



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

**JOHN LYON'S CHARITY**

**Registered Charity No: 237725**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 MARCH 2008**

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<b>Trustee</b>	The Keepers and Governors of the Possessions, Revenues and Goods of the Free Grammar School of John Lyon
<b>Registered Charity No.</b>	237725
<b>Clerk to the Trustee and Registered Address</b>	A J F Stebbings 45 Pont Street London SW1X 0BX
<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 Chartered Accountants and Registered Auditors 1 Westferry Circus Canary Wharf London E14 4HD
<b>Solicitors</b>	Pemberton Greenish 45 Pont Street London SW1X 0BX
<b>Investment Advisers</b>	Cazenove Capital Management Limited 12 Moorgate London EC2R 6DA

**Introduction**

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

The Corporation is a separately Registered Charity (No. 310033) responsible for Harrow School and The John Lyon School.

In presenting this report for the year ended 31 March 2008, the Trustee has complied with the Statement of Recommended Practice, Accounting and Reporting by Charities (2005) the Charities SORP and applicable United Kingdom Accounting Standards.

**Structure, Governance and Management****Governance**

The Charity is governed by the Scheme contained in The Charities (John Lyon Road Trust) Order 1991 (SI 1991, No.1141) as amended by the scheme made by the Charity Commissioners on 28 November 1996.

**Organisational Structure and Management**

The Trustee has established a Grants Committee to make recommendations on the award of grants and an Investments Committee to monitor the performance of the Investment Adviser and review and advise on strategic asset allocation. The Trustee has appointed a member of the Corporation as Estate Governor who has immediate responsibility for the Charity's St John's Wood Estate.

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

Grants Committee - Mr N W Stuart, CB, MA

Investments Committee - Mr R C W Odey, BA

Estate Governor - Mr T H Walduck

The day to day management of the Charity's affairs is conducted through the Clerk to the Trustee as the senior executive officer of the Charity reporting to the Trustee. The Charity has four full time members of staff to manage the grant giving function under the immediate supervision of the Clerk.

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 management of the Charity's assets, to make recommendations on administrative matters and to supervise the discharge of the responsibilities for the Financial Statements and review the Charity's Accounts before presentation to the Trustee for approval.

The terms of delegation and the scope of responsibilities are formally recorded and reviewed annually.

The Corporation has in place a policy and procedure on the disclosure of conflicts of interest and on the selection and induction of members, which take account of its role as Trustee of the Charity

A full list of the members of the Corporation with details of the committees on which they serve is shown in a separately published Annual Report, which is filed with the Charity Commission. Copies of the Annual Report may be obtained on application to the Clerk to the Trustee.

## Objectives and Activities

### The Objects of the Charity

Under the Scheme the yearly income of the Charity is applicable for the following charitable purposes:

- a. the relief of the aged, disabled or poor inhabitants of the London Boroughs of Barnet, Brent, Camden, Ealing, Hammersmith & Fulham, Harrow and the Royal Borough of Kensington & Chelsea and the Cities of London and Westminster ("the inhabitants");
- b. the relief of distress and sickness among the inhabitants;
- c. the provision and support (with the object of improving the conditions of life for the inhabitants in the interest of social welfare) of facilities for recreation and other leisure time occupations;
- d. the provision and support of educational facilities for the inhabitants; and
- e. any other charitable purposes for the benefit of the inhabitants;

in accordance with certain rules required by the Scheme to be made and reviewed by the Trustee every three years and approved by the Charity Commissioners for England and Wales. The Rules that applied in the year were adopted by the Trustee on 30 November 1991 as amended on 24 February 1996 and 17 November 2001. The Rules were reviewed in November 2007; no changes were made.

### Aims

Although the Objects of the Charity are wider, the Trustee has adopted and intends, in applying the yearly income of the Charity, to continue a policy to enhance the conditions of life and improve the life chances of young people through education, reflecting the general intent of the Founder. Grants are restricted to grants to other registered or exempt charities. The policy is not to make grants to individuals. The Charity seeks to make grants which are intended to be of as direct a benefit as possible to young people who are resident in the beneficial area. During the year the Trustee undertook a review of the Charity's grant giving policies and concluded that the Charity should continue this focus with its emphasis on education.

