

Registered Charity No: 232492/314119

**THE RHODES TRUST**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

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**THE RHODES TRUST**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**TRUSTEES' REPORT**

The Board of Trustees of The Rhodes Trust ("the Charity") present their annual report for the year ended 30 June 2006 under the Charities Act 1993, together with the audited financial statements for that year.

**REFERENCE AND ADMINISTRATIVE DETAILS**

The Rhodes Trust is a registered charity (No. 232492/314119). Its registered address is as shown on page 9.

The present Trustees, and any past Trustees who served during the year, are given on page 6.

**STRUCTURE, GOVERNANCE AND MANAGEMENT**

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

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

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

The Rhodes Trust consists of two charities registered with the Charities Commissioners, namely: the Cecil Rhodes Trust Scholarship Fund (number 314119) and The Rhodes Trust – Public Purposes Fund (number 232492).

**INVESTMENT COMMITTEE**

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

**THE RHODES TRUST**  
**ANNUAL REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**STATEMENT OF TRUSTEES' RESPONSIBILITIES AND CORPORATE GOVERNANCE**

The Trustees are responsible for their annual report, and for the preparation of financial statements for each financial year which give a true and fair view of the incoming resources and the application of resources of the Charity and Group during the year, and of the state of affairs as at the end of the financial year. In preparing these financial statements, the Trustees are required to:

- ensure that the most suitable accounting policies are established and applied consistently;
- make judgements and estimates which are reasonable and prudent;
- state whether the applicable accounting standards and statements of recommended accounting practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Charity will continue in operation.

The Trustees have overall responsibility for ensuring that the Charity has appropriate systems and controls, financial and otherwise. They are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Charities Act 1993. They are also responsible for safeguarding the assets of the Charity and for their proper application as required by charity law, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurance that:

- the Charity is operating efficiently and effectively;
- all assets are safeguarded against unauthorised use or disposition and are properly applied;
- proper records are maintained and financial information used within the Charity, or for publication, is reliable;
- the Charity complies with relevant laws and regulations.

**CORPORATE GOVERNANCE**

Internal controls over all forms of commitment and expenditure continue to be refined to improve efficiency. Processes are in place to ensure that performance is monitored and that appropriate management information is prepared and reviewed regularly, by both the executive management and the Board of Trustees. The Trustees, as a Board, are responsible for the Risk Assessment and Risk Management, and they review these comprehensively and annually.

The systems of internal control are designed to provide reasonable but not absolute assurance against material misstatement or loss. They include:

- a strategic plan and annual budget approved by the Trustees;
- regular consideration by the Trustees of financial results, variances from budgets, and where appropriate, non-financial performance indicators;
- delegation of day-to-day management authority and segregation of duties; and
- identification and management of risks.

**THE RHODES TRUST**  
**ANNUAL REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**OBJECTIVES AND PRINCIPAL ACTIVITIES OF THE CHARITY**

The primary, though not exclusive, purpose for which The Rhodes Trust was established, and continues to operate, is to provide financial scholarships to be allocated annually to enable students from selected countries of the Commonwealth, and from Germany and the United States to spend a minimum of one year and a maximum of three years pursuing either second undergraduate or post-graduate degrees, primarily at the University of Oxford. The Will of Mr Rhodes specified certain numbers and allocations of Scholarships; over the years the Trustees have added to the numbers of Scholarships and extended the range of Commonwealth countries to which Scholarships are allocated. The amount of each Scholarship is set (and from time to time adjusted) to cover both tuition fees and maintenance during the tenure of the Scholarship. The funding of the Scholarships and the administrative costs involved in the extensive selection process around the world, the placement and subsequent administration of The Rhodes Trust, is derived from the Will of the Founder. Benefactions have been historically expressed through the discretionary expenditure on a range of charitable purposes within the Commonwealth and in Africa in particular. This is currently expressed through the ongoing commitment to the Mandela Rhodes Foundation.

The Public Purposes Fund, is used to make benefactions and donations primarily for educational purposes. As a result of the down turn in world stock markets over previous years, the consequent fall in the value of the Trust's endowment, and the continued decline in income as a result of changes in taxation introduced by the government, the Trustees resolved in 2004 to make no major new benefactions for the present. This situation continues, however existing commitments are being met. The Fund 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 Fund to assist the Scholarship Fund. For some years the Fund has been used to make good deficits on income in the Scholarship Fund.

The Trustees are responsible for ensuring the Trust's objectives are adhered to. They make policy and decide on all matters that affect the general operation of the Scholarships. The Warden, who is also the Secretary to the Trustees, brings to the Trustees, proposals for action in those categories, implements their policies, and makes decisions on individual Scholars, as well as exercising a general pastoral function for Scholars in residence. He also maintains relationships with the Rhodes community worldwide. In furtherance of the Trust's aims, the Investment Committee monitors the investment strategy of the Trust. In an attempt to better control its long term objections and commitments, the Trustees have reviewed the number of Scholarships for the foreseeable future. The day-to-day administration of the Trust is the responsibility of the Secretary to the Trustees and the senior management team.

The Trust also offers premises for public functions organised both within and outside the University. Its premises and their historical content are open to the public.

**GRANT MAKING POLICY**

Prospective Scholars are invited to apply for Scholarships to their Country Selection Secretary through standard documentation. Their curriculum vitae, their academic record to date, and references in support of the application, are reviewed locally. The local selection committee choose those they wish to interview, and these are invited to one or more interviews in the local country. The successful candidates are then offered a Rhodes Scholarship by the UK Trust, 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 ongoing academic and personal achievement.

