THE RHODES TRUST

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

THE RHODES TRUST
YEAR ENDED 30 JUNE 2011

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THE RHODES TRUST
ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2011

TRUSTEES' REPORT

The Board of Trustees of The Rhodes Trust ("the Charity") present their annual report for the year ended 30 June 2011 under the Charities Act 1993, 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.

The present Trustees, and any past Trustees who served during the year, are given on page 7.

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).

FINANCE AND INVESTMENT COMMITTEE

The Finance and Investment Committee comprises Trustees and others who are independent of the management and free of any relationship that in the opinion of the Board of Trustees would interfere with the exercise of independent judgement as members of the Committee. The Warden is also a member of the Committee. The Committee meets at least four times a year, with powers for the Chairman to call additional ad hoc meetings as required. The Committee is responsible for reviewing the strategy, policy and management of the Charity's investment portfolio, and advising the Board of Trustees accordingly. The Committee is responsible, on behalf of the Board of Trustees, for all Finance and Audit matters. The Committee ensures that proper procedures are in place to manage cash resources prudently, and to maximise capital growth and income from liquid resources, whilst maintaining sufficient funds to meet daily cash requirements. The Committee also advises the Board of Trustees on significant change needed in investment strategy.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

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

Under charity law, the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of its net incoming resources for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue to operate.

The Trustees are responsible for keeping proper accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 1993. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

CORPORATE GOVERNANCE

During the 2009/10 financial year the charity carried out a comprehensive review of its governance procedures, involving consultation throughout the global Rhodes community. Governance protocols were adopted by the Trustees in March 2010 and a full copy of these (and other key governance documents) can be found on the charity's website at www.rhodeshouse.ox.ac.uk

As a result of this review the charity's Investment Committee was reconstituted as the Finance & Investment Committee, with a broader brief which includes:

- advising the Trustees on investment strategy, objectives and asset allocation;
- monitoring performance, controls and legal compliance;
- reviewing the annual budget and monitoring performance against it;
- ensuring financial auditing annually; and
- ensuring that risk assessment and management are in place and rigorously executed

In addition the Trust introduced a Governance Committee, independent of the Finance and Investment Committee. Their prime responsibility is to oversee the further refinement from time to time and the implementation of the governance arrangements, including relating to the role of the Trustees, Warden and National Secretaries. The other committees of the Trust are the Scholarship Committee, which advises the Warden and Trustees on how to ensure that the Rhodes Scholarship remains as effective as possible, and the Development Committee, which encourages philanthropic support for the Scholarship, both to ensure resources for existing Scholarships and to provide Scholarships for countries not currently served by the Rhodes Scholarships.

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 Mr 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 through an on-going commitment to the Mandela Rhodes Foundation, and continued support for the Rex Nettleford Fellowship in Cultural Studies in the Caribbean

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 the Trust's objectives are adhered to. 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 makes 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.

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 2010/11 there were 203 Scholars *(2010: 205)* being fully financially supported whilst a further 24 *(2010:21)* were receiving support by the Trust paying 4th year fees. 83 new Scholars are elected annually. 81 Scholars have taken up residence in Oxford in October 2011 *(2010:82)*. Details of how to apply for scholarships together with the relevant forms are available on the Trust website: www.rhodeshouse.ox.ac.uk.

The Trust received a grant during the year from Oxford University towards the cost of University fees of £500,000 (2010:£500,000). 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.

PUBLIC BENEFIT

The Trustees confirm that they have complied with the duty in Section 4 of the Charities Act 2006, 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 83 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, increasing UK influence globally and encouraging good relations between many countries and the UK.
- 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.
- The Trust maintains a building of architectural merit in Oxford which is open to the general public and which houses a library on Commonwealth and African matters open to readers for scholarly purposes.

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. Appoint a new Chair of the Rhodes Trustees upon the retirement of Lord Waldegrave of North Hill, and appoint a further Trustee.
7. 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.

ACHIEVEMENTS AND PERFORMANCE (Cont'd)

The key performance achievements were:

1. All Scholarship elections were completed successfully and on time in constituency countries, and all Scholars were admitted to the University of Oxford.
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. All cases of personal or academic concern have been addressed. The level of 'distinctions' awarded to graduates remained high this year. Rhodes Scholars have also represented the University in many competitive sports and taken leadership in roles in many aspects of college and university life. The level of satisfaction expressed by Scholars in the annual Scholar Experience Survey was high.
3. The comprehensive development programme to attract philanthropic support to grow the endowment and support the Scholarships continues to be expanded. This includes a global annual giving programme, actively seeking bequests from Scholars in their estate planning, and soliciting principal gifts from benefactors. The Development team is now firmly based at Rhodes House, where activity continues to be focused upon a much stronger emphasis on engagement with the global community of Rhodes Scholars and regular communications from the Warden. Donation income continues to grow year on year and in the year totalled £3.7million, an increase of £1.5 million (68%) on the previous year.
4. The Trust expanded outreach with alumni and supporters: The Warden travelled extensively throughout the year, visiting constituencies and hosting Scholar events. The Trust hosted a number of events at Rhode House with hundreds of Alumni returning to Rhodes House for the Oxford Alumni weekend in September. The Trust plans to continue positive engagement in future years, with a programme of events already being planned. The consultation of the global Rhodes community on all aspects of how to give the best effect in the 21st century to the ideals of the Rhodes Scholarships continued to generate very helpful ideas.
5. Actual non-Scholarships costs continue to be controlled within the guidelines set by the Trustees and Rhodes House Limited continues to trade profitably.
6. The Rhodes Trustees unanimously elected Dr John Hood to succeed Lord Waldegrave as Chair of the Rhodes Trustees from 1st December 2011. Dame Helen Ghosh was elected a Trustee in March 2011.
7. Rhodes House Limited increased both turnover and profit during the year and the outline results of the subsidiary are shown in note 16.

