned subsidiary, the Foundation, on a line by line basis. Transactions and balances between the Commission and its subsidiary have been eliminated from the consolidated financial statements. Balances between the two entities are disclosed in the notes to the Commission's balance sheet.

Going Concern

The financial statements have been prepared on a going concern basis. The Commission's financial statements are in a net liability position of £5.3m at 31 March 2020 (£14.2m net liability at 31 March 2019) due to the deficit of £25.7m at that date (£32.4m at 31 March 2019) 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 the Commission anticipates continuing to fund the agreed deficit payments and the annual running costs of the scheme for the foreseeable future. In addition, in terms of future funding of the Commission, a governmental commitment has been made in the 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 Group 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 for a period of at least 12 months from the date of approval of these financial statements.

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.

The fixed asset reserve, and other designated reserves remain in full and are carried forward for future years requirements.

Income

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 Group is entitled to receive the funds and where the amount can be measured with reasonable clarity.

COMMONWEALTH WAR GRAVES COMMISSION

Principal accounting policies

for the year ended 31 March 2020

Grant Funding

UK Government funding from LIBOR receipts are treated as restricted funds and shown separately in the consolidated statement of financial activities as this is mandated by these grant agreements. The income is recognised in line with the terms and conditions of the grant, i.e. the expenditure has to be incurred for the Commission to be entitled to the income.

The Flemish government also provides grant funding in relation to Flanders Walls structural work activities in Belgium. This grant funding is recognised on a cost of completion basis and is included within general purpose funding because the grantor has not applied prescriptive statutory reporting conditions. These activities are subject to regular and ongoing inspection and review by the Flemish authorities and are formally signed off once a year.

Expenditure

The Commission's expenditure is analysed between Royal Charter activities and agency activities. Costs are included in the consolidated statement of financial activities on an accruals basis.

Governance costs

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

Allocation and apportionment

All of the Commission's 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.

The Foundation's costs are allocated between charitable activities and other trading activities relating to merchandise sales.

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" applies to all items of equipment forming part of the Commission's IT infrastructure. Investment in software is classified as an intangible asset.

Freehold land and building are included in the financial statements at their deemed carrying value at 1 April 2014, consistent with the transition provisions of FRS 102 and as adjusted for subsequent additions and disposals. With effect from 1 April 2014, the Commission has been making provision for depreciation on its freehold buildings. This approach dispenses with any requirement to undertake regular revaluations of the Commission's freehold assets.

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

COMMONWEALTH WAR GRAVES COMMISSION

Principal accounting policies

for the year ended 31 March 2020

Inventory

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

The Foundation holds a small stock of books, maps and other stationery at its information centre in Ieper.

Provisions

Provisions for future liabilities are recognised when the Group 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 Group 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 net exchange gain or loss arising on foreign currency transactions is shown as a separate item within expenditure in respect of general purposes activities. The difference between the Commission's policy and treatment in the SORP FRS102 is not significant.

Pension schemes

Until 31 March 2016, the Group 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 Group complies with local schemes which are mandated legally. Across the rest of the countries in which the Group 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 Group.

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 consolidated 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's 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 consolidated statement of financial activities.

Operating leases

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

COMMONWEALTH WAR GRAVES COMMISSION

Principal accounting policies

for the year ended 31 March 2020

Heritage assets

The Commission holds a large number of cemeteries and memorials, none of which has been recognised in the consolidated 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 UK 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 £932k (2018/19 £914k). Unrecovered Commission only VAT amounted to £27k (2018/19 £170k).

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

Restricted funds

The Commission's financial statements include one restricted fund, reflecting capital that was donated independently of Member Governments, although the income can be used for the Commission's general activities, see note 24.2.

Significant estimates and judgements

Estimates

Where contractual revenue and costs cannot be allocated with certainty, but are related to the current financial period, an estimate of the income or expense is booked within the financial statements 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.

Maintaining a presence in over 150 countries and territories presents challenges with regards to employment and retirement contracts/schemes. In place of a pension scheme, or State equivalent provision, 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 21). The Commission has a number of different statutory/ 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.

Holiday pay accruals are calculated based on local legislation and employee contractual arrangements.

Judgements

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

Judgements are required in making pay and taxation accruals for those countries where 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 22.

