

The Gates Cambridge Trust

Report and Financial Statements

31 July 2010

REPORT AND FINANCIAL STATEMENTS
Year ended 31 July 2010

CONTENTS

	Page
Legal and Administrative Details	1
Report of the Trustees	2
Independent Auditors' Report	11
Statement of Financial Activities	13
Balance Sheet	14
Cash Flow Statement	15
Notes to the Cash Flow Statement	16
Accounting Policies	17
Notes to the Accounts	19

Legal and Administrative details of the Charity

Trustees

Appointed by the University Council

Professor Dame Alison Richard (Chairman) (until 30.09.10)

Professor Sir Leszek Borysiewicz (Chairman) (from 01.10.10)

Mrs Anne Lonsdale CBE (until 30.09.10)

Baroness O'Neil of Bengarve (until (30.09.10)

Professor Lord Rees of Ludlow

Professor Megan Vaughan

Dr Andrew Robertson

Dr David Runciman (from 01.10.10)

Professor Susan Smith (from 01.10.10)

Appointed by the Bill and Melinda Gates Foundation

Mr William Gates Snr

Dr William Gerberding

Officers

The officers of the Trust during the year ended 31 July 2010 were:

Provost: Dr Gordon Johnson

Secretary: Dr Jonathan Nicholls

Treasurer: Mr Andrew Thompson MBE

Deputy Treasurer: Dr Nicholas Branson

Executive Officer: Mr James Smith

Executive Officer: Mrs Hilary Perrott

Financial Officer: Dr David Lott

Professional Advisers of the Trust

Investment Managers: Cambridge Associates Ltd, 80 Victoria Street, London SW1E 5JL

Bankers: NatWest Bank, Cambridge Market Street Branch, 23 Market Street, Cambridge

Auditors: PricewaterhouseCoopers LLP, Abacus House, Cambridge, CB3 0AN

Principal Office

3e King's Parade, Cambridge, CB2 1SJ

Report of the Trustees for the year ended 31st July 2010

The Trustees present their annual report and financial statements of The Gates Cambridge Trust for the year ended 31st July 2010. The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Trust Deed and the Statement of Recommended Practice: Accounting and Reporting by Charities published in 2005 (updated May 2008).

Structure, governance and management

The Trust was established by Trust Deed on 10 October 2000 by the Bill & Melinda Gates Foundation, by the initial Trustees and by the University of Cambridge.

The Foundation had agreed, as settlor, to provide money to establish the Trust for the provision of scholarships, grants and otherwise for the furtherance of education in the University of persons from any part of the world outside the United Kingdom. The Trust does not undertake fund-raising or trading to generate income.

Two supplemental Trust Deeds were approved on 24 July 2001, dealing with appointment of nominees or custodians for the holding of investments and a requirement that any variation to the objectives of the Trust, if made, shall permit the Trust to continue to operate as an organisation of the same class as the University for the purposes of US Revenue Code Section 509(a)(1) and (2).

The current Trustees hold the Fund upon trust exclusively for scientific, literary and educational purposes, provided that such purposes are wholly charitable according to the laws of England.

The Trust is a UK exempt charity with Inland Revenue reference number XR 44902. Under the Trust Deed of 10 October 2000, at least five Trustees are appointed by the University Council of the University of Cambridge and two by the Bill and Melinda Gates Foundation for periods of three years at a time in all cases.

Since June 2010, the Higher Education Funding Council for England (HEFCE) has been appointed principal regulator of those higher education institutions which are exempt charities under the provisions of the Charities Act 2006. The University of Cambridge is such a charity and the Trust is considered to be a 'linked' charity falling within paragraph (w) of Schedule 2 of the Charities Act 1993 ('paragraph (w) charities').

Currently, it is not clear how paragraph (w) charities will be regulated and HEFCE is undertaking a data collection exercise. It seems likely however that the Trust will be regulated as a 'reporting charity' to the University of Cambridge, which will itself be directly regulated by HEFCE.

The Trustees meet twice annually and agree the broad strategy for the Trust, including consideration of grant making policy, budgets, investments, promotion and risk management. The Standing Orders of the Trust provide for establishment of Committees to which the Trustees may delegate specified powers. Currently, the Trustees are assisted by the Investment Committee which is required to develop and recommend the Investment Policy of the Trust for the approval of the Trustees and to oversee its execution. The investment committee for 2009-10 comprised of Dame Professor Alison Richard (Chairman), Mrs Anne Lonsdale, Mr Alexander Friedman, Mr Andrew Reid (University Director of Finance), Mr Nick Cavalla (University Chief Investment Officer) and the Treasurer.

The day to day running of the Trust is undertaken by the Officers of the Trust, acting in accordance with the Trustees' standing orders and the wishes of the Trustees.

