



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

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 MARCH 2011**

|   | Page    |
|---|---------|
| Trustee and Advisers                        | 2       |
| Report of the Trustee                       | 3 - 10  |
| Statement of the Trustee's Responsibilities | 11      |
| Report of the Auditors                      | 12      |
| Statement of Financial Activities           | 13      |
| Balance Sheet                               | 14      |
| Cash Flow Statement                         | 15      |
| Accounting Policies                         | 16      |
| Notes to the Financial Statements           | 17 - 25 |

|   |   |
|---|---|
| <b>Trustee</b>  | The Keepers and Governors of the Possessions,<br>Revenues and Goods of the Free Grammar<br>School of John Lyon<br>(A Charter Corporation) |
| <b>Registered Charity No.</b>   | 237725  |
| <b>Registered Address</b>   | 45 Cadogan Gardens<br>London SW3 2TB  |
| <b>Property Managing Agents</b>   | Cluttons LLP, Chartered Surveyors<br>Portman House, 2 Portman Street<br>London W1H 6DU  |
| <b>Bankers</b>  | Coutts & Co<br>440 Strand<br>London WC2R 0QS  |
| <b>Auditors</b>   | Littlejohn LLP<br>Statutory Auditors<br>1 Westferry Circus<br>Canary Wharf<br>London E14 4HD  |
| <b>Solicitors</b>   | Pemberton Greenish LLP<br>45 Cadogan Gardens<br>London SW3 2AQ  |
| <b>Investment Advisers</b>  | Cazenove Capital Management Limited<br>12 Moorgate<br>London EC2R 6DA   |
| <b>Principal Officers</b><br>Chief Executive<br>Grants Director<br>Clerk to the Trustee | Andrew Stebbings<br>Cathryn Pender<br>Andrew Millett - (Appointed 1 April 2011)   |

## 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's formal title is "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 2011, 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, an Investments Committee to monitor the performance of the Investment Adviser and review and advise on strategic asset allocation and 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 Chief Executive. The Chairmen in the year were:-

Grants Committee - Mrs S Whiddington

Investments Committee - Mr R C W Odey

Estate Governor - Mr Robert Orr-Ewing

The day to day management of the Charity's affairs is conducted through the Chief Executive 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 Chief Executive.

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. Applications for each meeting are subject to strict deadlines. The grant-giving guidelines and details of the application procedures are published on the website and included in an information brochure. The website has become the primary source of information about the Charity

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. Copies of the Annual Report may be obtained on application to the Chief Executive.

## Objectives and Activities

### The Objects of the Charity

The Trustee confirms that it has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Charity'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 2010; no changes were made.

### Grant Making Policy

The Charity's mission is to "promote the life-chances of children and 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. Education is the foundation of the Charity's work and grants are awarded in accordance with this.

Every three years the Trustee conducts a review of the Charity's grant-giving processes, procedures and priorities. This is to ensure that the Charity's grant-giving is relevant for the next three years and to ensure that the Charity is being responsive to the right people for the right reasons.

The last Triennial Policy Review was undertaken last year and the conclusions were adopted by the Trustee at its meeting in November 2010. There were no major changes to the Charity's grant-giving policy but some key areas were highlighted as priorities.

The four main principles that govern the Charity's giving are:

- i. **Independence**  
The Charity's independence is perhaps its greatest asset. We have our own priorities. Whilst close attention is paid to government policies, they need not influence the Charity, or restrict its ability to judge applications on their merit alone.
- ii. **Flexibility**  
The Charity is flexible and offers funding for up to three years. This enables organisations to think strategically, to experiment, to make adjustments and to have time for assessment.
- iii. **Helping the neediest families**  
At a time when Government resource is especially stretched, it is important to keep a focus on children and young people in the neediest families. Unless additional incentives and encouragement is offered, the very poorest and most disorganised families will not access the facilities and services that will make a real difference to their children's development at critical stages.

**iv. Helping all children and young people to fulfil their potential**

Whilst being mindful of certain priority groups, the Charity supports projects that strive to raise the aspirations of all children and young people, irrespective of ability or circumstance.

The approach to the Charity's grant making is underpinned by the following principles:

- The Charity seeks to identify funding gaps and respond positively.
- The Charity continues to build its relationship with other organisations to develop joint strategies and increase leverage. This is true for relationships with both other funders and institutions delivering projects on joint initiatives. The Charity, where appropriate, continues to bring organisations together to formulate joint bids.
- Grants should seek to encourage partnerships between relevant bodies across schools, arts organisations and voluntary groups.
- Funded projects should work with children and young people aged 0-25 or their families. In cases of special needs or disability the age may extend to 30.
- The Charity's grant-giving should be simple and non-discriminatory.
- Projects should always consider the context of the society in which they operate and seek to benefit the wider community.
- The Charity is "faith blind" and inclusive; faith schools should demonstrate an approach that benefits the wider community.
- Projects must be of high quality and seek to inspire children and young people beyond their everyday experiences.
- The Charity supports projects that demonstrate inclusivity for all.
- Grants should seek to enhance the ability of certain groups to access programmes, activities and educational opportunities where they are traditionally under-represented.
- Grants should seek to engage parents as much as possible with their child's learning and within the school community.
- Grants should encourage parents and young people to access the opportunities and services available to them.
- Grants within school settings should focus on schools that do not typically engage in projects and activities.
- Schools should be expected to show ownership of a project, typically by a financial contribution or staff time.

