



JOHN LYON'S CHARITY
PART OF THE HARROW SCHOOL FOUNDATION

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2009

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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	Littlejohn LLP Chartered Accountants and Registered Auditors 1 Westferry Circus Canary Wharf London E14 4HD
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 Queen 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 2009, 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 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 Robert Orr-Ewing

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 four full time members of staff to manage the grant giving function under the immediate supervision of the Clerk. This year has been one of change and consolidation within the Grants Team. Cathryn Pender succeeded David Robins as Grants Director and Anna Clemenson took up the role of Grants & Communications Manager. Erik Mesel was appointed Grants & Public Policy Manager with a specific brief to enhance relations with the local authorities in the beneficial area and Tina Joseph was appointed as Grants Administrator.

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.

The Grants Committee meets three times a year and strict deadlines for applications for each meeting are imposed and are published well in advance on the Charity's website which has become the primary source of information about the Charity. The grant-giving guidelines and details of the application procedures are published on the website and included in an information brochure.

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 the management of the Charity's assets, to make recommendations on policy and strategy 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 reviewed in November 2007; no changes were made.

Aims

The Charity's stated mission is to "enhance the conditions of life and improve the life-chances of young people through education", achieved by the distribution of the Charity's income through grants to registered charities that operate within the nine boroughs of the beneficial area, reflecting the general intent of the Founder. Education remains at the heart of the Charity's work and grants are awarded to enhance learning in a variety of settings including mainstream schools, supplementary schools, universities and after-hours learning programmes. The Charity is committed to supporting projects that seek to broaden the horizons of young people and expose them to opportunities, experiences and challenges that will give them the confidence and ability to aim higher.

Effective giving is about making informed choices. The Charity continues to recognise the importance of supporting tried and tested methods of working and whilst open to innovation is mindful that new initiatives do not necessarily mean better initiatives. At the same time the Charity is privileged to come from a position of independence, which empowers the Trustee to support and develop exciting and innovative projects, and has the freedom to take calculated risks where statutory funders cannot. The Charity's policy is generally to award grants of no more than three years in length in order to avoid the creation of a culture of dependency. However, the Charity is able to take a flexible approach towards organisations that are recognised as delivering relevant and professional services that are of direct benefit to young Londoners living within the nine boroughs of the beneficial area.

Grants are only made to registered or exempt charities. The Charity does not make grants to individuals, but the Charity does make grants to institutions for the funding of bursary awards to individuals on criteria agreed with the Charity.

Events and Activities during the Year

The total of Grants paid in the year is divided between the following categories:

Arts in Education	£1,169,600
Child Care & Parental Support	£557,550
Counselling	£152,600
Housing & Homelessness	£5,000
Schools, Education & Training	£1,734,994
Special Needs & Disability	£313,700
Sport in Education	£279,300
Youth Clubs & Youth Services	£681,200
	<hr/>
Total	£4,893,944
	<hr/>

A total of 130 new grants were approved in the year. Arts in Education received the highest allocation of funding, with 43 organisations benefiting. The support includes projects which seek to give opportunities for all young people to take part in arts-based activities, to provide disadvantaged young people with access to high quality arts experiences at the world class institutions based within the Charity's beneficial area and as bursarial support for students to encourage take-up of arts courses by a more diverse range of students. Examples are the grants to *Live Music Now* for a music programme in special schools, to *Tate Gallery* for a three year project involving young people in or leaving care and to the *Design Museum* for a project with secondary schools to increase interest in design and highlight higher education opportunities and career pathways.

A number of new policies were adopted in November 2007, following the Charity's Triennial Policy Review. As a result, there has been a particular focus on projects that support young children and families including Home Starts in Camden and Ealing, Pyramid Projects in Ealing and Westminster and the Urban Partnership Group in Hammersmith & Fulham which supports young families aged 16-25. Counselling initiatives continue to be funded including *Place 2 Be* in schools in Ealing and a new project in partnership with the Tavistock & Portman NHS Trust to provide support in primary schools in Camden.