The duties of the Officers, under the direction of the Trustees are, in summary, currently as follows:

Provost

- Arranging for the advertisement, recruitment, selection and admission of Gates Cambridge Scholars to Cambridge;
- Being responsible for the office of the Gates Cambridge Trust in Cambridge;
- In liaison with the Treasurer, preparing budgets for consideration and approval by the Trustees;
- Co-ordinating the arrangements for pastoral welfare support for Gates Cambridge Scholars resident in Cambridge;
- Developing and maintaining the network of Gates Cambridge Scholars internationally.

Secretary

- Ensuring that the minutes of meetings of the Trustees and of any Committees are recorded and maintained;
- Ensuring that all notices are duly given in accordance with the provisions of the Trust Deed and the Standing Orders;
- Acting as custodian of the records of the Trust or appointing such person as is appropriate to act as such custodian.

Treasurer

- Taking charge of and having responsibility for all funds and securities of the Trust;
- Ensuring that monies due and payable to the Trust from any source are properly received and that receipts are given for said monies;
- Ensuring that all such monies are deposited in the name of the Trust in banks, Trust companies or other depositories selected in accordance with the Standing Orders;
- Authorising payments by the Trust in accordance with the annual budget, as approved by the Trustees.

Executive Officers

- Assisting the Provost with his duties to the Trust;
- Assisting the Treasurer with his duties to the Trust;
- Being responsible for the administrative arrangements for the selection of Scholars, for maintaining records of Scholars in residence and of Alumni and for arranging payments to and in respect of Scholars in residence

Financial Officer

- Assisting the Treasurer with his duties to the Trust;
- Being responsible for making payments to Scholars in residence and suppliers of the Trust and ensuring that such transactions are accounted for correctly.
- Preparation of the Financial Accounts for audit.

Administration

The work of the Trust is also supported by administrative staff. Historically most of these have also worked for the Cambridge Commonwealth Trust and the Cambridge Overseas Trust, which have been run out of the same offices. Effective as at February 2010 however, the Trusts have undergone an administrative and physical separation leaving the Gates Cambridge Trust as the sole occupier of its offices at 3e King's Parade Cambridge.

All Trust staff now work solely for the Trust.

Related Parties

The Trust necessarily works closely with several offices of the University of Cambridge of which a number of its Trustees are employees. The University provides various support services to the offices of the Trust and a programme is in place to move the bulk of the Trust's assets into the management of the Cambridge University Endowment Fund.

Recruitment, induction and training of Trustees

All Trustees have considerable administrative experience and knowledge of related governance procedures, in most cases having run educational or business institutions. Some Trustees are leading figures from within the University of Cambridge and its Colleges who understand how Cambridge works, how overseas and EU students are recruited and how the Trust can aim to help them. It is the practice of the Trust to give all new Trustees full minutes of previous meetings of Trustees as well as details of accounts and budgets for at least three years prior to appointment. They also receive a copy of the Trust Deed and Standing Orders made under them. They are given an informal briefing by the officers and are invited to contact the Chairman of the Trust for further and better particulars or for any matters arising after perusing background papers. The Trustees are kept up to date with any relevant legal or regulatory changes affecting the Trust by the Officers of the Trust.

Objectives and activities for the public benefit

The objects of the Trust are to provide scholarships, grants and otherwise for the furtherance of education in the University of Cambridge of persons from any part of the world outside the United Kingdom. The Trustees confirm that they will refer to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Trust's aims and objectives and in future planning activities and setting the grant making policy.

The Trust carries out its objectives by:

- Providing full cost scholarships for outstanding students from outside the UK to undertake postgraduate study at the University of Cambridge.
- Building a global network of future leaders committed to improving the lives of others through the sponsorship and promotion of the Gates Cambridge Scholars Society and Gates Cambridge Alumni Association.

Risk management

The Trustees have examined the major strategic, business and operational risks which the Trust faces in its area of activity, which is essentially the selection and support at the University of Cambridge of outstanding students from overseas, having qualities consistent with the Trust Deed. The Trustees receive regular reports on the activities of the Trust at their meetings and consider this gives them adequate warning of risks and allows them to put in hand on a timely basis any necessary actions to lessen or avoid them.

The Trustees consider the major financial risks to the Trust to be the variability of investment returns on the Charity's endowment and increasing pressure on costs during the economic downturn, most notably from rising University fees.

The first of these is mitigated by the total return approach adopted by the Trust, which uses an average of the last three years investment valuation to determine the spendable funds in a given year. The second can only be mitigated by careful control of student numbers and minimizing costs elsewhere. Currently the Trust does not have any bias towards students taking lower fee courses.

Further financial risk will occur in the short term as the Trust acts to migrate the majority of its assets from its various investment managers into the Cambridge University Endowment Fund. The transition is overseen by an implementation team including the Treasurer and Financial Officer advised by both Cambridge Associates and the University Investment Office. Measures are being put in place to maintain the value of the Trust's assets during the transition period and any residual risk is expected to be minimal.