FINANCIAL REVIEW AND RESULTS FOR THE YEAR

The audited accounts for the year ended 30 June 2011 have been prepared in accordance with the Statement of Recommended Practice 'Accounting and Reporting by Charities' (Charities SORP 2005), as well as the requirements of the Charity Commission Total Return Order, and accompany this report. The independent auditors' report is given on pages 11 to 12 and the principal accounting policies adopted by the Trust are set out pages 16 to 20. 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 2011 the Trust's net assets were £118.9m *(2010: £111.9)* an increase of £7.0m for the year. Total resources expended during the year were £8.73m *(2010 £8.18m)* an increase of £0.55m, with the cost of the Scholarship programme being £6.20m *(2010 £5.84m)*. 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 Trustees, through their management team, continue to review how the Trust operates on a day to day basis and control overhead costs.

The Trust's trading subsidiary Rhodes House Limited traded profitably in the year and contributed £236k (*2010: £184k*) to the Trust in respect of rent, management charges and gift aided profit.

The Mandela Rhodes Foundation

The Mandela Rhodes Foundation is based upon a full and equal partnership between The Rhodes Trust and former President Mandela 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 the passionate commitment of Mr Rhodes 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, 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 commitment to £500,000 per annum over the next decade.

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 5.

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/

FINANCIAL MANAGEMENT POLICIES

Reserves

The Trust has £5.30m 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 recent years up to June 2008 they also 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 has 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 Trustees have suspended 11 of the more recently created Scholarships, with the purpose of controlling expenditure and achieving the above objective. However, they have maintained the existing commitment to the Scholarship programme by support from the unrestricted funds of the Trust.

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.

TRUSTEES

The Trustees, all of whom held office throughout the whole of the year ended 30 June 2011, unless otherwise stated, were:

The Rt. Hon. Lord Waldegrave of North Hill (Chairman) (retires 1st December 2011)
The Lord Kerr of Kinlochard GCMG (retired 5th November 2010)
Miss Rosalind Hedley-Miller (retired 24th June 2011)
Mr Julian Ogilvie Thompson
Professor Sir John Bell
Mr Thomas Seaman (retired 5th November 2010)
Professor Sir John Vickers (retired 24th June 2011)
Mr Michael McCaffery
Professor Ngaire Woods
Mr Dominic Barton
Mr Donald J Gogel
Professor Margaret MacMillan
Mr John McCall MacBain
H.E. Mr Festus G. Mogae
Mr Narayana Murthy
Ms Karen Stevenson
Mr John Wylie AM
Dame Helen Ghosh (appointed 11th March 2011)

In addition, Dr John Hood was appointed to be Chairman of the Trustees with effect from1st December 2011.

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.

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.

INVESTMENT POLICY AND PERFORMANCE (Cont'd)

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 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 its strategy and adopted a 'total return' approach for managing its investment portfolio.

Following the adoption of the new corporate governance protocols in March 2010, the Investment Committee was renamed the Finance and Investment Committee, and its brief was widened as described above.

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

During the 12 months to June 2011, the capital value of the Trust's investment portfolio (including short-term deposits) increased from £116.4m to £123.1m. Whilst the Trustees expect to see the investments grow in value when market conditions stabilise, they recognise that with the current market turbulence this may be at a slower rate and with more volatility than in many earlier years. 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.

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.

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.

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 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 a searchable data base and development of an online community, and other activities.

FUTURE PLANS (Continued)

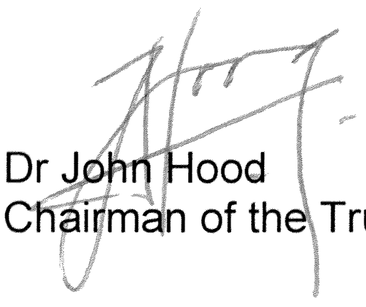
The fundraising programme will accelerate and expand further with the strengthened development team at Rhodes House. Plans include a comprehensive strategy of major gift cultivation and solicitation, expanded volunteer committees, developing more sophisticated giving opportunities such as bequests and planned giving vehicles, annual giving programs, 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.

RISK MANAGEMENT

The Trustees have a formal risk management process to assess, annually, business risks and implement risk management strategies. This has involved identifying the types of risks the charity faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating 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.

Approved on behalf of the Trustees on 8 December 2011



Dr John Hood
Chairman of the Trustees

Dr Donald Markwell
Warden and Secretary to the Trustees

THE RHODES TRUST
PROFESSIONAL ADVISERS
FOR THE YEAR ENDED 30 JUNE 2011

The current advisers are:

BANKERS:

National Westminster Bank plc
121 High Street
Oxford OX1 4DD

SOLICITORS:

Blandy & Blandy
One Friar Street
Reading RG1 1DA

REGISTERED AUDITORS:

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

REGISTERED ADDRESS:

Rhodes House
South Parks Road
Oxford OX1 3RG

SECRETARY TO THE TRUSTEES:

Dr Donald Markwell
Warden of Rhodes House

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 2011 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 44 of the Charities Act 1993. Our audit work has been undertaken so that we might state to the charity's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and 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 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act.

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

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charity's affairs as at 30 June 2011 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 1993.

