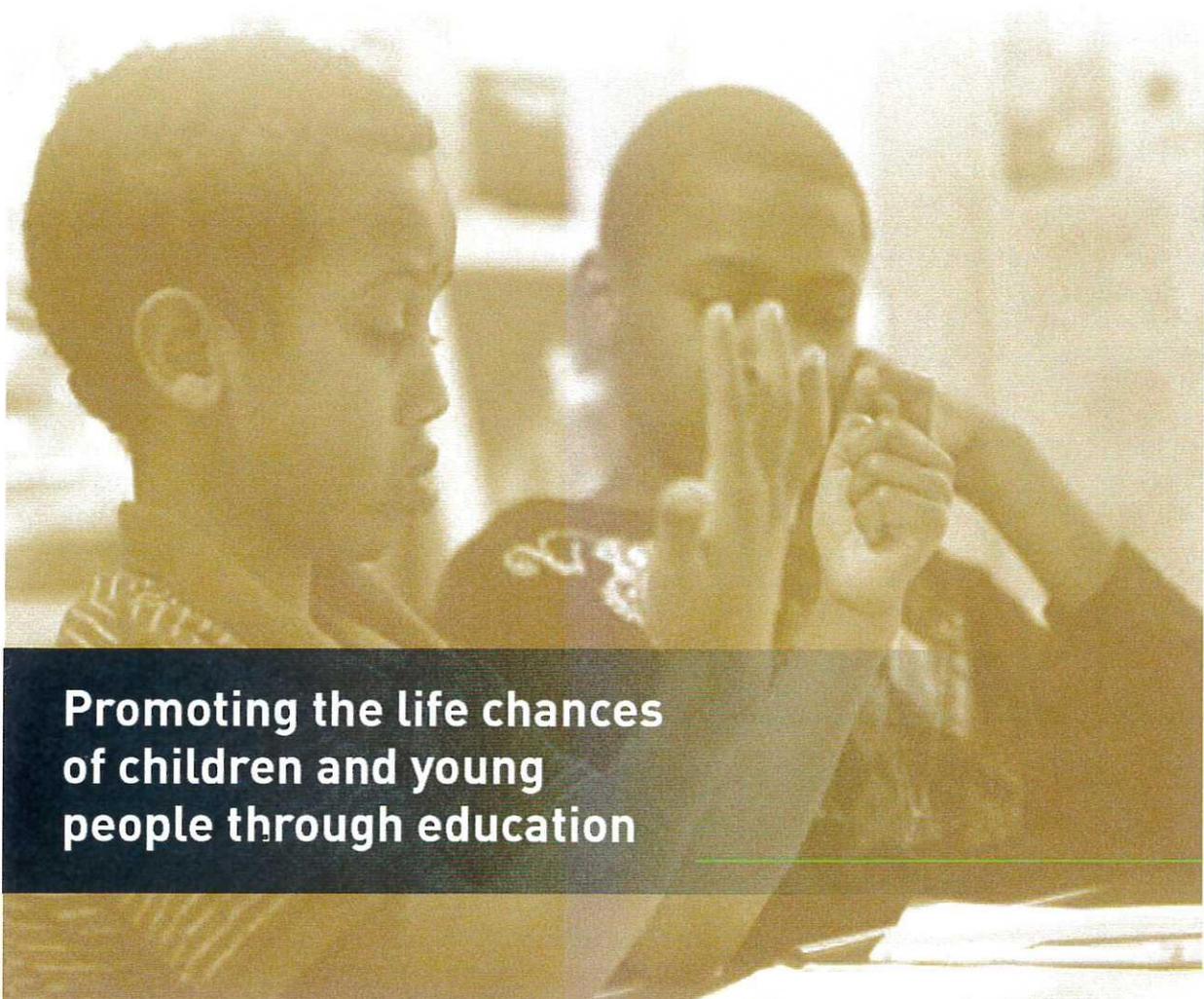




JOHN LYON'S CHARITY

**Report of the Trustee and
Financial Statements 2018**



**Promoting the life chances
of children and young
people through education**

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John Lyon's Charity promotes the life chances of children and young people (CYP) through education. It does this by focussing on the positive through directing its efforts on providing *opportunities* not by concentrating on disadvantages. It is the potential to learn, grow and become that drives our grant giving.

It gives grants to benefit children and young people up to the age of 25 who live in nine boroughs in northwest London. Since 1991, the Charity has distributed over £100 million to a range of organisations that seek to encourage the aspirations of children and young people through education in its widest sense. It does this by supporting projects that provide opportunities for young people to participate in a wide range of activities.

John Lyon's Charity is one of the largest independent funders in London. Last year it paid grants of £10.1 million towards work in Arts & Science, Children & Families, Education & Learning, Emotional Well Being, Sport, Special Needs & Disability, Training, Youth Clubs and Youth Issues.

It has also established Young People Foundations in seven of its boroughs, providing over £1.65 million in funding since 2016. Changes in government funding have made us see the necessity for creating a new model of delivery for the CYP sector in London. They work to support and safeguard existing CYP provision and promote the activities of and the funding sources for their members in their local area and to preserve facilities for community use.

The Charity does not fundraise. Its funds are generated by its financial investments and property portfolio which form the Charity's endowment.

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

CEO Message

During the year 2017/18 John Lyon's Charity reached the significant milestone of awarding over £100 million in grants since 1991. This represents an enormous investment in the nine boroughs in the Charity's Beneficial Area over the past 25 years supporting over 700,000 children. The Charity's funding has been used to support innovative education projects, exciting cultural and arts activities, dynamic sports programmes, employment and skills training initiatives, therapeutic interventions as well as helping to stabilise the youth sector across the Beneficial Area.

Over 1,500 organisations have received funding from the Charity over the past 25 years. To celebrate this achievement, we hosted a reception at Westminster Abbey where we were joined by representatives of some of these organisations as well as those who have contributed to the work of the Charity over the years.

On a far less happy note, when the news broke on Wednesday, 14 June 2017 that a catastrophic fire had broken out in a tower block within Kensington & Chelsea, it quickly became clear that the Charity could have a role to play in supporting the communities that had been so badly affected.

It has been working in the children and young people's (CYP) sector in Kensington & Chelsea for over 25 years and has amassed a considerable knowledge of and provided grants to the local communities who live there. The Charity is a well-known and trusted organisation able to act independently at a time when the local community was suspicious of not only external intervention, but also highly sceptical of its own local authority.

Using its expertise in the local area and contacts within the funding community, it brought together a group of funders to help respond to the needs of those affected by the fire at Grenfell Tower. Without wishing to duplicate resources, it sought to respond to the needs of children and young people affected by the fire. The response from the funding community was swift and a group of funders quickly formed the Children and Young People Funder Coalition to coordinate the response to local need. Funders relied on and used the knowledge and networks of John Lyon's Charity in order to confidently support organisations and activities that, in some cases, were outside their usual funding remit. It was a privilege for the Charity to work with these funding organisations in this way.

