



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

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 MARCH 2013**

**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

## Introduction

The Trustee is the Corporation founded by Royal Charter granted by Queen Elizabeth I on 8<sup>th</sup> 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 2013, the Trustee has complied with the Statement of Recommended Practice, Accounting and Reporting by Charities (2005) the Charities SORP and applicable United Kingdom Generally Accepted Accounting Practice.

## 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 has appointed a member of the Corporation as Estate Governor who has immediate responsibility for the Charity's St John's Wood Estate.

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

Grants Committee - Mrs Susan Whiddington

Investments Committee - Mr R Crispin 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 five 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 at least 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 in an information brochure. The website is 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 Financial Statements before presentation to the Trustee for approval. The terms of delegation and the scope of responsibilities are formally recorded and reviewed regularly.

The Corporation has in place a policy and procedures 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, excluding support costs, payable in 2012/13 was £5,606,374.

### Programme Areas

These grants are divided among the following Programme Areas:

	£'000
Arts in Education	989
Bursaries	756
Children & Families	630
Education & Learning	788
Emotional Wellbeing	465
Special Needs & Disability	355
Sport	344
Training	250
Youth Clubs and Youth Activities	852
Youth Issues	172
Other	5
	<hr/>
Total	5,606
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A total of 116 new grants were approved in the year.

The Charity's grant-giving over the year has been relatively even. Whilst Arts in Education still receives the highest level of funding (18%), broadly similar levels of funding were awarded between Children & Families (11%), Education & Learning (14%) and Youth Clubs and Youth Activities (15%). This reflects both the Charity's broad approach to funding organisations that support children and young people in a variety of ways but also the growing levels of need amongst the voluntary sector, particularly for youth clubs and groups working with children and their families. There has been an increase in the level of funding awarded to projects under the Emotional Wellbeing programme area (£377,000 in 2011/12 to £465,000 in 2012/13), which has been the result of a number of grants being made to primary schools for in-school counselling services. There has been a noticeable increase in requests from schools for projects of this nature.

### 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. The research into the effectiveness of supplementary education commissioned by the Charity produced some interesting findings that were presented at a conference, hosted by John Lyon's Charity at the Victoria and Albert Museum. The research revealed that 61% of children attending a supplementary school within the Charity's boroughs exceed, or are on a par with, average attainment rates for the borough in which they attend school. The conference was attended by Lord Adonis, former Minister for Schools and long term supporter of supplementary schools. He called for mainstream schools to embrace supplementary schools as a force for good.

The Charity now supports a collaborative forum for eight of the Charity's boroughs (Barnet, Brent, Camden, Ealing, Hammersmith & Fulham, Harrow, Kensington & Chelsea and Westminster) to help supplementary schools work together to share ideas, pool resources and develop models of good practice to help standardize the approach in supplementary schools. Each of the borough coordinators participated in the conference and explained how the model works in their area.

### **Bursaries**

The Charity remains committed to its bursary programme and in 2012/13 paid £755,553 to a range of independent schools, representing 13% of the Charity's total grant spend. There are John Lyon bursaries at girls' schools such as Godolphin & Latymer School, Heathfield School, Notting Hill & Ealing High 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.

In order that bursary opportunities are publicised as widely as possible throughout the beneficial area, the Charity has been working with a number of these schools to disseminate this message. Links are being made with Headteachers to promote bursary opportunities at The John Lyon School and at Harrow School and the Charity is working with the Girls Day School Trust to develop strategies to encourage applications from a wide range of eligible candidates who would not otherwise have the opportunity to attend.

### **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. Four new grants were awarded under Access to Opportunity in 2012/13. There are currently 18 active projects under this Grants Programme involving 95 schools in the Charity's beneficial area. (81 primary, 11 secondary and 3 special). The total spend under this programme in 2012/13 was £519,500 or 9% 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 maximise the Charity's resources and provide services across a number of schools. This has proven to be an effective strategy and the Charity remains committed to extending the Programme in future years.

