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# JOHN LYON'S CHARITY

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 MARCH 2015**

**Registered Charity No: 237725**

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

**Introduction**

The Trustee is the Corporation founded by Royal Charter granted by Queen Elizabeth I on 8<sup>th</sup> February 1572 to John Lyon, the founder of Harrow School. The Corporation's formal title is "The Keepers and Governors of the Possessions, Revenues and Goods of the Free Grammar School of John Lyon".

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

In presenting this report for the year ended 31 March 2015, the Trustee has complied with the Statement of Recommended Practice, Accounting and Reporting by Charities (2005) the Charities SORP and applicable United Kingdom Generally Accepted Accounting Practice.

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

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

**Organisational Structure and Management**

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

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

Grants Committee - Mrs Susan Whiddington

Investments Committee - Mr R Crispin W Odey

Estate Governor - Mr Robert Orr-Ewing

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

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.

The Grants Committee meets at least three times a year. Applications for each meeting are subject to strict deadlines. The grant-giving guidelines and details of the application procedures are published on the website and in an information brochure. The website is the primary source of information about the Charity.

These functions are co-ordinated by a Management Committee, consisting of the Estate Governor and the two Committee Chairmen, with general responsibility to supervise the administration and the management of the Charity's assets, to make recommendations on policy and strategy and to supervise the discharge of the responsibilities for the Financial Statements and review the Financial Statements before presentation to the Trustee for approval. The terms of delegation and the scope of responsibilities are formally recorded and reviewed regularly.

The Corporation has in place policies and procedures on all governance matters including the disclosure of conflicts of interest and on the selection and induction of members, which take account of its role as Trustee of the Charity.



A full list of the members of the Corporation with details of the committees on which they serve is shown in a separately published Annual Report. Copies of the Annual Report may be obtained on application to the Charity's Office.

## **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 2013 when a minor change was made to value thresholds on consultation.

The Trustee confirms that it has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Charity's aims and objectives and in planning future activities and setting the grant making policy for the year.

### **Grant Making Policy**

The Charity's mission is to "promote the life-chances of children and young people through education". This is achieved by the distribution of the Charity's income through grants to registered charities and organisations with automatic charitable status that operate within the nine boroughs of the beneficial area, reflecting the general intent of the Founder. Education is the foundation of the Charity's work and grants are awarded in accordance with this.

### **Events and Activities during the Year**

The total amount of grants, excluding support costs, payable in 2014/15 was £7,468,565, an increase of £646,051 compared with £6,822,514 in 2013/14

**Programme Areas**

These grants are divided among the following Programme Areas:

	<b>2014-15</b>		<b>2013-14</b>	
	<b>£'000</b>		<b>£'000</b>	
Arts and Science	1,285	17.2%	913	13.4%
Bursaries	857	11.5%	730	10.7%
Children & Families	1,135	15.2%	965	14.1%
Education & Learning	1,139	15.3%	1,111	16.3%
Emotional Wellbeing	530	7.1%	615	9.0%
Special Needs & Disability	600	8.0%	603	8.8%
Sport	269	3.6%	290	4.3%
Training	270	3.6%	332	4.9%
Youth Clubs and Youth Activities	969	13.0%	951	13.9%
Youth Issues	407	5.4%	305	4.5%
Other	8	0.1%	8	0.1%
<b>Total</b>	<b>7,469</b>	<b>100%</b>	<b>6,823</b>	<b>100%</b>

A total of 167 new grants were approved in the year, continuing the trend in the number of grants awarded which reflects the Charity's increased effort to help organisations in making good quality applications. Sport remains one of the lowest recipients of funding from the Charity and is an area that the Grants Team are focussed on increasing.

The Charity continues to be in the fortunate position to have an increasing capacity to award grants. This has afforded opportunities for us to be more flexible in our response to the current challenges faced by the voluntary sector. This is an unusual position to be in and we are well aware that many of our colleagues in the funding world and especially those in local authorities who are forced to change their priorities and in some cases substantially to reduce their spending.

**Bursaries**

Once again, the Charity committed substantial funding to the bursary support across the Programme Areas with £879,485 awarded in 2014/15, representing 12% of the total spend. John Lyon bursaries are offered at girls' schools such as Godolphin & Latymer School, Notting Hill & Ealing High School, St James Independent School for Senior Girls and North London Collegiate School as well as at the Foundation Schools (Harrow School and The John Lyon School).

Bursary grants are made as a contribution towards school fees for young people to attend specific institutions which are responsible for making the awards. Eligible candidates must be living in the beneficial area and have done so for at least two years before the award is made. Bursary holders are financially assessed and selected by the school or institution on criteria agreed with the Charity which approves the awards being made. Recipients are means tested and must show that they cannot afford to contribute more than 25% of the school fee.

