



JOHN LYON'S CHARITY
PART OF THE HARROW SCHOOL FOUNDATION

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2007

Registered Charity No: 237725

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Trustee	The Keepers and Governors of the Possessions, Revenues and Goods of the Free Grammar School of John Lyon
Registered Charity No.	237725
Clerk to the Trustee and Registered Address	A J F Stebbings 45 Pont Street London SW1X 0BX
Property Managing Agents	Cluttons LLP, Chartered Surveyors Portman House, 2 Portman Street London W1H 6DU
Bankers	Coutts & Co 440 Strand London WC2R 0QS
Auditors	CLB Littlejohn Frazer Chartered Accountants and Registered Auditors 1 Park Place Canary Wharf London E14 4HJ
Solicitors	Pemberton Greenish 45 Pont Street London SW1X 0BX
Investment Advisers	Cazenove Capital Management Limited 12 Moorgate London EC2R 6DA

Introduction

The Trustee is the Corporation founded by Royal Charter granted by Elizabeth I in February 1572 to John Lyon, the founder of Harrow School. The Corporation is known as "The Keepers and Governors of the Possessions, Revenues and Goods of the Free Grammar School of John Lyon".

The Corporation is a separately Registered Charity (No. 310033) responsible for Harrow School and The John Lyon School.

In presenting this report for the year ended 31 March 2007, the Trustee has complied with the Statement of Recommended Practice, Accounting and Reporting by Charities (2005) ("the Charities SORP") and applicable United Kingdom Accounting Standards.

Structure, Governance and Management

Governance

The John Lyon's Charity ("the Charity") is governed by the Scheme contained in The Charities (John Lyon Road Trust) Order 1991 (SI 1991, No.1141) as amended by the scheme made by the Charity Commissioners on 28 November 1996.

Organisational Structure and Management

The Trustee has established a Grants Committee to make recommendations on the award of grants and an Investments Committee to monitor the performance of the Investment Adviser and review and advise on strategic asset allocation. The Trustee has appointed a member of the Corporation as Estate Governor who has immediate responsibility for the Charity's St John's Wood Estate.

Each Committee is chaired by a member of the Corporation and is constituted by other members of the Corporation, co-opted members who give specialist advice and the Clerk. The Chairmen in the year were:-

- Grants Committee - Mr N W Stuart, CB, MA
- Investments Committee - Mr R C W Odey, BA
- Estate Governor - Mr T H Walduck

The day to day management of the Charity's affairs is conducted through the Clerk to the Trustee as the senior executive officer of the Charity reporting to the Trustee. The Charity has three full time members of staff to manage the grant giving function under the immediate supervision of the Clerk.

These functions are co-ordinated by a Management Committee, consisting of the Estate Governor and the two Committee Chairmen, with general responsibility to supervise the administration and management of the Charity's assets, to make recommendations on administrative matters and to supervise the discharge of the responsibilities for the Financial Statements and review the Charity's Accounts before presentation to the Trustee for approval.

The terms of delegation and the scope of responsibilities are formally recorded and reviewed annually.

The Corporation has in place a policy and procedure on the disclosure of conflicts of interest and on the selection and induction of members, which take account of its role as Trustee of the Charity.

A full list of the members of the Corporation with details of the committees on which they serve is shown in a separately published Annual Report, which is filed with the Charity Commission. Copies of the Annual Report may be obtained on application to the Clerk to the Trustee.

Objectives and Activities

The Objects of the Charity

Under the Scheme the yearly income of the Charity is applicable for the following charitable purposes:

- a. the relief of the aged, disabled or poor inhabitants of the London Boroughs of Barnet, Brent, Camden, Ealing, Hammersmith & Fulham, Harrow and the Royal Borough of Kensington & Chelsea and the Cities of London and Westminster ("the inhabitants");
- b. the relief of distress and sickness among the inhabitants;
- c. the provision and support (with the object of improving the conditions of life for the inhabitants in the interest of social welfare) of facilities for recreation and other leisure time occupations;
- d. the provision and support of educational facilities for the inhabitants; and
- e. any other charitable purposes for the benefit of the inhabitants;

in accordance with certain rules required by the Scheme to be made and reviewed by the Trustee every three years and approved by the Charity Commissioners for England and Wales. The Rules that applied in the year were adopted by the Trustee on 30 November 1991 as amended on 24 February 1996 and 17 November 2001. The Rules were last reviewed in November 2004; no changes were made.

