

The Association of Commonwealth Universities

Annual report and financial statements

31 July 2009

Charity Registration No. 314137

The Association of Commonwealth Universities

Annual report and financial statements 2009

Contents	Page
Officers and professional advisers	1
Council's report	3
Independent auditors' report	12
Statement of financial activities	13
Balance sheet	14
Notes to the financial statements	15

The Association of Commonwealth Universities

Officers and professional advisers

Council members

Chair:	Dr Theuns Eloff (North-West University, South Africa) *
Vice-Chair:	Professor Eon Nigel Harris (University of the West Indies) *
Honorary Treasurer:	Professor James McWha (University of Adelaide, Australia) *
Other members:	Professor N M Bhebe (Midlands State University, Zimbabwe) Baroness Tessa Blackstone (University of Greenwich, UK) Professor Peter Coaldrake (Queensland University of Technology, Australia) Professor Sir Graeme Davies (University of London, UK) Dr H M Desai (Dharmsinh Desai University, India) Professor Dzukifli Abdul Razak (University of Science, Malaysia) Professor Roger Field (Lincoln University, New Zealand) Professor Dr. Saeeda Asadullah Khan (Fatima Jinnah Women University, Pakistan) Professor Malik Ranasinghe (University of Moratuwa, Sri Lanka) Professor Sir Muir Russell (University of Glasgow, UK) Dr G Subramanyam (Sri Venkateswara Institute of Medical Sciences) Professor Clifford Nii Boi Tagoe (University of Ghana) Professor M D Tiwari (Indian Institute of Information Technology, India) Professor Lap-Chee Tsui (University of Hong Kong) Professor Errol M Tyobeka (Tshwane University of Technology) Dr Luc Vinet (Université de Montréal, Canada)

Remuneration Committee members are indicated by thus * above

Audit Committee members

Chair:	Professor Sir Graeme Davies (University of London, UK)
Other members:	Mr Dick Coldwell (independent member) Dame Alexandra Burslem (previously Vice-Chancellor Manchester Metropolitan University, UK) Professor Bernard King (University of Abertay, UK) Professor Najma Najam (previously University of the Punjab, Pakistan)

The above lists are as at 12 December 2009.

The Association of Commonwealth Universities

Officers and professional advisers - continued

Secretary General

Professor John Tarrant DL

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

Investment custodians

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

Auditors

Horwath 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) is a voluntary society, founded in 1913, which is registered in England & Wales as a charity, number 314137, and is controlled by its member institutions through an elected Council (the '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 16 November 1993.

Current membership numbers 503 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 working with our members to promote and contribute to the provision of excellent higher education for the benefit of all people throughout the Commonwealth. 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 reason for the Bureau's creation, and its governing principle of university ownership, remains in place now.

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 some 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 undertakes policy analysis and research which is focused onto the "big issues" of importance to Vice-Chancellors and Presidents. This analysis and research is distributed through a regular e-mail (VC-Net) and published reports (eg, *Shifting Horizons*, an ACU membership survey of "big issues" in higher education).

The accounts include the Observatory for Borderless Higher Education, a joint initiative of the ACU and Universities UK. The Observatory's primary purpose is to provide strategic information to enable policy-makers and organisation leaders to make informed decisions relevant to their existing and / or future transnational higher education initiatives.

The Association of Commonwealth Universities

Council's Report

OBHE's agenda focuses on strategic topics that have current or future relevance to transnational higher education. Meetings and research reports provide in-depth analysis of developments, trends and challenges in borderless higher education, and by synthesising the latest international developments, assess their wider implications for policy-makers and institutional administrators.

In addition to producing original in-house research, OBHE commissions external experts from around the world to author reports with specific national, regional and / or international perspectives. In the year ended 31 July 2009 reports produced included:

- *Joint and Double Degree Programmes: Vexing Questions and Issues (1 September 2008)*
- *Global Research Collaboration: The UKIERI India-UK Initiative - Lessons from Practice for Sustainable International Partnerships (16 October 2008)*
- *Higher Education by Distance: Opportunities and Challenges at National and International Levels (15 February 2009)*
- *Internationalising Canadian Higher Education: Policies, Practices and Strategies for Success (15 March 2009)*
- *Innovative Adoption of Web 2.0 Technologies: Emerging Policies, Practices & Strategies for University Leaders (15 May 2009)*
- *International Student Mobility: Status Report 2009 (15 June 2009)*
- *The Internationalisation of Higher Education: The Nordic Experience (15 July 2009)*

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

- professional human resource managers
- research managers
- librarians and information managers
- public relations, marketing & communications managers
- "reachout" managers

