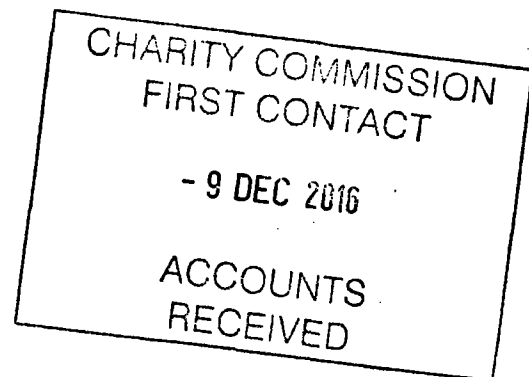


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**THE RHODES TRUST
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**



**THE RHODES TRUST
YEAR ENDED 30 JUNE 2016**

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THE RHODES TRUST

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2016

TRUSTEES' REPORT

The Board of Trustees of The Rhodes Trust ("the Charity") present their annual report for the year ended 30 June 2016 under the Charities Act 2011, together with the audited consolidated financial statements for that year.

Further information about the activities of the Rhodes Trust may be found at www.rhodeshouse.ox.ac.uk

REFERENCE AND ADMINISTRATIVE DETAILS

The Rhodes Trust is a registered charity (No. 232492/314119). Its registered address is Rhodes House, South Parks Road, Oxford OX1 3RG, United Kingdom. On 16th December 2014 the Trustees also registered the Rhodes Trust Horizon Fund (No 1159648) as a separate charity with the Charity Commission.

The present Trustees, and any past Trustees who served during the year, are given on page 2. The Trustees are common to all three charities.

OBJECTIVES AND PRINCIPAL ACTIVITIES OF THE CHARITY

The primary, though not exclusive, purpose for which The Rhodes Trust was established, and continues to operate, is to provide scholarships to be allocated annually to enable students from many countries (including selected countries of the Commonwealth, and from Germany, Hong Kong and the United States) to undertake either second undergraduate or post-graduate degrees, primarily at the University of Oxford. The Will of Cecil John Rhodes specified certain numbers and allocations of Scholarships; over the years the Trustees have added to the numbers of Scholarships and extended the range of countries to which Scholarships are allocated. The amount of each Scholarship is set (and from time to time adjusted) to cover both tuition fees and maintenance during the tenure of the Scholarship. The funding of the Scholarships and the administrative costs involved in the extensive selection process around the world, the placement of Scholars, and subsequent administration of the Rhodes Scholarships, are derived from the bequest of the Founder and the gifts of other donors.

Benefactions by the Rhodes Trust (including major gifts throughout the collegiate University of Oxford, and in Africa) have been historically expressed through the discretionary expenditure on a range of charitable purposes within Oxford, the Commonwealth and Africa, in particular. This is currently expressed primarily through an on-going commitment to the Mandela Rhodes Foundation.

The Public Purposes Fund (PPF) is used to make benefactions and donations primarily for educational purposes. As a result of more stringent financial planning, the Trustees resolved in 2004 to make no new major benefactions for the foreseeable future. However existing commitments are still to be met. The PPF also bears a proportion of the expenditure required for the maintenance of Rhodes House. The Trustees are empowered to appropriate capital and income from the PPF to assist the Scholarship Fund, and for some years the Fund has been used to make good deficits on income in the Scholarship Fund.

The Trustees are responsible for ensuring adherence to the Trust's objectives. They define policy and decide on all matters that affect the general operation of the Scholarships. The Warden is the Secretary to the Trustees and Chief Executive Officer of the Trust. He will present the Trustees with proposals for action, implement policies, and make decisions on individual Scholars as well as exercising a general pastoral function for Scholars in residence. He also maintains relationships with the Rhodes community worldwide and, along with the senior management team, is responsible for the day-to-day administration of the Trust. In furtherance of the Trust's aims, the Finance and Investment Committee monitors the investment strategy of the Trust.

**THE RHODES TRUST
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TRUSTEES

The Trustees, all of whom held office throughout the whole of the year ended 30 June 2016, unless otherwise stated, were:

Sir John Hood KNZM (Chairman)
Mr Julian Ogilvie Thompson (Emeritus from June 2015)
Professor Sir John Bell (Emeritus from June 2015)
Mr Michael McCaffery
Professor Ngaire Woods
Mr Dominic Barton
Mr Donald J Gogel
Professor Margaret MacMillan O.C.
Mr John McCall MacBain O.C.
H.E. Mr Festus G. Mogae (retired June 2016)
Mr Narayana Murthy
Ms Karen Stevenson
Mr John Wylie AM
Dame Helen Ghosh DBE
Dr Andrew Graham (retired June 2016)
Mr Andrew Banks
Mr Glen James
Professor Dame Carol Robinson
Mr Nicholas Oppenheimer
Dr Tariro Makadzange (appointed June 2016)
Professor Elleke Boehmer (appointed June 2016)

Details of the members of the individual committees of the Trustees are available on the Trust's website at www.rhodeshouse.ox.ac.uk

In accordance with the Will of the Founder, the Rhodes Trustees are responsible for the strategic direction of the Trust in all of its aspects. Certain of the Trustees currently hold appointments within the University of Oxford and its constituent colleges, although all serve in their personal capacity. The Trustees consider that the smooth operation of the Trust is facilitated by some of their number holding appointments in the University. At the same time they are mindful of potential conflicts of interest and procedures are in place to guard against any such conflicts.

Trustees Training

The Trustees are very supportive of training for any Trustee. Each Trustee receives a copy of the Charity Commission booklet CC3 'The Essential Trustee'. The Trustees, all drawn from the senior levels of business, industry, and academia, are normally familiar with the responsibilities of a Trustee.

Before any appointment, a prospective new Trustee will have been identified, carefully considered by the Governance Committee of the Trust, and a discussion held at a Trustees' meeting. He/she will subsequently be interviewed by the Chairman and the Warden, and usually the Chairman of the Governance Committee, to confirm their suitability as a Trustee, and that there are no conflicts of interest with the Trust. From these meetings any training needs will also be identified. Assuming the Chairman, Warden, and Governance Committee find the person suitable, the Board will formally pass a resolution for their appointment at their next meeting.

THE RHODES TRUST

ANNUAL REPORT

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FINANCIAL REVIEW AND RESULTS FOR THE YEAR

The audited accounts for the year ended 30 June 2016 have been prepared in accordance with the Statement of Recommended Practice 'Accounting and Reporting by Charities' (Charities SORP FRS102), as well as the requirements of the Charity Commission Total Return Order, and accompany this report. The independent auditors' report is given on pages 16 to 17 and the principal accounting policies adopted by the Trust are set out pages 21 to 26. The results for the year are presented in the Statement of Financial Activities and the Balance Sheet represents the combined assets and liabilities of all the funds within The Rhodes Trust.

At 30 June 2016 the Trust's net assets were £257.8m (2015: £195.7m) an increase of £62.1m for the year. Total resources expended during the year were £12.6m (2015: £12.1m) an increase of £0.5m, with the cost of the Scholarship programme being £7.3m (2015: £7.7m). A provision has been included, consistently, in these accounts to cover first and second year Scholars' costs. All Scholarships are dependent upon satisfactory progress throughout the Scholars' courses.

The Trust's trading subsidiary, Rhodes House Limited, traded profitably in the year and contributed £257,000 (2015: £241,000) to the Trust in respect of rent, management charges and gift aided profit.

The Trust's Australian subsidiary, Rhodes Scholarships in Australia Pty Ltd, received donations of AUS\$1,441,789 (£787,940) – 2015 AUS \$2,206,515 (£1,113,552) for the support of Australian scholars.

ACHIEVEMENTS AND PERFORMANCE

This year's key objectives and the impact of the Trust's achievements are summarised as follows:

The key objectives have been to:

1. Ensure that all Scholarship elections have been accomplished in a timely well-conducted manner;
2. Ensure all Scholars on courses achieve appropriate personal and academic objectives;
3. Provide an opportunity for philanthropists to support the ideals of the Rhodes Scholarships with donations;
4. Build and enrich the global community of Rhodes Scholars and connect them back to Rhodes House, Oxford;
5. Control non-Scholarship overhead costs and generate new revenue streams through the use of Rhodes House as a high-end venue;
6. Continue to develop the charity's trading subsidiary to provide a further revenue stream with the annual profit being gift aided back to the Trust.

The key performance achievements were:

1. All Scholarship selections were completed successfully and on time in constituency countries, and 87 Scholars were admitted to the University of Oxford, and 2 to Oxford Brookes University.
2. Excellent academic and extra-curricular performance by Rhodes Scholars in Oxford. The performance of all Scholars has been monitored on the basis of reports from academic supervisors, self-reporting forms, and interviews with the Warden and Registrar & Director of Scholar Affairs. All cases of personal or academic concern have been addressed. The level of 'distinctions' awarded to graduates remained high this year.
3. Rhodes Scholars have also represented the University in many competitive sports and have taken leadership in roles in many aspects of college and university life.
4. The second year of the Character Service & Leadership programme included the 2 day Retreats for first and second years respectively, together with skills workshops and speaker events.

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5. The Trust has raised over £200m in new funding in recent years towards (i) the £150m *Campaign for the Second Century* to secure the core Scholarships, (ii) funding for new expansion Scholarships and (iii) the partnership with the Atlantic Philanthropies to invest in mid-career Fellows and increase convening capacity. Over 2,500 people (including more than half of all living Rhodes Scholars) and institutions have contributed towards this success.
6. The majority of the Trust's fundraising to date has been for the *Campaign for the Second Century* to secure the existing Rhodes Scholarships in perpetuity. £30m has been raised towards the Campaign during the year, including £22.5m from the Atlantic Philanthropies. This gift and the many others received from Rhodes Scholars and Trustees means that, as of September 2016, there is just £18m remaining to achieve the £150m goal.
7. Total donation income including amounts received towards the new jurisdiction Scholarships totalled £59.6 million (2015: £21.9 million).
8. The Rhodes Scholar Network (RSN) has enabled Scholars across different geographies and classes to find each other and discuss important issues online and, subsequently, face to face. A RSN App has recently been launched, and a refresh of the site is planned for 2017. Comprehensive outreach materials have been produced and distributed, and additional guidance resources made available via the website for Scholars coming to Oxford produced by Scholars in residence.
9. A new book '*Fighting the World's Fights: Rhodes Scholars in Oxford and beyond*' was published and achieved very positive early sales. It focuses on the experience of Rhodes Scholars during their time in Oxford, and their impact after finishing their studies. Full of personal accounts and in-depth narratives, it is a book by the Rhodes community, for the Rhodes community.
10. Following the successful launch of the Rhodes Scholarships in China in 2015, 4 China Scholars will arrive in autumn 2016. In June 2016, the Trust announced the new Scholarships for Syria, Jordan, Lebanon, Palestine, Israel, Malaysia and West Africa, and the endowment of the Scholarships for the United Arab Emirates. Fundraising for these new Scholarships and the China Scholarships announced last year is on-going with £40m of the required £50m raised to date.
11. On 1st June 2016 the Trust announced a £75m partnership with the Atlantic Philanthropies, an international, limited-life Foundation established by entrepreneur Charles F. Feeney. The Trust will work with an interconnected set of Atlantic Fellows programmes to create the Atlantic Institute, a central convening and knowledge sharing hub for the global network of Atlantic Fellows. The grant includes a capital project to allow for expanded convening and conferences at Oxford. The funding also supports the core Scholarships and helps create a new award, the Rhodes Fellowships, which will support mid-career individuals with breakthrough projects.
12. Rhodes House is collaborating with several foundations to support development efforts by setting up joint programmes. Examples to date include the Atlantic Philanthropies, Said Foundation and the Schwarzman Scholarships, for which joint convenings and programmes are being developed.
13. A series of Rhodes conferences, all led by volunteer Scholars in residence, are due to take place at Rhodes House in the coming months. These include The Rhodes Healthcare Forum, Rhodes LGBTQ Forum, Rhodes Climate Change Forum, and Rhodes Ventures Forum.
14. Alumni gatherings took place in Australia, Cape Town, Canada, Nairobi, New York, Rwanda (during WEF in Africa), San Francisco and Washington DC. An annual event attended by over 100 alumni took place in September 2016 at Rhodes House.
15. A committee of Alumnae has been established to assist in the organization of a major event to celebrate the 40th anniversary of Rhodes Women in late summer 2017.