Policy

Although the Objects of the Charity are wider, the Trustee has adopted and intends to continue a policy, in applying the yearly income of the Charity, aimed at the promotion of the education and welfare of children and young people, reflecting the general intent of the Founder and grants are restricted to grants to other registered or exempt charities. No grants are made to individuals. In 2004 the Trustee undertook a review of the Charity's grant giving policies and concluded that the Charity should continue this focus with an emphasis on education. A further review of policy will be undertaken in 2007.

Activities during the Year

The Charity seeks to make grants which are as direct a benefit as possible to young people who are resident in the beneficial area. An information brochure is published annually setting out the grant-giving guidelines and details of the application procedures: this is posted on the Charity's website. The Grants Committee meets three times a year and the deadlines for applications for each meeting are published in advance. In addition a small grants scheme has been established under delegated authority to the Chairman of the Grants Committee and the Clerk to consider and award "one-off" grant requests of up to £2,000, subject to an annual cap on the total amounts awarded.

In addition to the grants team, the Charity has a number of specialist advisers who are engaged on a consultancy basis to advise on specialist areas including voluntary sector management, youth services, religious organisations, children, music, visual arts, performing arts, disability, ethnicity and young men.

Grants were made to 143 organisations and were divided between the following categories:

Arts in Education	928,300
Child Care & Parental Support	512,250
Counselling	210,600
Housing and Homelessness	65,000
Promotion of Youth Issues	35,000
Schools, Education & Training	1,373,678
Special Needs & Disability	163,100
Sport in Education	172,480
Youth Clubs and Youth Services	627,160
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Total	£4,087,568
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In addition to grant giving, the Charity runs a series of seminars on key issues for and management of voluntary organisations and, as part of the policy of strengthening the voluntary sector in the beneficial area, in appropriate cases underwrites the cost of management consultancy to encourage effective use of the Charity's grants.

The Grants Committee receives and reviews monitoring reports on all grants awarded.

Achievements and Performance

The allocation of grants to categories of activity has remained relatively consistent in recent years. Schools Education and Training remains the principal programme area accounting for approximately one third of grants expenditure, confirming the Charity's priority focus on education and its policy of funding "gaps in provision" left by or created by Government initiatives. The Charity's ability to support organisations depends critically on the health of the voluntary sector in each of the Boroughs which in turn depends on the attitude to and support of the sector by each Local Authority. The Charity is one of the most significant sources of independent funding of the sector in each Borough and as part of the consultation process under the Rules maintains an active dialogue with each Local Authority.

The types of support given in the year fall into the following categories:

Project support	1,171,900
Running costs	938,680
Equipment	98,660
Buildings & refurbishments	971,500
Bursaries & scholarships	401,728
Salaries	505,100
	<hr/>
Total	£4,087,568
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To enhance the Charity's grant giving it works with other London funders to develop London wide initiatives, including *The Young Men's Initiative* and *Challenging Girls* in partnership with City Parochial Foundation and *Tackling Knife Culture* in partnership with The City Bridge Trust, Esmee Fairbairn, City Parochial Foundation and The Wates Foundation.

Future Plans

In 2007/08, the Charity expects to continue support in these areas of activity with a particular emphasis on Youth clubs through its *Turning Youth Clubs Around* initiative. The Charity has been a consistent supporter of maintained sector Schools seeking specialist status, latterly through The Specialist Schools and Academies Trust. Financial support for City Academies is also under consideration although the Charity does not have the human or management resources to act as a full sponsor.

The Charity produces an Annual Report, which is filed with the Charity Commission, giving details of grants made and the principal areas of activity in greater detail.

Financial Review of the Charity

Endowment

The capital of the Charity is permanent endowment and comprises investments and investment properties. The investments are held in accordance with the powers contained in the Scheme as amended and the provisions of the Trustee Act 2000.

The voluntary and compulsory disposal of the property interest on the St John's Wood Estate, which was the Founder's original endowment in 1578, has raised £10.2m in the year (2005/06 - £8.6m). It is expected that disposal of properties on the Estate, which are principally residential properties let on long leases, through enfranchisement will continue for the foreseeable future at a similar level.