The key priority groups identified fall into the following groups:

- Those in poverty
- Black and Ethnic Minority groups
- Young parents and/or those with few parenting skills
- Those in insecure accommodation
- Families within the criminal justice system
- Children and families who have been affected by domestic violence
- Those with mental health problems
- Families with children with special educational needs or disabilities
- Looked after children
- Gifted & Talented students
- Children and young people failing at school and/or at risk of exclusion
- Children and young people not achieving their full potential at school – enabling the enabled

The Charity is not a perpetual funder; grants are a maximum of three years in length, except for bursaries. However, the Charity seeks to establish strong mutual long term relationships with organisations that are recognised as delivering relevant and professional services that are of direct benefit to young Londoners living within the beneficial area, without compromising its independence.

### Events and Activities during the Year

During the year, the Charity celebrated awarding £50million in grants across the nine boroughs in the beneficial area since 1993 following the introduction of the 1991 Scheme.

Grants awarded and payable in the year are divided among the following categories:

|                               |            |
|-------------------------------|------------|
| Arts in Education             | 913,700    |
| Child Care & Parental Support | 469,500    |
| Emotional Wellbeing           | 243,100    |
| Youth Issues                  | 52,000     |
| Schools, Education & Training | 1,604,348  |
| Special Needs & Disability    | 232,000    |
| Sport in Education            | 96,500     |
| Youth Clubs & Youth Services  | 857,800    |
| Other                         | 8,500      |
|                               | <hr/>      |
| Total                         | £4,477,448 |
|                               | <hr/>      |

A total of 137 new grants were approved in the year.

### Supplementary Schools

Consistent with the Charity's education focus, the "Schools, Education & Training" programme area received the highest allocation of funding in 2010/11 with 41 organisations benefiting, representing 36% of the total grant spend. The Charity has continued its commitment to supporting voluntary groups that provide supplementary schooling in the Charity's beneficial area through its Supplementary School consortium initiative with the National Resource Centre for Supplementary Education and ContinYou. New consortium groups of supplementary schools were supported in Kensington & Chelsea (Westway Development Trust), Barnet (CommUnity Barnet) and Camden (Camden BME Alliance). In addition to funding these consortium groups, the Charity hosts regular meetings of the Coordinators of these groups to develop joint working between the boroughs. There is now a Quality Framework for Supplementary Schools in place throughout the eight boroughs in the beneficial area. This work is to feed into a conference that the Charity is planning for 2012 to disseminate the findings of research on both the impact of supplementary schooling on children's learning and the consortium method of funding the schools.

### Bursaries

The Charity remains committed to its bursary programme and in 2010/11 paid £541,946 to a range of independent schools and institutions of higher education, which represents 12% 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). During the year a new John Lyon bursary programme was established at Godolphin & Latymer School in Hammersmith (to commence in September 2011) and bursary support was awarded to the Joint Educational Trust that provides boarding school places for troubled children from disadvantaged backgrounds. Bursary grants are made as a contribution towards school fees for young people to attend specific institutions and are awarded to those institutions, not the individual. Eligible candidates must be currently living in the beneficial area and have done so for at least two years before the award is made. Bursary holders are financially assessed and selected by the school or institution on criteria agreed with the Charity and prospective candidates are presented to the Charity for approval. Recipients must be means tested and provide evidence that they cannot afford to contribute more than 25% of the school fee.

The Charity no longer awards bursaries for postgraduate study.

### Youth Clubs & Youth services

During this time of financial uncertainty for all voluntary and community groups, among the first to experience large scale cuts were youth clubs. John Lyon's Charity remains committed to maintaining youth provision throughout the beneficial area. In 2010/11 24 new grants were awarded to youth clubs which made important contributions to their core costs, salary costs and dedicated youth outreach projects. Examples of clubs supported during the year include the Pirate Club in Camden, Kilburn Youth Centre, Harrow Club, Earls Court Youth Club, Somers Town Community Centre and Avenues Youth Project in Westminster. In areas where statutory support for youth clubs is lacking, the Charity remains committed to finding ways to work with local partners to maintain provision for young people and maximise the available resources.

### Access to Opportunity

In March 2010 the Charity launched the Access to Opportunity Grants Programme that seeks to exploit the crucial link between schools, home-life and the local community to ensure that the Charity's resources are expended directly for the benefit of the most disadvantaged young people. Schools are encouraged to apply to the Charity in partnership with other schools and voluntary sector providers for programmes that are designed to support their most vulnerable students. Programmes should strengthen links with home-life and co-ordinate the support of other available professionals. A typical proposal might cost £25,000-£50,000 and funding is available for up to three years.

Nine grants were awarded under the Access to Opportunity Grants Programme in 2010/11 with a total spend in that year of £226,000. Schools that have secured funding include St Gregory's Catholic Science College in Brent for a project to help Eastern European children and their families, Glebe Primary Schools' Canon Cluster Parent Ambassador project in Harrow and St Mary's Church of England High School which is working with fellow Barnet school, Whitefield, on a psychotherapy initiative.