To date, the Charity has helped channel over £2.2million of additional funding into North Kensington, specifically to support organisations working with children and young people. Activities that have been supported varied from activities over the summer holiday to longer term support around emotional wellbeing. In total, the Charity itself committed £313,000 to supporting organisations working with communities affected by the fire.

There has been considerable interest by those in the sector around the process of organising the CYP Funder Coalition. In particular, the use of a single application form for applicant organisations is the first example of this working successfully. The Charity has contributed to a report commissioned by London Funders and conducted by the Institute for Voluntary Action Research into the response to the emergency by the funding community and how the lessons learned could be transferred into non-emergency situations.

Following the highs and lows of 2017/18 John Lyon's Charity now turns to build on its achievements to project targets and aspirations for the next five years.

Grant making by the UK's top 300 foundations reached a record high for the second year totalling £2.9bn in the FY ending March 2017; an increase of 12% on the previous year, with the trend likely to continue.¹ Grant-makers are becoming increasingly important players in shaping society. The value of grants made by independent foundations to the voluntary sector now exceeds grants made by government.² It is likely that the state will provide even less support in the future, meaning that charitable funding will be more sought after than ever. Our own observations through our work in London confirm that what previously used to be considered 'core' in state provision has shrunk rapidly and our funds are in demand for far more than just 'value-added' services.

All funders will need to think about what they are funding and how they are funding. It will not be enough to simply grant more funds. The challenges we face in the CYP space means we need to be innovative in finding other ways of supporting this sector. Rather than reacting to grant requests we will increasingly be proactive in helping charities to help themselves.

Capacity building has been a small element of the Charity's grant awards to date, but it will become more important as it looks to fund fewer organisations with larger grants to make more of a societal impact while maintaining the longevity of its Endowment. There is a wealth of knowledge and experience in the Charity, its advisers and Trustee that will allow it to

¹ ACF Giving Trends 2017, Association of Charitable Funders

² Excluding contracts

build capacity and capability in its grantees. By supporting an organisation's development, whether that's through core funding or paying for training and mentoring of key staff/trustees, John Lyon's Charity will be able to make a longer lasting impact on the charities it supports. Long-term organisational change can only be achieved if non-financial support is considered in tandem with grants as core to the offer, rather than as an additional benefit.

Furthermore, in the wake of the Grenfell Tower tragedy, John Lyon's Charity has shown itself to have a long-standing and deep understanding of youth issues and has been willing to talk with local and national politicians about what is required in the longer term. Our role will increasingly be that of a 'thought leader', above politics and lobbying, but with a grounded respect that can influence policy on behalf of the charities it supports.

Hence, through capacity-building interventions, and thought leadership, John Lyon's Charity will help shape solutions to CYP problems. By building capacity and enabling charities to campaign and fundraise, John Lyon's Charity will drive deeper, longer-lasting system change more than a grant to deliver a single service ever could.



Dr Lynne Guyton
Chief Executive Officer

2017/18 Overview of the Year

Total Grants paid **£10.1m**

By Programme Area	£'000
Arts & Science	1,043
Children & Families	519
Education & Learning	1,406
Emotional Wellbeing	918
Other	8
Special Needs & Disabilities	397
Sport	567
Training	513
Youth Clubs and Youth Activities	1,355
Youth Issues	917
Bursaries	1,276
Grenfell Tower Response	313
SHAF	535
Restricted Grants	300
Total	10,067

Funding by Borough	£'000
Barnet	895
Brent	1,543
Camden	1,112
City of London	3
Discretionary	589
Discretionary – Bursary	1,330
Ealing	1,096
Hammersmith & Fulham	843
Harrow	962
Kensington & Chelsea	745
Westminster	949
Total	10,067

By Grant Type	£'000
Schools in Partnership	733
Bursaries	1,281
Small Grants (below £5k)	81
Main Grant Fund	6,969
School Explorer	1
SHAF	535
Grenfell Tower Response	313
Capacity Building	148
Total	10,067

Total Number of Grant Applications

	2017/18	2011/12	2007/08
Approved	260	153	122
Pending	98	0	0
Declined	199	136	160
Requests	557	289	282

Grants Payment by Size

Payment size	Grants	Total
0-5K	153	£685,945
5-15K	70	£728,186
15-39K	213	£5,642,972
39K-40K	22	£880,000



Report of the Trustee

1. Introduction

The Trustee is the Corporation founded by Royal Charter granted by Queen Elizabeth I on 8 February 1572 to John Lyon, the founder of Harrow School. The Corporation is known as "The Keepers and Governors of the Possessions, Revenues and Goods of the Free Grammar School of John Lyon".

The Corporation is a separately Registered Charity (No. 310033) responsible for Harrow School and The John Lyon School. The Corporation and its subsidiaries together with John Lyon's Charity is commonly known as the John Lyon's Foundation.

In presenting this report for the year ended 31 March 2018, the Trustee has prepared the Financial Statements in accordance with the accounting policies set out in the notes to these financial statements and comply with the Charity's governing document, the Charities Act 2011 and the Statement of Recommended Practice "Accounting and Reporting by Charities."

2. Objectives and Activities

a) The Objects of the Charity

Under the Scheme (outlined in 3.a) 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. The Rules are reviewed every three years and amendments approved by the Charity Commissioners for England and Wales. The current Rules were adopted by the Trustee on 30th November 1991 subject

to amendments in 1996, 2001, 2013 (when a minor change was made to value thresholds on consultation) and 2017 (on delegation powers and consultation with each Local Authority on grant allocations and percentages of grants per borough).

The Trustee has referred to the Charity Commission's general guidance on public benefit when reviewing the Charity's aims and objectives and in planning future activities and setting the grant making policies.

b) The Activities of the Charity

John Lyon's Charity awards grants to a wide variety of projects and initiatives that support children and young people. These Programme Areas reflect the variety of ways in which organisations seek to help children and young people either by providing them with opportunities or seeking to address specific needs directly. Grants are awarded to registered charities, state schools and organisations with automatic charitable status within the Charity's defined beneficial area. The breakdown of grants by area, programme type and grant fund is shown in the previous section.

3. Governance, Structure and Management

a) 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, and amended by the Resolutions of the Trustee dated 11 January 2017 and 18 March 2017.

b) Charity Management

The Charity had an average total of 10 permanent staff and one part time (HR) contractor in 2017/18. The day-to-day management of the Charity's affairs is conducted through the Chief Executive Officer as the senior executive officer of the Charity reporting to the Trustee. The senior management team includes the Grants Director and Finance Director.

