

The Association of Commonwealth Universities

Annual report and financial statements

31 July 2012

Charity Registration No. 314137

The Association of Commonwealth Universities
Annual report and financial statements 2012

Contents	Page
Officers and professional advisers	1
Council's report	3
Independent auditors' report	13
Statement of financial activities	14
Balance sheet	15
Notes to the financial statements	16

The Association of Commonwealth Universities

Officers and professional advisers

Council members

Chair:	Professor Eon Nigel Harris (University of the West Indies) *
Vice-Chair:	Professor Madeleine Atkins*
Honorary Treasurer:	Professor James McWha (University of Adelaide, Australia) *
Other members:	Engineer Muhammad Asghar (National University of Science and Technology, Pakistan)
	Dr Pankaj Chande (Kavikulaguru Kalidas Sanskrit University, India)
	Professor Sir Peter Gregson (Queen's University Belfast, UK)
	Professor John C.Y. Leong (The Open University of Hong Kong)
	Professor L. V. Mazwi Tanga (Cape Peninsula University of Technology, South Africa)
	Professor Olive Mugenda (Kenyatta University, Kenya)
	Professor K. Nandasena (Rajarata University, Sri Lanka)
	Professor Ishaq O. Oloyede (University of Ilorin, Nigeria)
	Professor Dr Abdul Matin Patwari, (The University of Asia Pacific, Bangladesh)
	Professor Ihron Rensburg (University of Johannesburg, South Africa)
	Professor Stephen Toope (University of British Columbia, Canada)
	Professor Pat Walsh (Victoria University of Wellington, New Zealand)

Audit Committee members

Chair:	Professor Sir Peter Gregson (Queen's University, Belfast, UK)
Other members:	Mr Dick Coldwell, CBE (independent member) *
	Professor John C.Y. Leong (The Open University of Hong Kong)
	Mr Graeme Appleby (Finance Director, School of Oriental & African Studies, co-opted member)

Remuneration Committee members are indicated * above

The above lists are as at 9th October 2012.

The Association of Commonwealth Universities

Officers and professional advisers - continued

Secretary General

Professor John Wood CBE FREng

Principal place of business

Woburn House
20-24 Tavistock Square
London WC1H 9HF

Bankers

National Westminster Bank plc
PO Box 83
Tavistock House
Tavistock Square
London WC1H 9XA

Investment managers

Newton Investment Management Limited
160 Queen Victoria Street
London EC4V 4LA

Sarasin & Partners LLP
Juxon House
100 St Paul's Churchyard
London EC4M 8BU

Investment custodians

The Bank of New York – London branch
1 Canada Square
London E14 5AL

Auditors

Crowe Clark Whitehill LLP
St Bride's House
10 Salisbury Square
London EC4Y 8EH

The Association of Commonwealth Universities

Council's Report

Status

The Association of Commonwealth Universities (ACU) was founded in 1913, and is a now registered charity (number 314137 in England & Wales). It is controlled by its member institutions through an elected Council.

The ACU was granted its Royal Charter in 1963 and is currently governed by the Royal Charter, Bye-Laws and Regulations dated 17 June 1963 and last amended on 13 October 2010.

Current membership numbers are 540 in 37 countries and we are expanding to be fully representative of the range of public and private universities throughout the Commonwealth. Our universities share Commonwealth values, including freedom of expression, a common language and many similarities in organisation and management. The ACU forms an extensive network to facilitate internationalisation and for a sharing of problems, solutions and best practice across a variety of higher education environments.

Mission, objectives and activities

The ACU's mission is to promote and support excellence in higher education for the betterment of people and societies throughout the Commonwealth and beyond. We aim to strengthen the quality of education and research, so enabling our member institutions to realise their potential, through building long-term international collaborations within the higher education sector. This mission has driven the ACU's support for its members for nearly 100 years. It was established as a Bureau in January 1913, following a Congress organised in London in July 1912. That Congress accepted the need that, "universities, engaged in a common task, lack the means for a common and concerted effort, for the comparison of experience, and for the ready exchange of ideas." To remedy this, the proposed Bureau, "should be created by the universities themselves and remain under their exclusive control." The reasons for the Bureau's creation, and its governing principle of university ownership, remain in place now.

Along with sharing the values of the Commonwealth, the ACU believes in the transformational nature of higher education, and its power and potential to contribute to the cultural, economic, and social development of a nation.

Thus the ACU's overall objective is to improve the quality of higher education for millions of students across the Commonwealth.

Public benefit

In shaping our objectives for the year and planning our activities, the Trustees have considered the Charity Commission's guidance on public benefit. In very broad terms, the people of the Commonwealth (and other countries) benefit from the ACU's support for the extension and improvement of higher education through our member institutions and our administrative or research work. Our charitable objects for the public benefit (as expressed in our Royal Charter) and the activities which achieve them are as follows:

To collect and distribute information on matters of interest to the Universities of the Commonwealth

To arrange conferences and congresses and otherwise to facilitate communication and the interchange of information between Commonwealth Universities and between them and the Governments and other public bodies, learned institutions and societies of the Commonwealth and the Governments, Universities and corresponding bodies in foreign countries

The ACU's large international network allows members to share concerns, information and best practice and to benchmark themselves against the performance of others. Where members wish the ACU will speak on their behalf on matters of concern to higher education.

The *Bulletin* is published quarterly and distributed free to members. It contains news of forthcoming events, the activities of the ACU and other articles relevant to higher education in the Commonwealth.

The ACU administers scholarships, provides academic research and leadership on sector issues, and promotes inter-university cooperation and the sharing of good practice, helping universities serve their communities – now and into the future. From policy analysis focused on key matters for Presidents and Vice-Chancellors (*Insight*) to published reports (*Salary Survey* and *Good Partnership Guides*) the organisation keeps members informed and up to date.

The Association of Commonwealth Universities

Council's Report

The ACU has established six professional networks for staff within universities:

- human resource managers
- research managers
- librarians and information managers
- public relations, marketing & communications managers
- staff working in the sectors of careers and employability
- "reachout" managers

These networks organise conferences, exchange knowledge and publish newsletters and magazines. Details of the network activities can be found on the ACU website – www.acu.ac.uk.

The ACU regularly organises major international conferences for Executive Heads of its members and other professional groups in the higher education sector. A conference of Executive Heads was held in Hong Kong in April 2011 and one is planned in Kingston, Jamaica for November 2012, but no corresponding conference took place during 2011/12.