Achievements and performance of the Trust for the year ended 31 July 2010

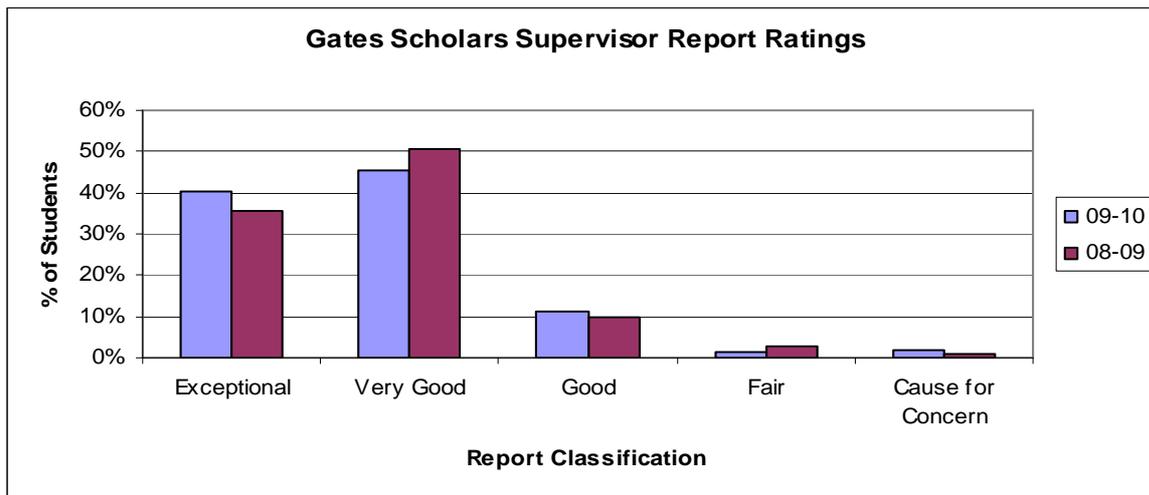
The Gates Cambridge Scholars

The period 2009-10 saw the ninth full year of operation of the Trust. There were 280 Gates Scholars in residence in 2009-10, studying for masters, doctoral and second undergraduate degrees. The numbers of scholars from each cohort were as follows:

Entry year	PhD (three+ years)	MPhil etc. (one-year)	Clinical Studies (three years)	MSc (two years)	Second BA (two years)	Grand Total
2004/05	2		1			3
2005/06	10					10
2006/07	53					53
2007/08	55		1			56
2008/09	55	1		1		57
2009/10	50	49			2	101
Grand Total	225	50	2	1	2	280

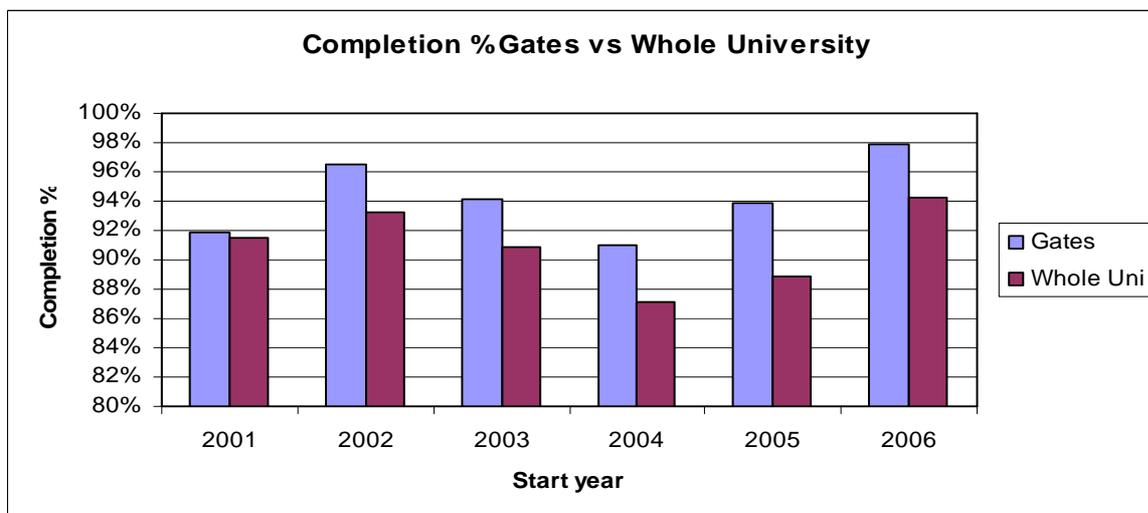
Monitoring achievement

The performance of candidates throughout their course is monitored through yearly progress reports and assessments by supervisors. Outcomes for the 09-10 and 08-09 supervisor reviews are displayed in the graph below.



For any student considered as 'cause for concern' steps are taken in conjunction with the Department and College so that supportive remedial action can be taken. Should this prove unsuccessful, transferral of degree type or withdrawal of funding may be necessary, although this is rarely the case.

