



JOHN LYON'S CHARITY
PART OF THE HARROW SCHOOL FOUNDATION

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2014

Registered Charity No: 237725

	Contents
	Page
Trustee and Advisers	2
Report of the Trustee	3 - 11
Statement of the Trustee's Responsibilities	12
Report of the Independent Auditors	13
Statement of Financial Activities	14
Balance Sheet	15
Cash Flow Statement	16
Accounting Policies	17
Notes to the Financial Statements	18 - 26

Trustee	The Keepers and Governors of the Possessions, Revenues and Goods of the Free Grammar School of John Lyon (A Charter Corporation)
Registered Charity No.	237725
Registered Address and Charity Office	45 Cadogan Gardens London SW3 2TB
Property Managing Agents	Cluttons LLP, Chartered Surveyors Portman House, 2 Portman Street London W1H 6DU
Bankers	Coutts & Co 440 Strand London WC2R 0QS
Auditors	PKF Littlejohn LLP Statutory Auditors 1 Westferry Circus Canary Wharf London E14 4HD
Solicitors	Pemberton Greenish LLP 45 Cadogan Gardens London SW3 2AQ
Investment Advisers	Cazenove Capital Management Limited 12 Moorgate London EC2R 6DA
Principal Officers 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 8th 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 2014, the Trustee has complied with the Statement of Recommended Practice, Accounting and Reporting by Charities (2005) the Charities SORP and applicable United Kingdom Generally Accepted Accounting Practice.

Structure, Governance and Management**Governance**

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

Organisational Structure and Management

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

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

Grants Committee - Mrs Susan Whiddington

Investments Committee - Mr R Crispin W Odey

Estate Governor - Mr Robert Orr-Ewing

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

Every three years the Trustee conducts a review of the Charity's grant-giving processes, procedures and priorities to ensure that the Charity's grant-giving is relevant for the next three years and to ensure that the Charity is being responsive to the right people for the right reasons. A Policy Review was conducted in 2013. It was generally considered that the Charity's policy continues to be relevant and allows the Charity to remain independent, be flexible, help the neediest families and give the opportunity for children and young people to fulfil their potential.

The key priority groups are:

- Those in poverty
- BME groups
- Young parents and/or those with few parenting skills
- Those in insecure accommodation
- Families within the criminal justice system
- Children and families who have been affected by domestic violence
- Those with mental health problems
- Families with children with special educational needs or disabilities
- Looked after children
- Gifted and Talented students

- Children and young people failing at school and/or at risk of exclusion
- Those not in education, employment or training
- Children and young people not achieving their full potential at school – enabling the enabled

The main policies that govern the Charity and the way in which it operates are:

Independence

The Charity's independence is perhaps its greatest asset. The Charity has its own priorities. Whilst close attention is paid to the policies of central government and, in particular, of the local authorities in the beneficial area, they need not influence the Charity, or restrict its ability to judge applications on their own merit.

Flexibility

The Charity continues to be flexible in the type and duration of grant funding offered. Normally this will only be for up to three years in duration with, in exceptional circumstances, the possibility of an extension. This enables organisations to think strategically, to experiment, to make adjustments and to have time for assessment.

Valuing the voluntary sector

John Lyon's Charity is a supportive funder. We believe in the expertise and knowledge of the organisations we fund to deliver the work that they feel is the most appropriate and relevant to the communities they serve. We seek to learn from our voluntary sector partners and seek to broker relationships which may prove fruitful.

Our reach

The Charity is aware that it cannot expect to create widespread social change because of the size of the beneficial area. Instead, the Charity seeks to identify the changing needs of individuals and respond to these accordingly. Grants are intended to be of direct benefit to children and young people currently living in the beneficial area and the effects of those grants should be felt immediately.

