



**JOHN LYON'S CHARITY**  
PART OF THE HARROW SCHOOL FOUNDATION

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 MARCH 2010**

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<b>Trustee</b>	The Keepers and Governors of the Possessions, Revenues and Goods of the Free Grammar School of John Lyon
<b>Registered Charity No.</b>	237725
<b>Clerk to the Trustee and Registered Address</b>	A J F Stebbings 45 Cadogan Gardens London SW3 2TB
<b>Property Managing Agents</b>	Cluttons LLP, Chartered Surveyors Portman House, 2 Portman Street London W1H 6DU
<b>Bankers</b>	Coutts & Co 440 Strand London WC2R 0QS
<b>Auditors</b>	Littlejohn LLP Chartered Accountants and Statutory Auditors 1 Westferry Circus Canary Wharf London E14 4HD
<b>Solicitors</b>	Pemberton Greenish LLP 45 Cadogan Gardens London SW3 2AQ
<b>Investment Advisers</b>	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 2010, 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.

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

The Trustees confirm that it has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Foundation's aims and objectives set out below and in planning future activities and setting the grant making policy for the year.

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.

### Grant Making Policy

The Charity's mission is to "enhance the conditions of life and improve the life-chances of young people through education". This is 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. As highlighted in the mission, education is the foundation of the Charity's work and grants are often awarded to add value to the school day and enhance what is offered in the national curriculum. The Charity is particularly interested in projects that seek to help young people who are not achieving their full potential in mainstream settings, projects that increase the range of opportunities open to children and young people and those that broaden horizons and encourage young people to aim higher.

A stable and safe home environment is pivotal in a child's development and the Charity is very interested in projects that support families, especially those facing particular difficulties. Family projects that have benefited from the Charity's support in the last year include those that have a focus on the criminal justice system, domestic violence or mental health issues and special educational needs. Family work and projects that stimulate parental engagement in their child's learning are also an ongoing priority.

Successful projects do not always have to be new and innovative; the Charity is always willing to support tried and tested methods of working and engaging with children and young people. However, all projects must strive to be the best that they can be and prove their validity in ever changing political, social and economic environments. To avoid a dependency culture, the Charity's policy is to award grants of up to three years in duration. 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 beneficial area.

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

## Events and Activities during the Year

Grants paid in the year are divided between the following categories:

Arts in Education	£1,357,421
Child Care & Parental Support	£506,500
Counselling	£189,100
Other	£5,000
Promotion of Youth Issues	£30,000
Schools, Education & Training	£1,893,971
Special Needs & Disability	£239,400
Sport in Education	£281,500
Youth Clubs & Youth Services	£588,400
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Total	£5,091,292
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A total of 125 new grants were approved in the year. Consistent with the Charity's education focus the "Schools, Education & Training" programme area received the highest allocation of funding in 2009/10 with 54 organisations benefiting; 38% of the total grants spend. Twelve grants were awarded to voluntary groups that provide supplementary schooling in the Charity's beneficial area including Southall Community Alliance, Afghan Association Paiwand and the Russian Circle. Grants have also been awarded to develop a partnership project with the National Resource Centre for Supplementary Education to establish a coherent network of supplementary schools within each of the Charity's boroughs and to standardise the quality of provision and ensure a minimum standard is achieved. A regional network is being piloted to link these boroughs and to support training and accreditation of supplementary schools.

The Charity remains committed to its bursary programme and in 2009/10 paid £562,671 to a range of independent schools and institutions of higher education, which represents 10% of the Charity's total grant spend. There are John Lyon bursaries at girls' schools such as Heathfield, St James' and St Paul's as well as at the Foundation Schools (Harrow and John Lyon). The schools are responsible for allocating the bursaries to students who have lived in the Charity's beneficial area for at least two years and have been subject to means testing. In 2009/10 the Charity made a new bursary award to Notting Hill and Ealing High School to commence in September 2010.

The Charity has also made bursary awards to institutions of higher education for postgraduate study. These are limited to specific subjects, such as the MA in Professional Development (Cultural Leadership) at City University and are designed to encourage young people from the Charity's beneficial area who have traditionally been deterred from taking the postgraduate step. The programme was formed in response to numerous leadership crises in the arts and with the awareness that under-investment in training has limited the pool of current and future leaders. Bursary opportunities at the University of the Arts, London are targeted at the *MA Creative Practice for Narrative Environments*, *MA European Classical Acting*, both at Central Saint Martin's College of Art and Design, and *MA Interior and Spatial Design* at Chelsea College of Art and Design.

