



**THE RHODES TRUST**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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## **TRUSTEES' REPORT**

The Board of Trustees of The Rhodes Trust ("the Charity" or "the Trust") present their annual report for the year ended 30 June 2017 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](http://www.rhodeshouse.ox.ac.uk).

## **CHARITABLE OBJECTS**

The Rhodes Scholarships are postgraduate awards supporting outstanding all-round students at the University of Oxford, and providing transformative opportunities for exceptional individuals. Established in 1903, the Rhodes is the oldest and perhaps the most prestigious international graduate scholarship programme in the world. Nearly 8,000 Rhodes Scholars have gone on to serve at the forefront of government, the professions, commerce, the arts, education, research and other domains. They are well known advocates for expanded social justice, and have advanced the frontiers of science and medicine. The Rhodes Trust provides the existing Rhodes Scholarships in partnership with its Second Century Founders, including John McCall MacBain, and many other generous benefactors.

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 comprises two funds with separate registrations with the Charity Commission. The Cecil Rhodes Trust Scholarship Fund (314119), and the Public Purposes Fund (232492). Following a Uniting Order in 2003 these separate Funds have filed a single set of accounts. This is shown as the Charity only accounts in the financial statements on pages 18 to 34.

The primary purpose of The Rhodes Trust 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. 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.

The Scholarship Fund 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.

The Public Purposes Fund (PPF) is used to make benefactions and donations primarily for educational purposes. 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.

## **GROUP STRUCTURE**

The Group accounts include in addition:

- The Rhodes Trust Horizon Fund, which was registered with the Charity Commission as a separate charity on 16th December 2014 (1159648). It is used for the receipt of donations and making benefactions to new jurisdictions not covered by the Scholarship Fund and PPF, and to separately account for new areas of activity including inter alia, the Atlantic Institute, a £75m partnership with the Atlantic Philanthropies and most recently, in 17/18, the Schmidt Science Fellows initiative.
- Rhodes House Limited, a trading subsidiary registered at Companies House (06539418), whose principal activity is the hiring out of Rhodes House for functions and events.
- Rhodes Scholarships in Australia PTY Ltd, supporting Australian Scholars and local donors.
- Rhodes Scholarships in New Zealand Limited, supporting New Zealand Scholars and local donors.
- Rhodes Scholarships in Canada, supporting Canadian Scholars and local donors.

All three overseas entities are registered charities in their own jurisdictions.

The Rhodes Trust also receives the local support of the Oxonian India Foundation, a S8 Company registered in India. The Trust has no controlling interest in the Company and it is not consolidated.

## **TRUSTEES**

The Rhodes Trust Act 1946 incorporated the trustees as a body corporate with perpetual succession.

The present Trustees, and any past Trustees who served during the year, are given below. The Trustees are common to all three UK registered charities.

The Trustees are responsible for ensuring adherence to the Trust's objectives. They define strategy and 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 Trustees, all of whom held office throughout the whole of the year ended 30 June 2017, 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, Full Trustee from August 2017)  
Mr Michael McCaffery  
Professor Ngaire Woods  
Mr Dominic Barton  
Mr Donald J Gogel  
Professor Margaret MacMillan O.C.  
Mr John McCall MacBain O.C.  
Mr Narayana Murthy (to June 2017)  
Ms Karen Stevenson  
Mr John Wylie AM  
Dame Helen Ghosh DCB

Mr Andrew Banks  
Mr Glen James  
Professor Dame Carol Robinson DBE  
Mr Nicholas Oppenheimer  
Dr Tariro Makadzange  
Professor Elleke Boehmer  
Mr Dilip Shanghvi (from June 2017)

Details of the members of the individual committees of the Trustees are available on the Trust's website at [www.rhodeshouse.ox.ac.uk](http://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.

### **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 Trustees consider that the provision of scholarships for the advancement of education and the development of collaborative leadership skills offers public benefit. This is expanded upon in more detail below.

### **ACHIEVEMENTS AND PERFORMANCE**

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

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. Deepen Scholarship experience through a comprehensive Service and Leadership programme;
4. Introduce Rhodes House conferences on core topics for Rhodes and other Global Scholars;
5. Develop Rhodes House as a convening location for addressing world challenges;
6. Develop partnership programmes with universities and foundations including Atlantic Philanthropies, the Said Foundation, Schwarzman Scholarships, and the Schmidt Foundation;
7. Reposition Rhodes brand and media strategy;
8. Provide an opportunity for philanthropists to support the ideals of the Rhodes Scholarships with donations, and complete the target £150m Capital Campaign Fund;
9. Build and enrich the global community of Rhodes Scholars and connect them back to Rhodes House, Oxford;
10. Improve disabled access to and around Rhodes House;
11. Continue to develop the charity's trading subsidiary to provide an income 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.
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. Both the first and second years of the Character Service & Leadership programmes have been refreshed and revised by the Dean of Scholarships and Director of Leadership and Change, Dr Nadiya Figueroa, who joined the Trust in August 2016.
5. The Trust was delighted to announce the closing of the £150m Campaign for the Second Century to secure the core Scholarships. Over 2,500 people (including more than half of all living Rhodes Scholars) and institutions have contributed towards this success.
6. Total donation income including amounts received towards the new jurisdiction Scholarships totalled £23.4 million (*Restated 2016 £76.8 million*).
7. Co-funded College Scholarships with Balliol, Merton and University College with the support of the Oxford Graduate Match Scheme were added to that of Linacre College.
8. Following an extensive consultation exercise, the Trust launched the revised brand with a refreshed new logo consisting of the traditional Zimbabwe bird within an R, and launched a new website to critical acclaim. 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. *'Fighting the World's Fights: Rhodes Scholars in Oxford and beyond'* published in 2016 has continued to enjoy positive 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, four Chinese Scholars arrived in Oxford 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 nearly complete, and the first three Scholars from Syria, Jordan, Lebanon and Palestine, two from Israel and two from Malaysia arrived in Oxford in Autumn 2017. It is anticipated that the West African Scholars will arrive in Autumn 2018, following the appointment of the West African Secretary and his support team.
11. On 1<sup>st</sup> June 2016 the Trust announced a £75m partnership with the Atlantic Philanthropies, an international, limited-life foundation established by entrepreneur Charles F. Feeney. In November 2016 Rhodes House hosted the first convening of the programme leads, to discuss the establishment of the Atlantic Institute, a central convening and knowledge sharing hub for the global network of Atlantic Fellows. Dr Penelope Brook (a Rhodes Scholar) joined the Trust as Executive Director of the Atlantic Institute in January 2017, and has been working with the Atlantic Fellows programmes around the world. Demand for the services that will be provided by the Atlantic Institute from Rhodes House has exceeded initial expectations.
12. Rhodes House is collaborating with several foundations to support development efforts by setting up joint programmes, including the Said Foundation, Schwarzman Scholarships, and most recently the Schmidt Foundation, for which joint convenings and programmes are being developed.

13. During the Trust's pilot year of Rhodes Global Fora and thematic programming, the response and impact of the community has been exceptional. More than 700 Scholars and members of the Oxford and global communities attended four thematic conferences (The Rhodes Healthcare Forum, Rhodes LGBTQ Forum, Rhodes Climate Change Forum, and Rhodes Ventures Forum). There were a further forty-one Talks, two Scholar retreats, and four skills workshops. The Trust also opened most of its programmatic activity to the other scholarship programmes in Oxford and the UK, including the Clarendon, Gates, Said and Skoll Scholars.
14. Alumni gatherings took place around the world, with a major event to celebrate the 40<sup>th</sup> Anniversary of Rhodes Women taking place over three days at Rhodes House in September 2017 attended by 170 delegates and guests.
15. During the year portraits of Sylvia Burwell, Charles Feeney, Bram Fischer, Menaka Guruswamy and Susan Rice have been added to those hanging in Milner Hall. Photographs of Rhodes Scholars along with short biographies now adorn the walls of the library and corridors around Rhodes House.
16. The Trust has made substantial alterations around Rhodes House for enhancing access, including ramps to the front of the House, and a Disability Discrimination Act compliant lift to replace the existing freight lift. Disabled Scholars and guests can now access all floors of Rhodes House and gardens.
17. The Trust is exploring ways to develop the space under Rhodes House to create a state of the art convening centre that will support the Rhodes Scholars and partner organisations, the Atlantic Institute, Oxford University and the City of Oxford.
18. Rhodes House Limited continued to trade successfully. The outline results of the subsidiary are shown in note 14.

## **GOVERNANCE AND MANAGEMENT**

### **Organisational management**

The Rhodes Trust is governed and administered globally by four bodies: the Trustees (including committees), the Warden, National Secretaries, and Trust staff. Together, these bodies 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.

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 auditors, 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, as well as agreeing the annual internal audit process to ensure all necessary policies and controls exist and are being effectively implemented.

#### **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.

### **6. BUILDING COMMITTEE**

The Building Committee advises the Trustees on the feasibility, design and implementation of the potential redevelopment of Rhodes House, including the current space beneath the building formerly occupied by the Bodleian Library.

## **GRANT MAKING POLICY AND ACTIVITIES**

### **Scholarships**

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 usually 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 ended 30<sup>th</sup> June 2017 there were up to 200 Scholars (2016:199) being fully financially supported whilst a further 12 (2016:16) were receiving support by the Trust paying 4<sup>th</sup> year fees. 97 Scholars have taken up residence in Oxford in October 2017 (2016:89). Details of how to apply for scholarships together with the relevant forms are available on the Trust's website: [www.rhodeshouse.ox.ac.uk](http://www.rhodeshouse.ox.ac.uk).

### **The Mandela Rhodes Foundation**

The Mandela Rhodes Foundation (MRF) is a 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 MRF is 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 over 15 years, to provide an initial endowment and to meet the running costs of the Foundation. The Trust's remaining commitment was £250,000 as at 30<sup>th</sup> June 2017.

### **STATEMENT OF TRUSTEES' RESPONSIBILITIES**

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

The law applicable to charities in England & 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 Trust and the group and of the incoming resources and application of resources of the Trust and 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 (FRS102);
- make judgements 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 in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Trust and enable them to ensure that the financial statements comply with the Charities Act 2011, applicable accounting regulations and the provisions of the will and subsequent applicable legislation. They are also responsible for safeguarding the assets of the Trust 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 Trust and financial information included on the Trust's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **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.