Helping the neediest families

At a time when Government resource is especially stretched, it is important to keep a focus on children and young people in the neediest families. Research on take-up of support services reveals that unless additional incentives and encouragement are offered, the very poorest and most disorganised families will not access the facilities and services that will make a real difference to their children's development at critical stages.

Helping all children and young people fulfil their potential

Whilst it is important to be mindful of certain priority groups summarised above, the Charity should continue to support projects that strive to raise the aspirations of all children and young people, irrespective of ability or circumstance.

Events and Activities during the Year

The total amount of grants, excluding support costs, payable in 2013/14 was £6,822,514.

Programme Areas

These grants are divided among the following Programme Areas:

	£'000
Arts and Science	913
Bursaries	730
Children & Families	965
Education & Learning	1,111
Emotional Wellbeing	615
Special Needs & Disability	603
Sport	290
Training	332
Youth Clubs and Youth Activities	951
Youth Issues	305
Other	8
	<hr/>
Total	6,823
	<hr/> <hr/>

A total of 162 new grants were approved in the year which is a significant increase on the 116 grants awarded in 2012/13. As a result, the Charity's grant-giving has increased by £1,216,140 compared with the previous year. This reflects the Charity's continued efforts to attract good quality applications. The largest proportion of funding was awarded under the Education & Learning category (16%), which is in accordance with the Charity's primary objective as an educational foundation. The Charity's spending is relatively even between the Programme Areas with Arts and Science, Children & Families and Youth Clubs and Youth Activities each receiving similar levels of funding (c.14%). In 2012/13 spending on Special Needs & Disability was identified as an area of specific focus for the Charity to increase; as a result, in 2013/14 total spend in this area was £603,170 (9%), an increase of £355,400 (70%) from 2012/13.

The Charity is 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 are changing their priorities and in some cases substantially reducing their spend.

Bursaries

The Charity remains committed to its bursary programme and in 2013/14 awarded £730,086 to a range of independent schools, representing 11% of the Charity's total grant spend. There are John Lyon bursaries at girls' schools such as Godolphin & Latymer School, Heathfield School, Notting Hill & Ealing High School, St James Independent School for Senior Girls and St Paul's Girls' School as well as at the Foundation Schools (Harrow School and The John Lyon School). Bursary grants are made as a contribution towards school fees for young people to attend specific institutions and are awarded to those institutions, not the individual.

Eligible candidates must be currently living in the beneficial area and have done so for at least two years before the award is made. Bursary holders are financially assessed and selected by the school or institution on criteria agreed with the Charity and prospective candidates are presented to the Charity for approval. Recipients are means tested and must provide evidence that they cannot afford to contribute more than 25% of the school fee.

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

Schools in Partnership Fund (previously known as Access to Opportunity)

This popular Grants Fund was re-named Schools in Partnership Fund as part of the Charity's 2013 Policy Review. The new name reflects the intention behind the Fund to encourage schools to work together to make joint funding applications to support their most challenged students. Five new grants were awarded under the Schools in Partnership Fund in 2013/14. There are currently 22 active projects under this Grant Fund involving 135 schools in the Charity's beneficial area (121 primary, 8 secondary and 6 special). The total spend under this programme in 2013/14 was £457,450 or 7% of total expenditure. The majority of requests continue to be towards providing in-school therapeutic provisions in the form of therapists or counsellors (under the Emotional Wellbeing Programme Area), and for projects that support families and parents to engage with their child's learning (under the Children & Families Programme Area). These kinds of projects that provide additionality to a child's learning, are highly valued by schools but with reductions in school budgets, hard decisions are being made. Under the Schools in Partnership Fund, schools work together in order to maximise the Charity's resources and provide services across a number of schools. This has proven to be an effective strategy and the Charity remains committed to extending the Programme in future years. To date, £1,962,750 has been awarded to schools working under this Fund.

The Proactive Approach

Capacity Building

The current challenges facing the voluntary sector brought about by funding cuts from central and local government, exacerbated by an increase in demand for services, has led to a growing need for capacity building and organisational support for smaller and medium-sized charities. In addition, the traditional providers of capacity building and support for the voluntary sector have seen drastic cuts in their own revenues and are less able to provide support.