The expansion of the Small Grants Programme to include requests of up to £5,000 has proved extremely popular and beneficial to voluntary organisations seeking funding for projects run in the school holidays and smaller amounts of project funding. In 2008/09 29 grants were awarded under this programme totalling £98,600; expenditure on Small Grants is capped at 2% of the Charity's total income. A wide variety of organisations have benefited under this programme including *Drake Music*, *Shared Experience*, *Ealing Music Therapy Project*, *The Old Vic Theatre* and *the Research & Development Centre for Ethiopians*.

Bursary support at independent schools for young people from the Charity's beneficial area continues to feature highly in the Charity's giving. The Triennial Policy Review in 2007 capped the spending on bursaries to 15% of the total income: in 2008/09 over £490,000 was awarded. There are John Lyon's bursaries at The John Lyon School, Harrow School, St Paul's Girls School, Heathfield Girls School, Northwood College and St James Independent School for Senior Girls. As an exception to the general policy, bursary funding is awarded for the duration of the recipient's tenure at the school concerned.

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, is required to maintain an active dialogue with each Local Authority.

Following the appointment of Erik Mesel, the Charity has successfully enhanced its working relationship with the local authorities in the beneficial area. Tri-annual meetings of the Charity's designated officers provide an opportunity for the Grants Team to understand current local authority priorities, uncover gaps in statutory provision and seek ways in which relevant partnership initiatives could be developed. In 2008/09 meetings discussed Children's Centres, Supplementary Schools and Music. The meeting on Supplementary Schools, which was attended by Angela Bell from the National Resource Centre for Supplementary Education, and, building on the success of the grants awarded to the Westway Development Trust, to deliver a Kensington & Chelsea-wide supplementary school partnership, has led to both Ealing and Hammersmith & Fulham receiving funding to developing a model along the same lines.

In June 2008 the Charity hosted a conference at the Soho Theatre: *Working with young people through theatre: the Primary Stage*. Over 100 delegates attended and heard the Key Note address by the Charity's theatre advisor, Michael Coveney and presentations from leading theatre education practitioners including representatives from the Globe, NT, RSC and Unicorn. One of the outcomes from the conference has led to the development of the John Lyon Access to the Arts Fund which seeks to address the issues highlighted by primary schools in participating in arts activities.

The Charity continues to be involved in collaborative projects with other funders including *Tackling Knife Culture*, a joint initiative with five major London funders that aims to develop strategies aimed at reducing the carrying of knives and is part of the *Mapping Britain's Needs* project, a research project into levels of need throughout the UK conducted by the Young Foundation.

The Charity continues to be committed to increasing the capacity of the voluntary sector and the groups with which it comes into contact. Due to popular demand two separate *Strengthening Management Committee* seminars were conducted by the Charity's Principal Advisor, Julia Kaufmann. Feedback on the seminars was overwhelmingly positive. The Charity continues to underwrite the cost of management consultancy in appropriate cases to encourage effective use of the Charity's grants.

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

Project support	£1,963,750
Running costs	£1,304,750
Equipment	£19,200
Buildings & refurbishments	£513,000
Bursaries & scholarships	£490,244
Salary costs	£598,000
Other	£5,000

Total	£4,893,944
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The Charity's Annual Report, which is filed with the Charity Commission, gives details of grants made and the principal areas of activity in greater detail.

Future Plans

As a grant maker we want to fund a wide range of people and organisations working to change the lives of children and young people in their families and communities. Our role is to support and enable their visions, trusting the groups we fund to do the work that is needed. We do not focus our funding on specific themes or programmes. We aim to be a helpful, flexible and supportive funder. We seek to promote collaborative working where appropriate and offer advice and support to organisations seeking funding and responding to organisations' real needs and priorities.

As well as continuing to respond to the needs of the voluntary sector in the nine boroughs in the beneficial area, the Charity takes a more pragmatic approach toward funding in some of its programme areas. The Trustee recognises the importance of a stable and safe family environment. Particular areas of interest include work around mental health, families of those within the criminal justice system, domestic violence and the specific needs of those families caring for children with additional needs.