These networks organise conferences, exchange knowledge and publish newsletters. The 2008/09 Statement of Financial Activities includes financial contributions from the third Human Resource Management Network conference, arranged by the University of the West Indies in Tobago in May 2008 entitled *HRM: Adding Value or Adding Complexity?*; and also from the second PR, Marketing and Communications Network conference, arranged by the University of Kwazulu-Natal in July 2008 in Durban, South Africa entitled *Building a profile: key relationships for the communications professional*. Other 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 Hyderabad in November 2008, *Dazzling Technologies: Seismic Shifts in higher education in a fast-changing and unequal world*. The ACU collaborated with the Commonwealth Secretariat and the Malaysian Ministry of Higher Education in planning the VC-Forum which was held in parallel with 17CCEM, the Seventeenth Conference of Commonwealth Education Ministers, held in June 2009 in Kuala Lumpur, Malaysia. The theme of the VC-Forum was *How far are Universities Changing and Shaping Our World?*

One result of the VC-Forum was the 2009 Kuala Lumpur Higher Education declaration, signed by 180 Vice-Chancellors, expressing principles which should shape Commonwealth governments' policies. Further details are available on the ACU's website (www.acu.ac.uk)

The ACU also arranges workshops and professional development activity – eg *Women in Leadership and Management in Higher Education* held in March 2009.

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.

The Association of Commonwealth Universities

Council's Report

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 UK Higher Education Researcher Development.

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 has been greatly improved and 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 is searchable online (CUDOS). The database was also published as The Yearbook in October 2008.

The Yearbook and its searchable database contain 178,000 entries of senior members of university staff and 61,000 telephone and fax numbers, email and web addresses. This facilitates the location of potential collaborators in senior positions throughout the Commonwealth.

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 others' 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 2009 the annual exercise attracted 12 participant universities and was held at the University of Stellenbosch, South Africa, covering three topics – Risk Management, Management of Learning Resources and Managing Sustainability.

Through our job advertising service members can ensure that news of their faculty vacancies reach as wide an international audience as possible, often at a discounted rate.

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.

The Association of Commonwealth Universities

Council's Report

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 has joined with the AUF (the university association for francophone countries) in launching research into university governance in Africa. This project is seeking support from UNESCO and other organisations.

The ACU's Secretary General and Deputy Secretary General contributed to preparing for the World Innovation Summit for Education (WISE), held in Doha, Qatar in November 2009. Its subject was Working Together for Sustainable Achievement, with three sub-themes – Pluralism, Sustainability and Innovation.

The ACU operates, often as a partner, in many research grants including:

- CAAST-Net, Network for the Coordination and Advancement of sub-Saharan Africa-EU Science & Technology Cooperation, a grant from the European Commission (funded by the European Commission and the UK government)
- Promoting higher and further education partnerships between UK and Africa (funded by the UK government)
- African participation in conferences for vice-chancellors and public affairs officers (funded by the Carnegie Corporation)
- Assessing the need for digital information resources in African universities (funded by the Arcadia Fund)
- Strengthening research management capacity in selected African universities (funded by the Carnegie Corporation)
- Development of Research Africa database (funded by Research Research Africa Ltd)

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 (eg 17CCEM).

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.

Governance and Management

Nominations to the Council are made each year by the national university associations of the Commonwealth or, in countries or regions where no such association exists, by the ACU member vice-chancellors in those countries or regions. The maximum number of nominations is 29. The nominations are then put to the annual general meeting of members for election. Each member institution is entitled to be represented at the annual general meeting by its executive head (vice-chancellor, president, principal or rector) or by a personal deputy whom the executive head may appoint.

Council members are the Trustees of the ACU under UK charity law. It meets annually – in Hyderabad, India in November 2008 and in Kuala Lumpur, Malaysia in June 2009. 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 and making and amending Bye-Laws. 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 three times in 2008/09. 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 Association of Commonwealth Universities

Council's Report

The Audit & Risk Committee was formed by the Executive Committee in September 2006. It met twice in 2008/09. This Committee is chaired by Professor Sir Graeme Davies and consists of six members (including at least one independent member).

Day to day management

Professor John Tarrant is the ACU's Secretary General.

Governance review

Following a governance review, new terms of reference for the ACU's Council and its committees, and associated role descriptions were adopted by the Council.

Council members

The current Council members are detailed on page 1. Individuals who served as Council members during the year ended 31 July 2009, but are no longer Council members, were:

Professor Brenda Gourley	Professor Bonnie Patterson
Professor K K Aggarawal	Professor M Farid Ahmed
Professor D.O. Aigbomian	Dr William Cade
Professor Richard Larkins	Professor Tolly Salvator Augustine Mbwette
Professor A M Pathan	Dr Tom Traves
Professor M J S Wijeyaratne	

Financial report

The Statement of Financial Activities (SOFA) for the year is set out on page 13 of the financial statements. A summary of the activities and the financial results is given below.

Unrestricted Funds

Unrestricted and Designated Funds

The results for the year show net incoming resources before transfers of £287k compared with the previous year's net outgoing resources of £723k.

