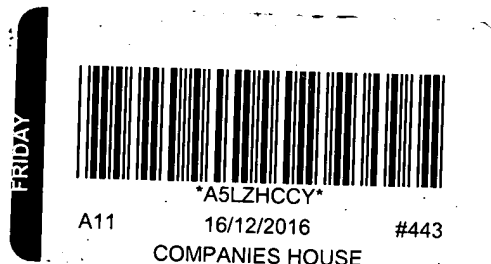


Charity Registration No. 1086396

Company Registration No. 04189311 (England and Wales)

THE HILL FOUNDATION
TRUSTEES' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016



THE HILL FOUNDATION

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	Mr Anthony Smith CBE Mr James Kitcatt Mr Alastair Tulloch Prof Catriona Kelly
Secretary	Mr Alastair Tulloch
Charity number	1086396
Company number	04189311
Registered office	4 Hill Street Mayfair London W1J 5NE
Auditors	Berg Kaprow Lewis LLP 35 Ballards Lane London N3 1XW
Bankers	Lloyds TSB Bank Plc Berkeley Square House 14 Berkeley Square London W1J 6AF
Investment advisors	Cazenove Capital Management Limited 12 Moorgate London EC2R 6DA

THE HILL FOUNDATION

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THE HILL FOUNDATION

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 MARCH 2016

The trustees present their report and accounts for the year ended 31 March 2016.

The accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the the charity's governing document, the Companies Act 2006 and the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard for Smaller Entities.

The trustees pay due regard to the guidance from the Charity Commission on public benefit in deciding which grants and activities to undertake.

Structure, governance and management

The charity is a company limited by guarantee and is governed by the Memorandum of Association adopted 28th March 2001. The charity's objects are that of the advancement of education and the relief of poverty, and to promote such other purposes as are now or may hereafter be deemed by English law to be charitable.

The trustees, who are also the directors for the purpose of company law, and who served during the year were:

Mr Anthony Smith CBE

Mr James Kitcatt

Mr Alastair Tulloch

Prof Catriona Kelly

The method of recruitment and appointment of trustees is carried out by the board of trustees and only individuals with the necessary expertise are invited to join the board.

None of the trustees has any beneficial interest in the company. The majority of the trustees are members of the company and guarantee to contribute £1 in the event of a winding up.

The trustees conduct the overall supervision and monitoring of the financial position of the organisation. The day to day administration is delegated to the Company Secretary and his office. A student selection committee conducts interviews and undertakes visits to Russia to assess applications for awards and grants.

There are no specific restrictions imposed by the governing document concerning the way the charity can operate. However, the donor of the expendable endowment fund has expressed a wish, which is non-binding upon the trustees, that the income from these funds is directed towards the integration of the Russian Federation into the wider world, with the sponsorship of Russian students at schools and universities outside of Russia being specified as the most direct way of assisting such integration.

There are no specific investment powers. The trustees have delegated investment of the expendable endowment fund to professional investment managers. The investment managers have declared that their investment objectives are based on an active approach for fixed income and absolute return, and a passive approach for equities exposure plus the inclusion of a managed growth trust, a property fund and a hedge fund.

Mr Anthony Smith was formerly President of Magdalen College, Oxford (1988 - 2005) The scholarship sponsorship costs are paid to Oxford University and further details are set out in the notes to the Accounts.

The trustees have assessed the major risks to which the charity is exposed, and are satisfied that systems are in place to mitigate exposure to the major risks. The trustees continue to take legal advice as appropriate.

THE HILL FOUNDATION

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

Objectives and activities

The policies adopted in furtherance of these objects are primarily the provision of student scholarships at Oxford University, known as the Hill Foundation Scholarships. The awards are open to outstanding young citizens of the Russian Federation or first generation Israelis of Russian descent. Applicants must intend to return to their homeland at the end of their studies and to spend their lives in ways beneficial to their home society: whether in business, academic life, public service, the arts or the professions.

The trustees have paid due regard to guidance issued by the Charity Commission in deciding what activities the the charity should undertake.

The following charitable distributions had been made or agreed on behalf of the Foundation during the year: the selection committee headed by Mr Anthony Smith awarded 8 Hill Foundation scholarships in the 2015-16 academic year to Russian Federation students who had been offered a place at Oxford University to read for either post-graduate degrees or doctorates.

The charity's grant making policy includes support for specific one-off events such as cultural exchanges and conferences from time to time.

Achievements and performance

The charity's main achievements are reflected in the high academic success of its scholars and the prime objective of their return to Russia to take up prestigious positions and contribute to society in general and Anglo-Russian relations in particular. There is a thriving alumni group whose members promote the charity's core values of sharing the Oxford spirit and promoting international co-operation and togetherness.