One measure of the success of the selection process, i.e. whether the Trust is consistently recruiting the most gifted students, can be gained by comparison of the completion rates of Gates Students relative to the population of postgraduate students in the University as a whole. The table below shows successful completion as a percentage of total registered students for starters from 2001 to 2006 (data is not yet complete for later start periods).



Comfortingly, Gates Scholar completion rates follow the same trend as the whole postgraduate population, but are consistently higher year on year.

Selection of Scholars

Selection procedures were in place across the world as for previous years to ensure the recruitment of high ability Gates Cambridge Scholars to take up residence in October 2010. At the end of this process 78 Gates Scholars accepted awards from October 2010 from 22 countries, including 35 scholars from the USA. The total number of Gates Scholars currently in residence for 2010-11 is 253.

Information about the scholarships is available from the Trust's and University's websites and a wide range of other websites (universities, British Councils etc.) across the world. The Gates Ambassadors programme was important in reaching out to universities around the world; and US applicants were made aware of the scholarships through the National Association of Fellowship Advisors.

Web development

The new website was launched in 2009-10 and has proved very popular with general users and has garnered extremely positive feedback from scholars and alumni.

The Trust, GSAA and Scholars' Council are using the website as the central point for information and PR – the latter via videos, podcasts, calendars, interactive maps, scholar and alumni profiles and news stories – all of which showcase and promote the programme.

The Trust, Council and GSAA are currently working together closely to make further improvements.

Gates Scholars' Common Room

A dedicated Gates Scholars' Common Room was established in Summer 2001 in the University Centre. The accommodation has been leased from the University; it is fully furnished and provides a social base for Gates Cambridge Scholars. The room houses computers, printers and a selection of books and journals.

The common room is well used and is the focal point for a range of academic-related activities each year, including colloquia at which graduate students present their work.

Gates Scholars' Council

The Gates Scholars' Council is a body of current Gates Scholars elected by their peers. The Council organises a full programme of activities for Gates Scholars in Cambridge, including: an orientation programme for new Scholars, student colloquia, lectures by distinguished figures and regular social events. Many of these are open to both Gates Scholars and the wider Cambridge community. The Council is also responsible for the publication of The Gates Scholar – a magazine by and for Gates Scholars and Alumni that is published twice a year. Two editions of the magazine were published and circulated during 2009-2010 and it is expected that two editions will be published and circulated during 2010-11.

GSAA

With over 700 alumni spread around the world, the Gates Scholars' Alumni Association works closely with alumni, the Scholars' Council and the Trust to build a global network of Gates Scholars and Alumni and to expand opportunities for its members. The Gates Scholars' Alumni Association (which is fully funded by the Trust) was established in 2005 and since then has grown in size and scope.

In July 2010 the GSAA adopted a new structure with new personnel. The new Board of Directors consists of eleven alumni with responsibilities for a range of areas. Full details are available from <http://www.gatesscholar.com/our-scholars/alumni-association/detail.asp?ItemID=13022>.

The GSAA also manages the Ambassadors programme (which reaches out to universities and colleges around the world to increase awareness of Gates Cambridge Scholarships) and co-organises with the Trust virtual information sessions (webinars) for applicants.

Investments

The Investment Committee met four times during the financial year to review the performance of the investment portfolio.

The investment objective of the Trust is to maximise long-term total return in sterling (taking capital and income together), consistent with prudent levels of risk. The aim is for investment returns to preserve and/or enhance the real value of the funds and to provide adequate finance to sufficiently support designated Trust activities.

The target percentages of the various asset classes were last formally reviewed in March 2009 and, as at 31 July 2010, were as follows:

	TARGET RANGES	ACTUAL 31.07.10
	%	
UK Equities	10-30	20.50%
Global ex-UK Equities	10-30	19.40%
Fixed Income	15-25	15.40%
Property	5-15	3.80%
Private Equity/Venture Capital	0-10	5.50%
Absolute Return	5-15	13.30%
Equity Hedge	5-15	13.80%
Cash	0-10	8.30%

The allocation to property as at the year end appears lower than the target allocation due to the transition to the CUEF (discussed below) having already begun. Divestment from the Blackrock UK property fund (£6m) occurred the day before financial year end and these funds are shown in the accounts as cash held by brokers.

Throughout the year, the performance of the managers of the various funds held within the portfolio continued to be reviewed regularly by the Investment Committee. The Trust's Investment Advisors, Cambridge Associates, in addition to advising on the overall management of the portfolio and the asset allocations, had direct responsibility for recommending specific investments. Cambridge Associates closely monitored the investment portfolio on behalf of the Trust and liaised regularly with individual managers with regard to their performance or stock selection.

There has been a great deal of volatility in the stock markets during the financial year with equity values peaking around mid April, only to fall and then recover substantially by the year end. Taken overall, the total value of the endowment of the Trust at the year end (31 July) had increased to £160.1m compared to £147.8m at the start of the year – a rise of 8.4% over the period.