The bursary opportunities are publicised as widely as possible throughout the beneficial area and the Charity continues to work with these schools to promote them.



**Borough breakdowns**

The amount spent in each Borough and from the Discretionary Fund across the Boroughs was:

	2014-15 £'000		2013-14 £'000	
Barnet	836	11.2%	726	10.6%
Brent	890	11.9%	917	13.4%
Camden	863	11.6%	899	13.2%
City of London	-		-	
Ealing	750	10.0%	809	11.9%
Hammersmith & Fulham	637	8.5%	541	7.9%
Harrow	715	9.6%	635	9.3%
Kensington & Chelsea	501	6.7%	405	5.9%
Westminster	781	10.5%	694	10.2%
Discretionary	622	8.3%	450	6.6%
Discretionary - Bursary	874	11.7%	747	11.0%
<b>Total</b>	<b>7,469</b>	<b>100%</b>	<b>6,823</b>	<b>100%</b>

**Capacity Building*****The Proactive Approach***

In the Triennial Policy Review 2013 the Charity committed organisations seeking to build capacity in the beneficial area. To support this, a number of grants were awarded over the year to infrastructure organisations to help them support the voluntary sector in their area. Grants were awarded to CommUnity Barnet and One Westminster to help them provide capacity building support to small youth focussed organisations in their boroughs. A grant was awarded to London Youth to continue their support of youth clubs throughout the Charity's beneficial area by extending their Quality Mark; and a grant was awarded to Only Connect towards a broad strategic partnership of youth focussed organisations in the Tri-Borough area. In total, the Charity made grants totalling £279,500 directly towards Capacity Building initiatives in the year 2014/15. Additional support for organisations to strengthen their own infrastructure and develop capacity building strategies are included in many of the grants awarded by the Charity.

***"Strengthening Management Committees"***

The Charity's popular seminar, 'Strengthening Management Committees', continued in September 2014, convened by Julia Kaufmann, the Charity's Principal Adviser. The seminar is targeted at trustees and senior managers of voluntary organisations and takes them through the five key ways of strengthening management committees and board performance. Further seminars are scheduled in 2015.

***The John Lyon Community – networking events***

Over the years, we have built up a significant network of contacts throughout the boroughs in the beneficial area ranging from senior figures in local authorities, directors of small local charities, headteachers in local schools and experts in particular fields like youth work or the Arts. Whilst the Charity is in a unique position to meet people across all the different sectors, from youth clubs to disability projects to emotional wellbeing initiatives, there are few opportunities for funded organisations delivering different projects to meet each other; projects delivering in the same boroughs do not necessarily know what their neighbours are doing. To address this, a series of networking events are planned to which staff and trustees of funded projects, local authority contacts, the Charity's advisors and other relevant parties will be invited to meet each other and discuss their work.

***Borough-based networking events***

In September 2014, we held the first borough-based networking event for those involved with the Tri-Borough. A number of new partnerships have already been derived following these events and this opportunity will be extended to all boroughs in the beneficial area, either as single boroughs or by obvious geographical groupings.



*Theme-based networking events*

The Charity has also developed a networking event around specific themes associated with children and young people. The groups and organisations funded by the Charity are some of the leaders in topics such as school-based emotional wellbeing, youth work or providing opportunities for young people with disabilities. In November 2014, the first theme-based networking event was held on Youth Clubs. This was very well attended and very popular. Theme-based networking events for all of our Programme Areas are planned and the most popular sessions will be repeated.

***Lyon's Den Events and Funding Fairs***

The Charity remains firmly committed to spending time and resource to ensure that as many relevant and eligible organisations are aware of the potential opportunities afforded by the Charity. The Charity regularly attends Funding Fairs organised by local authorities and Council for Voluntary Services (CVS) groups.

To extend the scope of the Funding Fairs, the Charity works with local authorities and CVS groups on an individual level to run 'Lyon's Den' events that target groups that are specifically interested in applying to the Charity. Groups are invited to submit introductory proposals to their projects to the Grants Team in advance of the Lyon's Den. On the day the Grants Team hold one-to-one sessions with each group to discuss their project proposal, in advance of a full proposal letter being submitted to the Charity. Lyon's Den events have now happened in each of the Charity's boroughs. In 2014/15 events were held in the Tri-Boroughs, Barnet and Ealing and a number of successful projects have been developed from these events. The Charity continues to develop opportunities to expand these events and hold them regularly in each of the Charity's boroughs.