Financial review

The charity has continued to fund its regular commitments to the Hill Foundation Scholarships. Financial market conditions have been unsettled. The portfolio income is currently insufficient to meet the costs of the charity's usual activities and the funding gap has been met by the disposal of assets. The funds had been invested to satisfy the investment policy to increase their underlying value and to provide a minimum target long term investment return of 4.5% (above the UK CPI) with at least 3% of the fund available for annual disbursement, but none of these targets have been met.

The actual overall performance for the year was a negative return of -0.8% (*over 3 years: 5.3% pa*). The historic yield has been 2.09% which is short of the target return. Fortunately, there have been past accumulated value surpluses that the charity can now draw upon to meet the funding gap.

The fund managers continue to take an active approach for fixed income and absolute return, but take a passive approach for equities exposure. There is an active UK dynamic fund, a growth trust for charities and global multi-manager funds. They invest in pooled funds only and use appropriate asset allocations, benchmarking and performance measurement.

It is the policy of the charity that unrestricted funds which have not been designated for a specific use should be maintained at a level equivalent to one year's worth of committed expenditure. The trustees consider that reserves at this level will ensure that, in the event of a significant drop in funding, they will be able to continue the charity's current activities while consideration is given to ways in which additional funds may be raised. Despite valuation losses, the target level of reserves has been maintained throughout the year across the portfolio as a whole.

Over the year, the overall portfolio sustained unrealised losses of -£598,312 (*2015: unrealised gains of £861,021*). This was in addition to crystallising losses of -£304,327 (*2015: crystallised gains of £53,811*). Despite sustaining these heavy losses, the portfolio remains in a satisfactory position of surplus measured against book cost of just over 22.7% (*2015: 31.7%*).

THE HILL FOUNDATION

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

There are four sub-funds within the overall portfolio that are in deficit, namely: the Vanguard FTSE 100 UCITS ETF fund (by 5% or £55,190), the Schroder Strategic Credit Fund (by 3% or £35,328), the Mayfair Capital Property Income Trust (by 25% or £329,075) and the Charities Property Fund (by 1% or £2,542). Despite such a large deficit on the Property Income Trust it clawed back £72,233 against previous losses and continues to generate a positive income yield of 3.9%. The trustees consider that diversification within the portfolio as a whole, despite the significant fall in the values of equity and hedge funds, continues to mitigate the deficits on the identified funds.

Asset cover for funds

Further details of the revaluation of assets are shown in note 8 to the Accounts. Past decisions were taken to further extend the original Hill Foundation portfolio composition to a more diversified, multi-manager approach, which the trustees believe offers effective protection against future asset cover risks. The portfolio continues to show a surplus of £3.28m in value over book cost [2015 surplus: £4.53m] which has vindicated this approach. The trustees regard the current level of asset cover and cash reserves to be sufficient to meet future resource expenditure needs and cover for the current income funding gap, and will closely monitor this situation particularly as the student funding commitments to Oxford University are likely to rise significantly in 2016-17.

The total amount required for the 2016-17 scholarship awards is £564,747 (2015-16: £414,870).

Disclosure of information to auditors

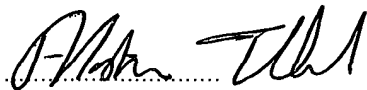
Each of the directors has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditors are aware of such information.

Auditors

A resolution proposing that Berg Kaprow Lewis LLP be reappointed as auditors of the company will be put to the members.

In preparing this report, the Trustees have taken advantage of the small companies exemption provided by section 415A of the Companies Act 2006.

On behalf of the board of trustees



Mr Alastair Tulloch

Trustee

Dated: 15 Nov 2016

THE HILL FOUNDATION

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees, who are also the directors of The Hill Foundation for the purpose of company law, are responsible for preparing the Trustees' Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare accounts for each financial year which give a true and fair view of the state of affairs of the the charity and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

In preparing these accounts, 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; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the the charity will continue in operation.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the the charity and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THE HILL FOUNDATION

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE HILL FOUNDATION

We have audited the accounts of The Hill Foundation for the year ended 31 March 2016 set out on pages 7 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members 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 charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the statement of trustees' responsibilities, the trustees, who are also the directors of The Hill Foundation for the purposes of company law, are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view.

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

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounts

In our opinion the accounts:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report for the financial year for which the accounts are prepared is consistent with the accounts.