## **RESERVES POLICY**

Total funds of £327.6m at 30<sup>th</sup> June 2017 comprise Endowed Funds of £286.0m (Restated 2016: £246.1m), Restricted Funds of £37.9m (Restated 2016: £35.0m), and £3.7m (Restated 2016: £6.8m) of Free Reserves as defined by the Charity Commission.

The Trustees monitor carefully the allocation of investment returns from the endowment to income so that the Trust can meet its expenditure needs. The purpose is to limit expenditure to a level that can be sustainably funded by investment returns above inflation, thereby maintaining the real value of the endowment in perpetuity and ensuring inter-generational equity. This is reviewed each year and implemented via the annual budget which is approved at the June Trustee Board meeting.

The Trust has successfully run 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 ongoing fund raising over the next decade is achievable.

The Trust has not set a specific policy for free reserves. A significant proportion of its activities are funded by restricted donations, including a contribution to the Trust's core costs. The Trustees have considered the level of free reserves at 30<sup>th</sup> June 2017 and are satisfied that they are sufficient to meet the Trust's present needs.

The Horizon Fund includes deficit unrestricted funds of £962.6k (Restated 2016: £nil) arising from the movement on the provision for future Scholar costs, which is taken to unrestricted funds. The costs are then charged to the appropriate restricted income fund as actually expended.

## **FINANCIAL REVIEW AND RESULTS FOR THE YEAR**

The audited accounts for the year ended 30 June 2017 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 15-17 and the principal accounting policies adopted by the Trust are set out pages 21 to 25. 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.

The Trust has reviewed its criteria for recognition of pledged donations, and has accounted for a prior year adjustment in order to reflect the change to include those that are executed under deed. The impact on the financial statements for the year ended 30 June 2017 was to include £4.8m of donations that would not previously have been recognised. The brought forward funds have been adjusted to reflect the recognition of £12.4m for year ended 30 June 2015 and £17.6m for the year ended 30 June 2016.

Furthermore, a detailed fund review has resulted in the re-classification of certain funds, which has been reflected in the restatement of the opening fund balances.

At 30 June 2017 the Trust's net assets were £327.6m (Restated 2016: £287.9m) an increase of £39.7m for the year. Total resources expended during the year were £20.6m (2016: £12.6m) an increase of £8m. The direct cost of the Scholarship programme was £17.7m (2016: £10.2m).

Historically the Trust included a provision that covered one year of first and second year Scholars' costs. This estimate has been revised in the current year to include all first year Scholars for a two year period, and the second and third year Scholars for one year. This, coupled with the overall increase in Scholar numbers, has resulted in an increase in the overall provision of £6.1m. 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 £143k (2016: £257k) 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\$1,161,444 (£686,027) (2016 AUS \$1,441,789 (£787,940)) for the support of Australian scholars.

## **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 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.

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 2017, the capital value of the Trust's investment portfolio (including short-term deposits) increased from £236.1m to £282m, including £27.3m of realised and unrealised gains on the investments, £11.2m of donations invested in the year and reinvested income of £7.4m (net of investment management fees). This comfortably exceeds the investment performance objective of a real return (ie after inflation) of 5%.

## **TOTAL RETURN ACCOUNTING**

The Charity Commission issued a Total Return Order (The Order) for the Cecil Rhodes Trust Scholarship Fund on 30th March 2007. The Fund was valued at the time of the Order at £30.4m, using cash and sundry assets, investment properties, and investments at cost at 1st July 1989, together with uplift from cost to market value of the last two categories. This approach was agreed by the then Chairman of the Rhodes Trust, Finance Trustee, Finance Director, and the auditors, Clark Whitehill.

Under this Order the Trust adds together the capital gains, losses and income for the year and determines the allocation between capital and income, and the total return is allocated to the Unapplied Total Return (UTR) Fund.

In 2014 the Trustees determined that the draw down on the Cecil Rhodes Trust Scholarship Fund be set at 4% of the fund value, to preserve the long term capital value of the endowment (in real terms) whilst balancing the needs of current beneficiaries.

This has been applied each year, and the balance on the Scholarship Fund at 30th June 2017 was £44.9m (2016: £40.6m). The details of the movements are disclosed in Note 20.

## **SENIOR MANAGEMENT AND REMUNERATION**

The key management personnel are:

Charles Conn:	Warden and CEO
Peter Anderson:	Chief Operating Officer and Finance Director
Mary Eaton:	Director of Scholar Affairs and Registrar
Dr Nadiya Figueroa:	Dean of Scholarships and Director of Leadership and Change
Rodolfo Lara:	Director of Programmes and Alumni Relations
Alasdair Maclay:	Director of Strategy and Development
Babette Tegldal:	Director of Communications

Dr Penelope Brook: Atlantic Institute Director

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.

The remuneration of other staff is determined by their line managers in consultation with the Warden.

The Warden has announced his intention to stand down from 1<sup>st</sup> July 2018, following the expiry of his five year term of office. A recruitment process is underway.

### **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 three times per annum. This has involved identifying the types of risks the Trust 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. As part of this process the Trustees have reviewed the adequacy of the Trust'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.

The key risks identified by the Trustees are:

#### **Financial**

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 consider that 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 realised.

### **Reputational**

The Scholarship loses its reputation as the world's leading scholarship. This could arise, e.g., through damaging incidents, or through the financial offer of other Scholarships more conspicuously eclipsing Rhodes.

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

The Trust has 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 Director of Leadership and Change, and supported by current and Senior Scholars and distinguished guest speakers. This was comprehensively revised in 2017.

The Trust has a Public Relations strategy and escalation procedure for media engagement with the engagement of external advisors as necessary, and undertaken a major rebranding and website refresh to critical acclaim.

### **Operational**

#### **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 two 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.

#### **Rhodes House destroyed by fire or major flood damage**

The fire alarm system installed in February 2015 is subject to regular external inspection and maintenance 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**

1. **Financial stability:** Although the Trustees believe that the Trust 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 continue to add to the Trust's financial resources.
2. **Become a truly global community:** The Trust's fundraising programme will focus on the annual fund and the deployment of the development team towards fundraising for new jurisdiction Scholarships. The long term ambition is to create 20 more Rhodes Scholarships in new geographies.
3. **Enhance the Scholar experience:** Continuous improvement of the Character, Service & Leadership programme and introducing other events and activities, with the support of the Dean of Scholarships and Director of Leadership and Change.
4. **Deliver the Fellowships partnerships strategy:** Building on success of the Atlantic Institute, the Trust is working closely with the Said Foundation, Schwarzman Scholars, the Berggruen Institute and the Schmidt Foundation on collaborative projects focussed on the development of leaders who can collaborate across academic disciplines and national boundaries.
5. **Build a new technology platform** to drive the community's connectivity and collaboration, including relaunching the Alumni Network, and maintaining the momentum following the brand and website relaunch.
6. **Leverage the University of Oxford** more to benefit the Rhodes Trust community.
7. **Reposition the Rhodes Trust** community publicly as thought leaders and collaborators. The Trust will continue to expand its efforts to engage with Rhodes alumni around the world.
8. **Ensure the staff and volunteer resources are in place** to deliver the strategic priorities.

**Approved and signed on behalf of the Trustees on 15 December 2017**

**Sir John Hood**  
Chairman of the Trustees



## **LEGAL AND ADMINISTRATIVE INFORMATION**

The current advisers are:

### **BANKERS:**

National Westminster Bank plc  
121 High Street  
Oxford OX1 4DD

### **SOLICITORS:**

Blandy & Blandy LLP  
66 Lincoln's Inn Fields  
Reading RG1 1DA

Farrer and Co LLP  
One Friar Street  
London WC2A 3LH

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

### **INDEPENDENT AUDITORS:**

Saffery Champness LLP  
71 Queen Victoria Street  
London EC4V 4BE

### **REGISTERED ADDRESS:**

Rhodes House  
South Parks Road  
Oxford OX1 3RG

### **SECRETARY TO THE TRUSTEES:**

Mr Charles Conn

### **RHODES TRUST SENIOR STAFF**

The senior staff of the Trust to whom day to day management is delegated are as follows:

Charles Conn:	Warden and CEO
Peter Anderson:	Chief Operating Officer and Finance Director
Mary Eaton:	Director of Scholar Affairs and Registrar
Dr Nadiya Figueroa:	Dean of Scholarships and Director of Leadership and Change
Rodolfo Lara:	Director of Programmes and Alumni Relations
Alasdair Maclay:	Director of Strategy and Development
Babette Tegldal:	Director of Communications

Dr Penelope Brook: Atlantic Institute Director

**The Rhodes Trust**  
**Independent auditors' report to the trustees**  
**For the year ended 30 June 2017**

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**Opinion**

We have audited the financial statements of The Rhodes Trust for the year ended 30 June 2017 which comprise the statement of financial affairs, balance sheets, cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group and parent charity's affairs as at 30 June 2017 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.

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the trustees those matters we are required to state to them in an auditors' 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 trustees as a body, for our audit work, for this report, or for the opinions we have formed.

**Basis for opinion**

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

**Conclusions relating to going concern**

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

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

**The Rhodes Trust  
Independent auditors' report to the trustees  
For the year ended 30 June 2017**

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**Other information**

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Charities (accounts and Reports) Regulations 2008 require 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
- the group and the parent charity has not kept sufficient accounting records; or
- the parent's 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.

**Responsibilities of trustees**

As explained more fully in the Trustees' Responsibilities Statement set out on page 8, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**The Rhodes Trust  
Independent auditors' report to the trustees  
For the year ended 30 June 2017**

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**Auditors' responsibilities for the audit of the financial statements**

We have been appointed as auditors under the Charities Act 2011 and report in accordance with regulations made under that Act.