Unrestricted Fund income of £3,455k showed an increase of 12% on the previous year. The major factors relating to this increase were:

- Membership income of the ACU has increased to £997k from £913k. This is due to increased member numbers, to 503 from 483, and a 3.8% subscription rate increased (following no increase the previous year). However OBHE membership income has declined to £163k from £179k. Together the result is an increase in subscription income to £1,160k from £1,076k.
- Yearbook sales were £86k compared to £11k in 2007/08, when there was no edition of the Yearbook. 2008 was the last edition of the Yearbook. Following a review of its operation, the decision was taken to move from hardcopy to electronic publication and to outsource the data collection and the creation of an electronic database. The costs of making this change were accounted for in the year ended 31 July 2008.
- Recruitment services run by the ACU to help member institutions fill their staff vacancies saw income decline slightly to £230k from £249k.
- Fees for awards and other contract administration grew by 4.5% and now amount to £1,459k. As well as inflationary growth on existing schemes, many schemes have requested and paid for additional services.
- Conference, benchmark and Network clubs income increased to £277k from £147k, due to £111k income from the Executive Heads Conference held in Hyderabad in November 2008, £67k contribution from two Network conferences actually held the previous financial year, but not accounted for then, and £25k income from a Gender Programme Workshop.

The Association of Commonwealth Universities

Council's Report

Despite the decrease in investment asset values, investment income held up (£178k compared to £181k in 07/08). Although income from cash and equities declined somewhat, income from the investment property almost exactly met that decline.

Total resources expended, £3,168k decreased by 17% from £3,815k in 2007/08.

Very tight cost control has been applied to stabilise the ACU's financial position. Thus, despite nationally agreed pay increases, most comparable costs have barely risen from the previous year. Cost reductions resulted from the outsourcing of the Members' database (down to £173k from £451k, the latter including closure costs), and Recruitment services, due to the release of £79k bad debt provision made last year, as most old debts were paid.

The net movement in Unrestricted Funds includes £371k loss on investment assets, the ACU's investment portfolio sharing the effects of worldwide market falls.

Designated Funds

The Observatory on Borderless Higher Education is the only Designated Fund and is shown separately on the Statement of Financial Activities. It is a membership organisation, established jointly by ACU & Universities UK, but without a specific trust deed. Its status will be further reviewed during 2009/10.

Restricted Funds

The range of Restricted Funds administered by the ACU is shown under notes 15 and 16 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 two restricted funds in deficit at the balance sheet date. The Marshall Sherfield Fellowship Scheme receives donation income to balance expenditure not covered by its investment income. Although no donation income was received in 2008/09, donation income has been received after 31 July 2009. The Canada Memorial Foundation Fund will receive future income to exceed expenditure.

£25k was transferred from the Commonwealth Scholarship and Fellowship Plan Anniversary Fund to a newly created endowment fund.

Endowment Funds

The Permanent Endowment Funds generated £152k of income during the year. £115k funded ACU Development Fellowships (a Restricted Fund), £21k funded Annenberg Scholarships, £3k funded Boyle Medical Electives, £5k funded CUSAC bursaries and £8k was accumulated for the CSFP Anniversary Scholarships. The value of the Permanent Endowments stood at £4,328k at 31 July 2009, an increase of £525k on the year. This comprises £1,035k new endowment fund, the CSFP Anniversary Endowment less £510k loss on investments as worldwide market values fell.

The Expendable Endowment funds Marshall Sherfield post-doctoral fellowships for US students. Funds are drawn down from the Endowment as required, up to a maximum of 5% of the original investment per year. The Expendable Endowment was valued at £494k at the year end.

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 £382k at the year end.

Summary

The plans put in place last year to seek new members and to grow external administration income while at the same time applying very tight cost control, have borne fruit. ACU membership income grew £50k above the increase from higher subscription levels. Administration income grew 4.5%. And, despite a national pay settlement increasing staff costs by 5%, comparable total costs have remained static. Thus 2008/09 saw a turning point in the financial fortunes of the ACU. After three years of deficits on Unrestricted Funds, a modest surplus of £287k was made. It was disappointing that £371k loss in value of investments more than offset this, resulting in a small fall in Unrestricted Funds to £4.5m.

The Association of Commonwealth Universities

Council's Report

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 both General and Designated, 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 (i.e. the General Fund less the net book value of tangible fixed assets) the ACU will require under the policy is in the range of £4.5 million to £6.5 million. The actual Free Reserves at 31 July 2009 were £4.5 million, at the low point of the range.

Investments of the Association

Investment Objectives

The Association now has four investment portfolios. Both the Unrestricted and Restricted Reserves of the Association comprise the ACU Main investment fund, which has a cash / bond element (£2.4m at 31 July) and an equity portfolio (£2.3m at 31 July, discussed below) and a residential property in London (purchased for £1.2m in December 2007). Thus there is a spread of risk and liquidity.

The Endowment Funds are split into the Permanent Endowment, the Expendable (Marshall Sheffield) Endowment and the Annenberg Endowment (also a permanent endowment), which are invested into separate investment funds. The first yields an income to fund ACU Development Fellowships, the Expendable and Annenberg Endowments are invested in a Common Investment Fund (CIF).