### **Youth Clubs and Youth Issues**

During the year 2012/13 the financial position for the voluntary and community sector has not substantially improved. Youth clubs, in particular, continue to feel the strain of funding cuts, with spending on Youth Services dropping by more than one quarter within the year. Government policy has shifted away from universal access towards targeted work with specific individuals. The withdrawal by the State from youth services confirms the need for organisations like the Charity to continue to fund universal access to youth clubs and youth services. The position is exacerbated by other trusts and foundations themselves moving away from funding generic youth work, despite the fact that youth clubs funded by the Charity across the whole of the beneficial area report that they are as popular and necessary as ever. John Lyon's Charity remains committed to maintaining youth provision throughout the beneficial area. In 2012/13 19 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

Stonegrove Estates Youth Project in Barnet, St Michael's Centre in Fulham (formerly Townmead Youth Club), the Stowe Club in Westminster and Harrow Club in Kensington & Chelsea. 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

The Charity is continuing to work hard to maintain its relationship with key figures in the local authorities within the beneficial area. A new designated officer has been appointed to represent the Tri-Borough area (Westminster, Hammersmith & Fulham and Kensington & Chelsea local authorities). Regular meetings continue to be held with key local authority contacts in youth services, music hubs and the Charity's designated officers. This policy of nurturing relationships with key stakeholders in the Charity's local communities is proving fruitful, particularly in light of the dramatic cuts and resulting changes in both staff and structure of local authorities. The Charity also seeks to influence policy on a London-wide basis through membership and engagement with, for example, the London Funders board, the Mayor's Office for Policing and Crime and the GLA. The Charity's engagement in this way with its beneficial area has put us in a good position to remain relevant and influential in the changing political landscape on a local level, as well as being a positive influence on the organisations that we support. Through the Charity's strategies of engagement with the boroughs, it remains in a unique position to respond to each of its boroughs as required.

### 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 2012/13, Lyon's Den events have been held in Brent and Harrow. Presentations have been delivered in Ealing and Kensington & Chelsea.

### Types of Support

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

	£'000
Apprenticeships	44
Buildings & Refurbishments	425
Bursaries	778
Core Costs	933
Direct Project Costs	2,459
Equipment	16
Salary costs	946
Other	5
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Total	£5,606
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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.

During 2013/14 the Charity will be conducting its Triennial Policy Review. Whilst the Charity believes its current policy is robust and does not need an extensive overhaul, the Triennial Policy Review process is



an opportunity to consider whether the Charity is appropriately responding to need and whether the process of awarding grants is suitable.

2013 also marks an important milestone in the Charity's history – 21 years of grant-giving. A reception at Kensington Palace will bring together the John Lyon Community past and present to celebrate the rise of the Charity into one of London's foremost grant-givers. During the year, we also expect to exceed total accumulated grant expenditure of £75 million over the 21 years.

The Charity is publishing a book, written by Nick Owen, former Chairman of the Grants Committee. *A Long and Winding Road – The Story of John Lyon's Charity* records the Charity's history from the Charter awarded to John Lyon by Elizabeth I to the Charity's grant-giving in the 21<sup>st</sup> century.

## **Financial Review of the Charity**

### **Endowment and Total Return Policy**

The Charity's endowment which is permanent derives from conveyances by John Lyon in 1578 and 1581 when the original land in St John's Wood was acquired at a price of £660. It is believed that there have been no material additions to the endowment since the Charity's foundation.

In January 2006 the Charity Commission made a total return order in the form of the Commission's then model. This was originally implemented in a limited way to a proportion of the investment portfolio to permit a wider class of assets to be held without impacting materially on the Charity's income. In March 2012, the Trustee resolved, with the Charity Commission's approval, that the order be implemented with effect from 1<sup>st</sup> April 2012 on the basis that the amount applicable for charitable purposes should be determined by reference to the value of all the Charity's assets. This, therefore, is the first year in which the new policy has been implemented.

In determining the initial unexpended total return, the Trustees have adopted the valuation of the Charity's assets on 31<sup>st</sup> March 1997 which was the first occasion on which the open market value of all the Charity's assets had been determined. The valuation was £63.8 million. Based on the value of the assets on 31<sup>st</sup> March 2012, the initial, unapplied total return was therefore £177 million.