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

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 1993 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 LLP

Statutory Auditor

Aquis House
49 – 51 Blagrave Street
Reading
Berkshire
RG1 1PL

8 December 2011

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 2011

	Notes	Unrestricted Income Funds £	Restricted Income Funds £	Scholarship Endowment Capital £	Other Endowments Capital £	**Total Funds 2011 £**	*Total Funds 2010 £*
Incoming Resources							
Generated funds:							
Voluntary Income							
Legacies/Donations	1g	2,711,219	-	-	1,000,000	**3,711,219**	*2,203,416*
Activities of generating funds:							
Rhodes House Limited - trading		367,316	-	-	-	**367,316**	*264,684*
Investment and other income	2	2,050,261	417,498	802,787	9,627	**3,280,173**	*3,718,654*
Incoming resources from charitable activities:							
Sundry income		41,799	-	-	-	**41,799**	*24,234*
Total incoming resources		5,170,595	417,498	802,787	1,009,627	**7,400,507**	*6,210,988*
Resources Expended							
Costs of generating funds:							
Fundraising Costs		573,150	-	-	-	**573,150**	*532,862*
Rhodes House Limited - trading		130,905	-	-	-	**130,905**	*80,362*
Investment management fees		102	92	5,650	17,282	**23,126**	*22,482*
		704,157	92	5,650	17,282	**727,181**	*635,706*
Charitable activities by objective:							
Education support	3	3,800,924	4,088,150	-	-	**7,889,074**	*7,420,178*
Governance costs	4	114,814	-	-	-	**114,814**	*120,432*
Total resources expended		4,619,895	4,088,242	5,650	17,282	**8,731,069**	*8,176,316*
Net incoming/(outgoing) resources before investment gains/losses		550,700	(3,670,744)	797,137	992,345	**(1,330,562)**	*(1,965,328)*
Gross transfers between funds	6	-	3,031,343		(3,031,343)	**-**	*-*
Surplus/(Deficit) for the year		550,700	(639,401)	797,137	(2,038,998)	**(1,330,562)**	*(1,965,328)*
Other recognised gains and losses							
Unrealised gains on investments	10	78,568	42,420	2,005,014	6,159,670	**8,285,672**	*10,210,762*
Net movement in Funds		629,268	(596,981)	2,802,151	4,120,672	**6,955,110**	*8,245,434*
Balances brought forward		4,672,289	729,168	26,887,353	79,649,102	**111,937,912**	*103,692,478*
Fund balances carried forward	15	5,301,557	132,187	29,689,504	83,769,774	**118,893,022**	*111,937,912*

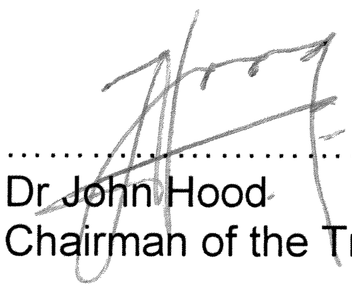
All amounts derive from continuing activities.

The notes on pages 16 to 34 form part of these financial statements

THE RHODES TRUST
CONSOLIDATED AND CHARITY BALANCE SHEET
30 JUNE 2011

	Notes	2011 Group £	2011 Charity £	2010 Group £	2010 Charity £
FIXED ASSETS					
Tangible fixed assets	8	**133,579**	**133,579**	*91,697*	*91,697*
Investment securities	10	**123,073,777**	**123,073,877**	*116,389,142*	*116,389,242*
Investment properties	9	**1,100,000**	**1,100,000**	*1,100,000*	*1,100,000*
		124,307,356	**124,307,456**	*117,580,839*	*117,580,939*
CURRENT ASSETS					
Debtors	11	**1,681,119**	**1,846,467**	*1,996,522*	*2,035,422*
Cash at bank		**857,632**	**626,395**	*583,686*	*485,507*
		2,538,751	**2,472,862**	*2,580,208*	*2,520,929*
CREDITORS: Amounts falling due within one year	12	**(5,286,914)**	**(5,221,125)**	*(5,015,316)*	*(4,956,137)*
NET CURRENT LIABILITIES		**(2,748,163)**	**(2,748,263)**	*(2,435,108)*	*(2,435,208)*
TOTAL ASSETS LESS CURRENT LIABILITIES		**121,559,193**	**121,559,193**	*115,145,731*	*115,142,731*
CREDITORS: Amounts falling due after more than one year	13	**(2,666,171)**	**(2,666,171)**	*(3,207,819)*	*(3,207,819)*
NET ASSETS		**£118,893,022**	**£118,893,022**	*£111,937,912*	*£111,934,912*
FUNDS					
Unrestricted Funds		**5,301,557**	**5,301,557**	*4,672,289*	*4,672,289*
Restricted Income		**132,187**	**132,187**	*729,168*	*729,168*
Scholarship Permanent Endowment & Supplement		**29,689,504**	**29,689,504**	*26,887,353*	*26,887,353*
Other Endowments: capital		**83,769,774**	**83,769,774**	*79,649,102*	*79,649,102*
TOTAL CHARITY FUNDS	14	**£118,893,022**	**£118,893,022**	*£111,937,912*	*£111,937,912*

These financial statements were approved and authorised for issue by the Board of Trustees on 8 December 2011.