### New Programme Areas

As part of the Policy Review process, the Programme Areas were expanded, and prioritised to reflect better the Charity's grant-giving priorities:

- Children & Families
- Education & Learning
- Training
- Bursaries
- Arts in Education
- Youth Clubs & Youth Activities
- Youth Issues
- Special Needs & Disability
- Sport
- Emotional Wellbeing

Dividing the largest Programme Area, 'Schools, Education & Training', into three (Education & Learning, Training and Bursaries) will afford the Charity a greater ability to analyse grant expenditure. Grants will be analysed under these new headings in the 2011/12 Trustee report.

### Public Policy

The well-documented cuts in statutory funding that have happened across a range of services within the Charity's areas of interest have meant that 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 proven tricky to maintain with constant restructuring in local authorities. Meetings have been held with the Heads of Extended Services, Heads of Youth Services and Heads of Music Services and all groups are keen to continue contact with the Charity. These close relations with a variety of local authority departments enables the Charity to fill real gaps in voluntary sector provision and make the most appropriate use of its funds, supported by the local authorities.

To exploit this link between local authority departments and voluntary sector providers, the Charity holds 'Lyon's Den' sessions to which voluntary sector groups are invited to learn more about the opportunities available to them from John Lyon's Charity and to discuss their projects on a one-to-one basis with grants



officers. In 2010/11 these Lyon's Den sessions were offered in Kensington & Chelsea and Barnet and have led to several successful grant applications within the year. Plans are in place to offer Lyon's Den sessions in Camden and Harrow and it is expected that meetings will be arranged by each local authority in the Charity's beneficial area.

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

|                            |            |
|----------------------------|------------|
| Arts Fund                  | 3,150      |
| Buildings & Refurbishments | 414,700    |
| Bursaries                  | 676,946    |
| Project support            | 1,662,952  |
| Equipment                  | 1,600      |
| Running costs              | 783,700    |
| Salary costs               | 925,900    |
| Other                      | 8,500      |
|                            | <hr/>      |
| Total                      | £4,477,448 |
|                            | <hr/>      |

The Charity's Annual Report gives details of grants made and the principal areas of activity in greater detail.

### Future Plans

This is a time of continued uncertainty for many in both the voluntary sector and the public sector. Groups are competing for funding in an environment in which all funding bodies are constrained and face even greater demands on limited resources. As already witnessed in one of the Charity's boroughs this can result in even greater tensions between the voluntary sector and local authorities. The level of grants awarded in the year was significantly lower than in the previous year, which is a direct result of the financial and economic circumstances and particularly the uncertainties of future government funding. There is clear evidence that organisations and their trustees are now beginning to look to the future with realistic proposals for their work in the new economic environment. The Charity has adopted an approach in the face of these economic challenges which seeks to maximise its resources both now and in the future and is ready to respond to applicants. It expects the level of grants over the next year to rise substantially.

The Charity will continue to work closely with its local authorities. A new special interest group is being developed with Heads of Virtual Schools who work with Looked After Children. The Charity is committed to finding ways to develop initiatives with the local authority teams to have a direct impact on raising the aspirations of Looked After Children and provide them with the same opportunities as their peers. We are working with five boroughs (Brent, Ealing, Hammersmith & Fulham, Kensington & Chelsea and Westminster) to develop a cross-borough initiative to pool resources, skills and expertise in order to maximise funding and opportunities.

To promote the Charity's continued commitment to enabling as many young people as possible to access the wonderful array of Arts opportunities in the Capital, we are planning to hold a conference to explore how existing barriers to participation by schools in arts programmes might be tackled and how arts organisations can help schools better engage with them.

The Charity will also continue to develop its Supplementary Schools initiative and proposes to hold a conference in 2012 to promote the raising of standards and the good practice that underpins the initiative.

As highlighted in the Triennial Policy Review the Charity will continue to prioritise projects that support children and their families through the Main Grants Programme and in particular through the Access to Opportunity grants programme to utilise the position of schools in the local community. We will continue to strive to be a helpful, flexible and supportive funder and promote collaborative work where appropriate and offer advice and support to organisations seeking funding and responding to organisations' real needs and priorities.

## 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 £7.7m in the year (2009/10 - £13.5m). 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 2011 are shown at the market valuation as at 31 March 2009. The value of £31.13m represents a decrease of £5.60m on the value at 31 March 2010 adjusted for disposals, acquisitions and improvements. The current policy is to re-value these properties every three years and a valuation will therefore 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 surplus on revaluation of the residential properties was £5.10m.

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 £11.87m.

The Charity's investment portfolios are principally invested in common investment funds and other pooled funds. The main portfolio produced a total return of 9.06% in the year (38.69% in 2009-10). The Total Return Fund excluding the OXIP investment produced a return of 10.55% (16.88% in 2010). Realised and unrealised gains on investments in the year totalled £5.69m (£18.74m in 2009-10). Within these figures are the total return results of the Charity's investments in the Oxford Investment Partnership of 5.23% (16.1% in 2010) and in the Unite Student Accommodation Fund of 11.07% (21.48% in 2010).