In reviewing the method to be adopted in applying the new total return policy, the Trustees considered it appropriate to adopt a methodology that gives a degree of certainty and stability to the amount available to be applied for charitable purposes each year. The amount is determined by taking an average of the value of the Charity's assets on the last four balance sheet dates. The policy allows the Trustee to expend up to 4% of that rolling average on charitable activities including support costs and after the cost of generating funds and governance costs.

### **Investment Policy**

A formal investment policy is in place setting out the strategic asset allocation. This takes account of the Charity's extensive property interests and the basis for the measurement of the performance of the various asset classes. The tactical asset allocation is reviewed and revised regularly by the Investment Committee.

The St John's Wood estate which represents the original endowment is subject to compulsory disposal of the property interests under the leasehold enfranchisement legislation, consisting principally of residential properties let on long leases. The Trustee considers it appropriate to retain this original endowment with a view to maximising the proceeds arising under the enfranchisement legislation. In the year, total proceeds of £7.3 million have been received (2011/12 - £4.8 million). The residual value of the reversionary properties as at 31<sup>st</sup> March 2013 is £46.6 million (2011/12 - £49.6 million) representing a decrease of £3.0 million in the year, adjusted for disposals, acquisitions and improvements.

The investment policy excludes the reversionary properties from the asset allocation as they are not regarded as readily disposable in the open market.

Since the early 1980s the rate of the disposal of the reversionary estate properties has increased considerably, allowing the Trustee to build up a significant portfolio of other assets outside of the St John's Woods estate which now total £157 million (2011/12 - £139 million) and compares to a figure in 1980 of £1.0 million.

Since 2002 it has been the Trustee's policy to invest half the proceeds of the St John's Wood estate in commercial properties and half in the investment portfolio, with a number of prime residential properties on the original estate being retained where vacant possession has been obtained.

The asset allocation is:

<b>Asset Class</b>	<b>Value at 31<sup>st</sup> March 2013</b>	<b>As a % of Total</b>	<b>Value at 31<sup>st</sup> March 2012</b>	<b>As a % of Total</b>
	£'000		£'000	
Residential Estate	57,770	21.0	52,122	21.4
Commercial Property	43,775	15.9	41,280	17.0
Indirect property Funds	11,410	4.1	9,530	3.9
<b>Total Property</b>	<b>112,955</b>	<b>41.0</b>	<b>102,932</b>	<b>42.3</b>
Financial Investments	101,335	36.8	88,350	36.3
Net current Assets	14,609	5.3	2,415	1.0
<b>Investment Assets Totals</b>	<b>228,899</b>	<b>83.1</b>	<b>193,697</b>	<b>79.6</b>
Reversionary Estate	46,562	16.9	49,624	20.4
<b>Total Assets</b>	<b>275,461</b>		<b>243,321</b>	

Since 1997, the very significant increase in the Charity's assets has been attributable to the performance of its prime London residential property holdings.

### Annual Income

The actual income of the Charity derived from its investments amounted to £6.7 million, an increase of 3.1% from £6.5 million in 2011/12. The amount available as annual income as a result of the adoption of the new total return policy was £8.3 million, of which £3.4 million, together with £2.8 million of unrestricted funds brought forward, was utilised.

### Grants Expenditure

Total grants in the year amounted to £5.6 million.

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 £4.9 million in 2013/14, £2.6 million in 2014/15 and £1.0 million in 2015/16 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 15 to the Financial Statements the Charity has committed to multi-year grants totalling £9.0 million up to 2018/19, including bursary support.