The policy is to invest half the proceeds of the sale of property interests on the St John's Wood Estate in quoted investments and half in a portfolio of income-producing properties let at full market rents, which the Trustee has agreed in principle to a borrowing for investment of up to £15m. The proceeds of sale allocated for property investment in properties are held in the Special Fund pending such investment (see note 6).

All the investment properties held at 31 March 2007, including the residue of the original endowment in St John's Wood, are shown at the market valuation as at 31 March 2006 adjusted for subsequent disposals and investments. The current policy is to re-value all properties every three years and a valuation will next be undertaken as at 31 March 2009.

The Charity's investment portfolio is invested in pooled funds and gave a total return of 9.6% in the year (20% in 2006). The realised and unrealised gain on investments in the year was £4.32m.

The value of the Endowment has increased by £7.14m to £186.5m (2006 - £179.4m).

Investment Policy

A formal investment policy is in place setting out the strategic asset allocation which takes account of the Charity's extensive property interests. The tactical asset allocation is reviewed and revised regularly by the Investments Committee. The performance of the pooled funds is measured against their respective indices. In January 2006 the Charity Commission made a Total Return Order in the form of the Commission model. The Trustee has resolved to implement the Order in a limited form with effect from 1 April 2006 by applying it to 20% of the value of the Charity's investment portfolio; this will enable investment in a wider class of assets.

Annual Income

The income of the Charity is derived solely from its investments and showed an underlying increase of 14.1% to £5.4m from £4.8m in 2005/06 as a consequence of the reinvestment of the proceeds from the sales of property on the St John's Wood estate of £18m in the last two financial years. The policy, adopted in 2002/03, on the management of the St John's Wood Estate and investment in commercial property has continued to enhance the Charity's income, increasing the gross property income from £2.2m in 2005/06 to £2.5m in 2006/07 from a base of £0.5m in 2001/02.

Grants Expenditure

Total grants paid in the year amounted to £4.09m as shown above.

It is the policy of the Charity to regard grants given in excess of 5% of total grants given as material for disclosure purposes. A grant of £250,000 payable to Notting Dale Technology Centre in the year falls to be disclosed under this policy.

Future Commitments

Commitments have been given for grants over the next three years - totalling £3.1m in 2007/08, £1.3m in 2008/09 and £0.4m in 2009/10 - for projects that the Charity has agreed in principle to fund on a longer-term basis. In each case payment is contingent on the stipulated conditions being met, a review of progress by the Grants Committee and formal authorisation by the Trustee. The Trustee maintains a policy of limiting the award of grants to not more than 50% of the expected income in a future year. As recorded in note 12 to the Financial Statements the Charity has committed to multi-year grants totalling £5.4m to 2011/12.

Reserves Policy

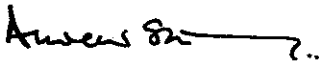
The capital of the charity is Permanent Endowment and, as such, is only available for investment in accordance with the investment policy. The net annual income is, under the trusts in the Governing Documents, applicable to the objects of the Charity. Save for acknowledging the prospective and conditional commitments for grants, no provision is made for those future grants, as the Charity's income stream is believed to be reliable and adequate to meet those commitments. Accordingly, the Charity does not carry a reserve.

Risk Management

The Trustee has identified major risks to which the Charity is exposed. These risks have been reviewed and policies and systems have been established to mitigate these risks.

Equal Opportunities

The Charity is committed to a policy of equal opportunities in the selection, training and career development of all people both in its employment policies and grant giving policies, regardless of gender, marital status, race, colour, religion, disability or sexual orientation.



A J F Stebbings

Clerk to the Trustee

9 June 2007

The purpose of this statement is to distinguish the responsibilities of the Trustee for the Financial Statements from the responsibilities of the auditors as stated in their report.

The Charities Act 1993 requires the Trustee to prepare Financial Statements for each financial year which give a true and fair view of the Charity's financial activities during the year and of its financial position at the end of the year.

In preparing the Financial Statements the Trustee follows best practice and:

- selects suitable accounting policies and applies them consistently;
- makes judgments and estimates that are reasonable and prudent;
- follows applicable United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) and Statements of Recommended Practice disclosing and explaining any departures therefrom in the Financial Statements; and
- prepares the Financial Statements on the going concern basis unless it is inappropriate to assume that the Charity will be able to continue in operation.