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16. The Milner Hall now benefits from portraits of Rhodes Scholars Lucy Banda Sichone (Zambian Human Rights activist), Wasim Sajjad (twice interim president of Pakistan), as well as a painting of Nelson Mandela. Photographs of Rhodes Scholars along with short biographies now adorn the walls of the library and corridors around Rhodes House. The Trust has received planning consent to make substantial alterations around Rhodes House for enhancing access, including ramps to the front and rear of Rhodes House, and a Disability Discrimination Act compliant lift to replace the existing lift.
17. With the guidance and vision of Shaun Johnson and his colleagues at the Mandela Rhodes Foundation, the former Grey Gallery was transformed into a room that is dedicated to the Mandela Rhodes story, and a bust of Nelson Mandela was presented by the Foundation.
18. Rhodes House staff members active in Events and Convening activities across Rhodes House have been consolidated in one team to ensure a centre of excellence in both content development and operations.
19. Rhodes House Limited continued to trade successfully. The outline results of the subsidiary are shown in note 16.
20. Rodolfo Torres Lara joined the Trust on 4th January 2016 in a new role as Programme and Alumni Relations Director to continue to expand the commercial convening of events, and Nadiya Figueroa, a Rhodes Scholar, joined the Trust on 29th August 2016 as Dean of Scholarships and Director of Leadership and Change.

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STRUCTURE, GOVERNANCE AND MANAGEMENT

Under his Will, Cecil John Rhodes left his residuary estate to his Trustees and Executors with certain defined provisions, including directions concerning awards of Scholarships. Modifications were subsequently made to those directions by the Rhodes Estate Act 1916, by the Rhodes Trust Act 1929, and by The Rhodes Trust (Modification) Order 1976 in accordance with Section 78 (4) of the Sex Discrimination Act 1975 (b).

By The Rhodes Trust Act 1946, The Rhodes Trustees were constituted a body corporate with perpetual succession under the name of The Rhodes Trust and their powers (including investment powers and also the power to spend trust capital for any purpose) defined. By the same Act other funds and properties deriving from the Rhodes estate were invested in the name of the body corporate and were constituted an aggregate fund called 'The Public Purposes Fund' for the charitable purposes as set out in clause 12 (1) of the Act.

By the Rhodes Trust Incorporation (Private) Act 1931 of the Union of South Africa, provision was made for the incorporation of the Trustees under Mr Rhodes' Will as a body corporate within the Union, and certain assets then held in South Africa (but now held in the United Kingdom) and forming part of the Rhodes estate were vested in the name of the body corporate, to be administered for the promotion of education and other public purposes.

The Rhodes Trust consists of two charities registered with the Charities Commissioners, namely: the Cecil Rhodes Trust Scholarship Fund (number 314119) and The Rhodes Trust – Public Purposes Fund (number 232492). A third charity, The Rhodes Trust Horizon Fund (number 1159648), was registered with the Charity Commission on 16th December 2014 to manage Scholarships from new jurisdictions.

ORGANISATION STRUCTURE AND GOVERNANCE

The Rhodes Trust is governed and administered globally by four entities: the Trustees (including committees), the Warden, National Secretaries, and Trust staff. Together, these entities provide the framework within which Scholarship promotion, Scholar selection, alumni outreach, fundraising, and other activities take place. For its operation, the Trust depends crucially upon volunteers in alumni bodies, selection committees, and fund-raising, and is very grateful for their contributions.

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The Committee responsibilities are as follows:

1. AUDIT AND RISK COMMITTEE

The Audit and Risk Committee determines the need and scope for an annual internal audit of the Trust's Finances and advises the Trustees on all aspects of risk management (eg. identification, mitigation and response). It is also responsible for agreeing the appointment of the external auditor, the mandate for the external audit, and receiving the external audit report on behalf of the Trustees, as well as working with the Finance and Investment Committee to ensure that appropriate risk assessment and modelling, risk management and asset allocation techniques are in place and rigorously executed.

2. FINANCE AND INVESTMENT COMMITTEE

The Finance and Investment Committee advises the Trustees on all aspects of investment strategy, investment risk management and controls, budgeting and financial statements. It liaises with external asset managers to ensure effective asset allocation and investment.

3. GOVERNANCE COMMITTEE

The Governance Committee advises the Trustees and the Warden on governance arrangements, Trustee and staff evaluations, related governance and management issues, and oversees the process of shortlisting for Trustee positions, including the Chair of the Trustees.

The Committee supports the Chair in facilitating the process by which Warden and senior staff set annual priorities and key performance indicators, and advises the Chair of Trustees in evaluating the Warden's performance annually against established priorities and indicators, as well as setting the Warden's salary.

4. DEVELOPMENT COMMITTEE

The Development Committee advises the Trustees and Warden on development strategy and leads the fundraising efforts of the Trust, including participation in defining public messaging around capital campaigns, annual fundraising, and the bequest programme, as well as leading the fundraising efforts of the Trust through personal financial contributions, recruiting volunteers and monitoring overall execution of the development strategy.

5. ACADEMIC COMMITTEE

The Academic Committee offers advice to the Warden and the Trustees on all aspects of what is necessary to ensure that the Rhodes Scholarship remains in perpetuity a scholarship of the highest quality and standing, as well as issues related to the Trust's relationship with the University of Oxford and its divisions and departments, and on matters relating to individual Scholars, including progression to DPhil.

It offers advice to the Warden concerning which degrees to finance, Scholarship numbers and distribution across programmes, and monitoring performance of the Scholarship, and setting performance goals and indicators where appropriate.

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GRANT MAKING POLICY

Prospective Scholars are invited to apply for Scholarships in their country through standard documentation. Each candidate will provide a statement, curriculum vitae, academic record, and references in support of their application, and the documentation is reviewed by the local selection committee. The local selection committee will then select those candidates they wish to interview, and the candidates will attend one or more interviews in the local country. The successful candidates are then recommended to the Trustees for the award of a Rhodes Scholarship. The award is subject to acceptance onto a course of study by a Department or Faculty of the University of Oxford, and by a College. Continuation of the Scholarship is conditional upon continuing academic achievement and satisfactory personal conduct. Each Scholar's progress is monitored in several ways. The Trust receives copies of the University termly reports for each Scholar. At least once a year, each Scholar is seen by the Warden, who produces an internal progress report, which is also sent to the relevant National Secretary.

For the academic year 2015/16 there were up to 199 Scholars (2015:207) being fully financially supported whilst a further 16 (2015:14) were receiving support by the Trust paying 4th year fees. 89 Scholars have taken up residence in Oxford in October 2016 (2015:84). Details of how to apply for scholarships together with the relevant forms are available on the Trust's website: www.rhodeshouse.ox.ac.uk.

The Trust received a grant during the year from Oxford University towards the cost of University fees of £400,000 (2015: £250,000). This grant, which is greatly appreciated by the Rhodes Trust, is in recognition of and to support the crucial role of the Rhodes Scholarships in attracting outstanding students to Oxford from around the world, and fully funding around 200 such students at any one time (over 7,000 since 1903); in recognition of the importance of the Rhodes Scholarships to the reputation and standing of the University of Oxford in many countries; and in recognition of the tens of millions of pounds which the Rhodes Trust has given in benefactions throughout the collegiate University of Oxford since 1903. The close partnership between the collegiate University of Oxford and the Rhodes Trust is reflected in these and other ways.

GRANT MAKING ACTIVITIES

The Mandela Rhodes Foundation

The Mandela Rhodes Foundation is based upon a full and equal partnership between The Rhodes Trust and the Nelson Mandela Foundation. This international partnership is designed to support and strengthen capacity building, development, education and leadership in South Africa and on the African continent as a whole. The commitment by the Rhodes Trustees to this partnership is based upon recognition both of the source of the original wealth of the Founder of The Rhodes Trust and of Cecil Rhodes's passionate commitment to the development of Africa. Entered into at the time of the centenary of the Rhodes Scholarships in 2003, it reflects the historic commitment of the Rhodes Trust to Africa, as manifested in benefactions in Africa throughout the first century of the Rhodes Trust. The Mandela Rhodes Foundation is a Foundation independent of The Rhodes Trust, but three Rhodes Trust Trustees are also Trustees of this Foundation, as well as the Warden of Rhodes House, and The Rhodes Trust receives regular reports on its activities.

The primary commitment of the Trust to the Foundation has been the benefaction of £10 million pounds over a ten year period, commencing in 2003, to provide an initial endowment and to meet the running costs of the Foundation.

However, due to the reduction in Trust's assets as a result of the turbulence in the global financial markets, the Trustees have agreed with the Trustees of the Mandela Rhodes Foundation to extend the donation period to a fifteen year period, thereby reducing the Trust's remaining commitment to £500,000 per annum over the next 1.5 years.

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The total obligation of £10m was recognised fully in the financial statements for the year ended 30 June 2002. Given the duration of payments to be made the amount was stated in the financial statements at its present value as described in note 4. This has resulted in a charge of £30,840 being taken in the 2016 accounts (2015: £604,819 credit).

The work of the Mandela Rhodes Foundation, especially in providing scholarships to African students of high potential to undertake post-graduate study in South Africa, is reflected at www.mandelarhodes.org/

PUBLIC BENEFIT

The Trustees confirm that they have complied with the duty in Section 17(5) of the Charities Act 2011, to have due regard to the guidance issued by the Charity Commission on public benefit.

The Trust supports a significant number of highly talented people from abroad to study in the United Kingdom, principally at the University of Oxford. The main benefits are that:

- It brings in approximately 90 new students every year and in any one year between 200 and 240 students from overseas are offered access to high quality university education, with the support of paid university and college fees and a stipend. The students come from a wide variety of national, ethnic, social, and educational backgrounds.
- By bringing such overseas students every year it contributes significantly to the cultural and educational experience of UK students.
- Through the fees and maintenance that it pays, the Trust contributes significantly to the financial viability of the University of Oxford and its colleges.
- The reputation of UK higher education is enhanced through the positive experience of Rhodes Scholars studying in Oxford.
- The community of Rhodes Scholars comprises an internationally diverse network of outstanding individuals who are selected for their commitment to public service and often play a key role in international relations, encouraging good relations between many of the countries of the world as a result.
- Over the century of the Trust's history, Rhodes Scholars have a consistent record of assuming leadership positions in politics, administration, business, education, community service, and the professions in their countries of origin and the UK.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards).