### 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 as auditor.



**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 2013

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 2013 which comprise the Statement of Financial Activities, the Consolidated Balance Sheet, the Cash Flow Statement, the accounting policies and the related notes 1 to 18. 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 2013 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 2013

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	Endowment Fund	Total Funds 2012/13	Total Funds 2011/12 As restated
		£'000	£'000	£'000	£'000
<b>Incoming Resources</b>					
Investment property income	1	-	4,319	4,319	3,963
Investment income		-	2,410	2,410	2,505
Bank and deposit income		-	11	11	11
Donations		15	-	15	-
<b>Total Incoming Resources</b>		<b>15</b>	<b>6,740</b>	<b>6,755</b>	<b>6,479</b>
<b>Resources Expended</b>					
Cost of generating incoming resources	2	-	1,034	1,034	852
Charitable activities	3	6,094	-	6,094	5,630
Governance costs	4,5	113	48	161	119
<b>Total Resources Expended</b>		<b>6,207</b>	<b>1,082</b>	<b>7,289</b>	<b>6,601</b>
<b>Net (Outgoing)/Incoming Resources before transfers</b>		<b>(6,192)</b>	<b>5,658</b>	<b>(534)</b>	<b>(122)</b>
Transfers					
Gross transfers between funds	8	3,407	(3,407)	-	-
<b>Net (Outgoing)/Incoming Resources before other Recognised Gains and Losses</b>		<b>(2,785)</b>	<b>2,251</b>	<b>(534)</b>	<b>(122)</b>
<b>Statement of Total Recognised Gains and losses</b>					
Realised surplus on sale of investment properties		-	17,986	17,986	2,782
Unrealised surplus on investment properties	6	-	813	813	22,700
Realised(loss) on sale of investments		-	(945)	(945)	(317)
Unrealised surplus /(loss) on investments	7	-	14,820	14,820	(3,314)
<b>Net Movement in Funds for the Year</b>		<b>(2,785)</b>	<b>34,925</b>	<b>32,140</b>	<b>21,729</b>
Balance at beginning of year		2,785	240,536	243,321	221,285
Restatement	3	-	-	-	307
<b>Balance at end of year</b>	<b>12</b>	<b>-</b>	<b>275,461</b>	<b>275,461</b>	<b>243,321</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 26 form part of these Financial Statements.

## JOHN LYON'S CHARITY

BALANCE SHEET  
At 31 March 2013

	Note	2013 £'000	2012 £'000 As restated
<b>Fixed Assets</b>			
Investment properties	6	148,107	143,026
Investments	7	112,745	97,880
		<hr/>	<hr/>
		260,852	240,906
<b>Current Assets</b>			
Debtors	9	19,067	1,447
Cash at bank		452	3,079
		<hr/>	<hr/>
		19,519	4,526
<b>Creditors: due within one year</b>	10	(4,910)	(2,111)
		<hr/>	<hr/>
<b>Net Current Assets</b>		14,609	2,415
		<hr/>	<hr/>
		275,461	243,321
		<hr/>	<hr/>
<b>Represented by:</b>			
Endowment fund	12a	275,461	240,536
Unrestricted fund	12b	-	2,785
		<hr/>	<hr/>
		275,461	243,321
		<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 2013 and signed on the Trustee's behalf by:

S Whiddington

R Orr-Ewing

The Accounting Policies and Notes on pages 16 to 26 form part of these Financial Statements.

**JOHN LYON'S CHARITY**

**CASH FLOW STATEMENT  
Year ended 31 March 2013**

	Note	2012/13 £'000	2011/12 £'000 As restated
<b>Net Cash Outflow from Operating Activities</b>	16	(17,776)	(3,124)
<b>Net Cash Inflow from Capital Expenditure and Financial Investment Activities</b>	17	12,728	622
<b>Returns on Investment and Servicing of Finance</b>	17	2,421	2,516
		—————	—————
<b>(Decrease)/Increase in Cash in the Period</b>		(2,627)	14
		=====	=====
<b>Reconciliation of net cash flow movement in debts (Decrease)/increase in costs in the year</b>		(2,627)	14
<b>Cash our flow from changes in financing</b>		(2,607)	-
		—————	—————
<b>Movement in net (debt)/funds in the year</b>		(5,234)	-
<b>Net (debt)/funds at the beginning of the year</b>		3,079	3,065
		—————	—————
<b>Net (debt)/funds at the end of the year</b>	18	(2,155)	3,079
		=====	=====

The Accounting Policies and Notes on pages 16 to 26 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 which are comprised of the Reversionary Estate, 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	2012/13 £'000	2011/12 £'000
<b>Net UK Property Income</b>		
Residential rents due for the year	2,146	2,008
Commercial rents due for the year	2,173	1,955
	<hr/>	<hr/>
<b>Total Incoming Resources from property</b>	<b>4,319</b>	<b>3,963</b>
	<hr/> <hr/>	<hr/> <hr/>

2. **Cost of Generating Funds**

The direct property expenses in the previous year were charged against property expenses in the unrestricted fund. Following the adoption of the total order all of the property costs are now charged to the endowment fund.