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2020

1 Income from Member Governments

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

| | Percentage contribution | 2020 £'000 | 2019 £'000 |
|----------------|-------------------------|---------------|---------------|
| United Kingdom | 78.47% | 50,831 | 49,861 |
| Canada | 10.06% | 6,520 | 6,373 |
| Australia | 6.05% | 3,922 | 3,847 |
| New Zealand | 2.14% | 1,388 | 1,361 |
| South Africa | 2.05% | 1,331 | 1,351 |
| India | 1.23% | 797 | 752 |
| | 100.00% | 64,789 | 63,545 |

Apart from exchange rate rounding, the percentage basis of contributions has remained unchanged since 2007.

2 Income for agency purposes

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

| | 2020 £'000 | 2019 £'000 |
|----------------|---------------|---------------|
| Canada | 2,486 | 2,072 |
| United Kingdom | 2,170 | 2,076 |
| Germany | 724 | 725 |
| Australia | 425 | 524 |
| South Africa | 132 | 124 |
| New Zealand | 42 | 42 |
| Other | 209 | 181 |
| | 6,188 | 5,744 |

3 Grant Funds from Governments & charitable activities

The value of grant funds received/receivable from governmental bodies subsidising structural contract activities is as follows:

| | 2020 £'000 | 2019 £'000 |
|------------------------------|---------------|---------------|
| Belgium-Flanders Walls Grant | 483 | 997 |

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2020

4 Investment income - General purposes

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Income from the Imperial War Graves Endowment Fund | 1,210 | 1,103 |
| Interest on bank deposits and investment income | 88 | 95 |
| | <u>1,298</u> | <u>1,198</u> |

5 Other income - Unrestricted

£107k (2019 - £207k) of the income relates to the Commission's charitable Foundation ('CWGF'), comprising £50k of donations and £57k supporter scheme income and other sales.

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| United Kingdom government funding for offset against VAT | 933 | 914 |
| Legacies and donations | 110 | 188 |
| Supporter scheme income & other event sales | 29 | 52 |
| Other income, equipment sales etc. | 65 | 52 |
| | <u>1,137</u> | <u>1,206</u> |

6 Other income - Restricted

£281k (2019 - £88k) of the income relates to the Commission's charitable Foundation ('CWGF').

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Commission Grant funding – Interns programme | - | (35) |
| Commission Grant funding – MoD graves renovation | 50 | 304 |
| Commission – DCMS funding – Interns programme | - | 400 |
| Foundation grant funding – HLF & Annington project | 192 | 88 |
| Foundation grant funding – Noor Khan exhibition | 39 | - |
| Foundation grant funding – Kantor Speakers' programme | 50 | - |
| | <u>331</u> | <u>757</u> |

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2020

7 Expenditure in respect of general & charitable activities

| | 2020 | 2019 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Employee and staff costs (note 14) | 41,447 | 39,875 |
| Termination indemnity provision charge (note 21) | 185 | 247 |
| Retirement indemnity provision in France (note 21) | 31 | 17 |
| Termination indemnity state payments | 165 | 163 |
| Staff support | 2,049 | 2,225 |
| Supplies and equipment | 5,721 | 6,668 |
| Contract costs | 8,283 | 7,447 |
| Travel costs | 2,770 | 3,088 |
| Transport costs | 2,425 | 2,279 |
| Facilities costs - rent, rates and insurance | 1,348 | 1,223 |
| Maintenance | 961 | 1,251 |
| Depreciation | 2,166 | 2,080 |
| Restructuring | 255 | 186 |
| Legal costs and provisions | (41) | 6 |
| Net financial charge/(income) on pension scheme liabilities (note 22) | 346 | 453 |
| Professional fees | 1,291 | 1,086 |
| Governance costs (note 8) | 341 | 352 |
| Marketing and publications | 320 | 324 |
| Communications | 469 | 414 |
| IT | 921 | 694 |
| Other administrative expenses | (36) | (33) |
| | <u>71,417</u> | <u>70,045</u> |
| Less: Recoverable Commission Internal audit costs (note 8) | (206) | (148) |
| Less: Recoverable costs incurred for agency purposes (note 9) | (6,188) | (5,744) |
| Less: Recoverable costs incurred for grant funding (note 11) | (469) | (708) |
| Less: Recoverable costs incurred for special purpose investment (note 11) | - | (26) |
| Less: Recoverable costs incurred for grant restricted purposes (note 10) | (885) | (1,481) |
| | <u>63,669</u> | <u>61,938</u> |

In the current year, £63.7m, (2019 £61.9m) of the total expenditure relates to funds received from member governments for general purposes and £121k (2019 £120k) to CWGF's charitable activities.

