



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

**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 MARCH 2012**

**Registered Charity No: 237725**

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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 (A Charter Corporation)
<b>Registered Charity No.</b>	237725
<b>Registered Address</b>	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 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
<b>Principal Officers</b> Chief Executive Grants Director Clerk to the Trustee	Andrew Stebbings Cathryn Pender 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 2012, 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 next review is scheduled for November 2013 however; it is considered that the current policy continues to be relevant to the Charity's giving and allows the Charity to remain independent, be flexible, help the neediest families and help all children and young people to fulfil their potential.

The key priority groups continue to be:

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

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

The total amount of grants payable in 2011/12 was £5,323,171.

### Programme Areas

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

	£'000
Arts in Education	1,109
Bursaries	654
Children & Families	626
Education & Learning	842
Emotional Wellbeing	358
Special Needs & Disability	353
Sport	226
Training	221
Youth Clubs	761
Youth Issues	168
Other	5
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Total	£5,323
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A total of 144 new grants were approved in the year.

The Charity continues its commitment to enabling access to high quality arts activities and awarded £1.1million under the Arts in Education programme area, representing 21% of grant expenditure. 53 organisations have benefited. 'Education & Learning' received the second highest allocation, 16% of total expenditure which is consistent with the Charity's education focus. Over the year there has been an increase in expenditure on projects that work to support children and families (£469,000 in 2010/11 - £625,600 in 2011/12) and also those with special needs and/or disabilities (£232,000 in 2010/11 - £353,015 in 2011/12). This reflects the Charity's increased focus on supporting and helping the neediest families, who are faced with cuts in services.

### Supplementary Schools

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. The Charity is facilitating the development of collaborative forum for eight of the Charity's boroughs (Barnet, Brent, Camden, Ealing, Hammersmith & Fulham, Harrow, Kensington & Chelsea and Westminster) to help schools work together to share ideas, pool resources and develop models of good practice to help standardize the approach in supplementary schools. This work will feed into a conference that the Charity is planning for June 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 2011/12 paid £654,521 to a range of independent schools, representing 12% of the Charity's total grant spend. There are John Lyon bursaries at girls' schools such as Godolphin & Latymer School, Heathfield School, St James Independent School for Senior Girls and St Paul's Girls' School as well as at the Foundation Schools (Harrow School and The John Lyon School). 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.

### **Access to Opportunity**

This Grants Programme, established in 2010, continues to be a popular and effective way for the Charity to engage with schools in the beneficial area. Five new grants were awarded under the Access to Opportunity Grants Programme in 2011/12. There are currently 14 active projects under this Grants Programme involving 69 schools in the Charity's beneficial area. (56 primary, 10 secondary and 3 special). The total spend under this programme in 2011/12 is £388,500 or 7% of total expenditure. The majority of requests are towards providing in-school therapeutic provisions in the form of therapists or counsellors (under the Emotional Wellbeing Programme Area), and for projects that support families and parents to engage with their child's learning (under the Children & Families Programme Area). These kinds of projects that provide additionality to a child's learning, are highly valued by schools but with reductions in school budgets, hard decisions are being made. Under the Access to Opportunity Grants Programme, schools work together in order to maximize the Charity's resources and provide services across a number of schools. This has proven to be and the Charity remains committed to extending the Programme in future years.

### **Unlocking the Future for Looked After Children**

Looked After Children face many challenges. Educational attainment, qualifications and university access remains poor for this group of young people, despite recent improvements and targeted initiatives including the monitoring of progress, attendance and punctuality, Saturday schools, youth worker support, revision classes, sixth form support, Gifted & Talented Summer Schools and cultural visits. A recent initiative has been the establishment of Virtual Schools, an organisational tool to enable more effective coordination of educational services at a strategic and operational level; there are Virtual Schools in a number of the Charity's boroughs. In order to channel funds directly to supporting these vulnerable young people, the Charity has worked with five Virtual School headteachers from Brent, Ealing, Hammersmith & Fulham, Kensington & Chelsea and Westminster. Initially, Small Grants of £5,000 were awarded to each local authority to pilot 'extra-curricular' activities including: cookery lessons, drama programmes, Duke of Edinburgh awards, Arts access visits, study skills and other residential programmes. Following the success of these grants, the Charity then awarded a grant of £10,000 per borough (£50k total) per annum for three years towards developing joint-borough initiatives and strategies to build upon the pilot projects tested via the Small Grant awards. There are three themes: Raising Literacy, Access to Sport Recreation and Leisure and Expeditions and residential opportunities. Within the themes, the borough representatives picked the best elements of the projects they had previously piloted to share experiences and resources.