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

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

*Saffery Champness LLP.*  
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Saffery Champness LLP  
Chartered Accountants  
Statutory Auditors  
71 Queen Victoria Street  
London  
EC4V 4BE

Date: *21 December 2017.*

Saffery Champness 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 2017**

	Notes	Unrestricted Funds £	Restricted Funds £	Endowed Funds £	2017 Total £	2016 Total Restated £
<b>INCOME AND ENDOWMENTS FROM:</b>						
Donations and legacies	1	1,886,165	919,904	20,573,483	23,379,552	76,836,565
Charitable activities	2	404,525	202,208	-	606,733	400,000
Other trading activities	3	510,089	-	-	510,089	557,388
Investments						
Investment income	4	208,415	1,193,570	6,928,266	8,330,251	8,137,399
Total return allocated to income	15	4,285,381	5,391,483	(9,876,844)	-	-
Other		120,876	4,893	-	125,769	5,057
<b>Total income</b>		<b>7,415,431</b>	<b>7,712,058</b>	<b>17,824,905</b>	<b>32,952,394</b>	<b>85,936,409</b>
<b>EXPENDITURE ON:</b>						
Charitable activities:						
Promotion and advancement of education	5	9,377,484	8,274,166	-	17,651,650	10,173,629
Raising funds:	7					
Fundraising		1,033,551	562,547	-	1,596,097	1,403,439
Trading expenditure		389,848	-	-	389,849	244,596
Investment management costs		22,830	127,041	769,514	919,385	735,939
<b>Total Expenditure</b>		<b>10,823,713</b>	<b>8,963,754</b>	<b>769,514</b>	<b>20,556,981</b>	<b>12,557,603</b>
<b>Net (Expenditure)/Income before gains</b>		<b>(3,408,282)</b>	<b>(1,251,696)</b>	<b>17,055,391</b>	<b>12,395,413</b>	<b>73,378,806</b>
Net gains on investments	12, 13	577,798	3,912,192	22,844,723	27,334,712	6,386,757
<b>Net (Expenditure)/Income</b>		<b>(2,830,484)</b>	<b>2,660,496</b>	<b>39,900,113</b>	<b>39,730,125</b>	<b>79,765,563</b>
Transfers between funds	20	(219,869)	219,869	-	-	-
<b>Net movement in funds for the year</b>		<b>(3,050,353)</b>	<b>2,880,365</b>	<b>39,900,113</b>	<b>39,730,125</b>	<b>79,765,563</b>
Fund balances brought forward as previously stated	27	5,382,341	24,297,398	228,142,200	257,821,939	195,704,807
Prior year adjustment	27	1,389,347	10,739,851	17,929,160	30,058,358	12,409,827
Fund balances brought forward as restated	20	6,771,688	35,037,249	246,071,360	287,880,297	208,114,734
<b>Funds carried forward at 30 June</b>		<b>3,721,335</b>	<b>37,917,614</b>	<b>285,971,473</b>	<b>327,610,422</b>	<b>287,880,297</b>

The Rhodes Trust  
 Consolidated and Charity Balance Sheets  
 As at 30 June 2017

	Notes	2017		2016	
		Group £	Charity £	Group Restated £	Charity Restated £
<b>FIXED ASSETS</b>					
Intangible assets	10	153,089	153,089	-	-
Tangible assets	11	14,523,541	14,523,541	14,513,167	14,513,167
Property investments	12	-	-	200,000	200,000
Other investments	13	282,023,773	234,958,633	236,113,800	197,560,561
<b>Total Fixed Assets</b>		<b>296,700,403</b>	<b>249,635,263</b>	<b>250,826,967</b>	<b>212,273,728</b>
<b>CURRENT ASSETS</b>					
Debtors	16	39,680,508	30,075,320	33,202,007	22,125,958
Investments		494,624	494,624	425,325	425,325
Cash at bank and in hand		4,666,682	4,059,085	12,075,572	11,405,566
<b>Total Current Assets</b>		<b>44,841,814</b>	<b>34,629,029</b>	<b>45,702,904</b>	<b>33,956,849</b>
<b>LIABILITIES</b>					
Creditors: Amounts falling due within one year	17	(962,529)	(3,048,342)	(1,717,925)	(1,760,972)
<b>NET CURRENT ASSETS</b>		<b>43,879,285</b>	<b>31,580,687</b>	<b>43,984,979</b>	<b>32,195,877</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>340,579,688</b>	<b>281,215,950</b>	<b>294,811,946</b>	<b>244,469,605</b>
<b>CREDITORS: falling due after more than one year</b>	18	<b>(494,625)</b>	<b>(494,625)</b>	<b>(665,837)</b>	<b>(665,837)</b>
<b>Provisions for liabilities and charges</b>	19	<b>(12,474,641)</b>	<b>(11,397,593)</b>	<b>(6,265,812)</b>	<b>(6,054,396)</b>
<b>TOTAL NET ASSETS</b>		<b>327,610,422</b>	<b>269,323,732</b>	<b>287,880,297</b>	<b>237,749,372</b>
<b>FUNDS</b>					
Endowment funds	20	285,971,473	241,015,584	246,071,360	208,758,512
Restricted funds		37,917,614	23,624,228	35,037,249	22,219,172
Unrestricted funds		3,721,335	4,683,920	6,771,688	6,771,688
		<b>327,610,422</b>	<b>269,323,732</b>	<b>287,880,297</b>	<b>237,749,372</b>

The financial statements were approved and authorised for issue by the Board of Trustees of The Rhodes Trust on 15 December 2017

Trustee:

  
 JOHN ANTHONY HOOG

**The Rhodes Trust**  
**Consolidated Statement of Cash Flows**  
**For the year ended 30 June 2017**

	Notes	2017 £	2016 Restated £
<b>Cash flows from operating activities</b>			
Net movement in funds		39,730,125	79,765,563
Adjustments for:			
Depreciation		335,033	296,600
Gains on investments	13	(27,334,712)	(6,386,757)
Investment management costs		919,490	735,939
Investment income		(8,295,824)	(8,137,399)
Receipt of endowment		(20,573,483)	(41,007,494)
(Increase)/decrease in debtors		(6,478,501)	(14,575,754)
(Decrease)/increase in creditors		(995,907)	(200,838)
(Decrease)/increase in provisions		6,208,830	(89,295)
<b>Net cash provided by operating activities</b>		<b>(16,484,949)</b>	<b>10,400,565</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investment in land & property		200,000	-
Purchase of fixed assets (tangible and intangible)		(498,497)	(94,974)
Proceeds from sale of investment		-	3,670,468
Dividends, interest and rents from investments		-	8,137,399
New money invested		(11,198,927)	(54,536,531)
<b>Net cash provided by (used in) investing activities</b>		<b>(11,497,424)</b>	<b>(42,823,638)</b>
<b>Cash flows from financing activities</b>			
Receipt of endowment		20,573,483	41,007,494
<b>Net cash provided by financing activities</b>		<b>20,573,483</b>	<b>41,007,494</b>
<b>Change in cash and cash equivalents in the reporting period</b>		<b>(7,408,890)</b>	<b>8,584,421</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>12,075,572</b>	<b>3,491,151</b>
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>4,666,682</b>	<b>12,075,572</b>

## **ACCOUNTING POLICIES**

The address of the registered office of The Rhodes Trust is Rhodes House, South Parks Road, Oxford, OX1 3RG.

### **1. Scope of the financial statements**

The financial statements present the Consolidated Statement of Financial Activities (SOFA), the Consolidated and Trust Balance Sheets and the Consolidated Statement of Cash Flows for the Trust including the Rhodes Trust Horizon Fund (charity number 1159648) and the Trust's wholly owned subsidiary Rhodes House Ltd (company no 06539418), The Rhodes Scholarships in New Zealand Limited, Rhodes Scholarships in Australia PTY Limited, and Rhodes Scholarships in Canada Limited respectively on a line by line basis. The New Zealand and Australian subsidiaries are corporate trustees of underlying trust funds. The Canadian subsidiary is a non-share capital corporation. No separate SOFA has been presented for the Trust alone as it is not deemed to be materially different from the consolidated SOFA. A summary of the results and financial position of the charity and each of its subsidiaries for the reporting year can be found in Note 14.

### **2. Basis of accounting**

The Trust's individual and consolidated financial statements have been prepared in accordance with United Kingdom Accounting Standards, in particular 'FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102).

The Trust is a public benefit entity for the purposes of FRS 102 and a registered charity. The Trust has therefore also prepared its individual and consolidated financial statements in accordance with 'The Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with FRS 102' (Charities SORP (FRS 102)).

The consolidated financial statements have been prepared to give a true and fair view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a true and fair view. This departure has involved following Charities SORP (FRS 102) rather than Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005) which has been withdrawn.

The financial statements have been prepared on a going concern basis and on the historical cost basis, except for the measurement of investments and certain financial assets and liabilities at fair value, with movements in value reported within the SOFA. The principal accounting policies adopted are set out below and have been applied consistently throughout the year, except where noted.

These accounts include the re-statement of brought forward reserves to reflect donations not previously recognised, but which should have been accounted for under FRS 102 in the prior year. See policy Note 4 below on Income recognition. The analysis is shown in the Comparative Statement of Financial Activities, Note 28.

These accounts also reflect a re-classification of certain funds received late in the prior year, to better reflect the correct treatment under Charities SORP (FRS 102). The reclassification of funds is shown in Note 27.

### **3. Accounting judgements and estimation uncertainty**

In preparing financial statements it is necessary to make certain judgements, estimates and assumptions that affect the amounts recognised in the financial statements. The following judgements and estimates are considered by the Trustees to have the most significant effect on amounts recognised in the financial statements:

- I. The rate of release from endowment funds to both unrestricted and restricted income funds, for the funding of expenditure, is set by the trustees at a level that is calculated to ensure sustainability and protection of the endowment capital, and to ensure equity between current and future beneficiaries of the Trust.
- II. The discount rate used in the calculation of the net present value of future pledged donations recognised in the balance sheet as accrued income. A rate of 2.8% has been

used in the current year, a rate which represents a reasonable approximation of the likely cost of borrowing for the Trust.

- III. The level of the general provision for non-fulfillment set against accrued income recognised but not received. A provision of 10% has been made.
- IV. The anticipated length of tenure and course mix used in the estimation of the provision for future Scholar costs.

#### **4. Income recognition**

All income is recognised once the Trust has entitlement to the income, the economic benefit is probable and the amount can be reliably measured.

##### **Income from donations, grants and legacies**

Donations and grants that do not impose specific future performance-related or other specific conditions are recognised on the date on which the Trust can demonstrate legal entitlement to the resource, the amount can be reliably measured and the economic benefit to the Trust of the donation or grant is probable. Donations and grants subject to performance-related conditions are recognised as and when those conditions are met. Donations and grants subject to other specific conditions are recognised as those conditions are met or their fulfilment is wholly within the control of the Trust and it is probable that the specified conditions will be met. Pledged donations executed under deed are included upon execution of the deed, with the future pledge instalments discounted at the Trust's cost of borrowing (2.8% for the year ended 30 June 2017).