Cost of generating funds	2012/13 £'000	2011/12 £'000
Management charges	208	286
Repairs and other expenses	445	419
	<hr/>	<hr/>
Total cost of generating income from property	653	705
Other management costs	381	147
	<hr/>	<hr/>
	<b>1,034</b>	<b>852</b>
	<hr/> <hr/>	<hr/> <hr/>

**3. 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.

	<b>Grant Funded Activity £'000</b>	<b>Support Costs £'000</b>	<b>Total 2012/13 £'000</b>	<b>Total 2011/12 £'000 As restated</b>
Arts in Education	989	86	1,075	1,243
Bursaries	756	66	822	783
Children & Families	630	55	685	662
Education & Learning	788	69	857	895
Emotional Welbeing	465	40	505	406
Special Needs & disability	355	31	386	329
Sport	344	30	374	259
Training	250	22	272	239
Youth Clubs and Youth Activities	852	74	926	647
Youth Issues	172	15	187	162
Other	5	-	5	5
	<u>5,606</u>	<u>488</u>	<u>6,094</u>	<u>5,630</u>

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

Grants for 2011/12 have been restated following a reappraisal of the point at which commitments were given in line with the stated accounting policy. Expenditure on charitable activities recognised for that year have been revised from £5,755,000 as originally stated to £5,630,000 with corresponding adjustments to the net outgoing resources and the net movement in funds.

4. Governance Costs	2012/13 £'000	2011/12 £'000
Administration fees	51	43
Audit fees - current year	23	28
- prior year under provision	6	-
Sundry expenses	3	4
Printing & stationery	16	8
Rent and rates	14	13
	<hr/>	<hr/>
	113	96
Valuation fees - current year	30	23
- prior year under provision	18	-
	<hr/>	<hr/>
	161	119
	<hr/>	<hr/>

#### 5. 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	2012/13 £'000	2011/12 £'000
Administration fees	51	127	178	148
Audit fees	29	-	29	28
Valuation fees	48	-	48	23
Printing & stationery	16	48	64	33
Seminars and sponsorship	-	11	11	8
Sundry expenses	3	-	3	4
Consultancy fees	-	23	23	25
Staff costs	-	222	222	216
Travel and other expenses	-	23	23	20
Rent, rates and service charge	14	34	48	46
	<hr/>	<hr/>	<hr/>	<hr/>
	161	488	649	551
	<hr/>	<hr/>	<hr/>	<hr/>

Administration of Charitable Grants	2012/13 £'000	2011/12 £'000
<b>Staff Costs</b>		
Wages and salaries	175	171
Social security costs	16	15
Pension & health care contributions	31	30
	<hr/>	<hr/>
	222	216
	<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	5	4
	<hr/>	<hr/>

In the current year one employee (2011/12 - one) was entitled to emoluments falling in the band of £60,001 - £70,000.

<b>6. Investment Properties</b>	<b>2013</b> £'000	<b>2012</b> £'000
Reversionary estate	46,562	49,624
Residential properties	57,770	52,122
Commercial Properties	43,775	41,280
	<hr/>	<hr/>
Market value	148,107	£143,026
	<hr/>	<hr/>
	<b>2013</b> £'000	<b>2012</b> £'000
Balance at beginning of year	143,026	116,471
Additions at cost	12,697	5,195
Unrealised gain on revaluation	813	22,700
Disposals at valuation	(8,429)	(1,340)
	<hr/>	<hr/>
Balance at end of year	148,107	£143,026
	<hr/>	<hr/>

The investment properties were revalued as at 31 March 2013 by Cluttons LLP, Chartered Surveyors, having been previously revalued as at 31 March 2012, 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 £64.2m (2012 - £59.6m).