Looked After Children are a government priority and there is much work around academic achievement and the issues affecting this group of young people. The Charity's initiative does not intend to duplicate this work and/or funding but to seek to provide Looked After Children with the same opportunities and choices as their peers.

### **Shakespeare Project**

The Shakespeare Project is run by staff at Holy Trinity & St Silas Primary School. Based on a Shakespeare play each year, schools watch a professional performance, have workshops to recreate their own versions and perform together with other participating schools in their borough. This project is delivered and managed by teachers and as a result can be immediately reactive to the needs of participating schools. Initially starting in Camden, over the past three years, the project has been extended to 22 participating schools across four boroughs (Barnet, Brent, Camden and Westminster). Schools are responsible for sharing their experiences and supporting each other to participate in the project so that they have a greater ownership over the experience. This is just one example of a project that is currently funded to happen within schools and the Charity remains committed to funding schools directly in order to participate in projects of their choice.

### Youth Clubs and Youth Issues

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 2011/12 21 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 Samuel Lithgow Youth Centre in Camden, Dalgarno Neighbourhood Trust in Kensington & Chelsea, the Access for Support & Development Centre in Ealing and Hornstars in Brent. 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.

### Public Policy

Over the year, the effects of the financial crisis on the services provided by local authorities have been revealed. Grants to the voluntary sector have been drastically cut and personnel within the authorities have also been severely reduced. Three of the Charity's boroughs (Hammersmith & Fulham, Kensington & Chelsea and Westminster) have joined together to create a Tri-borough partnership. As a result of these major changes, the Charity has been working hard to maintain contact with key officers in order to maintain these close relationships. Regular meetings continue to be held with key local authority contacts in youth services, music services and the Charity's designated officers. These meetings are crucial in helping the Charity to maintain close links with the local authorities in order to ensure that grants are awarded appropriately and to areas of specific need.

### Lyon's Den events

The Grants Team continues to work with local authority departments and voluntary sector providers to provide 'Lyon's Den' sessions. Voluntary sector groups learn about the opportunities available to them from John Lyon's Charity and have the opportunity to discuss their projects on a one-to-one basis with Grants Managers before submitting a formal proposal. In 2011/12, Lyon's Den events have been held in Camden, Ealing, Harrow, Kensington & Chelsea and Westminster.

### Types of Support

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

	£'000
Apprenticeships	57
Arts Fund	3
Buildings & Refurbishments	455
Bursaries	694
Core Costs	914
Direct Project Costs	2,155
Equipment	3
Salary costs	1,037
Other	5
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Total	£5,323
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The Charity's Annual Report gives greater details of grants made and the principal areas of activity. The Annual report is available to be viewed on the charity's website and a copy can be obtained from the Charity's office upon request.

### Future Plans

The pressures on the local and voluntary sectors continue to threaten the survival of key services and projects that are a lifeline for many in the community. The Charity will continue to respond to requests from a wide variety of organisations to enable voluntary groups to work in the ways that make them the most effective. Each of the local authorities in the beneficial area will continue to have to make hard decisions on valued services including those for special needs, youth clubs and family projects.



A new initiative with the National Numeracy Trust is in development, which seeks to raise achievement in mathematics by addressing the 'loss of momentum' experienced by children learning maths in years three and four. The project will ensure that the maths curriculum for this age is pitched at the correct level, with appropriate content and resources to seek to maintain this momentum and help pupils continue to progress to achieve their maximum potential and not suffer from decreased interest, enthusiasm and understanding.

The use of Social Media and forums such as Twitter are becoming an important way for funders to keep in contact with beneficiaries, funders and other potential partners. The Charity will work to create a space on the website for groups to discuss their projects and share methods of good practice, based on some of the key areas of priority for the Charity. This work has already begun with a blog by the V&A on the Charity's website keeping a record of how their DesignLab project is successfully engaging with teachers in the Charity's beneficial area.

In 2012/13 the Charity will be celebrating its 21st anniversary as a grant-giving trust and awarding over £65m in grants. This milestone will be marked by the publication of a 'History of John Lyon's Charity' – the first time the Charity's development has been formally documented.