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2020

8 Governance costs

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Internal audit fees & other services | 13 | 19 |
| Commission internal audit costs | 152 | 148 |
| Commissioners' costs and expenses (note 15) | 80 | 83 |
| External auditors' fees for statutory audit | 46 | - |
| Previous external auditors' final fees | 15 | 71 |
| Other services, taxation audit advice | 22 | - |
| External audit – provided by firms other than the Commission's auditor | 13 | 5 |
| | <u>341</u> | <u>326</u> |

9 Expenditure in respect of agency purposes

| | 2020 £'000 | 2019 £'000 |
|---------------------------------------|---------------|---------------|
| Indirect staff and staff support cost | 1,647 | 1,539 |
| Indirect non-staff costs | 1,179 | 1,122 |
| Direct staff costs | 814 | 766 |
| Direct non-staff costs | 1,799 | 1,623 |
| | <u>5,439</u> | <u>5,050</u> |
| Management charges | 749 | 694 |
| | <u>6,188</u> | <u>5,744</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 - Unrestricted

| | 2020 £'000 | 2019 £'000 |
|------------------------------|---------------|---------------|
| Belgium-Flanders Walls Grant | <u>885</u> | <u>1,481</u> |

In the current year £0.9m, (2019 £1.5m) of 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 2020

11 Expenditure in respect of grant purposes – Restricted

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Indirect staff and staff support cost | 47 | 195 |
| Indirect non-staff costs | 1 | 89 |
| Direct staff costs | 220 | 210 |
| Direct non-staff costs | 201 | 210 |
| | <hr/> | <hr/> |
| | 469 | 704 |
| Management charges | - | 4 |
| | <hr/> | <hr/> |
| | 469 | 708 |
| Special purpose investment memorial costs | - | 26 |
| | <hr/> | <hr/> |
| | 469 | 734 |

Costs incurred were £304k (2019 - £264k) in relation to MoD Graves, £nil (2019 - £400k) for the Guides Programme as it was funded by the general fund in FY19/20, and £165k (2019 - £40k) was related to grant funded charitable activities in CWGF.

The special purpose investment balance fell by £26k reflecting work completed on memorials in recent years.

12 Exchange losses/(gains)

| | 2020 £'000 | 2019 £'000 |
|------------------------------------|---------------|---------------|
| Balance sheet revaluation | (57) | (215) |
| Termination indemnity revaluation | 71 | 56 |
| Bank accounts exchange loss/(gain) | 6 | (6) |
| Currency exchange in year loss | 171 | 163 |
| | <hr/> | <hr/> |
| Net exchange loss/(gain) in year | 191 | (2) |

13 Other expenditure

| | 2020 £'000 | 2019 £'000 |
|--------------|---------------|---------------|
| UK input VAT | 961 | 1,084 |

In the current year £961k (2019 - £1,084k) of the total expenditure balance relates to general activities of which £0k (2019 £12k) relates to CWGF's charitable activities.

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2020

| 14 | Employees and staff costs | |
|---------------------------------------|----------------------------------|---------------|
| | 2020 | 2019 |
| | £'000 | £'000 |
| Wages and salaries | 31,940 | 30,377 |
| Social security costs | 6,557 | 6,528 |
| Staff allowances | 1,053 | 1,078 |
| Casual labour costs | 304 | 361 |
| Pension – defined contribution scheme | 1,593 | 1,531 |
| | 41,447 | 39,875 |
| Restructuring | 255 | 186 |
| Termination indemnity | 185 | 247 |
| Retirement indemnity | 31 | 17 |
| | 41,918 | 40,325 |

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

| | 2020 | 2019 |
|---|--------------|--------------|
| | Number | Number |
| Western European Area | 605 | 618 |
| United Kingdom and Northern Europe Area | 110 | 108 |
| Asia, Africa & Pacific Area | 173 | 176 |
| Mediterranean Area | 212 | 228 |
| Canada | 10 | 10 |
| Head office – United Kingdom | 118 | 115 |
| | 1,228 | 1,255 |

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 (2019: 11). The emoluments (excluding overseas allowances) of 11 of these employees would otherwise have fallen below the reporting threshold (2019: 10). 4 out of 7 of the Commission's highest paid employees were based overseas (2019: 5 out of 8).