The value of the Endowment increased by £16.82m from £201.94m to £218.76m, an increase of 8.33%. The total return in the year was 11.72%, following a return in 2009-10 of 23.15%. In the context of the economic environment of the three years this performance is regarded as very satisfactory and a justification of the overall investment policy and strategic asset allocation adopted by the Trustee.

### 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's 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 4.00% to £6.28m from £6.04 m in 2009/10 before withdrawals from the Total Return Fund.

In accordance with the policy the net amount withdrawn from the fund in the year was £645,104, 3.75% of the value of the fund at 31 March 2010. The unapplied total return as at 31 March 2011 increased from £3.96m to £4.81m,

**Grants Expenditure**

Total grants in the year amounted to £4.48m.

It is the policy of the Charity to regard grants given in excess of 5% of total grants made as material for disclosure purposes. One grant was made in the year in excess of the material level to require disclosure under this policy. That was a grant of £250,000 to the London Diocesan Board for Schools, being the fourth and final tranche of a total grant of £1m for the Chelsea Academy.

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 £3.36m in 2011/12 £1.92m in 2012/13 and £0.50m in 2013/14 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. As recorded in note 13 to the Financial Statements the Charity has committed to multi-year grants totalling £6.39m up to 2016/17, including bursary support.

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.

**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 and in these accounts only grants awarded and payable in the year are recognised. 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 considered to be reliable. Accordingly, the Charity does not carry a provision for such future grants.

**Risk Management**

The Trustee has identified major risks to which the Charity is considered to be exposed. These risks are reviewed annually together with policies and systems established to mitigate them.

**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  
Chief Executive



11 June 2011

The Trustee is responsible for preparing the Report of the Trustee and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England & Wales requires the Trustee to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Charity and of the incoming resources and application of resources of the Charity for that period. In preparing these Financial Statements, the Trustee is required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in business.

The Trustee is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Charity and enables it to ensure that the financial statements comply with the Charities Act 1993, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the Scheme. It is also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the charity and financial information included on the Charity's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Each of the Members of the Corporation and the Chief Executive 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 Auditor's 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 2011 which comprise the Statement of Financial Activities, the Balance Sheet Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Trustee in accordance with the Charities Act 1993. 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 auditor's 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 as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Trustee and Auditor**

As explained more fully in the Trustee's Responsibilities Statement set out on page 11 the Trustee is responsible for the preparation of Financial Statements which give a true and fair view.

We have been appointed as auditor under Section 43 of the Charities Act 1993 and report in accordance with regulations made under Section 44 of that Act. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the Audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustee; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited Financial Statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on Financial Statements**

In our opinion, the Financial Statements:

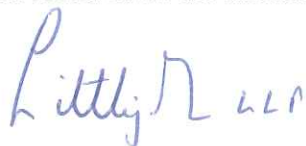
- give a true and fair view of the state of the Charity's affairs as at 31 March 2011 and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 1993.

**Matters on which we are required to Report by Exception**

We have nothing to report in respect of the following matters where the Charities Act 1993 requires us to report to you if, in our opinion:

- the information given in the Trustee's Annual Report is inconsistent in any material respect with the Financial Statements; or
- sufficient accounting records have not been kept; or
- the Financial Statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Littlejohn LLP  
Statutory Auditor



11 June 2011

1 Westferry Circus  
Canary Wharf  
London E14 4HD

Littlejohn LLP is eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006.

|  | Note  | Unrestricted<br>Fund | Endowment<br>Fund   | Total<br>Funds<br>2010/11 | Total<br>Funds<br>2009/10 |
|--|-------|----------------------|---------------------|---------------------------|---------------------------|
| <b>Incoming Resources</b>  |       |                      |                     |                           |                           |
| Investment property income   | 1a    | 3,843,687            | -                   | 3,843,687                 | 3,563,231                 |
| Investment income  |       | 2,363,894            | 59,479              | 2,423,373                 | 2,465,622                 |
| Bank and deposit income  |       | 10,247               | 310                 | 10,557                    | 7,231                     |
| <b>Total Incoming Resources</b>  |       | <b>6,217,828</b>     | <b>59,789</b>       | <b>6,277,617</b>          | <b>6,036,084</b>          |
| <b>Resources Expended</b>  |       |                      |                     |                           |                           |
| Cost of generating incoming resources  | 1a,1b | 710,880              | 140,430             | 851,310                   | 1,047,924                 |
| Charitable activities  | 2,    | 4,908,204            | -                   | 4,908,204                 | 5,500,508                 |
| Governance costs   | 3,4   | 94,800               | 12,330              | 107,130                   | 115,167                   |
| <b>Total Resources Expended</b>  |       | <b>5,713,884</b>     | <b>152,760</b>      | <b>5,866,644</b>          | <b>6,663,599</b>          |
| <b>Net Incoming/(Outgoing) Resources before other Recognised Gains and Losses and Applications</b> |       |                      |                     |                           |                           |
|  |       | 503,944              | (92,971)            | 410,973                   | (627,515)                 |
| Application of Total Return Fund   | 7     | 645,104              | (645,104)           | -                         | -                         |
|  |       | 1,149,048            | (738,075)           | 410,973                   | (627,515)                 |
| <b>Statement of Total Recognised Gains and losses</b>  |       |                      |                     |                           |                           |
| Realised surplus on sale of investment properties  |       | -                    | 4,682,675           | 4,682,675                 | 3,948,525                 |
| Unrealised surplus on investment properties  | 5     | -                    | 7,186,251           | 7,186,251                 | 11,373,851                |
| Realised gain on sale of investments   |       | -                    | 143,023             | 143,023                   | 788,295                   |
| Unrealised gain on investments   | 6     | -                    | 5,542,797           | 5,542,797                 | 17,951,353                |
| <b>Net Movement in Funds for the Year</b>  |       | <b>1,149,048</b>     | <b>16,816,671</b>   | <b>17,965,719</b>         | <b>33,434,509</b>         |
| Balance at beginning of year   |       | 1,374,523            | 201,944,865         | 203,319,388               | 169,884,879               |
| <b>Balance at end of year</b>  | 11c   | <b>£2,523,571</b>    | <b>£218,761,536</b> | <b>£221,285,107</b>       | <b>£203,319,388</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 16 to 25 form part of these Financial Statements.