## **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, raised £4.8m in the year (2010/11 - £7.77m). 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 have been revalued and are shown at the market valuation as at 31 March 2012. The value of £49.62m represents an increase of £18.49m on the value at 31 March 2011 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 2015.

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 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 overall net gain on the sale and the revaluation of the investment properties was £25.48m.

The Charity's investment portfolios are principally invested in common investment funds and other pooled funds. The main portfolio produced a negative total return of -0.77% in the year (gains of 9.06% in 2010-11). The Total Return Fund excluding the Oxford Investment Partnership (OXIP) investment produced a negative return of -6.51% (gains of 10.55% in 2010-11). Realised and unrealised losses on investments in the year totalled £(3.63)m (gains of £5.69m in 2010-11). Within these figures are the total return results of the Charity's investments in the OXIP of 0% (5.23% in 2010-11) and in the Unite Student Accommodation Fund of 11.61% (11.07% in 2010-11).

The value of the Endowment increased by £21.78m from £218.76m to £240.54m, an increase of 10%. The total return in the year was 8.89%, following a return in 2010-11 of 11.72%. In the context of the economic environment 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.

In March 2012 the trustees resolved that subject to the Charity Commission's approval, the Order be implemented with effect from 1 April 2012 on the basis that the amount applicable for charitable purposes of the charity shall be determined by reference to the value of all the charity's assets rather than, as has been the case to March 2012, 20% of the investment portfolios.

### **Annual Income**

The income of the Charity is derived solely from its investments and investment properties. It showed an increase of 3.21% to £6.48m from £6.28m in 2010/11 before withdrawals from the Total Return Fund.

No amount was withdrawn from the Fund in the year. The unapplied total return as at 31 March 2012 decreased from £4.81m to £3.93m,

### **Grants Expenditure**

Total grants in the year amounted to £5.32m.

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 made in the year were in excess of this 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 £4.98m in 2012/13, £2.54m in 2013/14 and £0.91m in 2014/15 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 £8.95m up to 2017/18, 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

For and on behalf of the Keepers and Governors of the Possessions, Revenues and Goods of the Free Grammar School of John Lyon as Trustee

15 June 2012

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.

**Report of the Independent Auditors to the Trustee of John Lyon's Charity**

We have audited the Financial Statements of John Lyon's Charity (the Charity) for the year ended 31 March 2012 which comprise the Statement of Financial Activities, the Consolidated Balance Sheet, the Cash Flow Statement, the accounting policies and the related notes 1 to 16. 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, as a corporate body, in accordance with Section 144 of the Charities Act 2011 and with regulations made under Section 154 of that Act. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to that body 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 Governors as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective Responsibilities of Governors and Auditors**

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 auditors to the Charity under Section 144 of the Charities Act 2011 and report in accordance with regulations made under Section 154 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 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 Report of the Trustee 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**

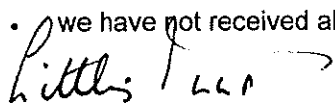
In our opinion the Financial Statements:

- give a true and fair view of the state of the Charity's affairs as at 31 March 2012 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 2011.

**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 2011 requires us to report to you, if, in our opinion:

- the information given in the Governors' 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**

Chartered Accountants  
and Statutory Auditors

15 June 2012

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 Fund £'000	Endowment Fund £'000	Total Funds 2011/12 £'000	Total Funds 2010/11 £'000
<b>Incoming Resources</b>					
Investment property income	1a	3,963	-	3,963	3,844
Investment income		2,412	93	2,505	2,423
Bank and deposit income		11	-	11	10
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Incoming Resources</b>		<b>6,386</b>	<b>93</b>	<b>6,479</b>	<b>6,277</b>
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Resources Expended</b>					
Cost of generating incoming resources	1a,1b	705	147	852	851
Charitable activities	2	5,755	-	5,755	4,908
Governance costs	3,4	96	23	119	107
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Resources Expended</b>		<b>6,556</b>	<b>170</b>	<b>6,726</b>	<b>5,866</b>
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Incoming/(Outgoing) Resources before other Recognised Gains and Losses and Applications</b>		<b>(170)</b>	<b>(77)</b>	<b>(247)</b>	<b>411</b>
<b>Statement of Total Recognised Gains and losses</b>					
Realised surplus on sale of investment properties		-	2,782	2,782	4,683
Unrealised surplus on investment properties	5	-	22,700	22,700	7,186
Realised(loss)/gain on sale of investments		-	(317)	(317)	143
Unrealised (loss)/gain on investments	6	-	(3,314)	(3,314)	5,543
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Movement in Funds for the Year</b>		<b>(170)</b>	<b>21,774</b>	<b>21,604</b>	<b>17,966</b>
Balance at beginning of year		2,523	218,762	221,285	203,319
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at end of year</b>	11c	<b>£2,353</b>	<b>£240,536</b>	<b>£242,889</b>	<b>£221,285</b>
		<hr/>	<hr/>	<hr/>	<hr/>