The 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 state of affairs of the charity and the group and of the incoming resources and application of resources of the group 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 in business.

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The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions, 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charity's website.

FINANCIAL MANAGEMENT POLICIES

Reserves

The Trust has £5.4m (2015 £6.1m) of Free Reserves as defined by the Charity Commission.

The Trustees aim to achieve a long-term real rate of return on the Trust's reserves. In the years leading up to June 2008 they budgeted and controlled their expenditure based on approximately 5% of the average of the last three years investment portfolio valuations. However, the reduction in the value of the funds following the global financial crisis meant that the Trust in the short-term will have to spend above this target to honour its commitments and maintain the status of the Scholarship. The nature of the Scholarship programme is such that levels of expenditure can only be reduced over a four to five year period.

The Trust is running a global fundraising campaign to raise funds to rebuild the endowment to a level where it can support the Scholarship programme in perpetuity. This campaign has been well supported by the alumni and friends of the Trust and the Trustees believe the target they have set for fund raising over the next decade is achievable. A carefully prepared financial model and plan suggests that, on reasonable assumptions as to investment returns, costs, and philanthropic support, it will be possible over the course of the decade to return to a sustainable rate of drawdown on the endowment. Progress against this plan is monitored carefully.

INVESTMENT POLICY AND PERFORMANCE

The powers of the Trustees by which they are governed, including the powers of investment, are set out in clauses 10 to 13 of the Rhodes Trust Act, 1946.

The strategy of the Trustees continues to be to manage the assets in such a way as to ensure the continuance of the Trust in perpetuity. It is the aim of the Trustees to restrict capital risk through diversification and to try to maximise total return through capital appreciation or by income generation depending upon economic conditions.

In order to manage the assets of the Trust in the most effective manner, a dedicated Finance and Investment Committee was established in 2004. This Committee, working with external professional specialists in charity investment management, carried out an exhaustive review of current investment strategy and practices. To this end, the Trustees amended the Trust's strategy and adopted a 'total return' approach for managing its investment portfolio.

The investments of the Trust comprise cash, investments in the Oxford Endowment Fund (a unitised investment fund), private equity funds, corporate bonds, fixed income funds and hedge funds.

During the 12 months to June 2016, the capital value of the Trust's investment portfolio (including short-term deposits) increased from £184.3m to £236.1m, including £6.4m of realised and unrealised gains on the investments, and £57.3m of donations credited directly to the endowment. To rebuild funds, the Trust is continuing to expand its global fundraising effort amongst its alumni and other supporters, and considering further commercial opportunities within its trading subsidiary to provide an improved revenue stream.

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In order to optimise future investment performance, following the adoption of a Total Return investing basis on the authority of a Charity Commission Order, the Trustees adopted a policy of investment pooling under the authority of the Trustee Act 2000 with effect from 30 June 2007.

SENIOR MANAGEMENT REMUNERATION

The remuneration structure of the senior management team is determined by regular benchmarking of appropriate remuneration against equivalent reward structures available within the Collegiate University and external appropriate salary and benefits paid for equivalent roles.

Recruitment consultants are employed as part of the senior executive search and their advice is sought on appropriate rewards required to attract the best candidates for the roles.

The remuneration of the Warden is determined by the Governance Committee, and his performance is evaluated annually using a 360 feedback process to which all staff are invited to participate.

All senior staff receive ongoing performance management and an annual appraisal which provides feedback from the Warden or line manager about how they have contributed to the achievement of the Trust's strategy and any personal development areas they may have.

VOLUNTARY WORKERS

The Trust is very fortunate in being able to draw upon a number of overseas volunteers who administer the selection process in their respective countries at little cost to the Trust. These volunteers are drawn from the ranks of the community of Rhodes Scholars, and from a much wider community of men and women prominent in public life and across all of the professions in their respective countries. The Trustees recognise and acknowledge with gratitude the considerable contribution made by these volunteers to the successful administration of the selection of Rhodes Scholars across the world.

The Trust is also very fortunate to benefit from the work of many volunteers in its alumni activities, and in helping to guide and encourage philanthropic support for the Rhodes Scholarship, as well as in the governance of the Trust.

RISK MANAGEMENT

The Trustees have a formal risk management process to assess, annually, business risks and implement risk management strategies, led by the Audit & Risk Committee which reports to the Board of Trustees at least 3 times per annum.

This has involved identifying the types of risks the charity faces (including Governance and Management, Financial, Reputational, and Operational risks), prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. These are documented in a detailed Risk Register that is reviewed at each Audit & Risk meeting, with a commentary on all of the current activity of the Trust assessed in the context of the underlying impact on the Risks.

As part of this process the Trustees have reviewed the adequacy of the charity's current internal controls and the costs of operating particular controls relative to the benefits obtained. Procedures have been established for reporting failings immediately to appropriate levels of management and to the Trustees.

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The key risks identified by the Trustees are:

Financial

1. The financial performance of the Trust's investments is insufficient to meet the Trust's financial commitments.

The endowment investment portfolio is overseen by The Rhodes Trust Finance and Investment Committee which is comprised of Trustees and other senior investment professionals. The Committee reviews investment strategy, asset allocation, performance, liquidity and risk, three times per annum, or more frequently as required. The majority of the Trust's assets are managed by Oxford University Endowment Management (OUEM) in a globally diversified, strategic asset allocation based portfolio. OUEM was founded by Oxford University, with input from the Trust, in 2007 to create a unitized endowment portfolio managed full time by OUEM professionals with appropriate fiduciary oversight. The investment process and governance of OUEM are based on the best practices of top global endowments and foundations. Rhodes Trustees believe the OUEM investment portfolio and program are well suited to the Trust's long term investment objectives. A Rhodes Trustee is currently a member of the Investment Committee of OUEM.

The remainder of the Trust's assets consist of legacy illiquid assets, primarily Private Equity, and additional liquid assets sufficient to cover the Trust's expenses in excess of the OUEM dividend. The legacy illiquid assets are managed by the Committee with the expectation that they will be invested with OUEM once realized.

2. Failure to secure the Core and fund new jurisdiction Scholarships

The Trust has raised over £200m in new funding in recent years towards (i) the £150m Campaign for the Second Century to secure the core Scholarships, (ii) funding for new expansion Scholarships and (iii) the partnership with the Atlantic Philanthropies to invest in mid-career Fellows and increase our convening capacity.

Over 2,500 people (including more than half of all living Rhodes Scholars) and institutions have contributed towards this success.

The majority of fundraising to date has been for the Campaign for the Second Century to secure the existing Rhodes Scholarships in perpetuity. £30m has been raised during the year, including £22.5m from the Atlantic Philanthropies. This gift and the many others received from Rhodes Scholars and Trustees means that, as of September 2016, there is just £18m remaining to achieve the £150m goal.

In June 2016, the Trust announced the new Scholarships for Syria, Jordan, Lebanon, Palestine, Israel, Malaysia and West Africa, and the endowment of the Scholarships for the United Arab Emirates. Fundraising for these new Scholarships and the China Scholarships announced last year is on going. The Trust will continue to expand its geographical reach and fund raise for expansion scholarships.

In June 2016, the Trust announced the £75m partnership with The Atlantic Philanthropies. The grant will fund the core Scholarships, the new Atlantic Institute hub for the Atlantic Fellows program's mid-career Fellows, and enhanced convening facilities at Rhodes House.

Reputational

3. The Scholarship loses its reputation as the world's leading scholarship.

The Academic Committee maintains an active review of:

- Benchmarking financial support for scholars on stipend via an annual review of similar scholarships
- An annual Scholar engagement survey
- Global brand management through a regular website refresh
- Rigorous and refreshed scholar selection processes

**THE RHODES TRUST
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- Regular engagement with the Scholar community and third party donors to ensure appropriate financial support available in perpetuity.

The Trust has managed a world class selection process for over 110 years, resulting in a mature infrastructure that has involved the identification of 7000 Scholars. Rhodes Scholars are directly involved in the process and the Warden attends a number of the selection events as part of the Trust's quality control and evaluation. The prestigious nature of the Scholarship award provides a regular cadre of highly respected volunteers to sit on the Committees.

The Trust has also implemented a structured Character, Service and Leadership development programme that is attended by all first and second year Scholars, led by the Warden and Dean of Scholarships and supported by current and Senior Scholars and distinguished guest speakers.

The Trust has also implemented a Public Relations strategy and escalation procedure for media engagement with the engagement of external advisors as necessary.

Operational

4. Rhodes Scholar at University or guest on Rhodes House premises harmed or injured.

Scholars are directed to the University's guidance on behaviour whilst in Oxford, and sign a waiver on coming up to Oxford releasing Rhodes Trust of liability for accidents for which the Scholars are responsible.

Approved caterers are used for all Rhodes House events, and the caterers confirm compliance with alcohol licensing and food handling procedures. The events team agree the running sheets for all functions taking place at Rhodes House with the clients/scholars and the events are always attended by at least 2 members of the Front of House team along with key representatives of the Trust staff and Trustees as appropriate.

The Warden and Registrar and the newly appointed Dean of Scholarships and Director of Leadership and Change meet regularly with scholars and closely monitor for any signs of personal difficulty. A panel of counsellors is available to work one to one with scholars on a confidential basis, with costs met by the Trust as appropriate.

5. Rhodes House destroyed by fire or major flood damage

A new fire alarm system was installed in February 2015 and weekly tests are undertaken by the Front of House staff and all staff are trained in fire management procedures. A daily premises inspection for potential fire and flood risks is also undertaken, and the Trust is directly linked to the University emergency contact system.

The Trust has implemented a shared IT resource with its neighbour, Wadham College, to provide additional resource back up in the event of IT disruption or failure, and "disproportionate" insurance cover is maintained that offers cover irrespective of the percentage of the damage to the building.

FUTURE PLANS

Although the Trustees believe that the charity is currently able to meet its current level of commitments based on its financial strength at the present time, they continue to recognise the long-term financial challenges ahead, which will require them to add substantially to the Trust's financial resources.

The Trust will continue to improve and expand its support of Scholars whilst at Oxford and facilitate greater interaction among the Scholar community across years and national groups.

**THE RHODES TRUST
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The Trust will continue to expand its efforts to engage with Rhodes alumni around the world through the web-site and communications, alumni events (including with the Warden), the roll-out of the Rhodes Alumni network, the continuing improvement of the Character, Service & Leadership programme and other events and activities, with the support of the newly appointed Dean of Scholarships and Director of Leadership and Change.

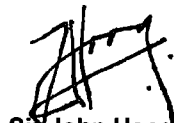
The fundraising programme will work towards the conclusion of the Capital Campaign and the deployment of the development team towards fundraising for new jurisdiction Scholarships. Plans also include developing more sophisticated giving opportunities such as bequests and planned giving vehicles, annual giving programmes with matched giving initiatives, in-kind giving opportunities and engaging a wider constituency of donors beyond the Rhodes alumni community.