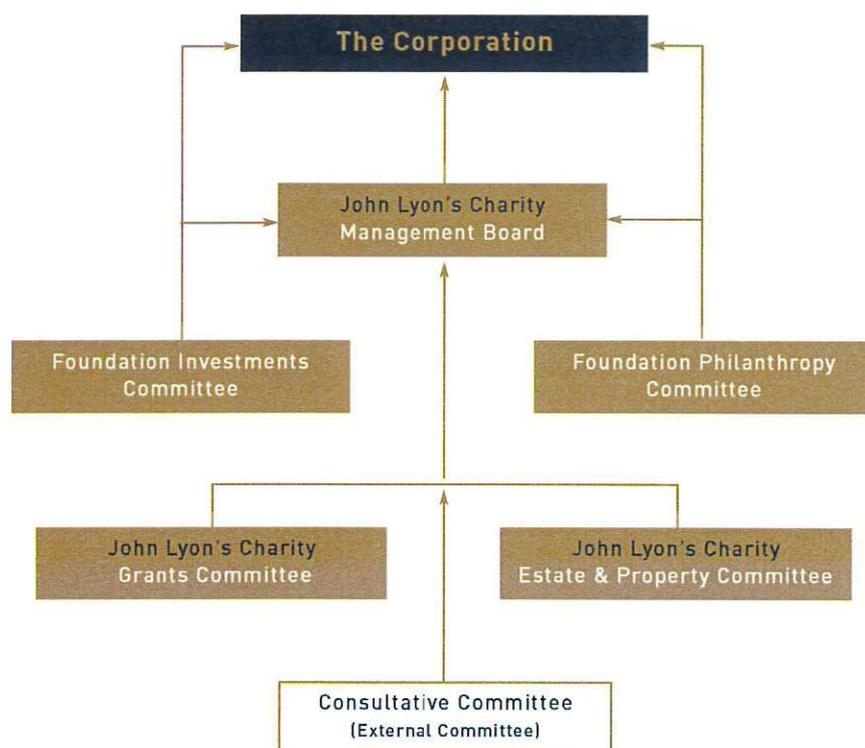
c) Structure

The governance structure of the Charity was reviewed and strengthened in 2017/18 to create a Charity Management Board. The Charity has a clear organisational reporting governance structure with Terms of Reference documenting lines of authority and delegation. 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 Officer of John Lyon's Charity. Each committee has new Terms of Reference (ToR) which set out its accountability and purpose. The ToRs will be reviewed annually. Each Committee's meetings are minuted and circulated to show decision making, actions and issues.

A more robust and accountable governance structure was implemented towards the end of the financial year.

The following Terms of Reference are an abbreviated version for the accounts.

John Lyon's Charity Governance Structure



Charity Management Board

The purposes of the Board are:

- a. To supervise and from time to time direct the management of the Charity, including its strategy, policies, investments and finances.
- b. To supervise and from time to time direct the activities of the Charity Grants Committee, the Charity Estate & Property Committee, and such other committees or working groups as there may be of the Charity.
- c. To have oversight of the activities of the Foundation Investments Committee, Foundation Philanthropy Committee and such other committees or working groups as there may be of the Foundation, to the extent that they relate to the Charity.

The Charity Management Board will:

- a. Have overall responsibility for the formulation and oversight of the Charity's strategy and policies for recommendation to the Governing Body (the 'Corporation') including, but not limited to:
 - i. The strategy and policy for the Charity's grant making activities (the 'Charity's Grants Policy') (including all small grants programmes).
 - ii. The Charity's investment strategy and policy (the 'Charity's Investment Policy').
 - iii. The Charity's total return policy.
- b. Have overall responsibility for overseeing the investment and management of the Charity's assets.
- c. Monitor the implementation of the Charity's Investment Policy, review the Investment Policy annually and advise the Foundation Investments Committee and/or the Governing Body on any recommended changes.
- d. Receive and review reports and recommendations from the Charity Grants Committee in relation to the Charity's grant making activities and make decisions (in accordance with the Charity's Grants Policy approved by the Governing Body) on all grant applications referred to it by the Charity Grants Committee.
- e. Determine (on an annual basis) the maximum amount (within the annual budget for grant making approved by the Governing Body) that may be awarded (per individual grant and in aggregate in each year) under the Charity's small grants programme.
- f. Receive and review reports and recommendations from the Charity Estate & Property Committee in relation to the management and composition of the Charity's property portfolio and make decisions (in accordance with the Charity's Investment Policy approved by the Governing Body) on all matters referred to it by the Charity Estate & Property Committee.

Grants Committee

The purpose of the Grants Committee is to:

- Oversee and make recommendations to the Charity Management Board in relation to the Charity's grant making activities.

The Grants Committee will:

- Formulate the criteria for the Charity's grant making (in accordance with the policy for the Charity's grant making as determined by the Charity Management Board) for recommendation to the Charity Management Board.
- Consider details of the Charity's individual grant applications and make recommendations to the Charity Management Board for their approval or otherwise.
- Monitor the implementation of the Charity's small grants programmes.
- Monitor and evaluate the effectiveness of the grants approved by the Committee and the other activities carried on by the Charity's staff and advisers and report to the Charity Management Board thereon.

The Charity has a number of specialist advisers who are engaged on a consultancy basis to advise on specialist areas in grant making. Full details of these advisers appear in the annual report and on the Charity's website. The grant-giving guidelines and details of the application procedures are published on the website and in an information brochure.

The Charity pays advisers a fee to work with individual organisations to assist them in areas such as business plans, staffing, board issues, operations, organisational structure, and programme delivery. This occurs either before a grant has been awarded or during the lifetime of a grant. During the assessment process of individual organisations by advisers, they frequently provide advice and guidance on an informal basis over a range of capacity issues.

Estate & Property Committee

The purpose of the Estate & Property Committee is to:

- Oversee, manage and make recommendations to the Charity Management Board in relation to the management and administration of the Charity's Property Portfolio.

The Estate and Property Committee will:

- Be responsible for the management of the Charity's Property Portfolio.
- Formulate the strategy and any policies relating to the Charity's property portfolio, for recommendation to the Charity Management Board.

- Oversee the enfranchisement process for the Reversionary Portfolio.
- Supervise the participation by the Chairman, the Charity's surveyor and the Chief Executive Officer in the conduct of the Scheme of Management Consultative Committee.
- Oversee or make decisions relating to the terms of leases of properties in the Charity's property portfolio, including but not limited to considering and determining requests for consent and approval.
- Make decisions on the sale and acquisition of property assets or interests and determine the terms of any such transaction on the recommendation of the Charity's surveyors.
- Monitor the investment performance of the Charity's property portfolio.

Foundation Investments Committee

The purpose of the Investments Committee is to:

- Take responsibility for the financial investment assets and, with the advice and assistance of the Investment Manager, responsibility for determining the appropriate financial investments.

The Investments Committee will:

- Monitor the performance of the Investment Manager and advise on strategic asset allocation between cash, financial investments and property for recommendation to and approval by the Trustee (annually).