The Charity will continue to work with the National Resource Centre for Supplementary Education to seek to establish a coherent network of supplementary schools within each of the local authority areas. We will also pilot a London regional network to support training and accreditation of supplementary schools. This network will cover the Charity's beneficial area and will be the first of its kind in the country. The London Development Agency has expressed interest in collaborating with the Charity on supplementary schools coordination with the aim that the project will produce standards of good practice for further dissemination.

In response to the number of proposals received for music projects in primary schools, the Charity is hosting a conference at the Wigmore Hall on the current state of music provision in primary schools and how head teachers can assess and access the plethora of music initiatives available to them. The Charity will launch the "John Lyon Access to the Arts Fund" which will be available to primary schools to help them access arts activities at high class institutions.

The Charity's support of bursary funding at both secondary, further and post graduate education will continue subject to a cap of 15% of the Charity's income. We also are looking to increase support for apprenticeship schemes.

We also plan a targeted approach to funding projects seeking to engage parents in their childrens' development and education and the support of looked after children.

Arts and culture will remain a key area for support taking advantage of the extraordinarily rich variety offered in the beneficial area in music, the performing and visual arts.

Sporting activities and excellence has long been a key focus of the Charity's grant-giving and will continue with an eye on the London Olympics in 2012.

The Charity has been a consistent supporter of maintained schools seeking specialist status and has made a substantial contribution to the London Diocesan Board's sponsorship of the Chelsea Academy. The Charity and its foundation's involvement continue with the appointment of the Head Master of Harrow School, Barnaby Lenon, as a Governor of the Chelsea Academy and of Mr Nicholas Stuart as Chairman of the Specialist Schools and Academies Trust.

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 interests on the St John's Wood Estate, which was the Founder's original endowment in 1578, has raised £6.27m in the year (2007/08 - £3.5m). 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 significant level.

The reversionary properties held at 31 March 2009 are shown at the market valuation as at 31 March 2009. The value of £42.1m represents an increase of £12.95m on the value at the previous valuation on 31 March 2006 adjusted for disposals, acquisitions and improvements. The current policy is to re-value these properties every three years and a valuation will next be undertaken as at 31 March 2012.

The Charity has obtained vacant possession of a number of properties on the Estate which have been refurbished and are let at market rates on short term leases. These residential properties are now distinguished from the Reversionary Estate and are revalued annually. The net loss on revaluation of the residential properties was £3.65m.

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 may be supplemented by borrowing of up to £15m. The proceeds of sale allocated for investment in properties are held in the Special Fund pending such investment (see note 6). In implementing this policy, an investment of £12 million in a London West End office building was completed in May 2008 and a further £5.3m was invested in a majority interest in a joint venture to acquire a substantial distribution unit let to Morrisons plc which was completed in February 2009 at an initial geared yield of 12.15%. These investment properties were revalued as at 31 March 2009 showing a loss of £10.59m, based on the value at 31 March 2008 or subsequent cost.

The net gain on the sale and the revaluation of the investment properties was £2.74m.

The Charity's investment portfolios are invested in common investment funds and other pooled funds and overall produced a negative total return in the main portfolio of -20.97% in the year (-5.8% in 2008). The Total Return Fund produced a negative return of -15.08% (-9.5% in 2008). Realised and unrealised losses on investments in the year totalled £19.7m (£4.88m in 2008). Within these figures are the total return results of the Charity's investments in the Oxford Investment Partnership of -19% (+2.7% in 2008) and in the Unite Student Accommodation Fund of -27.6% (+3.8% in 2008).

The value of the Endowment decreased by £17.52m from £185.9m to £168.4m, a decline of 9.4% which in the context of the economic turmoil of the last six months is regarded as satisfactory and a justification of the overall investment policy and strategic asset allocation adopted by the Trustee.