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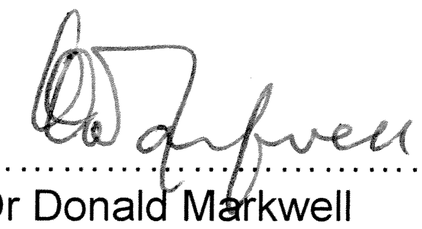
Dr John Hood
Chairman of the Trustees



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Dr Donald Markwell
Warden and Secretary to the Trustees

The notes on pages 16 to 34 form part of these financial statements

THE RHODES TRUST
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2011

	Notes	**2011** £	*2010* £
Net cash outflow from operating activities	17	**(5,531,085)**	*(6,910,993)*
Returns on investments and servicing of finance			
Investment Income		**2,467,759**	*3,718,654*
Endowment investment income		**812,414**	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets	8	**(76,179)**	*(25,070)*
Purchase of investments	10	**(4,282,535)**	*(40,909,514)*
Sale of investments	10	**5,393,010**	*42,223,858*
Decrease/(increase) in cash awaiting reinvestment	10	**490,562**	*(1,001,188)*
Endowment Donations		**1,000,000**	-
Cash inflow from capital expenditure and financial investment		**2,524,858**	*288,086*
Net cash inflow/(outflow) before management of liquid resources		**273,946**	*(2,904,253)*
Management of liquid resources			
Cash (increase)/reduction in short term deposits		-	*2,764,189*
Increase/(decrease) in cash	18	**273,946**	*(140,064)*

The notes on pages 16 to 34 form part of these financial statements

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the historical cost convention, modified by the revaluation of investments and investment properties, and in accordance with the provisions of the Statement of Recommended Practice 'Accounting and Reporting by Charities' (Charities SORP 2005), the Charities Acts and United Kingdom accounting standards. A summary of the more important accounting policies of the Trust, which have been applied consistently, are set out below.

The group accounts consolidate the accounts of the charity and its subsidiary undertaking (Rhodes House Limited) using the acquisition method of accounting. As provided by the Charities SORP 2005, no separated income and expenditure account is presented for the charity.

The Trustees consider that there is a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future and for this reason they continue to adopt the going concern basis in preparing the annual financial statements.

(a) Educational support

In accordance with FRS 12 '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 current 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 5).

(b) 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.

(c) 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 book values as transferred from the Public Purpose Trust on 26 July 1946. Under the transitional provisions of FRS15, this valuation has not been updated. There is a continuous programme of refurbishment, the cost of which is written off as incurred.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Freehold properties – Public Purposes Fund (continued)

It is the Trustees' view that Rhodes House, including furnishings, cannot be disposed of and is considered to be of historical significance, but is clearly not a "heritage asset" as defined by the Charities SORP, since it is used for the Trust's functional purposes. In the circumstances the Trustees consider that the administrative costs which would be involved in attributing a reliable market value to the property would be onerous compared with the benefit to users of the accounts.

No depreciation on the building and its contents has been charged, since the annual charge and the accumulated depreciation would not be material.

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

(d) 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.

(e) 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.

(f) 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.

(g) 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.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(h) 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, 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.

(i) 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 17 "Retirement benefits", accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the Statement of Financial Activities represents the contributions payable to the schemes in respect of the accounting period.

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.

(j) Fund accounting

The Rhodes Trust comprises various types of funds. These are as follows:

- **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, comprising:

  - **The Public Purposes Fund**, 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 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, like that of the South Africa Fund (see below), is now accounted for as expendable endowment following legal clarification of its legal status under the Rhodes Trust Act 1946.

  - **The Rhodes Trust South Africa Fund Income**, which is for the promotion of education and other purposes, with discretionary power to spend capital. The income of this fund is therefore accounted for as unrestricted, although the capital is held as expendable endowment for those purposes pending the exercise of the Trustees' discretion over the use of that capital to supplement income each year.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(j) Fund accounting (continued)

- **The Scholarship Development Fund**, which is for the development and delivery of the Scholarship.

- **Restricted Income Funds**, comprising the **Hong Kong Fund Income** and the **Scholarship Capital Reserve Fund Income** (the latter is fully utilised each year for supporting Scholarship expenditure in preference to any utilisation of capital – see below, under Expendable Endowments).

  - **The Scholarship Development Fund**, which is for the development and delivery of the Scholarship in line with the restrictions imposed by the donor.

- **The Permanent Endowment Scholarship Fund and its capital supplement** –The income from which is to be used for the donor's original specified purpose of providing scholarships while the capital is to be retained within the fund, and represented by:

  - **The Scholarship Fund**, Charity No. 314119 on the Register of Charities, comprising 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.

  - **That Fund's capital supplement (UTR)**, administered as an expendable endowment arising from the adoption of 'total return' investing under a Charity Commission Order dated 30 March 2007 – see Note 14.

- **Expendable Endowments held for special purposes** – Funds received as capital, or accumulated as capital where so permitted by law, and represented by:

  - **The Scholarship Capital Reserve Fund** which is available at the Trustee's own discretion to make up or augment the income or capital of the Scholarship Fund, and for the improvement or extension of the Scholarship system, and for other defined charitable purposes.

  - **The Public Purposes Fund capital** – see above.

  - **The Rhodes Trust South Africa Fund capital** – see above.

  - **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 Scholarship Development Endowment Fund,** which is a separate fund, the income from which will be used for the development and delivery of the scholarship.

  - **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.

(k) 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.

(l) 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.

(l) 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 incoming / (outgoing) resources.

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date.

2. INVESTMENT INCOME

	2011	*2010*
	£	*£*
Interest and dividends	**3,266,873**	*3,567,824*
Bank deposit interest	**13,300**	*150,830*
	3,280,173	*3,718,654*

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.

3. 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.