### Events and Activities during the Year

This report cannot begin with anything but an expression of the deep sadness felt by all connected with the Charity at the untimely death of the Grants Director, David Robins, at the age of 62. Since his appointment in 1993 David has been the heart beat of the Charity and in the development of its grant giving since the implementation of the 1991 Scheme. The Annual Report for 2007 focused on the Charity's support of Theatre and the involvement of children and young people in the many theatres of excellence in the beneficial area which David pioneered long before culture became a feature in government policy. He brought to the Charity's grant giving an innate understanding of the beneficial area, where as a "Willesden boy" he lived his entire life, and his deep sense of social justice. The Prospect Magazine of October 2007 published his last and incisive article "*A Summer of Stabbings*". On David's initiative the Charity is a key funder of the London Charities' "*Tackling knife Culture*". His contribution has been immeasurable to the development of the Charity and in influencing the voluntary sector in London.

His influence on the Charity's grant giving remains a powerful one. The Grants made in the year have continued to focus on giving young people the opportunity to develop interests in activities beyond the experiences that they would otherwise enjoy by encouraging access to the great institutions that are based in the beneficial area and its immediate environs.

The Charity has committed £1m to the London Diocesan Board for Schools' City Academy sponsorship of the Chelsea Academy. We have contributed to a number of initiatives that support the community feeding the London Academy in Barnet.

We have initiated a programme in Camden to improve the teaching of Maths, Science and Modern Languages in Camden Schools in partnership with Camden Council, the Institute of Education and University College London. Other initiatives include a significant programme in Brent for young people in the Muslim Community.

The Charity's interest in sport and the role sport can play in the development of young people has continued with bursaries for young people through the West London Sports Trust, which David Robins helped establish.

New grants were awarded to 132 organisations and were divided between the following categories:

Arts in Education	£851,206
Child Care & Parental Support	£517,000
Counselling	£105,762
Housing & Homelessness	£5,000
Promotion of Youth Issues	£30,000
Schools, Education & Training	£1,921,561
Special Needs & Disability	£308,100
Sport in Education	£375,200
Youth Clubs & Youth Services	£685,200
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Total	£4,799,029
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An information brochure is published annually setting out the grant-giving guidelines and details of the application procedures: this is posted on the Charity's website. The Grants Committee meets three times a year and the deadlines for applications for each meeting are published well in advance. In addition the small Grants scheme has continued under delegated authority to the Chairman of the Grants Committee and the Clerk to consider and award "one-off" grant requests of up to £5,000, subject to an annual cap on the total amount awarded.

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 Charity runs a series of seminars on key issues for the management of voluntary organisations and, as part of the policy of strengthening the voluntary sector in the beneficial area, in appropriate cases it underwrites the cost of management consultancy to encourage effective use of the Charity's grants.

The Grants Committee receives and reviews monitoring reports on all grants awarded.

The Charity produces an Annual Report, which is filed with the Charity Commission, giving details of grants made and the principal areas of activity in greater detail.

### **Achievements and Performance**

The allocation of grants to categories of activity has remained relatively consistent in recent years. Schools, Education and Training remains the principal programme area accounting for approximately 40% of grants expenditure, confirming the Charity's priority focus on education and its policy of funding "gaps in provision" left by or created by Government initiatives. The Charity's ability to support organisations depends critically on the health of the voluntary sector in each of the Boroughs, which in turn depends on the attitude to and support of the sector by each Local Authority. The Charity is one of the most significant sources of independent funding of the sector in each Borough and as part of the consultation process under the Rules maintains an active dialogue with each Local Authority.

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

Project support	1,442,012
Running costs	1,377,467
Equipment	73,000
Buildings & refurbishments	924,500
Bursaries & scholarships	526,705
Salary costs	455,345
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Total	£4,799,029
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To enhance the Charity's grant giving it works with other London funders to develop London wide initiatives, particularly with The City Bridge Trust, Esmee Fairbairn, City Parochial Foundation and The Wates Foundation .

### **Future Plans**

As a grant maker we want to fund a wide range of people and organisations working to change the lives of children and young people in their families and communities. Our role is to support and enable their visions, trusting the groups we fund to do the work that is needed. We do not focus our funding on specific themes or programmes. We aim to be a helpful flexible and supportive funder. We seek to promote collaborative working where appropriate and offer advice and support to organisations seeking funding and responding to organisations' real need and priorities.

The policy review has confirmed that the Charity should cease to fund capital projects for maintained and voluntary aided schools, limiting capital funding to small grants for primary schools, as a result of changes in government funding. Following the change in government policy we will not support further City Academies, but seek to support programmes supporting the communities feeding academies. The Charity's support of bursary funding at both secondary, further and post graduate education will continue subject to a cap of 15% of the Charity's income. We also plan a targeted approach to funding projects seeking to engage parents in their children's development and education and the support of looked after children.