Annual Income

The income of the Charity is derived solely from its investments and investment properties. It showed an increase of 1.02% to £5.88m from £5.82m in 2007/08 before withdrawals from the Total Return Fund. After the application of the withdrawal from the Total Return Fund, the unapplied total return available for application is significantly reduced to £1.54m (£5.31m). This justifies the Trustee's cautious approach to limit the implementation of the Charity Commissions Total Return Order to 20% of the investment portfolios and limit withdrawals to no more than 3.75%. In the light of the investment performance the draw down in the year has been limited to 2.52%, but the contribution from the fund remains at risk in the event of further deterioration in investment values. Despite the decline in asset values, the Charity's core income is forecast to increase in 2009/10 and is underpinned by the income return on the investment in the joint venture investment in the Swan Valley property which was the primary factor in the decision to make the investment. There has been a noticeable decline in enfranchisement claims on the St John's Wood Estate and the income forecasts do not include any increase in income that would flow from the higher returns on any further capital receipts.

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 implemented 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 enables investment in a wider class of assets. Given the negative return in the year the net amount withdrawn in the year was limited to £433,896, 2.35% of the value of the fund at 31 March 2008. The unapplied total return of the Fund is £1.96m at 31 March 2009 after the withdrawal.

Grants Expenditure

Total grants paid in the year amounted to £4.89m.

It is the policy of the Charity to regard grants given in excess of 5% of total grants made as material for disclosure purposes. A grant of £250,000 payable in the year to the London Diocesan Board for Education falls to be disclosed under this policy.

Full details of grants awarded are published in the Annual Report.

Future Commitments

Commitments have been given for grants over the next three years totalling £3.26m in 2009/10, £1.60m in 2010/11 and £0.51m in 2011/12 for projects that the Charity has agreed in principle to fund on a longer-term basis, payment of which is, in each case, 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 no more than 50% of the expected income in a future year, subject to the review of each grant and the stipulated conditions being met. As recorded in note 12 to the Financial Statements the Charity has committed to multi-year grants totalling £5.91m up to 2014/15, including bursary support.

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. Accordingly, the Charity does not carry a provision for such future grants or other reserves.

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 its grant giving policies, regardless of gender, marital status, race, colour, religion, disability or sexual orientation.

Auditors

The Trustee had appointed Littlejohn as auditor to the Charity at their meeting in June 2008. The partnership of the auditors ceased to trade on 30 January 2009 and the business of the partnership on that date was passed to Littlejohn LLP, a limited liability partnership. At a meeting of the Trustee on 21 March 2009 the Trustee gave consent in accordance with Section 43 of the Charities Act 1993 as amended by Section 28 of the Charities Act 2006 for the appointment of the partnership being treated as extending to Littlejohn LLP from that date.


A J F Stebbings
Clerk to the Trustee
13 June 2009

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.

Each of the Members of the Corporation and the Clerk has confirmed, so far as he or she is aware, that there is no relevant audit information of which the Auditors are unaware, and each Member has taken all the steps that he or she ought to have taken as a Member of the Corporation to make themselves aware of any relevant audit information and to establish that the Auditors have been made aware of that information.

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 2009, which comprise on pages 12 to 23 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

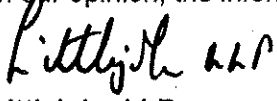
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the 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 2009 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.