The ACU also arranges workshops and partnership activity, for example

- UCEA's International Conference *Managing the academic workforce: Global challenges & opportunities* took place in London on 3 & 4 July 2012, with ACU's support. The event brought together senior managers from higher education institutions in Australia, Canada, mainland Europe, UK and other parts of the Commonwealth with responsibility for negotiations and strategic decisions around the employment, development and remuneration of academic staff. For more details please see <http://www.ucea.ac.uk/en/seminars/managing-the-academic-workforce/>.
- two Publishers for Development Conferences organised jointly with INASP (International Network for the Availability of Scientific Publications), *Getting Research to Researchers in Developing Countries: The complex picture of availability, access and use* on 2 December 2011 in London and *Networks: The building blocks for sustainable development* on 19 June 2012 in Oxford, UK. The programme and presentations are available on the Publishers for Development website (www.pubs-for-dev.info/).
- The National Research Foundation of South Africa and the ACU hosted a two day seminar on 22 and 23 March 2012 in Pretoria, South Africa. The aim of this seminar was to facilitate discussion between funding bodies and institutions to enable them to share experiences and articulate their overlapping needs.
- *Measuring Impact of Higher Education Interventions for Development* - London International Development Centre in partnership with the ACU in London on 19 & 20 March 2012. The conference aimed to examine the current status of impact evaluation for higher education interventions and to identify research gaps and needs for the future.
- Integrated Marketing and Communications for Higher Education Providers workshops on *Building a World Class Institution through Effective Engagement and Reputation Management Strategies* held on 27 & 28 February 2012 in Singapore and 1 & 2 March 2012 in Hong Kong. Organised by Pacific Conferences and supported by the ACU.
- The ACU's first-ever Gender Conference – on the theme *Critical Women: Women as Agents of Change through Higher Education* – was held in Colombo, Sri Lanka, from 6 to 8 March 2012.
- The ACU's inaugural Members' Day 2012: *Towards a 'Glocal' Institution* was held on 6 July 2012 at Woburn House, London, UK. This free one day seminar furthered the debate on the precarious relationship between globalising and localising institutions – further details are at www.acu.ac.uk/conferences/membersday_UK/.

The ACU runs a Research Management Benchmarking programme for those universities who wish to share experiences and good practice in this area. Participation is not restricted to ACU members, and both members and non-members pay a subscription fee to take part. Each benchmarking project runs over two years (the first ran from 2004 - 2006, and the second from

The Association of Commonwealth Universities

Council's Report

2010-2012) and results in a report, which will outline findings and recommendations for good practice that will be relevant to the wider membership.

In delivering all these services and activities, the ACU enables those in positions of academic and management authority in member institutions and beyond, to extend and improve the higher education available to the general public, primarily in Commonwealth countries.

To facilitate the interchange of students and teachers between Commonwealth Universities and between them and the Universities of foreign countries

The ACU actively encourages student mobility by administering prestigious scholarship schemes, including those of the Commonwealth Scholarship Commission in the UK, the Marshall Aid Commemoration Commission and the Commonwealth Universities Study Abroad Consortium. During 2011/12 the ACU bid for and won a similar three year contract to administer the Chevening Scholarship scheme for the UK Government's Foreign & Commonwealth Office, starting in April 2012. This administration contract has required a significant expansion of the ACU's activities, employing more staff and deploying spare office space.

The ACU has accumulated a substantial endowment fund, the income of which is used to provide grants to individual employees or nominees of member institutions to support international mobility for conference attendance, collaborative work, research or other professional and institutional development. The majority of grants made provide opportunities for those who could not otherwise afford them.

In designing and / or administering the selection processes for all these awards, the ACU is careful to avoid bias or discrimination against minority groups, ensuring that all segments of the public have equal access to the benefits they bring.

The ACU also administers a number of schemes, funds and entities which have links with higher education, including the Staff and Educational Development Association, the Heads of Educational Development Group, and the International Consortium for Educational Development.

A recent development in this area is the administration of the Commonwealth Scholarship & Fellowship Plan (CSFP) Anniversary Endowment. This fund was established to mark the CSFP's 50th Anniversary. The fund is to support a new strand of Commonwealth Scholarships hosted by developing Commonwealth countries.

The ACU has a substantial role in encouraging the contribution of higher education in development. We are partners, with DfID and the British Council, in DeLPHE which encourages research and teaching links between North and South universities.

These activities bring to the public of the relevant countries opportunities to further their experience of higher education, thus enriching their own lives and also benefitting the countries and communities from which they come.

To print, publish and circulate handbooks, periodicals, circulars, leaflets and other publications with a view to making known and to furnishing and disseminating information about and encouraging interest in the objects, work and activities of the Association in any part of the world, and generally in connection with the carrying out of its objectives

In a world where there are an increasing number of bogus "universities", membership of the ACU provides an opportunity for *bona fide* institutions, approved by their governments to offer a range of higher education qualifications, to promote themselves and advertise teaching and research opportunities.

Members can promote their opportunities for national and international student study through the Coursefinder. This service enables potential students to identify opportunities which best suit their needs.

Global networking becomes ever more important in teaching, research and outreach. The ACU has a unique database of contacts to facilitate this.

Member institutions are entered into our database. All senior staff (senior lecturer and above) may be entered into the database, including their subject specialism, qualifications and where these were awarded. The database contains 262,000 entries of senior members of university staff and 95,000 telephone and fax numbers, email and web addresses, and is searchable online (CUDOS). This facilitates the location of potential collaborators in senior positions throughout the Commonwealth.

The Association of Commonwealth Universities

Council's Report

Every year an international university management benchmarking exercise is organised. The Benchmarking Programme offers a unique and cost-effective opportunity for participating universities to compare their key management processes with those in a range of other universities. This helps to identify areas for change, assists in setting targets for improvement and identifying techniques for managing change.

This Programme focuses on the effectiveness of university-wide processes and policies rather than narrow departmental functions. It enables members to learn from each other's experience of difficulty and successes, across international boundaries. Its mode of operation has been designed by university people solely for use in universities, and has been refined, year on year, in the light of experience. In August 2012 the annual exercise attracted 10 participant universities and the workshop was held at Bloemfontein, South Africa, covering three topics – financial management, managing league tables & rankings and managing graduate outcomes.

Our job advertising service enabled members to advertise their faculty vacancies to as wide an international audience as possible, often at a discounted rate. However, the volume of this activity has declined dramatically in recent years so the ACU closed its own service in July 2012 and negotiated a contract with jobs.ac.uk to provide services to its members at advantageous rates.

The ACU also provides a low cost journals scheme for our members in developing countries which enables them to purchase academic journals at deeply discounted rates.

Thus the ACU's activities again enable member institutions to promote, extend and improve the higher education that they provide to the public, both within their own countries and internationally.

To co-operate with other associations having similar objects with a view to the promotion of the objects of the Association

The ACU's Secretary General and Director of Professional Networks contributed to preparing for the third World Innovation Summit for Education (WISE), held in Doha, Qatar in November 2011. Its subject was *Changing Societies, Changing Education*, with three sub-themes – how innovation and change happen in different sectors, innovation in the education sector and new visions and new thinking about how education and lifelong learning systems may better meet the needs of changing societies. They have again contributed to preparations for the fourth Summit, to be held in Doha in November 2012.

The ACU operates, often as a partner, in many externally funded research projects including:

- CAAST-Net, Network for the Coordination and Advancement of sub-Saharan Africa-EU Science & Technology Cooperation (funded by the European Commission and the UK government).
- Strengthening research management capacity in selected African universities (funded by the Carnegie Corporation).
- Two landscape studies in the Partnership for African Social and Governance Research - surveys of grants, scholarships, training & fellowships and of graduate teaching provision in the social sciences, governance & public policy – funded by DfID through the British Council.
- Research & Innovation Management Improvement for Africa and the Caribbean, a grant from the European Commission.
- Development of Research Utilisation in Sub-Saharan Africa, funded the DfID. The ACU & two South African partners, Organisation Systems Design and the Centre for Research on Evaluation, Science & Technology at the University of Stellenbosch are engaged on a four year project.
- DocLinks – Increasing Understanding and Establishing Better Links Between African and European Doctoral Candidates funded by the European Commission. A project implemented in cooperation with six partners to conduct needs analysis, organise summer schools and develop a website and online network for PhD students.