Legacies are recognised following grant of probate and once the Trust has received sufficient information from the executor(s) of the deceased's estate to be satisfied that the gift can be reliably measured and that the economic benefit to the Trust is probable.

Donations, grants and legacies accruing for the general purposes of the Trust are credited to unrestricted funds.

Donations, grants and legacies which are subject to conditions as to their use imposed by the donor or set by the terms of an appeal are credited to the relevant restricted fund or, where the donation, grant or legacy is required to be held as capital, to the endowment funds. Where donations are received in kind (as distinct from cash or other monetary assets), they are measured at the fair value of those assets at the date of the gift.

##### **Investment income**

Interest on bank balances is accounted for on an accruals basis with interest recognised in the period to which the interest relates.

Income from fixed interest debt securities is recognised using the effective interest rate method.

Dividend income and similar distributions are recognised on the date the share interest becomes ex-dividend or when the right to the dividend can be established. Distributions from OUEM are accounted for when declared.

Income from investment properties is recognised in the period to which the rental income relates.

#### **5. Expenditure**

Expenditure is accounted for on an accruals basis. A liability and related expense is recognised when a legal or constructive obligation commits the Trust to expenditure that will probably require settlement, the amount of which can be reliably measured or estimated.

Grants awarded that are not performance-related are charged as an expense as soon as a legal or constructive obligation for their payment arises. Grants subject to performance-related conditions are expensed as the specified conditions of the grant are met.

The movement in the liability recognised in relation to future Scholar costs is accounted for as an expense in the period. The liability is estimated on the basis of two years of fees and stipend for the cohort of Scholars elected but not yet on course at the balance sheet date, and for the remaining

tenure of Scholars already on course. The movement in provision is taken to unrestricted funds, and only charged to the appropriate restricted income fund as actually expended.

All expenditure including support costs and governance costs are allocated or apportioned to the applicable expenditure categories in the SOFA.

Support costs, which include governance costs (costs of complying with constitutional and statutory requirements) and other indirect costs are apportioned to expenditure categories in the SOFA based on the estimated amount attributable to that activity in the year, either by reference to staff time or the use made of the underlying assets, as appropriate. Irrecoverable VAT is included with the item of expenditure to which it relates.

Intra-group transactions between the Trust and its subsidiaries are excluded from trading income and expenditure in the consolidated financial statements.

#### **6. Tangible fixed assets**

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Under FRS 102, the Trust elected to use the fair value of Rhodes House as a 'deemed cost' as at 30 June 2015. The buildings are subject to annual depreciation and no further revaluations are anticipated.

Expenditure on the enhancement of buildings amounting to more than £10,000 together with expenditure on equipment costing more than £2,500 is capitalised.

Other expenditure on equipment incurred in the normal day-to-day running of the Trust and its subsidiaries is charged to the SOFA as incurred.

#### **7. Depreciation**

Depreciation is provided to write off the cost of all relevant tangible fixed assets, less their estimated residual value, in equal annual instalments over their expected useful economic lives as follows:

Freehold properties, including major extensions	2% p.a.
Building improvements	2%
Plant and Machinery	5%
Motor Vehicles	25%
Fixtures and Fittings and Computer Systems	25%

Freehold land is not depreciated. The cost of maintenance is charged in the SOFA in the period in which it is incurred.

At the end of each reporting period, the residual values and useful lives of assets are reviewed and adjusted if necessary. In addition, if events or change in circumstances indicate that the carrying value may not be recoverable then the carrying values of tangible fixed assets are reviewed for impairment.

#### **8. Intangible Fixed Assets**

Expenditure on brand renewal, on the website and on other major software development is capitalised where the impact is expected to be significant over a period of time, and amortised at 25% p.a.

#### **9. Investments**

Investment properties are initially recognised at their cost and subsequently measured at their fair value (market value) at each reporting date. Purchases and sales of investment properties are recognised on exchange of contracts.

Listed investments are initially measured at cost and subsequently measured at fair value at each reporting date. Fair value is based on the quoted price at the balance sheet date without deduction of estimated future selling costs.

Investments such as hedge funds and private equity funds which have no readily identifiable market value are initially measured at cost and subsequently measured at fair value at each reporting date without deduction of estimated future selling costs. Fair value is based on the most recent valuations available from the respective fund managers.

Changes in fair value and gains and losses arising on the disposal of investments are credited or charged to the Gains on Investments section of the SOFA and are allocated to the fund holding or disposing of the relevant investment in aggregate.

Investment distributions and new endowment cash received is treated as Cash Allocated for Investment, and is included within the portfolio in Other Investments.

#### **10. Investments held on behalf of other members of the Group**

Investments that are held on behalf of other members of the Group are accounted for as investments of the relevant subsidiary entity.

#### **11. Other financial instruments**

##### **Cash and cash equivalents**

Cash and cash equivalents include cash at bank and in hand and short term deposits with a maturity date of three months or less.

##### **Debtors and creditors**

Debtors and creditors receivable or payable within one year of the reporting date are carried at their transaction price. Debtors and creditors that are receivable or payable in more than one year and not subject to a market rate of interest are measured at the present value of the expected future receipts or payment discounted at a market rate of interest.

#### **12. Foreign currencies**

The functional and presentation currency of the Trust, including its trading subsidiary Rhodes House Limited and the Rhodes Trust Horizon Fund is the pound sterling. The Australian, New Zealand and Canadian subsidiaries report in their local currency.

Transactions denominated in foreign currencies during the year are translated into pound sterling using the spot exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into pound sterling at the rates applying at the reporting date.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates at the reporting date are recognised in the income and expenditure section of the SOFA, under Other income if a gain, and within Support Costs if an overall loss in the year.

#### **13. Total Return accounting**

The Trust's statutes authorise the Trust to adopt a 'total return' basis when accounting for the Scholarship Fund, which is a permanent endowment. The Trust can use its discretion to apply any part of the accumulated total return on the investment as income for spending each year. Until this power is exercised, the total return is accumulated as a component of the endowment known as the unapplied total return that can either be retained for investment or released to income at the discretion of the Board of Trustees.

The Trust's expendable endowment funds are similarly invested and accounted for on a total return basis, with the investment return being credited to the endowment fund, and a transfer to income being released to the related income fund. Investment management charges are charged to the endowment or invested income fund, but all other costs are charged to the related income fund.

#### **14. Fund accounting**

The total funds of the Trust and its subsidiaries are allocated to unrestricted, restricted or endowment funds based on the terms set by the donors or set by the terms of an appeal. Endowment funds are further sub-divided into permanent and expendable endowment funds.

Unrestricted funds can be used in furtherance of the objects of the Trust at the discretion of the Board of Trustees, but within the charitable purposes of the Public Purposes Fund and Horizon Fund respectively. The Board of Trustees may decide that part of the unrestricted funds shall be used in future for a specific purpose and this will be accounted for by transfers to appropriate designated funds.

Restricted funds comprise gifts, legacies and grants where the donors have specified that the funds are to be used for particular purposes of the Trust. They consist of either gifts where the donor has specified that both the capital and any income arising must be used for the purposes given or the income on gifts where the donor has required or permitted the capital to be maintained and with the intention that the income will be used for specific purposes within the Trust's objects.

Permanent endowment funds arise where donors specify that the funds are to be retained as capital for the permanent benefit of the Trust. Any part of the total return arising from the capital that is allocated to income will be accounted for as unrestricted funds unless the donor has placed restrictions on the use of that income, in which case the total return arising will be accounted for as a restricted fund.

Expendable endowment funds are similar to permanent endowment in that they have been given, or the Trust has determined based on the circumstances in which they have been given, for the long term benefit of the Trust. However, the Trustees may at their discretion determine to spend all or part of the capital.

#### **15. Cost allocation**

With the exception of investment management charges which are charged directly to the endowment fund or invested income fund, in proportion to the investment holding at the start of the period, all expenditure is allocated directly to the relevant income fund. Thus direct scholar costs, which include fees, stipends and other direct expenses of a scholarship, are charged directly to the restricted funds. Other operational costs are apportioned over the operational activities and then to the relevant funds.

#### **16. Pension costs**

The costs of retirement benefits provided to employees of the Trust through two multi-employer defined benefit pension schemes are accounted for as if these were defined contribution schemes as information is not available to use defined benefit accounting in accordance with the requirements of FRS 102. The Trust's contributions to these schemes are recognised as a liability and an expense in the period in which the salaries to which the contributions relate are payable.

In addition, a liability is recognised at the balance sheet date for the discounted value of the expected future contribution payments under the agreements with these multi-employer schemes to fund the past service deficits.

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

17. The Trust has taken advantage of the exemption under FRS102 not to disclose its own statement of cashflows. The group prepares a consolidated Cashflow Statement and the consolidated accounts, in which the Trust's results are included, are available to the public.

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1 DONATIONS AND LEGACIES	2017 £	2016 Restated £
Unrestricted funds	1,886,165	2,716,225
Restricted funds	919,904	33,112,846
Endowed funds	20,573,483	41,007,494
	<u>23,379,552</u>	<u>76,836,565</u>

2 INCOME FROM CHARITABLE ACTIVITIES	2017 £	2016 £
Oxford University grant	400,000	400,000
College contributions to co-funded scholarship costs	206,733	-
	<u>606,733</u>	<u>400,000</u>

The Trust has entered into co-funding agreements with the University and with several colleges, whereby fees and stipend costs are shared.

3 INCOME FROM OTHER TRADING ACTIVITIES	2017 £	2016 £
Subsidiary company trading income: Rhodes House Ltd	506,557	557,388
Other trading income	3,532	-
	<u>510,089</u>	<u>557,388</u>

4 INVESTMENT INCOME	2017 £	2016 £
<i>Unrestricted funds</i>		
Investment property income	577	990
Equity dividends	181,507	3,987,805
Bank interest	26,331	13,776
	<u>208,415</u>	<u>4,002,571</u>
<i>Restricted funds</i>		
Equity dividends	1,186,051	1,961,354
Bank interest	7,519	-
	<u>1,193,570</u>	<u>1,961,354</u>
<i>Endowed funds</i>		
Equity dividends	6,928,266	2,173,474
	<u>6,928,266</u>	<u>2,173,474</u>
<b>Total investment income</b>	<u>8,330,251</u>	<u>8,137,399</u>

The distribution from OUEM, a unitised fund, is classified as an equity distribution in this note.