**Public Policy**

The Charity continues to maintain its relationship with key figures in the local authorities in the beneficial area. Regular meetings are held with key local authority contacts in youth services, Music Hubs and the Charity's designated officers. The relationships vary from borough to borough and there is a direct correlation between boroughs that are directly engaging with the Charity and levels of funding awarded in that area. With this in mind Barnet, Brent and Harrow have continued to be a particular focus for the Charity over the year, in order to bolster relationships and consequently increase spend in these areas. The Charity is working to broker broad partnerships of the local voluntary sector, councils and other statutory and non-statutory partners to create consortia for young people and children in each of these three boroughs. These partnerships will seek to maximise scarce resources, foster collaboration between these groups and create a secure basis for delivering youth work in the boroughs.

**Research**

In order to learn more about the environment in which we operate and to inform the Charity's grant-giving, the Charity commissioned two pieces of research over the year.

*Demographic Area*

This piece of work was undertaken by New Policy Initiatives. It gives a current outline of the Charity's beneficial area and the changing demographics of the boroughs. The report confirmed what the Grants Team had been seeing on the ground: as property in the inner boroughs becomes more expensive there is a migration of families and younger people to the outer boroughs which often lack adequate infrastructure to meet the needs. It is therefore key for the Charity to support infrastructure in the outer boroughs and to support the growth of provision for children and young people.

*Universal Access Youth Provision*

This research was commissioned through the London Funders Children, Young People and Education sub group and looked at universal youth provision in London. It was conducted by the Partnership for Young London and focussed on Brent, Tower Hamlets, Southwark, Richmond and Kingston. The research compared the provision available in the five boroughs and looked at the policies and thinking of their local authorities. A key finding was that spend on youth services in Brent in 2013/14 was £1.4million compared to £8million in Tower Hamlets for the same period; there are currently 42 youth clubs in Tower Hamlets but only four in Brent. However, of the five focus boroughs, Brent has by far the most young people, the highest needs and the fourth worst outcomes for young people in London. It was also the borough with the least provision for young people and the borough that spends the least on their young people.



This research is timely and confirms to the Charity and other funders and partners the need for a coordinated and robust approach to capacity building and joint working on youth service provision.

### Types of Support

The Types of Support given in the year fall into the following categories:

	2014-15 £'000		2013-14 £'000	
Apprenticeships	19	0.3%	26	0.4%
Buildings & Refurbishments	162	2.2%	-	0%
Bursaries	879	11.8%	752	11.0%
Capacity Building	280	3.7%	168	2.5%
Core Costs	835	11.2%	872	12.7%
Direct Project Costs	4,276	57.3%	3976	58.3%
Salary costs	1,015	13.5%	1,012	14.8%
Other	3	0.0%	17	0.3%
<b>Total</b>	<b>7,469</b>	<b>100%</b>	<b>6,823</b>	<b>100%</b>

The Charity's Annual Report gives greater details of grants made and the principal areas of activity. The Annual Report is available to be viewed on the Charity's website and a copy can be obtained from the Charity's Office upon request.

### Website - [www.jlc.london](http://www.jlc.london)

A major achievement over the past year has been the redevelopment and subsequent re-launch of The Charity's website on the new domain [www.jlc.london](http://www.jlc.london). The website was completely modernized and is intended to be a resource for organisations that are engaging with the Charity on a day to day basis. There is a section on Capacity Building with specific advice and guidance for organisations depending on which borough they are from. There is also an increased number of blogs from funded organisations including London Youth and Greenford High School.

### Lord Mayor's Show

To celebrate the inauguration of the new Lord Mayor (Alderman Alan Yarrow, an Old Harrovian,) the Charity participated in the Lord Mayor's Show on 8 November 2014. Young people from Ebony Steel Pan Band provided a lively soundtrack on the Charity's float, accompanied by young people from APPLE and Harrow Club waving specially created colourful flags. We thank the young people from Ebony, Harrow Club and APPLE for their enthusiasm and participation on the day.

### Staff Recruitment

In line with the significant increase in the Charity's grant giving capacity, an increase in staffing has been planned and is being implemented with the recruitment in March 2015 of Megan Falck as Communications & Events Assistant and of a Grants Assistant. There are currently seven members of the Grants Team.

### Future Plans

It is clear that youth services in the Charity's beneficial area are now in a state of emergency. The Charity is leading an initiative to help protect the provision for young people that is still available and provide support (via funding and capacity building) to encourage its development and future viability. Extensive discussions are being held with the voluntary sector, local politicians and senior council managers to develop a model that would try find a solution to the decline in youth provision and capacity, particularly in the Charity's outer boroughs of Barnet, Brent and Harrow.

To continue being responsive to the needs of the voluntary sector at a time when the Charity has an increased capacity to award grants, the Charity has launch a new School Holiday Activity Fund. Organisations can apply to this Fund to support activities that happen during any school holiday. Crucially, this Fund is open to any organisation that fits within the Charity's eligibility criteria, even if they are currently holding a grant from the Charity for another purpose.