Despite the availability of statutory funding for apprenticeships it is sometimes beyond the capacity of an organisation to support the salary costs of an apprentice. There are also strict rules determining which accredited courses qualify under the scheme. To overcome these barriers, in 2009/10 the Charity awarded grants to the Royal Opera House for technical apprenticeships and to the Worshipful Company of Hackney Carriage Drivers to enable two young care leavers to take The Knowledge and ultimately to become self-employed taxi drivers.

John Lyon's Charity is committed to providing young people with the opportunity to access high quality, world class experiences and in 2009/10 a quarter of the total grants spend was on "Arts in Education. One of the major grants in this programme area was a capital contribution to the Shakespeare's Globe's new Globe Education and Rehearsal Space. Many of the arts projects the Charity has supported this year focus on increasing participation amongst a specific target group of young people; the Tate's "Seeing Through" project works specifically with young people in care and Grassmarket Project uses art and theatre to tackle the rise in anti-social behaviour and social exclusion amongst the hardest to reach young people.

In 2003 John Lyon's Charity made a significant contribution to the creation of a new running track at Harrow School with the condition that the facilities be made available to all the state schools in Harrow. To encourage more local primary schools to make use of this opportunity, the Charity awarded a grant in 2009/10 to assist schools with the cost of transport to and from the track.

In June 2009 the Charity hosted a conference at the Wigmore Hall entitled *Primary Music Matters – Playing Your Part*. Over 100 delegates attended and heard the Key Note address by Richard Morrison, the Chief Music Critic at *The Times*. He emphasised the need for sustainability of primary music education and the necessity for schools to link-up with outside voluntary musical activity. Other speakers were Cherry Forbes, Education Manager of the Orchestra of the Age of Enlightenment, Ursula Crickmay, Community Education Manager at Wigmore Hall, Suzi Digby, Founder of the Voices Foundation, Annie Williams, Headteacher of Holy Trinity & St Silas Primary School in Camden and James Devaney, Music Service Coordinator in Hammersmith & Fulham. Martin Neary, the Charity's music advisor presided over a question and answer session. Hannah Conway, Composer and Creative Director, led Year 3 from St Vincent's RC Primary School in a creative music workshop and delegates were treated to a performance by Holy Trinity's jazz band.

An outcome from this conference, and from the Charity's 2008 conference on theatre and primary schools, was the assertion by teachers that they face growing difficulties in taking their children outside the classroom. In response to this, the Charity launched the John Lyon Access to the Arts Fund in November 2009. The Fund is designed to make the process of outside-learning easier and remove any practical barriers to engaging with these Arts institutions. In 2009/10 six Access to the Arts awards were made to primary schools for activities such as the London Philharmonic Orchestra's *BrightSparks* concert, Globe Education workshops and the *Classical Spectacular* concerts at the Royal Albert Hall. There are no restrictions on the institutions that can be visited but the activity must enhance the current activities of the class or year group and be the kind of experience that the children do not normally have access to.

With cuts in statutory funding anticipated across a range of services within the Charity's interest, the Charity's relationship with the local authorities in the beneficial area is even more crucial. Meetings with local authority officers with particular interest in key policy areas have been held throughout 2009/10 including meetings with the Heads of Music Services and Youth Services. Meetings with the Charity's panel of designated officers continue to be held on a regular basis which has led to specific initiatives being developed to help boroughs that appear to not be accessing their share of funding. For example, over the past few years Kensington & Chelsea has received a lower proportion of funding from the Charity than some of the other boroughs. In response, the borough organised a *Dragons Den* style funding workshop to promote the Charity to local voluntary groups and Grants Managers from John Lyon's Charity provided direct feedback on proposals.

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

Project support	£1,670,000
Running costs	£1,281,200
Buildings & Refurbishments	£805,000
Bursaries	£489,978
Salary costs	£835,900
Arts Fund	£4,214
Other	£5,000
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Total	£5,091,292
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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

This is a time of great uncertainty for many in the voluntary sector. Groups are competing for funding in an environment in which statutory and other funding bodies are constrained and face even greater demand on their limited resources. As already witnessed in one of the Charity's boroughs this potentially could result in even greater tensions between the voluntary sector and local authorities. The Charity remains committed to safeguarding its assets in order to maximise our income both now and in the future.