|                                       | Note | 2011         | 2010         |
|---------------------------------------|------|--------------|--------------|
| <b>Fixed Assets</b>                   |      |              |              |
| Investment properties                 | 5    | 116,471,299  | 107,370,937  |
| Investments                           | 6    | 103,206,223  | 95,936,093   |
|                                       |      | <hr/>        | <hr/>        |
|                                       |      | 219,677,522  | 203,307,030  |
| <b>Current Assets</b>                 |      |              |              |
| Debtors                               | 8    | 406,124      | 551,375      |
| Cash at bank                          |      | 3,065,415    | 561,349      |
|                                       |      | <hr/>        | <hr/>        |
|                                       |      | 3,471,539    | 1,112,724    |
| <b>Creditors: due within one year</b> | 9    | (1,863,954)  | (1,100,366)  |
|                                       |      | <hr/>        | <hr/>        |
| <b>Net current Assets</b>             |      | 1,607,585    | 12,358       |
|                                       |      | <hr/>        | <hr/>        |
|                                       |      | £221,285,107 | £203,319,388 |
|                                       |      | <hr/>        | <hr/>        |
| <b>Represented by:</b>                |      |              |              |
| Endowment fund                        | 11c  | 218,761,536  | 201,944,865  |
| Unrestricted fund                     | 11c  | 2,523,571    | 1,374,523    |
|                                       |      | <hr/>        | <hr/>        |
|                                       |      | £221,285,107 | £203,319,388 |
|                                       |      | <hr/>        | <hr/>        |

The Financial Statements on pages 13 to 25 were approved by the Keepers and Governors of the Possessions, Revenues and Goods of the Free Grammar School of John Lyon as Trustee on 11 June 2011 and signed on the Trustee's behalf by:

S Whiddington

R Orr-Ewing

The Accounting Policies and Notes on pages 16 to 25 form part of these Financial Statements.

|  | Note | 20010/11          | 2009/10           |
|--|------|-------------------|-------------------|
| Net Cash Outflow from Operating Activities   | 14   | (1,114,118)       | (3,324,418)       |
| Net Cash Inflow/(Outflow) from Capital Expenditure and Financial Investment Activities | 15   | 1,184,254         | (121,535)         |
| Returns on Investment and Servicing of Finance   | 15   | 2,433,930         | 2,472,853         |
| Increase/(Decrease) in Cash in the Period  |      | <u>£2,504,066</u> | <u>£(973,100)</u> |
| Opening Net Funds  |      | 561,349           | 1,534,449         |
| Movement in Period being change in Cash Balances                                       |      | <u>2,504,066</u>  | <u>(973,100)</u>  |
| Closing Net Funds  |      | <u>£3,065,415</u> | <u>£561,349</u>   |

The Accounting Policies and Notes on pages 16 to 25 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 three 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 to which they relate.

| 1. Activities for Generating Funds                   | 2010/11           | 2009/10           |
|--|-------------------|-------------------|
| <b>a. Net UK Property Income</b>                     |                   |                   |
| Residential rents due for the year                   | 1,973,507         | 1,838,847         |
| Commercial rents due for the year                    | 1,870,180         | 1,724,384         |
|  | <hr/>             | <hr/>             |
| <b>Total Incoming Resources from property</b>        | <b>3,843,687</b>  | <b>3,563,231</b>  |
| <b>Less: Direct property expenses</b>                |                   |                   |
| Management charges                                   | (268,863)         | (324,180)         |
| Repairs and other expenses                           | (401,836)         | (514,640)         |
| Bad debt provision                                   | (40,181)          | -                 |
|  | <hr/>             | <hr/>             |
| <b>Total cost of generating income from property</b> | <b>(710,880)</b>  | <b>(838,820)</b>  |
|  | <hr/>             | <hr/>             |
| <b>Net property income</b>                           | <b>£3,132,807</b> | <b>£2,724,411</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.