The Trustee is responsible for keeping accounting records which disclose, with reasonable accuracy, the financial position of the Charity at any time, and enable it to ensure that the Financial Statements comply with the disclosure regulations and charity law. The Trustee is also responsible for safeguarding the Charity's assets, and hence for taking reasonable steps for the prevention and detection of error, fraud and other irregularities.

Independent Auditors' report to the Trustee of John Lyon's Charity

We have audited the Financial Statements of John Lyon's Charity for the year ended 31 March 2007, which comprise on pages 10 to 20 the Statement of Financial Activities (including the Statement of Total Recognised Gains and Losses), the Balance Sheet, the Cash Flow Statement and the related notes 1 to 14. These Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out therein.

This report is made solely to the Trustee. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to it 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 Trustee for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Trustee and Auditors

The Trustee's responsibilities for preparing the Trustee's 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 the Trustee's Responsibilities.

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 have been appointed auditors under Section 43 of the Charities Act 1993 and report under Section 44 of that Act.

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 Trustee's Report is not consistent with the Financial Statements, if proper accounting records have not been kept, if we have not received all the information and explanations we require for our audit, or if information specified by law is not disclosed.

We read other information accompanying these Financial Statements and consider whether it is consistent with the audited Financial Statements. This other information comprises only the Trustee's Report. 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.

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 Trustee 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 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 Charity's affairs as at 31 March 2007 and of its incoming resources and application of resources and cash flows for the year then ended and have been properly prepared in accordance with the Charities Act 1993.

In our opinion, the information given in the Report of the Trustee is consistent with the financial statements.



CLB Littlejohn Frazer

Chartered Accountants
and Registered Auditors

1 Park Place
Canary Wharf
London E14 4HJ

9 June 2007

	Note	Unrestricted Fund	Endowment Fund	Total Funds 2006/07	Total Funds 2005/06
Incoming Resources					
Investment property income	1a	2,463,721	-	2,463,721	2,152,380
Investment income		2,463,460	214,954	2,678,414	2,447,841
Bank and deposit income		276,728	25,825	302,553	213,666
Total Incoming Resources		5,203,909	240,779	5,444,688	4,813,887
Resources Expended					
Cost of generating incoming resources	1a,1b	584,266	127,941	712,207	711,963
Charitable activities	2, 4	4,407,012	-	4,407,012	4,761,743
Governance costs	3, 4	130,216	11,386	141,602	133,430
Total Resources Expended		5,121,494	139,327	5,260,821	5,607,136
Net Incoming/(Outgoing) Resources Before other Recognised Gains and Losses		82,415	101,452	183,867	(793,249)
Statement of Total Recognised Gains and losses					
Realised surplus on sale of investment properties		-	2,722,437	2,722,437	2,491,357
Unrealised surplus on investment properties		-	-	-	34,902,672
Realised (loss)/surplus on sale of investments		-	(160,562)	(160,562)	67,533
Unrealised surplus on investments		-	4,478,961	4,478,961	10,258,689
Net Movement in Funds for the Year		82,415	7,142,288	7,224,703	46,927,002
Balance at beginning of year		559,604	179,405,175	179,964,779	133,037,777
Balance at end of year	10c	£642,019	£186,547,463	£187,189,482	£179,964,779

All income is derived from continuing activities.

There are no recognised gains or losses except as shown above.

The Accounting Policies and Notes on pages 13 to 20 form part of these Financial Statements.

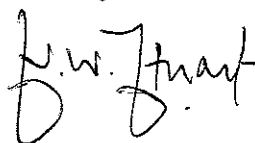
	Note	2007	2006
Fixed Assets			
Investment properties	5	84,921,918	92,124,500
Investments	6	100,852,657	85,870,939
		<hr/>	<hr/>
		185,774,575	177,995,439
Current Assets			
Debtors	8	714,850	506,389
Cash at bank		1,368,336	1,975,833
		<hr/>	<hr/>
		2,083,186	2,482,222
Creditors: due within one year	9	(668,279)	(512,882)
		<hr/>	<hr/>
Net current Assets		1,414,907	1,969,340
		<hr/>	<hr/>
		£187,189,482	£179,964,779
		<hr/>	<hr/>
Represented by:			
Endowment fund	10c	186,547,463	179,405,175
Unrestricted fund	10c	642,019	559,604
		<hr/>	<hr/>
		£187,189,482	£179,964,779
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The Financial Statements on pages 10 to 20 were approved by the Keepers and Governors of the Possessions, Revenues and Goods of the Free Grammar School of John Lyon as Trustee on 9 June 2007 and signed on the Trustee's behalf by:

T H Walduck



N W Stuart



The Accounting Policies and Notes on pages 13 to 20 form part of these Financial Statements.

