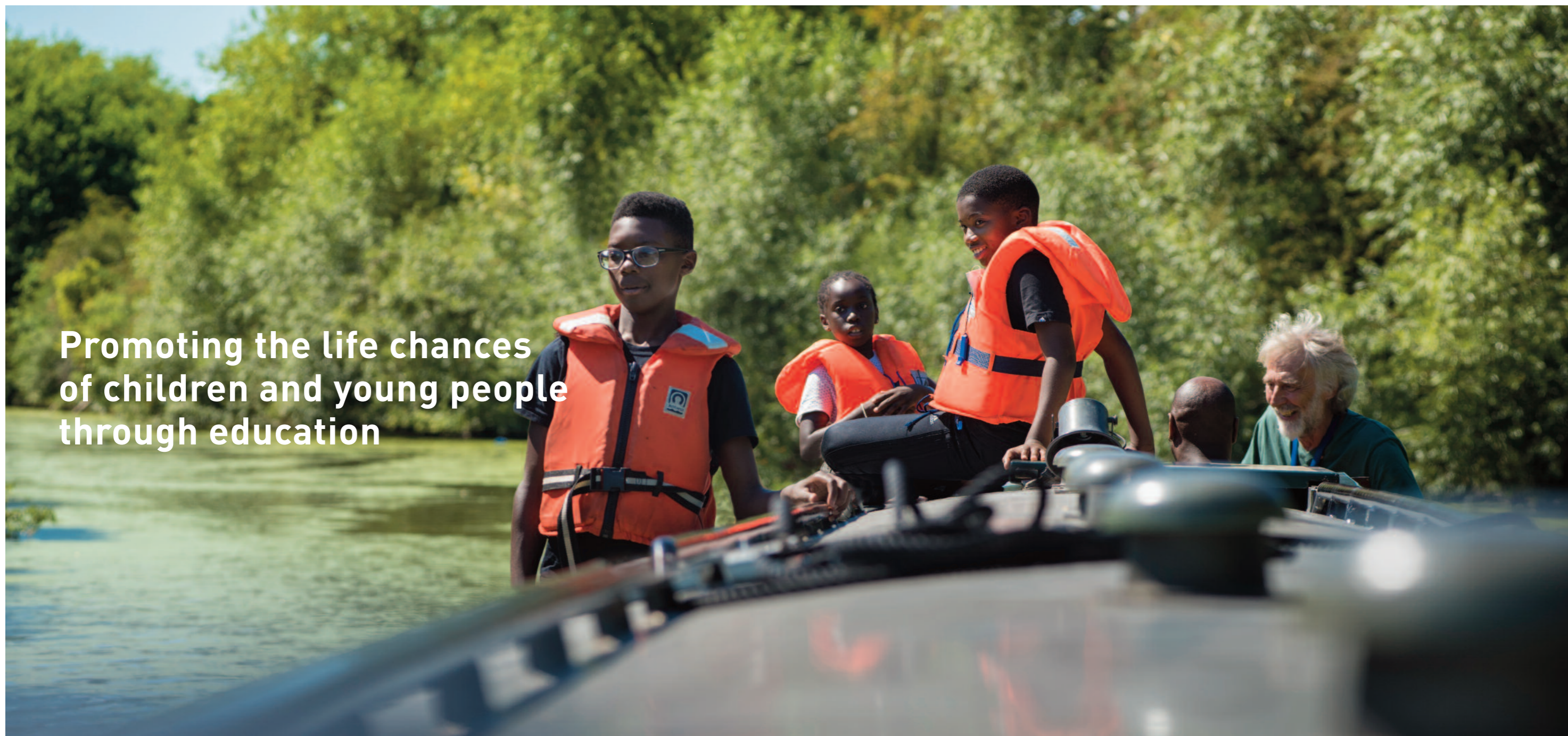


Promoting the life chances  
of children and young people  
through education

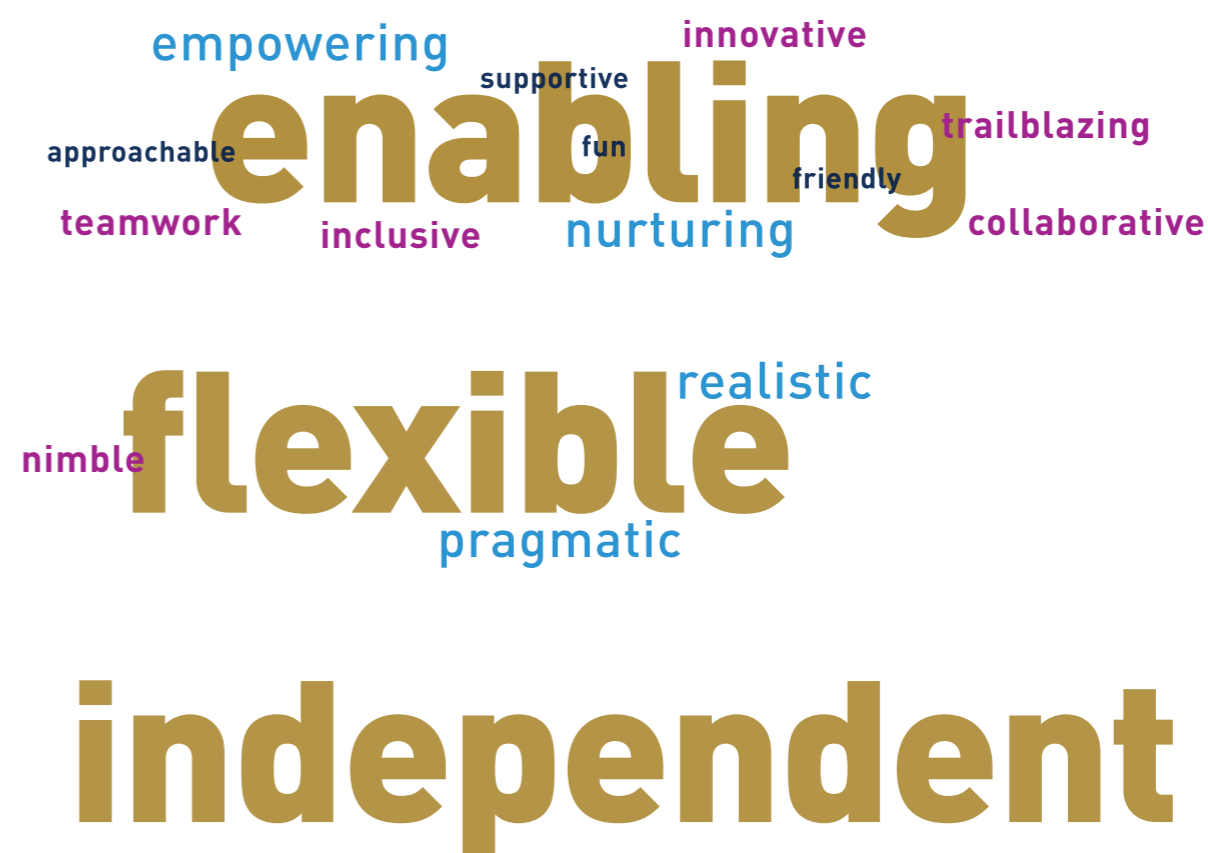


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John Lyon’s Charity **believes in transforming** the lives of children and young people by **creating opportunities to learn, grow and develop** which would not otherwise exist without our contribution. We will seek to promote and support **partnerships** and **collaboration** that can have a **sustainable impact** on the **aspirations** of children and young people. We will not shy away from taking **informed risks** to support projects and organisations that **pioneer** new initiatives and ideas. We will exercise our role as an independent funder to **share the knowledge** from our work and seek to **influence** public policy for the benefit of the voluntary sector to ensure it is **valued**.

These are the internal values we promote, share and reinforce within the Charity.