To continue the Charity's support of the voluntary sector, a new John Lyon's Charity seminar is being created: Fundraising for Small Charities. This seminar is aimed at organisations that do not have a professional fundraising capacity but are fitting fundraising around other duties.

John Lyon's Charity has become a London Living Wage accredited employer. Paying the Living Wage is considered good for business, good for the individual and good for society.

### **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.

The Trustee has adopted a total return policy to determine the level of expenditure based on the Charity Commission order made in January 2006.

In determining the initial unexpended total return, the Trustees have adopted the valuation of the Charity's assets on 31<sup>st</sup> March 1997, which was the first occasion on which the open market value of all the Charity's assets had been determined. The valuation was £63.8 million and the initial, unapplied total return was £176.7 million. As at 31<sup>st</sup> March 2015 the unapplied total return is £277.7 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 on the last four balance sheet dates. The policy allows the Trustee to expend up to 4% of that rolling average on charitable activities including support costs and after the cost of generating funds and governance costs.

#### **Investment Policy**

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

The St John's Wood estate, consisting principally of residential properties let on long leases, is subject to compulsory disposal of the property interests under the leasehold enfranchisement legislation. The Trustee considers it appropriate to retain this original endowment with a view to maximising the proceeds arising under the enfranchisement legislation. In the year, total proceeds of £22.5 million have been received (2013/14 - £13.9 million). The residual value of the reversionary properties as at 31<sup>st</sup> March 2015 is £43.4million (2013/14 - £43.2million).

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

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 <sup>st</sup> March 2015 £'000		Value at 31 <sup>st</sup> March 2014 £'000	
<b>Investment Assets</b>				
Fixed Interest	6,296	1.84%	7,712	2.5%
Gilts	907	0.27%	942	0.3%
UK Equities	35,047	10.28%	54,253	17.7%
Global Equities	45,832	13.44%	34,253	11.1%
Hedge funds/Alternatives	24,913	7.31%	23,157	7.5%
Cash	34,679	10.17%	11,117	3.6%
<b>Total investments</b>	<b>147,674</b>	<b>43.31%</b>	<b>131,434</b>	<b>42.7%</b>
<b>Property Assets</b>				
Residential Estate	58,339	17.11%	64,149	20.9%
Commercial Property	75,620	22.18%	47,500	15.5%
Indirect property Funds	15,906	4.66%	21,114	6.9%
<b>Total Property</b>	<b>149,865</b>	<b>43.95%</b>	<b>132,763</b>	<b>43.3%</b>
<b>Investment Assets Totals</b>	<b>297,539</b>	<b>87.26%</b>	<b>264,197</b>	<b>86.0%</b>
Reversionary Estate	43,439	12.74%	43,153	14.0%
<b>Total Assets</b>	<b>340,978</b>	<b>100.0%</b>	<b>307,350</b>	<b>100.0%</b>
Net Current Assets	508		66	
<b>Total Net Assets</b>	<b>341,486</b>		<b>307,416</b>	

The capital return in the year was 11.08% and the total return, based on gross income, of 13.68%. The WM Charity index (with property) was up 12.6% in the year to March 2015. The capital return in the five years to March 2015 was 69%.

The very significant increase in the Charity's assets since 1997, when the Endowment was valued at £63.8 million, has been principally attributable to the performance of its prime London residential estate despite the impact of the leasehold reform legislation.

### Annual Income

The actual income of the Charity derived from its investments amounted to £8.0 million, an increase of 11.1% from £7.2 million in 2013/14. The amount available as annual income under the total return policy was £10.4 million, of which £8.3 million was utilised.

### Grants Expenditure

Total grants in the year amounted to £7.5 million.

It is the policy of the Charity to regard grants given in excess of 5% of total grants made as material for disclosure purposes. No grants made in the year were in excess of this level to require disclosure under this policy.

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

**Future Commitments**

Commitments have been given for grants over the next three years totalling, £7.5 million in 2015/16 £4.3 million in 2016/17 and £1.7 million in 2017/18 and 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, a review of progress and formal authorisation by the Grants Committee. As recorded in note 15 to the Financial Statements the Charity has committed to multi-year grants totalling £14.8 million up to 2021/22, including bursary support.

**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 important risks are identified or appropriately managed.

**Auditors**

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

  
**A J F Stebbings**  
Chief Executive

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

13<sup>th</sup> June 2015



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

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

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

The Trustee is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Charity and enables it to ensure that the financial statements comply with the Charities Act 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 has confirmed, so far as he or she is aware, that there is no relevant audit information of which the Auditors are unaware, and each Member has taken all the steps that he or she ought to have taken as a Member of the Corporation to make themselves aware of any relevant audit information and to establish that the Auditors have been made aware of that information.