Our role is to support and enable the visions of the groups that we fund, trusting them to do the work that is needed. The reality of the future economic and political climate is likely to necessitate a more strategic approach in some funding areas, particularly schools, family work and youth clubs.

We aim to be a helpful, flexible and supportive funder and 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.

The Charity is taking a more strategic approach to the funding of schools. The Access to Opportunities is a new grants programme, designed to encourage groups of schools to work together with a common purpose and identify strategies to deal with targeted groups of pupils with specific problems. It is expected that local voluntary groups be approached to assist in the delivery of funded projects. Potentially up to £50,000 per project is available for schools under this programme with the objective of maximising the breadth and impact of the Charity's funds.

The Charity will continue its pioneering work with supplementary schools and pay particular heed to the importance of raising their achievements through the Quality Framework. A conference is planned for summer 2011 to coincide with the publication of an evaluation of the model.

In 2010/11 the Charity will celebrate spending £50million in grants since 1993. The current economic and political climate indicates the likelihood of difficult times ahead for the voluntary sector, to which the Charity is well-equipped to respond. The Charity's Triennial Policy Review will take place in 2010 and the reviewing of its current policies will take account of these new challenges.

## 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 £13.5m in the year (2008/09 - £6.275m). 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 2010 are shown at the market valuation as at 31 March 2009. The value of £36.7m represents a decrease of £5.45m on the value at the previous valuation on 31 March 2009 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 Revisionary Estate and are revalued annually. The net profit on revaluation of the residential properties was £4.60m.

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).

The net gain on the sale and the revaluation of the investment properties was £15.3m.

The Charity's investment portfolios are invested in common investment funds and other pooled funds. The main portfolio produced a total return of 38.69% in the year (-20.97% in 2008-09). The Total Return Fund produced a return of 16.88% (-15.08% in 2009). Realised and unrealised gains on investments in the year totalled £18.74m reversing the loss of £19.70m in 2008-09. Within these figures are the total return results of the Charity's investments in the Oxford Investment Partnership of 16.1% (-19% in 2009) and in the Unite Student Accommodation Fund of 17.75% (-27.6% in 2009).



The value of the Endowment increased by £33.55 m from £168.39 m to £201.94 m, an increase of 19.92%. The total return in the year was 23.15%, following a negative return in 2008-09 of 5.68%. In the context of the economic environment of the two years this performance is regarded as very satisfactory and a justification of the overall investment policy and strategic asset allocation adopted by the Trustee, with the Charity's assets exceeding £200 m for the first time.

### **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 and sets out the basis for the measurement of the performance of the various asset classes. The tactical asset allocation is reviewed and revised regularly by the Investments Committee.

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 and limiting withdrawals to no more than 3.75%; this enables investment in a wider class of assets.

### **Annual Income**

The income of the Charity is derived solely from its investments and investment properties. It showed an increase of 2.64% to £6.04 m from £5.88 m in 2008/09 before withdrawals from the Total Return Fund.

Given the positive return of the Total Return Fund in the year and the restricted amount withdrawn in previous years, the net amount withdrawn from the in the year was £543,636, 3.75% of the value of the fund at 31 March 2009. The unapplied total return as at 31 March 2010 increased from £1.96 m to £3.96 m, but compares to £5.3 m in March 2008.

### **Grants Expenditure**

Total grants paid in the year amounted to £5.09m.

It is the policy of the Charity to regard grants given in excess of 5% of total grants made as material for disclosure purposes. No grants were made in the year in excess of the material level to require disclosure 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 £3.41m in 2010/11 £1.56m in 2011/12 and £0.41m in 2012/13 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 2015/16, 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**

Littlejohn LLP has expressed its willingness to continue in office.



**A J F Stebbings**  
Clerk to the Trustee & Chief Executive

12<sup>th</sup> June 2010

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 law applicable to charities in England and Wales 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 is required to:

- 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 2010, 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, the Charity has not kept sufficient accounting records, if the Charity's Financial Statements are not in agreement with these accounting records, or if we have not received all the information and explanations we require for our audit.

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.