John Lyon's Charity gives grants to benefit children and young people up to the age of 25 who live in nine boroughs in North and West London. Since 1991, the Charity has distributed over £120 million to a range of organisations that seek to encourage the aspirations of children and young people. It does this by supporting projects that provide opportunities for young people to participate in a wide range of activities.

John Lyon's Charity is one of the largest independent funders in London. Last year it paid grants of £12.25 million towards work

in Arts & Science, Children & Families, Education & Learning, Emotional Well Being, Sport, Special Needs & Disability, Training, Youth Clubs and Youth Issues.

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

Trustee	The Keepers and Governors of the Possessions, Revenues and Goods of the Free Grammar School of John Lyon (A Charter Corporation)
Clerk to the Trustee	Andrew Millett
Registered Charity No.	237725
Registered Address and Charity Office	45a Cadogan Gardens, Griffin Lodge London SW3 2TB
Property Managing Agents	Knight Frank LLP 55 Baker Street London W1U 8AN
Bankers	Coutts & Co 440 Strand London WC2R 0QS
Auditors	PKF Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD
Solicitors	Cripps Pemberton Greenish LLP 45 Cadogan Gardens London SW3 2AQ
Investment Advisers	Cazenove Capital Management Limited 12 Moorgate London EC2R 6DA
Principal Officers	
Chief Executive Officer	Lynne Guyton
Grants Director	Ms Cathryn Pender
Finance Director	Mr Lloyd Gay

## CEO Message

As the largest independent funder for children and young people in North and West London, John Lyon’s Charity has become increasingly concerned over the past eight years, that what used to be considered core for state provision for children and young people has shrunk. Consequently, the Charity has seen increasing demands for its grants and advice. In 2018/19 we granted £12.25 million (2017/18 £10.07million), an increase of 22% on the previous year.

Our approach is to fund charities that create opportunities that would otherwise cease to exist, build on their potential and create resilience for the longer term. 2018 was a year which saw a focus in the media on urban youth crime, with many authors and publications giving their view on what are the underlying issues causing violence amongst young people. Other themes tackled included the increase in homelessness and the increased need for mental health provision amongst the young. In many articles, the young themselves are being blamed for causing their own problems. There are over 9.5 million young people in the UK, aged 10-24 (*ONS: Population Projections, 2018*), and they are not all carrying knives or guns. There is a huge problem with the media giving into sensationalism to achieve good headlines. Not only are young people vilified, but stereotypes are often used around race or class to disparage young people. We never hear about the ‘middle ground’ – those young people who keep their heads down, work hard and make a positive contribution to society. John Lyon’s Charity’s approach has always been to focus on *opportunity* rather than disadvantage. By doing so we seek to reach out to *all* children and young people.

What all these topics have in common, is that none of them are new. John Lyon’s Charity has been responding to these issues for the past 25 years. The depth of knowledge we have in our nine London boroughs shows us that, despite what the media would have us think, young people are not ‘a’ problem or ‘the’ problem.

We need to take a step back; pause and celebrate the work of the charities and young people we support. Too often it is easy to be negative and assume there is little hope for young people. Our driving aim to provide aspiration for all children and young people in our Beneficial Area remains, and much of what we see when we visit our grantees fills us with hope and optimism. We may not be able to change every child's life, but we know we are reaching a significant number; and where we are, we are making a real difference.

For example, we fund opportunities through our School Holiday Activity Fund (SHAF) that aren't headline grabbing or tackling big causes, rather they quietly ensure young people can have fun by going on trips or trying new activities in the school holidays. The appreciation and excitement we see in these young people is wonderful and reminds us of the positive rather than negative images of young people. Last year we granted £327k through the SHAFs.

It is the potential to learn, grow and become that drives our grant giving. We see the benefits of investing in youth clubs as a safe space to hang out with supervised youth workers; we see the results of supporting boxing clubs that channel aggression into something positive; we see the impact of participating in front line counselling in London's major trauma centres. We really undertake grant making by walking the streets.

Our ground-breaking *Change of Perspectives* work in 2018/19 researched partnerships within our Beneficial Area between Arts organisations, Music Hubs and Special Educational Needs & Disabilities (SEND) schools, and is a leading supporter of the Cultural Inclusion Manifesto ([www.culturalinclusion.uk](http://www.culturalinclusion.uk)). Longevity of funding is still a key issue for this sector. Our priority is to establish John Lyon's Charity Internships later in 2019/20, which will have a focus on those with SEND to give much needed support for entering employment.

In addition, over the past four years we have established and funded a Young People's Foundation in each of the boroughs in which we operate to the tune of £3m. They are separate charities each with their own CEO and board of trustees. They consist of funders, including John Lyon's Charity, the local authority and local business and members who are children's charities – anyone from a children's group at the local mosque to a local forest school. Principally they aim to do three things: to help fundraise and put in consortium bids on behalf of small grass roots charities; to help small children and young people (CYP) groups network with other funders, local business and the local authority to access funding, and advice. Many local businesses are now offering mentoring programmes to young people in our boroughs. Finally, they provide access to space through an online venue bank we have also created to bring together buildings with space to children's

groups without space, including some big multinational companies. Such is the model's success, that it is in demand beyond our Beneficial Area in other London boroughs and major UK cities.

As a charity, we remain driven and optimistic for our young people. We will continue to work with other charities, the media and think tanks to influence policy-makers at both local and central government. A joined-up approach to early years support, mental health and SEND support at school and strong youth club provision must be the way forward. Children and young people are our future and they need to be nurtured.