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

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

## JOHN LYON'S CHARITY

BALANCE SHEET  
At 31 March 2012

	Note	2012 £'000	2011 £'000
<b>Fixed Assets</b>			
Investment properties	5	143,026	116,471
Investments	6	97,880	103,206
		<hr/>	<hr/>
		240,906	219,677
<b>Current Assets</b>			
Debtors	8	1,447	406
Cash at bank		3,079	3,065
		<hr/>	<hr/>
		4,526	3,471
<b>Creditors: due within one year</b>	9	(2,543)	(1,863)
		<hr/>	<hr/>
<b>Net current Assets</b>		1,983	1,608
		<hr/>	<hr/>
		£242,889	£221,285
		<hr/>	<hr/>
<b>Represented by:</b>			
Endowment fund	11c	240,536	218,762
Unrestricted fund	11c	2,353	2,523
		<hr/>	<hr/>
		242,889	£221,285
		<hr/>	<hr/>

The Trustee's Report and these Financial Statements were approved by the Keepers and Governors of the Possessions, Revenues and Goods of the Free Grammar School of John Lyon as Trustee on 15 June 2012 and signed on the Trustee's behalf by:

S Whiddington

R Orr-Ewing

## JOHN LYON'S CHARITY

CASH FLOW STATEMENT  
Year ended 31 March 2012

	Note	20011/12 £'000	2010/11 £'000
Net Cash Outflow from Operating Activities	15	(3,124)	(1,114)
Net Cash Inflow/(Outflow) from Capital Expenditure and Financial Investment Activities	16	622	1,184
Returns on Investment and Servicing of Finance	16	2,516	2,434
		<hr/>	<hr/>
Increase/(Decrease) in Cash in the Period		£14	£2,504
		<hr/>	<hr/>
Opening Net Funds		3,065	561
Movement in Period being change in Cash Balances		14	2,504
		<hr/>	<hr/>
Closing Net Funds		£3,079	£3,065
		<hr/>	<hr/>

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



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	2011/12 £'000	2010/11 £'000
<b>a. Net UK Property Income</b>		
Residential rents due for the year	2,008	1,974
Commercial rents due for the year	1,955	1,870
	<hr/>	<hr/>
<b>Total Incoming Resources from property</b>	<b>3,963</b>	<b>3,844</b>
<b>Less: Direct property expenses</b>		
Management charges	(286)	(269)
Repairs and other expenses	(419)	(402)
Bad debt provision	-	(40)
	<hr/>	<hr/>
<b>Total cost of generating income from property</b>	<b>(705)</b>	<b>(711)</b>
	<hr/>	<hr/>
<b>Net property income</b>	<b>£3,258</b>	<b>£3,133</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.

	2011/12	2010/11
Other management costs – Total Return Fund	19	22
– Other	128	118
	<hr/>	<hr/>
	<b>147</b>	<b>140</b>
	<hr/>	<hr/>
<b>Cost of generating income from property</b>	<b>705</b>	<b>711</b>
	<hr/>	<hr/>
	<b>£852</b>	<b>£851</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 £'000	Support Costs £'000	Total 2011/12 £'000	Total 2010/11 £'000
Arts in Education	1,109	90	1,199	1,002
Bursaries	655	53	708	594
Children & Families	625	51	676	515
Education & Learning	842	68	910	1,057
Emotional Welbeing	358	29	387	267
Special Needs	353	29	382	254
Sport	226	18	244	106
Training	221	18	239	107
Youth Clubs	761	62	823	940
Youth Issues	168	14	182	57
Other	5	-	5	9
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>£5,323</b>	<b>£432</b>	<b>£5,755</b>	<b>£4,908</b>
	<hr/>	<hr/>	<hr/>	<hr/>

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

3. Governance Costs	2011/12 £'000	2010/11 £'000
Administration fees	43	43
Audit fees - current year	28	28
- prior year under provision	-	2
Sundry expenses	4	3
Printing & stationery	8	7
Rent and rates	13	12
	<hr/>	<hr/>
	96	95
Valuation fees	23	12
	<hr/>	<hr/>
	119	£107
	<hr/>	<hr/>