The ACU actively seeks funding for further research opportunities across all its memberships regions.

The ACU is an advocate for members and higher education generally by maintaining close working relationships with other Commonwealth and international organisations including the Commonwealth Secretariat, the Commonwealth of Learning, UNESCO, World Bank, and national governments and international fora.

Thus the ACU provides research activity which strengthens understanding of how to improve issues which can currently separate higher education in developing and developed countries. This greater understanding can lead to public benefit through more just and equitable societies.

The Association of Commonwealth Universities

Council's Report

Governance and Management

Nominations to the Council are made by Executive Heads of member institutions in 4 constituencies representing all regions of the Commonwealth. There are up to 23 Council Members consisting of 20 Elected Council Members, up to 2 co-opted Council Members and, if the Honorary Treasurer is co-opted rather than elected, the Honorary Treasurer. The Council may co-opt a maximum of two co-opted Council Members if it concludes this is desirable to ensure balanced geographical and gender representation of the Council and one additional co-opted Council Member if the Honorary Treasurer is not appointed from the Elected Council Members.

Council members are the Trustees of the ACU under UK charity law. The Council meets each year – most recently in Hong Kong in April 2011. The officers and committees of the ACU report to the Council. The Council is responsible for approving new members, electing the ACU's office bearers, appointing members of the Executive Committee (other than filling casual vacancies), amending the Charter and Statutes, making and amending Bye-Laws, setting policy and strategic direction, and overseeing their implementation. Between Council meetings the other powers of Council are delegated to its Executive Committee.

The ACU's committees are the Executive Committee, the Audit & Risk Committee and the Remuneration Committee.

The Executive Committee is elected annually by the Council. It met once in 2011/12. The Executive Committee is made up of the Chair, the Vice Chair, the Honorary Treasurer, and two other Members of Council. In addition there is one co-opted Member of Council on the Committee.

The Audit & Risk Committee was formed by the Executive Committee in September 2006. It met once in 2011/12. This Committee is chaired by Professor Sir Peter Gregson. It consists of four members (including at least one independent member).

Day to day management

Professor John Wood is the ACU's Secretary General.

Council members

The current Council members are detailed on page 1.

Financial report

The Statement of Financial Activities (SOFA) for the year is set out on page 14 of the financial statements. A summary of the activities and the financial results is given below.

Unrestricted Funds

The results for the year show net incoming resources before transfers of £233k compared with the previous year's net incoming resources of £289k.

Unrestricted Fund income of £3,710k was £556k (18%) above the level of the previous year, £3,154k. The major factors relating to this increase were:

- Membership income of the ACU increased very slightly to £991k from £987k.
- External administration fees increased £773k, mostly due to the new Chevening contract (£659k), with Commonwealth Scholarship activities also increasing to £1,260k by £91k from £1,169k.
- Conference, benchmark and Network clubs income fell to £107k from £229k, as the human resources and public relations networks hold conferences every second year, and 2011/12 was the year without their conferences.
- Recruitment services run by the ACU to help member institutions fill their staff vacancies saw a further decline in income to £108k from £165k. This reflects difficult market conditions and the ACU has now closed its own service, having secured advantageous rates for members with jobs.ac.uk.

The Association of Commonwealth Universities

Council's Report

- Other income fell from £73k to £52k as office space that the ACU had rented out remained vacant until January 2012, and other space that had generated rental income was switched to accommodate staff for the Chevening contract.
- Investment income decreased to £180k from £205k, reflecting a slight change in the timing of income distribution.

Total resources expended were £3,477k, an increase of £612k (21%) from £2,865k in 2010/11.

Tight cost control continued to be applied to maintain the ACU's financial position. Staff costs increased to £2,014k from £1,829k or 10%. The cost of staff employed on the Chevening contract was £187k. Savings made through planned staff reductions and staff resignations in IT and recruitment advertising amount to £185k. Significant developments approved by ACU's Council involved recruitment of three new directors – Member Engagement, New Business and Centenary Development – and a post to improve electronic communications with members. The cost of these in 2011/12 was only £60k as recruitment was only completed towards the end of the year. Development of the evaluation service for Commonwealth Scholarships also increased staff costs by £25k, and the DRUSSA grant increased staff costs by £20k. Inflation and salary ragradings / scale increases account for a further £70k increase in costs.

Chevening non-staff costs were £243k, for start up investment (most of which was reimbursed by the FCO) and the first months of direct expenditure.

Recruitment services non-staff costs decreased to £149k from £177k in 2010/11 due to reduced activity and reduced bad debt provision.

Non-staff costs increased by £104k for IT outsourced support on systems investment, £40k for depreciation on the IT investment, £22k exchange loss and £9k for irrecoverable VAT (UK purchase tax) and £19k for investment management fees (due to the sale of the ACU's investment property).

The net movement in Unrestricted Funds includes £32k loss on investment assets (2010/11 £175k gain), reflecting a small decrease in the ACU's investment portfolio.

Restricted Funds

The range of Restricted Funds administered by the ACU is shown under notes 14 and 15 which give a brief description of the purpose of each fund together with an analysis where applicable of the value and number of grants and fellowships awarded.

There are five restricted funds in deficit at the balance sheet date. The Canada Memorial Foundation Fund will receive future income to exceed expenditure. Information Resource in Research, DOC Links and Research & Innovation Management Improvement are funded by the European Commission and at 31 July 2012 all awaited income instalments. DRUSSA is funded by DfID (UK government) which reimburses expenditure quarterly.

Endowment Funds

The Permanent & Expendable Endowment Funds generated £304k of investment income during the year, which was all credited to the relevant Restricted Funds. £143k funded ACU Development Fellowships, £22k funded Annenberg Scholarships, £29k funded Marshall Sheffield Scholarships, £4k funded Boyle Medical Electives and £102k funded the CSFP Anniversary Scholarships. The value of the Permanent Endowments stood at £9,309k at 31 July 2012, an increase of £3,795k on the year. This comprises £3,741k donations plus £54k gain on investments.

The CSFP Anniversary Fund supports a new strand of Commonwealth Scholarships hosted by developing Commonwealth countries. It is a permanent endowment and was valued at £5,523k at the year end. It received £3,741k donations - £3,078k from the Canadian government and £648k from the Australian government and £15k from the Brunei government.

The Annenberg Endowment funds Marshall scholarships, its income being transferred to the Marshall Aid Commemoration Commission. It is a permanent endowment, and was valued at £431k at the year end.

The Expendable Endowment funds Marshall Sheffield post-doctoral fellowships for US students. Funds are drawn down from the Endowment as required, up to a maximum of 5% of the original

The Association of Commonwealth Universities

Council's Report

investment per year and are supplemented by grants from the Marshall Sherfield Fellowship Foundation in the US. The Expendable Endowment was valued at £585k at the year end.

Summary

During a period of continued worldwide economic turbulence, ACU income has held up well. Membership numbers have grown, and membership subscription income has increased by £4k as the membership profile changes. Administration income increased to £773k (52%) through winning the Chevening Scholarship administration contract and expanding Commonwealth Scholarship activity. Costs have been well managed while growing these activities and developing member services and new business, so that the ACU managed £233k surplus of income over expenditure on its Unrestricted Funds, down £56k on £289k the previous year. ACU Unrestricted Funds suffered a £32k loss in value of investments, resulting in an increase in Unrestricted Funds to £5.4m.