Arts and culture will remain a key area for support taking advantage of the extraordinarily rich variety offered in the beneficial area in music, the performing and visual arts.

Sporting activities and excellence has long been a key focus of the Charity's grant-giving and will continue with an eye on the London Olympics in 2012.

In 2008/09, the Charity expects to continue support in these areas of activity with a particular emphasis on Youth clubs through its *Turning Youth Clubs Around* initiative. The Charity has been a consistent supporter of maintained sector Schools seeking specialist status, latterly through The Specialist Schools and Academies Trust, which will continue

We will continue to develop relationships with the Boroughs in the beneficial area and to that end we are appointing an additional grants officer to promote that relationship and advise on Public Policy issues and government funding generally.

### **Financial Review of the Charity**

#### **Endowment**

The capital of the Charity is permanent endowment and comprises investments and investment properties. The investments are held in accordance with the powers contained in the Scheme as amended and the provisions of the Trustee Act 2000.

The voluntary and compulsory disposal of the property interests on the St John's Wood Estate, which was the Founder's original endowment in 1578, has raised £3.5m in the year (2006/07 - £10.2m). It is expected that disposal of properties on the Estate, which are principally residential properties let on long leases, through enfranchisement will continue for the foreseeable future at a significant level.

The Charity has obtained vacant possession of a number of properties on the Estate which have been refurbished and are let at market rates on short term leases. These residential properties are now distinguished from the Revisionary Estate and have been revalued this year and will be revalued on an annual basis in future. The gain on revaluation of the residential properties was £8.4m.

The policy is to invest half the proceeds of the sale of property interests on the St John's Wood Estate in quoted investments and half in a portfolio of income-producing properties let at full market rents, which the Trustee has agreed in principle may be supplemented by borrowing of up to £15m. The proceeds of sale allocated for investment in properties are held in the Special Fund pending such investment (see note 6). In implementing this policy, an investment of £12 million in a London West End office building was completed shortly after the balance

sheet date. The investment properties purchased since 2002 were revalued as at 31 March 2008 showing a loss of £4.25m, based on the value at 31 March 2006.

The net gain on the revaluation of the investment properties after the cost of improvements in the year was £3m.

The reversionary properties held at 31 March 2008 representing the residue of the original endowment in St John's Wood are shown at the market valuation as at 31<sup>st</sup> March 2006 adjusted for subsequent disposals and investment. The current policy is to re-value these properties every three years and a valuation will next be undertaken as at 31 March 2009.

The Charity's investment portfolios are invested in common investment and other pooled funds and overall produced a negative total return of 2.2% in the year (positive 9.6% in 2007). Within this the Total Return Fund produced a positive return of 9.5%. Realised and unrealised losses on investments in the year totalled £4.88m.

The value of the Endowment decreased by £0.63m from £186.55m to £185.92m.

### **Investment Policy**

A formal investment policy is in place setting out the strategic asset allocation which takes account of the Charity's extensive property interests. The tactical asset allocation is reviewed and revised regularly by the Investments Committee. The performance of the pooled funds is measured against their respective indices.

In January 2006 the Charity Commission made a Total Return Order in the form of the Commission model. The Trustee has implemented the Order in a limited form with effect from 1 April 2006 by applying it to 20% of the value of the Charity's investment portfolio; this enables investment in a wider class of assets. In accordance with that policy £645,000 has been withdrawn representing 3.75% of the value of the fund at 31 March 2007 out of a return in the year of £1.04m. The unapplied total return of the Fund is £5.31m at 31 March 2008 after the withdrawal.

### **Annual Income**

The income of the Charity is derived solely from its investments and investment properties. It showed an increase of 5.2% to £5.72m from £5.44m in 2006/07. After the application of the withdrawal from the Total Return Fund, the amount available for application is £6.37m

### **Grants Expenditure**

Total grants paid in the year amounted to £4.8m.

It is the policy of the Charity to regard grants given in excess of 5% of total grants made as material for disclosure purposes. A grant of £250,000 payable in the year to London Diocesan Board for Education falls to be disclosed under this policy.

Full details of grants awarded are published in the Annual Report.

### **Future Commitments**

Commitments have been given for grants over the next three years totalling £3.29m in 2008/09, £1.64m in 2009/10 and £0.64m in 2010/11 for projects that the Charity has agreed in principle to fund on a longer-term basis, payment of which is in each case is contingent on the stipulated conditions being met, a review of progress by the Grants Committee and formal authorisation by the Trustee. The Trustee maintains a policy of limiting the award of grants to no more than 50% of the expected income in a future year, subject to the review of each grant and the stipulated conditions being met. As recorded in note 12 to the Financial Statements the Charity has committed to multi-year grants totalling £6.23m up to 2013/14.