#### 4. Allocation of Support Costs

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

	Governance £'000	Charitable Activities £'000	2011/12 £'000	2010/11 £'000
Administration fees	43	105	148	147
Audit fees	28	-	28	30
Valuation fees	23	-	23	12
Printing & stationery	8	25	33	29
Seminars and sponsorship	-	8	8	23
Sundry expenses	4	-	4	3
Consultancy fees	-	25	25	33
Staff costs	-	216	216	207
Travel and other expenses	-	20	20	11
Rent, rates and service charge	13	33	46	42
	<hr/>	<hr/>	<hr/>	<hr/>
	119	432	551	£537
	<hr/>	<hr/>	<hr/>	<hr/>

#### Administration of Charitable Grants

##### Staff Costs

	2011/12 £'000	2010/11 £'000
Wages and salaries	171	166
Social security costs	15	13
Pension & health care contributions	30	28
	<hr/>	<hr/>
	£216	£207
	<hr/>	<hr/>

The Charity contributes 15% of pensionable salary to the Pensions Trust, a defined contribution pension scheme established for the employees of voluntary organisations. All employees are members of this scheme (The Flexible Retirement Plan) for which the Charity has no residual liability.

Average number of employees during year:

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

In the current year 1 employee was entitled to emoluments falling in the band of £60,001 - £70,000.

5. Investment Properties	2012 £'000	2011 £'000
Reversionary estate	49,624	31,127
Residential properties	52,122	47,944
Commercial Properties	41,280	37,400
	<hr/>	<hr/>
Market value	£143,026	£116,471
	<hr/>	<hr/>
	2012 £'000	2011 £'000
Balance at beginning of year	116,471	107,371
Additions at cost	5,195	4,429
Unrealised gain on revaluation	22,700	7,186
Disposals at valuation	(1,340)	(2,515)
	<hr/>	<hr/>
Balance at end of year	£143,026	£116,471
	<hr/>	<hr/>

The Reversionary Estate was revalued as at 31 March 2012 by Cluttons LLP, Chartered Surveyors, having been previously revalued as at 31 March 2009, 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 £59.57m (2011 - £55.72m).

**6. Investments**

All investments are held in the Endowment Fund.

At 31 March 2012 the following Cazenove funds 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%

The investment in the Oxford Investment Partnership represented 7.33%

	2012 £'000	2011 £'000
Free Fund	71,036	73,493
Total Return Fund	17,314	18,186
Special Fund	9,530	11,527
	<hr/>	<hr/>
Market value	£97,880	£103,206
	<hr/>	<hr/>
Historical cost	£67,688	£83,458
	<hr/>	<hr/>

Included in the above is cash held for investment of £118,851 (2011 - £461,929) in the Special Fund and £235,403 (2011 - £66,911) in the Total Return Fund. The Special Fund is defined in the Governing Documents.

Investment movements in the year are summarised as follows:

	2012 £'000	2011 £'000
Balance at beginning of year	103,206	95,936
Investment purchases	20,661	25,190
Net investment realisations	(22,327)	(18,451)
Unrealised (loss)/surplus on revaluation	(3,314)	5,543
Net movement in cash held for investment	(346)	(5,012)
	<hr/>	<hr/>
Balance at end of year	£97,880	£103,206
	<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>2011/12</b> £'000	<b>2010/11</b> £'000
Opening valuation at 1 April	18,186	17,241
Changes in year		
Investment return – income	93	60
Investment return – realised/unrealised losses and gains	(946)	1,452
Investment management costs	(19)	(22)
Net return for the year	(872)	1,490
New capital introduced	-	100
Return applied during the year	-	(645)
	(872)	945
Valuation of Total Return Fund at 31 March	£17,314	£18,186
<b>Statement of Unapplied Total Return</b>		
Opening valuation at 1 April	4,805	3,960
Net return for the year	(872)	1,490
Less total return applied during the year	-	(645)
Unapplied total return as at 31 March	£3,933	£4,805

In March 2012 the Trustee resolved that, subject to the Charity Commission's approval, the Order be implemented with effect from 1 April 2012 on the basis that the amount applicable for charitable purposes of the charity shall be determined by reference to the value of all the Charity's assets. The Charity Commission's approval was given on 12<sup>th</sup> June 2012.