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2020

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

| | 2020 Number | 2019 Number |
|----------------------|----------------|----------------|
| £60,000 to £69,999 | 14 | 15 |
| £70,000 to £79,999 | 6 | 4 |
| £80,000 to £89,999 | 4 | 5 |
| £90,000 to £99,999 | 4 | 3 |
| £100,000 to £109,999 | 1 | - |
| £110,000 to £119,999 | - | 2 |
| £120,000 to £129,999 | - | 1 |
| £130,000 to £139,999 | 1 | 1 |
| £160,000 to £169,999 | - | 1 |
| £170,000 to £179,999 | 1 | - |

The remuneration, including allowances, of the Senior Leadership Team, comprising the Director General and 5 (2019 - 5) Functional Directors, amounted to £608k (2019 - £590k).

15 Commissioners' and Director General expenses

The Vice-Chairman of the Commission receives a salary of £48,725 (2019: £50,900). 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 9 (2019: 15) Commissioners amounted to £25,611 (2019: £32,197).

The total emoluments of the Director General for the year were £172,143 (2019: £167,942). Employer contributions to her pension fund totalled £16,443 (2019: £16,042). In addition, the directly incurred expenses of the Director General in the year were £30,786 (2019: £21,811).

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 2020

16 Intangible assets

The Commission 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.

Group and Commission

| | Software systems £'000 | Assets in course of construction £'000 | Total £'000 |
|-------------------------|---------------------------|--|----------------|
| Cost | | | |
| At 1 April 2019 | 1,424 | - | 1,424 |
| Additions | - | 44 | 44 |
| At 31 March 2020 | 1,424 | 44 | 1,468 |
| Depreciation | | | |
| At 1 April 2019 | 1,069 | - | 1,069 |
| Charge for year | 189 | - | 189 |
| At 31 March 2020 | 1,258 | - | 1,258 |
| Net Book Value | | | |
| At 31 March 2020 | 166 | 44 | 210 |
| At 31 March 2019 | 355 | - | 355 |

All intangible fixed assets are used for the general purposes of the Commission. The assets in course of construction relate to an upgrade to the website and software costs for the new HR system.

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2020

17 Tangible fixed assets Group and Commission

| | 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 | | | | | | |
| 2019 | 12,122 | 6,864 | 3,375 | 4,089 | 1,870 | 28,320 |
| Additions | 65 | 776 | 178 | 379 | 645 | 2,043 |
| Transfer | 1,583 | 229 | 108 | 183 | (2,103) | - |
| Disposals | - | (46) | (332) | (179) | - | (557) |
| At 31 March 2020 | 13,770 | 7,823 | 3,329 | 4,472 | 412 | 29,806 |
| Depreciation | | | | | | |
| At 1 April | | | | | | |
| 2019 | 1,292 | 5,108 | 2,104 | 3,107 | - | 11,611 |
| Charge for year | 333 | 731 | 391 | 522 | - | 1,977 |
| Eliminated on disposals | - | (46) | (332) | (179) | - | (557) |
| At 31 March 2020 | 1,625 | 5,793 | 2,163 | 3,450 | - | 13,031 |
| Net Book Value | | | | | | |
| At 31 March 2020 | 12,145 | 2,030 | 1,166 | 1,022 | 412 | 16,775 |
| At 31 March 2019 | 10,830 | 1,756 | 1,271 | 982 | 1,870 | 16,709 |

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

The visitor centre (shown as assets in the course of construction at 31 March 2019) was completed in May and opened to visitors in June 2019.

The Commission's freehold land and building are included in the accounts at their carrying value at 1 April 2014 as was permitted under the transition provisions on the adoption of FRS102 and as adjusted by subsequent additions and disposals. The deemed cost for land was £2.7m and for freehold buildings was £7.9m

Capital expenditure not yet completed or fully operational is reported as assets in the course of construction and relates to: site improvements at Beaurains totalling £234k; with the balance of £178k for other locations' vehicles, plant and machinery.

The disposals relate to the sale of equipment together with the removal of old zero net book valued assets, from the fixed asset ledger, following an audit of scrapped and/or donated assets.