**Reserves Policy**

The capital of the charity is Permanent Endowment and, as such, is only available for investment in accordance with the investment policy. The net annual income is, under the trusts in the Governing Documents, applicable to the objects of the Charity. Save for acknowledging the prospective and conditional commitments for grants, no provision is made for those future grants, as the Charity's income stream is believed to be reliable. Accordingly, the Charity does not carry a provision for such future grants or other reserves.

**Risk Management**

The Trustee has identified major risks to which the Charity is exposed. These risks have been reviewed and policies and systems have been established to mitigate these risks.

**Equal Opportunities**

The Charity is committed to a policy of equal opportunities in the selection, training, career development of all people both in its employment policies and grant giving policies, regardless of gender, marital status, race, colour, religion, disability or sexual orientation.

**Auditors**

With effect from 6 May 2008 the charity's auditors have changed their name from CLB Littlejohn Frazer to Littlejohn.

**A J F Stebbings**

Clerk to the Trustee

7 June 2008

The purpose of this statement is to distinguish the responsibilities of the Trustee for the Financial Statements from the responsibilities of the auditors as stated in their report.

The Charities Act 1993 requires the Trustee to prepare Financial Statements for each financial year which give a true and fair view of the Charity's financial activities during the year and of its financial position at the end of the year.

In preparing the Financial Statements the Trustee follows best practice and:

- selects suitable accounting policies and applies them consistently;
- makes judgments and estimates that are reasonable and prudent;
- follows applicable United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) and Statements of Recommended Practice disclosing and explaining any departures therefrom in the Financial Statements; and
- prepares the Financial Statements on the going concern basis unless it is inappropriate to assume that the Charity will be able to continue in operation.

The Trustee is responsible for keeping accounting records which disclose, with reasonable accuracy, the financial position of the Charity at any time, and enable it to ensure that the Financial Statements comply with the disclosure regulations and charity law. The Trustee is also responsible for safeguarding the Charity's assets, and hence for taking reasonable steps for the prevention and detection of error, fraud and other irregularities.

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

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

We have audited the Financial Statements of John Lyon's Charity for the year ended 31 March 2008, which comprise on pages 11 to 22 the Statement of Financial Activities (including the Statement of Total Recognised Gains and Losses), the Balance Sheet, the Cash Flow Statement and the related notes 1 to 14. These Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out therein.

This report is made solely to the Trustee. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to it in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee for our audit work, for this report, or for the opinions we have formed.

**Respective Responsibilities of the Trustee and Auditors**

The Trustee's responsibilities for preparing the Trustee's Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of the Trustee's Responsibilities.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We have been appointed auditors under Section 43 of the Charities Act 1993 and report under Section 44 of that Act.

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the Trustee's Report is not consistent with the Financial Statements, if proper accounting records have not been kept, if we have not received all the information and explanations we require for our audit, or if information specified by law is not disclosed.

We read other information accompanying these Financial Statements and consider whether it is consistent with the audited Financial Statements. This other information comprises only the Trustee's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

**Basis of Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgments made by the Trustee in the preparation of the Financial Statements, and of whether the Accounting Policies are appropriate to the Charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

**Opinion**

In our opinion the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Charity's affairs as at 31 March 2008 and of its incoming resources and application of resources and cash flows for the year then ended and have been properly prepared in accordance with the Charities Act 1993.

In our opinion, the information given in the Report of the Trustee is consistent with the financial statements.