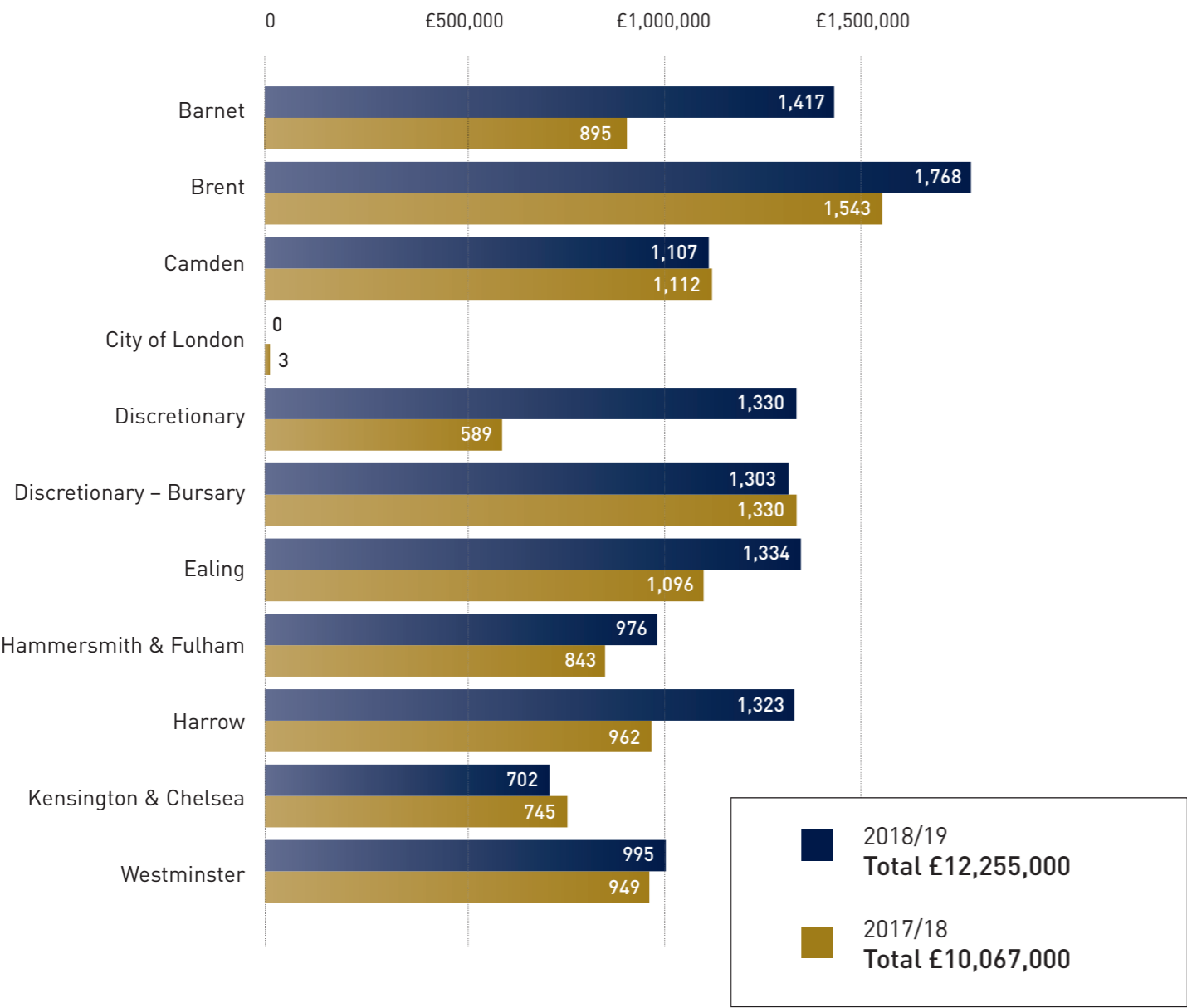


**Dr Lynne Guyton**  
Chief Executive Officer

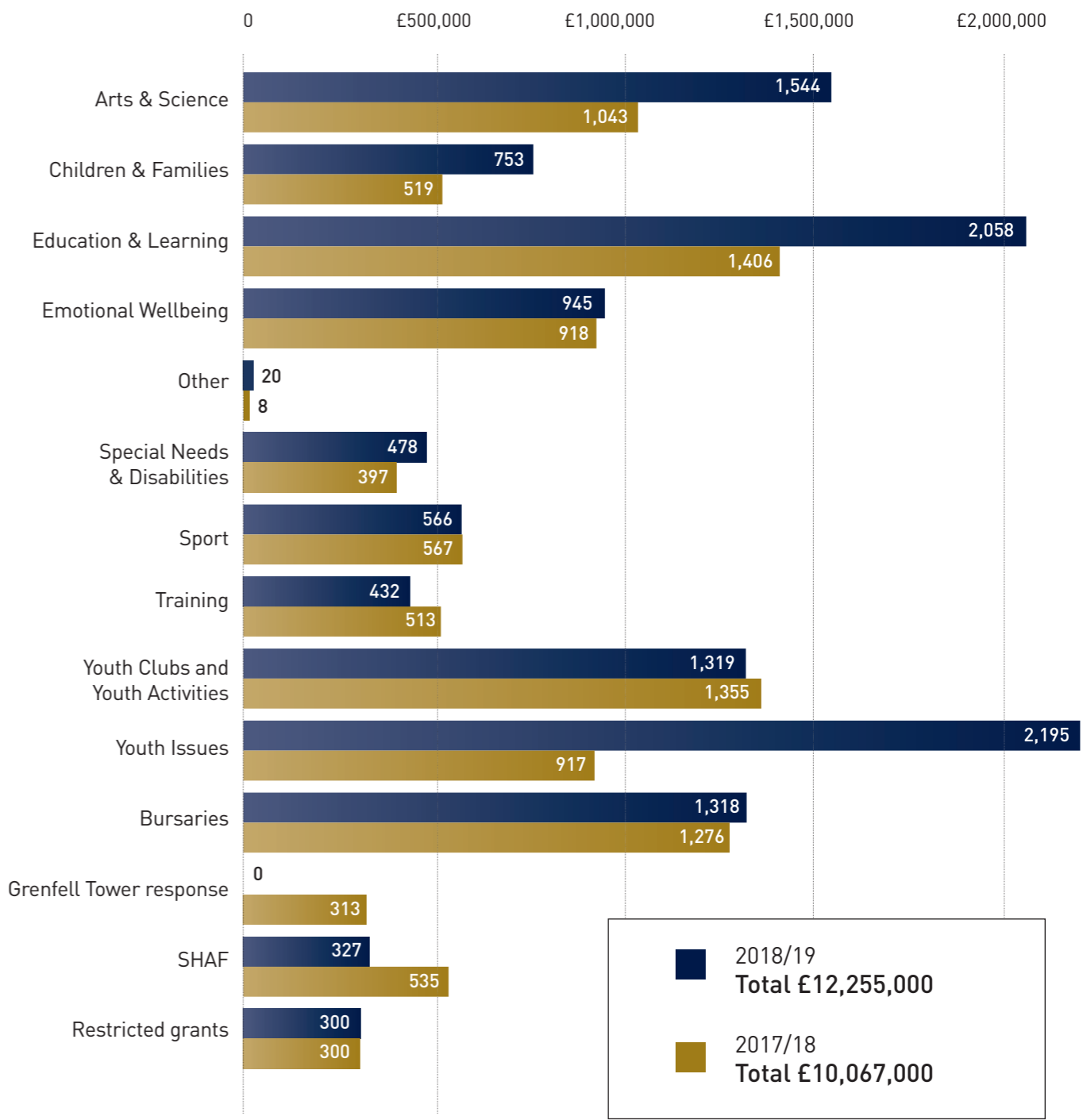
# Overview of the Year

Total Grants paid **£12.25m** (2017/18 – £10.07m)

Funding by Grant Type



Funding by Programme Area



Funding by Grant Type

	2018/19 £'000	2017/18 £'000
Schools in Partnership	988	733
Bursaries	1,318	1,287
Small Grants (below £5k)	150	81
Main Grant Fund	7,535	6,969
School Explorer	5	1
SHAF	327	535
Grenfell Tower Response	-	313
Capacity Building	1,932	148
Total	12,255	10,067

Total Number of Grant Applications

	2018/19	2017/18	2012/13	2007/08
Approved	259	260	153	122
Declined	135	199	136	160
Total Applications	394	459	289	282

394 requests were received during the last financial year, and at 31 March 2019, 259 had been approved and 135 had been declined.

The total number of grant applications has increased by 40% since 2007/8, showing increased demand and awareness of the Charity and what it funds.

Furthermore, the total number of successful applicants is 65% of all grants application received. We have a flexible approach to grant-making, often working with an applicant for several months to ensure their application succeeds. We undertake grant making by ‘walking around’ on the ground to fully understand the needs of applicants which contributes to the high number of successful applications.

Grant Payments by Size

Range £	Grants Payments	Total 2018/19 £	Grants Payments	Total 2017/18 £
0-5K	126	495,255	153	685,945
5,001-15K	58	607,345	70	728,186
15,001-40K	250	6,924,695	235	6,522,972
Over 40K	48	4,227,77	34	2,130,085

In line with the current strategy, we are giving larger capacity building grants, with less focus on small grants.

Average number of staff in 2018/19

11

Staff Costs in 2018/19

£817k

Number of grants actively managed

circa 600

# Report of the Trustee

## 1. Introduction

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

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

In presenting this report for the year ended 31 March 2019, the Trustee has prepared the Financial Statements in accordance with the accounting policies set out in the notes to these financial statements and comply with the Charity's governing document, the Charities Act 2011 and the Statement of Recommended Practice "Accounting and Reporting by Charities."

## 2. Objectives and Activities

### a) The Objects of the Charity

Under the Scheme (outlined in 3.a) the yearly income of the Charity is applicable for the following charitable purposes:

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

in accordance with certain rules required by the Scheme. The Rules are reviewed every three years and amendments approved by the Charity Commissioners for England and Wales. The current Rules were adopted by the Trustee on 30 November 1991 subject to amendments in 1996, 2001, 2013 (when a minor change was made to value thresholds on consultation) and 2017 (on delegation powers and consultation with each Local Authority on grant allocations and percentages of grants per borough).