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.

Consistent with these objectives, the Council decided to increase its equity holding, and moved £500k from term deposits to the equity part of the Main investment fund, towards the end of the financial year. At 31 July, much of this remained as cash.

Benchmark

Performance (in terms of total return) of the Endowment Fund and the equity part of the Main Fund are benchmarked against a composite comprising:

	<u>%</u>	<u>Range %</u>	<u>Benchmark Index Comparator</u>
Fixed Interest	15.0	0-30	FTSE Government All-Stocks Index
UK Equities	37.5	25-50	FTSE All Share Index
Overseas Equities	37.5	25-50	FTSE World (ex UK) £ index
Other / Cash	10.0	0-20	UK 7 day LIBID

The CIF is benchmarked against a composite comprising:

	<u>%</u>	<u>Range %</u>	<u>Benchmark Index Comparator</u>
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

The Association of Commonwealth Universities

Council's Report

Investment performance for the year ended 31 July 2009

All investment portfolios are administered by Newton Investment Management Limited.

Fund	Value at 31 July 2009 £'000	Actual Performance %	Benchmark %
ACU Main fund	2,724	-11.4	-5.8
Endowment fund	2,886	-9.2	-5.8
Expendable (Marshall Sherfield) endowment	493	-10.5	-5.9
Annenberg endowment	363	-10.4	-5.9

Risk Management

The Trustees review the major risks to which the ACU is exposed and consider the procedures established to mitigate them.

The risk management policy is an ongoing process designed to expand on the established systems of internal control by identifying the principal risks to the achievement of the ACU's policies, aims and objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically.

The Future

The renewed 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 2010 which sustains the improvements achieved in 2008/09.

The current Secretary General, Professor John Tarrant, retires in June 2010, and the Council has undertaken a selection process to appoint a new Secretary General.

The Association of Commonwealth Universities

Council's Report

Statement of Trustees' Responsibilities

Law applicable to charities in England and Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the charity's financial activities during the year and of its financial position at the end of the year. In preparing financial statements which give a true and fair view, the Trustees should follow best practice and:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed subject to any departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustees are responsible for keeping accounting records which disclose with reasonable accuracy the financial position of the charity and which enable them to ascertain the financial position of the charity and which comply with the Charities Act 1993. 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



T. Hoff
Chair of the Council

4th January 2010

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 2009 set out on pages 13 to 30. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the charity's trustees, as a body, in accordance with section 44 of the Charities Act 1993. 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 its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The trustees' responsibilities for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report if, in our opinion, the information given in the Trustees' Report is not consistent with the financial statements.

In addition we report to you if, in our opinion, the charity has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charity's affairs as at 31 July 2009 and of its incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Charities Act 1993

Horwath Clark Whitehill LLP

Horwath Clark Whitehill LLP
Statutory auditors

St Bride's House
10 Salisbury Square
London EC4Y 8EH

15 March 2010

The Association of Commonwealth Universities

Statement of Financial Activities For the year ended 31 July 2009

	Unrestricted funds 2009 £'000	Designated funds 2009 £'000	Restricted funds 2009 £'000	Endowment funds 2009 £'000	Total 2009 £'000	Total 2008 £'000
Incoming resources						
<i>Incoming resources from generated funds</i>						
Membership income	997	163	-	-	1,160	1,116
Investment income / interest (note 6)	178	-	183	-	361	343
Other income (note 5)	17	-	-	-	17	9
Total incoming resources from generated funds	1,192	163	183	-	1,538	1,468
<i>Incoming resources from charitable activities</i>						
Grants (note 2)	-	30	573	1,010	1,613	588
External administration fees (note 3)	1,459	-	-	-	1,459	1,394
Hardcopy and on-line publication sales (note 4)	86	-	-	-	86	11
Recruitment services	230	-	-	-	230	249
Consultancy fees	12	6	-	-	18	3
Conferences, Benchmark & Network clubs	277	-	-	-	277	147
Total incoming resources from charitable activities	2,064	36	573	1,010	3,683	2,392
Total incoming resources	3,256	199	756	1,010	5,221	3,860
Resources expended						
<i>Costs of generating funds</i>						
Membership communication	905	245	-	-	1,150	1,207
Investment management costs	14	-	21	-	35	38
Total costs of generating income	919	245	21	-	1,185	1,245
<i>Charitable activities</i>						
Scholarships, grants and awards	-	-	258	-	258	248
External and fund administration	1,340	-	23	-	1,363	1,394
Members' database (note 4)	173	-	-	-	173	481
Recruitment services	244	-	-	-	244	455
Conferences, Benchmark, Networks	128	-	-	-	128	100
Research Grants	-	-	471	-	471	315
Total charitable activities	1,885	-	752	-	2,637	2,993
<i>Governance costs (note 8)</i>	119	-	-	-	119	140
Total resources expended (note 7)	2,923	245	773	-	3,941	4,378
Net incoming/(outgoing) resources before transfers	333	(46)	(17)	1,010	1,280	(518)
Transfers between funds (note 15)	-	-	(25)	25	-	-
Net incoming/(outgoing) resources before other recognised gains and losses (note 9)	333	(46)	(42)	1,035	1,280	(518)
Gain on sale of property	-	-	-	-	-	3,089
(Losses) on investment assets	(371)	-	-	(598)	(969)	(688)
Net movement in funds	(38)	(46)	(42)	437	311	1,883
Funds brought forward as restated	4,510	75	857	4,385	9,827	7,944
Funds carried forward	4,472	29	815	4,822	10,138	9,827