2011	**Grant Funded Activity £**	**Support Costs £**	**Total £**
DPhil Scholarships	**2,943,254**	**819,436**	**3,762,690**
Other Postgraduate Scholarships	**2,914,679**	**811,481**	**3,726,160**
Undergraduates	**342,904**	**95,468**	**438,372**
	6,200,837	**1,726,385**	**7,927,222**
Grants to institutions (note 5)	**(38,148)**	**-**	**(38,148)**
	6,162,689	**1,726,385**	**7,889,074**

The Trust received a grant during the year from Oxford University towards the cost of University fees of £500,000 *(2010: £500,000).*

3. ANALYSIS OF CHARITABLE EXPENDITURE (continued)

2010	Grant Funded Activity £	Support Costs £	Total £
DPhil Scholarships	*2,743,807*	*714,059*	*3,457,866*
Other Postgraduate Scholarships	*2,950,330*	*767,805*	*3,718,135*
Undergraduates	*147,516*	*38,390*	*185,906*
	5,841,653	*1,520,254*	*7,361,907*
Grants to institutions (note 5)	*58,271*	*-*	*58,271*
	5,899,924	*1,520,254*	*7,420,178*

4. ALLOCATION OF SUPPORT COSTS AND OVERHEADS

The breakdown of support costs and how these are allocated between Governance and Charitable Activities is shown in the table below.

2011

	Governance £	Charitable activities £	Total Allocated £
Staff costs (Note 7)	**42,420**	**944,957**	**987,377**
Overseas secretaries & travel	**-**	**416,461**	**416,461**
Office and other costs	**72,394**	**364,967**	**437,361**
	114,814	**1,726,385**	**1,841,199**

2010

	Governance £	Charitable activities £	Total Allocated £
Staff costs (Note 7)	*39,280*	*572,045*	*611,325*
Overseas secretaries & travel	*5,294*	*399,423*	*404,717*
Office and other costs	*75,858*	*548,786*	*624,644*
	120,432	*1,520,254*	*1,640,686*

Governance costs include an amount of £37,914 *(2010: £36,456)* in respect of auditors remuneration for audit services.

5. ANALYSIS OF GRANT FUNDED ACTIVITY (note 3)

2011	Fees to Institutions £	Grants to Individuals £	Total £
DPhil Scholarships	-	2,943,254	2,943,254
Other Postgraduate Scholarships	-	2,914,679	2,914,679
Undergraduate scholarships	-	342,904	342,904
	-	6,200,837	6,200,837
Educational Grants	(38,148)	-	(38,148)
	(38,148)	6,200,837	6,162,689

2010	Fees to Institutions £	Grants to Individuals £	Total £
DPhil Scholarships	-	*2,743,807*	*2,743,807*
Other Postgraduate Scholarships	-	*2,950,330*	*2,950,330*
Undergraduate scholarships	-	*147,516*	*147,516*
	-	*5,841,653*	*5,841,653*
Educational Grants	*58,271*	-	*58,271*
	58,271	*5,841,653*	*5,899,924*

Recipients of grants to Institutions:	2011 £	*2010* £
Public Purposes Fund:		
African and Commonwealth:		
Rex Nettleford Fellowship	3,302	*1,575*
Mandela Rhodes Foundation (see below)	(41,450)	*56,696*
	(38,148)	*58,271*

All benefactions and donations are for educational and charitable purpose.

In addition to the above direct grants, the Rhodes Trust provides library and reading room facilities at Rhodes House for the use of the Bodleian Library. This provision provides a further benefaction to Oxford University and the wider scholarly community.

5. ANALYSIS OF GRANT FUNDED SCHOLARSHIPS (CONTINUED)

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%.

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% (*2010: 2.5%).* The change in discount factor has led to a credit of £41,450 in the year. The total obligation at 30 June 2011 at present value is £2,924,811 (*2010: £3,466,259)* of which £495,614 (*2010: £495,403)* is included within amounts payable within one year and the balance of £2,431,197 (*2010: £2,970,856)* is included within amounts payable in greater than one year.

ANALYSIS OF GRANTS TO INDIVIDUALS

	2011	*2010*
	£	*£*
Provision for Scholars		
Stipends, allowances and fees	**5,981,302**	*5,640,299*
Medical expenses	**49,647**	*44,424*
Travelling expenses	**114,332**	*111,451*
Scholar events	**55,556**	*45,479*
	6,200,837	*5,841,653*

6. TRANSFERS BETWEEN FUNDS

These inter-fund transfers are in support of Scholarship Fund expenditure for the year. The excess over Scholarship Capital Reserve Fund available is, before considering any recourse to the capital of this fund, funded out of the available balance of Unapplied Total Return (UTR) arising from 1 July 1989 on the investments of the Scholarship Fund under the Charity Commission's Total Return Order dated 30 March 2007 – see Note 14.

7. EMPLOYEE COSTS

	2011	*2010*
	£	*£*
Total staff costs:		
Wages and salaries	**822,763**	*498,645*
Social security costs	**79,514**	*41,226*
Pension costs	**85,100**	*71,454*
	987,377	*611,325*

The majority of the increase in the year results from bringing the development function previously based in the United States, in house in Oxford.

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

	2011	*2010*
	Number	*Number*
£70,001 - £80,000	**1**	**1**
£100,001 - £110,000	**1**	**-**
£110,001 - £120,000	**-**	**1**
£120,001 - £130,000	**1**	**-**

Two of the employees were members of the USS final salary pension scheme in both years.

The average number of employees, analysed by function was:

	2011	*2010*
	No.	*No.*
Administration and charitable support:		
Full time	**18**	*13*
Part time	**5**	*2*
	22	*15*

The Trustees do not receive any remuneration from the Trust in respect of their services to the Trust. Trustee expenses incurred by 2 Trustees *(2010: 1 Trustee)* in connection with the Trust amounted to £8,524 *(2010: £5,294)*. These expenses relate to travel and accommodation costs.