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

### b) The Activities of the Charity

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

## 3. Governance, Structure and Management

### a) Governance

The Charity is governed by (i) the Scheme contained in The Charities (John Lyon Road Trust) Order 1991 (SI 1991, No.1141), as amended by a Scheme dated 28 November 1996, trustees' resolutions dated 11 January 2017 and 18 March 2017 (both made pursuant to section 280 of the Charities Act 2011), and a Scheme dated 14 November 2018; and (ii) an Order of the Charity Commission made under section 105 of the Charities Act 2011.

### b) Charity Management

The Charity had an average total of 11 permanent staff, one part time (HR) contractor and one staff on maternity leave in 2018/19. The day-to-day management of the Charity's affairs is conducted through the Chief Executive Officer as the senior executive officer of the Charity reporting to the Trustee through the Charity Management Board. The senior management team includes the Grants Director and Finance Director.

### c) Structure

The Charity has a clear organisational reporting governance structure with Terms of Reference documenting lines of authority and delegation. Each Committee is chaired by a member of the Corporation and is constituted by other members of the Corporation, co-opted members who give specialist advice, and the Chief Executive Officer of John Lyon's Charity. Each committee has Terms of Reference (ToR) which set out its accountability and purpose. The ToRs will be reviewed annually. Each Committee's meetings are noted and circulated to show decision making, actions and issues.

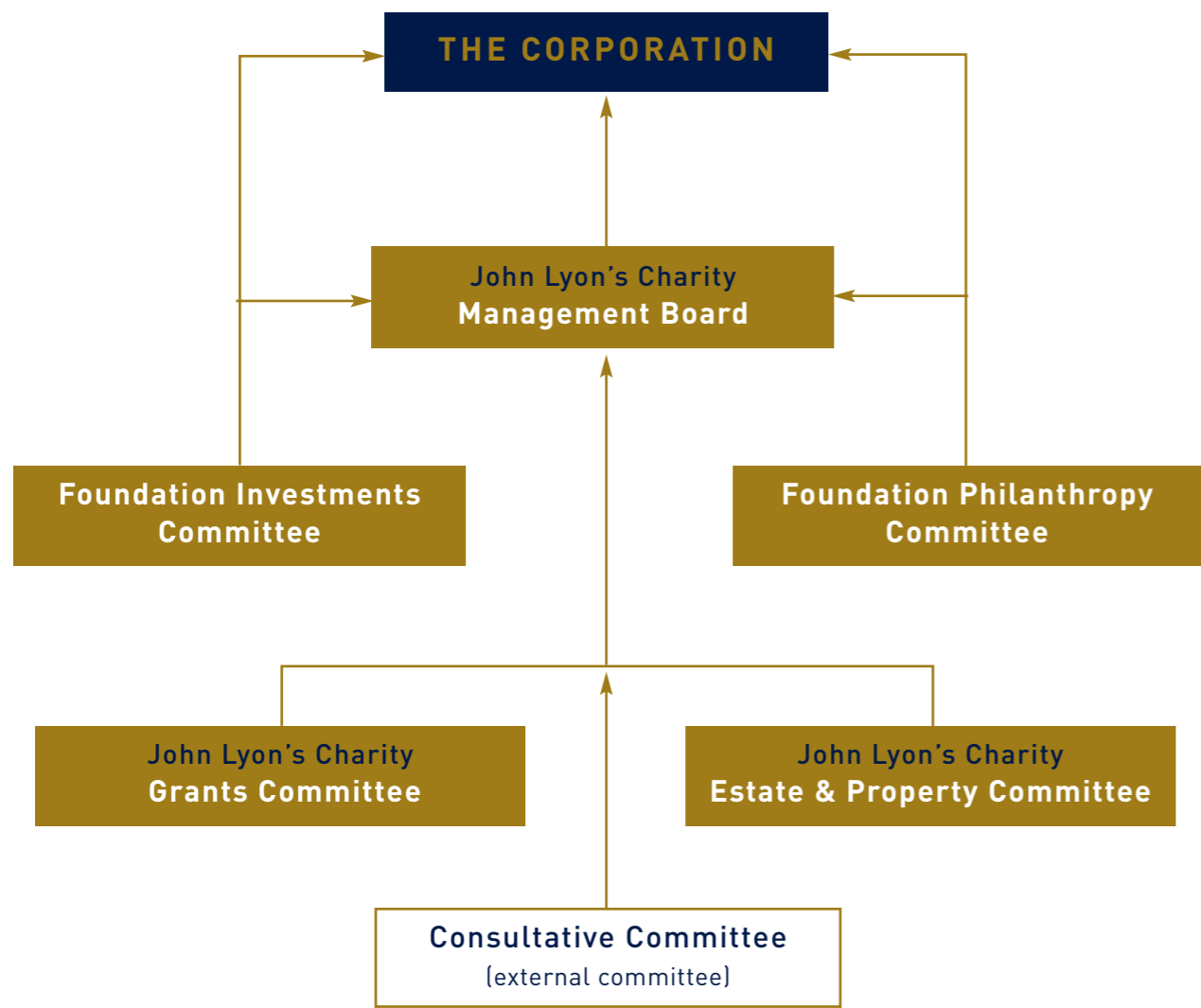
In accordance with the Charity Governance Code, a more robust and accountable governance structure was implemented towards the end of the previous financial year. Good governance is fundamental to John Lyon's Charity's success. It enables and supports our compliance with the law and relevant regulations. It also promotes a culture where everything works towards fulfilling our vision.

d) Diversity

The Charity has a fully functioning Charity Management Board with seven Governors representing the Trustee. An audit of skills, experience and diversity was carried out in early 2019. This has led to the Charity Management Board agreeing to an executive search for two additional Trustees to provide greater diversity in terms of skills, age, ethnicity and gender. The search will begin later in 2019.

In addition, it was agreed that the Grants Committee would also look to appoint two youth representatives to give additional diversity to that Committee. The youth appointments will be subject to renewal every 12 months.

John Lyon's Charity Governance Structure



Charity Management Board

The purposes of the Board are:

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

The Charity Management Board will:

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

**Grants Committee**

The purpose of the Grants Committee is to:

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

The Grants Committee will:

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

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

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

**Estate & Property Committee**

The purpose of the Estate & Property Committee is to:

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

The Estate and Property Committee will:

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

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

**Foundation Investments Committee**

The purpose of the Investments Committee is to:

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

The Investments Committee will:

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

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

**Foundation Philanthropy Committee**

The purpose of the Philanthropy Committee is to:

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

The Philanthropy Committee will:

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

#### 4. Future Strategy

The last year has seen a shift in our grant-making to being explicit about supporting capacity building. The new approach involves larger grants and a more holistic approach to ensuring the longevity of our grantees for the benefit of children and young people. John Lyon's Charity is old, but it is fresh in its approach – it is constantly evolving and adapting to needs; always seeking to push the boundaries of change in innovative grant making. The five objectives of last year will continue, but what follows is where the emphasis will be for the Charity for 2019-20.

#### Strategic Objectives

##### 1. Launch of a John Lyon's Charity Internship Programme

The Youth Opportunity Index report (*by the Learning & Work Institute, October 2018*) is a countrywide analysis across the UK. This report is a relative measure of education and employment outcomes for young people across England's local authorities. We found that our boroughs are amongst the worst performing in the country in relation to take up of apprenticeships and are among the worst performing for the employment rate, with Westminster having the lowest employment rate in the country. While five boroughs score well on the underemployment rate (underemployment = highly skilled workers in low paying, low skilled jobs), there are poor scores for Harrow, Ealing and Brent.

From the existing charities we work with, we see that access to employment can make a huge difference to young people. We know young people have immense potential but need extra support to get into work. Care leavers, those with convictions, those with disabilities, single parents and Looked After Children all face additional barriers to work based on complex personal contexts.