**7. Investments**

All investments are held in the Endowment Fund.

At 31 March 2013 the following investments accounted for more than 5% of the overall portfolio:

	%
Cazenove Growth Trust for Charities	29.19
Cazenove UK Opportunities X Income	8.63
Oxford Investment Partnership represented	7.05
Cazenove Multi manager Global (EX-UK) Income Fund	6.95
Cazenove Strategic Bond X Income	6.01
Landowne Developpe Absolute N1	5.71

	2013 £'000	2012 £'000
Free Fund	101,335	71,036
Total Return Fund	-	17,314
Special Fund	11,410	9,530
	<hr/>	<hr/>
Market value	112,745	97,880
	<hr/>	<hr/>
Historical cost	83,594	67,688
	<hr/>	<hr/>

Included in the above is cash invested and cash held for investment of £16,389 (2012 - £118,851) in the Special Fund, £Nil (2012 - £235,403) in the Total Return Fund and £437,901 (2012 - £230,649) in the Free Fund. The Special Fund is defined in the Governing Documents.

Investment movements in the year are summarised as follows:

	2013 £'000	2012 £'000
Balance at beginning of year	97,880	103,206
Investment purchases	38,625	20,661
Net investment realisations	(38,449)	(22,327)
Unrealised surplus/(loss) on revaluation	14,820	(3,314)
Net movement in cash held for investment	(131)	(346)
	<hr/>	<hr/>
Balance at end of year	112,745	97,880
	<hr/>	<hr/>

## 8. 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. 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.

The Policy adopted and approved by the Charity Commission provides that the amount to be applied annually is determined by taking an average of the value of the Charity's assets on the last four balance sheet dates. The policy allows the Trustee to expend up to 4% of that rolling average on charitable activities including support costs and the cost of generating funds and governance costs ("Overheads"). The calculation to determine the amount available in the years to 31<sup>st</sup> March 2013 and 2014 is:

Year ended:	Asset Values £'000	4 year Average £'000	Expendable amount @ 4% £'000
31 <sup>st</sup> March 2009	168,394	180,138	-
31 <sup>st</sup> March 2010	201,945	185,701	-
31 <sup>st</sup> March 2011	218,761	193,754	-
31 <sup>st</sup> March 2012	240,536	207,409	8,296
31 <sup>st</sup> March 2013	275,861	234,276	9,371

The amount available for the year ended 31<sup>st</sup> March 2014 is £9,371,000.

In the year to 31<sup>st</sup> March 2013 the amount available in accordance with the policy was:

	2012/13 £'000
Expendable amount as above	8,296
Utilised	(3,407)
	<hr/>
Balance retained as unapplied	4,889
	<hr/>

In this, the transition year, the amount available was reduced by the balance brought forward of the unrestricted fund.

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

Movements in the Total Return Fund in the Year And application of total return from the endowment fund	2012/13 £'000
Opening value of endowment fund at 1 April	240,536
Less: Opening value of the fund at 31 March 1997	(63,797)
	<hr/>
Opening value of Total Return Funds	176,739
Add:	
Investment return – income	6,740
Investment return – realised/unrealised gains	32,674
	<hr/>
	216,153
Less:	
Cost of generating funds	(1,034)
Governance costs	(48)
	<hr/>
Unapplied total return before transfers	215,071

## 8. Application of the Power of Total Return (continued)

Return applied during the year	(3,407)
	<hr/>
Unapplied total return as at 31 March	211,664
Add: value of the fund at 31 March 1997	63,797
	<hr/>
Endowment fund including unapplied total return as at 31 March 2013	275,461
	<hr/> <hr/>

## 9. Debtors

	2013 £'000	2012 £'000
Amounts due from tenants and managing agents	19,024	772
Other debtors and prepayments	43	675
	<hr/>	<hr/>
	19,067	1,447
	<hr/> <hr/>	<hr/> <hr/>

Debtors include an amount of £18,055,744 related to a property sale, which was completed after the year end.