Littlejohn LLP

Chartered Accountants
and Registered Auditors

1 Westferry Circus
Canary Wharf
London E14 4HD

13 June 2009

JOHN LYON'S CHARITY

STATEMENT OF FINANCIAL ACTIVITIES
Year ended 31 March 2009

	Note	Unrestricted Fund	Endowment Fund	Total Funds 2008/09	Total Funds 2007/08
Incoming Resources					
Investment property income	1a	3,318,758	-	3,318,758	2,673,399
Investment income		2,374,109	8,490	2,382,599	2,978,845
Bank and deposit income		173,293	6,046	179,339	168,314
		<hr/>	<hr/>	<hr/>	<hr/>
Total Incoming Resources		5,866,160	14,536	5,880,696	5,820,558
		<hr/>	<hr/>	<hr/>	<hr/>
Resources Expended					
Cost of generating incoming resources	1a,1b	652,081	137,558	789,639	671,974
Charitable activities	2,4	5,279,735	-	5,279,735	5,177,224
Governance costs	3,4	100,998	16,340	117,338	93,409
		<hr/>	<hr/>	<hr/>	<hr/>
Total Resources Expended		6,032,814	153,898	6,186,712	5,942,607
		<hr/>	<hr/>	<hr/>	<hr/>
Net Outgoing Resources Before other Recognised Gains and Losses and Applications		(166,654)	(139,362)	(306,016)	(122,049)
		<hr/>	<hr/>	<hr/>	<hr/>
Application of Total Return Fund	7	433,896	(433,896)	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		267,242	(573,258)	(306,016)	(122,049)
		<hr/>	<hr/>	<hr/>	<hr/>
Statement of Total Recognised Gains and losses					
Realised surplus on sale of investment properties		-	3,967,157	3,967,157	1,961,220
Unrealised (loss)/surplus on investment properties	5	-	(1,224,037)	(1,224,037)	3,000,699
Realised loss on sale of investments		-	(583,699)	(583,699)	(1,057,315)
Unrealised loss on investments	6	-	(19,109,123)	(19,109,123)	(3,831,440)
		<hr/>	<hr/>	<hr/>	<hr/>
Net Movement in Funds for the Year		267,242	(17,522,960)	(17,255,718)	(48,885)
		<hr/>	<hr/>	<hr/>	<hr/>
Balance at beginning of year		1,222,867	185,917,730	187,140,597	187,189,482
		<hr/>	<hr/>	<hr/>	<hr/>
Balance at end of year	10c	£1,490,109	£168,394,770	£169,884,879	£187,140,597
		<hr/>	<hr/>	<hr/>	<hr/>

There are no recognised gains or losses except as shown above and all income is derived from continuing activities.

The Accounting Policies and Notes on pages 15 to 23 form part of these Financial Statements.

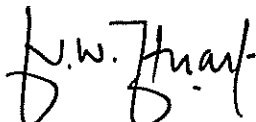
JOHN LYON'S CHARITY

BALANCE SHEET
At 31 March 2009

	Note	2009	2008
Fixed Assets			
Investment properties	5	103,532,365	87,688,639
Investments	6	65,591,106	96,353,602
		<hr/>	<hr/>
		169,123,471	184,042,241
Current Assets			
Debtors	8	587,755	661,272
Cash at bank		1,534,449	3,357,341
		<hr/>	<hr/>
		2,122,204	4,018,613
Creditors: due within one year	9	(1,360,796)	(920,257)
		<hr/>	<hr/>
Net current Assets		761,408	3,098,356
		<hr/>	<hr/>
		£169,884,879	£187,140,597
		<hr/>	<hr/>
Represented by:			
Endowment fund	10c	168,394,770	185,917,730
Unrestricted fund	10c	1,490,109	1,222,867
		<hr/>	<hr/>
		£169,884,879	£187,140,597
		<hr/>	<hr/>

The Financial Statements on pages 12 to 23 were approved by the Keepers and Governors of the Possessions, Revenues and Goods of the Free Grammar School of John Lyon as Trustee on 13 June 2009 and signed on the Trustee's behalf by:

R C W Odey 

N W Stuart 

The Accounting Policies and Notes on pages 15 to 23 form part of these Financial Statements.

JOHN LYON'S CHARITY**CASH FLOW STATEMENT**
Year ended 31 March 2009

	Note	2008/09	2007/08
Net Cash Outflow from Operating Activities	13	(2,353,898)	(2,963,652)
Net Cash Inflow/(Outflow) from Capital Expenditure and Financial Investment Activities	14	(2,030,932)	1,805,498
Returns on Investment and Servicing of Finance	14	2,561,938	3,147,159
		<hr/>	<hr/>
Increase/(Decrease) in Cash in the Period		£(1,822,892)	£1,989,005
		<hr/>	<hr/>
Opening Net Funds		3,357,341	1,368,336
Movement in Period being change in Cash Balances		(1,822,892)	1,989,005
		<hr/>	<hr/>
Closing Net Funds		£1,534,449	£3,357,341
		<hr/>	<hr/>

The Accounting Policies and Notes on pages 15 to 23 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 are 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 that are let on long leases on a ground rent, comprise the Reversionary Estate, and are revalued every 3 years. Residential and Commercial properties are valued annually as at the year end.

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 and losses recognised on 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 accounted for by reference to the due date under the lease or tenancy.