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2020

18 Subsidiary undertakings

The Commission has one wholly owned subsidiary, The Commonwealth War Graves Foundation (“the Foundation”). The Foundation is a charity registered in England and Wales, registration number 1171947. For the year ended 31 March 2020, the results of the Foundation, consolidated in these financial statements are as follows:

| | Year ended 31 March 2020 £'000 | Year ended 31 March 2019 £'000 |
|----------------------|---|--------------------------------------|
| Income | 342 | 313 |
| Expenditure | (339) | (133) |
| Surplus for the year | <u>3</u> | <u>180</u> |
| | 31 March 2020 £'000 | 31 March 2019 £'000 |
| Assets | 214 | 193 |
| Liabilities | (116) | (99) |
| | <u>98</u> | <u>94</u> |
| Reserves | <u>98</u> | <u>94</u> |

Gifts to the value of £22k (2019 £16k) and £2k (2019 £4k) were donated to the Foundation for support activities as well as donated stocks of books. Volunteers’ time, valued at £53k, was received by the Foundation to support delivery of the “Lest we forget” project and the “Eyes On Hand On” project respectively.

19 Debtors – Group

| | General purposes 2020 £'000 | Agency purposes 2020 £'000 | Restricted purposes 2020 £'000 | Total 2020 £'000 | Total 2019 £'000 |
|---|--------------------------------------|-------------------------------------|---|------------------------|------------------------|
| Amounts falling due within one year | | | | | |
| Recoverable taxes | 406 | - | - | 406 | 446 |
| Accrued income from Member Governments and other agencies | 196 | 838 | 49 | 1,083 | 1,723 |
| Headstones | 540 | - | - | 540 | 633 |
| Foundation merchandise | 14 | - | - | 14 | 15 |
| Restricted Grant income | - | - | 13 | 13 | 165 |
| Staff advances | 34 | - | - | 34 | 126 |
| Other debtors and prepayments | 970 | - | - | 970 | 1,192 |
| Total debtors | <u>2,160</u> | <u>838</u> | <u>62</u> | <u>3,060</u> | <u>4,300</u> |

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2020

19.1 Debtors - Commission

| | General purposes 2020 £'000 | Agency purposes 2020 £'000 | Restricted purposes 2020 £'000 | Total 2020 £'000 | Total 2019 £'000 |
|---|--------------------------------------|-------------------------------------|---|------------------------|------------------------|
| Amounts falling due within one year | | | | | |
| Recoverable taxes | 406 | - | - | 406 | 446 |
| Accrued income from Member Governments and other agencies | 196 | 838 | 49 | 1,083 | 1,723 |
| Headstones | 540 | - | - | 540 | 633 |
| Restricted Grant income | - | - | 13 | 13 | 165 |
| Staff advances | 34 | - | - | 34 | 126 |
| Amounts owed by subsidiary undertakings | - | - | - | - | 52 |
| Other debtors and prepayments | 964 | - | - | 964 | 1,192 |
| Total debtors | 2,140 | 838 | 62 | 3,040 | 4,337 |

20 Creditors: amounts falling due within one year - Group

| | General purposes 2020 £'000 | Agency purposes 2020 £'000 | Restricted purposes 2020 £'000 | Total 2020 £'000 | Total 2019 £'000 |
|---|--------------------------------------|-------------------------------------|---|------------------------|------------------------|
| Member Government funding received in advance | 13,219 | 1,093 | 1,440 | 15,752 | 15,790 |
| Trade creditors | 1,498 | - | - | 1,498 | 2,510 |
| Trade accruals | 1,786 | - | - | 1,786 | 2,622 |
| Social security and other taxes | 894 | - | - | 894 | 1,402 |
| Holiday pay & other staff cost accruals | 3,821 | - | - | 3,821 | 3,463 |
| Other creditors | 1,141 | - | - | 1,141 | 86 |
| Total creditors | 22,359 | 1,093 | 1,440 | 24,892 | 25,873 |

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2020

20.1 Creditors: amounts falling due within one year - Commission

| | General purposes 2020 £'000 | Agency purposes 2020 £'000 | Restricted purposes 2020 £'000 | Total 2020 £'000 | Total 2019 £'000 |
|--|--------------------------------------|-------------------------------------|---|------------------------|------------------------|
| Member Government funding received in advance | 13,219 | 1,093 | 1,422 | 15,734 | 15,761 |
| Trade creditors | 1,495 | - | - | 1,495 | 2,505 |
| Trade accruals | 1,780 | - | - | 1,780 | 2,594 |
| Social security and other taxes | 893 | - | - | 893 | 1,402 |
| Holiday pay & other staff cost accruals | 3,821 | - | - | 3,821 | 3,463 |
| Other creditors | 1,140 | - | - | 1,140 | 82 |
| Total creditors | 22,348 | 1,093 | 1,422 | 24,863 | 25,807 |

£898k of the advance LIBOR funding for restricted purposes relates to funding associated with commitments forecast after more than one year (2019: £1,296k).