The Charity always focuses on providing opportunity and on grants that can be life-changing. In the same way our bursaries and music scholarships give amazing access to a transformative education, so we want to focus on building an Internship Programme. Funding internships would:

1. Provide access, opportunity and invaluable experience for a young person;
2. Be an additional and much needed resource for the recipient organization;
3. Provide real opportunities in the CYP sector, making it a viable choice and helping lead to better staff retention. Charities often have a problem with staff retention. Internships could help to eliminate this by recruiting and nurturing talent at the beginning of their career; and
4. Force the sector to think differently about the role and purpose of internships.

The work involved should not be underestimated, and hence we see this very much as a long-term ambition. Carefully designing a programme that includes support from mentoring to coaching with the job application and interview process is essential. A John Lyon's Charity internship should be the gold standard or 'kite mark' of what an internship in the charitable youth sector should be: relevant and valued.

As an additional dimension, we will reach out to those young people in our Beneficial Area with Special Educational Needs and Disability (SEND). As one of our core programme areas, we have witnessed first-hand how those with SEND have even greater challenges finding employment, and as such we are uniquely placed as a funder to act. Ultimately, we would hope this would act as a call to action for other funders. We recognise that these internships may need extra funding to best support the physical needs of SEND candidates, but this is something we should be willing to do.

##### 2. Data Mining and Primary Research

We are keen to mine and analyse the data we have accumulated on our system over the past 28 years. After much discussion with different groups, we have decided to work with the Institute for Voluntary Action Research (IVAR) <https://www.ivar.org.uk/> to undertake a review of John Lyon's Charity's contribution to key strategic areas in the CYP sector. This will cover both qualitative and quantitative data the Charity has and the impact on the Beneficial Area and our grantees.

The aim of the review will be to support John Lyon's Charity as it moves further into an influencing and thought-leadership role, providing messages that can be used with a range of audiences but primarily: government and policymakers; public sector and independent funders. This will be achieved by selecting five of our programme areas in order to review, gather data and arrive at a set of key messages (supported by quantitative analysis) about John Lyon's Charity work in North and West London and its contribution to date. In addition, we will also be looking to see what, if any, themes are common across programme areas.

### 3. Media and Events

The Charity has several events and media opportunities for the year which will seek to raise its profile, the work it undertakes and how it funds in its Beneficial Area.

Our objectives remain the same:

- To raise awareness of issues pertaining to the children and young people's sector;
- To show John Lyon's Charity as a convener and thought leader in this important debate

Where there are official events that either we are organising, or a grantee is organising, we now expect to issue a press statement / offer up a spokesperson to talk about the relevant theme in question at every opportunity.

For roundtable events we will convene a vibrant community of expertise and opinion among those interested in the future of the charitable sector. Through a series of expert scoping roundtables, workshops and content we will bring key stakeholders together with new voices to explore the new and maybe surprising suggestions and solutions. The idea is to convene a community that will address the lack of joined up thinking in the area of young people's services and government action.

By doing this we will seek to further cement John Lyon's Charity role as a champion of children and young people's issues but also as a highly respected funder looking to influence public policy.

## 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 originally adopted a total return policy to determine the level of expenditure based on the Charity Commission order made in January 2006. This has been revised in the intervening period and a further resolution was adopted under s104 of the Charities Act 2011 on 18 March 2017.

In determining the initial unexpended total return, the Trustee had adopted the valuation of the Charity's assets on 31 March 1997, which was the first occasion on which the open market value of all the Charity's assets had been determined. The valuation was £63.8 million and the initial, unapplied total return was £176.7 million. As at 31 March 2019, the unapplied total return fund is £301 million.

In 2010 the Governors adopted the current Total Return Policy applying to all the Charity's assets. The main purpose of adopting the Total Return policy was to provide certainty at the beginning of each financial year of the amount that is available to be spent on the Charity's grant giving and support costs. The amount is determined by taking an average of the value of the Charity's assets at the end of each financial year and at the end of the previous four years.

From 1st April 2017 the Trustee adopted a model which defines the circumstances which would require a spending review when the financial returns are such that the Endowment moves outside of a prescribed range of 15% either side of a core index of inflation.

As agreed in the November 2018 Charity Management Board Meeting, from April 2019 the value available for expenditure will be calculated using the increased total return rate of 3.5%, from 3.25%, to be reviewed annually. This will give the Charity circa £900,000 of additional spend. Total available spend for 2019/20 will be £12.6 million.

### Investment Policy

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

The St John's Wood Estate, consisting principally of residential properties let on long leases, is subject to compulsory disposal of the property interests under the leasehold enfranchisement legislation. It is considered, for the time being, that it is appropriate to retain this original endowment with a view to maximising the proceeds arising under the enfranchisement legislation. In the year, total proceeds of £5.0 million have been received (2017/18 - £5.0 million). The residual value of the reversionary properties as at 31 March 2019 is £27.2 million (2017/18 - £32.3 million). The investment policy excludes these reversionary properties from the asset allocation as they are not regarded as readily disposable on the open market at a level that recognises the full potential realisable on enfranchisement.

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

The asset allocation is:

Asset Class	Value at 31 March 2019		Value at 31 March 2018	
	£'000	%	£'000	%
<b>Investment Assets</b>				
Fixed Interest	6,045	2%	6,133	2%
UK Equities	13,117	4%	14,149	4%
Global Equities	73,115	20%	68,064	18%
Hedge funds/Alternatives	23,689	6%	33,549	9%
Foreign cash funds	10,260	3%	10,056	3%
Sterling cash	23,653	6%	11,522	3%
Other investments	7	-	7	-
<b>Total Investments</b>	<b>149,886</b>	<b>41%</b>	<b>143,480</b>	<b>39%</b>
<b>Property Assets</b>				
Residential Estate	65,370	18%	60,235	16%
Commercial Property	124,191	34%	114,600	31%
Indirect Property Funds	10,138	3%	9,760	3%
<b>Total Property</b>	<b>199,699</b>	<b>55%</b>	<b>184,595</b>	<b>50%</b>
<b>Investment Assets Totals</b>	<b>349,585</b>	<b>96%</b>	<b>328,075</b>	<b>89%</b>
Reversionary Estate	27,201	7%	32,339	9%
Other Net Liabilities / Assets	(12,125)	-3%	8,844	2%
<b>Total Assets</b>	<b>364,661</b>	<b>100</b>	<b>369,258</b>	<b>100</b>

The Total Return for the total assets (before management expenses) in the year was £11.0 million, bringing the total assets to £364.7 million (a 1% decrease on the previous year).

£2.2 million of the above indicated decrease in the Reversionary Estate and increase to the Residential Estate reflects the transfer of a property between the two estates at market value, following a decision to acquire the remainder of the lease and retain the asset within the residential estate.

Included in the increase in the value of commercial property above is £14.8million which relates to a property purchase which was subject to exchange of contracts at the year end and completed post year end. The creditor representing the balance of purchase costs due is reflected at note 12.

From the beginning of 2016 the Investment Committee took an increasingly cautious view of the financial outlook. The Investments Committee has retained its cautious stance but has since reduced its US Dollars exposure. The total return on the Investment Portfolio was £3.6 million (2.5%).

The Charity has continued to hold investment assets in both residential and commercial property. Despite a softening of central London residential property values, the valuation gains on residential property were £3 million and commercial property assets with a loss on valuation of £5.2 million.

### Annual Income

The income of the Charity derived from its investments totalled £8.8 million, an increase of 7.4% from £8.2 million in 2017/18.

The Charity's aim is to distribute grants of between £10m to £12m per annum, depending on grant making opportunities, and the returns on the assets which form the endowment. A conservative view has been taken in our projections of income returns for the next five years. Income returns from financial investments is assumed at no more than 1% per annum. The expected returns on property assets present a mixed picture, with returns from the reversionary estate expected to fall as the estate is wound down, while income returns from commercial properties is expected to increase while returns on the residential estate are projected to remain flat. The asset allocation of the Charity's endowment reflects the total return objective. The projected capital drawdown required from the endowment, even with conservative income estimates remains at around 1% of the total assets over the next five years.