The Trust's trading subsidiary will continue to develop commercial opportunities to generate an increasing revenue stream which can be donated to the Trust, strengthened by the appointment of a Director of Programmes and Alumni Relations, reporting directly to the Warden.

The Trust will also continue to extend the territorial reach of the scholarships through support from new donors, and welcomes the first cohort of Atlantic Fellows to Rhodes House in November 2016.

Plans to develop the space under Rhodes House, which is vacant following the departure of the Bodleian Library, are currently under review and a Building Committee has been formed of Trustees to consider the appropriate strategy.

Approved and signed on behalf of the Trustees on 11 November 2016



Sir John Hood
Chairman of the Trustees

**THE RHODES TRUST
PROFESSIONAL ADVISERS
FOR THE YEAR ENDED 30 JUNE 2016**

The current advisers are:

BANKERS:

National Westminster Bank plc
121 High Street
Oxford OX1 4DD

SOLICITORS:

Blandy & Blandy LLP
One Friar Street
Reading RG1 1DA

Lewis Silkin LLP
King Charles House
Park End Street
Oxford OX1 1JD

Farrer and Co LLP
66 Lincoln's Inn Fields
London WC2A 3LH

REGISTERED AUDITORS:

Crowe Clark Whitehill LLP
Aquis House
49-51 Blagrove Street
Reading RG1 1PL

REGISTERED ADDRESS:

Rhodes House
South Parks Road
Oxford OX1 3RG

WARDEN AND SECRETARY TO THE TRUSTEES:

Charles Conn

SENIOR MANAGEMENT TEAM

Peter Anderson-Director of Finance
Charles Conn-Warden & CEO
Mary Eaton-Registrar and Director of Scholar Affairs
Nadiya Figueroa-Dean of Scholarships and Director-Leadership and Change (from 29th August 2016)
Rodolfo Lara-Director, Programmes and Alumni Relations (from 1st January 2016)
Alasdair MacLay-Director of Development
Babette Tegldal-Director of Communications.

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF THE RHODES TRUST

We have audited the financial statements of The Rhodes Trust for the year ended 30 June 2016 which comprise the Consolidated Statement of Financial Activities, the Group and Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes numbered 1 to 21.

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 151 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.



Crowe Clark Whitehill™

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Chartered Accountants
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www.croweclarkwhitehill.co.uk

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF THE RHODES TRUST (continued)

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charity's affairs as at 30 June 2016 and of the group's 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 by the parent charity; 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

Crowe Clark Whitehill LLP

Statutory Auditor

Aquis House
49-51 Blagrove Street
Reading
RG1 1PL

Date: *21 November 2016*

Crowe Clark Whitehill LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

THE RHODES TRUST
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Unrestricted Income Funds £	Restricted Income Funds £	Scholarship Endowment Capital £	Other Endowments Capital £	Total Funds 2016 £	Total Funds 2015 £
INCOME AND ENDOWMENTS							
Legacies/donations	1g,h	2,295,174	22,480,995	-	34,811,965	59,588,134	21,852,709
Investments							
Investment and other income	3	4,002,571	1,961,354	1,739,913	433,561	8,137,399	5,641,005
Other trading income:							
Rhodes House Limited - trading	16	557,388	-	-	-	557,388	555,380
Sundry income		<u>5,040</u>	<u>17</u>	<u>-</u>	<u>-</u>	<u>5,057</u>	<u>6,264</u>
Total		<u>6,860,173</u>	<u>24,442,366</u>	<u>1,739,913</u>	<u>35,245,526</u>	<u>68,287,978</u>	<u>28,055,358</u>
EXPENDITURE ON							
Raising funds:							
Fundraising costs		1,184,569	161,816	-	57,054	1,403,439	1,780,390
Rhodes House Limited - trading	16	244,596	-	-	-	244,596	258,377
Other		<u>1,942,002</u>	<u>106,971</u>	<u>152,363</u>	<u>701,708</u>	<u>2,903,044</u>	<u>790,606</u>
		3,371,167	268,787	152,363	758,762	4,551,079	2,829,373
Charitable activities							
Education support	4	<u>3,799,127</u>	<u>2,644,193</u>	<u>1,563,209</u>	<u>-</u>	<u>8,006,529</u>	<u>9,321,185</u>
Total	5	<u>7,170,294</u>	<u>2,912,980</u>	<u>1,715,572</u>	<u>758,762</u>	<u>12,557,608</u>	<u>12,150,558</u>
Net gains/(losses) on investments	10	<u>125,198</u>	<u>(11,704)</u>	<u>1,289,162</u>	<u>4,984,101</u>	<u>6,386,757</u>	<u>15,313,132</u>
Net Income		(184,923)	21,517,682	1,313,503	39,470,865	62,117,127	31,217,932
Transfers between funds	6	<u>(147,163)</u>	<u>1,227,293</u>	<u>-</u>	<u>(1,080,130)</u>	<u>-</u>	<u>-</u>
Net movement in funds		(332,086)	22,744,975	1,313,503	38,390,735	62,117,127	31,217,932
Balances brought forward		<u>5,714,420</u>	<u>1,552,423</u>	<u>39,239,535</u>	<u>149,198,429</u>	<u>195,704,807</u>	<u>164,486,875</u>
Fund balances carried forward	15	<u>5,382,334</u>	<u>24,297,398</u>	<u>40,553,038</u>	<u>187,589,164</u>	<u>257,821,934</u>	<u>195,704,807</u>

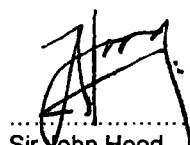
All amounts derive from continuing activities.

The notes on pages 21 to 44 form part of these financial statements

THE RHODES TRUST
CONSOLIDATED AND CHARITY BALANCE SHEET
30 JUNE 2016

	Notes	2016 Group £	Charity £	2015 Group £	Charity £
FIXED ASSETS					
Tangible fixed assets	8	14,513,167	14,513,167	14,714,793	14,714,793
Investment securities	10	236,113,800	236,113,908	184,337,089	184,337,197
Investment properties	9	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
		250,826,967	250,827,075	199,251,882	199,251,990
CURRENT ASSETS					
Debtors	11	3,568,974	3,968,897	1,812,186	2,046,742
Cash at bank		<u>12,075,567</u>	<u>11,405,558</u>	<u>3,491,151</u>	<u>2,787,840</u>
		15,644,541	15,374,455	5,303,337	4,834,582
CREDITORS: Amounts falling due within one year	12	<u>(7,667,739)</u>	<u>(44,547,442)</u>	<u>(7,390,608)</u>	<u>(18,051,161)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>7,976,802</u>	<u>(29,172,987)</u>	<u>(2,087,271)</u>	<u>(13,216,579)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		258,803,769	221,654,088	197,164,611	186,035,411
CREDITORS: Amounts falling due after more than one year	13	<u>(981,835)</u>	<u>(981,835)</u>	<u>(1,459,804)</u>	<u>(1,459,804)</u>
NET ASSETS		<u>£257,821,934</u>	<u>£220,672,253</u>	<u>£195,704,807</u>	<u>£ 184,575,607</u>
FUNDS					
Unrestricted funds		5,382,334	5,382,334	5,714,420	5,714,420
Restricted income		24,297,398	22,683,857	1,552,423	1,552,423
Scholarship permanent					
Endowment & supplement		40,553,038	40,553,038	39,239,535	39,239,535
Other Endowments: capital		<u>187,589,164</u>	<u>152,053,024</u>	<u>149,198,429</u>	<u>138,069,229</u>
TOTAL CHARITY FUNDS	15	<u>£257,821,934</u>	<u>£220,672,253</u>	<u>£195,704,807</u>	<u>£ 184,575,607</u>

These financial statements were approved and authorised for issue by the Board of Trustees on
11 November 2016



.....
Sir John Hood
Chairman of the Trustees

The notes on pages 21 to 44 form part of these financial statements

THE RHODES TRUST
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 £	2015 £
Cash flows from operating activities			
Net movement in funds		62,117,127	31,342,432
Gains on investments (Note 10)		(2,716,289)	(10,254,615)
Gains on investment property		-	(44,082)
Depreciation		296,600	135,984
(Increase)/decrease in debtors		(1,756,788)	(540,595)
(Decrease)/ increase in creditors		(200,838)	47,502
Net cash provided by operating activities		57,739,812	20,686,626
Cash flows from investing activities			
Purchase of tangible fixed assets	8	(94,974)	(290,358)
Proceeds from sale of investment property		-	1,300,000
Purchase of investments	10	(54,536,531)	(34,487,386)
Proceeds from sale of investments	10	3,768	23,054,064
Decrease/(increase) in cash awaiting investment		5,472,341	(12,117,400)
Net cash used in investing activities		(49,155,396)	(22,541,080)
 Change in cash and cash equivalents in the year		 8,584,416	 (1,854,454)
 Cash and cash equivalents at the beginning of the year		 <u>3,491,151</u>	 <u>5,345,605</u>
Total cash and cash equivalents at the end of the year		<u>£12,075,567</u>	<u>£ 3,491,151</u>
 Analysis of cash and cash equivalents:			
		2016 £	2015 £
Cash at bank and in hand		<u>12,075,567</u>	<u>3,491,151</u>

The notes on pages 21 to 44 form part of these financial statements

THE RHODES TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

1. CHARITY INFORMATION

The principal activity of the charity is to promote and advance education and other charitable purposes in any part of the world in such ways as are exclusively charitable as the Trustee in its uncontrollable discretion shall determine. The charity (charity number 232492/314119), is registered and domiciled in the UK. The address of the registered office is Rhodes House, South Parks Road, Oxford, OX1 3RG.

2. PRINCIPAL ACCOUNTING POLICIES

- (a) The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The group accounts consolidate the accounts of the charity and its subsidiary undertakings (Rhodes House Limited (company number: 06539418), The Rhodes Trust Horizon Fund (charity number: 1159648), and the funds held in trust by The Rhodes Scholarships in New Zealand Limited and Rhodes Scholarships in Australia PTY Limited respectively) on a line by line basis. As permitted by the Charities SORP, no separated income and expenditure account is presented for the charity. The surplus of income and expenditure for the charity for the year was £36,096,646 (2015: *surplus* £28,909,842)

The Rhodes Trust meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note.

Information on the impact of first-time adoption of FRS 102 is given in note 21.

The trustees consider that there are sufficient reserves at 30 June 2016 to manage any foreseeable downturn in the UK and global economy. The trustees consider that there is a reasonable expectation The Rhodes Trust has adequate resources to continue in operational existence for the foreseeable future and for this reason, the trustees continue to adopt the 'going concern' basis in preparing the accounts.

(b) Educational support

In accordance with FRS 102 'Provisions, contingent liabilities and contingent assets', a present obligation is considered to exist for the payment of institutional grants and donations where the Trust has made a commitment to a beneficiary such that payment is probable. Where payments are spread over a number of years, the liability is discounted to its net present value using the equivalent term United Kingdom Treasury redemption yield.

In particular:

- Scholarships, which are normally held for a two-year period. Because of the contingent nature of progress for Scholars, the commitment of their cost is included for first and second year scholars.
- The commitment to the Mandela Rhodes Foundation of £1 million per year for ten years from 2003 has, following the agreement with the Trustees of the Mandela Rhodes Foundation to extend the donation period to 15 years, been discounted at 3.5% (based on the rates of return on government bonds) and assumes that the payments of £500,000 per year will be made over the remaining period of the benefaction (see note 4).