Each Scholar's progress is monitored in the following ways. The Trust receives for each Scholar copies of the University Termly Reports and these are reviewed. In addition, and at least once a year dependant upon circumstances, each Scholar is seen by the Warden, who produces an internal progress report, which is also copied to the Country's Overseas Secretary.

**THE RHODES TRUST**  
**ANNUAL REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**GRANT MAKING POLICY (Cont'd)**

Currently there are on average 235 Scholars (2005: 221) being financially supported at Oxford University, and none at Oxford Brookes University (2005:2). There is an annual average intake of 92 new Scholars.

By bringing a significant number of highly talented people from abroad to study in the United Kingdom, the Trust not only provides the benefit of university education, but also enhances the reputation of UK Higher Education worldwide. This contributes to the educational experience of resident UK students, and offers a lasting worldwide network of UK educated people in positions of responsibility. The Trust also, from time to time, makes benefactions in the UK to the extent that they conform with its mission.

Details of how to apply for grants and scholarships together with the relevant forms are available on the charity's website.

**ACHIEVEMENTS AND PERFORMANCE**

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

The key objectives have been to :

1. Ensure that all scholarship elections have been accomplished in a timely well-conducted manner;
2. Ensure all Scholars on courses achieve their personal and academic objectives;
3. Provide briefing and training for Country Selection Secretaries;
4. Prepare a fundraising campaign to enable the Trust to meet challenges and evolving needs;
5. Encourage Third Party Benefactors to finance scholarships consonant with the objectives and values of the Rhodes Trust, and within the historical and geographical areas of the Trust's activities, such scholarships to be administered by the Trust;
6. Control Benefactions.

The key performance achievements were:

1. All scholarship elections were completed successfully and on time in constituency countries, and all Scholars were admitted to Oxford;
2. All Scholars due to complete their courses this academic year have done so, with only two exceptions. The performance of all Scholars has been monitored on the basis of reports from academic supervisors and from Colleges, self-reporting forms, and interviews with the Warden. All cases of personal or academic concern have been addressed and resolved on the basis of discussion, and where appropriate, forms of support;
3. The Country Selection Secretaries attended a four day meeting at Rhodes House in June 2006;
4. The Trust believes that the current and predictable inflation in fees and accommodation costs will require it to be ready in future to generate an increased level of support for Scholars. In addition, it will need to increase grants to Scholars, in order to enable them to benefit from the academic and personal experience of the Scholarship to the full. Finally, it expects to respond to the increasingly globalised career structures of the Scholars after they leave Oxford, by relating to its alumni in new ways that will require additional financial support. It is therefore preparing a fundraising campaign principally among its alumni;
5. Arrangements have been completed with two Benefactors for Scholarships to be administered through The Rhodes Trust;
6. Previously committed Benefactions have continued to be met, however new Benefactions remain suspended.

**THE RHODES TRUST**  
**ANNUAL REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**FINANCIAL REVIEW AND RESULTS FOR THE YEAR**

The audited accounts for the year ended 30 June 2006 have been prepared in accordance with the Statement of Recommended Practice 'Accounting and Reporting by Charities' (Charities SORP 2005) and accompany this report. The independent auditors' report is given on pages 10 to 11 and the principal accounting policies adopted by the Trust are set out pages 15 to 17. 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 combined net outgoing resources for the year to 30 June 2006 were £1,114,111 (2005: £4,458,498). This was after receipt of a legacy of £1,750,000 to establish a new scholarship. The cost of maintaining the Scholarship programme was £4,970,564 (2005: £4,952,768) and, in addition to fulfilling the Trust's primary purpose, the Trustees ongoing commitment to Charitable donations, from the Public Purposes Fund, amounted to £275,068 during the year, (2005: £905,466). At the year end the capital value of the funds was £143,640,012 (2005: £129,049,109) an increase of £14,590,903 since 30 June 2005.

A provision has been included, consistently, in these accounts to cover first and second years' scholars' costs. All scholarships are dependant upon satisfactory progress throughout the scholars' courses.

The Trustees, through their management team, have reviewed how the Trust operates on a day to day basis, and made a number of changes to control overhead costs. Some of these savings are reflected in the current year's results, and some should be reflected in the coming year, including premises costs and lettings.

**The Mandela Rhodes Foundation**

The Mandela Rhodes Foundation is based upon a full and equal partnership between The Rhodes Trust and former President Mandela and the Nelson Mandela Foundation. This international partnership is designed to support and strengthen capacity building, development, education and leadership in South Africa and on the African continent as a whole. The commitment by the Rhodes Trustees to this partnership is based upon recognition both of the source of the original wealth of the Founder of The Rhodes Trust and of the passionate commitment of Mr Rhodes to the development of Africa. It is a Foundation independent of The Rhodes Trust, but four Rhodes Trust Trustees are also Trustees of this Foundation, and The Rhodes Trust receives regular reports on its activities.

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

**The Matopos Trust**

No Benefactions have been granted during the year to Matopos Trust (2005: £21000), which is a 'Connected Charity' to The Rhodes Trust as three Trustees of The Rhodes Trust acted as Trustees of the Matopos Trust during the year.

The purpose of the Matopos Trust is to provide assistance to Scholars from Africa to complete a course of study already commenced and to advance education by any other means. Administration services are also provided to the Matopos Trust; however, it is not possible to separately identify these costs and these amounts would be immaterial to The Rhodes Trust. The Trustees suspended the operations of the Matopos Trust with effect from 30 June 2005.