21 Provisions for liabilities and charges

Group and Commission

| | Restructuring provision £'000 | Provision for legal costs £'000 | Taxation & services £'000 | Termination indemnities £'000 | Retirement indemnities £'000s | Total £'000 |
|------------------------------|-------------------------------------|--|---------------------------------|-------------------------------------|-------------------------------------|----------------|
| At 1 April 2019 | 4 | 59 | 581 | 3,485 | 843 | 4,972 |
| Paid | - | (21) | - | (26) | (60) | (107) |
| Released/transferred | (4) | (8) | (194) | (410) | - | (616) |
| Exchange rate revaluation | - | - | 6 | 71 | - | 77 |
| Charged during the year | - | 195 | 57 | 185 | 31 | 468 |
| At 31 March 2020 | - | 225 | 450 | 3,305 | 814 | 4,794 |

£787k of the retirement indemnity relates to provisions for liabilities due after more than one year (2019: £820k).

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2020

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.

22 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.

A deficit payment of £400k (2019: £400k) was made by the Commission during the year.

The most recent full actuarial valuation was carried out for the Trustees of the Superannuation Fund as at 31 March 2017 and was used by the actuaries for the disclosure requirements of FRS102 as at 31 March 2019 and 31 March 2020.

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.

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

| | 2020 % | 2019 % |
|--|-----------|-----------|
| Discount rate | 2.30 | 2.35 |
| Rate of increase in salaries | n/a | n/a |
| Rate of increase in pensions | 2.00 | 2.45 |
| Expected long-term rate of return on scheme assets | 6.60 | 6.60 |
| Inflation – CPI assumption | 2.00 | 2.45 |
| Inflation – RPI assumption | 3.10 | 3.60 |

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

| | Male 2020 Years | Male 2019 years | Female 2020 Years | Female 2019 Years |
|---------------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| Current pensioner aged 65 | 21.7 | 22.6 | 22.7 | 24.6 |
| Future retiree upon reaching 65 | 23.6 | 23.7 | 24.8 | 25.8 |

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2020

The assets of the pension scheme are identifiable by category.

| | 2020 % | 2020 £'000 | 2019 % | 2019 £'000 |
|---|--------------|---------------|-----------|---------------|
| Cash at bank | 0.7 | 535 | 1.7 | 1,442 |
| L&G All World Equity Fund | 22.6 | 18,085 | 23.1 | 20,137 |
| LG Local Currency Government Bond Fund | 3.8 | 3,099 | 3.8 | 3,292 |
| L&G Emerging Market Equity Fund | 3.3 | 2,614 | 3.6 | 3,148 |
| Threadneedle Property Unit Fund | 7.5 | 6,058 | 7.3 | 6,342 |
| Schroder Life Diversified Growth Fund | 17.9 | 14,323 | 18.7 | 16,251 |
| Investec Diversified Growth Fund | 14.6 | 11,739 | 16.0 | 13,928 |
| UBS Phildrew Ventures 4 th Fund Exempt | 0.0 | 1 | 0.0 | 1 |
| Schroder LDI Portfolio | 29.6 | 23,734 | 25.8 | 22,448 |
| Fair value of pension scheme assets | 100.0 | 80,188 | 100.0 | 86,989 |

The amounts recognised in the consolidated balance sheet are as follows:

| | 2020 £'000 | 2019 £'000 |
|---|-----------------|-----------------|
| Present value of pension scheme liabilities | (105,881) | (119,374) |
| Fair value of pension scheme assets | 80,188 | 86,989 |
| Net pension deficit at 31 March | (25,693) | (32,385) |