THE RHODES TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

(c) Investments

Quoted investments have been valued at the middle market price at the close of business at the year end. The market value of unit trusts and managed fund units is taken as the average of the bid and offer prices at the accounting date as advised by the financial advisors after taking professional advice. Fixed interest securities are valued inclusive of accrued interest. Private Equity and Hedge fund investments have been valued at market value, as agreed with professional advisors. Investments in overseas currencies are translated into sterling at the exchange rates ruling at the year end. Listed investments are revalued daily.

Investment properties are shown at an estimate of market value.

Realised and unrealised gains and losses on investments are disclosed in total in the statement of financial activities within the fund that carried the investment on a combined basis.

(d) Freehold properties – Public Purposes Fund

Property, which principally represents Rhodes House, Oxford, and which is used for the charitable purposes of the Trust, is included in the balance sheet at an updated valuation under the transitional provisions of FRS102. There is a continuous programme of refurbishment, the cost of which is written off as incurred.

Depreciation is charged at 2% on the building element. Land is not depreciated.

The trust also holds freehold property for the purposes of providing accommodation for the Warden. The buildings element of this is depreciated at 2%. Land is not depreciated.

Assets are reviewed for capitalisation purposes on an individual basis. Impairment reviews are conducted by the Trustees where conditions of impairment arise.

(e) Motor vehicles and computer equipment

The motor vehicle and computer equipment are depreciated on a straight line basis over their estimated useful lives of four years.

(f) Investment income

Interest receivable on bank deposits is accounted for as it accrues. All other investment income is taken into account on the basis of the due date for payment. Investments acquired through scrip dividends and income accumulation (where the amount is separately identifiable) are recorded as income. Income arising on the permanently endowed Scholarship Fund accrues to capital as part of that Fund's 'Unapplied Total Return' now separately accounted for under the Total Return basis of investing authorised by Charity Commission Order dated 30 March 2007 – see Note 14.

THE RHODES TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

(g) Donations

Donations receivable for the general purposes of the charity are recorded separately and any wishes of the donor taken into account whenever and wherever practical.

Where donations are made under certain terms and conditions, the Trustees will consider such conditions before accepting the donation. Promised donations are recognised where there is evidence of entitlement and the criteria of certainty and measurability are met; all other donations are recognised upon receipt. Donations in kind are included in the Statement of Financial Activities at a reasonable estimate of their open market value.

(h) Legacy accounting

Legacies of a capital or income nature in accordance with any terms of trust attaching to them are accounted for once the Trust's entitlement has been confirmed and reliably quantified and ultimate receipt of that amount has become reasonably certain.

(i) Expenditure

Expenditure is accounted for in the period in which the liability arises. Expenditure, which is common to all funds, is allocated on the best estimates of the Trustees to the funds in proportion to the benefit which each fund gains. Where necessary, expenditure is allocated between direct charitable expenditure, fundraising costs, donations in kind, and governance costs on an estimate of the time and resource involved.

Governance costs comprise the costs incurred in running the charity, including external audit, Trustees' legal advice and constitutional and statutory compliance costs.

Liabilities include constructive obligations, which are normally held for a two year period, are recognised at the point at which the Trust is deemed to have entered into a binding commitment. In particular, and because of the contingent nature of Scholarships, the cost of stipends and fees for Scholarships are provided for the coming year. Charitable benefactions and donations are charged in the year in which the commitment is made by the Trustees.

(j) Pensions

The Trust participates in the Universities Superannuation Scheme (USS) and the University of Oxford's Staff Pension Scheme (OSPS). Both are defined benefit schemes externally funded and contracted out of the State Second Pension (S2P). The assets of the schemes are held in separate funds administered by the Trustees of those funds. The Rhodes Trust is unable to identify its share of the underlying assets and liabilities of the schemes on a reasonable and consistent basis and therefore, as required by FRS 102, accounts for the schemes as if they were defined contribution schemes. However, the Rhodes Trust also makes deficit contribution payments to the scheme, in accordance with FRS102 the payments have been measured at fair value and are included as a liability on the balance sheet. The expected cost to the Trust is charged to the Statement of Financial Activities so as to spread the cost of pensions over the service lives of employees.

The Trust has also introduced a 401(K) Safe Harbour pension plan for its four US employees to which it contributes. This is a defined contribution plan.

The amounts charged to the Statement of Financial Activities in respect of pension costs and other post-retirement benefits are the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

THE RHODES TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

(j) Pensions (continued)

In addition, the Trust pays pensions directly to some former employees or their dependants. The cost of these pensions is charged to the Statement of Financial Activities when the payment is made. No provision has been made in the accounts for the potential unfunded liability in respect of these pensions since the amount would not be material to the Trust.

(k) Fund accounting

The Rhodes Trust comprises three principal Funds:

The Scholarship Fund, the Public Purposes Fund, and the newly constituted Rhodes Trust Horizon Fund.

There are also two separate subsidiary undertakings, The Rhodes Scholarship in Australia Pty Limited, and The Rhodes Scholarship in New Zealand Limited, wholly owned subsidiaries registered in their local Jurisdictions. The funds each respectively administers as trustee are consolidated as part of the Trust's Group accounts.

The Scholarship Fund

Charity No. 314119 on the Register of Charities, comprises the original endowment for the provision and administration of the Scholarships provided for in Mr Rhodes' Will or added by the Rhodes Trustees in accordance with the Rhodes Trust Act 1929, or by donors on the same terms of trust.

It also includes a capital supplement (the Unapplied Total Return), administered as an expendable endowment arising from the adoption of 'total return' investing under a Charity Commission Order dated 30 March 2007.

This appears as Scholarship Permanent Endowment and Supplement on the group balance sheet.

Public Purposes Fund (PPF)

Charity No. 232492 on the Register of Charities, is for the promotion in any part of the Commonwealth or the United States 'of any educational or other charitable purpose', with discretionary power to spend capital.

This fund is also available to provide support, at the Trustees discretion, to the Scholarship Fund in meeting the cost of the scholarship programme whenever there are insufficient resources available within that fund. It also holds a specific benefaction to fund additional scholarships administered by the Trust. The capital of this fund is accounted for as expendable endowment following legal clarification of its legal status under the Rhodes Trust Act 1946.

Within the PPF are various separate funds including:

- **Unrestricted Funds** – these Funds are fully expendable as to capital at the discretion of the Trustees, in addition to the use of income in furtherance of the Objects of the Trust. These appear as unrestricted funds on the group balance sheet.
- **Restricted Income Funds**-expendable funds with jurisdiction specific requirements. This includes the **Falcon Fund**, established for the development and delivery of the Scholarship for Scholars from the United Arab Emirates. These appear as restricted income on the balance sheet.

THE RHODES TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

(k) Fund accounting (continued)

- **Expendable Endowments held for special purposes**-funds received as capital, or accumulated as capital where so permitted by law. This includes:
 - **The Hong Kong Fund**, which is a separate fund set up as a direct result of a receipt of funds to finance one Scholarship per annum, out of the resultant income.
 - **The New Africa Fund**, which is a separate fund, the income from which will be used for the development and delivery of Scholarships for African countries.
 - **Partnership Funds**, comprising separate funds to be used for the development and delivery of Scholarships in designated existing constituencies, including the Second Century Founder Fund.

These appear as part of other endowments: capital on the balance sheet.

The Rhodes Trust Horizon Fund

Charity number 1159648 on the register of charities is for the promotion and advancement of education and other charitable purposes in any part of the world. The Fund was established on 16th December 2014.

The Fund has received expendable donations for the specific purpose of funding the new China Scholarships and separately Israel Scholarships, so have been consolidated as a Restricted Income Fund for the purpose of disclosure on the group balance sheet. Endowment donations for funding Scholarships for China, Israel, Malaysia, Syria, Jordan, Lebanon and Palestine, and the United Arab Emirates are treated as endowments-capital on the group balance sheet. The apportionment of the Atlantic Philanthropies benefaction relating to the Atlantic Institute is also treated as endowments-capital on the group balance sheet.

Rhodes Scholarship in Australia Pty Limited, ATF Rhodes Trust in Australia

ATF Rhodes Trust in Australia is a separate charitable fund established in Australia and administered by Rhodes Scholarship in Australia Pty Limited, a wholly owned subsidiary of the Rhodes Trust, that does not form part of the three Funds above. The income is used for the development and delivery of the Scholarship for Scholars from Australia. The fund is consolidated into the Group accounts, given that it is administered by a wholly owned subsidiary of the Rhodes Trust, and is shown as part of other endowments-capital on the group balance sheet.

The Rhodes Scholarship in New Zealand Limited

Similarly, a separate charitable fund has been established in New Zealand which is administered by another wholly owned subsidiary of the Rhodes Trust, The Rhodes Trust in New Zealand Limited. The New Zealand fund does not form part of the three Funds above. The income is used for the development and delivery of the Scholarship for Scholars from New Zealand. Given that it is administered by a wholly owned subsidiary of the Rhodes Trust, the New Zealand fund is consolidated into the Group accounts and is shown as part of other endowments-capital on the group balance sheet.

THE RHODES TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

l) Financial instruments

Basic financial instruments include debtors and creditors. Debtors and creditors are initially recognised at transaction value and subsequently measured at amortised cost. Note 19 provides more information on financial instruments where future cash flows are anticipated, with financial assets referring to fixed asset investments and debtor balances excluding prepayments, and financial liabilities referring to all creditor balances excluding deferred income and tax and social security.

(m) Investment pooling

In order to optimise future investment performance, following the adoption of a Total Return investing basis on the authority of a Charity Commission Order, the Trustees have adopted a policy of investment pooling under the authority of the Trustee Act 2000 with effect from 30 June 2007.

(n) Investment management fees

Where identifiable, investment management fees are stated as gross expenditure. Some investments do not have explicit fees charged as these are deducted in arriving at net asset value.

(o) Foreign Currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences arising in the ordinary course of business are included in net income / (expenditure). Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date.

The results of the overseas subsidiary have been converted at the average rate for the year. Balance sheet items have been translated at the exchange rates ruling at the balance sheet date.

2 JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the charity's accounting policies, which are described in note 1, Trustees are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects the current and future periods.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described in the accounting policies and are summarised below:

- Assumptions used for the calculation of the pension scheme deficit contribution liability.

3. INVESTMENT AND OTHER INCOME

	2016 £	2015 £
Interest and dividends	8,123,623	5,622,466
Bank deposit interest	<u>13,776</u>	<u>18,539</u>
	<u><u>8,137,399</u></u>	<u><u>5,641,005</u></u>

THE RHODES TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

3. INVESTMENT AND OTHER INCOME (CONTINUED)

Taxation

The Rhodes Trust, being a registered charity, is exempt from United Kingdom tax on income and capital gains. It is, however, subject to withholding tax by foreign authorities on income from certain of its foreign investments.

4a). ANALYSIS OF CHARITABLE EXPENDITURE

The charity undertook charitable activities by awarding scholarship grants to a number of individuals and institutions in furtherance of its charitable activities.