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 has been 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, which are to defined contribution schemes, are charged to the Statement of Financial Activities in the period in which they arise.

1. Activities for Generating Funds	2008/09	2007/08
a. Net UK Property Income		
Residential rents due for the year	1,786,890	1,505,778
Commercial rents due for the year	1,531,868	1,167,621
	<hr/>	<hr/>
Total Incoming Resources from property	3,318,758	2,673,399
Less: Direct property expenses		
Management charges	(251,667)	(245,332)
Repairs and other expenses	(357,344)	(244,341)
Bad debt provision	(43,070)	(37,041)
	<hr/>	<hr/>
Total cost of generating income from property	(652,081)	(526,714)
	<hr/>	<hr/>
Net property income	£2,666,677	£2,146,685
	<hr/>	<hr/>

b. Cost of Generating Funds

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

	2008/09	2007/08
Other management costs – Total Return Fund	20,210	21,689
– Other	117,348	123,571
	<hr/>	<hr/>
	137,558	145,260
Cost of generating income from property	652,081	526,714
	<hr/>	<hr/>
	£789,639	£671,974
	<hr/>	<hr/>

2. Analysis of Charitable Activities

Direct Charitable expenditure represents grants made under the Scheme by the Charity. The policy of the Trustee is to restrict grants to registered or exempt charities and not to make grants to individuals.

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

	Grant Funded Activity	Support Costs	Total 2008/09	Total 2007/08
Arts in Education	1,169,600	92,200	1,261,800	918,287
Child Care & Parental Support	557,550	43,952	601,502	557,743
Counselling	152,600	12,030	164,630	114,097
Housing & Homelessness	5,000	394	5,394	5,394
Promotion of Youth Issues	-	-	-	32,364
Schools, Education & Training	1,734,994	136,770	1,871,764	2,072,993
Special Needs & Disability	313,700	24,729	338,429	332,380
Sport in Education	279,300	22,017	301,317	404,768
Youth Clubs & Youth Services	681,200	53,699	734,899	739,198
	<hr/>	<hr/>	<hr/>	<hr/>
	£4,893,944	£385,791	£5,279,735	£5,177,224
	<hr/>	<hr/>	<hr/>	<hr/>

Support costs are allocated on the basis of staff time spent on each category.

3. Governance Costs	2008/09	2007/08
Administration fees	48,565	48,868
Audit fees	28,175	26,000
- current year		
- prior year(over)/under provision	2,842	(1,071)
Valuation fees	16,340	6,000
Sundry expenses	14,384	8,737
Printing & stationery	7,032	4,875
	<hr/>	<hr/>
	£117,338	£93,409
	<hr/>	<hr/>

4. Allocation of Support Costs

The breakdown of support costs and their allocation between Governance and Charitable Activities is shown in the table below.

	Governance	Charitable Activities	2008/09	2007/08
Administration fees	48,565	119,544	168,109	168,370
Audit fees	31,017	-	31,017	24,929
Valuation fees	16,340	-	16,340	6,000
Printing & stationery	7,032	21,096	28,128	19,502
Seminars and sponsorship	-	13,565	13,565	15,715
Sundry expenses	14,384	449	14,833	9,501
Consultancy fees	-	33,084	33,084	26,680
Salaries	-	176,586	176,586	163,525
Travel and other expenses	-	21,467	21,467	37,382
	<hr/>	<hr/>	<hr/>	<hr/>
	£117,338	£385,791	£503,129	£471,604
	<hr/>	<hr/>	<hr/>	<hr/>

Administration of Charitable Grants

Staff Costs

	2008/09	2007/08
Wages and salaries	145,524	135,997
Social security costs	12,398	12,590
Pension & health care contributions	18,664	14,938
	<hr/>	<hr/>
	£176,586	£163,525
	<hr/>	<hr/>

The Charity contributes 15% of pensionable salary to the Pensions Trust, a defined contribution pension scheme established for the employees of voluntary organisations. The pension trust has confirmed that no liability would currently arise in the event of the Charity withdrawing from the scheme.