THE HILL FOUNDATION

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF THE HILL FOUNDATION

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the accounts are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Berg Kaprow Lewis LLP

Ian Saunderson FCA (Senior Statutory Auditor)
for and on behalf of Berg Kaprow Lewis LLP

Chartered Accountants
Statutory Auditor
35 Ballards Lane
London
N3 1XW

Dated: *8 December 2016*

THE HILL FOUNDATION

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £	2015 £
<u>Incoming resources from generated funds</u>			
Investment income	2	382,311	438,204
<u>Resources expended</u>	3		
<u>Costs of generating funds</u>			
Investment management costs		48,451	44,413
Net incoming resources available		333,860	393,791
Charitable activities			
Student selection, secretarial support and dinner costs		51,590	37,650
Grants payable - Oxford University		421,990	415,046
Total charitable expenditure		473,580	452,696
Governance costs		7,926	8,875
Total resources expended		529,957	505,984
Net outgoing resources		(147,646)	(67,780)
Other recognised gains and losses			
(Losses)/gains on investment assets		(902,639)	914,832
Net movement in funds		(1,050,285)	847,052
Fund balances at 1 April 2015		19,541,270	18,694,217
Fund balances at 31 March 2016		18,490,985	19,541,269

THE HILL FOUNDATION

SUMMARY INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2016

	2016 £	2015 £
Total incoming resources	382,311	438,204
(Loss)/gain on disposal of investment assets	(304,327)	53,811
	<hr/>	<hr/>
Total income	77,984	492,015
	<hr/>	<hr/>
Total resources expended	529,957	505,984
	<hr/>	<hr/>
Net expenditure for the year	(451,973)	(13,969)
	<hr/>	<hr/>

The summary income and expenditure account is presented in order to ensure compliance with the Companies Act 2006. The major difference in the figures presented from those in the statement of financial activities is that unrealised gains and losses on investments are not recognised.

STATEMENT OF RECOGNISED GAINS AND LOSSES

Net expenditure for the year	(451,973)	(13,969)
Unrealised gains on investment assets held by income funds	(598,312)	861,021
	<hr/>	<hr/>
Net movement in funds	(1,050,285)	847,052
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THE HILL FOUNDATION

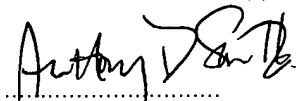
BALANCE SHEET

AS AT 31 MARCH 2016

		2016		2015	
	Notes	£	£	£	£
Fixed assets					
Investments	8		17,702,144		18,775,995
Current assets					
Debtors	9	10,479		4,770	
Cash at bank and in hand		786,192		767,284	
		<u>796,671</u>		<u>772,054</u>	
Creditors: amounts falling due within one year	10	(7,830)		(6,780)	
Net current assets			<u>788,841</u>		<u>765,274</u>
Total assets less current liabilities			<u><u>18,490,985</u></u>		<u><u>19,541,269</u></u>
Income funds					
Unrestricted funds					
Unrestricted income funds	11	15,209,816		15,013,766	
Revaluation reserve	11	3,281,169		4,527,503	
		<u>18,490,985</u>		<u>19,541,269</u>	
Total funds			<u><u>18,490,985</u></u>		<u><u>19,541,269</u></u>

The financial statements have been prepared in accordance with the provisions applicable to small companies within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015).

The accounts were approved by the Board on 15 Nov 16 and signed on their behalf by



Mr Anthony Smith CBE
Trustee

Company Registration No. 04189311

THE HILL FOUNDATION

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

1.1 Basis of preparation

The accounts have been prepared under the historical cost convention, with the exception of investments which are included at market value, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015). The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard for Smaller Entities published on 16/07/14 and the Companies Act 2006.

1.2 Incoming resources

All incoming resources are included in the Statement of Financial Activities when the charity becomes legally entitled to the investment or other income and the amount can be quantified with reasonable accuracy.

1.3 Resources expended

Charitable activities costs are allocated over the relevant activity based upon the cost of activities undertaken directly and support costs are allocated according to the relative costs of each activity in each year.

Grants payable by the Foundation are recognised as expenditure when they are paid or when a legal or constructive obligation is formed, if earlier. All grants payable in the current and previous year were to the University of Oxford, and all were recognised in the year of payment.

1.4 Investments

Fixed asset investments are stated at market value.

1.5 Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All differences are included in net outgoing resources.

1.6 Debtors

Trade and other debtors are recognised at the settlement amount due after any discount offered. Prepayments are valued at the amount prepaid after taking account of any discounts due.

1.7 Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any discounts due.

THE HILL FOUNDATION

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

2 Investment income

	2016 £	2015 £
Income from listed investments	274,227	288,502
UK Bonds interest	99,629	143,991
Rebates	8,170	4,559
Interest receivable	285	1,152
	<u>382,311</u>	<u>438,204</u>

3 Total resources expended

	Other costs £	Grant funding £	Total 2016 £	Total 2015 £
Costs of generating funds				
Investment management costs	48,451	-	48,451	44,413
Charitable activities				
<u>Student selection, secretarial support and dinner costs</u>				
Activities undertaken directly	51,590	-	51,590	37,650
<u>Grants payable - Oxford University</u>				
Grant funding of activities	-	421,990	421,990	415,046
	<u>51,590</u>	<u>421,990</u>	<u>473,580</u>	<u>452,696</u>
Governance costs	<u>7,926</u>	<u>-</u>	<u>7,926</u>	<u>8,875</u>
	<u>107,967</u>	<u>421,990</u>	<u>529,957</u>	<u>505,984</u>

Governance costs includes payments to the auditors of £2,880 (2015: £ 2,880) for audit fees.