Reserves of the Association

The Reserves Policy of the ACU provides a framework which enables the Trustees to make a realistic assessment of the value of Free Reserves (that is those Unrestricted Funds not tied up in fixed assets) which are required to be held in response to identified needs and the ACU's circumstances.

The criteria for holding Free Reserves include:

- an assessment of any pension liabilities;
- enabling future financial commitments to be met;
- allowing the ACU to continue to develop its services to members;
- a short-term source of finance for major projects;
- a degree of protection against short-term shortfalls in future income; and
- a contingency based upon the ACU's risk assessment model.

The ACU's pension schemes are multi-employer, and it is not possible to identify the ACU's share of their underlying assets and liabilities. However, the ACU's reserves policy should take some account of the almost universal underfunding of pension schemes, which would be explicitly included in its accounts if its pension arrangements were not multi-employer. Together with the other criteria above, the Trustees have forecast that the level of Free Reserves (ie, the General Fund less the net book value of tangible fixed assets) the ACU will require under the policy is in the range of £5.5 million to £7.5 million. The actual Free Reserves at 31 July 2012 were £5.4 million, just below this range. Given ACU's financial forecasts, the Trustees are satisfied that this is being addressed.

Investments of the Association

Investment Objectives

The Association now has five investment portfolios. The Unrestricted Reserves of the Association include the ACU Main investment fund, which has an equity portfolio (£3.9m at 31 July) and term deposits (£1.0m).

The Endowment Funds are split into the ACU Endowment, the CSFP Anniversary Endowment, the Annenberg Endowment (all three are permanent endowments) and the Marshall Sherfield (Expendable) Endowment, which are invested into separate investment funds. The first yields an income to fund ACU Development Fellowships and the Edward Boyle medical electives, while the others yield income to fund specific scholarships related to the CSFP and Marshall Aid Commemoration Commission's scholarships.

All the investment funds are managed by Sarasin & Partners LLP, except the CSFP Anniversary Fund which is managed by Newton Investment Management Ltd. Most of the funds are invested in Common Investment Funds (Sarasin's Alpha Common Investment Fund for Endowments or Newton's Global Growth & Income Common Investment Fund for Charities).

The investment objective of the Association's portfolios is to seek long term real growth without taking undue risks, consistent with a reasonable level of income.

Benchmark

The Association of Commonwealth Universities

Council's Report

Performance (in terms of total return) of the Newton CIF is benchmarked against a composite comprising:

	%	Range %	Benchmark Index Comparator
Fixed Interest	20.0	15-40	FTSE Government All-Stocks Index
UK Equities	50.0	30-60	FTSE All Share Index
Overseas Equities	25.0	15-40	FTSE World (ex UK) £ index
Other / Cash	5.0	0-10	UK 7 day LIBID

Performance (in terms of total return) of the Sarasin CIF (Main and Endowment Funds) is benchmarked against a composite comprising:

	%	Range %	Benchmark Index Comparator
Overseas Property	3.5	0-7.5	EPRA/NAREIT (GBP) (Global)
UK Equities	30.0	20-50	FTSE All Share 5% Capped Index
UK Bonds	12.5	10-20	FTSE Gilts All Stocks
UK Property	4.0	0-7.5	IPD Monthly
Global Bonds	5.0	0-10	JP Morgan World Bonds ex-UK
Global Equities (hedged)	20.0	10-30	MSCI World ex UK (Local Currency - £)
Global Equities	20.0	10-30	MSCI World ex-UK
Cash	5.0	0-10	UK cash LIBOR 1 month

Performance (in terms of total return) of the other Sarasin portfolios (Annenberg and Marshall Sherfield Funds) is benchmarked against a composite comprising:

	%	Range %	Benchmark Index Comparator
Overseas Property	1.0	0-7.5	EPRA/NAREIT (GBP) (Global)
UK Equities	10.0	20-50	FTSE All Share Index
UK Property	3.0	0-7.5	IPD Monthly
Bonds	30.0	10-40	Merrill Lynch Sterling Broad Market Index
Global Equities (hedged)	25.0	15-35	MSCI All Countries World (Local Currency - £)
Global Equities	25.0	15-35	MSCI All Countries World
Cash & Alternatives	6.0	0-15	UK cash LIBOR 1 month

Investment performance for the year ended 31 July 2012

Fund	Value at 31 July 2012 £'000	Actual Performance %	Benchmark %
ACU Main fund	3,948	1.7	4.5
Endowment fund	3,353	1.7	4.5
CSFP Anniversary endowment	5,911	5.0	4.1
Annenberg endowment	431	5.6	5.5
Marshall Sherfield expendable endowment	585	5.6	5.5

It should be noted also that the estimated return from the average charity (WM Charity Survey) was +0.8% for the 12 months to 31 July 2012.

Risk Management

The Trustees have responsibility for risk management. Risks are identified by the Senior Management Team and reviewed, assessed and appropriate action incorporated as part of the annual budget and planning process. Thus risk is an integral part of the budget and plan reviewed and approved by the Trustees.

A series of systems operate to identify and mitigate risk. These systems include:

- regulation by the Charity Commission
- annual external audit

The Association of Commonwealth Universities

Council's Report

- annual external audit for parts of its activities - Marshall Aid Commemoration Commission (by the National Audit Office) and the Staff & Educational Development Association
- periodic audit for its European Commission and other grants
- Audit & Risk Committee review
- financial procedures
- strategic plan and annual budget (including risk assessment) process
- procedures or guidelines for operating its major external contracts
- handbook for staff detailing practices, policies and procedures
- a low risk environment in terms of health and safety, which is a standing item on SMT and Staff Committee agendas and is subject to annual inspection by an external expert.
- comprehensive insurance cover (Business Interruption, Employer's Liability, Public Liability, Professional Liability and Personal Accident & Business Travel)

The Future

The drive to increase membership income and grow external administration, along with very tight cost control, is showing signs of success, and will continue. Management, with the approval of Council, has produced a budget for the year ending 31 July 2013. These plans include investment in staff to deliver new services to members and better direct the ACU's portfolio of programmes and projects (mostly externally funded), and a full programme of scholarship administration.

The Association of Commonwealth Universities

Council's Report

Statement of Trustees' Responsibilities

The Trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations.

Charity law requires the trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law.

Under charity law the trustees 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 charity and of its net incoming resources for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue to operate.

The trustees are responsible for keeping proper accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charities (Accounts and Reports) Regulations 2008 and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Trustees' Confirmatory Statement

The Trustees confirm that these Accounts comply with current statutory requirements, the requirements of the ACU's governing document and the requirements of the Statement of Recommended Practice- Accounting and Reporting by Charities.