### Reserves Policy

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

### Annual Expenditure

During 2018/19 the Charity spent £12.2 million on grants, while operational support costs related to charitable activities was £1.1 million (in total £13.3 million). Expenditure on raising funds was £2.2 million.

Staff Remuneration

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

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

Future Commitments

Commitments have been given for grants over the next three years totalling, £6.9 million in 2019/20, £4.2 million in 2020/21 and £1.2million 2021/22. A further £1.7 million has been committed in subsequent years for projects that the Charity has agreed in principle to fund on a longer-term basis, payment of which is, in each case, contingent on the stipulated conditions being met, and review of progress and authorisation by the Grants Committee. The total future commitment is indicated at note 17.

Risk Management

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

Auditors

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

J Batting

S Whiddington

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.

..... 2019

Statement of the Trustee’s Responsibilities

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

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

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

The Trustee is responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Charity and enables it to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the Scheme. It is also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the charity and financial information included on the Charity's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

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

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

## Opinion

We have audited the financial statements of John Lyon's Charity (the 'charity') for the year ended 31 March 2019 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Trustee, as a corporate body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2019, and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

## Basis for opinion

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

## Conclusions relating to going concern

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

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

## Other information

The other information comprises the information included in the Report of the Trustee, other than the financial statements and our auditor's report thereon. The trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the

financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Responsibilities of the Trustee

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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

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

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

1 Westferry Circus  
Canary Wharf  
London E14 4HD

..... 2019

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

Statement of Financial Activities

	Note	Restricted Fund £'000	Unrestricted Fund £'000	Endowment Fund £'000	Total Funds 2018/19 £'000	Total Funds 2017/18 £'000
<b>Income and Endowment from:</b>						
Charitable Activities	1	300	-	-	300	305
Property Investments	2	-	-	6,687	6,687	6,275
Investments	3	-	-	2,139	2,139	1,940
<b>Total Income and Endowment</b>		300	-	8,826	9,126	8,520
<b>Expenditure on:</b>						
Raising Funds	4	-	-	2,231	2,231	1,842
Charitable Activities	5-6	300	13,028	-	13,328	11,010
<b>Total Expenditure</b>		300	13,028	2,231	15,559	12,852
<b>Net (Losses)/Gains on Property Investments</b>						
		-	-	(703)	(703)	13,495
<b>Net Gains/ (Losses) on Investments</b>		-	-	2,539	2,539	(5,238)
<b>Net Income/(Expenditure)</b>		-	(13,028)	8,431	(4,597)	3,925
<b>Transfers Between Funds</b>						
	10	-	11,456	(11,456)	-	-
<b>Net Movement in Funds</b>		-	(1,572)	(3,025)	(4,597)	3,925
<b>Reconciliation of Funds:</b>						
Total Funds Brought Forward		-	1,572	367,686	369,258	365,333
<b>Balance at End of Year</b>		-	-	364,661	364,661	369,258

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

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

The Accounting Policies and Notes on pages 32 to 49 form part of these Financial Statements.

Balance Sheet at 31 March 2019

		2019		2018	
	Note	£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
Tangible assets	7		136		209
Investment properties	8		216,762		207,174
Investments	9		160,024		153,240
			376,922		360,623
Debtors: due within more than one year	11		2,066		2,541
<b>Current Assets</b>					
Debtors	11		682		5,235
Cash at bank			2,732		4,131
			3,414		9,366
<b>Creditors: due within one year</b>	12		(17,741)		(3,272)
<b>Net Current Assets</b>			(14,327)		6,094
			364,661		369,258
<b>Represented by:</b>					
Endowment fund	14a		364,661		367,686
Unrestricted fund	14b		-		1,572
Restricted fund	14c		-		-
			364,661		369,258

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 ..... 2019 and signed on the Trustee’s behalf by:

J BattingS Whiddington

The Accounting Policies and Notes on pages 32 to 49 form part of these Financial Statements.

Cash Flow Statement Year ended 31 March 2019

	Note	2018/19 £'000	2017/18 £'000
<b>Net Cash inflow /(outflow) from Operating Activities</b>	21	10,993	(582)
<b>Net Cash inflow from Capital Expenditure and Financial Investment Activities</b>	22	(14,531)	1,824
<b>Returns on Investment and Servicing of Finance</b>	22	2,139	1,940
<b>Increase/(decrease) in Cash in the Period</b>		(1,399)	3,182
<b>Cash at the beginning of the year</b>		4,131	949
<b>Movement in Cash in the year</b>		(1,399)	3,182
<b>Cash at the end of the year</b>		2,732	4,131

The Accounting Policies and Notes on pages 32 to 49 form part of these Financial Statements.

# Notes to the Financial Statements

## General information and basis of preparation

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

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

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

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

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

## Investment Properties

Investment Properties are stated at open market value in order to comply with the provisions of Accounting and Reporting by Charities Statement of Recommended Practice. Investment Properties which comprise the Reversionary Estate, Residential and Commercial Properties are valued annually as at the year end.

Open market value is defined as the best price at which the sale of an interest in property would have been completed unconditionally for a cash consideration on the date of valuation, assuming:

- a. a willing seller;
- b. that prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
- c. that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;

d. that no account is taken of any additional bid by a prospective purchaser with a special interest; and

e. that both parties to a transaction had acted knowledgeably, prudently and without compulsion.

Gains and losses recognised on revaluation, and gains and losses realised on the sale of investment properties, are taken to the Endowment Fund and included in the SOFA.

No depreciation is charged on Investment Properties.

## Rental Income

Rental income is accounted for by reference to the due date under the lease or tenancy.

## Investments

Investments are stated at market value as at the year-end.

All gains and losses on sale, and unrealised gains and losses on revaluation of investments at year-end market value, are taken to the Endowment Fund and included in the SOFA.

## Tangible fixed assets

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

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

## Grants

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

## Taxation

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

## Pension Costs

Pension contributions, which are to defined contribution schemes, are charged to the SOFA in the period to which they relate.

## Operating Leases

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

## Notes to the Financial Statements continued

### 1 Analysis of the Statement of Financial Activities

for the year ended 31 March 2018

	Restricted Fund 2017/18 £'000	Unrestricted Fund 2017/18 £'000	Endowment Fund 2017/18 £'000	Total Funds 2017/18 £'000
<b>Income and Endowment from:</b>				
Charitable activities	300	5	-	305
Property investments	-	-	6,275	6,275
Investments	-	-	1,940	1,940
<b>Total Income and Endowment</b>	<b>300</b>	<b>5</b>	<b>8,215</b>	<b>8,520</b>
<b>Expenditure on:</b>				
Raising funds	-	-	1,842	1,842
Charitable activities	300	10,710	-	11,010
<b>Total Expenditure</b>	<b>300</b>	<b>10,710</b>	<b>1,842</b>	<b>12,852</b>
<b>Net Gains on Property Investments</b>	<b>-</b>	<b>-</b>	<b>13,495</b>	<b>13,495</b>
<b>Net Gains on Investments</b>	<b>-</b>	<b>-</b>	<b>(5,238)</b>	<b>(5,238)</b>
<b>Net Income/(Expenditure)</b>	<b>-</b>	<b>(10,705)</b>	<b>14,630</b>	<b>3,925</b>
Transfers between funds	-	11,027	(11,027)	-
<b>Net Movement in Funds</b>	<b>-</b>	<b>322</b>	<b>3,603</b>	<b>3,925</b>
<b>Reconciliation of Funds:</b>				
Total funds brought forward	-	1,250	364,083	365,333
<b>Balance at end of year</b>	<b>-</b>	<b>1,572</b>	<b>367,686</b>	<b>369,258</b>

## Notes to the Financial Statements continued

### 2. Income from Property

	2018/19 £'000	2017/18 £'000
Residential rents	2,147	2,528
Commercial rents	4,540	3,747
<b>Total Incoming Resources from Property</b>	<b>6,687</b>	<b>6,275</b>