There is an Investment Policy which was updated in February 2018. The financial objective of the Charity is to at least maintain the real value of its assets whilst generating a stable and sustainable return to fund grant making. The aim is to balance income and capital returns. The assets should be managed to at least maintain the real capital value of the Endowment, whilst generating a sustainable level of investment income to support the current charitable activities.

Foundation Philanthropy Committee

The purpose of the Philanthropy Committee is to:

- Ensure the growth and support of collaborative charity projects and ventures across the John Lyon's Foundation (Harrow School, The John Lyon School and John Lyon's Charity).

The Philanthropy Committee will:

- a. Work to create more joined up thinking and to be more strategic about joint initiatives.
- b. Ensure high quality communications.
- c. Harness the power of the Foundation for the benefit of charitable causes.
- d. Help boys at both Schools become more involved in charity at a local level.
- e. Embed philanthropy across the Foundation.
- f. Raise the profile of John Lyon's Charity within the two schools.

4. Future Strategy

John Lyon's Charity was recently reported as being in the top 20 of UK endowed grant makers (by wealth of assets). However, it faces a complex dilemma. The Charity has seen an increase of almost 20% in requests for grants over the past 18 months as reductions in local government spending on the CYP sector bites. This coincides at a time when returns from its investment portfolio have been lacklustre. The Total Return Policy (which calculates total available spend) was reduced by the Trustee from 4% to 3.25% at the beginning of the 2017/18 financial year to ensure longevity of the Endowment. This amounted to a reduction of circa £1.6 million available spend in just one year, and this reduced level of available spend will continue. Consequently, the Charity will need to be more selective in how it allocate grants.

The Charity's reputation in the sector has been earned for the variety of grants it gives – both in size and type. It is this diverse and eclectic approach to grant making that has and will continue to enable it to draw informed conclusions from the work undertaken. It gives the Charity a prominent voice in its Beneficial Area and sets the Charity apart from other funders. It will need to be more selective about the future grants it gives, to ensure longevity of the Endowment and help more charities to succeed. However, it does not mean it will no longer give a variety of grants. Rather, the focus will be on better defining the outcomes for the organisations it supports.

Future giving will be based around the following principles:

- *Where* we will give
- *Who* we will give to
- *Which* (project) areas we will give to
- *What* we will give
- *How* we will give.

An added complexity in the management of resources is the need to invest internally in the Charity. The Charity recognises the most important asset it has is its staff and their knowledge. Going forward there will be investment in quality staff training to improve skills and reward commitment to the Charity. In addition, it will seek to more effectively utilise the mass of data held in its own database to draw trends and reach conclusions. This will enable it to be more focused and quantitative about the grants it gives. Furthermore, ensuring good HR policies and processes are in place will be pivotal to the continued professionalisation of the Charity and for it to have durability. Finally, as it seeks to bring the John Lyon's Foundation closer together, the positioning of both the Charity and the wider Foundation as an expert in its field will be pivotal to further promoting the organisations we grant to in the CYP sector.

Strategic Objectives

The underpinnings of John Lyon's Charity's strategy over the next 5-10 years will be to shift focus to be more proactive in the CYP sector. Making this transformational shift will focus investment into increasing capacity in organisations already known to us to effect sustained change. The Charity's cornerstone of capacity building – the Young People's Foundations – in each borough it operates will mature, with the final YPFs launching within the next 12 months. The aim will be to develop them further and help them foster relationships with other funders and private companies.

Its efforts will be on clearly defining eligibility and how it can make a sustainable difference to organisations, rather than creating a dependency with no discernible end. As the Charity places more emphasis on its grant application criteria, its focus will be on building organisations it will increasingly refer to JLC 'Vitals' or Special Initiatives. These are the organisations that are beacons of success for the boroughs they operate in. The Charity will seek to show not just what the investment into these organisations does for us, but the impact it has on the community and boroughs they are in.

This may mean that in time the Charity will offer larger grants but to fewer organisations. This does not mean that it will no longer look at small and varied grant applications from small organisations. As stated earlier, it recognises that it is the wide reach of grant giving that has underpinned the Charity's gravitas. However, with tightened resources, coupled

³ Giving Trends of 2017, Association of Charitable Funders

with a desire to provide more capacity building support to organisations (big and small) for the long term, choices will have to be made.

The John Lyon's Foundation will also have a role to play to ensure the charitable objectives of all its entities are advanced. Finally, developing the brand of both the Charity and the John Lyon's Foundation will ensure we tap into the talent, experience and passion from within to advance the organisations we support.

Each year the Charity will reflect back on the objectives it has set in addition to looking forward for the new financial year.

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.

On 16 January 2006, the Charity Commission made an order permitting the Trustee to adopt a total return approach to investment. The Trustee has adopted regulations to implement the provisions of the order, which were last updated on 18 March 2017.

In determining the initial unexpended total return, the Trustees have adopted the valuation of the Charity's assets on 31 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 and the initial, unapplied total return was £176.7 million. As at 31st March 2018, the unapplied total return is £304.1 million.

The Trustee 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 at the end of each financial year and at the end of the previous three years. The policy allowed the Trustee to expend up to 4% of that rolling average on charitable activities including support costs and governance costs, but excluding the cost of managing the endowment assets. With effect from 1 April 2017 the rate has been reduced to 3.25% in the expectation that the current low levels of return on investment assets will continue for a sustained period.

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 Foundation Investment Committee and the Charity Management Board.

The St John's Wood estate, consisting principally of residential properties let on long leases, is subject to compulsory disposal of the property interests under the leasehold enfranchisement legislation. It is considered, for the time being, that it is appropriate to retain this original endowment with a view to maximising the proceeds arising under the enfranchisement legislation. In the year, total proceeds of £5.0 million have been received (2016/17 - £9.6 million). The residual value of the reversionary properties as at 31st March 2018 is £32.3 million (2016/17 - £34.3 million). The investment policy excludes these reversionary properties from the asset allocation as they are not regarded as readily disposable on the open market at a level that recognises the full potential realisable on enfranchisement.

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:

Asset Class	Value at 31 March 2018		Value at 31 March 2017	
	£'000	%	£'000	%
Investment Assets				
Fixed Interest	6,133	2	6,235	2
Gilts	-	-	-	-
UK Equities	14,149	4	19,394	5
Global Equities	68,064	18	62,290	17
Hedge funds/Alternatives	33,549	9	33,212	9
Foreign cash funds	10,056	3	18,215	5
Sterling cash	11,522	3	3,693	1
Other investments	7	-	-	-
Total Investments	143,480	39	143,039	39
Property Assets				
Residential Estate	60,235	16	61,253	17
Commercial Property	114,600	31	102,750	28
Indirect Property Funds	9,760	3	12,632	4
Total Property	184,595	50	176,635	49
Investment Assets Totals	328,075	89	319,674	88
Reversionary Estate	32,339	9	34,315	9
Other Net Assets	8,844	2	11,344	3
Total Assets	369,258	100	365,333	100

The Total Return for the total assets (before management expenses) in the year was £16.5 million, bringing the total assets to £369.3 million (a 1.1% increase on the previous year).