In the prior year, the income generated by endowment investments was credited to the related income fund. With effect from year ending 2017, income and returns are credited to the endowment fund, and a transfer, in accordance with the agreed spending rate policy, is transferred to the related income fund, to which all expenditure is charged. See also Note 15.

5 ANALYSIS OF EXPENDITURE ON CHARITABLE ACTIVITIES

2017	Direct Staff Costs	Direct Non-staff Costs	Support Costs	2017 £
<b>Scholarship programme</b>				
Grants to Individuals	-	13,736,928	-	13,736,928
Indirect Scholar support	1,124,933	1,181,036	970,404	3,276,373
<b>Other programmes</b>				
Including the Atlantic Institute and the Schwarzman Leadership Programme	79,788	526,212	32,349	638,349
<b>Total expenditure on charitable activities</b>	<u>1,204,720</u>	<u>15,444,176</u>	<u>1,002,753</u>	<u>17,651,650</u>
2016	Direct Staff Costs	Direct Non-staff Costs	Support Costs	2016 £
<b>Education Support</b>				
Grants to individuals - Scholarship programme	-	7,274,225	-	7,274,225
Grants to Institutions	-	33,925	-	33,925
Indirect Scholar support	1,151,496	1,015,609	698,374	2,865,479
<b>Total expenditure on charitable activities</b>	<u>1,151,496</u>	<u>8,323,759</u>	<u>698,374</u>	<u>10,173,629</u>

6 GRANT COMMITMENTS

**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 following 10 years. The total remaining obligation at 30 June 2017 is £250,000 (2016 £859,126) which is all payable within one year, and is included in Creditors in Note 17.

**Future Scholar costs**

The Trust recognises the commitment made to fund Scholars that have been elected in the year, but who have not yet taken up their scholarship. Grants to individuals made under the Scholarship programme includes the charge relating to the increase in the provision to reflect an estimated two years of fees and stipends for the incoming cohort, and one year of fees and stipends for second and third years. This provision is disclosed in Note 19.

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7 ANALYSIS OF EXPENDITURE ON RAISING FUNDS

	Direct Staff Costs	Direct Non-staff Costs	Support Costs	2017 £
<b>2017</b>				
<b>Expenditure on raising funds</b>				
Fundraising	791,462	490,462	314,173	1,596,097
Trading expenditure	-	383,414	6,435	389,849
Investment management costs	-	-	919,385	919,385
<b>Total expenditure on raising funds</b>	<b>791,462</b>	<b>873,876</b>	<b>1,239,993</b>	<b>2,905,331</b>
<b>2016</b>				
<b>Expenditure on raising funds</b>				
Fundraising	806,031	597,408	-	1,403,439
Trading expenditure	-	244,596	-	244,596
Investment management costs	-	-	735,939	735,939
<b>Total expenditure on raising funds</b>	<b>806,031</b>	<b>842,004</b>	<b>735,939</b>	<b>2,383,974</b>

8 ANALYSIS OF SUPPORT COSTS

	Charitable Activities £	Raising Funds £	2017 Total £	2016 Total £
Administration	360,425	165,041	525,465	616,592
Human resources	42,708	14,236	56,944	54,007
IT and communications	71,929	23,976	95,905	88,992
Investment management	-	919,385	919,385	735,939
Legal & professional	118,113	117,355	235,467	185,034
Governance costs	45,257	-	45,257	45,059
Depreciation	284,003	-	284,003	296,600
Pension deficit liability movement	80,319	-	80,319	(89,295)
	<b>1,002,753</b>	<b>1,239,993</b>	<b>2,242,746</b>	<b>1,932,928</b>

The analysis of support costs between Charitable Activities and Raising Funds is not available for the year ended 2016 due to a change in accounting systems.

Administration Human resources and IT costs are attributed according to the proportion of workload.  
Depreciation costs are attributed according to the use made of the underlying assets.  
Interest and other finance charges are attributed according to the purpose of the related financing.

	2017 £	2016 £
<b>Governance costs comprise:</b>		
Auditors' remuneration - audit services	31,711	38,755
Auditors' remuneration - tax advisory services	2,421	5,554
Other governance costs	13,546	750
	<b>47,678</b>	<b>45,059</b>

Auditors' remuneration is shown net of an over-accrual in the prior year.

9 STAFF COSTS

	2017 £	2016 £
The aggregate staff costs for the year were as follows.		
Salaries and wages	1,999,519	1,708,831
Social security costs	186,102	176,281
Pension costs:		
Defined benefit schemes	215,866	147,876
Defined contribution schemes	13,063	13,834
Other benefits	42,637	-
Pension deficit liability movement	80,319	(89,295)
	<b>2,536,506</b>	<b>1,957,527</b>

The average number of employees on a gross headcount basis was as follows

	2017	2016
Full time	30	25
Part time	4	14
Total	<b>34</b>	<b>39</b>

The number of part time employees disclosed in year ended 2016 included casuals. In year ended 2017 only staff on permanent and fixed term contracts are reported.

The Trustees do not receive any remuneration from the Trust in respect of their services. Trustee expenses of £1,471 (2016 £904) were reimbursed in the year in respect of expenses incurred in attending trustee meetings.

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Redundancy payments are accounted for in the period in which the employee was informed of the decision. Where redundancy costs are uncertain, the figure in the accounts represents a best estimate. These costs are met from unrestricted funds. One such payment of £16,026 was made in the year, as payment in lieu of notice.

The Trust benefits from the services of volunteers as described on page 11 of the Trustees' Annual Report, particularly in the process of Scholar selection in the national constituencies.

The number of employees during the year whose gross pay and benefits (excluding employer NI and pension contributions) fell within the following bands was:

	2017	2016
£80,000-£70,000	3	3
£70,000-£80,000	-	1
£90,000-£100,000	1	-
£110,000-£120,000	1	1
£120,000-£130,000	1	1
£130,000-£140,000	1	-
£150,000-£160,000	-	1
£160,000-£170,000	-	1
£230,000-£240,000	1	-
£270,000-£280,000	1	-

Aggregate employee benefits of key management personnel, including pension contributions, amounted to £1,080,781 in the year (2016 £885,121).

**10 INTANGIBLE FIXED ASSETS**

Group and Charity	2017
	£
<b>Cost</b>	
At start of year	-
Additions	204,120
<b>At end of year</b>	<u>204,120</u>
<b>Amortisation</b>	
At start of year	-
Amortisation charge for the year	51,031
<b>At end of year</b>	<u>51,031</u>
<b>Net book value 2017</b>	<u>153,089</u>
Net book value 2016	-

The Trust has incurred expenditure on brand renewal in the year, and on the Trust website.

**11 TANGIBLE FIXED ASSETS**

Group and Charity	Freehold land and buildings	Plant and machinery	Motor Vehicles	Fixtures, fittings and equipment	Total
	£	£	£	£	£
<b>Cost</b>					
At start of year	14,495,000	-	18,649	875,660	15,389,309
Additions	222,743	62,629	-	9,005	294,377
<b>At end of year</b>	<u>14,717,743</u>	<u>62,629</u>	<u>18,649</u>	<u>884,665</u>	<u>15,683,686</u>
<b>Depreciation and impairment</b>					
At start of year	288,450	-	18,649	569,043	876,142
Depreciation charge for the year	144,450	3,131	-	136,422	284,003
<b>At end of year</b>	<u>432,900</u>	<u>3,131</u>	<u>18,649</u>	<u>705,465</u>	<u>1,160,145</u>
<b>Net book value 2017</b>	<u>14,284,843</u>	<u>59,498</u>	<u>-</u>	<u>179,200</u>	<u>14,523,541</u>
Net book value 2016	14,206,550	-	-	306,617	14,513,167

**12 PROPERTY INVESTMENTS**

Group and Charity	2017	2016
	Total	Total
	£	£
<b>Residential property</b>		
Valuation at start of year	200,000	200,000
Disposals	(200,000)	-
<b>Valuation at end of year</b>	<u>-</u>	<u>200,000</u>

The Trust sold the property at 3 Dene Road, Oxford in the year.

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**13 OTHER INVESTMENTS**

All investments are held at fair value.

	2017 £	2016 Restated £
<b>Group investments</b>		
Valuation at start of year	236,113,800	184,337,089
New money invested	11,198,927	54,536,531
Amounts withdrawn	-	(4,740,170)
Reinvested income	8,295,824	-
Investment management fees	(919,493)	(735,939)
Increase in value of investments	27,334,715	2,716,289
<b>Group investments at end of year</b>	<b>282,023,773</b>	<b>236,113,800</b>
Investment held on behalf of subsidiaries	(47,065,248)	(38,553,347)
Investments in subsidiaries	108	108
<b>Charity investments at end of year</b>	<b>234,958,633</b>	<b>197,560,561</b>

Group investments comprise:	Held outside	Held in	2017 Total £	Held outside	Held in	2016 Total £
	the UK £	the UK £		the UK £	the UK £	
Private equity investments	10,721,701	-	10,721,701	13,459,575	-	13,459,575
Global multi-asset funds	-	252,875,591	252,875,591	-	214,251,653	214,251,653
Property funds	12,012	-	12,012	170,727	-	170,727
Alternative and other investments	1,409,292	-	1,409,292	1,188,442	-	1,188,442
Fixed term deposits and cash	-	17,005,177	17,005,177	-	7,043,403	7,043,403
<b>Total group investments</b>	<b>12,143,005</b>	<b>269,880,768</b>	<b>282,023,773</b>	<b>14,818,744</b>	<b>221,295,056</b>	<b>236,113,800</b>

Trust and Group investments includes cash of £4,421,998 allocated for investment but held in pooled funds awaiting investment (2016 £nil).

The Oxford University Endowment Fund is a global multi-asset fund.

In the financial statements for year ended 2016, the investments held on behalf of the Australian subsidiary and the Horizon Fund were included in charity investments and shown as an intercompany creditor in the charity only balance sheet. In these financial statements, the investments held on behalf of other members of the group are not included in charity investments, and the prior year intercompany creditor has been re-stated accordingly. There is no change to net assets.

**14 PARENT AND SUBSIDIARY UNDERTAKINGS**

The results and their assets and liabilities of the parent and subsidiaries at the year end were as follows.