These Annual Report and Accounts were approved by the Council and are signed on their behalf by



E. N Harris
Chair of the Council

8 November 2012

Independent Auditors' Report to the Trustees of the Association of Commonwealth Universities

We have audited the financial statements of the Association of Commonwealth Universities for the year ended 31 July 2012 set out on pages 14 to 32.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees, as a body, in accordance with section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees 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 charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 July 2012 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Trustees Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Crowe Clark Whitehill LLP

Crowe Clark Whitehill LLP

Statutory Auditor

London

7 January 2013

The Association of Commonwealth Universities

Statement of Financial Activities For the year ended 31 July 2012

	Unrestricted funds 2012 £'000	Restricted funds 2012 £'000	Endowment funds 2012 £'000	Total 2012 £'000	Total 2011 £'000
Incoming resources					
<i>Incoming resources from generated funds</i>					
Membership income	991	-	-	991	987
Investment income / interest (note 5)	180	304	-	484	488
Other income (note 4)	52	-	-	52	73
Total incoming resources from generated funds	1,223	304	-	1,527	1,548
<i>Incoming resources from charitable activities</i>					
Grants (note 2)	3	527	3,741	4,271	565
External administration fees (note 3)	2,256	-	-	2,256	1,483
Recruitment services	108	-	-	108	165
Consultancy fees	13	-	-	13	2
Conferences, Benchmark & Network clubs	107	-	-	107	229
Total incoming resources from charitable activities	2,487	527	3,741	6,755	2,444
Total incoming resources	3,710	831	3,741	8,282	3,992
Resources expended					
<i>Costs of generating funds</i>					
Membership communication	1,182	-	-	1,182	1,076
Investment management costs	40	42	-	82	45
Total costs of generating income	1,222	42	-	1,264	1,121
<i>Charitable activities</i>					
Scholarships, grants and awards	-	233	-	233	196
External and fund administration	1,829	19	-	1,848	1,277
Recruitment services	206	-	-	206	264
Conferences, Benchmark, Networks	111	-	-	111	123
Research Grants	-	618	-	618	493
Total charitable activities	2,146	870	-	3,016	2,353
Governance costs (note 7)	109	-	-	109	135
Total resources expended (note 6)	3,477	912	-	4,389	3,609
Net incoming resources before other recognised gains and losses (note 8)	233	(81)	3,741	3,893	383
Gains/(losses) on investment assets	(32)	-	59	27	503
Net movement in funds	201	(81)	3,800	3,920	886
Funds brought forward	5,219	901	6,094	12,214	11,328
Funds carried forward	5,420	820	9,894	16,134	12,214

Continuing operations

None of the activities were acquired or discontinued during the above two financial years.

Statement of total recognised gains and losses


Other than the operating surplus for the year, there were no recognised gains or losses in the year. The notes on pages 15 to 30 form part of these financial statements.

The Association of Commonwealth Universities

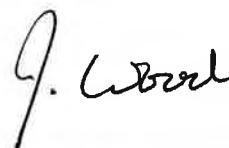
Balance Sheet 31 July 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	9	98	2
Investments	10	15,233	10,944
		<u>15,331</u>	<u>10,946</u>
Current assets			
Debtors	11	693	358
Cash at bank and in hand		842	1,785
		<u>1,535</u>	<u>2,143</u>
Creditors: amounts falling due within one year	12	(732)	(875)
Net current assets		<u>803</u>	<u>1,268</u>
Net assets		<u>16,134</u>	<u>12,214</u>
Funds			
Unrestricted funds: General		5,420	5,219
Restricted funds	14	820	901
Endowment funds	13	9,894	6,094
Total funds	17	<u>16,134</u>	<u>12,214</u>

These financial statements were approved and authorised for issue by the Council on 8 November 2012 and signed on their behalf by:



E N Harris
Chair of the Council



J Wood
Secretary General

The notes on pages 16 to 32 form part of these financial statements.

The Association of Commonwealth Universities

Notes to the financial statements Year ended 31 July 2012

1. Accounting policies

The accounting policies remain unchanged from the previous year.

(a) Accounting convention

The financial statements are prepared under the historical cost convention as modified by the inclusion of investments at market value and in accordance with applicable accounting standards. In preparing the financial statements the ACU follows best practice as set out in the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP) issued in March 2005, and the requirements of the Charities Act 2011.

(b) Incoming resources

All incoming revenues are included in the SOFA when the ACU is legally entitled to the income and the amount can be measured with reasonable certainty. Income is deferred only when the ACU has to fulfil conditions before becoming entitled to it or where the donor has specified that the income is to be expended in a future period.

(c) Resources expended and basis of allocation of costs

All expenditure has been accounted for on an accruals basis and has been classified under headings which are consistent with the activities of the ACU. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of the resource. Central overheads such as Facilities, Finance and IT have been allocated on usage or space occupied basis. Irrecoverable VAT is charged to the relevant grant or project, or to central overheads if not an eligible cost for a grant.

(d) Membership communication costs

These are the costs incurred by the secretariat in providing support and communication to the ACU's members. The costs of providing commentaries to members are included under this heading.

(e) Grants payable

The ACU makes grants to member institutions or individuals connected with member institutions to facilitate interchange of practices across normal boundaries. These are accounted for in full when the ACU commits to the grant, although very often they are subject to progress review.

(f) Governance costs

These represent costs incurred by the Secretary General's office, finance and other "directorate" departments which are attributable to the management of the ACU's assets, organisational administration and compliance with constitutional and statutory requirements.

(g) Capitalisation and depreciation of tangible assets

All assets costing more than £2,000 are capitalised. Depreciation is provided on all tangible fixed assets at rates calculated to write-off the cost on a straight line basis over their expected useful lives as follows:

Leasehold property	- Over the life of the lease.
Computer equipment	- 3 years
Office equipment	- 3 years
Furniture and fixtures	- 5 years

(h) Investments

Investment assets are valued at market value at the balance sheet date.

Gains on investment assets are the net of realised gains and losses and unrealised gains and losses. Realised gains and losses on investments are arrived at by comparing the net sale proceeds with the market value at the end of the previous financial year or cost if acquired in the year; unrealised gains and losses represent the difference between the market value of investments still held at the end of the financial year with their value at the beginning of the year or with their cost if purchased subsequently.

Investment income from cash at bank (including short-term money market deposits) is accrued at the year end. Income generated from investments and cash held by Fund Managers is credited to income as received.

The Association of Commonwealth Universities

Notes to the financial statements Year ended 31 July 2012

1. Accounting policies (continued)

(i) Fund accounting

Funds held by the ACU:

General Funds are unrestricted funds comprising accumulated surpluses and deficits after transfer to or from designated funds.

Designated Funds are unrestricted funds set aside out of general funds and designated for specific purposes by the Trustees.

Restricted Funds are funds which are subject to donor-imposed conditions as to their use.

The Permanent Endowment Funds generate income which is transferred to the ACU Development Fellowship Fund, the Edward Boyle (Medical Electives) Fund, the CSFP Anniversray Fund and the Annenberg Foundation Scholarship Fund, which are Restricted Funds. The capital of these funds must be retained.

The Expendable Endowment Fund generates total returns which fund the Marshall Sherfield postdoctoral fellowships. The capital of this fund will be retained until the Trustees choose to spend the capital. There is currently no such intention.

(j) Operating leases

The rents payable under operating leases, where substantially all the benefits and risk of ownership remain with the lessor, are charged to the SOFA as incurred. Where there are rent free periods the cost is spread over the period to the first rent review.