From the beginning of 2016 the Investment Committee took an increasingly cautious view of the financial outlook and increased the liquidity to nearly 50% of the investment portfolio holding. The Investments Committee has retained its cautious stance, but has since reduced its US Dollars exposure. The total return on the Investment Portfolio was a reduction of £4.0 million (-3%).

The Charity has continued to hold investment assets in both residential and commercial property. Despite a softening of central London residential property values, the valuation gains were £0.3 million and the commercial property assets added £11.9 million.

Annual Income

The income of the Charity derived from its investments totalled £8.2 million, an increase of 3.8% from £7.9 million in 2016/17. The amount available to be applied as annual income under the total return policy was £11.0 million. Following the amendment of the Total Return Policy, the unexpended amount of £1.6 million will be carried forward and applied to identified grant spend of 2018/19.

Reserves Policy

The Charity has not historically maintained an unrestricted reserve because of the high level of the unapplied Total Return.

Annual Expenditure

During 2017/18 the Charity spent £10.1 million on grants, while operational support costs related to charitable activities was £0.9 million (in total £11.0 million). In addition to these amounts, circa £900k of grants and bursaries already approved by the Trustee in 2017/18 have been deferred to 2018/19 due to project delays.

Staff Remuneration

Staff salaries including key management personnel are reviewed annually by the CEO and Charity Management Board. A formal annual review is conducted using external pay surveys to assess and ensure remuneration is fair and in line with that paid for similar roles in similar organisations.

The Charity is a Living Wage employer and as such is committed to ensuring staff are paid fairly with a view to retaining and attracting appropriately skilled staff to deliver the Charity's objectives

Future Commitments

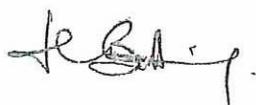
Commitments have been given for grants over the next three years totalling, £6.6 million in 2018/19, £3.3 million in 2019/20 and £1.2million 2020/21. £2.0 million in subsequent years for projects that the Charity has agreed in principle to fund on a longer-term basis, payment of which is, in each case, contingent on the stipulated conditions being met, and review of progress and authorisation by the Grants Committee.

Risk Management

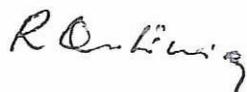
The Trustee, which is responsible for the management of risks faced by the Charity, is satisfied that the major risks identified through the risk management processes are adequately managed but recognise that systems can provide reasonable assurance, but no absolute guarantee, that all important risks are identified and appropriately managed.

Auditors

PKF Littlejohn LLP has expressed its willingness to continue in office as auditors.



J Batting



R Orr-Ewing

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.

16th June 2018

Statement of the Trustees' Responsibilities

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 adequate 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 2011, 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 Officer has confirmed, so far as he or she is aware, that there is no relevant audit information of which the Auditors are unaware, and each Member has taken all the steps that he or she ought to have taken as a Member of the Corporation to make themselves aware of any relevant audit information and to establish that the Auditors have been made aware of that information.

Independent Auditor's Report to the Trustee of John Lyon's Charity

Opinion

We have audited the financial statements of John Lyon's Charity (the 'charity') for the year ended 31 March 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Trustee, as a corporate body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to them 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 charity and the Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2018, 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Report of the Trustee, other than the financial statements and our auditor's report thereon. The trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the Report of the Trustee; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Trustee

As explained more fully in the Statement of Trustees' Responsibilities, the Trustee is responsible for the preparation of financial statements which give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Alastair Duke (Senior Statutory Auditor) 1 Westferry Circus
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

1 Westferry Circus
Canary Wharf
London E14 4FD

24/19/2018

PKF Littlejohn LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006

Statement of Financial Activities

Note	Restricted Fund £'000	Unrestricted Fund £'000	Endowment Fund £'000	Total Funds 2017/18 £'000	Total Funds 2016/17 £'000
Income and Endowment from:					
Charitable Activities	303	5	-	308	-
Property Investments	-	-	6,275	6,275	5,699
Investments	-	-	1,940	1,940	2,187
Total Income and Endowment	303	5	8,215	8,523	7,886
Expenditure on:					
Raising funds	-	-	1,842	1,842	1,392
Charitable Activities	303	10,710	-	11,013	11,718
Total Expenditure	303	10,710	1,842	12,855	13,110
Net Gains on Property Investments	-	-	13,495	13,495	10,413
Net (Losses)/Gains on Investments	-	-	(5,238)	(5,238)	17,159
Net Income/(Expenditure)	-	(10,705)	14,630	3,927	22,348
Transfers Between Funds	10	-	(11,027)	-	-
Net Movement In Funds	-	322	3,603	3,925	22,348
Reconciliation of funds:					
Total Funds Brought Forward	-	1,250	364,083	365,333	342,985
Balance at end of year	-	1,572	367,686	369,258	365,333

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

Comparative figures for the respective funds are set out in note 1.

The Accounting Policies and Notes on pages 28 to 45 form part of these Financial Statements.

Balance Sheet at 31 March 2018

	Note	2018		2017	
		€'000	€'000	€'000	€'000
Fixed Assets					
Tangible assets	7		209		269
Investment properties	8		207,174		198,318
Investments	9		153,240		155,671
			360,623		354,258
Debtors: due within more than one year	11		2,541		5,793
Current Assets					
Debtors	11	5,235		7,963	
Cash at bank		4,131		949	
		9,366		8,912	
Creditors: due within one year	12	(3,272)		(3,630)	
Net Current Assets			6,094		5,282
			369,258		365,333
Represented by:					
Endowment fund	14a		367,686		364,083
Unrestricted fund	14b		1,572		1,250
Restricted fund	14c		-		-
			369,258		365,333

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 16 June 2018 and signed on the Trustee's behalf by:

J Batting

R Orr-Ewing

The Accounting Policies and Notes on pages 28 to 45 form part of these Financial Statements.

Cash Flow Statement Year ended 31 March 2018

	Note	2017/18 €'000	2016/17 €'000
Net Cash outflow from Operating Activities	20	(582)	(17,526)
Net Cash inflow from Capital Expenditure and Financial Investment Activities	21	1,824	13,155
Returns on Investment and Servicing of Finance	21	1,940	2,187
Increase/(decrease) in Cash in the Period		3,182	(2,184)
Opening cash at the beginning of the year		949	3,133
Movement in cash in the year		3,182	(2,184)
Cash at the end of the year		4,131	949

The Accounting Policies and Notes on pages 28 to 45 form part of these Financial Statements.

Notes to the Financial Statements

General information and basis of preparation

John Lyon's Charity is a charitable trust registered in the United Kingdom. The registered address and charity office is given in the charity information on page 2 of these financial statements. The nature of the charity's operations and principle activities are grant making.