Continuing operations

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

Statement of total recognised gains and losses

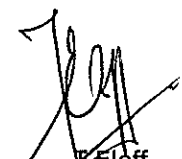
Other than the operating surplus for the year, there were no recognised gains or losses in the year.


The Association of Commonwealth Universities

Balance sheet 31 July 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	10	13	46
Investments	11	10,034	9,340
		<u>10,047</u>	<u>9,386</u>
Current assets			
Stock of publications		-	1
Debtors	12	477	1,048
Cash at bank and in hand		338	370
		<u>815</u>	<u>1,419</u>
Creditors: amounts falling due within one year	13	<u>(724)</u>	<u>(978)</u>
Net current assets		<u>91</u>	<u>441</u>
Net assets		<u>10,138</u>	<u>9,827</u>
Funds			
Unrestricted funds: General		4,472	4,510
Designated	17	29	75
		<u>4,501</u>	<u>4,585</u>
Restricted funds	15	815	857
Endowment funds	14	4,822	4,385
		<u>5,637</u>	<u>5,242</u>
Total funds	19	<u>10,138</u>	<u>9,827</u>

These financial statements were approved and authorised for issue by the Council on 4th January 2010 and signed on their behalf by:


 P. Eloff
 Chair of the Council


 J Tarrant
 Secretary General

The Association of Commonwealth Universities

Notes to the financial statements Year ended 31 July 2009

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 1993.

(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.

(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) 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.

(f) Capitalisation and depreciation of tangible assets

All assets costing more than £1,000 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

(g) Stocks

Publication stocks are included in the Financial Statements at the lower of cost or net realisable value. Cost includes the editorial cost of production of those copies offered for sale.

(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 2009

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 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 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 21 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 2009

2. Grants and donations received

	2009 £'000	2008 £'000
Grants from UK Government		
Department of Business Innovation & Skills	248	175
	<u>248</u>	<u>175</u>
Grants from other Agencies		
European Commission	-	173
SARIMA	22	19
Institute of Education	-	43
Research Africa	-	3
UK Research Councils	(13)	7
Higher Education Commission, Pakistan	-	2
Commonwealth Secretariat	25	-
British Council	-	27
	<u>34</u>	<u>274</u>
Grants from charitable foundations		
British Academy	39	18
Canada Memorial Foundation	15	-
Marshall Sherfield Fellowship Foundation	-	25
Universities UK (to OBHE)	30	-
Carnegie Corporation	144	37
Wellcome	10	29
Arcadia	74	-
	<u>312</u>	<u>109</u>
Donations		
UK Foreign and Commonwealth Office	500	-
Government of Malaysia	500	-
Commonwealth Foundation	10	-
Puri Foundation	-	25
Individuals	9	5
	<u>1,019</u>	<u>30</u>
	<u>1,613</u>	<u>588</u>

3. External administration fees

	2009 £'000	2008 £'000
Commonwealth Scholarship award schemes	958	893
Marshall Scholarship scheme	154	157
Staff & Educational Development Association	82	115
CSFP Alumni	75	68
CSFP Evaluation	108	69
Other schemes	82	92
	<u>1,459</u>	<u>1,394</u>

The Association of Commonwealth Universities

Notes to the financial statements Year ended 31 July 2009

4. Information Services (including hardcopy & on-line publication sales)

	2009 £'000	2008 £'000
<i>Unrestricted</i>		
Hardcopy Publication sales (net)	86	8
CUDOS web sales	-	3
	<u>86</u>	<u>11</u>
Cost of the services:		
Direct cost of Yearbook publication (printing, binding, freight etc)	57	-
Data collection & editorial	116	451
	<u>173</u>	<u>451</u>
Net cost	<u>(87)</u>	<u>(440)</u>

The members' database supports a wide range of information services including the publication of the Commonwealth Universities Yearbook. Other services based on sub-sets of the data are made freely available via the website. The 2008 Yearbook (82nd edition) was published in October 2008 – there was not an edition in the financial year ending 31 July 2008. However the costs in the year ended 31 July 2008 include the cost of transferring the services to an external provider.