2016	Grant Funded Activity £	Support Costs £	Total £
Grants to individuals (Scholarships)	7,274,225	698,379	7,972,604
Grants to institutions (note 4b)	<u>33,925</u>	<u>-</u>	<u>33,925</u>
	<u>7,308,150</u>	<u>698,379</u>	<u>8,006,529</u>

The Trust received a grant during the year from Oxford University towards the cost of University fees of £400,000 (2015: £250,000).

2015	Grant Funded Activity £	Support Costs £	Total £
Grants to individuals (Scholarships)	7,671,455	2,239,543	9,910,998
Grants to institutions (note 4b)	<u>(589,813)</u>	<u>-</u>	<u>(589,813)</u>
	<u>7,081,642</u>	<u>2,239,543</u>	<u>9,321,185</u>

4b) Recipients of grants to Institutions:	2016 £	2015 £
Public purposes fund:		
African and Commonwealth:		
Rex Nettleford Fellowship	3,085	15,006
Mandela Rhodes Foundation (see below)	<u>30,840</u>	<u>(604,819)</u>
	<u>33,925</u>	<u>(589,813)</u>

All benefactions and donations are for educational and charitable purpose.

The Mandela Rhodes Foundation

The Rhodes Trust committed to contributing £1m per year to the Mandela Rhodes Foundation for a ten-year period commencing in 2003. The total obligation of £10m was recognised fully in the financial statements for the year ended 30 June 2002. Given the duration of payments to be made the amount was stated in the financial statements at its present value using a discount factor of 5.5%.

THE RHODES TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

4. ANALYSIS OF CHARITABLE EXPENDITURE (CONTINUED)

In 2009, the Trustees of the Mandela Rhodes Foundation agreed to extend the donation period from 10 to 15 years, thereby reducing the Trust's remaining commitment to £500,000 a year payable over the next ten years. This commitment is now shown in the financial statements at its present value using a discount factor of 3.5% (2015: 3.5%). The total obligation at 30 June 2016 at present value is £859,126 (2015: £1,328,286) of which £618,614 (2015: £618,614) is included within amounts payable within one year and the balance of £240,512 (2015: £709,672) is included within amounts payable in greater than one year.

5. TOTAL RESOURCES EXPENDED

	Staff Costs £	Other costs £	Depreciation £	2016 Total £	2015 Total £
Raising funds					
Fund raising costs	806,031	597,408	-	1,403,439	1,780,390
Rhodes House Limited					
Trading	-	244,596	-	244,596	258,377
Other	1,151,496	1,454,948	296,600	2,903,044	790,606
	<u>1,957,527</u>	<u>2,296,952</u>	<u>296,600</u>	<u>4,551,079</u>	<u>2,829,373</u>
Charitable activities					
Education support	-	8,006,529	-	8,006,529	9,321,185
Total expenditure	<u>£ 1,957,527</u>	<u>£ 10,303,481</u>	<u>£ 296,600</u>	<u>£12,557,608</u>	<u>£12,150,558</u>

Education support costs in the year ended 30th June 2016 reflect only those costs directly attributable to Scholars including University tuition fees, stipends and flights and allowances. The prior year equivalent costs have been included in Other in the current year.

Governance costs of £171,948 (2015: £117,942) include the following amounts:

	2016 £	2015 £
Group auditors' remuneration - Audit fees:		
- relating to parent charity	32,140	31,200
- relating to subsidiaries	6,615	6,425
- Corporation tax	5,554	2,468
- Other	<u>750</u>	<u>-</u>

6. TRANSFERS BETWEEN FUNDS

These inter-fund transfers are in support of Scholarship Fund expenditure for the year – see Note 15.

THE RHODES TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

7. EMPLOYEE COSTS

The Trust is very fortunate in being able to draw upon a number of overseas volunteers who administer the selection process in their respective countries at little cost to the Trust. These volunteers are drawn from the ranks of the community of Rhodes Scholars, and from a much wider community of men and women prominent in public life and across all of the professions in their respective countries. The Trustees recognise and acknowledge with gratitude the considerable contribution made by these volunteers to the successful administration of the selection of Rhodes Scholars across the world.

The Trust is also very fortunate to benefit from the work of many volunteers in its alumni activities, and in helping to guide and encourage philanthropic support for the Rhodes Scholarship, as well as in the governance of the Trust.

	2016 £	2015 £
Total staff costs:		
Wages and salaries	1,708,831	1,618,512
Social security costs	176,281	148,675
Pension costs	<u>72,415</u>	<u>365,824</u>
	<u>1,957,527</u>	<u>2,133,011</u>

The number of employees whose annual emoluments exceeded £60,000 were:

	2016 No.	2015 No.
£60,000 - £70,000	3	3
£70,000 - £80,000	1	-
£100,000- £110,000	-	1
£110,001 - £120,000	1	-
£120,001 - £140,000	1	1
£140,001 - £150,000	-	1
£150,001 - £160,000	1	1
£160,001 - £170,000	1	-

Four of the employees was a member of the USS final salary pension scheme in both years.

The average number of employees, analysed by function was:

	2016 No.	2015 No.
Administration and charitable support:		
Full time	25	23
Part time	<u>14</u>	<u>10</u>
	<u>39</u>	<u>33</u>

The Trustees do not receive any remuneration from the Trust in respect of their services to the Trust. Trustee expenses of £904 (2015: £4,575) were reimbursed for flights and accommodation for attending the Trustee Board meetings.

	2016 £'000	2015 £'000
Aggregate employee benefits of key management personnel	<u>665,121</u>	<u>558,545</u>

THE RHODES TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

8. TANGIBLE FIXED ASSETS – GROUP AND CHARITY

	Freehold Buildings £	Motor Vehicle £	Office Equipment and Computers £	Total £
Cost				
At 1 July 2015	14,495,000	18,649	780,685	15,294,334
Additions	-	-	94,974	94,974
Disposals	-	-	-	-
At 30 June 2016	<u>14,495,000</u>	<u>18,649</u>	<u>875,659</u>	<u>15,389,308</u>
Depreciation				
At 1 July 2015	144,000	18,649	416,892	579,541
Charge for year	144,450	-	152,150	296,600
Depreciation on disposals	-	-	-	-
At 30 June 2016	<u>288,450</u>	<u>18,649</u>	<u>569,042</u>	<u>876,141</u>
Net book value				
At 30 June 2016	<u>14,206,550</u>	<u>-</u>	<u>306,617</u>	<u>14,513,167</u>
At 30 June 2015	<u>14,351,000</u>	<u>-</u>	<u>363,793</u>	<u>14,714,793</u>

Rhodes House is included within Freehold Buildings. Historically the House was included in the accounts at £50,000. Savills plc have recently revalued the property on a value in use basis at £12,500,000. Under the transitional provisions of FRS102, the uplift in value of £12,450,000 has been included in the accounts, effective from 1st July 2014. The buildings element of the property has been depreciated on a straight line basis at 2% per annum. Freehold land is not depreciated.

The insurance replacement value for the building and its contents is in the region of £34 million (2015: £34 million).

Other freehold property relates to accommodation provided for the Warden, of which non depreciated land equates to £997,500.

9. INVESTMENT PROPERTIES

In addition to Rhodes House, the Trust owns investment properties at 3 Dene Road.

Dene Road is tenanted and it was revalued on 10 August 2015 following a revaluation by Winkworth Chartered Surveyors. The property was revalued at 30 June 2015 to £200,000. This value has not changed for the year end 30 June 2016.

THE RHODES TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

10. INVESTMENT SECURITIES

	Group 2016 £	Charity 2016 £	Group 2015 £	Charity 2015 £
MOVEMENTS IN INVESTMENTS:				
At beginning of year	171,821,345	171,821,345	150,133,408	150,133,408
Additions	54,536,531	54,536,531	34,487,386	34,487,386
Disposals	(3,768)	(3,768)	(23,054,064)	(23,054,064)
Gains on investments	<u>2,716,289</u>	<u>2,716,289</u>	<u>10,254,615</u>	<u>10,254,615</u>
Total market value	<u>229,070,397</u>	<u>229,070,397</u>	<u>171,821,345</u>	<u>171,821,345</u>
Cash	<u>7,043,403</u>	<u>7,043,403</u>	<u>12,515,744</u>	<u>12,515,744</u>
	236,113,800	236,113,800	184,337,089	184,337,089
Investment in subsidiaries (see Note 16)	-	108	-	108
At end of year	<u>236,113,800</u>	<u>236,113,908</u>	<u>184,337,089</u>	<u>184,337,197</u>
Analysis of investments:				
	Group 2016 £	Charity 2016 £	Group 2015 £	Charity 2015 £
MARKET VALUE:				
Oxford Endowment Fund	214,251,653	214,251,653	154,615,628	154,615,628
Overseas Property	170,727	170,727	295,462	295,462
Overseas Private Equity	13,459,575	13,459,575	15,764,787	15,764,787
Overseas Hedge Funds	1,188,442	1,188,442	1,145,468	1,145,468
Cash	<u>7,043,403</u>	<u>7,043,403</u>	<u>12,515,744</u>	<u>12,515,744</u>
	236,113,800	236,113,800	184,337,089	184,337,089
Investment in subsidiaries	-	108	-	108
	<u>236,113,800</u>	<u>263,113,908</u>	<u>184,337,089</u>	<u>184,337,197</u>

The investment in the Oxford Endowment Fund is managed by Oxford University Endowment Management Limited (OUEM), a company founded by Oxford University in 2007 dedicated to the operation of a unitised endowment management programme which the Trustees believe is well suited to the Trust's longer term investment objectives. The investment policy of OUEM is diversified and global and reflects the long term nature of the endowment. Further details on OUEM can be found at www.ouem.co.uk.

THE RHODES TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

10. INVESTMENT SECURITIES (CONTINUED)

	Group 2016 £	Charity 2016 £	Group 2015 £	Charity 2015 £
COST:				
Oxford Endowment Fund	176,416,382	176,416,382	121,916,382	121,916,382
Overseas Property	397,859	397,859	560,474	560,474
Overseas Private Equity	2,611,761	2,611,761	6,090,447	6,090,447
Overseas Hedge Funds	872,190	872,190	872,190	872,190
Cash	<u>7,043,403</u>	<u>7,043,403</u>	<u>12,515,744</u>	<u>12,515,744</u>
	<u>187,341,595</u>	<u>187,341,595</u>	<u>141,955,237</u>	<u>141,955,237</u>
Investment in subsidiaries	-	108	-	108
	<u>187,341,595</u>	<u>187,341,703</u>	<u>141,955,237</u>	<u>141,955,345</u>

The investment in the Oxford Endowment Fund is considered to be material in relation to the total value of the Trust's investment; albeit none of the individual investments within the fund is material.

In order to optimise future investment performance, following the adoption of a Total Return investing basis on the authority of a Charity Commission Order, the Trustees have adopted a policy of investment pooling under the authority of the Trustee Act 2000 with effect from 30 June 2007.

The interests of each of the Trust's distinct charitable funds in those investments, which are pooled under the Trustee Act 2000, are shown in Note 14.

The Trust is committed at the year-end to further investments in its private equity portfolios, to the extent of approximately £2.4 million (2015: £2.3 million).