**Littlejohn**

Chartered Accountants  
and Registered Auditors

1 Westferry Circus  
Canary Wharf  
London E14 4HD

7 June 2008

	Note	Unrestricted Fund	Endowment Fund	Total Funds 2007/08	Total Funds 2006/07
<b>Incoming Resources</b>					
Investment property income	1a	2,673,399	-	2,673,399	2,463,721
Investment income		2,894,237	84,608	2,978,845	2,678,414
Bank and deposit income		159,559	8,755	168,314	302,553
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Incoming Resources</b>		5,727,195	93,363	5,820,558	5,444,688
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Resources Expended</b>					
Cost of generating incoming resources	1a,1b	526,714	145,260	671,974	712,207
Charitable activities	2,4	5,177,224	-	5,177,224	4,407,012
Governance costs	3,4	87,409	6,000	93,409	141,602
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Resources Expended</b>		5,791,347	151,260	5,942,607	5,260,821
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net (Outgoing)/Incoming Resources Before other Recognised Gains and Losses and Applications</b>		(64,152)	(57,897)	(122,049)	183,867
Application of Total Return Fund	7	645,000	(645,000)	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		580,848	(702,897)	(122,049)	183,867
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Statement of Total Recognised Gains and losses</b>					
Realised surplus on sale of investment properties		-	1,961,220	1,961,220	2,722,437
Unrealised surplus on investment properties		-	3,000,699	3,000,699	-
Realised loss on sale of investments		-	(1,057,315)	(1,057,315)	(160,562)
Unrealised (loss)/surplus on investments		-	(3,831,440)	(3,831,440)	4,478,961
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Movement in Funds for the Year</b>		580,848	(629,733)	(48,885)	7,224,703
Balance at beginning of year		642,019	186,547,463	187,189,482	179,964,779
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at end of year</b>	10c	£1,222,867	£185,917,730	£187,140,597	£187,189,482
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

The Accounting Policies and Notes on pages 14 to 22 form part of these Financial Statements.

	Note	2008	2007
<b>Fixed Assets</b>			
Investment properties	5	87,688,639	84,921,918
Investments	6	96,353,602	100,852,657
		<hr/>	<hr/>
		184,042,241	185,774,575
<b>Current Assets</b>			
Debtors	8	661,272	714,850
Cash at bank		3,357,341	1,368,336
		<hr/>	<hr/>
Cash at bank		4,018,613	2,083,186
<b>Creditors:</b> due within one year	9	(920,257)	(668,279)
		<hr/>	<hr/>
<b>Net current Assets</b>		3,098,356	1,414,907
		<hr/>	<hr/>
		£187,140,597	£187,189,482
		<hr/>	<hr/>
<b>Represented by:</b>			
Endowment fund	10c	185,917,730	186,547,463
Unrestricted fund	10c	1,222,867	642,019
		<hr/>	<hr/>
		£187,140,597	£187,189,482
		<hr/>	<hr/>

The Financial Statements on pages 11 to 22 were approved by the Keepers and Governors of the Possessions, Revenues and Goods of the Free Grammar School of John Lyon as Trustee on 7 June 2008 and signed on the Trustee's behalf by:

**R C W Odey**

**N W Stuart**

The Accounting Policies and Notes on pages 14 to 22 form part of these Financial Statements.

	Note	2007/08	2006/07
<b>Net Cash Outflow from Operating Activities</b>		(2,963,652)	(2,850,164)
<b>Net Cash Inflow/(Outflow) from Capital Expenditure and Financial Investment Activities</b>	14	1,805,498	(738,300)
<b>Returns on Investment and Servicing of Finance</b>	14	3,147,159	2,980,967
		<u>1,989,005</u>	<u>£(607,497)</u>
<b>Increase/(Decrease) in Cash in the Period</b>			
<b>Opening Net Funds</b>		1,368,336	1,975,833
<b>Movement in Period being change in Cash Balances</b>		<u>1,989,005</u>	<u>(607,497)</u>
<b>Closing Net Funds</b>		<u>£3,357,341</u>	<u>£1,368,336</u>

The Accounting Policies and Notes on pages 14 to 22 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 have been 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 have been revalued every 3 years. Investment Properties that are let on long leases on a ground rent will continue to be valued on this basis. The remaining Investment Properties, with effect from 31 March 2008, are now 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 generally accounted for by reference to the date payable.

**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 is 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 when payable.

1. Activities for Generating Funds	2007/08	2006/07
<b>a. Net UK Property Income</b>		
Residential rents due for the year	1,505,778	1,411,908
Commercial rents due for the year	1,167,621	1,051,813
	<hr/>	<hr/>
<b>Total Incoming Resources from property</b>	2,673,399	2,463,721
<b>Less: Direct property expenses</b>		
Management charges	(245,332)	(194,758)
Repairs and other expenses	(244,341)	(389,508)
Bad debt provision	(37,041)	-
	<hr/>	<hr/>
Total cost of generating income from property	(526,714)	(584,266)
	<hr/>	<hr/>
Net property income	£2,146,685	£1,879,455
	<hr/> <hr/>	<hr/> <hr/>

**b. Cost of Generating Funds**

The cost of generating funds consists of direct property expenses, which are charged against property income and reflected in the unrestricted fund and investment management costs. Investment management costs are charged to the Endowment Fund.