The Charity constitutes a public benefit entity as defined by Financial Reporting Standards ('FRS 102'). The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities Act 2011 and UK General Accepted Practice as it applies from 1 April 2016.

The financial statements have been prepared to give a 'true and fair' view and have departed from the charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS 102) rather than the Accounting and reporting by Charities: Statement of recommended Practice effective from 1 April 2005 which has been withdrawn.

The Financial Statements are prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are prepared in Sterling which is the functional currency of the charity and rounded to the nearest £000.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Investment Properties

Investment Properties are stated at open market value in order to comply with the provisions of Accounting and Reporting by Charities Statement of Recommended Practice. Investment Properties which comprise 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 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.

Tangible fixed assets

Fixed assets acquired with a value below £1,000 are evaluated for capitalisation based on the economic benefit derived in use. All other assets are capitalised. Leasehold improvements are depreciated over the term of the lease.

Office and computer equipment are depreciated at between 20% and 33% on an annual straight line basis over the assets useful lives.

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 SOFA in the period to which they relate.

Operating Leases

Rentals payable under operating leases are charged to the SOFA on a straight-line basis over the period of the lease.

Notes to the Financial Statements continued

1 Analysis of the Statement of Financial Activities

for the year ended 31 March 2017

	Restricted Fund 2016/17 £'000	Unrestricted Fund 2016/17 £'000	Endowment Fund 2016/17 £'000	Total Funds 2016/17 £'000
Income and Endowment from:				
Charitable activities	-	-	-	-
Property investments	-	-	5,699	5,699
Investments	-	-	2,187	2,187
Total Income and Endowment	-	-	7,886	7,886
Expenditure on:				
Raising funds	-	-	1,392	1,392
Charitable activities	300	11,418	-	11,718
Total Expenditure	300	11,418	1,392	13,110
Net Gains on Property Investments	-	-	10,413	10,413
Net Gains on Investments	-	-	17,159	17,159
Net Income/(Expenditure)	(300)	(11,418)	34,006	22,348
Transfers between funds	-	12,668	(12,668)	-
Net Movement in Funds	(300)	1,250	21,398	22,348
Reconciliation of funds:				
Total funds brought forward	300	-	342,685	342,985
Balance at end of year	-	1,250	364,083	365,333

Notes to the Financial Statements continued

2 Income from Property

	2017/18 £'000	2016/17 £'000
Residential rents	2,528	2,404
Commercial rents	3,747	3,295
Total Incoming Resources from Property	6,275	5,699

3 Income from Investments

	2017/18 £'000	2016/17 £'000
Investments	1,325	1,697
Bank and deposit interest	9	21
Loan interest	606	469
Total Incoming Resources from Investments	1,940	2,187

4 Expenditure on Raising Funds

	2017/18 £'000	2016/17 £'000
Property management charges	321	177
Property repairs and other expenses	756	897
Total cost of generating income from property	1,077	1,074
Other management costs	765	318
Total	1,842	1,392

Notes to the Financial Statements continued

5 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.

	Total 2017/18	Grant Funded Activity	Support Costs	Total 2016/17	Grant Funded Activity	Support Costs
	£'000	£'000	£'000	£'000	£'000	£'000
Arts & Science	1,143	1,043	100	1,882	1,685	197
Children & Families	569	519	50	1,050	940	110
Education & Learning	1,542	1,406	136	1,485	1,329	156
Emotional Wellbeing	1,007	918	89	979	876	103
Other	9	8	1	8	7	1
Special Needs & Disability	435	397	38	444	397	47
Sport	622	567	55	651	583	68
Training	563	513	50	623	558	65
Youth Clubs and Youth Activities	1,486	1,355	131	1,873	1,677	196
Youth Issues	1,005	917	88	1,249	1,118	131
Bursaries	1,399	1,276	123	1,174	1,051	123
Grenfell Tower Response	343	313	30	-	-	-
SHAF	587	535	52	-	-	-
Restricted grants	300	300	-	300	300	-
	11,010	10,067	943	11,718	10,521	1,197

Notes to the Financial Statements continued

6 Support Costs

The breakdown of support costs is shown in the table below. The allocation to Charitable Activities is shown in note 5 above.

	2017/18 £'000	2016/17 £'000
Administration fees	-	111
Audit fees		
- current year	34	27
- prior year under provision	4	6
Valuation fees		
- current year	39	32
- prior year under provision	3	2
Depreciation	69	68
Consultancy fees	76	62
Staff costs	411	485
Operating lease - Offices equipment	10	9
Other support costs	297	395
	943	1,197
Staff Costs		
Wages and salaries	572	382
Social security costs	74	43
Pension & health care contributions	79	60
	725	485

Included in the above amount is salary costs of £313,810 which relate to expenditure on raising funds and are reflected within other management costs in note 4.

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:	10	9
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Notes to the Financial Statements *continued*6 Support Costs *continued*

In the year the number of employees who were entitled to emoluments of more than £60,001 was as follows:

	2017/18 £'000	2016/17 £'000
£60,001 - £70,000	1	1
£70,001 - £80,000	-	1
£80,001 - £90,000	1	-
£90,001 - £100,000	-	-
£100,001 - £110,000	-	-
£110,001 - £120,000	1	-

The total amount of employee benefits received in the year by key management personnel, was £353,269 (2017 - £310,224). The Charity considers its key management personnel to comprise the Chief Executive Officer, Grants Director, Finance Director and the Trustee.

7 Tangible Fixed Assets

	Leasehold Improvement £'000	Furniture & equipment £'000	Total £'000
Cost at 1 April 2017	266	72	338
Additions in the year	-	9	9
At 31 March 2018	266	81	347
Accumulated depreciation at 1 April 2017	53	16	69
Depreciation charge in year	53	16	69
At 31 March 2018	106	32	138
Net book value at 31 March 2018	160	49	209
Net book value at 1 April 2017	213	56	269

Notes to the Financial Statements *continued*

8 Investment Properties

	2018 £'000	2017 £'000
Reversionary estate	32,339	34,315
Residential properties	60,235	61,253
Commercial Properties	114,600	102,750
Market value	207,174	198,318
Balance at beginning of year	198,318	193,784
Additions at cost	33	14,278
Unrealised gain on revaluation	12,125	5,937
Disposals at valuation	(3,302)	(15,681)
Balance at end of year	207,174	198,318

The investment properties were revalued as at 31 March 2018 by Cluttons LLP, Chartered Surveyors, having been previously revalued as at 31 March 2017, 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 £58.1m (2016/17 - £61.1m).

Disposals at valuation during the year resulted in a realised gain of £1.4 million (2016/17 - £4.5 million).