|  | 2010/11         | 2009/10           |
|--|-----------------|-------------------|
| Other management costs – Total Return Fund     | 22,183          | 20,343            |
| – Other  | 118,247         | 188,761           |
|  | <hr/>           | <hr/>             |
|  | <b>140,430</b>  | <b>209,104</b>    |
|  | <hr/>           | <hr/>             |
| <b>Cost of generating income from property</b> | <b>710,880</b>  | <b>838,820</b>    |
|  | <hr/>           | <hr/>             |
|  | <b>£851,310</b> | <b>£1,047,924</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<br>Activity | Support<br>Costs | Total<br>2010/11  | Total<br>2009/10  |
|--------------------------------|--------------------------|------------------|-------------------|-------------------|
| Arts in Education              | 913,700                  | 87,903           | 1,001,603         | 1,465,045         |
| Children & Families            | 469,500                  | 45,168           | 514,668           | 546,658           |
| Emotional Wellbeing            | 243,100                  | 23,388           | 266,488           | 204,093           |
| Other                          | 8,500                    | 818              | 9,318             | 5,396             |
| Youth Issues                   | 52,000                   | 5,003            | 57,003            | 32,379            |
| Schools, Education & Training  | 1,604,348                | 154,347          | 1,758,695         | 2,049,686         |
| Special Needs & Disability     | 232,000                  | 22,320           | 254,320           | 258,381           |
| Sport                          | 96,500                   | 9,284            | 105,784           | 303,819           |
| Youth Clubs & Youth Activities | 857,800                  | 82,525           | 940,325           | 635,051           |
|                                | <hr/>                    | <hr/>            | <hr/>             | <hr/>             |
|                                | <b>£4,477,448</b>        | <b>£430,756</b>  | <b>£4,908,204</b> | <b>£5,500,508</b> |
|                                | <hr/>                    | <hr/>            | <hr/>             | <hr/>             |

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

| 3. Governance Costs          | 2010/11  | 2009/10  |
|------------------------------|----------|----------|
| Administration fees          | 42,477   | 49,813   |
| Audit fees                   | 28,000   | 27,000   |
| - current year               | 1,670    | 1,490    |
| - prior year under provision | 3,215    | 9,265    |
| Sundry expenses              | 7,349    | 6,614    |
| Printing & stationery        | 12,089   | -        |
| Rent and rates               | 94,800   | 94,182   |
| Valuation fees               | 12,330   | 20,985   |
|                              | £107,130 | £115,167 |

#### 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<br>Activities | 2010/11  | 2009/10  |
|--------------------------------|------------|--------------------------|----------|----------|
| Administration fees            | 42,477     | 104,558                  | 147,035  | 172,429  |
| Audit fees                     | 29,670     | -                        | 29,670   | 28,490   |
| Valuation fees                 | 12,330     | -                        | 12,330   | 20,985   |
| Printing & stationery          | 7,349      | 22,048                   | 29,397   | 26,455   |
| Seminars and sponsorship       | -          | 23,019                   | 23,019   | 21,188   |
| Sundry expenses                | 3,215      | -                        | 3,215    | 9,265    |
| Consultancy fees               | -          | 33,046                   | 33,046   | 39,413   |
| Staff costs                    | -          | 207,019                  | 207,019  | 191,886  |
| Travel and other expenses      | -          | 11,309                   | 11,309   | 14,272   |
| Rent, rates and service charge | 12,089     | 29,757                   | 41,846   | -        |
|                                | £107,130   | £430,756                 | £537,886 | £524,383 |

#### Administration of Charitable Grants

##### Staff Costs

|                                     | 2010/11  | 2009/10  |
|-------------------------------------|----------|----------|
| Wages and salaries                  | 165,655  | 157,175  |
| Social security costs               | 13,634   | 11,258   |
| Pension & health care contributions | 27,730   | 23,453   |
|                                     | £207,019 | £191,886 |

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 | 4 | 4 |
|--------------|---|---|

In the current year 1 employee was entitled to emoluments in excess of £60,000.

| 5. Investment Properties | 2011         | 2010         |
|--------------------------|--------------|--------------|
| Reversionary estate      | 31,127,299   | 36,727,437   |
| Residential properties   | 47,944,000   | 37,993,500   |
| Commercial Properties    | 37,400,000   | 32,650,000   |
|                          | <hr/>        | <hr/>        |
| Market value             | £116,471,299 | £107,370,937 |
|                          | <hr/>        | <hr/>        |

Two properties with a book value of £4.54m were transferred in the year from the reversionary estate to the residential estate. These properties are included in the residential estate at market value at 31 March 2011.

|                                       | 2011         | 2010         |
|---------------------------------------|--------------|--------------|
| Balance at beginning of year          | 107,370,937  | 103,532,365  |
| Additions at cost                     | 4,429,248    | 1,626,399    |
| Unrealised gain/(loss) on revaluation | 7,186,251    | 11,373,851   |
| Disposals at valuation                | (2,515,137)  | (9,161,678)  |
|                                       | <hr/>        | <hr/>        |
| Balance at end of year                | £116,471,299 | £107,370,937 |
|                                       | <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 at the date of acquisition; 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 £55.72m (2010 - £38.42m).

## 6. Investments

All investments are held in the Endowment Fund.