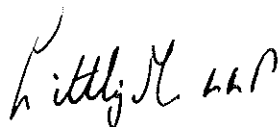
**Basis of Opinion**

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 2010 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.

**Littlejohn LLP**Chartered Accountants  
and Registered Auditors1 Westferry Circus  
Canary Wharf  
London E14 4HD

12 June 2010

	Note	Unrestricted Fund	Endowment Fund	Total Funds 2009/10	Total Funds 2008/09
<b>Incoming Resources</b>					
Investment property income	1a	3,563,231	-	3,563,231	3,318,758
Investment income		2,203,927	261,695	2,465,622	2,382,599
Bank and deposit income		7,130	101	7,231	179,339
<b>Total Incoming Resources</b>		<b>5,774,288</b>	<b>261,796</b>	<b>6,036,084</b>	<b>5,880,696</b>
<b>Resources Expended</b>					
Cost of generating incoming resources	1a,1b	838,820	209,104	1,047,924	789,639
Charitable activities	2,4	5,500,508	-	5,500,508	5,279,735
Governance costs	3,4	94,182	20,985	115,167	117,338
<b>Total Resources Expended</b>		<b>6,433,510</b>	<b>230,089</b>	<b>6,663,599</b>	<b>6,186,712</b>
<b>Net Outgoing Resources Before other Recognised Gains and Losses and Applications</b>		<b>(659,222)</b>	<b>31,707</b>	<b>(627,515)</b>	<b>(306,016)</b>
Application of Total Return Fund	7	543,636	(543,636)	-	-
		(115,586)	(511,929)	(627,515)	(306,016)
<b>Statement of Total Recognised Gains and losses</b>					
Realised surplus on sale of investment properties		-	3,948,525	3,948,525	3,967,157
Unrealised surplus/(loss) on investment properties	5	-	11,373,851	11,373,851	(1,224,037)
Realised gain/(loss) on sale of investments		-	788,295	788,295	(583,699)
Unrealised gain/(loss) on investments	6	-	17,951,353	17,951,353	(19,109,123)
<b>Net Movement in Funds for the Year</b>		<b>(115,586)</b>	<b>33,550,095</b>	<b>33,434,509</b>	<b>(17,255,718)</b>
Balance at beginning of year		1,490,109	168,394,770	169,884,879	187,140,597
<b>Balance at end of year</b>	10c	<b>£1,374,523</b>	<b>£201,944,865</b>	<b>£203,319,388</b>	<b>£169,884,879</b>

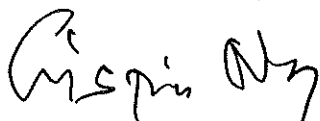
There are no recognised gains or losses except as shown above and all income is derived from continuing activities.

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

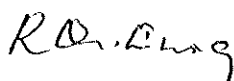
	Note	2010	2009
<b>Fixed Assets</b>			
Investment properties	5	107,370,937	103,532,365
Investments	6	95,936,093	65,591,106
		<u>203,307,030</u>	<u>169,123,471</u>
<b>Current Assets</b>			
Debtors	8	551,375	587,755
Cash at bank		561,349	1,534,449
		<u>1,112,724</u>	<u>2,122,204</u>
Creditors: due within one year	9	(1,100,366)	(1,360,796)
		<u>12,358</u>	<u>761,408</u>
<b>Net current Assets</b>		<u>12,358</u>	<u>761,408</u>
		<u>£203,319,388</u>	<u>£169,884,879</u>
<b>Represented by:</b>			
Endowment fund	10c	201,944,865	168,394,770
Unrestricted fund	10c	1,374,523	1,490,109
		<u>£203,319,388</u>	<u>£169,884,879</u>

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 12 June 2010 and signed on the Trustee's behalf by:

R C W Odey



R ORR-EWING



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

	Note	2009/10	2008/09
Net Cash Outflow from Operating Activities	13	(3,324,418)	(2,353,898)
Net Cash Outflow from Capital Expenditure and Financial Investment Activities	14	(121,535)	(2,030,932)
Returns on Investment and Servicing of Finance	14	2,472,853	2,561,938
		<u>                    </u>	<u>                    </u>
Decrease in Cash in the Period		£(973,100)	£(1,822,892)
		<u>                    </u>	<u>                    </u>
Opening Net Funds		1,534,449	3,357,341
Movement in Period being change in Cash Balances		(973,100)	(1,822,892)
		<u>                    </u>	<u>                    </u>
Closing Net Funds		£561,349	£1,534,449
		<u>                    </u>	<u>                    </u>