	Note	2006/07	2005/06
Net Cash Outflow from Operating Activities	13	(2,850,164)	(2,589,934)
Net Cash Outflow from Capital Expenditure and Financial Investment Activities	14	(738,300)	(1,025,422)
Returns on Investment and Servicing of Finance	14	2,980,967	2,661,507
		<hr/>	<hr/>
Decrease in Cash in the Period		£(607,497)	£(953,849)
		<hr/>	<hr/>
Opening Net Funds		1,975,833	2,929,682
Movement in Period being change in Cash Balances		(607,497)	(953,849)
		<hr/>	<hr/>
Closing Net Funds		£1,368,336	£1,975,833
		<hr/>	<hr/>

The Accounting Policies and Notes on pages 13 to 20 form part of these Financial Statements.

Basis of Accounting

The Financial Statements are prepared under the historical cost basis of accounting, modified to include the revaluation of investments as referred to below, and in accordance with applicable United Kingdom Accounting and Financial Reporting Standards and the Statement of Recommended Practice, Accounting and Reporting by Charities.

Investment Properties

Investment Properties have been stated at open market value in order to comply with the provisions of the Statement of Recommended Practice, Accounting and Reporting by Charities. Investment Properties are revalued every 3 years.

Open market value is defined as the best price at which the sale of an interest in property would have been completed unconditionally for a cash consideration on the date of valuation, assuming:

- a. a willing seller;
- b. that prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
- c. that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- d. that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- e. that both parties to a transaction had acted knowledgeably, prudently and without compulsion.

Gains recognised on the revaluation, and gains and losses realised on the sale of investment properties, are taken to the Endowment Fund and included in the SOFA.

No depreciation is charged on Investment Properties.

Rental Income

Rental income is generally accounted for by reference to the date payable.

Investments

Investments are stated at market value as at the year-end.

All gains and losses on the sale, and unrealised gains and losses on revaluation of investments at year-end market value, are taken to the Endowment Fund and included in the SOFA.

Grants

Grants payable represent grants paid and payable in the year. Grants payable over a number of years are not recognised until the Trustee is satisfied that the stipulated conditions have been met and payment of a further instalment is authorised on the recommendation of the Grants Committee.

Taxation

The Charity is generally exempt from direct taxation on investment income and capital gains but is subject to Value Added Tax (VAT). Unless stated otherwise relevant expenditure is shown inclusive of VAT.

Pension Costs

Pension contributions to defined contribution schemes are charged to the Statement of Financial Activities when payable.

1. Activities for Generating Funds	2006/07	2005/06
a. Net UK Property Income		
Residential rents due for the year	1,411,908	1,257,612
Commercial rents due for the year	1,051,813	894,768
	<hr/>	<hr/>
Total Incoming Resources	2,463,721	2,152,380
Less: Direct property expenses		
Management charges	(194,758)	(265,391)
Legal and professional costs	-	(4,406)
Repairs and other expenses	(389,508)	(286,746)
Bad debt	-	(48,706)
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Total property expenses	(584,266)	(605,249)
	<hr/>	<hr/>
Net property income	£1,879,455	£1,547,131
	<hr/>	<hr/>

b. Cost of Generating Incoming Resources

The cost of generating incoming resources consists of direct property expenses, which are reflected in the unrestricted fund and investment management costs which are charged to the Endowment Fund.

	2006/07	2005/06
Direct property expenses	584,266	605,249
Investment management costs	127,941	106,714
	<hr/>	<hr/>
	£712,207	£711,963
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2. Analysis of Charitable Activities

Charitable activities represents grants made under the Scheme for the Charity. The policy of the Trustee is to restrict grants to other registered or exempt charities. No grants are made to individuals.

Details of individual grants given will be published in a separate Annual Report.