At 31 March 2011 the following investments accounted for more than 5% of the overall portfolio:

|  |        |
|--|--------|
| Multi manager Global (EX-UK) Income Fund | 6.12%  |
| Strategic Bond X Income                  | 11.23% |
| Absolute Return Fund for Charities       | 6.47%  |
| Growth Trust for Charities               | 40.95% |

|                   | 2011         | 2010        |
|-------------------|--------------|-------------|
| Free Fund         | 73,493,714   | 69,006,469  |
| Total Return Fund | 18,185,952   | 17,240,885  |
| Special Fund      | 11,526,557   | 9,688,739   |
|                   | <hr/>        | <hr/>       |
| Market value      | £103,206,223 | £95,936,093 |
|                   | <hr/>        | <hr/>       |
| Historical cost   | £83,458,245  | £80,182,467 |
|                   | <hr/>        | <hr/>       |

Included in the above is cash held for investment of £461,929 (2010 - £5,114,784) in the Special Fund and £66,911 (2010 - £426,068) in the Total Return Fund. The Special Fund is defined in the Governing Documents.

Investment movements in the year are summarised as follows:

|  | 2011         | 2010         |
|--|--------------|--------------|
| Balance at beginning of year             | 95,936,093   | 65,591,106   |
| Investment purchases                     | 25,190,347   | 27,675,611   |
| Net investment realisations              | (18,451,002) | (21,063,559) |
| Unrealised surplus on revaluation        | 5,542,797    | 17,951,353   |
| Net movement in cash held for investment | (5,012,012)  | 5,781,582    |
|  | <hr/>        | <hr/>        |
| Balance at end of year                   | £103,206,223 | £95,936,093  |
|  | <hr/>        | <hr/>        |

## 7. Application of the Power of Total Return

In January 2006, the Charity Commission made an order 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 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. The resulting amount is referred to as the Total Return Fund. The unapplied total return at 1 April 2006 was based on 20% of the increase in the value of the Free Fund between 31 March 2003 and 31 March 2006, adjusted for capital added in the period.

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

| <b>Movements in the Total Return Fund in the Year</b>    | <b>2010/11</b> | <b>2009/10</b> |
|--|----------------|----------------|
| Opening valuation at 1 April                             | 17,240,885     | 14,444,243     |
| Changes in year  |                |                |
| Investment return – income                               | 59,789         | 261,796        |
| Investment return – realised/unrealised gains and losses | 1,452,565      | 2,298,825      |
| Investment management costs                              | (22,183)       | (20,343)       |
| Net return for the year                                  | 1,490,171      | 2,540,278      |
| New capital introduced                                   | 100,000        | 800,000        |
| Return applied during the year                           | (645,104)      | (543,636)      |
|  | 945,067        | 2,796,642      |
| Valuation of Total Return Fund at 31 March               | £18,185,952    | £17,240,885    |
| <b>Statement of Unapplied Total Return</b>               |                |                |
| Opening valuation at 1 April                             | 3,960,323      | 1,963,681      |
| Net return for the year                                  | 1,490,171      | 2,540,278      |
| Less total return applied during the year                | (645,104)      | (543,636)      |
| Unapplied total return as at 31 March                    | £4,805,390     | £3,960,323     |
| Amount available for distribution in subsequent year     | £681,973       | £646,533       |

|  |             |             |
|--|-------------|-------------|
| <b>8. Debtors</b>  | <b>2011</b> | <b>2010</b> |
| Amounts due from tenants and managing agents             | 386,143     | 525,508     |
| Other debtors and prepayments                            | 19,981      | 25,867      |
|  | <hr/>       | <hr/>       |
|  | £406,124    | £551,375    |
|  | <hr/>       | <hr/>       |
| <b>9. Creditors: amounts falling due within one year</b> | <b>2011</b> | <b>2010</b> |
| Grants payable   | 1,484,184   | 814,500     |
| Other creditors and accruals                             | 379,770     | 285,866     |
|  | <hr/>       | <hr/>       |
|  | £1,863,954  | £1,100,366  |
|  | <hr/>       | <hr/>       |

**10. Operating Lease Commitments**

As at 31 March 2011, the minimum annual lease payments to which The Charity is committed under non-cancellable operating lease is:

|                                   |             |             |
|-----------------------------------|-------------|-------------|
|                                   | <b>2010</b> | <b>2009</b> |
| Expiring within two to five years | £80,000     | £ -         |
|                                   | <hr/>       | <hr/>       |

On termination of the lease there will be a claim for dilapidations and reinstatement which it is not expected to exceed £25,000.