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	2009/10	2008/09
<b>a. Net UK Property Income</b>		
Residential rents due for the year	1,838,847	1,786,890
Commercial rents due for the year	1,724,384	1,531,868
	<hr/>	<hr/>
<b>Total Incoming Resources from property</b>	<b>3,563,231</b>	<b>3,318,758</b>
<b>Less: Direct property expenses</b>		
Management charges	(324,180)	(251,667)
Repairs and other expenses	(514,640)	(357,344)
Bad debt provision	-	(43,070)
	<hr/>	<hr/>
<b>Total cost of generating income from property</b>	<b>(838,820)</b>	<b>(652,081)</b>
	<hr/>	<hr/>
<b>Net property income</b>	<b>£2,724,411</b>	<b>£2,666,677</b>
	<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.

	2009/10	2008/09
Other management costs – Total Return Fund	20,343	20,210
– Other	188,761	117,348
	<hr/>	<hr/>
	<b>209,104</b>	<b>137,558</b>
	<hr/>	<hr/>
<b>Cost of generating income from property</b>	<b>838,820</b>	<b>652,081</b>
	<hr/>	<hr/>
	<b>£1,047,924</b>	<b>£789,639</b>
	<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 2009/10	Total 2008/09
Arts in Education	1,357,421	107,624	1,465,045	1,261,800
Child Care & Parental Support	506,500	40,158	546,658	601,502
Counselling	189,100	14,993	204,093	164,630
Other	5,000	396	5,396	-
Housing & Homelessness	-	-	-	5,394
Promotion of Youth Issues	30,000	2,379	32,379	-
Schools, Education & Training	1,893,971	155,715	2,049,686	1,871,764
Special Needs & Disability	239,400	18,981	258,381	338,429
Sport in Education	281,500	22,319	303,819	301,317
Youth Clubs & Youth Services	588,400	46,651	635,051	734,899
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>£5,091,292</b>	<b>£409,216</b>	<b>£5,500,508</b>	<b>£5,279,735</b>
	<hr/>	<hr/>	<hr/>	<hr/>

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

3. Governance Costs	2009/10	2008/09
Administration fees	49,813	48,565
Audit fees - current year	27,000	28,175
- prior year under provision	1,490	2,842
Valuation fees	20,985	16,340
Sundry expenses	9,265	14,384
Printing & stationery	6,614	7,032
	<u>£115,167</u>	<u>£117,338</u>

#### 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	2009/10	2008/09
Administration fees	49,813	122,616	172,429	168,109
Audit fees	28,490	-	28,490	31,017
Valuation fees	20,985	-	20,985	16,340
Printing & stationery	6,614	19,841	26,455	28,128
Seminars and sponsorship	-	21,188	21,188	13,565
Sundry expenses	9,265	-	9,265	14,833
Consultancy fees	-	39,413	39,413	33,084
Salaries	-	191,886	191,886	176,586
Travel and other expenses	-	14,272	14,272	21,467
	<u>£115,167</u>	<u>£409,216</u>	<u>£524,383</u>	<u>£503,129</u>

Administration of Charitable Grants	2009/10	2008/09
<b>Staff Costs</b>		
Wages and salaries	157,175	145,524
Social security costs	11,258	12,398
Pension & health care contributions	23,453	18,664
	<u>£191,886</u>	<u>£176,586</u>

The Charity contributes 15% of pensionable salary to the Pensions Trust, a defined contribution pension scheme established for the employees of voluntary organisations. All employees are members of a defined contribution scheme (The Flexible Retirement Plan) for which the Charity has no residual liability. The Pension Trust have confirmed that no liability arose on withdrawing from the Growth Plan in which a number of the employees participated until November 2009

Average number of employees during year:

Grants staff	<u>4</u>	<u>4</u>
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In the current and prior year no employee was entitled to emoluments in excess of £60,000.