	Grant Funded Activity	Support Costs	Total 2006/07	Total 2005/06
Arts in Education	928,300	72,547	1,000,847	937,808
Child Care & Parental Support	512,250	40,032	552,282	520,305
Counselling	210,600	16,458	227,058	168,334
Housing	65,000	5,080	70,080	26,636
Promotion of Youth Issues	35,000	2,735	37,735	38,887
School Education & Training	1,373,678	107,353	1,481,031	1,656,215
Special Needs & Disability	163,100	12,746	175,846	250,133
Sport in Education	172,480	13,479	185,959	266,351
Youth Clubs & Youth Services	627,160	49,014	676,174	896,540
Other	-	-	-	534
	<hr/>	<hr/>	<hr/>	<hr/>
	£4,087,568	£319,444	£4,407,012	£4,761,743
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Support costs have been allocated on the basis of staff time.

3. Governance Costs	2006/07	2005/06
Administration fees	84,893	76,956
Audit fees	27,503	25,017
- current year		
- prior year under accrual	9,906	-
Valuation fees	11,386	22,663
Sundry expenses	2,539	4,070
Printing & stationery	5,375	4,724
	<hr/>	<hr/>
	£141,602	£133,430
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4. Allocation of Support Costs

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

	Governance	Charitable Activities	2006/07	2005/06
Administration fees	84,893	104,104	188,997	169,763
Audit fees	37,409	-	37,409	25,017
Valuation fees	11,386	-	11,386	22,663
Printing & stationery	5,375	16,125	21,500	18,897
Seminars and sponsorship	-	9,914	9,914	5,807
Sundry expenses	2,539	-	2,539	10,522
Consultancy fees	-	17,681	17,681	23,516
Salaries	-	156,401	156,401	149,089
Travel and other expenses	-	15,219	15,219	6,617
	<hr/>	<hr/>	<hr/>	<hr/>
	£141,602	£319,444	£461,046	£431,891
	<hr/>	<hr/>	<hr/>	<hr/>

Administration Charitable Grants	2006/07	2005/06
Staff Costs		
Wages and salaries	126,828	121,815
Social security costs	11,940	11,340
Pension & health care contributions	17,633	15,934
	<hr/>	<hr/>
	£156,401	£149,089
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The Charity contributes 15% of pensionable salary to the Pensions Trust, a defined contribution pension scheme established for the employees of voluntary organisations. As a result of changes to the valuation of multi-employer schemes, a technical deficit of £35,696 arises in the event of the Charity withdrawing from the Pensions Trust scheme. It is not anticipated that the Charity will withdraw from the scheme and therefore no provision is made for this technical deficit.

Average number of employees during year:

Grants staff	3	3
	<hr/>	<hr/>

One employee received emoluments in excess of £60,000 (2006 - None).

5. Investment Properties

	2007	2006
Balance at beginning of year	92,124,500	62,383,493
Additions at cost	25,400	744,537
Unrealised gain on revaluation	-	34,902,672
Disposals at valuation	(7,227,982)	(5,906,202)
	<hr/>	<hr/>
Balance at end of year	£84,921,918	£92,124,500
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Investment properties were revalued in March 2006 by Cluttons LLP, Chartered Surveyors, (having been previously revalued in March 2003) to comply with the Statement of Recommended Practice, Accounting and Reporting by Charities, in accordance with guidance set out in the Valuation and Appraisal Manual of the Royal Institution of Chartered Surveyors.

Properties forming the Charity's original endowment and properties acquired prior to 31 March 1997 were not recorded in the Balance Sheet; most of these were acquired many years ago and it is not practicable to identify and disclose the original cost, which is unlikely to be material. Properties acquired and capitalised improvements since 31 March 1997 and retained within the portfolio have a cost of £25.57m.

6. Investments

All investments are held in the Endowment Fund. Under the provisions of the Scheme and the Trustee's investment policy, half the net proceeds of the sale of property interest on St John's Wood Estate are added to the Free Fund and the Total Return Fund and half to the Special Fund pending reinvestment in property.