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

We have audited the Financial Statements of John Lyon's Charity (the Charity) for the year ended 31 March 2015 which comprise the Statement of Financial Activities, the Consolidated Balance Sheet, the Cash Flow Statement, the accounting policies and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Trustee, as a corporate body, in accordance with Section 144 of the Charities Act 2011 and with regulations made under Section 154 of that Act. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to that body in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governors as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective Responsibilities of Governors and Auditors**

As explained more fully in the Trustee's Responsibilities Statement (set out on page 12), the Trustee is responsible for the preparation of financial statements which give a true and fair view.

We have been appointed auditors to the Charity under Section 144 of the Charities Act 2011 and report in accordance with regulations made under Section 154 of that Act. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

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

**Opinion on financial statements**

In our opinion the Financial Statements:

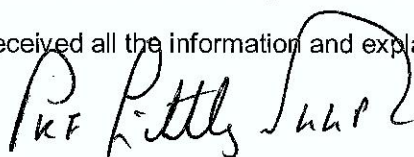
- give a true and fair view of the state of the Charity's affairs as at 31 March 2015 and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you, if, in our opinion:

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

PKF Littlejohn LLP  
Statutory Auditors



1 Westferry Circus  
Canary Wharf  
London E14 4HD

13<sup>th</sup> June 2015

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



	Note	Unrestricted Fund	Endowment Fund	Total Funds 2014/15	Total Funds 2013/14
		£'000	£'000	£'000	£'000
<b>Incoming Resources</b>					
Investment property income	1	-	5,521	5,521	4,495
Investment income		-	2,461	2,461	2,741
Bank and deposit income		-	11	11	7
Donations		-	-	-	1
Other income		-	-	-	2
<b>Total Incoming Resources</b>		-	7,993	7,993	7,246
<b>Resources Expended</b>					
Cost of generating incoming resources	2	-	998	998	1,117
Charitable activities	3	8,109	-	8,109	7,406
Governance costs	4,5	146	39	185	143
<b>Total Resources Expended</b>		8,255	1,037	9,292	8,666
<b>Net (Outgoing)/Incoming Resources before transfers</b>		(8,255)	6,956	(1,299)	(1,420)
Transfers					
Gross transfers between funds	8	8,255	(8,255)	-	-
<b>Net Outgoing Resources before other Recognised Gains and Losses</b>		-	(1,299)	(1,299)	(1,420)
<b>Statement of Total Recognised Gains and losses</b>					
Realised gain on sale of investment properties		-	6,105	6,105	5,815
Unrealised gain on investment properties	6	-	17,516	17,516	12,873
Realised (loss)/gain on sale of investments		-	(1,025)	(1,025)	1,000
Unrealised gain on investments	7	-	12,773	12,773	13,687
<b>Net Movement in Funds for the Year</b>		-	34,070	34,070	31,955
Balance at beginning of year		-	307,416	307,416	275,461
<b>Balance at end of year</b>	12	-	341,486	341,486	307,416

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 17 to 25 form part of these Financial Statements.

	Note	2015 £'000	2014 £'000
<b>Fixed Assets</b>			
Investment properties	6	177,398	154,802
Investments	7	163,580	152,548
		<hr/>	<hr/>
		340,978	307,350
<b>Current Assets</b>			
Debtors	9	1,891	1,404
Cash at bank		794	1,320
		<hr/>	<hr/>
		2,685	2,724
<b>Creditors:</b> due within one year	10	(2,177)	(2,658)
		<hr/>	<hr/>
<b>Net Current Assets</b>		508	66
		<hr/>	<hr/>
		341,486	307,416
		<hr/>	<hr/>
<b>Represented by:</b>			
Endowment fund	12a	341,486	307,416
Unrestricted fund	12b	-	-
		<hr/>	<hr/>
		341,486	307,416
		<hr/>	<hr/>

The Trustee's Report and these Financial Statements were approved by the Keepers and Governors of the Possessions, Revenues and Goods of the Free Grammar School of John Lyon as Trustee on 13<sup>th</sup> June 2015 and signed on the Trustee's behalf by:

S Whiddington



R Orr-Ewing



The Accounting Policies and Notes on pages 17 to 25 form part of these Financial Statements.

	Note	2014/15 £'000	2013/14 £'000
Net Cash (outflow)/inflow from Operating Activities	16	(4,739)	11,243
Net Cash inflow/(outflow) from Capital Expenditure and Financial Investment Activities	17	1,741	(13,123)
Returns on Investment and Servicing of Finance	17	2,472	2,748
		<hr/>	<hr/>
(decrease)/increase/in Cash in the Period		(526)	868
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net debt (Decrease)/increase, in cash in the year		(526)	868
Cash inflow from changes in financing		-	2,607
		<hr/>	<hr/>
Movement in (debt)/net funds in the year		(526)	3,475
Net funds/(debt) at the beginning of the year		1,320	(2,155)
		<hr/>	<hr/>
Net funds at the end of the year		794	1,320
		<hr/>	<hr/>

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The Accounting Policies and Notes on pages 17 to 25 form part of these Financial Statements.