As part of the Triennial Policy Review 2013 the Charity acknowledged that it can play an important role in supporting the development of infrastructure and capacity building organisations in the beneficial area. The Charity will now consider applications that bring together local authorities, Council for voluntary services (CVS) and the Charity's partner organisations that deliver infrastructure support for projects that build the capacity of groups working with small and medium-sized organisations and groups working with children and young people.

Lyon's Den Events and Funding Fairs

The Charity is 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 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. The Grants Team then 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 2013/14 events were held in the Tri-Borough (Kensington & Chelsea, Hammersmith & Fulham and Westminster), Barnet and Harrow 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.

Strengthening Management Committees

The Charity hosted its popular seminar, 'Strengthening Management Committees' in March 2014. It was very well received by the organisations who attended. The seminar was 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.

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, three boroughs (Barnet, Brent and Harrow) have been a particular focus for the Charity over the year, in order to bolster relationships and consequently increase spend in these areas. In Brent, the Charity was represented as the only funder on the interview panel to recruit for the post of Director of Children Services. In Harrow, the Charity is heavily involved in working with Harrow Council officers in the development of a new Council for Voluntary Services (CVS) in the borough following the demise of Harrow CVS (HAVS). In Barnet, the Charity delivered a presentation to Barnet Children and Young People Forum on the work of the Charity and on how to apply for a grant. It is hoped that in future years, the level of funding awarded to these boroughs will increase as a result of these efforts to work specifically in these areas.

Types of Support

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

	£'000
Apprenticeships	26
Art fund Tickets	1
Bursaries	752
Capacity Building	168
Core Costs	872
Direct Project Costs	3,976
Equipment	16
Salary costs	1,012

Total	£6,823
	=====

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.

Directory of Social Change Award – Great-giving Funders

The Charity was delighted to be nominated for and to win the Great-giving Funders award at the Directory of Social Change award ceremony in December 2013. This award was particularly pleasing as we were nominated by one of our funded organisations, the Voices Foundation, with the following commendation:

“John Lyon's Charity Grants Officer took the trouble to visit us following a preliminary application for funds in order to familiarise himself thoroughly with our background and the work that we do, so that he could give us advice as to the best way to apply for funds. This was back in 2003, and they have continued their support ever since. This Charity does not forget its grant recipients, and makes a virtue of staying in touch. The current Grants Officer is pro-active in advising us as to the best course of action regarding continuing support, while understanding the limits faced by a small organisation when sourcing funding streams... The Grants Officer has a clear understanding of why 'The Voices Foundation' needs to raise funds, principally as there is no statutory funding available... John Lyon's Charity have always demonstrated a willingness to engage with applicants while at the same time placing appropriate limits on what is possible.

We are incredible proud of the fact that John Lyon's Charity regards the work we do as important and worthy of such generous support in the current difficult climate."

Future Plans

Following the Charity's commissioned research into the effectiveness of supplementary education in 2012, the Charity is re-visiting this work by looking to commission a study into the effects of supplementary education on migrant communities in London and the positive impact of "self-help" educational strategies. This research will lend weight to the Charity's supplementary schools programme and to the reputation of the schools themselves.

The Charity will extend its efforts to provide further Capacity Building for organisations in the beneficial area. The Charity will continue to run the popular Strengthening Management Committees seminar and look to extend our seminar portfolio by looking at other topics of interest to the voluntary sector. Sessions could include sourcing trustees and keeping them, finance, applying for grants and creating meaningful business plans. The Charity is also keen to work with schools to help them improve their fundraising skills and to make better applications.

The Charity also plans to strengthen the John Lyon Community and provide an opportunity for funded groups and other interested parties from local authorities to meet each other and share knowledge. A 'Borough-based' networking opportunity is planned for the Tri-Borough area in 2014.