At 31 March 2007 the following investments accounted for more than 5% of the overall portfolio:

Barclay Global Investors Liquidity First	14.82%
Income Fund for Charities	16.26%
Absolute Return Fund for Charities	6.69%
Growth Trust for Charities	41.60%
Oxford Investment Partnership	5.68%

	2007	2006
Free Fund	70,242,989	77,924,835
Total Return Fund	17,264,678	-
Special Fund	13,344,990	7,946,104
	<hr/>	<hr/>
Market value	£100,852,657	£85,870,939
	<hr/>	<hr/>
Historical cost	£73,802,682	£69,428,889
	<hr/>	<hr/>

Included in the above is cash held for investment of £1,556,471 (2006 - £1,063,173) in the Free Fund, £6,209,921 (2006 - £910,101) in the Special Fund and £425,596 in the Total Return Fund.

Investment movements in the year are summarised as follows:

	2007	2006
Balance at beginning of year	85,870,939	66,866,273
Investment purchases	31,422,097	22,148,446
Net investment realisations	(27,138,054)	(12,353,282)
Unrealised surplus on revaluation	4,478,961	10,258,689
Net movement in cash held for investment	6,218,714	(1,049,187)
	<hr/>	<hr/>
Balance at end of year	£100,852,657	£85,870,939
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7. Application of the Power of Total Return

As referred to in the Trustee report, the Charity Commission made an order in January 2006 permitting the Charity to adopt total return investment powers in relation to its permanent endowment in the form of the Commission's model order. The Trustee has with the full knowledge of the Charity Commission resolved to implement the Order in a limited form with effect from 1 April 2006 by applying it to 20% of the value of the Charity's Free Fund at that date of £77,924,835 (note 6). The unapplied total return at inception on 1 April 2006 is based on the value of the Free Fund as at 31 March 2003 of £51,604,745, adjusted for capital of £5.7m added in the period. The unapplied total return in that period was £20,616,186 and the unapplied total return at 20% attributed to the new Total Return Fund was £4,123,237.

The investment fund and application of total return to the permanent endowment fund:

Movements in the Total Return Fund in the Year	2007	
Opening valuation		15,584,967
New capital introduced from net proceeds of property disposals		1,018,832
Add		
Investment return - income		240,779
Investment return – realised / unrealised gains and losses		443,512
Less		
Investment management costs		(23,412)
Total return for the year		660,879
Total return applied during the year		-
Closing valuation of Total Return Fund		£17,264,678
Statement of Unapplied Total Return		
Total return for the year		660,879
Add		
Unapplied total return at inception		4,123,237
Less		
Total return applied during the year		-
Unapplied total return as at 31 March 2007		£4,784,116

8. Debtors

Amounts due from tenants and managing agents	682,666	320,049
Other debtors and prepayments	32,184	186,340
	<u>£714,850</u>	<u>£506,389</u>

Included in other debtors and prepayments is an amount totalling £15,000 (2006 - £15,000) that is recoverable in more than 12 months.

Included within debtors is an amount of £15,188 (2006 – £149,700) representing a protective payment made to the Inland Revenue pending resolution of a tax enquiry.

9. Creditors: amounts falling due within one year	2007	2006
Grant distributions payable	310,762	108,541
Other creditors and accruals	357,517	404,341
	<hr/>	<hr/>
	£668,279	£512,882
	<hr/>	<hr/>

10. Funds

a. Endowment Fund

The capital assets of the Charity are those derived from the Founder's original gift and represent permanent endowment.

b. Unrestricted Fund

The Unrestricted Fund represents income available for distribution in accordance with the Scheme referred to in the Report of the Trustee.

c. Analysis of Net Assets between Funds

At 31 March 2007, the net assets are held for the Funds as follows:

	Investments	Investment Properties	Net Current Assets	Total
Endowment Fund	100,852,657	84,921,918	772,888	186,547,463
Unrestricted Fund	-	-	642,019	642,019
	<hr/>	<hr/>	<hr/>	<hr/>
	£100,852,657	£84,921,918	£1,414,907	£187,189,482
	<hr/>	<hr/>	<hr/>	<hr/>

11. Transactions with the Trustee and Connected Persons

The Clerk to the Trustee is a partner in the firm of Pemberton Greenish which acts as Solicitors to the Charity. Under the terms of a detailed contract for services that firm provides administration, office and computer services, which are recharged to the Charity and included in Note 2 as follows:

	2006/07	2005/06
Salaries	159,171	152,317
Rent and rates	33,075	31,500
Office overheads	27,719	26,321
Computer and IT support	21,059	20,082
	<hr/>	<hr/>
	£241,024	£230,220
	<hr/>	<hr/>

11. Transactions with the Trustee and Connected Persons (continued)

In addition, and as shown below, legal fees are paid by the Charity to Pemberton Greenish for work undertaken in connection with the management of the Charity's estates which are included in the property expenses detailed in Note 1 and for work undertaken in the sale and purchase of property on the Charity's estates which are included in expenses charged to capital.