5. Investment Properties	2010	2009
Reversionary estate	36,727,437	42,094,615
Residential properties	37,993,500	33,327,750
Commercial Properties	32,650,000	28,110,000
	<hr/>	<hr/>
Market value	£107,370,937	£103,532,365
	<hr/>	<hr/>
	2010	2009
Balance at beginning of year	103,532,365	87,688,639
Additions at cost	1,626,399	18,978,821
Unrealised gain/(loss) on revaluation	11,373,851	(1,224,037)
Disposals at valuation	(9,161,678)	(1,911,058)
	<hr/>	<hr/>
Balance at end of year	£107,370,937	£103,532,365
	<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 £38.42m (2009 - £38.07m).

Included in Commercial Properties at 31 March 2009 is an investment in a property held through a 60% non controlling interest in Swan Valley LLP in which Mr Peter Beckwith, a member of the Corporation, was a co-investor (see Note 11). During the year the property was sold on the open market, realising a surplus of £1,961,610.

## 6. Investments

All investments are held in the Endowment Fund.

At 31 March 2010 the following investments accounted for more than 5% of the overall portfolio:

Multi manager Global (EX-UK) Income Fund	5.05%
Strategic Bond X Income	5.76%
Absolute Return Fund for Charities	6.94%
Growth Trust for Charities	38.97%

	2010	2009
Free Fund	69,006,469	47,819,391
Total Return Fund	17,240,885	14,444,243
Special Fund	9,688,739	3,327,472
	<hr/>	<hr/>
Market value	£95,936,093	£65,591,106
	<hr/>	<hr/>
Historical cost	£80,182,467	£69,789,076
	<hr/>	<hr/>

Included in the above is cash held for investment of £5,114,784 (2009 - £25,746) in the Special Fund and £426,068 (2009 - £949) in the Total Return Fund. The Special Fund is defined in the Governing Documents.

Investment movements in the year are summarised as follows:

	2010	2009
Balance at beginning of year	65,591,106	96,353,602
Investment purchases	27,675,611	15,087,354
Net investment realisations	(21,063,559)	(25,968,895)
Unrealised surplus/(loss) on revaluation	17,951,353	(19,109,123)
Net movement in cash held for investment	5,781,582	(771,832)
	<hr/>	<hr/>
Balance at end of year	£95,936,093	£65,591,106
	<hr/>	<hr/>

During the year an overdraft facility of £3m was arranged with the Charity's bank to meet an anticipated temporary cash shortfall. The facility was secured on a portfolio of investments and was repaid shortly before the balance sheet date. Prior to drawing down on that facility a temporary unsecured loan of £3m was made to the charity by Harrow School on otherwise identical terms to that offered by the charity's bank.

## 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	2009/10	2008/09
Opening valuation	14,444,243	17,792,989
New Capital introduced from net proceeds of property disposals	800,000	-
Add:		
Investment return – income	261,796	14,536
Less:		
Investment management costs	(20,343)	(20,210)
	241,453	(5,674)
Investment return – realised / unrealised gains and (losses)	2,298,825	(2,909,176)
Total return for the year	2,540,278	(2,914,850)
	17,784,521	14,878,139
Total return applied during the year	(543,636)	(433,896)
Closing valuation of Total Return Fund	£17,240,885	£14,444,243
<b>Statement of Unapplied Total Return</b>	<b>2010</b>	<b>2009</b>
Total return for the year	2,540,278	(2,914,850)
Add		
Unapplied total return brought forward	1,963,681	5,312,427
Less		
Total return applied during the year	(543,636)	(433,896)
Unapplied total return as at 31 March	£3,960,323	£1,963,681

Of the amount applicable for the year, £543,636 (2008/09 - £413,360) had been applied by 31 March 2010, leaving £nil (2008/09 - £14,536) to be applied.

<b>8. Debtors</b>	<b>2010</b>	<b>2009</b>
Amounts due from tenants and managing agents	525,508	579,088
Other debtors and prepayments	25,867	8,667
	<hr/>	<hr/>
	£551,375	£587,755
	<hr/>	<hr/>
<b>9. Creditors: amounts falling due within one year</b>	<b>2010</b>	<b>2009</b>
Grants payable	814,500	904,750
Other creditors and accruals	285,866	456,046
	<hr/>	<hr/>
	£1,100,366	£1,360,796
	<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 2010, the net assets are held for the Funds as follows:

	Investments	Investment Properties	Current Assets	Total
Endowment Fund	95,936,093	107,370,937	(1,362,165)	201,944,865
Unrestricted Fund	-	-	1,374,523	1,374,523
	<hr/>	<hr/>	<hr/>	<hr/>
	£95,936,093	£107,370,937	£12,358	£203,319,388
	<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 LLP 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:

	<b>2009/10</b>	<b>2008/09</b>
Salaries	175,276	175,276
Rent and rates	47,548	47,548
Office overheads	29,674	29,674
Computer and IT support	22,965	22,965
	<hr/>	<hr/>
	£275,463	£275,463
	<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 LLP 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.