**THE RHODES TRUST**  
**ANNUAL REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**FINANCIAL MANAGEMENT POLICIES**

**Reserves**

The Trustees budget on the basis of achieving a long-term real rate of return of approximately 5% on the Trust's reserves. In recent years the Trustees have distributed sums greater than the combined net incoming resources and gains on investments. The nature of the Scholarship programme is such that levels of expenditure can only be reduced over a 4-5 year period. The Trustees have temporarily suspended 10 of the more recent scholarships, in an attempt to control expenditure and achieve the above objective. However they have maintained the existing commitment to the Scholarship programme by support from the unrestricted funds of the Trust and the use of capital. Given the length of commitment involved with the Scholarship programme Trustees wish to hold a higher level of unrestricted funds than normally expected in order to cover deficiencies on income arising within the endowment fund.

It is the Trustees opinion that they need to keep the maximum amount of Free and Unrestricted Reserves. This arises from the unpredictable escalation of costs directly applicable to providing Scholarships, particularly University and College fees for Overseas' students. For some years the Unrestricted Fund, the Public Purposes Fund, has been supporting the Endowment, and they expect this to continue for many years. In this way the real value of the Endowment should be capable of being maintained.

**TRUSTEES**

The Trustees, all of whom held office throughout the whole of the year ended 30 June 2006, unless otherwise stated, were:

The Rt. Hon. Lord Waldegrave of North Hill (Chairman)\*#^  
Baroness Deech of Cumnor DBE MA#^ - (retired 3<sup>rd</sup> July 2006)  
The Lord Kerr of Kinlochard GCMG  
Ms Rosalind Hedley-Miller\*  
The Rt. Hon. Lord Fellowes GCB GCVO QSO\*^  
The Rt. Hon Lord Butler of Brockwell KG GCB CVO#  
Mr Julian Ogilvie Thompson^  
Professor John Bell  
Sir Rod Eddington  
Mr Thomas Seaman\*  
Professor Elizabeth Fallaize (appointed 9<sup>th</sup> June 2006)  
Professor Sir John Vickers (appointed 9<sup>th</sup> June 2006)

\* Member of the Investment Committee

# Trustees of the Matopos Trust

^ Trustees of the Mandela Rhodes Foundation

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. Five 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.

**THE RHODES TRUST**  
**ANNUAL REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**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 are 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 and a discussion held at a Trustees' meeting. He/she will subsequently be interviewed by the Chairman and the Warden, 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 and Warden find the person suitable, the Board will formally pass a resolution for their appointment at their next meeting.

**INVESTMENT POLICY AND PERFORMANCE**

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

The strategy of the Trustees continues to be to manage the assets in such a way 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 and maximise total return through capital appreciation or by income generation depending upon economic conditions.

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

The investments of the Trust comprised, Cash, UK Government Bonds, UK and International Public Equities, Private Equity Funds, Property Funds, Hedge Funds, and a Commodity Fund.

During the last 12 months the investment portfolio, including Investment cash awaiting re-investment of £7m, increased from £136m to £149m, an increase of £13m, or approximately 9.5%. The Trustees consider this return to be satisfactory, and the real value of the Trust's funds have been enhanced.

**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 former 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 RHODES TRUST  
ANNUAL REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2006**

**FUTURE PLANS**

The Trustees believe that the Charity has a sound financial basis upon which to build for the future. The Trust continues to strengthen its education support facilities and to develop means of reaching and helping scholars. New key objectives for this are set out under the heading of Achievements and Performance.

The Rhodes Trust is a lasting testimony to the generosity and philanthropic concerns of the donor, Cecil John Rhodes. By cementing the partnerships already in place, the PhD and educational and research programmes provide a longer term commitment to encourage the long-term research and study, thus facilitating the development of potential future leaders.

It is anticipated that a favourable investment climate, and a further deepening of collaboration with our partner University, will facilitate the appropriate level of educational support in 2007.

In view of the nature of the Funds and to simplify administration, the Trustees have decided to apply to the Charity Commission for a Total Return Order, enabling them to deal with investment returns as they see fit.

**RISK MANAGEMENT**

The Trustees have a formal risk management process to assess, annually, business risks and implement risk management strategies. This has involved identifying the types of risks the Charity faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Trustees have reviewed the adequacy of the Charity's current internal controls and the costs of operating particular controls relative to the benefits obtained. Procedures have been established for reporting failings immediately to appropriate levels of management and to the Board of Trustees.

**Approved on behalf of the Trustees**

The Rt Hon Lord Waldegrave of North Hill  
Chairman of the Trustees

Sir Colin Lucas  
Warden and Secretary to the Trustees

10th November 2006

**THE RHODES TRUST  
PROFESSIONAL ADVISERS**

The current advisers are:

**BANKERS:**

National Westminster Bank plc  
121 High Street  
Oxford  
OX1 4DD

**INVESTMENT MANAGERS:**

Goldman Sachs Asset Management  
Christchurch Court  
10-15 Newgate Street  
London  
EC1A 7HD

**SOLICITORS:**

Clifford Chance  
200 Aldersgate Street  
London  
EC1A 4JJ

Blake Laphorn Linnell  
Seacourt Tower  
West Way  
Oxford  
OX2 OFB

**REGISTERED AUDITORS:**

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

**REGISTERED ADDRESS:**

Rhodes House  
South Parks Road  
Oxford  
OX1 3RG

**SECRETARY TO THE TRUSTEES:**

Sir Colin Lucas  
Warden

## **REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEES OF THE RHODES TRUST**

We have audited the financial statements of The Rhodes Trust for the year ended 30 June 2006 (the "financial statements") which comprise the Statement of Financial Activities, the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes set out on pages 15 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charity trustees, as a body, in accordance with Regulation 7(2) of the Charities (Accounts and Reports) Regulations 2005 (SI 2005/572). Our audit work has been undertaken so that we might state to the charity 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 trustees, as a body, for our audit work, for this report, or for the opinion we have formed.