	2006/07	2005/06
Property & investment management	28,616	65,000
Fees charged to capital account in respect of the sale of investment properties	160,722	213,668
	<hr/>	<hr/>
	£189,338	£278,668
	<hr/>	<hr/>

VAT and out of pocket expenses are not included in the above figures.

The Clerk receives no remuneration or expenses personally from the Charity.

The Charity's property managing agents, Cluttons, is not a related party within the definition, but in the interests of transparency the remuneration for their services, based on a detailed contract of engagement, paid by the Charity are:

	2006/07	2005/06
Management fees and insurance commissions	179,786	229,442
Valuation and lease audit fees	11,386	22,663
Capital transaction fees	26,804	45,124
	<hr/>	<hr/>
	£217,976	£297,229
	<hr/>	<hr/>

The Management Committee reviews the terms of engagement of the Charity's professional advisers annually.

The Charity has made grants in the year for bursaries at both Harrow School (£87,014 - £82,158 in 2005/06) and The John Lyon School (£55,950 - £81,025 in 2005/06) to enable individuals resident in the beneficial area to attend those Schools, who would not be able to do so without that financial support. These grants are aimed at providing wider access to education at the schools and are consistent with the Founder's original intention for the application of his endowment.

Each member of the Corporation and the principal officers are required to complete a declaration of interests statement each year for the purpose of identifying and ensuring proper disclosure of such interests. Six grants totalling £143,200 (2005/06 – Ten grants totalling £378,069) have been made to charities where one or more such persons are charity trustees. No other transactions have taken place between the Charity and the Trustee or any member of the Corporation.

No individual member of the Corporation received any expenses or other remuneration from the Charity.

12. Future Commitments**a. Grant commitments**

The Charity has committed to multi-year grants totalling £5.4m up to 2011/12, payment of which is in each case contingent on the stipulated conditions being met, following a review of progress by the Grants Committee, and formal authorisation by the Trustee.

b. Capital commitments

There is a capital commitment of £412,850 for the refurbishment of an investment property.

13. Reconciliation of Net Incoming Resources before Grants to Net Cash Outflow from Operating Activities	2006/07	2005/06
Net incoming resources before grants	4,271,435	3,670,033
Grants from annual income	(4,087,568)	(4,463,282)
(Increase)/decrease in debtors	(208,461)	765,370
Increase in creditors	155,397	99,452
Income from listed investments and deposit interest	(2,980,967)	(2,661,507)
	<hr/>	<hr/>
Net Cash Outflow from Operating Activities	£(2,850,164)	£(2,589,934)
	<hr/>	<hr/>
14. Analysis of Cash Flows for Headings Netted in the Cash Flow Statement		
Capital Expenditure and Financial Investment Activities		
Net proceeds from property transactions	10,159,713	7,834,186
Expenses charged to capital account	(234,694)	(181,164)
Sale of investments	26,977,492	12,420,815
Purchase of investments (note 6)	(31,422,097)	(22,148,446)
(Increase) /decrease in cash held for investment (note 6)	(6,218,714)	1,049,187
	<hr/>	<hr/>
Net Cash Outflow from Capital Expenditure and Financial Investment Activities	£(738,300)	£(1,025,422)
	<hr/>	<hr/>
Net Proceeds from Property Transactions		
Freehold/lease premium proceeds	10,240,746	8,643,253
Management expenses to capital account	(55,633)	(64,530)
Purchase of properties (note 5)	(25,400)	(744,537)
	<hr/>	<hr/>
	£10,159,713	£7,834,186
	<hr/>	<hr/>
Returns on Investment and Servicing of Finance		
Income from listed investments	2,678,414	2,447,841
Deposit interest	302,553	213,666
	<hr/>	<hr/>
	£2,980,967	£2,661,507
	<hr/>	<hr/>