**11. 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 2011, the net assets are held for the Funds as follows:

|                   | Investments  | Investment<br>Properties | Net Current<br>Assets | Total        |
|-------------------|--------------|--------------------------|-----------------------|--------------|
| Endowment Fund    | 103,206,223  | 116,471,299              | (915,986)             | 218,761,536  |
| Unrestricted Fund | -            | -                        | 2,523,571             | 2,523,571    |
|                   | <hr/>        | <hr/>                    | <hr/>                 | <hr/>        |
|                   | £103,206,223 | £116,471,299             | £1,607,585            | £221,285,107 |
|                   | <hr/>        | <hr/>                    | <hr/>                 | <hr/>        |

## 12. Transactions with the Trustee and Connected Persons

The Clerk to the Corporation and the Chief Executive are partners 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:

|                         | 2010/11  | 2009/10  |
|-------------------------|----------|----------|
| Salaries                | 211,450  | 175,276  |
| Rent and rates          | 2,500    | 47,548   |
| Office overheads        | 31,008   | 29,674   |
| Computer and IT support | 23,999   | 22,965   |
|                         | <hr/>    | <hr/>    |
|                         | £268,957 | £275,463 |
|                         | <hr/>    | <hr/>    |

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.

|   | 2010/11  | 2009/10  |
|---|----------|----------|
| Property & investment management  | 13,912   | 69,931   |
| Fees charged to capital account in respect of the sale of investment properties | 302,318  | 169,638  |
|   | <hr/>    | <hr/>    |
|   | £316,230 | £239,569 |
|   | <hr/>    | <hr/>    |

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

The Chief Executive receives no remuneration or expenses personally from the Charity.

i On 15 March 2010, the charity moved offices to 45 Cadogan Gardens which it occupies under the terms of an underlease granted by Pemberton Greenish LLP (see note 10). 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:

|   | 2010/11  | 2009/10  |
|---|----------|----------|
| Management fees and insurance commissions | 268,863  | 324,180  |
| Valuation and lease audit fees            | 12,330   | 20,985   |
| Capital transaction fees                  | 147,864  | 138,621  |
|   | <hr/>    | <hr/>    |
|   | £429,057 | £483,786 |
|   | <hr/>    | <hr/>    |

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



**12. Transactions with the Trustee and Connected Persons (continued)**

The Charity made grants in the year for bursaries at both Harrow School of £213,735 (£190,461 in 2009/10) and The John Lyon School of £246,401 (£199,877 in 2009/10) 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 £24,000 in grants to Harrow School to fund apprenticeships.

The Trustee has agreed in principle that the charity will purchase a property from the John Lyon School and lease it back to the school. The transaction will be conducted on arms length terms and each party will have separate valuation and legal advice. This is subject to approval by the Charity Commission.

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. Six grants totalling £440,510 (2009/10 – five grants totalling 176,200) 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.

In the year ended 31 March 2010 the Charity made an investment of £1m representing 8.8% of the net equity of Fenchurch Place LLP in which a member of the corporation and his family were also co-investors. 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.

## 13. Future Commitments

## Grant commitments

The Charity has committed to multi-year grants including bursary support totalling £6.39m up to 2016/17, 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.

## Capital commitments

The Charity has committed to the cost of refurbishment of one of its properties, Lincoln Court, having acquired vacant possession in the year. The estimated cost of refurbishment is £3.2M

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

|   | 2010/11             | 2009/10             |
|---|---------------------|---------------------|
| Net incoming resources before grants                | 4,888,421           | 4,463,777           |
| Grants from annual income                           | (4,477,448)         | (5,091,292)         |
|   | <hr/>               | <hr/>               |
| Net incoming/(outgoing) resources after grants      | 410,973             | (627,515)           |
| Decrease/(increase) in debtors                      | 145,251             | 36,380              |
| Increase/(decrease) in creditors                    | 763,588             | (260,430)           |
| Income from listed investments and deposit interest | (2,433,930)         | (2,472,853)         |
|   | <hr/>               | <hr/>               |
| <b>Net Cash Outflow from Operating Activities</b>   | <b>£(1,114,118)</b> | <b>£(3,324,418)</b> |
|   | <hr/>               | <hr/>               |

## 15. Analysis of Cash Flows for Headings Netted in the Cash Flow Statement

## Capital Expenditure and Financial Investment Activities

|  |              |              |
|--|--------------|--------------|
| Net proceeds from property transactions                  | 3,252,676    | 11,825,093   |
| Expenses charged to capital account                      | (484,112)    | (341,289)    |
| Sale of investments                                      | 18,594,025   | 21,851,854   |
| Purchase of investments (note 6)                         | (25,190,347) | (27,675,611) |
| Decrease/(increase) in cash held for investment (note 6) | 5,012,012    | (5,781,582)  |
|  | <hr/>        | <hr/>        |

## Net Cash Inflow/(Outflow) from Capital Expenditure and Financial Investment Activities

|  |            |            |
|--|------------|------------|
|  | £1,184,254 | £(121,535) |
|  | <hr/>      | <hr/>      |

## Net Proceeds from Property Transactions

|                                 |             |             |
|---------------------------------|-------------|-------------|
| Freehold/lease premium proceeds | 7,681,924   | 13,451,492  |
| Purchase of properties (note 5) | (4,429,248) | (1,626,399) |
|                                 | <hr/>       | <hr/>       |
|                                 | £3,252,676  | £11,825,093 |
|                                 | <hr/>       | <hr/>       |

## Returns on Investment and Servicing of Finance

|   |            |            |
|---|------------|------------|
| Income from listed and unlisted investments | 2,423,373  | 2,465,622  |
| Deposit interest                            | 10,557     | 7,231      |
|   | <hr/>      | <hr/>      |
|   | £2,433,930 | £2,472,853 |
|   | <hr/>      | <hr/>      |