### **Respective responsibilities of trustees and auditors**

The trustees' responsibilities for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities on page 2.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the charity has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information beyond that referred to in this paragraph.

### **Basis of opinion**

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

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

## **REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEES OF THE RHODES TRUST**

### **Unqualified opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with the United Kingdom Generally Accepted Accounting Practice, of the state of The Rhodes Trust's affairs as at 30 June 2006 and of incoming resources and application of resources for the year then ended; and
- have been properly prepared in accordance with the Charities Act 1993.

**HORWATH CLARK WHITEHILL LLP**  
Chartered Accountants and  
Registered Auditors

Aquis House  
49-51 Blagrove Street  
Reading RG1 1PL

Date 10<sup>th</sup> November 2006

**THE RHODES TRUST**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
(Incorporating an Income and Expenditure Account)  
**FOR THE YEAR ENDED 30 JUNE 2006**

	Notes	Unrestricted Funds £	Endowment Fund £	Restricted Funds £	Total £	2005 £
<b>INCOMING RESOURCES</b>						
<b>Generated funds:</b>						
<b>Voluntary Income</b>						
Legacies/Donations	1f	-	-	1,750,000	<b>1,750,000</b>	-
<b>Activities of generating funds:</b>						
Investment and other income	2	1,340,631	1,758,898	383,454	<b>3,482,983</b>	2,905,380
<b>Incoming resources from charitable activities:</b>						
Sundry income		<u>81,740</u>	<u>25</u>	<u>-</u>	<b><u>81,765</u></b>	<u>12,513</u>
<b>Total incoming resources</b>		<u><b>1,422,371</b></u>	<u><b>1,758,923</b></u>	<u><b>2,133,454</b></u>	<b><u>5,314,748</u></b>	<u><b>2,917,893</b></u>
<b>Resources Expended</b>						
<b>Costs of generating funds:</b>						
Fundraising Costs		9,689	-	-	<b>9,689</b>	-
Investment management fees		<u>36,852</u>	<u>18,029</u>	<u>(3,397)</u>	<b><u>51,484</u></b>	<u>172,682</u>
		46,541	18,029	(3,397)	<b>61,173</b>	172,682
<b>Charitable activities by objective:</b>						
Education support	4	911,784	5,402,807	-	<b>6,314,591</b>	7,094,309
Governance costs	6	<u>53,095</u>	<u>-</u>	<u>-</u>	<b><u>53,095</u></b>	<u>109,400</u>
<b>Total resources expended</b>		<u><b>1,011,420</b></u>	<u><b>5,420,836</b></u>	<u><b>(3,397)</b></u>	<b><u>6,428,859</u></b>	<u><b>7,203,709</b></u>
<b>Net incoming/(outgoing) resources before investment gains/losses</b>		410,951	(3,661,913)	2,136,851	<b>(1,114,111)</b>	(4,458,498)
Gross transfers between funds	7	<u>(3,275,062)</u>	<u>3,661,913</u>	<u>(386,851)</u>	<u>-</u>	<u>-</u>
<b>(Deficit) for the year</b>		<u><b>(2,864,111)</b></u>	<u><b>-</b></u>	<u><b>1,750,000</b></u>	<b><u>(1,114,111)</u></b>	<u><b>(4,458,498)</b></u>
<b>Other recognised gains and losses</b>						
Realised and unrealised gains on investments	11	<u>9,927,226</u>	<u>2,594,771</u>	<u>3,183,017</u>	<b><u>15,705,014</u></b>	<u>13,316,509</u>
<b>Net movement in Funds</b>		<u><b>7,063,115</b></u>	<u><b>2,594,771</b></u>	<u><b>4,933,017</b></u>	<b><u>14,590,903</u></b>	<u><b>8,858,011</b></u>
<b>Reconciliation of funds</b>						
Balances brought forward		<u>43,278,457</u>	<u>63,069,042</u>	<u>22,701,610</u>	<b><u>129,049,109</u></b>	<u>120,191,098</u>
<b>Fund balances carried forward</b>	15	<u><b>50,341,572</b></u>	<u><b>65,663,813</b></u>	<u><b>27,634,627</b></u>	<b><u>143,640,012</u></b>	<u><b>129,049,109</b></u>

The notes on pages 15 to 26 form part of these financial statements

**THE RHODES TRUST**  
**BALANCE SHEET**  
**30 JUNE 2006**

	Notes	£	2006	£	2005	£
<b>FIXED ASSETS</b>						
Heritage assets	1c, 9		<b>50,000</b>		50,000	
Other tangible assets	9		<b>10,761</b>		12,785	
Investments	11		<b>149,280,231</b>		136,270,254	
Investment properties	10		<b><u>1,020,400</u></b>		<u>1,020,400</u>	
			<b>150,361,392</b>		137,353,439	
<b>CURRENT ASSETS</b>						
Debtors	12	<b>205,736</b>			1,226,729	
Cash at bank		<b>603,664</b>			192,865	
Short term deposit		<b><u>3,034,020</u></b>			<u>1,738,934</u>	
			<b>3,843,420</b>		3,158,528	
<b>CREDITORS: Amounts falling due within one year</b>	13		<b><u>(5,297,419)</u></b>		<u>(5,417,128)</u>	
<b>NET CURRENT LIABILITIES</b>			<b><u>(1,453,999)</u></b>		<u>(2,258,600)</u>	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>148,907,393</b>		135,094,839	
<b>CREDITORS: Amounts falling due after more than one year</b>	14		<b><u>(5,267,381)</u></b>		<u>(6,045,730)</u>	
<b>NET ASSETS</b>			<b><u>143,640,012</u></b>		<u>£129,049,109</u>	
<b>FUNDS</b>						
Restricted funds		<b>27,634,627</b>			22,701,610	
Unrestricted charitable funds		<b>50,341,572</b>			43,278,457	
Endowment		<b><u>65,663,813</u></b>			<u>63,069,042</u>	
<b>TOTAL CHARITY FUNDS</b>	15		<b><u>£143,640,012</u></b>		<u>£129,049,109</u>	