11. DEBTORS

	Group 2016 £	Charity 2016 £	Group 2015 £	Charity 2015 £
Prepaid Scholars' stipends	232,024	232,024	229,631	229,631
Other debtors	811,861	674,653	759,949	665,150
Rhodes House Limited	-	537,131	-	419,632
Donations	<u>2,525,089</u>	<u>2,525,089</u>	<u>822,606</u>	<u>732,329</u>
	<u>3,568,974</u>	<u>3,968,897</u>	<u>1,812,186</u>	<u>2,046,742</u>

Included within 'Other debtors' is an amount of £425,325 (2015: £344,839) which is recoverable in greater than one year.

THE RHODES TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

12. CREDITORS: Amounts falling due within one year

	Group 2016 £	Charity 2016 £	Group 2015 £	Charity 2015 £
Other creditors and accruals	1,041,634	908,115	772,684	595,365
Tax and social security	57,677	41,953	34,793	33,085
Mandela Rhodes Foundation	618,614	618,614	618,614	618,614
Stipends and fees	5,949,814	5,738,398	5,964,517	5,964,517
Rhodes Trust Horizon Fund	-	26,823,949	-	1,083,031
Australia Fund	-	10,416,413	-	9,756,549
	<u>7,667,739</u>	<u>44,547,442</u>	<u>7,390,608</u>	<u>18,051,161</u>

Stipends and fees

Scholarships for stipends and fees are deemed to be a commitment at the point at which they are taken up. Typical residence is for two years. Scholarships are, however, dependent upon satisfactory progress throughout the course.

13. CREDITORS: Amounts falling due in more than one year

	Group 2016 £	Charity 2016 £	Group 2015 £	Charity 2015 £
Benefactions and donations	665,837	665,837	1,054,511	1,054,511
Pension deficit liability	<u>315,998</u>	<u>315,998</u>	<u>405,293</u>	<u>405,293</u>
	<u>981,835</u>	<u>981,835</u>	<u>1,459,804</u>	<u>1,459,804</u>

The analysis of the creditors due in more than one year is as follows:

Benefactions and donations:

In more than one year but less than two years	240,512	240,512	476,922	476,922
In more than two years but less than five years	-	-	232,750	232,750
In more than five years	<u>741,323</u>	<u>741,323</u>	<u>750,132</u>	<u>750,132</u>
	<u>981,835</u>	<u>981,835</u>	<u>1,459,804</u>	<u>1,459,804</u>

THE RHODES TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

14. FUNDS ANALYSIS

Summary of assets and liabilities by fund

	Fixed Assets £	Investment Properties £	Investments £	Cash & Deposits £	Other Assets/ Liabilities £	Total Funds £
Income						
Unrestricted						
Unrestricted Income	-	-	4,506,220	-	876,114	5,382,334
Restricted						
Restricted income	-	-	281,815	-	11,062	292,877
Horizon Fund	-	-	1,619,358	-	-	1,619,358
Partnership Funds	-	-	21,396,218	-	962,440	22,358,658
Scholarship development endowment	-	-	25,359	-	1,146	26,505
Capital						
Permanent endowment						
Scholarship Endowment*	-	-	40,553,038	-	-	40,553,038
Expendable endowment						
Public Purposes Fund	14,513,167	200,000	132,086,076	11,939,985	(6,680,386)	152,058,842
Horizon Fund	-	-	25,204,591	50,005	(238,723)	25,015,873
Australia Fund	-	-	10,416,413	85,577	(13,369)	10,488,621
New Zealand Fund	-	-	24,712	-	1,116	25,828
	<u>14,513,167</u>	<u>200,000</u>	<u>236,113,800</u>	<u>12,075,567</u>	<u>(5,080,600)</u>	<u>257,821,934</u>

	2016 £	2015 £
*Movements on Scholarship Endowment		
Permanent endowment at 1 July 1989 and any further gifts since	<u>30,428,419</u>	<u>30,428,419</u>
Unapplied total return on the permanent endowment:		
Balance brought forward	8,811,116	5,447,340
Investment income returns	1,739,913	1,317,069
Investment gains (net)	1,289,162	3,610,266
Educational support reallocated	(1,563,209)	(1,435,030)
Investment managers' costs	<u>(152,363)</u>	<u>(128,529)</u>
Balance carried forward	<u>10,124,619</u>	<u>8,811,116</u>
Total scholarship fund capital at 30 June	<u>£ 40,553,038</u>	<u>£ 39,239,535</u>

THE RHODES TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

15. FUND MOVEMENTS

	<i>Funds At 30.6.2015 £</i>	<i>Total incoming Resources £</i>	<i>Total Expenditure £</i>	<i>Total Transfers £</i>	<i>Total Gains/ Losses £</i>	<i>Funds At 30.6.2016 £</i>
Unrestricted income						
Unrestricted income funds	<u>5,714,420</u>	<u>6,860,173</u>	<u>(7,170,294)</u>	<u>(147,163)</u>	<u>125,198</u>	<u>5,382,334</u>
Restricted income						
Restricted income	<u>1,552,423</u>	<u>24,442,366</u>	<u>(2,912,980)</u>	<u>1,227,293</u>	<u>(11,704)</u>	<u>24,297,398</u>
Other endowments						
Public Purposes Fund	139,288,451	8,759,440	(646,708)	38,250	4,619,409	152,058,842
Horizon Fund	-	25,249,051	(4,375)	(289,448)	60,645	25,015,873
Australia Fund	9,904,162	1,221,186	(107,228)	(828,932)	299,433	10,488,621
New Zealand Fund	<u>5,816</u>	<u>15,849</u>	<u>(451)</u>	<u>-</u>	<u>4,614</u>	<u>25,828</u>
	<u>149,198,429</u>	<u>35,245,526</u>	<u>(758,762)</u>	<u>(1,080,130)</u>	<u>4,984,101</u>	<u>187,589,164</u>
Endowment/UTR						
Scholarship and UTR	<u>39,239,535</u>	<u>1,739,913</u>	<u>(1,715,572)</u>	<u>-</u>	<u>1,289,162</u>	<u>40,553,038</u>
Total Funds	<u>195,704,807</u>	<u>68,287,978</u>	<u>(12,557,608)</u>	<u>-</u>	<u>6,386,757</u>	<u>257,821,934</u>

16a). SUBSIDIARY UNDERTAKINGS

Rhodes House Limited

The Rhodes Trust holds the whole of the issued share capital of Rhodes House Limited, a company incorporated in the UK. The company hires out Rhodes House for functions and events.

A summary of the trading results for the period ended 30 June 2016 is shown below:

	2016 £	2015 £
Turnover	557,388	555,380
Cost of sales	(214,777)	(221,095)
Gross profit	342,611	334,285
Administration expenses	(85,819)	(93,282)
Gift Aid donation to charity	(256,792)	(241,003)
(Loss)/profit for the year	-	-

Included in the above are £20,000 of rental charges and £36,000 of management fees charged from the Rhodes Trust which are eliminated upon consolidation. Net assets at 30 June 2016 were £100.

THE RHODES TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

16b). SUBSIDIARY UNDERTAKINGS (continued)

Rhodes Scholarship in Australia Pty Ltd ATF Rhodes Trust in Australia

The Rhodes Trust controls the whole of an Australian charity, ATF Rhodes Trust in Australia, via an Australian corporate trustee.

A summary of the income and expenditure for the period ended 30 June 2016 is shown below:

	2016 £	2015 £
Donations	787,940	1,113,552
Investment income	433,246	323,636
Other income	<u>-</u>	<u>-</u>
Total income	1,221,186	1,437,188
Education support	(878,678)	(802,125)
Fundraising costs	(70,189)	(75,445)
Investment management fees	<u>(37,039)</u>	<u>(31,333)</u>
Total expenditure	<u>(985,906)</u>	<u>(908,903)</u>
Net income	235,280	528,285
Net gain on investments	<u>349,179</u>	<u>871,628</u>
Net movement in funds	584,459	1,399,913
Funds brought forward	<u>9,904,162</u>	<u>8,504,249</u>
Funds carried forward	<u>10,488,621</u>	<u>9,904,162</u>
Net assets at 30 June	<u>10,488,621</u>	<u>9,904,162</u>

THE RHODES TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

16c). SUBSIDIARY UNDERTAKINGS (continued)

Rhodes Trust Horizon Fund

The Rhodes Trust is the sole trustee of the Rhodes Trust Horizon Fund.

A summary of the income and expenditure for the period ended 30 June 2016 is shown below:

	2016 £	2015 £
Donations	25,858,734	1,469,656
Investment income	11,224	11
Other	<u>17</u>	<u>-</u>
Total income	25,869,975	1,469,667
Fundraising costs	(161,816)	(247,348)
Educational support	(243,724)	-
Investment manager fees	(4,375)	(3,100)
Other	<u>(104,693)</u>	<u>-</u>
Total expenditure	<u>(514,608)</u>	<u>(250,448)</u>
Net gain on investments	<u>60,645</u>	<u>-</u>
Net movement in funds	25,416,012	1,219,219
Funds brought forward	<u>1,219,219</u>	<u>-</u>
Funds carried forward	<u>26,635,231</u>	<u>1,219,219</u>
Net assets at 30 June	<u>26,635,231</u>	<u>1,219,219</u>

16d). The Rhodes Scholarships in New Zealand Limited

	2016 £	2015 £
Donations and surplus for the year	<u>20,012</u>	<u>5,816</u>
Net assets at 30 June	<u>25,828</u>	<u>5,816</u>

THE RHODES TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

17. RELATED PARTY TRANSACTIONS

During the year transactions occurred with Rhodes House Limited a wholly owned subsidiary totalling £ 557,388 (2015: £555,380). The balance owed by the Rhodes House Limited at year end was £481,131, (2015: £442,115).

During the year transactions occurred with The Rhodes Trust Horizon Fund a wholly owned subsidiary totalling £25,869,975 (2015: £1,469,667). The balance due to The Rhodes Trust Horizon Fund at year end was £26,823,949 (2015: £Nil).

During the year transactions occurred with Rhodes Scholarships in Australia PTY Ltd ATF Rhodes Trust in Australia a wholly owned subsidiary totalling £1,211,186 (2015: £1,437,188). The balance due to The Rhodes Trust Horizon Fund at year end was £10,416,413, (2015: £8,454,814).

During the year curtains, and other soft furnishings totalling £7,548 (2015: £26,611) (including fabrics, making up costs and Value Added Tax) were provided to the Trust for the refurbishment of the Rosebery Room, Said Foundation Room, 2 first floor bedrooms and a bathroom by an interior design business run by the wife of the Finance Director. The approval of the Chair of the Audit and Risk Committee was obtained on each occasion before this work was undertaken. There was no balance outstanding at the year end.

A total of £6,297,281 (2015: £15,140,724) was received from trustees during the year ended 30 June 2016.

18. PENSION OBLIGATIONS

The pension schemes:

The Trust participates in two principal pension schemes for its staff - the Universities Superannuation Scheme ('USS') and the University of Oxford Staff Pension Scheme ('OSPS'). Both schemes are contributory defined benefit schemes (i.e. they provide benefits based on length of service and pensionable salary) and are contracted out from the State Second Pension Scheme. The assets of USS and OSPS are each held in separate trustee-administered funds. Both schemes are multi-employer schemes and the Trust is unable to identify its share of the underlying assets and liabilities of each scheme on a consistent and reasonable basis. Therefore, in accordance with the accounting standard FRS102, the Trust 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 schemes in respect of the accounting period.