(k) Pension schemes

The ACU participates both in the Universities Superannuation Scheme (USS) and the Superannuation Arrangements of the University of London (SAUL). Both of the above schemes are centralised defined benefit schemes and both are contracted out of the Second State Pension (S2P). The assets of the schemes are held in separate trustee-administered funds. The ACU is unable to identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

Both schemes are "last man standing" schemes so that in the event of the insolvency of any of their participating employers, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across their remaining participant employers and reflected in the next actuarial valuation of the scheme. (See note 19 for more details.)

(l) Foreign currencies

Transactions are translated on the date of transaction and balances on the year end date with any gain or loss taken to finance support costs.

The Association of Commonwealth Universities

Notes to the financial statements Year ended 31 July 2012

2. Grants and donations received

	2012 £'000	2011 £'000
Grants from UK Government		
Department of Business Innovation & Skills – CAAST Net support	86	107
Department for International Development – DRUSSA	149	
	<u>235</u>	<u>107</u>
Grants from other Agencies		
European Commission – CAAST Net	128	170
European Commission – Euro Africa ICT	20	6
European Commission – Research & Innovation Management Improvement	65	23
European Commission – PAERIP	12	-
European Commission – DOC Links	25	-
Commonwealth Secretariat	-	17
British Council	-	36
Commonwealth Youth Programme, Zambia	-	6
Australian Agency for International Development (AUSAid)	-	27
Global Health Consulting	4	-
	<u>254</u>	<u>285</u>
Grants from charitable foundations		
British Academy	4	10
Canada Memorial Foundation	23	32
Marshall Sherfield Fellowship Foundation	10	10
Carnegie Corporation	-	69
	<u>37</u>	<u>121</u>
Donations		
Government of Seychelles	-	10
Government of Barbados	-	25
Government of Canada	3,078	-
Australian Agency for International Development (AUSAid)	648	-
Brunei Darussalam High Commission	15	-
Individuals & Organisations	4	17
	<u>3,745</u>	<u>52</u>
	<u>4,271</u>	<u>565</u>

The Association of Commonwealth Universities

Notes to the financial statements Year ended 31 July 2012

3. External administration fees

	2012 £'000	2011 £'000
Commonwealth Scholarship award schemes	1,048	1,001
Marshall Scholarship scheme	166	170
Staff & Educational Development Association	103	89
CSFP Alumni	85	56
CSFP Evaluation	127	112
Chevening Scholarships	659	-
Other schemes	68	55
	<u>2,256</u>	<u>1,483</u>

4. Other income

	2012 £'000	2011 £'000
Unrestricted		
Hire of accommodation	52	72
Hardcopy and on-line publication sales	-	1
	<u>52</u>	<u>73</u>
Total	<u>52</u>	<u>73</u>

5. Investment income and interest

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2012 £'000	Total 2011 £'000
Income: managed investments	166	304	470	450
Interest: cash deposits	9	-	9	9
Investment property rent income	5	-	5	29
	<u>180</u>	<u>304</u>	<u>484</u>	<u>488</u>

The Association of Commonwealth Universities

Notes to the financial statements Year ended 31 July 2012

6. Analysis of total resources expended

	Staff costs £'000	Consultancy costs £'000	Office and facility costs £'000	Other costs £'000	Total £'000	2011 £'000
Costs of generating funds:						
Membership communication	620	80	371	111	1,182	1,076
Investment management costs	-	-	-	82	82	45
Charitable activities:						
Scholarships, grants and awards	-	-	-	233	233	196
External and fund administration	1,285	91	472	-	1,848	1,277
Recruitment services	57	7	32	110	206	264
Conferences, Benchmark & Network clubs	-	63	-	48	111	123
Research Grants	280	10	328	-	618	493
Governance costs (note 7)	56	8	29	16	109	135
	<u>2,298</u>	<u>259</u>	<u>1,232</u>	<u>600</u>	<u>4,389</u>	<u>3,609</u>

Support costs

Where appropriate the expenditure, including staff costs, has been allocated to one of the above activity cost categories. The support costs of finance, human resources, information technology and facilities, which could not be so allocated, have instead been allocated on the basis of floor area occupied by an activity. The analysis and allocation of support costs is as follows:

	Finance and human resources £'000	Information technology £'000	Facilities £'000
Costs of generating funds:			
Membership communication	23	32	106
Charitable activities:			
External administration	64	91	255
Recruitment services	6	9	26
Governance costs	7	10	46
	<u>100</u>	<u>142</u>	<u>433</u>

7. Governance costs

	2012 £'000	2011 £'000
Staff costs	56	84
Office & facility costs	29	29
Consultancy	8	2
Council Meeting & Annual Report	2	3
Audit compliance	14	15
Other	-	2
	<u>109</u>	<u>135</u>

The Association of Commonwealth Universities

Notes to the financial statements Year ended 31 July 2012

8. Net incoming resources for the year

Net incoming resources for the year are stated after charging:

	2012 £'000	2011 £'000
(a) Auditors' remuneration		
Audit fees	14	12
Other non-audit work (VAT advice & EC grant audit)	6	-
	<u>20</u>	<u>12</u>

(b) Staff costs:

The average monthly number of persons employed by the ACU (calculated on a full-time equivalent basis) during 2012 was as follows:

	2012
Membership communication	8
External and fund administration	23
Recruitment services	1
Conferences, Benchmark & Network clubs	4
Research Grants	7
Administration	3
Total	46
Total (2011)	45

	2012 £'000	2011 £'000
Wages and salaries	1,819	1,702
Social security costs	160	146
Pension costs	215	212
Temporary staff	82	18
Recruitment	4	-
Training and welfare	18	13
	<u>2,298</u>	<u>2,091</u>

The number of employees whose total emoluments (not including retirement benefits) amounted to over £60,000 was:

	2012 Number	2011 Number
£70,001 to £80,000	-	1
£80,001 to £90,000	2	1
£90,001 to £100,000	-	-
£100,001 to £110,000	-	1
£120,001 to £130,000	1	-
	<u>3</u>	<u>2</u>

Two of the above higher paid employees were accruing benefit during the year in respect of membership of a defined benefit pension scheme.

(c) Trustee remuneration and expenses:

No Trustee received any remuneration in the year (2011: £nil). One Trustee was reimbursed £146 for travel expenses incurred during the year (2011: nil).

The Association of Commonwealth Universities

Notes to the financial statements Year ended 31 July 2012

9. Tangible fixed assets

	Computer equipment £'000	Office equipment £'000	Furniture & fixtures £'000	Total £'000
Cost				
At 1 August 2011	49	15	15	79
Additions	137	-	-	137
Disposals	(37)	(13)	-	(50)
At 31 July 2012	149	2	15	166
Depreciation				
At 1 August 2011	48	15	15	78
Charge for year	40	-	-	40
Disposals	(37)	(13)	-	(50)
At 31 July 2012	51	2	15	68
Net book value				
At 31 July 2012	98	-	-	98
At 31 July 2011	2	-	-	2

The Association of Commonwealth Universities

Notes to the financial statements Year ended 31 July 2012

10. Investments

(a) Analysis by type

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2012 £'000	Total 2011 £'000
Property	-	-	-	-	995
Quoted investments	3,948	384	9,896	14,228	9,920
Term deposits	1,000	-	-	1,000	-
Cash held for investment purposes	1	-	4	5	29
	<u>4,949</u>	<u>384</u>	<u>9,900</u>	<u>15,233</u>	<u>10,944</u>

(b) Movements in quoted investments and term deposits

	Unrestricted funds		Restricted & Endowment funds	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Market value, 1 August	3,535	4,025	6,385	5,216
Acquisitions at cost	505	3,463	3,869	6,162
Disposals at opening market value	-	(4,025)	(32)	(5,216)
Net unrealised (losses) / gains on revaluation	(92)	72	58	223
Market value, 31 July	<u>3,948</u>	<u>3,535</u>	<u>10,280</u>	<u>6,385</u>
Cost, 31 July	<u>3,463</u>	<u>3,463</u>	<u>6,162</u>	<u>6,162</u>

During the year the Association sold its investment property for £1,050,000 and invested half the proceeds in its unrestricted investment portfolio managed by Sarasin, and holds the other half of the proceeds in term deposits along with other unrestricted funds.