These financial statements were approved by the Board of Trustees on 10<sup>th</sup> November 2006

.....  
The Rt. Hon Lord Waldegrave of North Hill  
Chairman of Trustees

.....  
Sir Colin Lucas  
Warden and Secretary to Trustees

The notes on pages 15 to 26 form part of these financial statements

**THE RHODES TRUST**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2006**

	Notes	2006	2005
		£	£
<b>Net cash (outflow) from operating Activities</b>	16	(4,347,427)	(8,081,971)
<b>Returns on investments and servicing of finance</b>			
Investment Income		3,482,983	2,905,380
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets	9	(1,225)	(17,718)
Sales of investment property		-	205,337
Purchase of investments	11	(27,231,277)	(118,193,076)
Sale of investments	11	37,305,752	119,539,176
Increase in cash awaiting reinvestment	11	<u>(7,379,438)</u>	<u>-</u>
<b>Cash inflow from capital expenditure and financial investment</b>		<b><u>2,693,812</u></b>	<b><u>1,533,719</u></b>
<b>Net cash inflow/(outflow) before management of liquid resources</b>		<b>1,829,368</b>	<b>(3,642,872)</b>
<b>Management of liquid resources</b>			
Cash (increase)/reduction in short term deposits	18	<b><u>(1,295,086)</u></b>	<b><u>3,570,410</u></b>
<b>Increase/(decrease) in cash</b>		<b><u><u>534,282</u></u></b>	<b><u><u>(72,462)</u></u></b>

The notes on pages 15 to 26 form part of these financial statements

**THE RHODES TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**1. PRINCIPAL ACCOUNTING POLICIES**

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

**(a) Educational Support**

In accordance with FRS 12 'Provisions, contingent liabilities and contingent assets' a present obligation is considered to exist for the payment of institutional grants and donations where the Trust has made a commitment to a beneficiary such that payment is probable. Where payments are spread over a number of years, the liability is discounted to its net present value using the equivalent term United Kingdom Treasury redemption yield.

In particular:

- Scholarships, which are normally held for a two-year period. Because of the contingent nature of progress for Scholars, the commitment of their cost is included for first and second year scholars.
- The commitment to the Mandela Rhodes Foundation of £1 million per year for ten years has been discounted at 5% (the average ten year risk free gilt rate when the benefaction was made) and assumes that the payments will be made evenly over the period of the benefaction (see note 5).

**(b) Investments**

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

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

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

Property, which principally represents Rhodes House, Oxford, and which is used for the charitable purposes of the Trust, is included in the balance sheet at book values as transferred from the Public Purpose Trust on 26 July 1946. There is a continuous programme of refurbishment, the cost of which is written off as incurred.

It is the Trustees' view that Rhodes House, including furnishings, cannot be disposed of and is considered to be historic. The Trustees consider that the costs, which would be involved in attributing a market value to the property, would be onerous compared with the benefit to users of the accounts.

**THE RHODES TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)**

**(c) Freehold properties – Public Purposes Fund (cont'd)**

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

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

**(d) Motor vehicle and computer equipment**

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

**(e) Investment Income**

Interest receivable on bank deposits is accounted for as it accrues. All other investment income is taken into account on the basis of the due date for payment. Investments acquired through scrip dividends and income accumulation (where the amount is separately identifiable) is recorded as income. With the change of investment strategy, in a significant proportion of the investment portfolio, dividends are reinvested. The effect of this is to reduce the amount of investment income in the year, but increase the unrealised gains in the year.

**(f) Legacy Income**

Income from legacies is accounted for on a cash received basis.

**(g) Expenditure**

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

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

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

**(g) Pensions**

The Trust participates in the Universities Superannuation Scheme (USS) and the University of Oxford's Staff Pension Scheme (OSPS). Both are defined benefit schemes externally funded and contracted out of the State Second Pension (S2P). The assets of the schemes are held in a separate trustee-administered fund. The Trust is unable to identify its share of the underlying assets and liabilities of the schemes on a reasonable and consistent basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the schemes as if they were defined contribution schemes. As a result, the amount charged to the Statement of Financial Activities represents the contributions payable to the schemes in respect of the accounting period.

**THE RHODES TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**1. PRINCIPAL ACCOUNTING POLICIES (CONT'D)**

**(g) Pensions (continued)**

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

**(h) Fund accounting**

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

- **Unrestricted Funds** – Funds which are expendable at the discretion of the Trustees in furtherance of the objects of the Trust comprising:
  - **The Public Purposes Fund**, which is for the promotion in any part of the Commonwealth or the United States 'of any educational or other charitable purpose'. However, in recent years this fund has been utilised to provide support to the Scholarship Fund in meeting the cost of the scholarship programme due to insufficient income within that fund. It also holds a specific benefaction to fund additional scholarships administered by the Trust.
  - **The Rhodes Trust South Africa Fund**, which is for the promotion of education and other purposes.
- **Endowment Funds** – Funds largely comprised of quoted investments, the income from which is to be used for the donor's original specified purpose of providing scholarships while the capital is to be retained within the fund and represented by:
  - **The Scholarship Fund**, comprising the original endowment for the provision and administration of the Scholarships provided for in Mr Rhodes' Will or added by the Rhodes Trustees in accordance with the Rhodes Trust Act 1929.
- **Restricted Funds** – Funds received or accumulated which are earmarked for specific purposes, such purposes being within the overall aims of the Trust and represented by:
  - **The Scholarship Capital Reserve Fund** which is to make up or augment the income or capital of the Scholarship Fund, and for the improvement or extension of the Scholarship system, and for other defined charitable purposes.
  - **The Hong Kong Fund** which is a separate fund set up as a direct result of a receipt of funds to finance one Scholarship per annum, out of the resultant income.