8. TANGIBLE FIXED ASSETS – GROUP AND CHARITY

	Freehold Buildings £	Motor Vehicle £	Office Equipment and Computers £	Total £
Cost				
At 1 July 2010	50,000	18,649	189,335	257,984
Additions	-	-	76,179	76,179
Disposals	-	-	(42,896)	(42,896)
At 30 June 2011	50,000	18,649	222,618	291,267
Depreciation				
At 1 July 2010	-	13,987	152,300	166,287
Charge for year	-	4,662	29,635	34,297
Depreciation on disposals	-	-	(42,896)	(42,896)
At 30 June 2011		18,649	139,039	157,688
Net book value				
At 30 June 2011	**50,000**	**-**	**83,579**	**133,579**
At 30 June 2010	*50,000*	*4,662*	*37,035*	*91,697*

The market value of the freehold property occupied by the Trust, Rhodes House, is thought to be considerably in excess of its carrying value in the balance sheet. As stated in Note 1(c), that carrying value is a valuation which, under the transitional provisions of FRS15, has not been updated. An open market value for the property cannot be reliably ascertained without undue expense.

The insurance replacement value for the building and its contents is in the region of £29 million *(2010: £29 million)*.

9. INVESTMENT PROPERTIES

In addition to Rhodes House, the Trust owns investment properties at 3 Dene Road and 41 Davenant Road. The investment properties were professionally valued by Paul Murray, a firm of Chartered Surveys, on an open market basis as at 30 June 2011.

10. INVESTMENT SECURITIES

MOVEMENTS IN INVESTMENTS:	Group 2011 £	Charity 2011 £	*Group 2010 £*	*Charity 2010 £*
At beginning of year	**115,387,954**	**115,387,954**	*106,401,666*	*106,401,666*
Additions	**4,282,535**	**4,282,535**	*40,909,514*	*40,909,514*
Disposals	**(5,393,010)**	**(5,393,010)**	*(42,223,858)*	*(42,223,858)*
Net gains on investments (unrealised)	**8,285,672**	**8,285,672**	*10,300,632*	*10,300,632*
Total market value	**122,563,151**	**122,563,151**	*115,387,954*	*115,387,954*
Cash	**510,626**	**510,626**	*1,001,188*	*1,001,188*
	123,073,777	**123,073,777**	*116,389,142*	*116,389,142*
Investment in subsidiary (see Note 16)	**-**	**100**	*-*	*100*
At end of year	**123,073,777**	**123,073,877**	*116,389,142*	*116,389,242*

Analysis of investments:

MARKET VALUE:	Group 2011 £	Charity 2011 £	*Group 2010 £*	*Charity 2010 £*
Oxford Endowment Fund	**71,705,699**	**71,705,699**	*66,262,977*	*66,262,977*
UK Corporate Bonds	**9,370,059**	**9,370,059**	*10,851,078*	*10,851,078*
UK Equities	**11,956,497**	**11,956,497**	*11,990,595*	*11,990,595*
UK Property	**7,817,969**	**7,817,969**	*7,571,458*	*7,571,458*
Overseas Property	**456,652**	**456,652**	*352,920*	*352,920*
Overseas Private Equity	**20,328,834**	**20,328,834**	*17,400,589*	*17,400,589*
Overseas Hedge Funds	**927,441**	**927,441**	*958,337*	*958,337*
Cash	**510,626**	**510,626**	*1,001,188*	*1,001,188*
	123,073,777	**123,073,777**	*116,389,142*	*116,389,142*
Investment in subsidiary	**-**	**100**	*-*	*100*
	123,073,777	**123,073,877**	*116,389,142*	*116,389,242*

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.

10. INVESTMENT SECURITIES (CONTINUED)

COST:	Group 2011 £	Charity 2011 £	*Group 2010 £*	*Charity 2010 £*
Oxford Endowment Fund	**60,632,987**	**60,632,987**	*60,632,981*	*60,632,981*
UK Corporate Bonds	**8,500,000**	**8,500,000**	*10,250,000*	*10,250,000*
UK Equities	**12,500,000**	**12,500,000**	*12,500,000*	*12,500,000*
UK Property	**8,000,000**	**8,000,000**	*8,000,000*	*8,000,000*
Overseas Property	**691,434**	**691,434**	*626,977*	*626,977*
Overseas Private Equity	**18,416,653**	**18,416,653**	*16,358,329*	*16,358,329*
Overseas Hedge Funds	**874,310**	**874,310**	*916,250*	*916,250*
Cash	**510,626**	**510,626**	*1,001,188*	*1,001,188*
	110,126,010	**110,126,010**	*110,285,725*	*110,285,725*
Investment in subsidiary	**-**	**100**	*-*	*100*
	110,126,010	**110,126,110**	*110,285,725*	*110,285,825*

The investment in Oxford Endowment Management 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 are 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 15.

The Trust is committed at the year end to further investments in its private equity and property portfolios, to the extent of approximately $6.7m (approximately £4.2m), and approximately €3.5m (approximately £3.1m).

11. DEBTORS

	Group 2011 £	Charity 2011 £	*Group 2010 £*	*Charity 2010 £*
Prepaid Scholars' stipends	**199,502**	**199,502**	*191,245*	*191,245*
Loans to Scholars	**11,116**	**11,116**	*12,312*	*12,312*
Fees recoverable	**19,049**	**19,049**	*22,150*	*22,150*
Other debtors	**452,338**	**378,703**	*162,695*	*78,467*
Rhodes House Limited	**-**	**238,983**	*-*	*123,128*
Donations	**999,114**	**999,114**	*1,608,120*	*1,608,120*
	1,681,119	**1,846,467**	*1,996,522*	*2,035,422*

Included within 'Other debtors' is an amount of £234,974 which is recoverable in greater than one year.