	2007/08	2006/07
Other management costs – Total Return Fund	21,689	23,412
– Other	123,571	104,529
	<hr/>	<hr/>
	145,260	127,941
Cost of generating income from property	526,714	584,266
	<hr/>	<hr/>
	£671,974	£712,207
	<hr/> <hr/>	<hr/> <hr/>

**2. Analysis of Charitable Activities**

Direct Charitable expenditure represents grants made under the Scheme by the Charity. The policy of the Trustee is to restrict grants to other registered or exempt charities and not to make grants to individuals.

Details of grants given will be published in a separate Annual Report.

	Grant Funded Activity	Support Costs	Total 2007/08	Total 2006/07
Arts in Education	851,206	67,081	918,287	1,000,847
Child Care & Parental Support	517,000	40,743	557,743	552,282
Counselling	105,762	8,335	114,097	227,058
Housing & Homelessness	5,000	394	5,394	70,080
Promotion of Youth Issues	30,000	2,364	32,364	37,735
Schools, Education & Training	1,921,561	151,432	2,072,993	1,481,031
Special Needs & Disability	308,100	24,280	332,380	175,846
Sport in Education	375,200	29,568	404,768	185,959
Youth Clubs & Youth Services	685,200	53,998	739,198	676,174
	<hr/>	<hr/>	<hr/>	<hr/>
	£4,799,029	£378,195	£5,177,224	£4,407,012
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Support costs are allocated on the basis of staff time.



<b>3. Governance Costs</b>	<b>2007/08</b>	<b>2006/07</b>
Administration fees	48,868	84,893
Audit fees - current year	26,000	27,503
- prior year(over)/under provision	(1,071)	9,906
Valuation fees	6,000	11,386
Sundry expenses	8,737	2,539
Printing & stationery	4,875	5,375
	<u>£93,409</u>	<u>£141,602</u>

**4. Allocation of Support Costs**

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

	<b>Governance</b>	<b>Charitable Activities</b>	<b>2007/08</b>	<b>2006/07</b>
Administration fees	48,868	119,502	168,370	188,997
Audit fees	24,929	-	24,929	37,409
Valuation fees	6,000	-	6,000	11,386
Printing & stationery	4,875	14,627	19,502	21,500
Seminars and sponsorship	-	15,715	15,715	9,914
Sundry expenses	8,737	764	9,501	2,539
Consultancy fees	-	26,680	26,680	17,681
Salaries	-	163,525	163,525	156,401
Travel and other expenses	-	37,382	37,382	15,219
	<u>£93,409</u>	<u>£378,195</u>	<u>£471,604</u>	<u>£461,046</u>

<b>Administration of Charitable Grants</b>	<b>2007/08</b>	<b>2006/07</b>
<b>Staff Costs</b>		
Wages and salaries	135,997	126,828
Social security costs	12,590	11,940
Pension & health care contributions	14,938	17,633
	<u>£163,525</u>	<u>£156,401</u>

The Charity contributes 15% of pensionable salary to the Pensions Trust, a defined contribution pension scheme established for the employees of voluntary organisations. As a result of changes to the valuation of multi-employer schemes, a technical deficit of £17,811 arises in the event of the Charity withdrawing from the Pensions Trust scheme. It is not anticipated that the Charity will withdraw from the scheme and no provision has therefore been made for this technical deficit.

Average number of employees during year:

Grants staff	<u>4</u>	<u>3</u>
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One employee was entitled to emoluments in excess of £60,000 (2007 -1).

<b>5. Investment Properties</b>	<b>2008</b>	<b>2007</b>
Reversionary estate	30,993,639	32,394,518
Residential properties	35,595,000	27,177,400
Commercial Properties	21,100,000	25,350,000
	<hr/>	<hr/>
Market value	£87,688,639	£84,921,918
	<hr/>	<hr/>
	<b>2008</b>	<b>2007</b>
Balance at beginning of year	84,921,918	92,124,500
Additions at cost	1,166,901	25,400
Unrealised gain on revaluation	3,000,699	-
Disposals at valuation	(1,400,879)	(7,227,982)
	<hr/>	<hr/>
Balance at end of year	£87,688,639	£84,921,918
	<hr/>	<hr/>

Investment properties were revalued as at 31 March 2006 by Cluttons LLP, Chartered Surveyors, (having been previously revalued as at 31 March 2003) to comply with the Statement of Recommended Practice, Accounting and Reporting by Charities, in accordance with guidance set out in the Valuation and Appraisal Manual of the Royal Institution of Chartered Surveyors.