### 3. Income from Investments

	2018/19 £'000	2017/18 £'000
Investments	1,693	1,325
Bank and deposit interest	18	9
Loan interest	428	606
<b>Total Incoming Resources from Investments</b>	<b>2,139</b>	<b>1,940</b>

### 4. Expenditure on Raising Funds

	2018/19 £'000	2017/18 £'000
Property management charges	391	321
Property repairs and other expenses	908	756
<b>Total cost of generating income from property</b>	<b>1,299</b>	<b>1,077</b>
Other management costs	932	765
	<b>2,231</b>	<b>1,842</b>

## Notes to the Financial Statements continued

### 5. Analysis of Charitable Activities

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

	Total 2018/19	Grant Funded Activity	Support Costs	Total 2017/18	Grant Funded Activity	Support Costs
	£'000	£'000	£'000	£'000	£'000	£'000
Arts & Science	1,683	1,544	139	1,143	1,043	100
Children & Families	821	753	68	569	519	50
Education & Learning	2,242	2,058	184	1,542	1,406	136
Emotional Wellbeing	1,030	945	85	1,007	918	89
Other	22	20	2	9	8	1
Special Needs & Disability	521	478	43	435	397	38
Sport	628	577	51	622	567	55
Training	471	432	39	563	513	50
Youth Clubs and Youth Activities	1,438	1,319	119	1,486	1,355	131
Youth Issues	2,392	2,195	197	1,005	917	88
Bursaries	1,436	1,318	118	1,399	1,276	123
Grenfell Tower Response	-	-	-	343	313	30
SHAF	344	316	28	587	535	52
Restricted grants	300	300	-	300	300	-
	<b>13,328</b>	<b>12,255</b>	<b>1,073</b>	<b>11,010</b>	<b>10,067</b>	<b>943</b>

## Notes to the Financial Statements continued

### 6. Support Costs

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

	2018/19 £'000	2017/18 £'000
Audit fees		
- current year	30	34
- prior year over provision	(6)	4
Valuation fees		
- current year	58	39
- prior year under provision	19	3
Depreciation	65	69
Consultancy fees	75	76
Staff costs	464	411
Operating lease - Offices equipment	9	10
Other support costs	359	297
	<b>1,073</b>	<b>943</b>
<b>Staff Costs</b>		
Wages and salaries	640	572
Social security costs	74	74
Pension & health care contributions	103	79
	<b>817</b>	<b>725</b>

Included in the above amount is salary costs of £354,147 which relates to expenditure on raising funds and are reflected within other management costs in note 4.

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

Average number of employees during year:	11	10
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## Notes to the Financial Statements continued

### 6 Support Costs continued

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

	2018/19 £'000	2017/18 £'000
£60,001 - £70,000	1	1
£70,001 - £80,000	-	-
£80,001 - £90,000	1	1
£90,001 - £100,000	1	-
£100,001 - £110,000	-	-
£110,001 - £120,000	-	1
£120,001 - £130,000	-	-
£130,001 - £140,000	1	-

The total amount of employee benefits received in the year by key management personnel, was £400,175 (2018 - £353,269). The Charity considers its key management personnel to compromise the Chief Executive Officer, Grants Director, Finance Director and the Trustee.

### 7. Tangible Fixed Assets

	Leasehold Improvement £'000	Furniture & equipment £'000	Total £'000
Cost at 1 April 2018	266	81	347
Additions in the year	-	-	-
Disposal in the Year	(7)	-	(7)
<b>At 31 March 2019</b>	<b>259</b>	<b>81</b>	<b>340</b>
Accumulated depreciation at 1 April 2018	106	32	138
Depreciation charge in year	53	16	69
Accumulated depreciation on disposal	(3)	-	(3)
<b>At 31 March 2019</b>	<b>156</b>	<b>48</b>	<b>204</b>
<b>Net Book Value at 31 March 2019</b>	<b>103</b>	<b>33</b>	<b>136</b>
Net book value at 31 March 2018	160	49	209

## Notes to the Financial Statements continued

### 8. Investment Properties

	2019 £'000	2018 £'000
Reversionary estate	27,201	32,339
Residential properties	65,370	60,235
Commercial properties	124,191	114,600
<b>Market value</b>	<b>216,762</b>	<b>207,174</b>
Balance at beginning of year	207,174	198,318
Additions at cost	15,178	33
Unrealised (loss) / gain on revaluation	(2,309)	12,125
Disposals at valuation	(3,281)	(3,302)
<b>Balance at end of year</b>	<b>216,762</b>	<b>207,174</b>

The investment properties (Residential properties and Commercial properties) were revalued as at 31 March 2019 by Knight Frank LLP, Chartered Surveyors, having been previously revalued as at 31 March 2018 (by Cluttons LLP), 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.

Disposals at valuation during the year resulted in a realised gain of £1.6 million (2017/18 - £1.4 million).

## Notes to the Financial Statements continued

### 9. Investments

	2019 £'000	2018 £'000
Free (Main) Fund	132,970	133,827
Special Fund	27,054	19,413
Market value	160,024	153,240
Historical cost	122,097	117,361

Included in the above is sterling cash invested and cash held for investment of £16,908,718 (2017/18 - £9,645,342) in the Special Fund and £6,744,517 (2017/18 - £1,876,641) in the Free Fund. The Special Fund is defined in the Governing Documents.

	2019 £'000	2018 £'000
Balance at beginning of year	153,240	155,671
Investment purchases	32,157	17,230
Net investment realisations	(39,916)	(23,151)
Unrealised gain/(loss) on revaluation	2,412	(4,339)
Net movement in cash held for investment	12,131	7,829
Balance at end of year	160,024	153,240

Net investment realisations resulted in realised gains of £0.13m (2017/18 – losses of £0.90m).

Investment Management Charges	2019 %	2018 %
Cazenove Capital management fee	-	0.12
In House fund charge	0.23	0.23
Total Schroders fees	0.23	0.35
Other fund charges	1.03	0.57
Total annual management charge	1.26	0.92
Additional fund charges	-	0.22
Total expense ratio	1.26	1.13

All investments are held in the Endowment Fund.

## Notes to the Financial Statements continued

### 9 Investments *continued*

At 31 March 2019 the following investments accounted for more than 5% of the overall portfolio:

	2019 %	2018 %
Majedie UK Focus Fund	6.2	-
Man GLG Japan CoreAlphaEquity	5.1	-
Institutional GBP Liquidity Fund	-	7.5
Lansdowne Developed Markets Absolute -N-Shares	10.5	11.1
Schroder UK Opportunities Fund Z Income shares	-	6.7
Findlay Park American Fund	7.9	6.3
Schroder Multi Manager International Fund	15.2	13.6
BlackRock Gold & General Fund	-	10.3
Schroder Global Gold	12.0	-
iShares Physical Gold PLC	-	9.0
Unite student accommodation	6.8	6.0

### 10. Application of the Power of Total Return

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

The Policy adopted and approved by the Charity Commission provides that the amount to be applied annually is determined by taking an average of the value of the Charity's assets on the last four balance sheet dates. The policy allows the Trustee to expend up to 3.25% (3.5% from 31 March 2019) of that rolling average on charitable activities including support costs and the cost of generating funds and governance costs. The calculation to determine the amount available in the years to 31 March 2019 and 2020 is:

Year ended:	Asset Values £'000	4 year Average £'000	Expendable percentage of average %	Expendable amount £'000
31 March 2016	342,985	316,710	4.00	12,668
31 March 2017	365,333	339,305	3.25	11,027
31 March 2018	369,258	354,765	3.25	11,530
31 March 2019	364,692	360,567	3.50	12,620

## Notes to the Financial Statements continued

### 10 Application of the Power of Total Return continued

The amount available for the year ended 31 March 2019 was £11,530,000, and for 2019/20 is £12,620,000

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

	2018/19 £'000	2017/18 £'000
Expendable amount	11,530	11,027
Transferred to Unrestricted Fund	(11,456)	(11,027)
Reinvested	74	-