	2009/10	2008/09
Property & investment management	69,931	75,128
Fees charged to capital account in respect of the sale of investment properties	169,638	241,450
	<u>£239,569</u>	<u>£316,578</u>

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

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

With effect from 15 March 2010 the charity moved offices to 45 Cadogan Gardens where it occupies under the terms of an underlease granted by Pemberton Greenish LLP. Pemberton Greenish had previously provided office space at 45 Pont Street under licence. The Charity received independent legal and valuation advice on the terms of the underlease and the administration fee charged by Pemberton Greenish will in future exclude the element attributable to the property costs noted above.

The Charity's property managing agents, Cluttons, are not a related party as defined under Financial Reporting Standard 8 'Related Party Disclosures', but in the interests of transparency the remuneration for their services, based on a detailed contract of engagement, paid by the Charity are:

	2009/10	2008/09
Management fees and insurance commissions	324,180	251,667
Valuation and lease audit fees	20,985	16,340
Capital transaction fees	138,621	114,341
	<u>£483,786</u>	<u>£382,348</u>

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 £190,461 (£260,268 in 2008/09) and The John Lyon School of £199,877 (£161,790 in 2008/09) 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. In addition the Charity made a further £55,000 in grants to Harrow School to fund apprenticeships and a gifted and talented outreach program.

As referred to in Note 6 Harrow School made a temporary unsecured loan to the Charity on terms identical to those offered by the Charity's bank.

Each member of the Corporation and the principal officers are required to complete a declaration of interest statement each year for the purpose of identifying and ensuring proper disclosure of such interests. 5 grants totalling £176,200 (2008/09 – two grants totalling £64,200) 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.

As set out in Note 5, PMB Holdings, a company controlled by Mr Peter Beckwith a member of the Corporation, was a co-investor in Swan Valley LLP. During the year the Charity made an investment of £1m representing 8.8% of the net equity of Fenchurch Place LLP in which Mr Beckwith and his family were also co-investors. In both cases the terms of the investment were at arms length and the Charity was in receipt of independent advice.

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 2015/16, 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

	2009/10	2008/09
Net incoming resources before grants	4,463,777	4,587,928
Grants from annual income	(5,091,292)	(4,893,944)
Decrease/(increase) in debtors	36,380	73,517
(Decrease)/increase in creditors	(260,430)	440,539
Income from listed investments and deposit interest	(2,472,853)	(2,561,938)
	<hr/>	<hr/>
<b>Net Cash Outflow from Operating Activities</b>	<b>£(3,324,418)</b>	<b>£(2,353,898)</b>
	<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	11,825,093	(12,732,568)
Expenses charged to capital account	(341,289)	(368,038)
Sale of investments	21,851,854	25,385,196
Purchase of investments (note 6)	(27,675,611)	(15,087,354)
Decrease/(increase) in cash held for investment (note 6)	(5,781,582)	771,832
	<hr/>	<hr/>

## Net Cash Outflow from Capital Expenditure and Financial Investment Activities

<hr/>	<hr/>
<b>£(121,535)</b>	<b>£(2,030,932)</b>
<hr/>	<hr/>

## Net Proceeds from Property Transactions

Freehold/lease premium proceeds	13,451,492	6,246,253
Purchase of properties (note 5)	(1,626,399)	(18,978,821)
	<hr/>	<hr/>

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<b>£11,825,093</b>	<b>£(12,732,568)</b>
<hr/>	<hr/>

## Returns on Investment and Servicing of Finance

Income from listed and unlisted investments	2,465,622	2,382,599
Deposit interest	7,231	179,339
	<hr/>	<hr/>

<hr/>	<hr/>
<b>£2,472,853</b>	<b>£2,561,938</b>
<hr/>	<hr/>