Notes to the Financial Statements *continued*

9 Investments

	2018 £'000	2017 £'000
Free (Main) Fund	133,827	141,932
Special Fund	19,413	13,739
Market value	153,240	155,671
Historical cost	117,361	107,724

Included in the above is sterling cash invested and cash held for investment of £9,645,342 (2016/17 - £1,106,647) in the Special Fund and £1,876,641 (2016/17 - £2,586,179) in the Free Fund. The Special Fund is defined in the Governing Documents.

	2018 £'000	2017 £'000
Balance at beginning of year	155,671	146,120
Investment purchases	17,230	18,730
Net investment realisations	(23,151)	(26,744)
Unrealised (loss)/gain on revaluation	(4,339)	14,153
Net movement in cash held for investment	7,829	3,412
Balance at end of year	153,240	155,671

Net investment realisations resulted in realised losses of £0.90m (2016/17 - gains of £3.006m).

	2018 %	2017 %
Investment Management Charges		
Cazenove Capital management fee	0.12	0.09
In House fund charge	0.23	0.23
Total Schroders fees	0.35	0.32
Other fund charges	0.57	0.57
Total annual management charge	0.92	0.89
Additional fund charges	0.22	0.22
Total expense ratio	1.13	1.31

All investments are held in the Endowment Fund.

Notes to the Financial Statements *continued*9 Investments *continued*

At 31 March 2018 the following investments accounted for more than 5% of the overall portfolio:

	2018 %	2017 %
Institutional USD Liquidity Fund	-	11.7
Institutional GBP Liquidity Fund	7.5	-
Lansdowne Developed Markets Absolute -N-Shares	11.1	10.2
Schroder UK Opportunities Fund Z Income shares	6.7	6.4
Findlay Park American Fund	6.3	5.9
Schroder Multi Manager International Fund	13.6	10.1
BlackRock Gold & General Fund	10.3	12.9
Ishares Physical Gold PLC	9.0	9.4
Unite student accommodation	6.0	6.0

10. 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 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 3.25% (4% up to 31 March 2017) of that rolling average on charitable activities including support costs and the cost of generating funds and governance costs. The calculation to determine the amount available in the years to 31 March 2018 and 2019 is:

Year ended:	Asset Values £'000	4 year Average £'000	Expendable percentage of average %	Expendable amount £'000
31 March 2015	341,486	291,225	4	11,649
31 March 2016	342,985	316,710	4	12,668
31 March 2017	365,333	339,305	3.25	11,027
31 March 2018	369,258	354,765	3.25	11,530

Notes to the Financial Statements continued

10 Application of the Power of Total Return continued

The amount available for the year ended 31 March 2018 was £11,027,000, and for 2018/19 is £11,533,000

In the current and prior year, the amount available and applied in accordance with the policy was:

	2017/18 £'000	2016/17 £'000
Expendable amount	11,027	12,668
Transferred to Unrestricted Fund	(11,027)	(12,668)
Reinvested	-	-

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	2017/18 £'000	2016/17 £'000
Opening value of endowment fund at 1 April	364,083	342,685
Less: Opening value of the fund at 31 March 1997	(63,797)	(63,797)
Opening value of Total Return Funds	300,286	278,888
Add:		
Investment return – income	8,215	7,886
Investment return – realised/unrealised gains	8,257	27,572
Less:		
Raising funds	(1,842)	(1,392)
Unapplied total return before transfers carried forward	314,916	312,954
Return applied during the year	(11,027)	(12,668)
Unapplied total return as at 31 March	303,889	300,286
Add: value of the fund at 31 March 1997	63,797	63,797
	367,686	364,083

Notes to the Financial Statements continued

11 Debtors

	2018 £'000	2017 £'000
Amounts due from tenants and managing agents	1,839	1,663
Other debtors and prepayments	3,396	177
Proceeds due on property sales	-	6,123
Due within one year	5,235	7,963
Due within more than one year	2,541	5,793
	7,776	13,756

The amount due within more than one year relates to loans and accrued interest repayable on or before June 2020. The loan is secured and carries a premium rate of interest.

12 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Grants payable	2501	2,974
Other creditors and accruals	771	656
	3,272	3,630

13 Operating Lease Commitments

As at 31 March 2018 the total minimum payments to which The Charity is committed under non-cancellable operating leases for property and office equipment are:

	2018 £'000	2017 £'000
Due within one year	175	166
Due within two and not later than five years	453	589
	628	755

On termination of the lease for the Charity's office property there is likely to be a claim for dilapidations and reinstatement, which it is not expected to exceed £60,000.

Notes to the Financial Statements continued

14 Funds

a. Endowment Fund

The capital assets of the Charity are those derived from the Founder's original gift of land in 1578 and 1581 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. Restricted Fund

The restricted Fund represents a grant received from The City Bridge Trust to co-fund the salary and running costs of Young People's Foundations in each of the boroughs of Brent, Harrow and Barnet, for one year.

2017/18

	Balance brought forward £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains/ (losses) £'000	Balance carried forward £'000
Endowment	364,083	8,215	(1,842)	(11,027)	8,257	367,686
Unrestricted	1,250	5	(10,710)	11,027	-	1,572
Restricted	-	300	(300)	-	-	-
	365,333	8,520	(12,852)	-	8,257	369,258

2016/17

	Balance brought forward £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains/ (losses) £'000	Balance carried forward £'000
Endowment	342,685	7,886	(1,392)	(12,668)	27,572	364,083
Unrestricted	-	-	(11,418)	12,668	-	1,250
Restricted	300	-	(300)	-	-	-
	342,985	7,886	(13,110)	-	27,572	365,333

Notes to the Financial Statements continued

15. Transactions with the Trustee and Connected Persons

The Charity made grants in the year to both Harrow School of £453,769 (£371,051 in 2016/17) and The John Lyon School of £541,539 (£438,797 in 2016/17) for the benefit of children resident in the Beneficial Area. Grants for bursaries enable children 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.

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. Five grants totalling £217,149. (2016/17 – Five grants totalling £138,000) 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.

The Clerk to the Corporation is a partner and the Chief Executive (to May 2017) was also a partner in the firm of Pemberton Greenish LLP which acts as Solicitors to the Charity. Under the terms of a detailed contract for services that firm provides administration, office and computer services, which were recharged to the Charity as follows:

	2017/18 £'000	2016/17 £'000
Salaries	-	122
Office costs	-	33
Computer and IT support	-	15
	-	170

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 4, and for work undertaken in the sale and purchase of property on the Charity's estates, which are included in expenses charged to capital.

	2017/18 £'000	2016/17 £'000
Fees charged to Endowment Fund in respect of the sale of investment properties	264	284

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

Notes to the Financial Statements continued

15 Transactions with the Trustee and Connected Persons continued

The Charity's property managing agents, Cluttons LLP, are not a related party as defined under Financial Reporting Standard 102, but in the interests of transparency the remuneration for their services, based on a detailed contract of engagement, paid by the Charity are:

	2017/18 £'000	2016/17 £'000
Management fees and insurance commissions	321	177
Valuation and lease audit fees	42	34
Capital transaction fees	104	250
	467	461

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

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

16 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).