The amounts recognised in the consolidated statement of financial activities for the year ended 31 March 2020 are as follows:

| | 2020 £'000 | 2019 £'000 |
|--|----------------|---------------|
| Included within expenditure | | |
| The amounts recognised in the financial statement | | |
| Service cost – including current service costs, settlements and curtailments plus annual funding | - | 238 |
| Net interest on the defined benefit liability | 756 | 615 |
| Total expense | 756 | 853 |
| Other recognised (gains)/losses: | | |
| Actuarial (gains)/losses on pension scheme liabilities | (11,624) | 7,929 |
| Return on assets, excluding interest income | 4,576 | 66 |
| Net actuarial (gain)/loss on defined benefit pension scheme | (7,048) | 7,995 |

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2020

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

| | 2020 £'000 | 2019 £'000 |
|------------------------------------|----------------|----------------|
| Opening defined benefit obligation | 119,374 | 112,215 |
| Interest cost | 2,750 | 2,865 |
| Benefits paid | (4,619) | (3,873) |
| Actuarial (gain)/loss | (11,624) | 7,929 |
| Past service cost | - | 238 |
| Closing defined benefit obligation | <u>105,881</u> | <u>119,374</u> |

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

| | 2020 £'000 | 2019 £'000 |
|-------------------------------------|---------------|---------------|
| Opening fair value of scheme assets | 86,989 | 88,278 |
| Interest income on scheme assets | 1,994 | 2,250 |
| Expected return | (4,576) | (66) |
| Employer contributions | 400 | 400 |
| Benefits paid | (4,619) | (3,873) |
| Closing fair value of scheme assets | <u>80,188</u> | <u>86,989</u> |

The history of experience gains and losses is as follows:

| | 2020 £'000 | 2019 £'000 |
|--|----------------|----------------|
| Experience adjustments on scheme liabilities | 11,624 | (7,929) |
| <i>As a percentage of scheme liabilities</i> | 11% | (6.64%) |
| Experience adjustments on scheme assets | (4,576) | (66) |
| <i>As a percentage of scheme assets</i> | <u>(5.71%)</u> | <u>(0.08%)</u> |

23 Commitments

23.1 Capital commitment

Capital commitments at 31 March 2020 amounted to £356k (2019 - £385k) and include the cost for completion of the: website upgrade, a new HR System, site upgrades, and plant and machinery and vehicles.

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2020

23.2 Leasing commitments

In 2019/20, 15 new vehicles were leased (2018/19 -16) and 3 new non-vehicle items (2018/19 – 15) were leased. At 31 March 2020, the Commission had commitments under non-cancellable operating leases as follows:

Group and Commission

| | 2020 £'000 | 2019 £'000 |
|----------------------------------|---------------|---------------|
| Within one year | | |
| Accommodation & office equipment | 217 | 193 |
| Vehicles | 628 | 1,296 |
| Between 2 and 5 years | | |
| Accommodation & office equipment | 230 | 297 |
| Vehicles | 768 | 1,260 |
| More than five years | | |
| Accommodation & office equipment | 53 | 56 |
| | <u>1,896</u> | <u>3,102</u> |

24 Retained funds

Group

| | 2020 £'000 | 2019 £'000 |
|---------------------------------|----------------|-----------------|
| Unrestricted fund (note 24.1 a) | (5,350) | (14,383) |
| Restricted funds (note 24.2 a) | 92 | 214 |
| | <u>(5,258)</u> | <u>(14,169)</u> |

Commission

| | 2020 £'000 | 2019 £'000 |
|---------------------------------|----------------|-----------------|
| Unrestricted fund (note 24.1 b) | (5,463) | (14,423) |
| Restricted funds (note 24.2 b) | 62 | 165 |
| | <u>(5,401)</u> | <u>(14,258)</u> |

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2020

24.1 Unrestricted funds

a) Group

| | Funds at 1 April 2019 £' 000 | Net movement in funds for year £' 000 | Funds at 31 March 2020 £' 000 |
|-----------------------------|---------------------------------------|---|--|
| General purposes | 7,160 | 3,324 | 10,484 |
| Agency purposes | 728 | (983) | (255) |
| Fixed asset reserve | 478 | - | 478 |
| Revaluation reserve | 6,036 | - | 6,036 |
| Pension reserve | (32,385) | 6,692 | (25,693) |
| Thiepval reserve | 2,000 | - | 2,000 |
| Structural projects reserve | 700 | - | 700 |
| Exchange reserve | 500 | - | 500 |
| Future Interns reserve | 400 | - | 400 |
| Total | (14,383) | 9,033 | (5,350) |