**THE RHODES TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**2. INVESTMENT INCOME**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Interest and dividends	<b>3,307,873</b>	2,659,228
Bank deposit interest	<u><b>175,110</b></u>	<u>246,152</u>
	<u><b>3,482,983</b></u>	<u>2,905,380</u>

**Taxation**

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

**3. ALLOCATION OF SUPPORT COSTS AND OVERHEADS**

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

<b>Cost type</b>	<b>Total Allocated</b>	<b>Governance</b>	<b>Charitable activities</b>	<b>Basis of Apportionment</b>
	<b>£</b>	<b>£</b>	<b>£</b>	
Staff costs (Note 8)	378,909	14,833	364,076	Staff time
Overseas secretaries & travel	423,692	-	423,692	Specific
Office costs	<u>313,873</u>	<u>32,682</u>	<u>281,191</u>	Staff time
Computer	1,116,474	47,515	1,068,959	Software cost & usage
	<u>5,580</u>	<u>5,580</u>	<u>-</u>	
	<u><b>1,122,054</b></u>	<u><b>53,095</b></u>	<u><b>1,068,959</b></u>	

**4. ANALYSIS OF CHARITABLE EXPENDITURE**

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

	<b>Grant funded Activity</b>	<b>Support Costs</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
DPhil Scholarships	2,165,218	441,230	2,606,448
Other Postgraduate Scholarships	2,522,368	514,010	3,036,378
Undergraduate scholarships	<u>558,046</u>	<u>113,719</u>	<u>671,765</u>
	<u><b>5,245,632</b></u>	<u><b>1,068,959</b></u>	<u><b>6,314,591</b></u>

**THE RHODES TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**5. ANALYSIS OF GRANT FUNDED SCHOLARSHIPS**

	<b>Fees to Institutions £</b>	<b>Grants to Individuals £</b>	<b>Total £</b>
DPhil Scholarships	-	2,051,680	2,051,680
Other Postgraduate Scholarships	-	2,390,101	2,390,101
Undergraduate scholarships	-	<u>528,783</u>	<u>528,783</u>
	-	4,970,564	4,970,564
Educational Grants	<u>275,068</u>	<u>-</u>	<u>275,068</u>
	<b><u>275,068</u></b>	<b><u>4,970,564</u></b>	<b><u>5,245,632</u></b>

**Recipients of grants to Institutions:**

	<b>2006 £</b>	<b>2005 £</b>
<b>Public Purposes Fund:</b>		
Oxford & Oxford University - Bodleian Library Archivist	<b>64,000</b>	16,000
African and Commonwealth - South African Constitutional Court *	<b>31,346</b>	611,728
Mandela Rhodes Foundation (see below)	<b><u>179,722</u></b>	<u>322,738</u>
	<b><u>275,068</u></b>	<u>950,466</u>

All benefactions and donations are for educational and charitable purpose and, unless otherwise stated (with \*), represent a single grant to each institution listed above.

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

**THE RHODES TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**5. ANALYSIS OF GRANTS (CONT'D)**

**The Mandela Rhodes Foundation**

The Trustees of The Rhodes Trust have committed the Trust to contributing £1m per year for a ten-year period. 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%. The total obligation at 30 June 2006 at present value is £5,966,094 (2005: £6,786,373) of which £981,961 (2005: £1,000,000) is included within amounts payable within one year and the balance of £4,984,133 (2005: £5,786,373) is included within amounts payable in greater than one year.

**ANALYSIS OF GRANTS TO INDIVIDUALS**

	2006 £	2005 £
<b>Provision for Scholars</b>		
Stipends, allowances and fees	4,828,087	4,784,477
Medical expenses	34,161	27,454
Travelling expenses	95,788	98,291
Grants	200	19,101
Dinners to Scholars	11,608	9,942
Rented accommodation	<u>720</u>	<u>13,503</u>
	<u><b>4,970,564</b></u>	<u><b>4,952,768</b></u>

**6. ANALYSIS OF GOVERNANCE COSTS**

	2006	2005
Staff costs	14,833	14,000
Auditors remuneration	27,758	55,936
Legal fees	4,924	19,796
Computer costs	<u>5,580</u>	<u>22,236</u>
	<u><b>53,095</b></u>	<u><b>111,968</b></u>

The Trustees do not receive any remuneration from the Trust in respect of their services to the Trust. Trustee expenses incurred by 4 Trustees (2005: 4 Trustees) in connection with the Trust were borne by the Public Purposes Fund and amounted to £3,117 (2005: £1,071). These expenses relate to travel costs.

**7. TRANSFERS BETWEEN FUNDS**

£386,851 (2005: £551,378) has been transferred from the Scholarship Capital Reserve Fund and £3,275,062 (2005: £3,719,205) from the Public Purposes Fund income accounts to the Scholarship Fund to match the cost of scholarships in excess of available income in the Scholarship Fund in the year.