The investment management charges in the year were £ 48,451 (2015: £44,413) of which £nil (2015: £nil) were partly applied to the book costs and quarterly charges of £ 48,451 (2015: £44,413) were paid direct.

4 Activities undertaken directly

Included in activities undertaken directly are costs of £27,600 (2015: £27,600) for secretarial support payable to a connected firm of one of the trustees for professional services rendered.

THE HILL FOUNDATION

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

5 Grants payable

	Total 2016 £	Total 2015 £
Grants to institutions (1 grants):		
Oxford University	421,990	415,046
	421,990	415,046

6 Trustees

None of the trustees received any remuneration or reimbursement of expenses during the year, but Mr Anthony Smith CBE was paid a total of £6,757 for his services as the chair of the student selection committee under the provisions in the governing document and Charity Commission consent (2015-£6,757) and Tulloch & Co, Solicitors, a firm connected to Alastair Tulloch was paid £27,866 (2015-£27,821) inclusive of VAT and disbursements in respect of the administration under the provisions in the governing document.

7 Employees

There were no employees during the year.

THE HILL FOUNDATION

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

8 Fixed asset investments

Quoted investments

	Alternatives: Hedge & Property Funds £	Global Equities £	UK Bonds £	UK Equities £	Multi Asset Funds £	Total £
Market value at 1 April 2015	6,764,393	3,387,607	2,648,489	5,499,379	476,123	18,775,991
Disposals at opening book value	(511,954)	-	-	(2,424,502)	-	(2,936,456)
Acquisitions at cost	390,000	-	-	2,070,920	-	2,460,920
Change in value in the year	(295,692)	(30,469)	(56,568)	(244,730)	29,148	(598,311)
Market value at 31 March 2016	6,346,747	3,357,138	2,591,921	4,901,067	505,271	17,702,144
The investment assets are held:						
In the UK	6,346,747	-	2,591,921	4,901,067	505,271	14,345,006
Outside the UK	-	3,357,138	-	-	-	3,357,138
	6,346,747	3,357,138	2,591,921	4,901,067	505,271	17,702,144
Historical cost:						
At 31 March 2016	5,374,627	1,845,122	2,574,993	4,147,092	479,143	14,420,977
At 31 March 2015	5,798,680	1,845,122	2,574,993	4,029,695	479,143	14,248,490

Material investments with a value of 5% or more of the Charity's funds were as follows:

Holding	Fund	2016 £	2015 £
38,603.56	Permal Absolute Return Fund	4,435,855.00	5,340,501.87
2,769,915.87	Schroder Multi-Manager International Fund Z Inc	3,357,138.00	3,387,607.11
204,016.05	Blackrock Adv (UK) Charitrak Common Invest Inc	2,395,148.00	2,599,164.50
2,271,995.40	Schroder Income Trust for Charities Inc	1,459,075.00	1,484,521.79
1,174,420.04	Schroder Strategic Credit Fund L inc	1,132,846.00	1,163,967.70
1,236,854.99	Mayfair Capital Property Inc Trust for charities	1,018,674.00	946,441.44
89,365.00	Henderson Gartmore HGF UK Absolute Return Fund	504,760.00	477,449.99
1,630,000.00	The Equity Income Trust for Charities	1,411,254.00	
39,651.00	Vanguard FTSE 100 UCITS ETF	1,094,665.00	475,712.15

THE HILL FOUNDATION

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

9	Debtors	2016 £	2015 £
	Other debtors	10,479	4,770

10	Creditors: amounts falling due within one year	2016 £	2015 £
	Other creditors and accruals	7,830	6,780

11 Statement of funds

	Balance at 1 April 2015	Investment gains/losses unrealised	Movement in funds Net income/ (expenditure) in the year before investment disposals	Transfers	Investment gains/losses realised	Balance at 31 March 2016
	£	£	£	£	£	£
Unrestricted income fund	15,013,766	-	(147,646)	648,023	(304,327)	15,209,816
Revaluation reserve	4,527,503	(598,311)	-	(648,023)	-	3,281,169
	19,541,269	(598,311)	(147,646)	-	(304,327)	18,490,985

The transfer from the revaluation reserve to the unrestricted income fund represents the realisation of the revaluation in previous years on investment assets sold in the year.