Average number of employees during year:

Grants staff	4	4
	<hr/>	<hr/>

No employees was entitled to emoluments in excess of £60,000 (2008 -1).

5. Investment Properties	2009	2008
Reversionary estate	42,094,615	30,993,639
Residential properties	33,327,750	35,595,000
Commercial Properties	28,110,000	21,100,000
	<hr/>	<hr/>
Market value	£103,532,365	£87,688,639
	<hr/>	<hr/>
	2009	2008
Balance at beginning of year	87,688,639	84,921,918
Additions at cost	18,978,821	1,166,901
Unrealised(loss)/gain on revaluation	(1,224,037)	3,000,699
Disposals at valuation	(1,911,058)	(1,400,879)
	<hr/>	<hr/>
Balance at end of year	£103,532,365	£87,688,639
	<hr/>	<hr/>

The Reversionary Estate was revalued as at 31 March 2009 by Cluttons LLP, Chartered Surveyors, having been previously revalued as at 31 March 2006, 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 £38.07m (2008 - £25.34m).

Included in the commercial properties above is an investment in a property held through a 60% non controlling interest in Swan Valley LLP (see Note 11). The investment has been financed in part by the LLP with a 14 year term loan of £14,586,000 at a fixed rate of 5.82% per annum. Under the terms of the partnership deed, and with effect from 2012 until 2023, the Charity may be required to contribute additional capital on an annual basis, thereby increasing its share of the property and of the net income arising. The maximum potential additional capital commitment for the Charity amounts to approximately £3.34m.

6. Investments

All investments are held in the Endowment Fund.

At 31 March 2009 the following investments accounted for more than 5% of the overall portfolio:

Income Fund for Charities	8.37%
Strategic Bond X Income	6.28%
Absolute Return Fund for Charities	8.07%
Growth Trust for Charities	33.48%
Oxford Investment Partnership	5.51%

	2009	2008
Free Fund	47,814,391	64,697,728
Total Return Fund	14,444,243	17,792,989
Special Fund	3,327,472	13,862,885
	<hr/>	<hr/>
Market value	65,591,106	96,353,602
	<hr/>	<hr/>
Historical cost	£69,789,076	£82,191,075
	<hr/>	<hr/>

Included in the above is cash held for investment of £0 (2008 - £266,544) in the Free Fund, £25,746 (2008 - £197,221) in the Special Fund and £949 (2008 - £334,762) in the Total Return Fund. Both the Free Fund and the Special Fund are defined in the Governing Documents.

Investment movements in the year are summarised as follows:

	2009	2008
Balance at beginning of year	96,353,602	100,852,657
Investment purchases	15,087,354	25,291,152
Net investment realisations	(25,968,895)	(18,565,306)
Unrealised (loss)/surplus on revaluation	(19,109,123)	(3,831,440)
Net movement in cash held for investment	(771,832)	(7,393,461)
	<hr/>	<hr/>
Balance at end of year	£65,591,106	£96,353,602
	<hr/>	<hr/>

7. Application of the Power of Total Return

As referred to in the Trustee's 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. 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 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 is summarised below:

Movements in the Total Return Fund in the Year	2008/09	2007/08
Opening valuation	17,792,989	17,264,678
Add:		
Investment return – income	14,536	93,362
Less		
Investment management costs	(20,210)	(21,689)
	(5,674)	71,673
Investment return – realised / unrealised gains and (losses)	(2,909,176)	1,101,638
Total return for the year	(2,914,850)	1,173,311
	14,878,139	18,437,989
Total return applied during the year	(433,896)	(645,000)
Closing valuation of Total Return Fund	£14,444,243	£17,792,989
Statement of Unapplied Total Return	2009	2008
Total return for the year	(2,914,850)	1,173,311
Add		
Unapplied total return brought forward	5,312,427	4,784,116
Less		
Total return applied during the year	(433,896)	(645,000)
Unapplied total return as at 31 March 2009	£1,963,681	£5,312,427

Of the amount applicable for the year, £413,360 (2007/08 - £600,000) had been applied by 31 March 2009, leaving £14,536 (2007/08 - £45,000) still to be applied.