At the Trustees' meeting held on 9 December 2009, it was agreed that the Investment Committee should consider whether the Trust's endowment should be invested in the Cambridge University Endowment Fund (CUEF) and report back to the Trustees meeting on 26 May 2010. The Investment Committee subsequently set up a Working Party to take this work forward, comprising the Treasurer, the University's Director of Finance and the Chief Investment Officer, and Mr Alex Friedman.

The CUEF has, in its earlier form the Amalgamated Fund, existed since 1958. It has provided a single investment vehicle for the University's funds and for those trusts for which it is the trustee. It has shown a steady increase in value from new funds and from satisfactory investment performance. Following a review of the University's investment management in 2005 an in-house Investment Office was established, to professionalise the management of the CUEF and manage the assets to best practice. An experienced Chief Investment Officer was recruited by the University in April 2007 and he started to change the nature of the portfolio from the end of that year. This initiative has been considered a success by the University and by its stakeholders, and the University is confident that long-term investment performance will be enhanced.

The Working Party considered that participation in the CUEF would be in the Trust's best interest and therefore recommended that the Investment Committee agree to advise the Trustees accordingly.

At a meeting of the Trustees on 26th May 2010, it was agreed that an implementation team consisting of the Treasurer, the University's Chief Investment Officer and the Financial Officer of the Trust would begin a program to transition the Trust's Investments into the CUEF. Following this transition (which is now substantially completed) the bulk of the Trust's investments will be held inside the CUEF with only long term Private Equity commitments and a liquidity vehicle to service them continuing to be managed separately.

Income from Investments

The income from investments for the year was £4.32m, compared with £4.61m the previous year, reflecting the still uncertain market conditions. This represented 2.7% of the average asset value of the Trust over the financial year 2009-10.

Ethical Investment Policy

At their meeting held on 9 December 2009, the Trustees approved the following ethical investment policy:

The primary fiduciary responsibility of the Trustees in investing and managing the Trust's endowment assets is to ensure the preservation of the fund's inflation adjusted purchasing power after spending, within the context of cautious risk/reward and diversification principles of portfolio management. However, there are circumstances, described in Charity Commission guidance and founded in judicial decisions, when the Trust may balance considerations of the ethical nature of investments against its primary responsibility. (CC14 – Investment of Charitable Funds -<http://www.charity-commission.gov.uk/supportingcharities/cc14full.asp>) In particular, the aims and objectives of the Trust may be considered when selecting potential investments. The Treasurer ensures that external investment managers are aware of the Trust's approach to Investment Responsibility.

Financial Position of the Gates Cambridge Trust

The average net value of the Trust's endowment at the end of the preceding three years was £164.4m. The Trustees agreed to make up to 90 new awards from October 2009, resulting in a total expenditure on new and existing scholars of £6.5m in 2009-10; this expenditure represented just under 4% of the average capital valuation over the previous three years. A target of 80 new Scholars was set for 2010-11, to take account of uncertain economic conditions and an increasing cost base. The Trustees are keeping the level of disbursement under close review in the light of current market conditions and cost increases, and are likely to continue to adopt a cautious attitude.

A central objective is to at least maintain the value of the financial assets of the Trust in real terms over the medium term by a successful investment policy and secure an income which rises in line with costs.

Reserves Policy

The initial donation from the Gates Foundation in 2000 was intended to provide total returns to cover the cost of scholarships, awarded as specified in the Trust Deed. As stated above, the Trustees determine their disbursement policy on a cautious basis, currently spending less than 4% of the asset value of the endowment of the Trust. It is hoped in this way that the real value of the endowments of the Trust can be maintained and a steadily increased return be obtained to cover inflationary increases in costs.

Plans for Future Periods

A number of factors will combine to put pressure on Trust finances in coming periods. The effects of the recession on the three year average total return on the Trust's investments will reduce spendable resources, whilst sharply rising University fees and the withdrawal of HEFCE funding for Overseas Research Studentship (ORS) awards will push up costs significantly. The ORS award acted to reduce the fees of an overseas student to the substantially lower level of a home student and its withdrawal will be felt incrementally over the next two years as PhD students work their way through the system. In response to this the Trust will continue to limit the number of scholarships it awards per year to c80 until economic conditions prove more favourable.