17 Future Commitments

Grant commitments

The Charity has committed to multi-year grants including bursary support totalling £13.1 million up to 2024/25, 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

There were no capital commitments as at 31 March 2018 (2016 - £0)

Notes to the Financial Statements continued

18 Contingent liabilities

The charity is involved in a number of legal actions which are related to property assets. The costs related to these actions cannot be reasonably quantified and the outcome uncertain and therefore no provision has been made in these financial statements.

19 Analysis of net assets between funds

	Total 2017/18 £'000	Unrestricted Fund £'000	Endowment Fund £'000	Total 2016/17 £'000	Unrestricted Fund £'000	Endowment Fund £'000
Fixed assets	360,623	-	360,623	354,258	-	354,258
Debtors due in more than one year	2,541	-	2,541	5,793	-	5,793
Other current assets/liabilities	6,094	1,572	4,522	5,282	1,250	4,032
	369,258	1,572	367,686	365,333	1,250	364,083

Notes to the Financial Statements continued

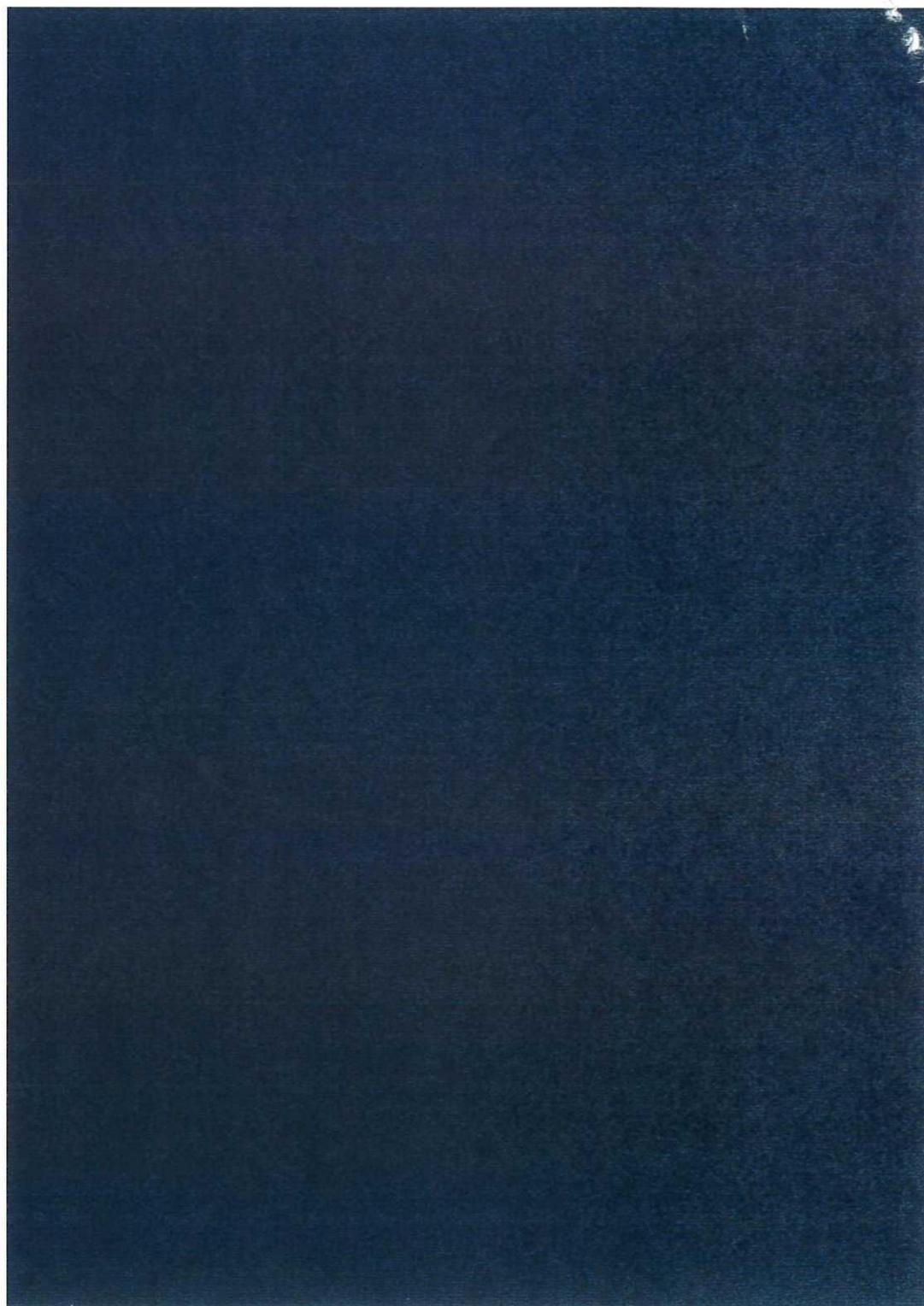
20 Reconciliation of Net Incoming Resources before Grants to Net Cash Inflow from Operating Activities

	2017/18 £'000	2016/17 £'000
Total income	8,519	7,886
Total expenditure before grants	(2,785)	(2,589)
Net incoming resources before grants	5,734	5,297
Grants from annual income	(9,767)	(10,221)
Grants from restricted income	(300)	(300)
Net outgoing resources after grants	(4,333)	(5,224)
Depreciation charge for the year	69	68
(Increase) in debtors	5,980	(10,609)
Increase/(decrease) in creditors	(358)	426
Income from listed investments and deposit interest	(1,940)	(2,187)
Net Cash outflow from Operating Activities	(582)	(17,526)

Notes to the Financial Statements continued

21 Analysis of Cash Flows for Headings Netted in the Cash Flow Statement

	2017/18 £'000	2016/17 £'000
Capital Expenditure and Financial Investment Activities		
Net proceeds from property transactions	4,990	6,188
Expenses charged to Endowment Fund	(351)	(309)
Sale of investments	22,252	29,750
Purchase of investments (note 9)	(17,230)	(18,730)
Purchase of plant and equipment (note 7)	(9)	(332)
(Decrease) in cash held for investment (note 9)	(7,829)	(3,412)
Net Cash inflow from Capital Expenditure and Financial Investment Activities	1,823	13,155
Net Proceeds from Property Transactions		
Freehold/lease premium proceeds	5,023	20,466
Purchase of properties (note 8)	(33)	(14,278)
	4,990	6,188
Returns on Investment and Servicing of Finance		
Income from listed and unlisted investments	1,325	1,887
Deposit and other interest	615	300
	1,940	2,187





JOHN LYON'S CHARITY

Griffin Lodge
45a Cadogan Gardens
London SW3 2TB

Email: info@jlc.london
www.jlc.london

Registered Charity No. 237725