At the year-end inter-fund indebtedness amounting to some £24m (2005: £21m) was owed by the Public Purposes Fund to the Scholarship Fund. No interest charge has been made in respect of this amount since any shortfall in income by the Scholarship Fund is made good by a transfer from the Public Purposes Fund.

**THE RHODES TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**8. EMPLOYEE COSTS**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Total staff costs:</b>		
Wages and salaries	<b>320,839</b>	362,965
Social security costs	<b>26,862</b>	54,572
Pension costs	<b>31,208</b>	33,258
	<u><b>378,909</b></u>	<u>450,795</u>

One employee received emoluments above £60,000 (2005: £50,000-One). The Trust paid pension contributions on behalf of this employee amounting to £nil (2005: £Nil).

The average number of employees, analysed by function was:

	<b>2006</b>	<b>2005</b>
	<b>No.</b>	<b>No.</b>
<b>Administration and charitable support:</b>		
Full time	<b>10</b>	12
Part time	<b>2</b>	1
	<u><b>12</b></u>	<u>13</u>

**9. TANGIBLE FIXED ASSETS**

	Freehold Buildings £	Motor Vehicle £	Office Equipment and Computers £	Total £
<b>Cost</b>				
At 1 July 2005	50,000	12,995	201,248	264,243
Additions	-	-	1,225	1,225
Disposals	-	-	-	-
Revaluation	-	-	-	-
	<u>50,000</u>	<u>12,995</u>	<u>202,473</u>	<u>265,468</u>
<b>Depreciation</b>				
At 1 July 2005	-	6,498	194,960	201,458
Disposals	-	-	-	-
Charge for year	-	3,249	-	3,249
	<u>-</u>	<u>9,747</u>	<u>194,960</u>	<u>204,707</u>
<b>Net book value</b>				
<b>At 30 June 2006</b>	<u><b>50,000</b></u>	<u><b>3,248</b></u>	<u><b>7,513</b></u>	<u><b>60,761</b></u>
<i>At 30 June 2005</i>	<u><i>50,000</i></u>	<u><i>6,497</i></u>	<u><i>6,288</i></u>	<u><i>62,785</i></u>

**THE RHODES TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**9. TANGIBLE FIXED ASSETS (Cont'd)**

In addition to Rhodes House, properties belonging to the Trust comprise 3 Dene Road and 41 Davenant Road. An open market has not been attributed to Rhodes House as the property is considered to be historic; the insurance replacement value for the property is in the region of £25m (2005: £23m). Fine furniture and fine works of art, which are classified as historic, are recorded at a nominal value of £1. The Trustees regard these as an integral part of the Rhodes House property. The other properties are regarded by the Trustees as investment properties.

**10. INVESTMENT PROPERTIES**

The Trust has 2 (2005: 2) properties held as investment properties. These are carried at estimated market value of £1,020,400 (2005: £1,020,400).

**11. INVESTMENTS**

<b>Movements in investments:</b>	<b>2006</b> £
At beginning of year	<b>136,270,254</b>
Additions	<b>27,231,277</b>
Disposals	<b>(37,305,752)</b>
Net gains on investments (realised and unrealised)	<b><u>15,705,014</u></b>
	<b>141,900,793</b>
 Cash awaiting re-investment	 <b><u>7,379,438</u></b>
 At end of year	 <b><u>149,280,231</u></b>

**Analysis of investments:**

	<b>Market value</b>		<b>Cost</b>	
	<b>2006</b> £	<b>2005</b> £	<b>2006</b> £	<b>2005</b> £
UK equities	<b>51,223,454</b>	76,742,001	<b>42,435,425</b>	72,250,313
Overseas equities	<b>74,597,134</b>	47,505,047	<b>64,477,864</b>	43,511,482
Property	<b><u>16,080,205</u></b>	<u>12,023,206</u>	<b><u>14,250,000</u></b>	<u>12,000,000</u>
	<b>141,900,793</b>	136,270,254	<b>121,163,289</b>	127,761,795
 Cash awaiting re-investment	 <b><u>7,379,438</u></b>	 -	 <b><u>7,379,438</u></b>	 -
	<b><u>149,280,231</u></b>	<u>136,270,254</u>	<b><u>128,542,727</u></b>	<u>127,761,795</u>

In line with agreements with the investment managers, whilst a number of Funds invested in are greater than 5% of the total value of the Investments, no individual holding within those funds, represents more than 5% of the total value of the Trust's investments.

The Trust is committed at the year end to further investments in its private equity portfolio, to the extent of approximately \$12m (approximately £8.2m).

**THE RHODES TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**12. DEBTORS**

	2006 £	2005 £
Prepaid Scholars' stipends	163,930	164,877
Loans to Scholars	7,769	20,073
Accrued income	2,900	980,079
Fees recoverable	6,600	41,700
Other debtors	<u>24,537</u>	<u>20,000</u>
	<u><u>205,736</u></u>	<u><u>1,226,729</u></u>

**13. CREDITORS:** Amounts falling due within one year

	2006 £	2005 £
Bank overdrafts	-	123,483
Accruals	281,819	357,767
Tax and social security	34,600	34,240
Benefactions and donations	1,100,000	1,161,238
Stipends and fees	<u>3,881,000</u>	<u>3,740,400</u>
	<u><u>5,297,419</u></u>	<u><u>5,417,128</u></u>