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 of the incoming resources and application of resources of the Trust for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust 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 1993, as amended by the Charities Act 2006, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the Trust Deed. They are also responsible for safeguarding the assets of the Trust 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's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Trustees on 6th December 2010

Signed on behalf of the Trustees

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF THE GATES CAMBRIDGE TRUST

We have audited the financial statements of The Gates Cambridge Trust for the year ended 31 July 2010 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement, the notes to the Cash Flow Statement, the Statement of Accounting Policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Trustees and Auditors

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

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with the Charities (Accounts and Reports) Regulations 2005 ("the 2005 Regulations") made under part VI 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). This report, including the opinion, has been prepared for and only for the Trust's Trustees as a body in accordance with paragraph 24 of The Charities (Accounts and Reports) Regulations 2008 made under the Charities Act 1993 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 information given in the Trustees' Report is not consistent with the financial statements, if the Trust has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit 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 Trust's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Trust's affairs as at 31 July 2010 and of its incoming resources and application of resources, including its cash flows, for the year then ended; and
- the financial statements have been properly prepared in accordance with the Charities Act 1993.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cambridge

Date:

STATEMENT OF FINANCIAL ACTIVITIES
Year ended 31 July 2010

	Note	Total unrestricted funds	
		2010 £'000	2009 £'000
INCOMING RESOURCES			
Incoming resources from generated funds			
Investment income	2	4,315	4,614
		<u>4,315</u>	<u>4,614</u>
Total incoming resources		<u>4,315</u>	<u>4,614</u>
RESOURCES EXPENDED			
Costs of generating funds			
Investment management costs		286	341
Charitable activities	4	6,199	6,211
Governance costs	5	51	58
		<u>6,536</u>	<u>6,610</u>
Total resources expended		<u>6,536</u>	<u>6,610</u>
Net (outgoing) resources before other recognised gains and losses		(2,221)	(1,996)
OTHER RECOGNISED GAINS/LOSSES			
Gains/losses on investment assets	9	14,529	(16,092)
		<u>14,529</u>	<u>(16,092)</u>
Net movement in funds		12,308	(18,088)
RECONCILIATION OF FUNDS			
Total funds brought forward at 1st August 2009		147,766	165,854
Total funds carried forward at 31 July 2010		<u>160,074</u>	<u>147,766</u>

All transactions are derived from continuing activities

There are no recognised gains and losses for the current or preceding financial year other than are stated in the Statement of Financial Activities.

The notes on pages 19 to 23 form part of the financial statements.

BALANCE SHEET
Year ended 31 July 2010

	Note	2010		2009	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets for use by the Trust	8		9		45
Investments	9		145,995		138,225
Total fixed assets			<u>146,004</u>		<u>138,270</u>
CURRENT ASSETS					
	10				
Debtors			969		862
University account			2		
Cash at bank					
Cash held by brokers		5,978		707	
Monies on deposit		7,163		8,319	
Current account		109		1	
			<u>13,250</u>		<u>9,027</u>
Total current assets			<u>14,221</u>		<u>9,889</u>
CREDITORS: amounts falling due within one year					
University account			-		313
Trade Creditors and Accruals	11		151		80
			<u>151</u>		<u>393</u>
NET CURRENT ASSETS			<u>14,070</u>		<u>9,496</u>
NET ASSETS			<u>160,074</u>		<u>147,766</u>
FUNDS					
Unrestricted funds	12		<u>160,074</u>		<u>147,766</u>

The notes on pages 19 to 23 form part of these financial statements.

These financial statements were approved by the Trustees on

Signed on behalf of the Trustees

CASH FLOW STATEMENT
Year ended 31 July 2010

	Note	2010 £'000	2009 £'000
Net cash outflow from operating activities	a	(6,742)	(6,375)
Returns on Investments and servicing of finance			
Investment income receipts		4,206	4,637
		<hr/>	<hr/>
Net cash inflow from returns from investments		4,206	4,637
		<hr/>	<hr/>
Capital expenditure			
Net proceeds/(purchases) from investments		6,759	7,652
		<hr/>	<hr/>
Net cash inflow from capital expenditure		6,759	7,652
		<hr/>	<hr/>
Increase/(decrease) in cash	b	4,223	5,914
Net funds as at 1st August 2009		9,027	3,113
		<hr/>	<hr/>
Net funds as at 31st July 2010		13,250	9,027
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CASH FLOW STATEMENT
Year ended 31st July 2010

	2010	2009
	£'000	£'000
a. Reconciliation of outgoing resources to net cash outflow from operating activities		
Net outgoing resources	(2,221)	(1,996)
Depreciation	36	36
Increase in debtors	(109)	23
Decrease in creditors	(242)	199
Income from Investments	(4,206)	(4,637)
	<hr/>	<hr/>
Net cash outflow from operating activities	(6,742)	(6,375)
	<hr/> <hr/>	<hr/> <hr/>

b. Analysis of the balance of cash as shown on the balance sheet	At	Increase/	At
	1 August	(decrease)	31 July
	2009	in year	2010
	£'000	£'000	£'000
Cash held by brokers	707	5,271	5,978
Deposit balances	8,319	(1,156)	7,163
Current account	1	108	109
	<hr/>	<hr/>	<hr/>
	9,027	4,223	13,250
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

ACCOUNTING POLICIES

Year ended 31 July 2010

Basis of Preparation

The financial statements have been prepared under the historic cost convention, with the exception that investments are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (SORP 2005 updated May 2008) issued in March 2005 and applicable UK Accounting Standards.