5. Other income

	2009 £'000	2008 £'000
<i>Unrestricted</i>		
Contributions to costs	-	1
Hire of accommodation	15	8
Subscriptions to Research Management Network	2	-
	<u>17</u>	<u>9</u>

6. Investment income and interest

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2009 £'000	Total 2008 £'000
Income: managed investments	152	175	327	319
Interest: cash deposits	26	8	34	24
	<u>178</u>	<u>183</u>	<u>361</u>	<u>343</u>

The Association of Commonwealth Universities

Notes to the financial statements Year ended 31 July 2009

7. Analysis of total resources expended

	Staff costs £'000	Consultancy costs £'000	Office and facility costs £'000	Other costs £'000	Total £'000
Costs of generating funds:					
Membership communication	648	17	205	35	905
OBHE	147	-	98	-	245
Investment management fees	-	-	-	35	35
Charitable activities:					
Scholarships, grants and awards	-	-	-	258	258
External administration	954	4	400	5	1,363
Members' database information	51	65	57	-	173
Recruitment services	94	-	(39)	189	244
Benchmarking & Conference	-	-	84	44	128
Research	181	69	221	-	471
Governance costs (note 8)	93	2	2	22	119
	<u>2,168</u>	<u>157</u>	<u>1,028</u>	<u>588</u>	<u>3,941</u>

Recruitment services costs include writing back £79k provision for bad debts from prior years.

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	49	72	148
Charitable activities:			
Awards administration	84	123	254
Recruitment services	9	14	28
Governance costs	19	27	56
	<u>161</u>	<u>236</u>	<u>486</u>

The Association of Commonwealth Universities

Notes to the financial statements Year ended 31 July 2009

8. Governance costs

	2009 £'000	2008 £'000
Staff costs	93	103
Office & facility costs	2	8
Consultancy	2	2
Annual General Meeting	-	1
Council Meeting	1	1
Audit compliance	21	25
	<u>119</u>	<u>140</u>

9. Net outgoing resources for the year

Net outgoing resources for the year are stated after charging:

	2009 £'000	2008 £'000
(a) Auditors' remuneration		
Audit fees	12	12
Audit fees – under accrual for previous year	6	-
Other non-audit work (VAT advice)	4	-
	<u>22</u>	<u>12</u>

(b) Staff costs:

The average monthly number of persons employed by the ACU (calculated on a full-time equivalent basis), was 49 during 2009, including one member of staff seconded from the University of Greenwich from August until December 2008 (2008: 50, including one staff on secondment from the University of Greenwich).

	2009 £'000	2008 £'000
Wages and salaries	1,790	1,760
Social security costs	152	150
Pension costs	195	284
Temporary staff	17	25
Recruitment	-	48
Training and welfare	14	42
	<u>2,168</u>	<u>2,309</u>

The Association of Commonwealth Universities

Notes to the financial statements Year ended 31 July 2009

9. Net outgoing resources for the year (continued)

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

	2009 Number	2008 Number
£60,001 to £70,000	1	2
£70,001 to £80,000	2	-
£80,001 to £90,000	1	-
£130,001 to £140,000	1	1
	<u>1</u>	<u>1</u>

All but one 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 (2007: £nil).

No Trustee was reimbursed for travel expenses incurred during the year (2008: one at £1,068).

10. Tangible fixed assets

	Computer equipment £'000	Office equipment £'000	Furniture and fixtures £'000	Total £'000
Cost				
At 1 August 2008	196	21	22	239
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 July 2009	<u>196</u>	<u>21</u>	<u>22</u>	<u>239</u>
Depreciation				
At 1 August 2008	157	20	16	193
Charge for year	32	-	1	33
Disposals	-	-	-	-
At 31 July 2009	<u>189</u>	<u>20</u>	<u>17</u>	<u>226</u>
Net book value				
At 31 July 2009	<u>7</u>	<u>1</u>	<u>5</u>	<u>13</u>
At 31 July 2008	<u>39</u>	<u>1</u>	<u>6</u>	<u>46</u>

The Association of Commonwealth Universities

Notes to the financial statements Year ended 31 July 2009

11. Investments

(a) Analysis by type

	Unrestricted funds £'000	Endowment funds £'000	Total 2009 £'000	Total 2008 £'000
Property	1,186	-	1,186	1,186
Quoted investments	2,277	3,671	5,948	6,608
Term deposits	2,382	-	2,382	1,192
Cash held for investment purposes	447	71	518	354
	<u>6,292</u>	<u>3,742</u>	<u>10,034</u>	<u>9,340</u>
The above quoted investments are held:				
In the UK	3,774	2,503	6,277	5,605
Outside the UK	878	1,168	2,046	2,915
	<u>4,652</u>	<u>3,671</u>	<u>8,323</u>	<u>8,520</u>