11. Debtors and prepayments

	2012 £'000	2011 £'000
Recruitment service debtors	2	67
Member subscriptions	15	8
Trade debtors	534	205
Sundry debtors	85	23
Prepayments	57	55
	<u>693</u>	<u>358</u>

The Association of Commonwealth Universities

Notes to the financial statements Year ended 31 July 2012

12. Creditors: amounts payable within one year

	2012 £'000	2011 £'000
Trade creditors	100	6
Deferred income	288	512
Income tax and National insurance contributions	57	40
Value added tax	92	100
Publishers – African library holding account	56	42
Sundry creditors	89	130
Accruals	50	45
	<u>732</u>	<u>875</u>

13. Endowment funds

	Opening value of funds £'000	New endowments £'000	Gains on investments £'000	Closing value of funds £'000
Permanent endowments				
ACU endowment	3,348	-	(80)	3,268
CSFP Anniversary endowment	1,650	3,741	132	5,523
Edward Boyle endowment	89	-	(2)	87
Annenberg Foundation endowment	427		4	431
	<u>5,514</u>	<u>3,741</u>	<u>54</u>	<u>9,309</u>
Expendable endowments				
Marshall Sherfield endowment	580	-	5	585
Total endowments	<u>6,094</u>	<u>3,741</u>	<u>59</u>	<u>9,894</u>

Income from the ACU Endowment funds ACU Development Fellowships (Note 15). The Commonwealth Scholarship and Fellowship Programme Anniversary Fund will fund scholarships in the CSFP. Income from the Edward Boyle (Memorial) Endowment funds the Medical Elective Bursaries for UK students. Income from the Marshall Sherfield Expendable Endowment funds Marshall Sherfield post-doctoral fellowships for US students and funds are transferred from the Marshall Sherfield Expendable Endowment for the same purpose. The amount drawn down is limited to 5% of the capital value per year. In the year ended 31 July 2012, no funds were drawn down. (In the year ended 31 July 2011, no funds were drawn down.) Income from the Annenberg Foundation endowment is transferred to the Marshall Aid Commemoration Commission.

The Association of Commonwealth Universities

Notes to the financial statements Year ended 31 July 2012

14. Restricted Funds

	Opening value of funds £'000	Grants/ Donations/ Subscriptions £'000	Investment Income £'000	Total Income £'000
ACU Development Fellowships	136	-	143	143
Marshall Sherfield Fellowship Scheme	-	10	29	39
Annenberg	-	-	22	22
Mzuzu University, Malawi	4	1	-	1
Edward Boyle (Medical Electives)	1	-	4	4
CAAST Net project	101	214	2	216
Euro Africa ICT	1	20	-	20
Information Resource in Research	-	-	-	-
Global Health Consulting	-	4	-	4
DRUSSA	-	149	-	149
DOC Links	-	25	-	25
CUSAC	177	-	2	2
Promoting Africa Europe Research Infrastructure Partnerships (PAERIP)	(2)	12	-	12
Carnegie African research management capacity	129	-	-	-
HIV/AIDS Cable & Wireless fund	15	-	-	-
Symons Medal	11	-	-	-
CSFP Anniversary Fund	333	-	102	102
Wellcome Trust	7	-	-	-
CSFP Anniversary Governance	12	-	-	-
Canada Memorial Foundation	(9)	23	-	23
African Social Sciences	27	-	-	-
Research & Innovation Management Improvement: Africa / Caribbean	(51)	65	-	65
British Academy	-	4	-	4
Commonwealth Secretariat	9	-	-	-
Total	901	527	304	831

The Association of Commonwealth Universities

Notes to the financial statements Year ended 31 July 2012

14. Restricted Funds (continued)

	Funds available for use £'000	Charitable Expenditure £'000	Fund value before transfers £'000	Transfers in / (out) £'000	Closing value of funds £'000
ACU Development Fellowships	279	133	146	-	146
Marshall Sherfield Fellowship Scheme	39	37	2	-	2
Annenberg	22	22	-	-	-
Mzuzu University, Malawi	5	1	4	-	4
Edward Boyle (Medical Electives)	5	4	1	-	1
CAAST Net project	317	184	133	-	133
Euro Africa ICT project	21	21	-	-	-
Information Resource in Research	-	6	(6)	-	(6)
Global Health Consulting	4	4	-	-	-
DRUSSA	149	159	(10)	-	(10)
DOC Links	25	47	(22)	-	(22)
CUSAC	179	8	171	-	171
Promoting Africa Europe Research Infrastructure Partnerships (PAERIP)	10	7	3	-	3
Carnegie African research management capacity	129	88	41	-	41
HIV/AIDS Cable & Wireless fund	15	15	-	-	-
Symons medal	11	-	11	-	11
CSFP Anniversary Fund	435	51	384	-	384
Wellcome Trust	7	-	7	-	7
CSFP Anniversary governance	12	1	11	-	11
Canada Memorial Foundation	14	18	(4)	-	(4)
African Social Sciences	27	27	-	-	-
Research & Innovation Management Improvement: Africa / Caribbean	14	75	(61)	-	(61)
British Academy	4	4	-	-	-
Commonwealth Secretariat	9	-	9	-	9
Total	1,732	912	820	-	820

The Association of Commonwealth Universities

Notes to the financial statements Year ended 31 July 2012

15. Restricted Fund descriptions; including grants, awards and scholarships awarded

A brief description of the purpose of each of the restricted funds, together with an analysis, where appropriate, of the number of grants, awards and fellowships made to individuals is provided below:

		Total value grants/ awards/ fellowships etc. £'000	Number awarded
ACU Development Fellowships	The ACU's own endowment income is used to support small scale collaboration between member universities through bursaries.	104	22
Marshall Sherfield Fellowship Scheme	A programme to support US post-doctoral fellows at UK universities.	27	1
Annenberg Foundation	Income from the Annenberg Foundation endowment is transferred to the Marshall Aid Commemoration Commission	19	-
Mzuzu University, Malawi	Tuition fee support for MSc Mathematics students at Mzuzu University, Malawi	1	3
Edward Boyle Medical Electives	Medical electives supported by income derived from an endowment.	3	6
DOC Links	Increasing Understanding and Establishing Better Links Between African and European Doctoral Candidates funded by the European Commission. With six partners to conduct needs analysis, organise summer schools and develop website and online network for PhD students.	4	15
CUSAC - Commonwealth Universities Study Abroad Consortium	A programme to encourage & facilitate undergraduate study abroad exchanges between member universities	9	9
HIV/AIDS Cable & Wireless fund	Work supported by Cable & Wireless to assist member universities in their management of HIV/AIDS related activities.	15	12
Symons Medal	Established by Professor T Symons, the Symons Medal is awarded to recognise major contributions to higher education in the Commonwealth	-	-
CSFP Annivaresary Fund	Scholarships to developing country institutions	34	5
Canada Memorial Fund	Scholarship programme to support UK students to study postgraduate degrees in Canada	18	1
Research & Innovation Management Improvement: Africa / Caribbean	ACU is a partner in this European Commission funded project to Improve Research and Innovation Management in Africa & the Caribbean	4	10
Total value and number of awards to individuals		238	84

Some grants are paid to individuals and / or the higher education institutions to which they are connected.