	The Rhodes Trust	Rhodes House Ltd	Rhodes Trust Horizon Fund	Rhodes Scholarships in Australia PTY Ltd	Rhodes Scholarships in New Zealand Ltd	Rhodes Scholarships in Canada Ltd
	£	£	£	£	£	£
Income	19,096,671	533,720	7,149,441	1,082,986	10,894	297,326
Expenditure	(16,986,362)	(445,848)	(2,539,412)	(626,339)	(512)	(147,641)
Donation to Trust under gift aid	87,872	(87,872)	-	-	-	-
Net gains on investments	22,874,719	-	3,259,079	1,200,917	-	-
Result for the year	<b>25,072,900</b>	<b>-</b>	<b>7,869,108</b>	<b>1,657,565</b>	<b>10,381</b>	<b>149,685</b>
Total assets	284,264,293	607,826	47,121,330	12,146,185	37,446	149,685
Total liabilities	(14,940,560)	(607,726)	(1,166,720)	-	-	-
Net funds at the end of year	<b>269,323,733</b>	<b>100</b>	<b>45,954,610</b>	<b>12,146,185</b>	<b>37,446</b>	<b>149,685</b>

**Rhodes House Ltd**

The Rhodes Trust holds the whole of the issued share capital of Rhodes House Ltd, a company incorporated in the UK. The company hires out Rhodes House for functions. Included in the above costs are £20k of rental charges and £36k of management fees charged from the Rhodes Trust which are eliminated upon consolidation. The profits of the subsidiary are passed to the parent charity under gift aid.

**Rhodes Trust Horizon Fund**

The incorporated board of trustees, The Rhodes Trust, is the sole trustee of the Rhodes Trust Horizon Fund. The funds of the Horizon Fund are invested in the main Rhodes Trust investment portfolio, and income and returns are paid out to the Horizon Fund accordingly. Costs in relation to the Scholars funded from Horizon funds are incurred in the PPF in the first instance and re-charged to Horizon.

**Rhodes Scholarships in Australia PTY Ltd ATF Rhodes Trust in Australia**

The Rhodes Trust is the sole shareholder of an Australian charitable company, which promotes and provides Rhodes Scholarships to Australian scholars and donors. The Australian funds are invested in the main Rhodes Trust investment portfolio and income and returns are credited to the Australian funds intercompany account at the end of the year.

**Rhodes Scholarships in New Zealand Ltd**

The Rhodes Trust is the sole shareholder of a New Zealand charitable company that promotes and provides Rhodes Scholarships to New Zealand scholars and donors. The company has an accounting reference date of 31 March.

**Rhodes Scholarships in Canada Ltd**

The Rhodes Trust is the sole shareholder of a Canadian charitable company, which promotes and provides Rhodes Scholarships to Canadian scholars and donors.

The transactions between The Rhodes Trust Public Purposes Fund, the Rhodes Trust Horizon Fund and the Trust's subsidiaries in Australia, New Zealand and Canada are many and varied, given the interconnected operations. Staff are employed by the Rhodes Trust, and recharges are made to the subsidiaries as appropriate. Direct and indirect Scholars costs are incurred within the Trust, and re-charged to the subsidiaries, depending on the geographic constituency of origin, and the allocation of a particular student to a fund. Overheads are re-charged as appropriate.

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**15 STATEMENT OF INVESTMENT TOTAL RETURN**

With approval from the Charity Commission, the Trustees have adopted a policy of total return accounting for the investment return on the Scholarship Fund, with effect from 30 June 2007. The investment return to be applied as income is set at 4% of the brought forward fund value. The amount applied as income for spending is included within the income section of the SOFA on the basis that this gives a clearer understanding of the financial position of the group. The preserved (frozen) value of the invested endowment capital represents its open market value at 1 July 1989 together with all subsequent endowments valued at the date of the gift.

	Trust for Investment Scholarship Fund £	Permanent Endowment Unapplied Total Return £	Total £	Expendable Endowment £	Total Endowments £
<b>At the beginning of the year:</b>					
Gift component of the permanent endowment	30,428,419	-	30,428,419	-	30,428,419
Unapplied total return	-	10,124,619	10,124,619	-	10,124,619
Expendable endowment	-	-	-	205,518,323	205,518,323
<b>Total Endowments</b>	<b>30,428,419</b>	<b>10,124,619</b>	<b>40,553,038</b>	<b>205,518,323</b>	<b>246,071,360</b>
<b>Movements in the reporting period:</b>					
Gift of endowment funds	-	-	-	20,573,483	20,573,483
Investment return: total investment income	-	1,416,379	1,416,379	5,511,887	6,928,266
Investment return: realised and unrealised gains and losses	-	4,671,929	4,671,929	18,172,794	22,844,723
Less: investment management costs	-	(157,906)	(157,906)	(611,608)	(769,514)
<b>Total</b>	<b>-</b>	<b>5,930,401</b>	<b>5,930,401</b>	<b>43,646,556</b>	<b>49,576,957</b>
Unapplied total return allocated to income in the reporting period	-	(1,622,121)	(1,622,121)	-	(1,622,121)
Expendable endowments transferred to income	-	-	-	(8,054,722)	(8,054,722)
	-	(1,622,121)	(1,622,121)	(8,054,722)	(9,676,844)
<b>Net movements in reporting period</b>	<b>-</b>	<b>4,308,280</b>	<b>4,308,280</b>	<b>35,591,834</b>	<b>39,900,113</b>
<b>At end of the reporting period:</b>					
Gift component of the permanent endowment	30,428,419	-	30,428,419	-	30,428,419
Unapplied total return	-	14,432,899	14,432,899	-	14,432,899
Expendable endowment	-	-	-	241,110,157	241,110,157
<b>Total Endowments</b>	<b>30,428,419</b>	<b>14,432,899</b>	<b>44,861,318</b>	<b>241,110,157</b>	<b>285,971,473</b>

With effect from year ended 2017, the Trust has adopted a policy of allocation from expendable endowment to income in order to protect the capital value of those endowments and ensure inter-generational equity, in a similar way to the application of total return to income for the Scholarship Fund. £8,054,722 was transferred to income under this policy in year ended 2017. This equates to 4.6% of brought forward fund value, calculated on a quarterly basis.

**16 DEBTORS**

	2017 Group £	2016 Group Restated £	2017 Charity £	2016 Charity Restated £
<b>Amounts falling due within one year:</b>				
Trade debtors	282,938	-	203,196	-
Prepaid fees, stipends and amounts owed by Scholars	355,859	232,024	355,859	232,024
Amounts held by National Secretaries	108,746	-	108,353	-
Amounts owing by group undertakings: Horizon Fund	-	-	-	-
Amounts owing by group undertakings: Rhodes House Ltd	-	-	489,286	537,131
Prepayments and accrued income	15,988,565	14,821,422	12,378,610	10,662,709
Other debtors	10,297	386,536	10,297	249,328
<b>Amounts falling due in more than one year:</b>				
Accrued income	22,934,103	17,782,025	16,529,719	10,444,766
	<b>39,680,508</b>	<b>33,202,007</b>	<b>30,075,320</b>	<b>22,125,958</b>

Accrued income for the group falling due in more than year represents pledged donations, at present value, of which £1,062,337 falls due in more than five years. (2016 £81,000).

A pension asset of £494,624 (2016 £425,325) has been re-classified from Debtors to Current Asset Investments in these financial statements.

**17 CREDITORS: falling due within one year**

	2017 Group £	2016 Group £	2017 Charity £	2016 Charity £
Trade creditors	141,266	-	122,062	-
Amounts owed to group undertakings	-	-	2,288,724	192,290
Taxation and social security	99,733	57,677	84,963	41,953
Mandela Rhodes Foundation	250,000	618,614	250,000	618,614
Accruals and deferred income	414,946	1,041,634	252,549	908,115
Other creditors	56,584	-	50,044	-
	<b>962,529</b>	<b>1,717,925</b>	<b>3,048,342</b>	<b>1,760,972</b>

In the financial statements for year ended 2016, the investments held on behalf of the Australian subsidiary and the Horizon Fund were included in charity investments, and shown as an intercompany creditor in the charity only balance sheet. In these financial statements, the investments held on behalf of other members of the group are not included in charity investments, and the prior year intercompany creditor has been re-stated accordingly. There is no change to net assets.

**18 CREDITORS: falling due after more than one year**

	2017 Group £	2016 Group £	2017 Charity £	2016 Charity £
Other creditors	494,625	665,837	494,625	665,837
	<b>494,625</b>	<b>665,837</b>	<b>494,625</b>	<b>665,837</b>

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19 PROVISIONS FOR LIABILITIES AND CHARGES

	2017 Group £	2016 Group £	2017 Charity £	2016 Charity £
<b>Provision for future Scholar costs</b>				
At start of year	5,949,814	5,949,814	5,738,398	5,738,398
Charged in the Statement of Financial Activities	6,128,510	-	5,262,878	-
At end of year	12,078,324	5,949,814	11,001,276	5,738,398
<b>Provision for pension deficit liability</b>				
At start of year	315,998	405,293	315,998	405,293
Charged in the Statement of Financial Activities	105,317	-	105,317	-
Settled in the year	(24,998)	(89,295)	(24,998)	(89,295)
At end of year	396,317	315,998	396,317	315,998
<b>Total provisions</b>	<b>12,474,641</b>	<b>6,265,812</b>	<b>11,397,593</b>	<b>6,054,396</b>

A provision is carried for the commitment made to Scholars elected in the year, but not taking up their scholarship until the following Autumn. An estimate of two years of average fees and stipends is provided for, and for the remaining tenure of Scholars currently on course.

A provision is carried, at present value, for the estimated future deficit funding element of the contributions payable under the agreements for additional contributions to fund past service deficits for both USS and OSPS. See Note 24.

In the prior year these provisions were disclosed as creditors.