(b) Movements in investments

	Unrestricted funds		Endowment funds	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Market value, 1 August	3,642	2,983	4,158	4,112
Acquisitions at cost	1,807	8,711	601	2,656
Disposals at opening market value	(639)	(7,789)	(755)	(2,188)
Net unrealised (losses) / gains on revaluation	(151)	(263)	(333)	(422)
Market value, 31 July	<u>4,659</u>	<u>3,642</u>	<u>3,671</u>	<u>4,158</u>
Cost, 31 July	<u>2,287</u>	<u>2,968</u>	<u>2,582</u>	<u>3,874</u>

12. Debtors and prepayments

	2009 £'000	2008 £'000
Recruitment service debtors	134	185
Grant bodies	-	46
Member subscriptions check OBHE status	4	22
Trade debtors	227	578
Staff travel loans	10	9
Sundry debtors check OBHE status	80	144
Prepayments	22	64
	<u>477</u>	<u>1,048</u>

The Association of Commonwealth Universities

Notes to the financial statements Year ended 31 July 2009

13. Creditors: amounts payable within one year

	2009 £'000	2008 £'000
Trade creditors	115	154
Deferred income	404	382
Income tax and National insurance contributions	48	45
Value added tax	40	1
Publishers – African library holding account	21	7
Sundry creditors	67	216
Accruals	29	173
	<u>724</u>	<u>978</u>

14. Endowment funds

	Opening value of funds £'000	New endowments/ (transfers) £'000	(Losses) / Gains on investments £'000	Closing value of funds £'000
Permanent endowments				
ACU endowment	3,270	-	(434)	2,836
CSFP Anniversary endowment	-	1,035	-	1,035
Edward Boyle endowment	86	-	(11)	75
Annenberg Foundation endowment	447	-	(65)	382
	<u>3,803</u>	<u>1,035</u>	<u>(510)</u>	<u>4,328</u>
Expendable endowments				
Marshall Sherfield endowment	582	-	(88)	494
Total endowments	<u>4,385</u>	<u>1,035</u>	<u>(598)</u>	<u>4,822</u>

Income from the Endowment Fund funds ACU Development Fellowships (Note 15). The CSFP Anniversary Fund was established in 2008 as a Restricted Fund. Part of that fund (£25k) is transferred to the endowment and other funds were raised. It 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 2009, no funds were drawn down. (In the year ended 31 July 2008, 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 2009

15. Restricted Funds

	Opening value of funds £'000	Grants/ Donations/ Subscriptions £'000	Investment Income £'000	Total Income £'000
ACU Development Fellowships	129	31	115	146
Marshall Sherfield Fellowship Scheme	(15)	-	29	29
Annenberg	-	-	21	21
Mzuzu University, Malawi	3	9	-	9
Edward Boyle (Medical Electives)	1	-	3	3
Africa Universities Initiative	150	248	-	248
CUSAC	198	-	5	5
Research Management	45	22	-	22
Carnegie African research management capacity	-	144	-	144
HIV/AIDS Cable & Wireless fund	15	-	-	-
Arcadia	-	74	-	74
Symons Medal	9	-	2	2
Carnegie African participation	25	-	-	-
CSFP Anniversary Fund	275	-	8	8
UK HERD	12	(3)	-	(3)
British Academy	-	8	-	8
CSFP Anniversary Governance	-	25	-	25
Canada Memorial Foundation	-	15	-	15
Miscellaneous other	10	-	-	-
Total	857	573	183	756

The Association of Commonwealth Universities

Notes to the financial statements Year ended 31 July 2009

15. 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	275	146	129	-	129
Marshall Sherfield Fellowship Scheme	14	68	(54)	-	(54)
Annenberg	21	21	-	-	-
Mzuzu University, Malawi	12	5	7	-	7
Edward Boyle (Medical Electives)	4	3	1	-	1
Africa Universities Initiative	398	380	18	-	18
CUSAC	203	7	196	-	196
Research Management	67	27	40	-	40
Carnegie African research management capacity	144	30	114	-	114
HIV/AIDS Cable & Wirelss fund	15	-	15	-	15
Arcadia	74	16	58	-	58
Symons medal	11	-	11	-	11
Carnegie African participation	25	21	4	-	4
CSFP Anniversary Fund	283	-	283	(25)	258
UK HERD	9	9	-	-	-
British Academy	8	8	-	-	-
CSFP Anniversary governance	25	-	25	-	25
Canada Memorial Foundation	15	25	(10)	-	(10)
Miscellaneous other	10	7	3	-	3
Total	1,613	773	840	(25)	815

The Marshall Sherfield Fellowship Scheme receives donation income to balance expenditure not covered by its investment income. Although no donation income was received in 2008/09, donation income has been received after 31 July 2009.

The donation from the Puri Foundation held in the opening balance on the CSFP Anniversary Fund was transferred to the CSFP Anniversary Endowment Fund.