Going concern

The Trustees are confident that the Trust has adequate funds to continue operating for the foreseeable future and is well placed to manage risk successfully despite the current uncertain economic outlook. For this reason, the financial statements are prepared on a going concern basis.

Funds structure

The funds of the Trust are unrestricted but the Trustees direct that they be invested and managed on a total return basis. The total return is applied against the costs of providing scholarships, grants and otherwise for the furtherance of education in the University of Cambridge of persons from any part of the world outside the United Kingdom.

The reserves policy of the Trust is reviewed annually.

Incoming resources

All incoming resources are recognised once the Trust has entitlement to the resources, it is certain that the resources will be received and the monetary value of incoming resources can be measured with sufficient reliability.

Resources expended

Liabilities are recognised as resources expended as soon as there is a legal or constructive obligation committing the Trust to the expenditure. All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

Grants payable are payments made to scholars in the furtherance of the charitable activities of the Trust.

Grants can be for single or multi-year courses but are only recognised when the recipient has a reasonable expectation that they will receive the grant and when annual performance criteria have been met.

Allocation of overhead and support costs

Overhead and support costs have been allocated between charitable activity and governance. Costs are apportioned on the basis of staff time or asset usage as shown in note 3.

Costs of generating funds

The costs of generating funds consist of investment management and certain legal fees.

Charitable activities

Costs of charitable activities include grants made and apportionment of overhead and support costs as shown in note 4.

Governance costs

Governance costs comprise all costs involving the public accountability of the Trust and its compliance with regulation and good practice. These include costs related to statutory audit and legal fees together with an apportionment of overhead and support costs (note 5).

Tangible fixed assets and depreciation

All assets costing more than £10,000 are capitalised at cost.

Depreciation is charged on furniture and equipment which is written off on a straight line basis over their estimated useful life of four years.

Fixed asset investments

Investments are stated at market value at the balance sheet date. The Statement of Financial Activity includes the net gains and losses arising on revaluation and disposals throughout the year.

Realised gains and losses

All gains and losses are taken to the Statement of Financial Activity as they arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and opening market value (or purchase date if later). Unrealised gains and losses are calculated as the difference between market value at year end and opening market value (or purchase date if later). Realised and Unrealised gains are not separated in the Statement of Financial Activities.

Pensions

The Trust contributes to the USS defined benefit pension scheme and accounts for the costs in relation to this Scheme in accordance with FRS 17 (Retirement benefits). As the Trust is unable to identify its share of the underlying assets and liabilities in the Scheme on a reasonable and consistent basis, it accounts as if the Scheme were a defined contribution scheme, so that the cost is equal to the total of contributions payable in the year (note 7).

Funds

All funds are unrestricted and are expendable at the discretion of the Trustees in the furtherance of the objectives of the Trust.

Irrecoverable VAT

The Trust is not registered for VAT. Irrecoverable VAT is charged against the category of expenditure for which it was incurred.

NOTES TO THE ACCOUNTS

Year ended 31 July 2010

1. Related Party Transactions and Trustees' remuneration

Trustees received no emoluments (2009: £nil) and £1,357 of expenses were reimbursed (2009: £310).

The University of Cambridge provides the Trust with payroll and computer support services free of charge, the value of which (whilst it could be estimated) is not considered material to adjust for in the accounts.

The Trust, in providing Scholarships and otherwise contributed £1,597k (2009: £1,506k) to the University in academic fees. The Trust paid the University £61k for rental of space and service charges for the Gates Common Room, £20k for promotional activities and £14k for various other services. Balances with the University are shown in note 10.

Payments to the various colleges of the University amounted to £446k (2009: £473k).

Professor Dame Alison Richards, the Chair of the Trustees was also the Vice Chancellor of the University of Cambridge during the financial year. Other Trustees with close ties to the University or Colleges include Lord Rees of Ludlow (Master of Trinity College), Baroness O'Neill of Bengarve (Emeritus Professor of Philosophy), Professor Megan Vaughn (Smuts Professor of Commonwealth History) and Mrs Anne Lonsdale (former President of Murray Edwards College).

2. Investment income

	2010 £'000	2009 £'000
Investment interest receivable	1,234	1,070
Dividend income received	2,380	2,764
Distribution from property funds	701	780
	<u>4,315</u>	<u>4,614</u>

3. Allocation of support costs and overheads

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

Cost type	Total Governance	Charitable	Basis of apportionment
	allocated	activities	
	£'000	£'000	£'000
Staff costs	317	33	284 Staff time
Depreciation	36		36 Asset use
Administration costs	164	8	156 Asset use
	<u>517</u>	<u>41</u>	<u>476</u>

Support costs are then allocated between charitable activities on the basis of staff time.

4. Analysis of charitable expenditure

The Trust undertakes its charitable activities mainly through awarding grants for individuals to undertake post graduate courses. It also makes additional grants in some cases to cover study-related fieldwork, conferences and travel etc. The Trust undertakes a number of activities (such as the provision of the 'Gates Common Room') in order to create a lasting community of Gates Scholars and Alumni.