**Basis of Accounting**

The Financial Statements are prepared under the historical cost basis of accounting, modified to include the revaluation of investments as referred to below, and in accordance with applicable United Kingdom Accounting and Financial Reporting Standards and the Statement of Recommended Practice, Accounting and Reporting by Charities.

**Investment Properties**

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

**Grants**

Grants payable represent grants paid and payable in the year. Grants payable over a number of years are not recognised until the Trustee is satisfied that the stipulated conditions have been met and payment of a further instalment has been authorised on the recommendation of the Grants Committee.

**Taxation**

The Charity is generally exempt from direct taxation on investment income and capital gains but is subject to Value Added Tax (VAT). Unless stated otherwise relevant expenditure is shown inclusive of VAT.

**Pension Costs**

Pension contributions, which are to defined contribution schemes, are charged to the Statement of Financial Activities in the period to which they relate.



**1. Activities for Generating Funds**

	<b>2014/15</b> £'000	<b>2013/14</b> £'000
<b>Net UK Property Income</b>		
Residential rents	2,378	2,097
Commercial rents	3,143	2,398
	<hr/>	<hr/>
<b>Total Incoming Resources from property</b>	<b>5,521</b>	<b>4,495</b>
	<hr/>	<hr/>

**2. Cost of Generating Funds**

	<b>2014/15</b> £'000	<b>2013/14</b> £'000
Property Management charges	344	294
Property Repairs and other expenses	440	581
	<hr/>	<hr/>
<b>Total cost of generating income from property</b>	<b>784</b>	<b>875</b>
	<hr/>	<hr/>
Other management costs	214	242
	<hr/>	<hr/>
	<b>998</b>	<b>1,117</b>
	<hr/>	<hr/>

**3. Analysis of Charitable Activities**

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

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

	<b>Grant Funded Activity</b> £'000	<b>Support Costs</b> £'000	<b>Total 2014/15</b> £000	<b>Total 2013/14</b> £'000
Arts in Education	1,285	110	1395	991
Bursaries	857	74	931	792
Children & Families	1,135	97	1232	1,047
Education & Learning	1,139	98	1237	1,206
Emotional Welbeing	530	45	575	668
Special Needs & disability	600	51	651	655
Sport	269	23	292	315
Training	270	23	293	360
Youth Clubs and Youth Activities	969	83	1,052	1,032
Youth Issues	407	35	442	331
Other	8	1	9	9
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>7,469</b>	<b>640</b>	<b>8,109</b>	<b>7,406</b>
	<hr/>	<hr/>	<hr/>	<hr/>

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



4. Governance Costs	2014/15 £'000	2013/14 £'000
Administration fees	75	52
Audit fees - current year	29	30
- prior year under provision	4	12
Sundry expenses	27	13
Printing & stationery	11	19
Rent and rates	-	-
	<hr/>	<hr/>
	146	126
Valuation fees - current year	28	18
- prior year over/under provision	11	(1)
	<hr/>	<hr/>
	185	143
	<hr/>	<hr/>

## 5. Allocation of Support Costs

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

	Governance £'000	Charitable Activities £'000	2014/15 £'000	2013/14 £'000
Administration fees	75	130	205	180
Audit fees	33	-	33	42
Valuation fees	39	-	39	17
Printing & stationery	11	33	44	77
Seminars and sponsorship	-	51	51	30
Sundry expenses	27	-	27	13
Consultancy fees	-	28	28	30
Staff costs	-	298	298	252
Travel and other expenses	-	49	49	35
Rent and rates	-	51	51	50
	<hr/>	<hr/>	<hr/>	<hr/>
	185	640	825	726
	<hr/>	<hr/>	<hr/>	<hr/>

Administration of Charitable Grants	2014/15 £'000	2013/14 £'000
<b>Staff Costs</b>		
Wages and salaries	234	202
Social security costs	24	18
Pension & health care contributions	40	32
	<hr/>	<hr/>
	298	252
	<hr/>	<hr/>

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

Average number of employees during year:  
Grants staff

7	5
<hr/>	<hr/>

In the current year one employee was entitled to emoluments falling in the band of £70,001 - £80,000 (2013/14 - one £60,001 - £70,000).