In the event of the withdrawal of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot be otherwise recovered) in respect of that employer will be spread across the remaining participating employers and reflected in the next actuarial valuation of the scheme.

Where the scheme is in deficit and where the Rhodes Trust has agreed to a deficit funding arrangement the charity recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

However, in OSPS, the amount of any pension funding shortfall in respect of any withdrawing participating employer will be charged to that employer.

The Trust is also contributing to the personal pension schemes of certain staff who were ineligible to join USS or OSPS.

THE RHODES TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

18. PENSION OBLIGATIONS (continued)

Actuarial valuations

Qualified actuaries periodically value the Schemes. Both USS and OSPS were valued using the "projected unit" method, embracing a market value approach. The resulting levels of contribution take account of actuarial surpluses or deficits in each scheme. The financial assumptions were derived from market conditions prevailing at the valuation date. The results of the latest actuarial valuations and the assumptions which have the most significant effect on the results of the latest valuations and the determination of the contribution levels are shown in the following table.

	USS	OSPS
Date of valuation:	31/03/2014	31/03/2013
Date valuation results published:	24/07/2015	23/06/2014
Value of liabilities:	£46.9bn	£597m
Value of assets:	£41.6bn	£424m
Funding surplus / (deficit):	(£5.3bn) ^a	(£173m) ^b
assumptions:		
Investment return	5.2% ^c pa	-
Rate of interest (periods up to retirement)	-	4.4% pa
Rate of interest (periods after retirement)	-	4.4% pa
Rate of increase in salaries	RPI + 1%pa ^d	4.5% pa
Rate of increase in pensions	CPI pa ^d	4.4% pa
Mortality assumptions:		
Assumed life expectancy at age 65 (males)	24.2 yrs	22.5 yrs
Assumed life expectancy at age 65 (females)	26.3 yrs	25.2 yrs
Funding Ratios:		
Technical provisions basis:	89%	71%
Statutory Pension Protection Fund basis:	82%	69%
'Buy-out' basis:	54% ^e	44%
Estimated FRS17 basis	72% ^e	75%
Recommended employer's contribution rate (as % of pensionable salaries):	18% ^e	21.5%, increasing to 23.5% ^f
Effective date of next valuation:	31/03/2017	31/03/2016

Notes:

- a. USS's actuarial valuation as at 31 March 2014 takes into account the revised benefit structure effective 1 April 2016 agreed both by the Joint Negotiating Committee and the Trustee in July 2015 following the Employers' consultation which concluded in June 2015. Key changes agreed include: for Final Salary section members, the benefits built up to 31 March 2015 will be calculated as that that date using pensionable salary and pensionable service immediately prior to that date and going forwards will be revalued in line with increases in official pensions (currently CPI); all members will accrue a pension of 1/75th and a cash lump sum of 3/75^{ths} of salary each year of service in respect of salary up to a salary threshold, initially £55,000 p.a.; member contributions will be 8% of salary; a defined contribution benefit for salary in excess of the salary threshold at the total level of 20% of salary in excess of the salary threshold; and optional additional contributions payable into the defined contribution section of which the first 1% of salary is to be matched by the employer. Further details about the changes may be reviewed on USS' website, www.uss.co.uk. For the period up to 1 April 2016 the employer deficit contribution will be 0.7% p.a. of salaries based on the assumptions made. After allowing for those changes, the actuary established a long term employer contribution rate of 18% pa of Salaries for the period from 1 April 2016 to 31 March 2031. On the assumptions made and once the salary threshold and defined contribution section are introduced this gives rise to deficit contributions of at least 2.1% pa of salaries.

THE RHODES TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

18. PENSION OBLIGATIONS (continued)

- b. OSPS' actuarial valuation as at 31 March 2013 identified a required long-term employer contribution rate of 20.1% of total pensionable salaries, but also a funding deficit of £173m. The University of Oxford, on behalf of all the employers participating in the scheme, has agreed with the trustees of OSPS to address this deficit by raising the employer contribution rate in increments of 0.5% of pensionable salary to 23.5%, with this increase being implemented over the three years to 1 August 2017. The actuary has certified that the additional contribution should eliminate the deficit by 30 June 2026.
- c. USS' actuary has assumed that the investment return is 5.2% in year 1, decreasing linearly to 4.7% over 20 years.
- d. USS' actuary has assumed that general pay growth will be CPI in year 1, CPI + 1% in year 2 and RPI + 1% pa thereafter. It is assumed that CPI is based on the RPI assumption (market derived price inflation of 3.6% pa less an inflation risk premium) less RPI/CPI gap of 0.8% pa.
- e. As noted above (note a) the USS employer contribution rate is 18% of salaries from 1 April 2016. Prior to that date it is 16% of salaries. The total employer contributions include provisions for the cost of future accrual of defined benefits (net of member contributions to the DB section), deficit contributions, administrative expenses of 0.4% of salaries and from the implementation of the salary threshold the employer contribution towards DC benefits including employer matching contributions and certain investment management costs relating to the DC section.
- f. As noted above (note b), the OSPS employer contribution rate required for future service benefits alone at the date of the valuation was 20.1% of total pensionable salaries. It was agreed that employers increase their contribution rate by 0.5% each year to 1 August 2017 to 23.5%.

Sensitivity of actuarial valuation assumptions:

Surpluses or deficits which arise at future valuations may impact on the Trust's future contribution commitment. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on USS liabilities
Initial discount rate	Increase / reduced by 0.25%	decrease / increase by £0.8bn
Discount rate in 20 years' time	Increase / reduced by 0.25%	decrease / increase by £1.1bn
RPI inflation	Increase / decrease by 0.1%	increase / decrease by £0.8bn
Rate of mortality	more prudent assumption (mortality used at last valuation, rated down by a further year)	increase by £0.5bn

THE RHODES TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

18. PENSION OBLIGATIONS (continued)

Assumption	Change in assumption	Impact on USS liabilities
Valuation rate of interest	Increase / decrease by 0.5%	decrease / increase by £63m
Rate of pension increases	Increase / decrease by 0.5%	increase / decrease by £41m
Rate of salary growth	Increase / decrease by 0.5%	increase / decrease by £13m
Rate of mortality	more prudent assumption (mortality used at last valuation, rated down by a further year)	increase by £20m

Pension charge for the year:

The pension charge recorded by the Trust during the accounting period was equal to the contributions payable as follows:

Scheme	2016 £	2015 £
Universities Superannuation Scheme	132,928	144,251
University of Oxford Staff Pension Scheme	14,948	19,553
US Staff 401k Safe Harbour Plan	13,834	9,660
Movement on the Pension scheme deficit contribution liability (OSPS and USS)	(89,295)	192,360
Total:	72,415	365,824

Defined contribution pension scheme:

The group also operates a defined contribution staff pension scheme for its US employees. The assets of the scheme are held separately from those of the group in independently administered funds. The pension costs charge represents contributions payable by the group to the funds and amounted to £13,834 (2015: £9,660). There were no outstanding contributions at the year end.

THE RHODES TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

19. FINANCIAL INSTRUMENTS

	2016 £	2015 £
Group		
Financial assets measured at amortised cost	15,412,517	5,073,706
Financial liabilities measured at amortised cost	8,275,899	8,445,119
Financial assets measured at fair value	236,113,800	184,337,089
Financial liabilities measured at fair value	<u>315,998</u>	<u>705,293</u>

	2016 £	2015 £
Charity		
Financial assets measured at amortised cost	15,142,431	4,604,951
Financial liabilities measured at amortised cost	45,171,326	19,105,672
Financial assets measured at fair value	236,113,908	184,537,197
Financial liabilities measured at fair value	<u>315,998</u>	<u>405,293</u>

Financial assets measured at amortised cost comprise trade debtors, amounts owed by group undertakings, other debtors and cash and cash equivalents.

Financial assets are measured at fair value comprise investment securities.

Financial liabilities measured at amortised costs comprise bank loans, amounts owed to group undertakings, other creditors and accruals excluding deferred income.

Financial liabilities measured at fair value comprise the pension deficit contribution liability.

THE RHODES TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

20. COMPARATIVE STATEMENT OF FINANCIAL ACTIVITIES

	Unrestricted Income Funds £	Restricted Income Funds £	Scholarship Endowment Capital £	Other Endowments Capital £	Total Funds 2015 £
INCOME AND ENDOWMENTS					
Legacies/donations	2,039,453	1,463,840	-	18,349,416	21,852,709
Investments					
Investment and other income	2,964,998	80,095	1,317,069	1,278,843	5,641,005
Other trading Income:					
Rhodes House Limited - trading	555,380	-	-	-	555,380
Sundry income	6,264	-	-	-	6,264
Total	5,566,095	1,543,935	1,317,069	19,628,259	28,055,358
EXPENDITURE ON:					
Raising funds:					
Fundraising costs	1,521,941	183,004	-	75,445	1,780,390
Rhodes House Limited - trading	258,377	-	-	-	258,377
Other	114,382	(885)	128,529	548,580	790,606
	1,894,700	182,119	128,529	624,025	2,829,373
Charitable activities					
Education support	4,744,306	696,934	1,435,030	2,444,915	9,321,185
Total	6,639,006	879,053	1,563,559	3,068,940	12,150,558
Net gains on investments	174,938	47,202	3,610,266	11,480,726	15,313,132
Net (expenditure)/income	(897,973)	712,084	3,363,776	28,040,045	31,217,932
Transfers between funds	(191,193)	80,828	-	110,365	-
Net movement in funds	(1,089,166)	792,912	3,363,776	28,150,410	31,217,932
Balances brought forward	6,803,586	759,511	35,875,759	121,048,019	164,486,875
Fund balances carried forward	5,714,420	1,552,423	39,239,535	149,198,429	195,704,807

THE RHODES TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

21. TRANSITION TO FRS 102

Reconciliation of funds:

	Note	Group		Charity	
		At 1 July 2014 £	At 30 June 2015 £	At 1 July 2014	At 30 June 2015
Funds as previously stated		152,249,808	183,784,600	143,745,558	172,655,400
Pension liability		(212,933)	(405,293)	(212,933)	(405,293)
Fixed asset revaluation		<u>12,450,000</u>	<u>12,325,500</u>	<u>12,450,000</u>	<u>12,325,500</u>
Funds as restated		<u>164,486,875</u>	<u>195,704,807</u>	<u>155,982,625</u>	<u>184,575,607</u>

Reconciliation of 2015 surplus for the year:

	Note	Group 2015 £	Charity 2015 £
2015 surplus as previously stated		31,534,792	15,687,559
Movement on pension liability	1	(192,360)	(192,360)
Depreciation on fixed asset revaluation	2	<u>(124,500)</u>	<u>(124,500)</u>
2015 surplus as restated		<u>31,217,932</u>	<u>15,370,699</u>

1. In accordance with FRS 102 the charity is required to recognise liabilities arising from multi employer pension schemes, a liability representing the present value of future commitments relating to the funding of a pension deficit has been recognised.
2. Under the transitional provisions of FRS 102 the charity has revalued Rhodes House, Oxford, the deemed cost of the property has been updated to reflect its fair value.