12. CREDITORS: Amounts falling due within one year

	Group 2011 £	**Charity 2011 £**	*Group 2010 £*	*Charity 2010 £*
Accruals	**303,225**	**247,032**	*215,016*	*169,763*
Tax and social security	**32,515**	**22,919**	*29,897*	*15,971*
Benefactions and donations	**493,614**	**493,614**	*495,403*	*495,403*
Stipends and fees	**4,457,560**	**4,457,560**	*4,275,000*	*4,275,000*
	5,286,914	**5,221,125**	*5,015,316*	*4,956,137*

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 2011 £	**Charity 2011 £**	*Group 2010 £*	*Charity 2010 £*
Benefactions and donations	**2,666,171**	**2,666,171**	*3,207,819*	*3,207,819*
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	**476,921**	**476,921**	*483,320*	*483,320*
In more than two years but less than five years	**1,336,161**	**1,336,161**	*1,380,374*	*1,380,374*
In more than five years	**853,089**	**853,089**	*1,344,125*	*1,344,125*
	2,666,171	**2,666,171**	*3,207,819*	*3,207,819*

14. FUNDS ANALYSIS

Summary of assets and liabilities by Fund

	Fixed Assets £	Investment Properties £	Investments £	Cash & Deposits £	Other Assets/ Liabilities £	Total Funds £
Income						
Unrestricted						
Cecil Rhodes Unrestricted Fund	-	-	4,764,557	(285,990)	822,990	**5,301,557**
Restricted						
Scholarship Development Fund	-	-	-	-	-	**-**
Hong Kong Fund	-	-	141,303	(9,116)		**132,187**
Capital						
Permanent endowment						
Scholarship Endowment*	-	-	29,689,504	-	-	**29,689,504**
Expendable endowment						
Public Purposes Fund	133,579	1,100,000	69,164,348	(2,659,820)	(3,036,251)	**64,701,856**
South Africa Fund	-	-	5,135,136	(331,320)	-	**4,803,816**
Scholarship Capital Reserve Fund	-	-	12,255,103	3,212,284	(4,002,985)	**11,464,402**
Hong Kong Fund	-	-	1,543,236	(43,850)	(55,720)	**1,443,666**
Scholarship Development Endowment Fund	-	-	380,590	(24,556)	-	**356,034**
New Africa Fund	-	-	-	1,000,000	-	**1,000,000**
	133,579	**1,100,000**	**123,073,777**	**857,632**	**(6,271,966)**	**118,893,022**

***Movements on Scholarship Endowment**	**2011 £**	*2010 £*
Permanent endowment at 1 July 1989 and any further gifts since	**30,428,419**	*30,428,419*
Unapplied Total Return on the permanent endowment:		
Balance brought forward	**(3,541,066)**	*(6,753,601)*
Investment income returns	**802,787**	*881,313*
Investment gains (net)	**2,005,014**	*2,336,299*
Investment managers' costs	**(5,650)**	*(5,077)*
Balance carried forward	**(738,915)**	*(3,541,066)*
Total Scholarship Fund capital at 30 June	**£29,689,504**	*£26,887,353*

15. FUND MOVEMENTS

	Funds At 30.6.2010 £	Total incoming Resources £	Total Expenditure £	Total Transfers £	Total Gains/ Losses £	**Funds At 30.6.2011 £**
Unrestricted Income						
Cecil Rhodes Unrestricted Fund	*4,672,289*	5,170,595	(4,619,895)	-	78,568	**5,301,557**
Restricted Income						
Scholarship Capital Reserve Fund	-	361,441	-	(361,441)	-	**-**
Scholarship Fund	-	-	(3,392,784)	3,392,784	-	**-**
Hong Kong Fund	*178,126*	44,301	(90,240)	-	-	**132,187**
Scholarship Development Fund	*551,042*	11,756	(605,218)	-	42,420	**-**
	729,168	417,498	(4,088,242)	3,031,343	42,420	**132,187**
Other Endowments						
Public Purposes Fund	*60,238,163*	-	(12,673)	-	4,476,366	**64,701,856**
South Africa Fund	*4,270,482*	-	(1,448)	-	534,782	**4,803,816**
Scholarship Capital Reserve Fund	*13,486,503*	-	(2,669)	(3,031,343)	1,011,911	**11,464,402**
Hong Kong Fund	*1,331,523*	-	(424)	-	112,567	**1,443,666**
Scholarship Development Fund	*322,431*	9,627	(68)	-	24,044	**356,034**
New Africa Fund	-	1,000,000	-	-	-	**1,000,000**
	79,649,102	1,009,627	(17,282)	(3,031,343)	6,159,670	**83,769,774**
Endowment/UTR						
Endowment unapplied total return	*(3,541,066)*	802,787	(5,650)	-	2,005,014	**(738,915)**
Endowment Capital	*30,428,419*	-	-	-	-	**30,428,419**
	26,887,353	802,787	(5,650)	-	2,005,014	**29,689,504**
Total Funds	**111,937,912**	**7,400,507**	**(8,731,069)**	**-**	**8,285,672**	**118,893,022**

16. SUBSIDIARY UNDERTAKING

The charity holds the whole of the issued share capital of Rhodes House Limited, a company incorporated in the UK.

Rhodes House Limited is the charity's trading subsidiary. A review of this company's operations has been undertaken to ensure its future activities are of maximum benefit to the Rhodes Trust.

A summary of the trading results for the period ended 30 June 2011 is shown below.

	2011 £	*2010 £*
Turnover	**367,316**	*264,684*
Cost of sales	**(109,792)**	*(65,191)*
Gross profit	**257,524**	*199,493*
Administration expenses	**(77,113)**	*(71,162)*
Gift Aid donation to charity	**(180,411)**	*(128,331)*
(Loss)/profit for the year	**-**	*-*

Net assets at 30 June 2011 were £100.