**6. Investment Properties**

	<b>2015</b> £'000	<b>2014</b> £'000
Reversionary estate	43,439	43,153
Residential properties	58,339	64,149
Commercial Properties	75,620	47,500
	<hr/>	<hr/>
Market value	£177,398	£154,802
	<hr/>	<hr/>
	<b>2015</b> £'000	<b>2014</b> £'000
Balance at beginning of year	154,802	148,107
Additions at cost	20,909	1,022
Unrealised gain on revaluation	17,516	12,873
Disposals at valuation	(15,829)	(7,200)
	<hr/>	<hr/>
Balance at end of year	£177,398	£154,802
	<hr/>	<hr/>

The investment properties were revalued as at 31 March 2015 by Cluttons LLP, Chartered Surveyors, having been previously revalued as at 31 March 2014, 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 £62.5m (2014 - £64.3m).

**7. Investments**

All investments are held in the Endowment Fund.

At 31 March 2015 the following investments accounted for more than 5% of the overall portfolio:

	%
Institutional Sterling Liquidity Fund	5.30
Institutional USD Liquidity Fund	19.40
Towers Watson Partners LP Fund	5.05
Lansdowne Developed Markets Absolute -N-Shares	10.18
Legg Mason Opportunities Fund Premier Class USD Acc, shares	6.79
Schroder UK Opportunities Fund Z Income shares	11.90
Schroder Strategic Credit Fund L Inc	7.60

	<b>2015</b> £'000	<b>2014</b> £'000
Free Fund	147,674	131,434
Special Fund	15,906	21,114
	<hr/>	<hr/>
Market value	163,580	152,548
	<hr/>	<hr/>
Historical cost	126,344	115,700
	<hr/>	<hr/>

**7. Investments (continued)**

Included in the above is cash invested and cash held for investment of £3,259,548 (2014 - £3,755,621) in the Special Fund and £33,563,767 (2014 - £11,116,259) in the Free Fund. The Special Fund is defined in the Governing Documents.

Also included in the Special Fund are two investments currently under refurbishment that are stated at cost totalling £3.428m (2014: £2.955m)

Investment movements in the year are summarised as follows:

	2015 £'000	2014 £'000
Balance at beginning of year	152,548	112,745
Investment purchases	21,888	35,295
Net investment realisations	(45,581)	(23,597)
Unrealised surplus/(loss) on revaluation	12,773	13,687
Net movement in cash held for investment	21,952	14,418
	<hr/>	<hr/>
Balance at end of year	163,580	152,548
	<hr/>	<hr/>

**8. Application of the Power of Total Return**

In January 2006, the Charity Commission made an order permitting the Charity to adopt total return investment powers in relation to its permanent endowment in the form of the Commission's model order. In March 2012 the Trustee resolved that, subject to the Charity Commission's approval, the Order be implemented with effect from 1 April 2012 on the basis that the amount applicable for charitable purposes of the charity shall be determined by reference to the value of all the Charity's assets. The Charity Commission's approval was given on 12<sup>th</sup> June 2012.

The Policy adopted and approved by the Charity Commission provides that the amount to be applied annually is determined by taking an average of the value of the Charity's assets on the last four balance sheet dates. The policy allows the Trustee to expend up to 4% of that rolling average on charitable activities including support costs and the cost of generating funds and governance costs. The calculation to determine the amount available in the years to 31<sup>st</sup> March 2014 and 2015 is:

Year ended:	Asset Values £'000	4 year Average £'000	Expendable amount @ 4% £'000
31 <sup>st</sup> March 2011	218,761	193,754	-
31 <sup>st</sup> March 2012	240,536	207,409	8,296
31 <sup>st</sup> March 2013	275,461	234,176	9,367
31 <sup>st</sup> March 2014	307,416	260,544	10,422
31 <sup>st</sup> March 2015	341,486	291,225	11,649

The amount available for the year ended 31<sup>st</sup> March 2016 is £11,649,000.

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

	2014/15	2013/14 £'000
Expendable amount as above	10,422	9,367
Utilised	(8,255)	(7,529)
	<hr/>	<hr/>
Balance retained as unapplied	2,167	1,838
	<hr/>	<hr/>



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

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

<b>Movements in the Total Return Fund in the Year and application of total return from the endowment fund</b>	<b>2014/15 £'000</b>	<b>2013/14 £'000</b>
Opening value of endowment fund at 1 April	307,416	275,461
Less: Opening value of the fund at 31 March 1997	(63,797)	(63,797)
Opening value of Total Return Funds	243,619	211,664
Add:		
Investment return – income	7,993	7,243
Investment return – realised/unrealised gains	35,369	33,375
	286,981	252,282
Less:		
Cost of generating funds	(998)	(1,117)
Governance costs	(39)	(17)
Unapplied total return before transfers carried forward	285,944	251,148
Return applied during the year	(8,255)	(7,529)
Unapplied total return as at 31 March	277,689	243,619
Add: value of the fund at 31 March 1997	63,797	63,797
Endowment fund including unapplied total return as at 31 March	341,486	307,416