At 31 March 2008 the commercial and residential properties were revalued by Cluttons at open market value.

Properties forming the Charity's original endowment and properties acquired prior to 31 March 1997 were not recorded in the Balance Sheet; most of these were acquired many years ago and it is not practicable to identify and disclose the original cost, which is unlikely to be material. Properties acquired and capitalised improvements since 31 March 1997 and retained within the portfolio have a cost of £25.34m (2007 - £25.57m).

**6. Investments**

All investments are held in the Endowment Fund.

At 31 March 2008 the following investments accounted for more than 5% of the overall portfolio:

Barclay Global Investors Liquidity First	9.03%
Income Fund for Charities	6.17%
Strategic Bond X Income	5.35%
Absolute Return Fund for Charities	6.85%
Growth Trust for Charities	36.15%
Oxford Investment Partnership	5.74%
Unite Student Accommodation Fund	5.01%

	<b>2008</b>	<b>2007</b>
Free Fund	64,697,728	70,242,989
Total Return Fund	17,792,989	17,264,678
Special Fund	13,862,885	13,344,990
	<hr/>	<hr/>
Market value	£96,353,602	£100,852,657
	<hr/>	<hr/>
Historical cost	£82,191,075	£73,802,682
	<hr/>	<hr/>

Included in the above is cash held for investment of £266,544 (2007 - £1,556,471) in the Free Fund, £197,221 (2007 - £6,209,921) in the Special Fund and £334,762 (2007 - £425,596) in the Total Return Fund.

Investment movements in the year are summarised as follows:

	<b>2008</b>	<b>2007</b>
Balance at beginning of year	100,852,657	85,870,939
Investment purchases	25,291,152	31,422,097
Net investment realisations	(18,565,306)	(27,138,054)
Unrealised (loss)/surplus on revaluation	(3,831,440)	4,478,961
Net movement in cash held for investment	(7,393,461)	6,218,714
	<hr/>	<hr/>
Balance at end of year	£96,353,602	£100,852,657
	<hr/>	<hr/>

## 7. Application of the Power of Total Return

As referred to in the Trustee report, the Charity Commission made an order in January 2006 permitting the Charity to adopt total return investment powers in relation to its permanent endowment in the form of the Commission's model order. The Trustee has with the full knowledge of the Charity Commission resolved to implement the Order in a limited form with effect from 1 April 2006 by applying it to 20% of the value of the Charity's Free Fund at that date of £77,924,835. The unapplied total return at inception on 1 April 2006 is based on the value of the Free Fund as at 31 March 2003 of £51,604,745, adjusted for capital added in the period. The unapplied total return in that period was £20,616,186 and the unapplied total return at 20% attributed to the new Total Return Fund was £4,123,237.

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

<b>Movements in the Total Return Fund in the Year</b>	<b>2008</b>	<b>2007</b>
Opening valuation	17,264,678	15,584,967
New capital introduced from net proceeds of property disposals	-	1,018,832
Add:		
Investment return – income	93,362	240,779
Less		
Investment management costs	(21,689)	(23,412)
	71,673	217,367
Investment return – realised / unrealised gains and losses	1,101,638	443,512
Total return for the year	1,173,311	660,879
Total return applied during the year	(645,000)	-
Closing valuation of Total Return Fund	£17,792,989	£17,264,678

### Statement of Unapplied Total Return

Total return for the year	1,173,311	660,879
Add		
Unapplied total return brought forward	4,784,116	4,123,237
Less		
Total return applied during the year	(645,000)	-
Unapplied total return as at 31 March 2008	5,312,427	£4,784,116

<b>8. Debtors</b>	<b>2008</b>	<b>2007</b>
Amounts due from tenants and managing agents	659,925	682,666
Other debtors and prepayments	1,347	32,184
	<hr/>	<hr/>
	£661,272	£714,850
	<hr/>	<hr/>

Included in other debtors and prepayments is an amount totalling £Nil (2007 - £15,000) that is recoverable in more than 12 months

<b>9. Creditors: amounts falling due within one year</b>	<b>2008</b>	<b>2007</b>
Grant distributions payable	505,456	310,762
Other creditors and accruals	414,801	357,517
	<hr/>	<hr/>
	£920,257	£668,279
	<hr/>	<hr/>

## 10. Funds

### a. Endowment Fund

The capital assets of the Charity are those derived from the Founder's original gift and represent permanent endowment, subject to the application of the Total Return policy.

### b. Unrestricted Fund

The Unrestricted Fund represents income available for distribution in accordance with the Scheme referred to in the Report of the Trustee.