The Association of Commonwealth Universities

Notes to the financial statements Year ended 31 July 2009

16. 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.	121	8
Marshall Sherfield Fellowship Scheme	A programme to support US post-doctoral fellows at UK universities.	55	3
Annenberg Foundation	Income from the Annenberg Foundation endowment is transferred to the Marshall Aid Commemoration Commission	21	1
Mzuzu University, Malawi	Support for Mzuzu University, Malawi	5	-
Edward Boyle Medical Electives	Medical electives supported by income derived from an endowment.	3	6
CUSAC	Commonwealth Universities Study Abroad Consortium – a programme to encourage & facilitate undergraduate study abroad exchanges between member universities	7	15 8 15
HIV/AIDS Cable & Wireless fund	Work supported by Cable & Wireless to assist member universities in their management of HIV/AIDS related activities.	-	-
Symons Medal	Established by Professor T Symons, the Symons Medal is awarded annually in recognition of major contributions to higher education in the Commonwealth	-	4
Carnegie African participation	Toward African participation in conferences for Vice-Chancellors and public affairs officers	21	12
Canada Memorial Fund		25	1
Total value and number of awards to individuals		<u>258</u>	<u>50</u>

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 2009

17. Designated Funds

	Opening Value of Funds £'000	Income Received £'000	Utilised £'000	Closing Value of Funds £'000
The Observatory on Borderless Higher Education	75	199	245	29
Total Designated Funds	75	199	245	29

18. Funds held on behalf of third parties

	Opening Balance £'000	Incoming Resources £'000	Resources Expended £'000	Closing Balance £'000
Commonwealth Scholarship & Fellowship Plan Shared Scholarships	144	2,537	2,254	427
European Commission CAAST Net grant	313	-	43	270
Total Designated Funds	457	2,537	2,297	697

19. Analysis of assets between Funds

	Fixed assets £'000	Investments £'000	Net current assets £'000	Total £'000
Endowment funds	-	5,072	-	5,072
Restricted funds	-	629	(64)	565
Unrestricted funds:				
General	13	4,333	126	4,472
Designated	-	-	29	29
	13	10,034	91	10,138

20. Future financial commitments

Operating leases

At 31 July 2009 the ACU had annual commitments under operating leases as set out below:

	2009 Land and buildings £'000	2008 Land and buildings £'000
Operating leases which expire: After five years	245	245

The Association of Commonwealth Universities

Notes to the financial statements Year ended 31 July 2009

21. 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 the trustee is determined by that 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 management committee. 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 actuarial valuation of the scheme was at 31 March 2008. This was the first 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 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 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% 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 3.3% per annum.

Standard mortality tables were used as follows:

Male members' mortality	PA92 MC YoB tables - rated down 1 year
Female members' mortality	PA92 MC YoB tables - no age rating

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 assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	22.8 (24.8) years
Males (females) currently aged 45	24.0 (25.9) years

At the valuation date, the value of the assets of the scheme was £28,842.6m and the value of the scheme's technical provisions was £28,135.3m indicating a surplus of £707.3m. The assets therefore were sufficient to cover 103% 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 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 107% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% 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 2009

if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

The institution contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, agreed to increase the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fall and at 31 March 2009 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 74%. This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the year and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension assumptions).

On the FRS17 basis, using a AA bond discount rate of 7.1% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2009 was 86%. An estimate of the funding level measured on a buy-out basis at that date was approximately 46%.

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 are set out below:

Assumption	Change in Assumption	Impact on scheme liabilities
Valuation rate of interest	Increase/decrease by 0.5%	Decrease/increase by £2.2 billion
Rate of pension increases	Increase/decrease by 0.5%	Increase/decrease by £1.5 billion
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease by £0.7 billion
Rate of mortality	More prudent assumption (move to long cohort future improvements from the medium cohort adopted at the valuation)	Increase by £1.6 billion

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 to take investment risk relative to the liabilities, the trustee receives advice from 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. The actuary has confirmed that the scheme's cash flow is likely to remain positive for the next ten years or more.

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The Association of Commonwealth Universities

Notes to the financial statements Year ended 31 July 2009

At 31 March 2009, USS had over 130,000 active members and the institution had 38 active members participating in the scheme.

The total USS pension cost for the ACU was £186k (2008: £244k). This includes £16k (2008: £91k) outstanding contributions at the balance sheet date. The contribution rate payable by the ACU was 14% 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 (i.e. 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 2008 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The following assumptions were used to assess the past service funding position and future service liabilities:

Valuation method: projected unit	Past Service	Future Service
Investment return on liabilities		
- before retirement	6.9% p.a.	7.0% p.a.
- after retirement	4.8% p.a.	5.0% p.a.
Salary growth*	4.85% p.a.	4.85% p.a.
Pension increases	3.35% p.a.	3.35% p.a.

*excluding an allowance for promotional 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 £1,266 million representing 100% 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.

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 revealed SAUL to be in surplus at the last formal valuation date (31 March 2008).

The next formal actuarial valuation is due at 31 March 2011 when the above rates will be reviewed. Informal reviews of SAUL's position are carried out between formal valuations.

22. Taxation

The ACU is a registered charity and is exempt from taxation in respect of income and capital gains received within the categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.