17. RECONCILIATION OF NET OUTGOING RESOURCES TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2011	*2010*
	£	*£*
Net incoming resources	**(1,330,562)**	*(1,965,328)*
Depreciation	**34,297**	*20,112*
(Profit)/loss on sale of investments	**-**	*(89,869)*
Investment income	**(3,280,173)**	*(3,718,654)*
Decrease/(increase) in debtors	**315,403**	*(1,044,156)*
Decrease in creditors	**(270,050)**	*(113,098)*
Endowment donations	**(1,000,000)**	*-*
	(5,531,085)	*(6,910,993)*

18. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2011	*2010*
	£	*£*
Increase/(decrease) in cash in the year	**273,946**	*(140,064)*
Cash outflow/(inflow) from change in liquid resources	**-**	*(2,764,189)*
Movement in net funds in the year	**273,946**	*(2,904,253)*
Net funds at 1 July 2010	**583,686**	*3,487,939*
Net funds at 30 June 2011	**857,632**	*583,686*

19. ANALYSIS OF NET FUNDS

	At 30 June 2010	Cash flow	**At 30 June 2011**
	£	£	**£**
Net cash:			
Cash at bank and in hand	*583,686*	273,946	**857,632**
Net funds	*583,686*	273,946	**857,632**

20. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions in FRS8 'Related Party Disclosures' not to disclose transactions with other members of the group on the grounds that 100% of the voting rights are controlled within the group.

21. PENSION OBLIGATIONS

1. 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 final 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 FRS17 "Retirement Benefits", 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.

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

2. 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.

21. PENSION OBLIGATIONS (CONTINUED)

	USS	OSPS
Date of valuation: Date valuation results published:	31/03/2008[a] 04/02/2009	31/03/2010 30/06/2011
Value of liabilities: Value of assets: Funding Surplus/(Deficit):	£28,135m £28,842m £707m[b]	£394m £312m (£82m)[c]
Principal assumptions: Rate of interest (past service liabilities) Rate of interest (future service liabilities) Rate of interest (periods up to retirement) Rate of interest (periods after retirement) Rate of increase in salaries Rate of increase in pensions	 4.4% pa 6.1% pa - - 4.3% pa 3.3% pa	 - - 7.0% pa 5.0% pa 4.7% pa 3.7% pa
Mortality assumptions: Assumed life expectancy at age 65 (males) Assumed life expectancy at age 65 (females)	 23 yrs 25 yrs	 22 yrs 24 yrs
Funding Ratios: Technical Provisions basis: Statutory Pension Protection Fund basis: "Buy-out" basis: Estimated FRS17 basis	 103%[d] 107% 79%[d] 104%[d]	 79% 86% 52% 77%
Recommended Employer's contribution rate (as % of pensionable salaries):	16%[e]	21.5%[c]
Effective date of next valuation:	31/03/2011[a]	31/03/2013

Notes:

a. USS' actuary will undertake an actuarial valuation of the Scheme as at 31 March 2011, the results of which are not expected to be finalised until December 2011, with publication of the final results in 2012.

b. In the light of the considerable swings in markets since the valuation date, the nature of the demographic and financial assumptions used in the on-going and solvency valuations, the significant positive cash flows and equity orientated investment strategy, USS' actuary recommended, and the Trustee agreed, that the small on-going funding surplus should be carried forward to the next valuation.

c. OSPS' actuarial valuation as at 31 March 2010 identified a required long-term employer contribution rate of 18.2% of total pensionable salaries, but also a funding deficit of £82.4m. The University, on behalf of all the employers participating in the scheme, has agreed with the trustees of OSPS to address this deficit by continuing the employer contribution rate at the previously agreed rate of 21.5% of total pensionable salaries (this being the rate paid by the employer since 1 August 2008). The actuary has certified that the additional contribution should eliminate the deficit by 31 March 2027.

d. Since 31 March 2008, global investment markets have continued to fluctuate and the actuary has estimated the funding level of USS had fallen from 103% at 31 March 2008 to 91% (a deficit of £3,065m) at 31 March 2010. Compared to the previous 12 months, the funding level has improved from 74% as at 31 March 2009 to 91%. These estimates are based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the two years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions). On the FRS17 basis, the actuary estimated that the funding level at 31 March 2010 was 80% and on a buyout basis was approximately 57%.

21. PENSION OBLIGATIONS (CONTINUED)

e. The USS employer contribution rate required for future service benefits alone at the date of the valuation was 16.0% of total pensionable salaries and the Trustee Company, on the advice of the actuary, implemented the increase from 14% to 16% on 1 October 2009. The USS Joint Negotiating Committee has discussed the funding position of the Scheme and has proposed a package of changes, including the admission of new members into a Career Average Revalued Earnings section, to be implemented with effect on 1 October 2011. The changes are required to ensure the future sustainability of the Scheme. Further details about the changes may be reviewed on USS' website, www.uss.co.uk.

3. 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 scheme liabilities	
		USS	OSPS
Valuation rate of interest	increase/decrease by 0.5%	decrease / increase by £2.2bn	decrease / increase by £35m
Rate of pension increases	increase/decrease by 0.5%	increase / decrease by £1.5bn	increase / decrease by £25m
Rate of salary growth	increase/decrease by 0.5%	increase / decrease by £0.7bn	increase / decrease by £5m
Rate of mortality	more prudent assumption (mortality used at last valuation, rated down by a further year)	increase by £1.6bn	increase by £10m

4. 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	2011 £	2010 £
Universities Superannuation Scheme	63,990	50,959
University of Oxford Staff Pension Scheme	21,100	20,496
Total:	85,090	71,455