<b>8. Debtors</b>	<b>2012</b>	<b>2011</b>
	£'000	£'000
Amounts due from tenants and managing agents	772	386
Other debtors and prepayments	675	20
	<hr/>	<hr/>
	£1,447	£406
	<hr/>	<hr/>
<b>9. Creditors: amounts falling due within one year</b>	<b>2012</b>	<b>2011</b>
	£'000	£'000
Grants payable	1,904	1,483
Other creditors and accruals	639	380
	<hr/>	<hr/>
	£2,543	£1,863
	<hr/>	<hr/>

**10. Operating Lease Commitments**

As at 31 March 2012, the minimum annual lease payments to which The Charity is committed under non-cancellable operating lease is:

	<b>2012</b>	<b>2011</b>
	£'000	£'000
Expiring within two to five years	£83	£80
	<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 2012, the net assets are held for the Funds as follows:

	Investments £'000	Investment Properties £'000	Net Current Assets £'000	Total £'000
Endowment Fund	97,880	143,026	(370)	240,536
Unrestricted Fund	-	-	2,353	2,353
	<hr/>	<hr/>	<hr/>	<hr/>
	£97,880	£143,026	£1,983	£242,889
	<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:

	2011/12 £'000	2010/11 £'000
Salaries	211	211
Office costs	34	34
Computer and IT support	24	24
	<hr/>	<hr/>
	£269	£269
	<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.

	2011/12 £'000	2010/11 £'000
Property & investment management	-	14
Fees charged to capital account in respect of the sale of investment properties	313	302
	<hr/>	<hr/>
	£313	£316
	<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.

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).

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:

	2011/12 £'000	2010/11 £'000
Management fees and insurance commissions	269	269
Valuation and lease audit fees	23	12
Capital transaction fees	224	148
	<hr/>	<hr/>
	£516	£429
	<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 £241,641 (£213,735 in 2010/11) and The John Lyon School of £288,299 (£246,401 in 2010/11) 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 January 2012 the Charity purchased a property from the John Lyon School and leased it back to the school. The transaction was conducted on arms length terms and each party had separate valuation and legal advice. The transaction was approved 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. Seven grants totalling £187,000 (2010/11 – six grants totalling 440,510) 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 former 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. Ultimate Controlling Party**

The ultimate controlling party is the Keepers and Governors of the Possessions, Revenues and Goods of the Free Grammar School of John Lyon, as Trustee (registered charity No. 310033).

**14. Future Commitments****Grant commitments**

The Charity has committed to multi-year grants including bursary support totalling £8.95m up to 2017/18, 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 £2.9M.

15. Reconciliation of Net Incoming Resources before Grants to Net Cash Inflow from Operating Activities	2011/12 £'000	2010/11 £'000
Net incoming resources before grants	5,076	4,888
Grants from annual income	(5,323)	(4,477)
	<hr/>	<hr/>
Net incoming/(outgoing) resources after grants	(247)	411
Decrease/(increase) in debtors	(1,041)	145
Increase/(decrease) in creditors	680	763
Income from listed investments and deposit interest	(2,516)	(2,433)
	<hr/>	<hr/>
<b>Net Cash Outflow from Operating Activities</b>	<b>£(3,124)</b>	<b>£(1,114)</b>
	<hr/>	<hr/>
<b>16. Analysis of Cash Flows for Headings Netted in the Cash Flow Statement</b>		
<b>Capital Expenditure and Financial Investment Activities</b>		
Net proceeds from property transactions	(391)	3,252
Expenses charged to capital account	(682)	(484)
Sale of investments	22,010	18,594
Purchase of investments (note 6)	(20,661)	(25,190)
Decrease/(increase) in cash held for investment (note 6)	346	5,012
	<hr/>	<hr/>
<b>Net Cash Inflow/(Outflow) from Capital Expenditure and Financial Investment Activities</b>	<b>£622</b>	<b>£1,184</b>
	<hr/>	<hr/>
<b>Net Proceeds from Property Transactions</b>		
Freehold/lease premium proceeds	4,804	7,682
Purchase of properties (note 5)	(5,195)	(4,429)
	<hr/>	<hr/>
	£(391)	£3,253
	<hr/>	<hr/>
<b>Returns on Investment and Servicing of Finance</b>		
Income from listed and unlisted investments	2,505	2,423
Deposit interest	11	10
	<hr/>	<hr/>
	£2,516	£2,433
	<hr/>	<hr/>