The Association of Commonwealth Universities

Notes to the financial statements Year ended 31 July 2012

16. Funds held on behalf of third parties

	Opening Balance £'000	Incoming Resources £'000	Resources Expended £'000	Closing Balance £'000
Chevening Scholarship Scheme	-	2,326	2,284	42
Commonwealth Scholarship & Fellowship Plan	732	25,575	17,985	8,322
European Commission CAAST Net grant	421	205	401	225
European Commission DOC Links grant	-	58	58	-
CUSAC	26	17	24	19
HEDG	18	23	21	20
Total Third Party Funds	1,197	28,204	20,773	8,628

17. Analysis of assets between Funds

	Fixed assets £'000	Investments £'000	Net current assets £'000	Total £'000
Endowment funds	-	9,894	-	9,894
Restricted funds	-	390	430	820
Unrestricted funds	98	4,949	373	5,420
	98	15,233	803	16,134

18. Future financial commitments

Operating leases

At 31 July 2012 the ACU had annual commitments under operating leases as set out below:

	2012 Land and buildings £'000	2011 Land and buildings £'000
Operating leases which expire:		
Within five years	278	278
After five years	-	-

The Association of Commonwealth Universities

Notes to the financial statements Year ended 31 July 2012

19. Pension Commitments

(a) Universities Superannuation Scheme (USS)

The ACU participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee, the Universities Superannuation Scheme Limited.

The appointment of directors to the board of trustee is determined by the trustee company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; one is appointed by the Higher Education Funding Councils; and a minimum of two and a maximum of four are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

Because of the mutual nature of the scheme, the ACU is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent basis and therefore, as required by FRS 17 "Retirement Benefits" accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Financial Activities represents the contributions payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the new scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (ie the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum salary increases would be 4.4% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic Scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Standard mortality tables were used as follows:

Male members' mortality	S1NA ["light"] YoB tables- No age rating
Female members' mortality	S1NA ["light"] YoB tables- rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further small improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65 23.7 (25.6) years

Males (females) currently aged 45 25.5 (27.6) years

At the valuation date, the value of the assets of the scheme was £32,433.5m and the value of the scheme's technical provisions was £ 35,343.7m indicating a shortfall of £2,910.2m. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the Scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 93% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as

The Association of Commonwealth Universities

Notes to the financial statements Year ended 31 July 2012

Since 31 March 2011 global investment markets have continued to fluctuate and following its peak in September 2011 inflation has declined rapidly towards the year end, although the market's assessment of inflation has remained reasonably constant. The actuary has estimated that the funding level as at 31 March 2012 under the new scheme specific funding regime had fallen from 92 % to 77%. This estimate is based on the funding level at 31 March 2011 allowing primarily for investment returns and changes in market conditions. These are sighted as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2012 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.7% per annum based on spot yields, the actuary calculated that the funding level at 31 March 2012 was 74%. An estimate of the funding level measured on a buy-out basis at that date was approximately 56%.

Surpluses or deficits which arise at future valuations may impact on the ACU's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuation are set out below:

Assumption	Change in Assumption	Impact on scheme liabilities
Investment return	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1. billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6billion
Members live longer than assumed	1 year longer	Increase by £ 0.8 billion
Equity markets in isolation	Fall by 25 %	Increase by £4.6 billion

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee believes that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a bias towards equities through portfolios that are diversified both geographically and by sector. The trustee recognises that it would be possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the employers would be willing to make, the trustee has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and considers the views of the employers. The strong positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and the strength of covenant of the employers enables it to take a long-term view of its investments. Short-term volatility of returns can be tolerated and need not feed through directly to the contribution rate although the trustee is mindful of the desirability of keeping the funding level on the scheme's technical provisions close to or above 100% thereby minimising the risk of the introduction of deficit contributions. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

At 31 March 2012, USS had over 145,000 active members and the institution had 29 active members participating in the scheme.

The Association of Commonwealth Universities

Notes to the financial statements Year ended 31 July 2012

The total USS pension cost for the ACU was £173k (2011: £196k). This includes £34k (2011: £nil) outstanding contributions at the balance sheet date. The contribution rate payable by the ACU was 16% of pensionable salaries.

(b) Superannuation Arrangements of the University of London (SAUL)

The ACU participates in the Superannuation Arrangements of the University of London, a centralised defined benefit scheme for all qualified employees with the assets held in separate Trustee-administered funds. The ACU has now adopted FRS17 for accounting for pension costs. The scheme is a multi-employer scheme and it is not possible to identify the ACU's share of the underlying assets and liabilities of SAUL. Therefore contributions are accounted for as if SAUL were a defined contribution scheme and pension costs are based on the amounts actually paid (ie cash amounts) in accordance with paragraphs 8 – 12 of FRS17.

SAUL is subject to triennial valuation by professionally qualified and independent actuaries. The last available valuation was carried out as at 31 March 2011 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The main assumptions used to assess the technical provisions were:

	31 March 2011
Discount rate	
- Pre-retirement	6.80% pa
- Post-retirement	4.70% pa
General* Salary Increases	3.75% pa until 31 March 2014, 4.5% pa thereafter
Retail Prices Index inflation ("RPI")	3.50% pa
Consumer Prices Index inflation ("CPI")	2.80% pa
Pension Increases in payment	2.80% pa
Mortality – base table	SAPS Normal (year of birth) tables with an age rating of +0.5 years for males and -0.4 years for females
Mortality – future improvements	Future improvements in line with CMI 2010 projections with a long term trend rate of 1.25% pa

* an additional allowance is made for promotional Salary increases

The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets was £1,506 million representing 95% of the liability for benefits after allowing for expected future increases in salaries.

Based on the strength of the Employer covenant and the Trustee's long term investment strategy, the Trustee and the Employers agreed to maintain Employer and Member contributions at 13% of Salaries and 6% of Salaries respectively following the valuation. The above rates will be reviewed when the results of the next formal valuation (as at 31 March 2014) are known.

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 revealed SAUL to be in deficit at the last formal valuation date (31 March 2011). As part of this valuation, the Trustee and Employer have agreed that no additional contributions will be required to eliminate the current shortfall.

The more material changes (the introduction of a Career Average Revalued Earnings, or "CARE", benefit structure) to SAUL's benefit structure applied from 1 July 2012. As a consequence, the cost of benefit accrual is expected to fall as existing final salary members are replaced by new members joining the CARE structure. This will allow an increasing proportion of the expected asset return to be used to eliminate the funding shortfall. Based on conditions as at 31 March 2011, the shortfall is expected to be eliminated by 31 March 2021, which is 10 years from the valuation date.