**Stipends and Fees**

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

**14. CREDITORS:** Amounts falling due in more than one year

	2006 £	2005 £
Benefactions and donations	<u>5,267,381</u>	<u>6,045,730</u>

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

**Benefactions and donations:**

In more than one year but less than two years	1,087,745	1,043,084
In more than two years but less than five years	2,677,488	2,762,223
In more than five years	<u>1,502,148</u>	<u>2,240,423</u>
	<u><u>5,267,381</u></u>	<u><u>6,045,730</u></u>

**THE RHODES TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**15. FUNDS**

	Unrestricted £	Restricted £	Endowment £	Total £
Tangible fixed assets	60,761	-	-	60,761
Investment properties	1,020,400	-	-	1,020,400
Investments	77,693,606	32,529,560	39,057,065	149,280,231
Short term cash deposits	1,098,610	1,935,410	-	3,034,020
Net other (liabilities)/assets	<u>(29,531,805)</u>	<u>(6,830,343)</u>	<u>26,606,748</u>	<u>(9,755,400)</u>
Net assets	<u>50,341,572</u>	<u>27,634,627</u>	<u>65,663,813</u>	<u>143,640,012</u>

The Restricted Reserves Funds received on 30<sup>th</sup> June 2006, £1,750,000, to fund additional scholarships, administered by the Trust.

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

	2006 £	2005 £
Net Outgoing resources	(1,114,111)	(4,458,498)
Depreciation charge	3,249	27,371
Investment income	(3,482,983)	(2,905,380)
Decrease/(increase) in Debtors	1,020,993	(536,307)
Decrease in Creditors	(774,575)	(233,820)
Loss on Sale of Investment Property	<u>-</u>	<u>24,663</u>
<b>Net Cash outflow from operating activities</b>	<u>(4,347,427)</u>	<u>(8,081,971)</u>

**17. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	2006 £	2005 £
Increase/(decrease) in cash in the year	534,282	(72,462)
Cash inflow/(outflow) from change in liquid resources	<u>1,295,086</u>	<u>(3,570,410)</u>
Movement in net funds in the year	1,829,368	(3,642,872)
Net funds at 1 July 2005	<u>1,808,316</u>	<u>5,451,188</u>
<b>Net funds at 30 June 2006</b>	<u>3,637,684</u>	<u>1,808,316</u>

**THE RHODES TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**18. ANALYSIS OF NET FUNDS**

	<i>At 30 June 2005</i>	Cash flow	<i>At 30 June 2006</i>
	£	£	£
<b>Net cash:</b>			
Cash at bank and in hand	192,865	410,799	<b>603,664</b>
Bank overdraft	<u>(123,483)</u>	<u>123,483</u>	<u>-</u>
	69,382	534,282	<b>603,664</b>
Liquid resources:			
Short term deposits	<u>1,738,934</u>	<u>1,295,086</u>	<u><b>3,034,020</b></u>
<b>Net funds</b>	<u><u>1,808,316</u></u>	<u><u>1,829,368</u></u>	<u><u><b>3,637,684</b></u></u>

**19. PENSION OBLIGATIONS**

The Trust participates in the Universities Superannuation Scheme (USS) and the University of Oxford's Staff Pension Scheme (OSPS). Both these schemes are contributory, contracted out from the State Second Pension (S2P), and provide benefits based on length of service and final pensionable salary.

**University Superannuation Scheme (USS)**

The Trust participates in the Universities Superannuation Scheme, a defined benefit scheme that is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate trustee-administered fund. The Trust is unable to identify its share of the underlying assets and liabilities of the scheme on a reasonable and consistent basis, and therefore as required by FRS 17 "Retirement Benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Financial Activities represents the contributions payable in respect of the accounting period.

The latest actuarial valuation of the scheme was at 31 March 2005. The assumptions, which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.5% per annum, salary increases would be 3.9% per annum (plus an allowance for increases in salaries due to age and promotion in line with recent experience) and the pensions would increase by 2.9% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.2% per annum, including an additional investment return assumption of 1.7% per annum, salary increases would be 3.9% per annum (also plus an allowance for increases in age and promotion) and pensions would increase by 2.9% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the market value of the assets of the scheme was £21,740 million and the value of past service liabilities was £28,308 million leaving a deficit of assets of £6,568 million. The assets therefore were sufficient to cover 77% of the benefits, which had accrued to members after allowing for expected future increases in earnings.

**THE RHODES TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2006**

**19. PENSION OBLIGATIONS (CONTINUED)**

**University Superannuation Scheme (USS) (cont'd)**

Using the Minimum Funding Requirement prescribed assumptions introduced by the Pensions Act 1995, the scheme was 126% funded at the valuation date and under the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 110% funded.

The Trust's contribution rate required for future service benefits alone at the date of the valuation was 14.3% of pensionable salaries, but the trustee company, on the advice of the actuary, decided to keep the Trust's contribution rate at 14% of pensionable salaries.

Surpluses or deficits, which arise at future valuations, may impact on the Trust's future contribution commitment. An additional factor which could impact on the funding level of the scheme is that with effect from 16th March 2006, USS positioned itself as a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer, will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme

The next formal actuarial valuation is due as at 31 March 2008 when the above rates will be reviewed.

The pension cost to the Trust was £14,538 (2005: £21,885). This includes £nil (2005: £nil) outstanding contributions at the balance sheet date. The contribution rate payable by the Trust was 14% of pensionable salaries.

**University of Oxford Staff Pension Scheme (OSPS)**

The Trust paid contributions of 17.5% during the accounting period, as set out in the statutory schedule of contributions agreed with the actuary. The latest scheme valuation identifies a required long-term employer contribution of this rate.

The pension cost to the Trust was £16,670 (2005: £11,370). This includes £nil (2005: £nil) outstanding contributions at the balance sheet date.