### c. Analysis of Net Assets between Funds

At 31 March 2008, the net assets are held for the Funds as follows:

	<b>Investments</b>	<b>Investment Properties</b>	<b>Current Assets</b>	<b>Total</b>
Endowment Fund	96,353,602	87,688,639	1,875,489	185,917,730
Unrestricted Fund	-	-	1,222,867	1,222,867
	<hr/>	<hr/>	<hr/>	<hr/>
	£96,353,602	£87,688,639	£3,098,356	£187,140,597
	<hr/>	<hr/>	<hr/>	<hr/>

## 11. Transactions with the Trustee and Connected Persons

The Clerk to the Corporation is a partner in the firm of Pemberton Greenish 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>2007/08</b>	<b>2006/07</b>
Salaries	167,030	159,171
Rent and rates	45,500	33,075
Office overheads	28,941	27,719
Computer and IT support	21,976	21,059
	<hr/>	<hr/>
	£263,447	£241,024
	<hr/>	<hr/>

In addition, and as shown below, legal fees are paid by the Charity to Pemberton Greenish 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>2007/08</b>	<b>2006/07</b>
Property & investment management	5,955	28,616
Fees charged to capital account in respect of the sale of investment properties	143,517	160,722
	<hr/>	<hr/>
	£149,472	£189,338
	<hr/>	<hr/>

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

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

The Charity's property managing agents, Cluttons, are not a related party within the definition, but in the interests of transparency the remuneration for their services, based on a detailed contract of engagement, paid by the Charity are:

	<b>2007/08</b>	<b>2006/07</b>
Management fees and insurance commissions	244,132	179,786
Valuation and lease audit fees	6,000	11,386
Capital transaction fees	9,698	26,804
	<hr/>	<hr/>
	£259,830	£217,976
	<hr/>	<hr/>

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

The Charity made grants in the year for bursaries at both Harrow School of £124,632 (£87,014 in 2006/07) and The John Lyon School of £158,073 (£55,950 in 2006/07) 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.

Each member of the Corporation and the principal officers are required to complete a declaration of interests statement each year for the purpose of identifying and ensuring proper disclosure of such interests. Eight grants totalling £167,200 (2006/07 – six grants totalling £143,200) were made to charities where one or more such persons are charity trustees. No other transactions have taken place between the Charity and the Trustee or any member of the Corporation.

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

## 12. Future Commitments

## a. Grant commitments

The Charity has committed to multi-year grants totalling £6.23m up to 2013/14, 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.

## b. Capital commitments

There is a capital commitment of £184,420 for the refurbishment of an investment property.

## c. Property investment

The charity completed the purchase of a commercial property in the West End of London at a cost of £12 million on 1 May 2008.

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

	2007/08	2006/07
Net incoming resources before grants	4,676,980	4,271,435
Grants from annual income	(4,799,029)	(4,087,568)
Decrease/(increase) in debtors	53,578	(208,461)
Increase in creditors	251,978	155,397
Income from listed investments and deposit interest	(3,147,159)	(2,980,967)
	<hr/>	<hr/>
<b>Net Cash Outflow from Operating Activities</b>	<b>£(2,963,652)</b>	<b>£(2,850,164)</b>
	<hr/>	<hr/>

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

**Capital Expenditure and Financial Investment Activities**

Net proceeds from property transactions	2,332,293	10,159,713
Expenses charged to capital account	(137,095)	(234,694)
Sale of investments	17,507,991	26,977,492
Purchase of investments (note 6)	(25,291,152)	(31,422,097)
Decrease/(increase) in cash held for investment (note 6)	7,393,461	(6,218,714)
	<hr/>	<hr/>
<b>Net Cash Inflow/(Outflow) from Capital Expenditure and Financial Investment Activities</b>	<b>£1,805,498</b>	<b>£(738,300)</b>
	<hr/>	<hr/>

**Net Proceeds from Property Transactions**

Freehold/lease premium proceeds	3,499,194	10,240,746
Management expenses to capital account	-	(55,633)
Purchase of properties (note 5)	(1,166,901)	(25,400)
	<hr/>	<hr/>
	<b>£2,332,293</b>	<b>£10,159,713</b>
	<hr/>	<hr/>

**Returns on Investment and Servicing of Finance**

Income from listed investments	2,978,845	2,678,414
Deposit interest	168,314	302,553
	<hr/>	<hr/>
	<b>£3,147,159</b>	<b>£2,980,967</b>
	<hr/>	<hr/>