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

Movements in the Total Return Fund in the Year and Application of Total Return from the Endowment Fund	2018/19 £'000	2017/18 £'000
Opening value of endowment fund at 1 April	367,686	364,083
Less: Opening value of the fund at 31 March 1997	(63,797)	(63,797)
Opening value of Total Return Funds	303,889	300,286
Add:		
Investment return – income	8,826	8,215
Investment return – realised/unrealised gains	1,836	8,257
	314,551	316,758
Less:		
Raising funds	(2,231)	(1,842)
Unapplied total return before transfers carried forward	312,320	314,916
Return applied during the year	(11,456)	(11,027)
Unapplied total return as at 31 March	300,864	303,889
Add: value of the fund at 31 March 1997	63,797	63,797
	364,661	367,686

## Notes to the Financial Statements continued

### 11 Debtors

	2019 £'000	2018 £'000
Amounts due from tenants and managing agents	669	1,839
Other debtors and prepayments	13	3,396
Due within one year	682	5,235
Due within more than one year	2,066	2,541
	2,748	7,776

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

### 12. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Grants payable	3,008	2,501
Other creditors and accruals	816	771
Costs payable on property purchase completed after the year end	13,917	-
	17,741	3,272

### 13. Operating Lease Commitments

As at 31 March 2019 the total minimum payments to which The Charity is committed under non-cancellable operating leases for property and office equipment are:

	2019 £'000	2018 £'000
Due within one year	168	175
Due within two and not later than five years	286	453
	454	628

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

## Notes to the Financial Statements continued

### 14 Funds

#### a. Endowment Fund

The capital assets of the Charity are those derived from the Founder's original gift of land in 1578 and 1581 and represent permanent endowment, subject to the application of the Total Return policy.

#### b. Unrestricted Fund

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

#### c. Restricted Fund

The restricted Fund represents a grant received from The City Bridge Trust to co-fund the salary and running costs of Young People's Foundations in each of the boroughs of Brent, Harrow and Barnet, Camden, Westminster and Hammersmith and Fulham in the year and the requisite payment of said grant.

#### 2018/19

	Balance brought forward £'000	Income £'000	Expenditure £'000	Transfers £'000	Gains/ (losses) £'000	Balance carried forward £'000
Endowment	367,686	8,826	(2,231)	(11,456)	1,836	364,661
Unrestricted	1,572	-	(13,028)	11,456	-	-
Restricted	-	300	(300)	-	-	-
	369,258	9,126	(15,559)	-	1,836	364,692

#### 2017/18

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

## Notes to the Financial Statements continued

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

The Charity made grants in the year to both Harrow School of £305,585 (£453,769 in 2017/18) and The John Lyon School of £515,030 (£541,539 in 2017/18) for the benefit of children resident in the Beneficial Area. For Harrow school the sum includes grants for bursaries and a grant for a project that works with 15-17-year olds from local state schools on the university application process this includes mentoring and coaching of individuals on personal statements and interview technique. The sum for John Lyon School is for bursary placements. Grants for bursaries enable children to attend those schools, who would not be able to do so without that financial support. These grants are aimed at providing wider access to education at the schools and are consistent with the Founder's original intention for the application of his endowment.

Each member of the Corporation and the principal officers are required to complete a declaration of interest statement each year for the purpose of identifying and ensuring proper disclosure of such interests. Five grants totalling £319,700. (2017/18 – Five grants totalling £217,149) were made to charities where one or more such persons are charity trustees. No other transactions have taken place between the Charity and the Trustee or any member of the Corporation.

The Clerk to the Corporation is a partner in the firm of Cripps Pemberton Greenish LLP which acts as Solicitors to the Charity.

Legal fees of £89,753 (£264,023 in 2017/18) were paid by the Charity to Cripps Pemberton Greenish LLP for work undertaken in connection with the management of the Charity's estates, which are included in the property expenses detailed in Note 4, and for work undertaken in the sale and purchase of property on the Charity's estates, which are included in expenses charged to capital.

	2018/19 £'000	2017/18 £'000
Fees charged to Endowment Fund in respect of investment property transactions	176	264

Angus Goswell is a member of the Corporation and a partner in the firm Knight Frank LLP, the Charity's property managing agents (from 1 September 2018). Remuneration for Knight Frank's services, based on a detailed contract of engagement, paid by the Charity are:

	2018/19 £'000	2017/18 £'000
Management fees and insurance commissions	244	-
Valuation and lease audit fees	58	-
Capital transaction fees	68	-
	370	-

Notes to the Financial Statements continued

15 Transactions with the Trustee and Connected Persons continued

Cluttons LLP were the Charity’s property managing agents until 31 August 2018. They are not a related party as defined under Financial Reporting Standard 102, but in the interests of transparency the remuneration for their services, based on a detailed contract of engagement, paid by the Charity are:

	2018/19 £'000	2017/18 £'000
Management fees and insurance commissions	142	321
Valuation and lease audit fees	19	42
Capital transaction fees	293	104
	454	467

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.

16. Ultimate Controlling Party

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

17. Future Commitments

Grant commitments

The Charity has committed to multi-year grants including bursary support totalling £14.1 million up to 2025/26, payment of which is in each case contingent on the stipulated conditions being met, following a review of progress by the Grants Committee, and formal authorisation by the Trustee.

Capital Commitments

There were no capital commitments as at 31 March 2019 (2018 - £0)

Notes to the Financial Statements continued

18 Contingent liabilities

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

19. Post balance sheet event

The Charity has agreed in principle to the sale of its freehold interests in two buildings to John Lyon School, which are valued at the year end at £3.3 million. The sales are subject to ongoing negotiations and at the balance sheet date no formal agreement represented by an agreed contract for sale has been reached.

20. Analysis of net assets between funds

	Total 2018/19 £'000	Unrestricted Fund £'000	Endowment Fund £'000	Total 2017/18 £'000	Unrestricted Fund £'000	Endowment Fund £'000
Fixed assets	376,922	-	376,922	360,623	-	360,623
Debtors due in more than one year	2,066	-	2,066	2,541	-	2,541
Other current liabilities/assets	(14,327)	-	(14,327)	6,094	1,572	4,522
	364,661	-	364,661	369,258	1,572	367,686

## Notes to the Financial Statements continued

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

	2018/19 £'000	2017/18 £'000
Total income	9,126	8,519
Total expenditure before grants	(3,304)	(2,785)
Net incoming resources before grants	5,822	5,734
Grants from annual income	(11,955)	(9,767)
Grants from restricted income	(300)	(300)
Net outgoing resources after grants	(6,433)	(4,333)
Depreciation charge for the year	69	69
Decrease in debtors	5,028	5,980
Increase/(decrease) in creditors	14,468	(358)
Income from listed investments and deposit interest	(2,139)	(1,940)
Net Cash inflow/(outflow) from Operating Activities	10,993	(582)

## Notes to the Financial Statements continued

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

	2018/19 £'000	2017/18 £'000
<b>Capital Expenditure and Financial Investment Activities</b>		
Net proceeds from property transactions	(10,214)	4,990
Expenses charged to Endowment Fund	(78)	(350)
Sale of investments	40,042	22,252
Purchase of investments (note 9)	(32,157)	(17,230)
Purchase of plant and equipment (note 7)	-	(9)
Sale of plant and equipment (note 7)	7	-
(Decrease) in cash held for investment (note 9)	(12,131)	(7,829)
<b>Net Cash inflow from Capital Expenditure and Financial Investment Activities</b>	<b>(14,531)</b>	<b>1,824</b>
<b>Net Proceeds from Property Transactions</b>		
Freehold/lease premium proceeds	4,964	5,023
Purchase of properties (note 8)	(15,178)	(33)
	(10,214)	4,990
<b>Returns on Investment and Servicing of Finance</b>		
Income from listed and unlisted investments	1,693	1,325
Deposit and other interest	446	615
	2,139	1,940



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