20 ANALYSIS OF MOVEMENTS ON FUNDS

	At 1 July 2016 Restated £	New Money £	Investment & Operating Income £	Resources expended £	Transfers £	Gains/ (losses) £	At 30 June 2017 £
<b>Endowment Funds - Permanent</b>							
Scholarship Endowment Fund	40,553,036	-	1,416,379	(157,906)	(1,622,121)	4,671,929	44,861,316
<b>Total Permanent Endowment</b>	<b>40,553,036</b>	<b>-</b>	<b>1,416,379</b>	<b>(157,906)</b>	<b>(1,622,121)</b>	<b>4,671,929</b>	<b>44,861,316</b>
<b>Endowment Funds - Expendable</b>							
<b>Public Purposes Fund</b>							
Public Purposes Capital Fund	103,492,058	5,569,927	2,835,229	(316,088)	(3,533,767)	9,352,011	117,399,370
Second Century Founder Capital Fund	39,189,956	6,083,673	882,721	(98,411)	(1,248,609)	2,915,204	47,724,534
New Zealand Partnership Capital Fund	8,403,641	-	293,510	(32,722)	(413,784)	968,145	9,218,790
Various Partnership Funds	17,119,821	3,778,541	597,124	(83,883)	(1,585,483)	1,945,433	21,811,573
<b>Subtotal</b>	<b>168,205,475</b>	<b>15,432,141</b>	<b>4,608,585</b>	<b>(511,104)</b>	<b>(6,761,622)</b>	<b>15,180,793</b>	<b>196,154,268</b>
<b>Total Endowment Funds - Charity</b>	<b>208,758,512</b>	<b>15,432,141</b>	<b>6,024,964</b>	<b>(669,011)</b>	<b>(8,383,743)</b>	<b>19,852,722</b>	<b>241,015,584</b>
<b>Horizon Fund</b>							
Rhodes Scholarships for UAE	9,918,912	-	346,434	(38,622)	(488,393)	1,142,712	10,881,042
Various Partnership Funds	16,951,694	4,270,600	191,248	(21,321)	(290,253)	648,372	21,750,340
<b>Subtotal</b>	<b>26,870,606</b>	<b>4,270,600</b>	<b>537,682</b>	<b>(59,944)</b>	<b>(778,647)</b>	<b>1,791,085</b>	<b>32,631,382</b>
<b>Rhodes Scholarships in Australia PTY Ltd</b>							
Australia Capital Fund	8,812,414	339,808	309,598	(34,314)	(435,475)	1,016,127	10,008,158
Queensland Capital Fund	1,604,000	369,646	56,022	(6,246)	(78,979)	184,789	2,129,233
	10,416,414	709,454	365,621	(40,560)	(514,454)	1,200,916	12,137,392
<b>Rhodes Scholarships in New Zealand Ltd</b>							
Rhodes Scholarships in New Zealand Ltd	25,828	11,603	-	-	-	-	37,431
Canadian Endowment Capital Fund	-	149,685	-	-	-	-	149,685
<b>Total Expendable Endowment</b>	<b>205,518,323</b>	<b>20,573,483</b>	<b>5,511,887</b>	<b>(611,608)</b>	<b>(8,054,722)</b>	<b>18,172,794</b>	<b>241,110,157</b>
<b>Total Endowment Funds - Group</b>	<b>246,071,360</b>	<b>20,573,483</b>	<b>6,928,266</b>	<b>(769,514)</b>	<b>(9,676,844)</b>	<b>22,844,723</b>	<b>285,971,473</b>
<b>Restricted Funds</b>							
<b>Scholarship Fund</b>							
Scholarship Endowment Income Fund	-	-	-	(1,622,121)	1,622,121	-	-
<b>Public Purposes Fund</b>							
Atlantic (Rhodes Schol Prog) Fund	21,216,000	-	741,002	(1,496,611)	-	2,444,198	22,904,589
Various Partnership Income Funds	1,003,172	439,746	174,814	(3,594,223)	2,696,130	-	719,639
<b>Subtotal</b>	<b>22,219,172</b>	<b>439,746</b>	<b>915,816</b>	<b>(5,090,834)</b>	<b>2,696,130</b>	<b>2,444,198</b>	<b>23,624,228</b>
<b>Total Restricted Funds - Charity</b>	<b>22,219,172</b>	<b>439,746</b>	<b>915,816</b>	<b>(6,712,955)</b>	<b>4,318,251</b>	<b>2,444,198</b>	<b>23,624,228</b>
<b>Horizon Fund</b>							
Atlantic Horizon (Institute) Fund	11,221,482	-	398,519	(546,909)	-	1,314,517	12,387,609
Various Partnership Income Funds	1,524,388	337,726	73,923	(969,957)	778,647	153,477	1,898,204
<b>Subtotal</b>	<b>12,745,870</b>	<b>337,726</b>	<b>472,443</b>	<b>(1,516,866)</b>	<b>778,647</b>	<b>1,467,994</b>	<b>14,285,813</b>
<b>Rhodes Scholarships in Australia PTY Ltd</b>							
Australia Income Fund	72,207	-	7,911	(506,800)	435,475	-	8,793
Queensland Income Fund	-	-	-	(78,979)	78,979	-	-
	72,207	-	7,911	(585,779)	514,454	-	8,793
<b>Rhodes Scholarships in New Zealand Ltd</b>							
Rhodes Scholarships in New Zealand Ltd	-	-	(709)	(512)	-	-	(1,221)
Canadian Income Fund (Annual Fund)	-	142,431	5,210	(147,641)	-	-	-
<b>Total Restricted Funds - Group</b>	<b>35,037,249</b>	<b>919,904</b>	<b>1,400,674</b>	<b>(8,963,764)</b>	<b>5,611,352</b>	<b>3,912,192</b>	<b>37,917,614</b>

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	At 1 July 2016 Restated £	New Money £	Investment & Income £	Resources expended £	Transfers £	Gains/ (losses) £	At 30 June 2017 £
<b>Unrestricted Funds</b>							
<b>Public Purposes Fund</b>							
PPF Income Fund	6,116,377	1,186,624	1,221,899	(9,861,113)	5,495,784	524,128	4,683,700
Other Unrestricted Income Funds	655,311	699,541	21,990	-	(1,430,292)	53,670	220
Subtotal	6,771,688	1,886,165	1,243,889	(9,861,113)	4,065,492	577,798	4,683,920
General funds	-	-	-	-	-	-	-
<b>Total Unrestricted Funds - Charity</b>	<b>6,771,688</b>	<b>1,886,165</b>	<b>1,243,889</b>	<b>(9,861,113)</b>	<b>4,065,492</b>	<b>577,798</b>	<b>4,683,920</b>
<b>Horizon Fund Unrestricted Funds</b>	-	-	16	(962,601)	-	-	(962,585)
<b>Total Unrestricted Funds - Group</b>	<b>6,771,688</b>	<b>1,886,165</b>	<b>1,243,906</b>	<b>(10,823,714)</b>	<b>4,065,492</b>	<b>577,798</b>	<b>3,721,335</b>
<b>Total Funds</b>	<b>287,880,297</b>	<b>23,379,552</b>	<b>9,572,842</b>	<b>(20,556,982)</b>	<b>-</b>	<b>27,334,712</b>	<b>327,610,422</b>

Transfers between funds comprise the allocation of income from endowment to the mirror income fund, as per accounting policy 13 on Total Return accounting, totalling £9,676,844 as per Note 15, and transfers totalling £219,869 from unrestricted funds to restricted funds to support a shortfall in funds available to cover the direct Scholar costs of a specific funded constituency.

## 21 FUNDS DETAILS

The following is a summary of the purposes of specific material funds

<b>Endowment Funds - Permanent:</b>	This fund has a corresponding income fund, which is accounted for within Restricted Funds.
Scholarship Endowment Fund	This fund was established in the Will of Cecil Rhodes to provide a scholarship programme at the University of Oxford, for the constituencies of the Commonwealth, Germany, Hong Kong, and the United States.
<b>Endowment Funds - Expendable</b>	Each of these funds has a capital and a corresponding income fund, which is accounted for within Restricted Funds.
<b>Public Purposes Fund</b>	
Public Purposes Fund	This fund has broader educational objectives than the Scholarship Fund, but with the same geographic restriction. In addition to supporting any scholarship costs not met by other funds, it bears the costs of Rhodes House, which it owns, and holds shares in the trading subsidiary, Rhodes House Ltd.
Second Century Founder Fund	This major endowment supports a large proportion of the Canadian, and other scholarships.
New Zealand Partnership Fund	This fund supports the costs of three New Zealand Rhodes Scholars per annum.
Various Partnership Funds	Various partnership agreements establish funds to support scholarships at specific colleges or geographic constituencies or grant funding for leadership programmes.
<b>Horizon Fund</b>	
Rhodes Scholarships for the UAE	A major endowment supporting scholarships for scholars from the United Arab Emirates.
Various Partnership Funds	Various partnership agreements establish funds to support scholarships at specific colleges or geographic constituencies.
<b>Restricted Funds</b>	
Atlantic (Rhodes Schol Prog) Fund	The first tranche of the grant funding by Atlantic Philanthropies in support of the general scholarship programme.
Atlantic Horizon (Institute) Fund	The first tranche of the grant funding by Atlantic Philanthropies of the Atlantic Institute, included in the Horizon Fund.

## 22 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	2017 Total £
<b>2017</b>				
Intangible fixed assets	153,089	-	-	153,089
Tangible fixed assets	-	-	14,523,541	14,523,541
Other investments	6,660,014	38,929,609	236,434,149	282,023,773
Net current assets	9,877,497	(1,011,998)	35,013,783	43,679,285
Long term liabilities and provisions	(12,969,266)	-	-	(12,969,266)
	<u>3,721,335</u>	<u>37,917,614</u>	<u>285,971,473</u>	<u>327,610,422</u>
	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	2016 Total Restated £
<b>2016</b>				
Intangible fixed assets	-	-	-	-
Tangible fixed assets	-	-	14,513,167	14,513,167
Property investments	-	-	200,000	200,000
Other investments	4,530,939	33,958,407	197,624,454	236,113,800
Net current assets	9,172,398	1,078,842	33,733,739	43,984,979
Long term liabilities and provisions	(6,931,649)	-	-	(6,931,649)
	<u>6,771,688</u>	<u>35,037,249</u>	<u>246,071,360</u>	<u>287,880,297</u>

## 23 RELATED PARTY TRANSACTIONS

Including accrued pledges, donations totalling £15,333,700 from trustees were recognised in income during the year ended 30 June 2017 (Restated 2016 £14,876,751),

See Note 14 for the results of subsidiaries.

## 24 PENSION SCHEMES

The Trust participates in the Universities Superannuation Scheme ("the USS") and the University of Oxford Staff Pension Scheme ("the OSPS") on behalf of its staff. Both schemes are contributory defined benefit schemes (i.e. they provide benefits based on length of service and pensionable salary). 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, as required by FRS 102, the Trust accounts for the schemes as if they were defined contribution schemes.