	Direct charitable expenditure £'000	Support costs £'000	Total 2010 £'000	Total 2009 £'000
Educational grants to Scholars	5,192	431	5,623	5,742
Fieldwork, conferences etc.	229	19	248	252
Scholar related payments	119	10	129	115
Alumni related payments	107	9	116	31
Interview costs	77	6	83	71
	<u>5,724</u>	<u>475</u>	<u>6,199</u>	<u>6,211</u>

Commitments to educational grants to Scholars are expected to total approximately £5,460k in 2010-11.

5. Analysis of governance costs

	2010 £'000	2009 £'000
Auditors remuneration	5	10
Legal fees	5	-
Allocated support costs	41	48
	<u>51</u>	<u>58</u>

6. Analysis of staff costs

	2010 £'000	2009 £'000
Salaries and wages	263	208
Social security costs	24	21
Other pension costs	31	18
	<u>318</u>	<u>247</u>

The average number of employees during the year was 7 (2009: 8, shared with other Trusts)

The emoluments of one member of staff, including benefits in kind was within the range £100,000 to £105,000 (2009 - one employee earned between £100,000 and £105,000). Employer's pension contributions totalled approximately £12,000 during the year.

7. Pension Schemes

The principal pension schemes for the Trust's staff is the Universities Superannuation Scheme (USS).

The Trust is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reliable basis and therefore, as required by FRS 17 (Retirement Benefits) accounts for the scheme as if it were a defined contribution scheme. The latest actuarial valuation of the scheme was at 31 March 2008 and was the first valuation for this scheme to require the calculation of technical provisions in accordance with the Pensions Act 2004. The assumptions that have the most significant effect on the result of the valuation were as follows:

Investment returns per annum 6.40%

Salary scale increases per annum 4.30%

Pension increases per annum 3.30%

Mortality – equivalent life expectancy for members reaching retirement age of 65:

Males 88

Females 90

At the valuation date, the value of the assets of the scheme was £28,842.6m and the value of the scheme's technical provisions was £28,135.3m. The assets were therefore sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The contribution rate payable by the Trust in the year ended 31 July 2010 was 16% of pensionable salaries. Since 31 March 2008 global investment markets have continued to fall and at 31 March 2009 the actuary estimated that the funding level had fallen from 103% to 74%. This estimate was based on the funding level at 31 March 2008, as noted above, adjusted to reflect the scheme's actual investment performance over the year and changes in market conditions. The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

8. Tangible fixed assets

Furniture and equipment

Cost

As at 1 August 2009

£'000

438

As at 31 July 2010

438

Depreciation

As at 1 August 2009

393

Charge for year

36

As at 31 July 2010

429

Net book value

As at 1 August 2009

45

As at 31 July 2010

9

9. Investments held as fixed assets

Movement in fixed asset investments	2010 £'000	2009 £'000
Market value brought forward at 1 August 2009	138,225	161,969
Add: additions to investments at cost	6,473	10,328
Disposal at carrying value	(13,232)	(17,980)
Add net gain/(loss) on revaluation	<u>14,529</u>	<u>(16,092)</u>
Market value as at 31 July 2010	<u><u>145,995</u></u>	<u><u>138,225</u></u>

Investments are revalued at middle market values at the year end. All investments are held as unrestricted funds.

Investments at market value comprised	2010 £'000	2009 £'000
UK Equities	32,631	36,378
Global ex-UK Equities	30,936	26,093
UK Fixed Interest	24,577	20,983
Commodities	5,196	-
Property Funds	6,079	12,573
Hedge Funds & Absolute Return Global	22,249	19,431
Hedge Funds & Absolute Return UK	15,758	15,228
Private Equity & Venture Capital	8,569	7,539
Total	<u><u>145,995</u></u>	<u><u>138,225</u></u>

Capital commitments to the private equity portfolio stand at around £4m, payable incrementally over the next nine years.

10. Debtors	2010 £'000	2009 £'000
University Account	2	-
Prepayments and accrued income	<u>969</u>	<u>862</u>
Total	<u><u>971</u></u>	<u><u>862</u></u>

11. Creditors	2010 £'000	2009 £'000
University Account	-	313
Trade creditors	48	-
Accruals and deferred income	<u>103</u>	<u>80</u>
Total	<u><u>151</u></u>	<u><u>393</u></u>

12. Analysis of charitable funds

Analysis of Fund movements	Balance b/fwd	Incoming resources	Resources Expended	Gains and losses	Fund c/fwd
	£'000	£'000	£'000	£'000	£'000
Unrestricted funds	147,766	4,315	(6,536)	14,529	160,074
Total	<u>147,766</u>	<u>4,315</u>	<u>(6,536)</u>	<u>14,529</u>	<u>160,074</u>