b) Commission

| | Funds at 1 April 2019 £' 000 | Net movement in funds for year £' 000 | Funds at 31 March 2020 £' 000 |
|-----------------------------|---------------------------------------|---|--|
| General purposes | 7,276 | 3,095 | 10,371 |
| Agency purposes | 728 | (983) | (255) |
| Fixed asset reserve | 478 | - | 478 |
| Revaluation reserve | 6,036 | - | 6,036 |
| Pension reserve | (32,385) | 6,692 | (25,693) |
| Thiepval reserve | 2,000 | - | 2,000 |
| Structural projects reserve | 700 | - | 700 |
| Exchange reserve | 500 | - | 500 |
| Future Interns reserve | 400 | - | 400 |
| Total | (14,267) | 8,804 | (5,463) |

A £2.7m designated structural projects reserve is in place to cover future conservation costs, including the anticipated costs of stage two of the Thiepval memorial renovation. Designated reserves have previously been created to fund future interns programmes and to mitigate currency volatility. The fixed asset reserve was not used in year due to the utilisation of the depreciation budget to fund capital expenditure costs in the period.

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Notes to the financial statements

for the year ended 31 March 2020

24.2 Restricted funds

a) Group

| | Funds at 1 April 2019 £' 000 | Net movement in funds for year £' 000 | Funds at 31 March 2020 £' 000 |
|----------------------------|---------------------------------------|---|---|
| Cash investments held for: | | | |
| The Special Purpose Fund | 9 | - | 9 |
| LIBOR & Interns funding | | 21 | 21 |
| Interns & Kantor programme | 49 | 13 | 62 |
| Total | 58 | 34 | 92 |

b) Commission

| | Funds at 1 April 2019 £' 000 | Net movement in funds for year £' 000 | Funds at 31 March 2020 £' 000 |
|----------------------------|---------------------------------------|---|---|
| Cash investments held for: | | | |
| LIBOR and Interns funding | - | 53 | 53 |
| The Special Purpose Fund | 9 | - | 9 |
| Total | 9 | 53 | 62 |

24.3 The Special Purpose Fund

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

LIBOR funded awards from the UK government totalling £3.3m received in prior years were granted to: renovate and tend approximately 6,000 non-world war graves; support an interns/youth-guides programme and to develop a visitor centre adjacent to the Commission's site in Arras. These funds are refundable if not expended on the projects for which they were granted.

COMMONWEALTH WAR GRAVES COMMISSION

Notes to the financial statements

for the year ended 31 March 2020

25 Related party transactions

The Commonwealth War Graves Foundation, registered at the Charity Commission on 8th March 2017, with the Commission as its sole member has completed its third year of operation. Material transactions with the Foundation comprised:

- A recharge by The Commonwealth War Graves Commission of salary, and other direct costs amounting to £17k (2019 £22k) during the year. £1.9k (2019 £4.5k) worth of books were donated to the Belgian Foundation branch for sale at the Ieper Information Centre. The Commonwealth War Graves Foundation owed the Commonwealth War Graves Commission £82k (2019 £52k) at the year-end. There was no balance on the loan account at 31 March 2020 (2019 £50k). The Commonwealth War Graves Commission owed the Commonwealth War Graves Foundation £42k (2019 £0k) for its contribution to the Noor Khan project.
- Back office support and services were provided by the Commission to the Foundation free of charge to support the Foundation whilst it continues to become established, valued at £22k.
- Volunteers' donated time is valued on EOHO at £53k, (2019 £22k) on the HLF bid at £5k (2019 £6k) on archives cleaning, £7k (2019 £2k) and £4k (2019 £3k) on Commission events.
- Funds received from the Imperial War Graves Endowment Fund, and the charges incurred by the Commissioners are disclosed in note 15 to the financial statements. The amount due from the Endowment Fund to the Commission at the year-end was £196k (£2019 - £462k).
- Lady Lucy French a trustee of the Commonwealth War Graves Foundation, is also a trustee of the "Never such Innocence" Charity which aims to give children and young people across the world a voice on war and conflict. The Commission paid Never such Innocence £0 during the year (£2019 -£2,500).
- Books, with a value of £382, published by Never such Innocence were sold by the CWGF during the year from the visitor centre in France.
- In the year, three trustees were standard members with a total value of donations received amounting to £90. In 2019, two trustees were gold members and two trustees were standard members with a total value of donations received amounting to £2,060.

26 Post Balance Sheet Events

There were no significant post balance sheet events.