8. Debtors	2009	2008
Amounts due from tenants and managing agents	579,088	659,925
Other debtors and prepayments	8,667	1,347
	<hr/>	<hr/>
	£587,755	£661,272
	<hr/>	<hr/>
9. Creditors: amounts falling due within one year	2009	2008
Grants payable	904,750	505,456
Other creditors and accruals	456,046	414,801
	<hr/>	<hr/>
	£1,360,796	£920,257
	<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, subject to the application of the Total Return policy.

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 2009, the net assets are held for the Funds as follows:

	Investments	Investment Properties	Current Assets	Total
Endowment Fund	65,591,106	103,532,365	(728,701)	168,394,770
Unrestricted Fund	-	-	1,490,109	1,490,109
	<hr/>	<hr/>	<hr/>	<hr/>
	£65,591,106	£103,532,365	£761,408	£169,884,879
	<hr/>	<hr/>	<hr/>	<hr/>

11. Transactions with the Trustee and Connected Persons

The Clerk to the Corporation 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:

	2008/09	2007/08
Salaries	175,276	167,030
Rent and rates	47,548	45,500
Office overheads	29,674	28,941
Computer and IT support	22,965	21,976
	<hr/>	<hr/>
	£275,463	£263,447
	<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.

	2008/09	2007/08
Property & investment management	75,128	71,550
Fees charged to capital account in respect of the sale of investment properties	241,450	143,517
	<hr/>	<hr/>
	£316,578	£215,067
	<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, are 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:

	2008/09	2007/08
Management fees and insurance commissions	251,667	244,132
Valuation and lease audit fees	16,340	6,000
Capital transaction fees	114,341	9,698
	<hr/>	<hr/>
	£382,348	£259,830
	<hr/>	<hr/>

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

The Charity made grants in the year for bursaries at both Harrow School of £260,268 (£124,632 in 2007/08) and The John Lyon School of £161,790 (£158,073 in 2007/08) 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.

The Charity has acquired a 60% interest in a commercial property through Swan Valley LLP. The remaining 40% of the partnership is held by PMBH LLP, a partnership in which the family of Mr Peter Beckwith, a member of the Corporation, has an interest. In making the investment the Trustee obtained independent legal and valuation advice. The decision to make this investment was taken at a meeting of the property sub-committee on 11 February 2009 at which Mr Beckwith was not present.

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. Two grants totalling £64,200 (2007/08 – Eight grants totalling £167,200) were 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

Grant commitments

The Charity has committed to multi-year grants including bursary support totalling £5.91m up to 2014/15, 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.

13. Reconciliation of Net Incoming Resources before Grants to Net Cash Inflow from Operating Activities

	2008/09	2007/08
Net incoming resources before grants	4,587,928	4,676,980
Grants from annual income	(4,893,944)	(4,799,029)
Decrease/(increase) in debtors	73,517	53,578
Increase in creditors	440,539	251,978
Income from listed investments and deposit interest	(2,561,938)	(3,147,159)
	<hr/>	<hr/>
Net Cash Outflow from Operating Activities	£(2,353,898)	£(2,963,652)
	<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	(12,732,568)	2,332,293
Expenses charged to capital account	(368,038)	(137,095)
Sale of investments	25,385,196	17,507,991
Purchase of investments (note 6)	(15,087,354)	(25,291,152)
Decrease/(increase) in cash held for investment (note 6)	771,832	7,393,461
	<hr/>	<hr/>
Net Cash Inflow/(Outflow) from Capital Expenditure and Financial Investment Activities	£(2,030,932)	£1,805,498
	<hr/>	<hr/>

Net Proceeds from Property Transactions

Freehold/lease premium proceeds	6,246,253	3,499,194
Purchase of properties (note 5)	(18,978,821)	(1,166,901)
	<hr/>	<hr/>
	£(12,732,568)	£2,332,293
	<hr/>	<hr/>

Returns on Investment and Servicing of Finance

Income from listed and unlisted investments	2,382,599	2,978,845
Deposit interest	179,339	168,314
	<hr/>	<hr/>
	£2,561,938	£3,147,159
	<hr/>	<hr/>