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Both schemes are in deficit and have put in place agreements for additional contributions to fund their past service deficits. In accordance with the provisions of FRS 102 the Trust has recognised a liability for the future contributions that it estimates will be payable as a result of these deficit funding agreements.

**Universities Superannuation Scheme**

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 2016 will be calculated as at 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 3/75ths of salary each year of service in respect of salary up to a salary threshold, initially £55,000 p.a. with the threshold applying from 1 October 2016; 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% (8% employee, 12% employer) of salary in excess of the salary threshold; and optional additional contributions payable into the defined contribution section from 1 October 2016 of which the first 1% of salary is to be matched by employer contributions. Further details about the changes may be reviewed on USS' website, [www.uss.co.uk](http://www.uss.co.uk). For the period up to 1 April 2016 the employer deficit contribution was 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 with the salary threshold and defined contribution section implemented this gives rise to deficit contributions of at least 2.1% p.a. of salaries. At 31 March 2016 USS reported that the funding deficit was £10.0 bn (83% funded). The valuation as at 31 March 2017 is underway.

USS' actuary has assumed that the investment return is 5.2% in year 1, decreasing linearly to 4.7% over 20 years. 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% p.a. less an inflation risk premium) less RPI/CPI gap of 0.8% p.a. As noted above the USS employer contribution rate is 18% of salaries from 1 April 2016. Prior to that date it is 18% of salaries. The total employer contributions include provisions for the cost of future accrual of defined benefits (DB) (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 defined contribution benefits including employer matching contributions and certain investment management costs relating to the DC section.

A provision of £344k has been made at 31 July 2017 (2016 - £242k) for the present value of the estimated future deficit funding element of the contributions payable under this agreement. In determining the level of this provision it has been assumed that the Trust will continue to have a constant level of employee participation in this scheme and that the relevant earnings of these employees will increase in line with the actuary's projected long-term salary rate increases.

A copy of the full actuarial valuation report and other further details on the scheme are available on the USS website [www.uss.co.uk](http://www.uss.co.uk)

**Oxford Staff Pension Scheme**

The pension charge for the year includes £1,152 (2016 - £15k) in relation to the OSPS. This represents contributions of £21.6k payable to the OSPS as adjusted by the change in the deficit funding liability between the opening and closing balance sheet dates of £22,763.

OSPS' actuarial valuation as at 31 March 2016 identified a required long-term employer contribution rate of 17.3% of total pensionable salaries with a funding deficit of £133m. The valuation results reflect a number of changes to benefits that were agreed following an Employers' consultation in early 2017, including from 1 April 2017, a change in indexation based on the average of RPI and CPI, from 1 October 2017 a defined contribution section for new entrants and from 1 April 2018 breaking the final salary link for certain members and increased employee contributions. The actuary has certified that the additional contribution should eliminate the deficit by 30 June 2027. The next triennial valuation is due with an effective date of 31 March 2019.

A provision of £51.9k has been made at 31 July 2017 (2016 - £73.3k) for the present value of the estimated future deficit funding element of the contributions payable under this agreement. In determining the level of this provision it has been assumed that the Trust will continue to have a constant level of employee participation in this scheme and that the relevant earnings of these employees will increase in line with the actuary's projected long-term salary rate increases.

A copy of the full actuarial valuation report and other further details on the scheme are available on the University of Oxford website <http://www.admin.ox.ac.uk/finance/epp/pensions/schemes/osps/>.

**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 £13,063 (2016: £13,834).

**Pension charge for the year**

The pension charge recorded by the Trust during the accounting period was equal to the contributions payable after allowance for the deficit recovery plan as follows:

Scheme	2017	2016
	£	£
Universities Superannuation Scheme	194,255	132,928
University of Oxford Staff Pension Scheme	21,611	14,948
US Staff 401k Safe Harbour Plan	13,063	13,834
Movement on the Pension scheme deficit contribution liabilities	80,319	(89,295)
<b>Total</b>	<b>309,248</b>	<b>72,415</b>

Pension contributions of £28,990 were payable at the balance sheet date (2016: £3,226)

**25 TAXATION**

The Rhodes Trust is able to take advantage of the tax exemptions available to charities from taxation in respect of income and capital gains received to the extent that such income and gains are applied to exclusively charitable purposes. No liability to corporation tax arises in the Trust's subsidiary company because the directors of this company have indicated that they intend to make donations each year to the Trust equal to the taxable profits of the company under the Gift Aid scheme. The Trust is however subject to withholding tax by foreign authorities on income from certain of its foreign investments, which are received net of withholding tax. No provision for taxation has been included in the financial statements.

**26 FINANCIAL INSTRUMENTS**

	2017	2016
	£	£
<b>Group</b>		
Financial assets measured at amortised cost	39,546,687	33,193,095
Financial liabilities measured at amortised cost	893,449	1,641,737
Financial assets measured at fair value	282,618,397	236,539,125
	2017	2016
	£	£
<b>Charity</b>		
Financial assets measured at amortised cost	30,010,840	22,117,608
Financial liabilities measured at amortised cost	3,048,342	1,760,972
Financial assets measured at fair value	235,453,257	197,985,886

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Financial assets measured at amortised cost comprise trade debtors, amounts owed by group undertakings, accrued income and other debtors excluding prepayments.  
Financial assets measured at fair value comprise investment securities.  
Financial liabilities measured at amortised cost comprise bank loans, amounts owed to group undertakings, other creditors and accruals excluding deferred income.

27 PRIOR YEAR ADJUSTMENTS

	Note	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total £
<b>Effect of adjustments on fund balances at 1 July 2015:</b>					
Fund balances at 1 July 2015 as previously stated		5,714,420	1,552,423	188,437,964	195,704,807
Prior year adjustment:					
Income from pledged donations recognised	(a)	568,297	108,000	11,733,630	12,409,927
Fund balances at 1 July 2015 as restated		<u>6,282,717</u>	<u>1,660,423</u>	<u>200,171,594</u>	<u>208,114,734</u>
<b>Effect of adjustments on fund balances at 30 June 2016:</b>					
Fund balances at 30 June 2016 as previously stated		5,382,341	24,297,398	228,142,200	257,821,939
Prior year adjustments:					
Income from pledged donations recognised	(a)	734,036	81,000	29,243,322	30,058,358
Atlantic (Institute) Fund reclassified	(b)	-	11,221,482	(11,221,482)	-
Various partnership funds reclassified	(b)	655,311	(562,631)	(92,680)	-
Total adjustments		<u>1,389,347</u>	<u>10,739,851</u>	<u>17,929,160</u>	<u>30,058,358</u>
Fund balances at 30 June 2016 as restated		<u>6,771,688</u>	<u>35,037,249</u>	<u>246,071,360</u>	<u>287,880,297</u>
<b>Effect of adjustments on net movement in funds for the year ended 30 June 2016:</b>					
Net movement in funds for year ended 30 June 2016 as previously stated		(332,079)	22,744,975	39,704,236	62,117,132
Prior year adjustments:					
Income from pledged donations recognised	(a)	165,739	(27,000)	17,509,692	17,648,431
Atlantic (Institute) Fund reclassified	(b)	-	11,221,482	(11,221,482)	-
Various partnership funds reclassified	(b)	655,311	(562,631)	(92,680)	-
Total adjustments		<u>821,050</u>	<u>10,631,851</u>	<u>6,195,530</u>	<u>17,648,431</u>
Net movement in funds for year ended 30 June 2016 as restated		<u>488,971</u>	<u>33,376,826</u>	<u>45,899,766</u>	<u>79,765,563</u>

(a) In the audited financial statements for the year ended June 2016 pledged income was not recognised until remitted. This policy has been reviewed in the year and the financial statements now recognise pledged donations which meet the conditions of the Trust's revised recognition criteria ie upon execution of a deed. The effect of the adjustment on the results for the year ended 30 June 2016 is to increase debtors and closing reserves by £30,058,358, to increase opening reserves by £12,409,927 and to increase income from donations by £17,648,431.

(b) A review of fund classification was undertaken during the year, and corrections made to the treatment of certain donated funds received in June 2016.

28 COMPARATIVE STATEMENT OF FINANCIAL ACTIVITIES Consolidated	Unrestricted Funds Restated £	Restricted Funds Restated £	Endowed Funds Restated £	2016 Total Restated £	
<b>INCOME AND ENDOWMENTS FROM:</b>					
Donations and legacies	2,716,225	33,112,846	41,007,494	76,836,566	
Charitable activities	400,000	-	-	400,000	
Other trading activities	557,388	-	-	557,388	
Investments					
Investment income	4,002,571	1,961,354	2,173,474	8,137,399	
Other	5,040	17	-	5,057	
<b>Total Income</b>	<u>7,681,224</u>	<u>35,074,217</u>	<u>43,180,968</u>	<u>85,936,410</u>	
<b>EXPENDITURE ON:</b>					
Charitable activities:					
Promotion and advancement of education	5,723,446	2,748,886	1,701,297	10,173,629	
Generating funds:					
Fundraising	1,184,569	161,616	57,054	1,403,439	
Trading expenditure	244,596	-	-	244,596	
Investment management costs	17,676	2,278	715,985	735,939	
<b>Total Expenditure</b>	<u>7,170,287</u>	<u>2,912,980</u>	<u>2,474,336</u>	<u>12,557,603</u>	
<b>Net Income/(Expenditure) before gains</b>	<u>510,937</u>	<u>32,161,237</u>	<u>40,706,632</u>	<u>73,378,807</u>	
Net gains/(losses) on investments	125,198	(11,704)	6,273,263	6,386,757	
<b>Net Income/(Expenditure)</b>	<u>636,135</u>	<u>32,149,533</u>	<u>46,979,895</u>	<u>79,765,564</u>	
Transfers between funds	(147,163)	1,227,293	(1,080,130)	-	
<b>Net movement in funds for the year</b>	<u>488,972</u>	<u>33,376,826</u>	<u>45,899,765</u>	<u>79,765,564</u>	
Fund balances brought forward as previously stated	5,714,420	1,552,423	188,437,964	195,704,807	
Prior year adjustment	Note 27	568,297	108,000	11,733,630	12,409,927
<b>Funds carried forward at 30 June 2016</b>	<u>6,771,689</u>	<u>35,037,249</u>	<u>246,071,359</u>	<u>287,880,298</u>	