**9. Debtors**

	<b>2015 £'000</b>	<b>2014 £'000</b>
Amounts due from tenants and managing agents	1,849	1,369
Other debtors and prepayments	42	35
	1,891	1,404

10. Creditors: amounts falling due within one year	2015	2014
		£'000
Grants payable	1,710	1,932
Other creditors and accruals	467	726
	<hr/>	<hr/>
	2,177	2,658
	<hr/>	<hr/>

#### 11. Operating Lease Commitments

As at 31 March 2015, the minimum annual lease payments to which The Charity is committed under a non-cancellable operating lease is:

	2015	2014
	£'000	£'000
Expiring within two to five years	89	87
	<hr/>	<hr/>

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

#### 12. 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.

#### 13. Transactions with the Trustee and Connected Persons

The Charity made grants in the year for bursaries at both Harrow School of £233,407 (£237,188 in 2013/14) and The John Lyon School of £448,300 (£379,742 in 2013/14) 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 interest statement each year for the purpose of identifying and ensuring proper disclosure of such interests. Three grants totalling £103,000 (2013/14 – three grants totalling £102,000) 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 and the Chief Executive are partners in the firm of Pemberton Greenish LLP which acts as Solicitors to the Charity. Under the terms of a detailed contract for services that firm provides administration, office and computer services, which are recharged to the Charity and included in Note 2, as follows:

	2014/15	2013/14
	£'000	£'000
Salaries	234	222
Office costs	44	41
Computer and IT support	23	22
	<hr/>	<hr/>
	301	285
	<hr/>	<hr/>



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

In addition, and as shown below, legal fees are paid by the Charity to Pemberton Greenish LLP for work undertaken in connection with the management of the Charity's estates, which are included in the property expenses detailed in Note 1, and for work undertaken in the sale and purchase of property on the Charity's estates, which are included in expenses charged to capital.

	2014/15 £'000	2013/14 £'000
Fees charged to Endowment Fund in respect of the sale of investment properties	219	525

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

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

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

The Charity's property managing agents, Cluttons, are not a related party as defined under Financial Reporting Standard 8 'Related Party Disclosures', but in the interests of transparency the remuneration for their services, based on a detailed contract of engagement, paid by the Charity are:

	2014/15 £'000	2013/14 £'000
Management fees and insurance commissions	285	293
Valuation and lease audit fees	39	17
Capital transaction fees	233	313
	557	623

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

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

**14. Ultimate Controlling Party**

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

**15. Future Commitments****Grant commitments**

The Charity has committed to multi-year grants including bursary support totalling £14.8 million up to 2021/22, payment of which is in each case contingent on the stipulated conditions being met, following a review of progress by the Grants Committee, and formal authorisation by the Trustee.

Capital commitments – The Charity has no Capital Commitments.

<b>16. Reconciliation of Net Incoming Resources before Grants to Net Cash Inflow from Operating Activities</b>	<b>2014/15</b>	<b>2013/14</b>
	<b>£'000</b>	<b>£'000</b>
Net incoming resources before grants	6,170	5,403
Grants from annual income	(7,469)	(6,823)
	<hr/>	<hr/>
Net outgoing resources after grants	(1,299)	(1,420)
(Increase)/decrease in debtors	(487)	17,663
(Decrease) in creditors	(481)	(2,252)
Income from listed investments and deposit interest	(2,472)	(2,748)
	<hr/>	<hr/>
<b>Net Cash (outflow)/inflow from Operating Activities</b>	<b>(4,739)</b>	<b>11,243</b>
	<hr/>	<hr/>
<b>17. Analysis of Cash Flows for Headings Netted in the Cash Flow Statement</b>		
<b>Capital Expenditure and Financial Investment Activities</b>		
Net proceeds from property transactions	1,580	12,885
Expenses charged to Endowment Fund	(555)	(892)
Sale of investments	44,556	24,597
Purchase of investments (note 7)	(21,888)	(35,295)
Decrease in cash held for investment (note 7)	(21,952)	(14,418)
	<hr/>	<hr/>
<b>Net Cash inflow/(outflow) from Capital Expenditure and Financial Investment Activities</b>	<b>1,741</b>	<b>(13,123)</b>
	<hr/>	<hr/>
<b>Net Proceeds from Property Transactions</b>		
Freehold/lease premium proceeds	22,489	13,907
Purchase of properties (note 6)	(20,909)	(1,022)
	<hr/>	<hr/>
	1,580	12,885
	<hr/>	<hr/>
<b>Returns on Investment and Servicing of Finance</b>		
Income from listed and unlisted investments	2,461	2,741
Deposit interest	11	7
	<hr/>	<hr/>
	2,472	2,748
	<hr/>	<hr/>