10. <b>Creditors:</b> amounts falling due within one year	<b>2013</b>	<b>2012</b>
	£'000	£'000
		As restated
Grants payable	1,649	1,472
Other creditors and accruals	654	639
Bank overdraft	2,607	-
	<u>4,910</u>	<u>2,111</u>

The bank overdraft represents a facility secured against the charity's investment portfolio. The facility is available until 16 October 2013 (the review date). Since the year end the overdraft has been repaid in full.

#### 11. Operating Lease Commitments

As at 31 March 2013, the minimum annual lease payments to which The Charity is committed under a non-cancellable operating lease is:

	<b>2013</b>	<b>2012</b>
	£'000	£'000
Expiring within two to five years	85	83
	<u>85</u>	<u>83</u>

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

#### 12. 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.

#### 13. 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:

	<b>2012/13</b>	<b>2011/12</b>
	£'000	£'000
Salaries	222	211
Office costs	41	34
Computer and IT support	22	24
	<u>285</u>	<u>269</u>

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.

	<b>2012/13</b>	<b>2011/12</b>
	£'000	£'000
Fees charged to Endowment Fund in respect of the sale of investment properties	477	313
	<u>477</u>	<u>313</u>

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.

The charity's offices at 45 Cadogan Gardens are occupied under the terms of an underlease granted by Pemberton Greenish LLP (see note 11).

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:

	2012/13 £'000	2011/12 £'000
Management fees and insurance commissions	208	269
Valuation and lease audit fees	48	23
Capital transaction fees	295	224
	—	—
	551	516
	—	—

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

### 13. Transactions with the Trustee and Connected Persons (continued)

The Charity made grants in the year for bursaries at both Harrow School of £251,979 (£241,641 in 2011/12) and The John Lyon School of £333,052 (£288,299 in 2011/12) 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. As landlord the Charity is investing £1 million in the refurbishment of the building. 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. 6 grants totalling £191,655 (2010/11 – seven grants totalling 187,000) were made to charities where one or more such persons are charity trustees. No other transactions have taken place between the Charity and the Trustee or any member of the Corporation.

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

### 14. 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).

### 15. Future Commitments

#### Grant commitments

The Charity has committed to multi-year grants including bursary support totalling £9.0 million up to 2018/19, 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 outstanding capital commitments for investment of £2.2 million.

<b>16. Reconciliation of Net Incoming Resources before Grants to Net Cash Inflow from Operating Activities</b>	<b>2012/13</b>	<b>2011/12</b>
	£'000	£'000
		As restated
Net incoming resources before grants	5,072	5,076
Grants from annual income	(5,606)	(5,198)
	-----	-----
Net (outgoing) resources after grants	(534)	(122)
(Increase) in debtors	(17,620)	(1,041)
Increase in creditors	2,799	555
Income from listed investments and deposit interest	(2,421)	(2,516)
	-----	-----
<b>Net Cash Outflow from Operating Activities</b>	<b>(17,776)</b>	<b>(3,124)</b>
	-----	-----
<b>17. 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	14,496	(391)
Expenses charged to Endowment Fund	(778)	(682)
Sale of investments	37,504	22,010
Purchase of investments (note 7)	(38,625)	(20,661)
Decrease in cash held for investment (note 7)	131	346
	-----	-----
<b>Net Cash Inflow from Capital Expenditure and Financial Investment Activities</b>	<b>12,728</b>	<b>622</b>
	-----	-----
<b>Net Proceeds from Property Transactions</b>		
Freehold/lease premium proceeds	27,193	4,804
Purchase of properties (note 6)	(12,697)	(5,195)
	-----	-----
	14,496	(391)
	-----	-----
<b>Returns on Investment and Servicing of Finance</b>		
Income from listed and unlisted investments	2,410	2,505
Deposit interest	11	11
	-----	-----
	2,421	2,516
	-----	-----
<b>18. Analysis of net debt</b>	<b>As at</b>	<b>As at</b>
	<b>1 April</b>	<b>31 March</b>
	<b>2012</b>	<b>2013</b>
	£'000	£'000
	<b>Cashflow</b>	<b>£'000</b>
Cash in hand and at bank	3,079	452
	-	(2,607)
	-----	-----
Total	3,079	(2,155)
	-----	-----