The Charity's Programme Areas cover the most important themes associated with working 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 the provision of opportunities for young people with disabilities. In 2014, the Charity will hold 'Theme-based' networking events to which funded organisations, key local authority contacts and the Charity's advisers will be invited to meet other similar organisations working in different boroughs. The first event will be based around one of the most important strands of the Charity's giving - youth clubs and the youth sector.

In 2014 the Charity will also undertake a comprehensive re-build of its website to make it more interactive and more open with a larger focus on highlighting successful projects.

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 31st March 1997 which was the first occasion on which the open market value of all the Charity's assets had been determined. The valuation was £63.8 million and the initial, unapplied total return was £176.7 million. As at 31st March 2014 the unapplied total return is £243.6 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 £13.9 million have been received (2012/13 - £7.3 million). The residual value of the reversionary properties as at 31st March 2014 is £43.2million (2012/13 - £46.6 million).

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 31st March 2014 £'000	As a % of Total	Value at 31st March 2013 £'000	As a % of Total
Investment Assets				
Fixed Interest	7,712	2.5%	7,430	2.8%
Gilts	942	0.3%	930	0.4%
UK Equities	54,253	17.7%	57,405	22.0%
Global Equities	34,253	11.1%	20,743	8.0%
Hedge funds/Alternatives	23,157	7.5%	14,389	5.5%
Cash	11,117	3.6%	438	0.2%
Total investments	131,434	42.7%	101,335	38.9%
Property Assets				
Residential Estate	64,149	20.9%	57,770	22.1%
Commercial Property	47,500	15.5%	43,775	16.8%
Indirect property Funds	21,114	6.9%	11,410	4.4%
Total Property	132,763	43.3%	112,955	43.3%
Investment Assets Totals	264,197	86.0%	214,290	82.2%
Reversionary Estate	43,153	14.0%	46,562	17.8%
Total Assets	307,350	100.0%	260,852	100.0%
Net Current Assets	66		14,609	
Total Net Assets	307,416		275,461	

The capital return in the year was 11.6% and a total return based on gross income of 14.7%. The WM Charity index (with property) is up 6.8% in the year to March 2014. The capital return in the five years to March 2014 was 81.0%.

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 £7.2 million, an increase of 7.3% from £6.8 million in 2012/13. The amount available as annual income under the total return policy was £9.4 million, of which £7.5 million was utilised.

Grants Expenditure

Total grants in the year amounted to £6.8 million.

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

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

Future Commitments

Commitments have been given for grants over the next three years totalling, £4.9 million in 2014/15 £2.8 million in 2015/16 and £1.5 million in 2016/17 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 £9.2 million up to 2021/22, including bursary support.

Risk Management

The Trustee has identified major risks to which the Charity is considered to be exposed. These risks are reviewed annually together with policies and systems established to mitigate them.

Auditors

PKF Littlejohn LLP (formerly known as 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

14 June 2014

Statement of the Trustees' Responsibilities

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

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

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

The Trustee is responsible for keeping 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 2014 which comprise the Statement of Financial Activities, the Consolidated Balance Sheet, the Cash Flow Statement, the accounting policies and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective Responsibilities of Governors and Auditors

As explained more fully in the Trustee's Responsibilities Statement (set out on page 11), the Trustee is responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed: the reasonableness of significant accounting estimates made by the Trustee; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Report of the Trustee to identify material inconsistencies with the audited Financial Statements 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 2014 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

..... 2014

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 2013/14	Total Funds 2012/13
		£'000	£'000	£'000	£'000
Incoming Resources					
Investment property income	1	-	4,495	4,495	4,319
Investment income		-	2,741	2,741	2,410
Bank and deposit income		-	7	7	11
Donations		1	-	1	15
Other income		2	-	2	-
Total Incoming Resources		3	7,243	7,246	6,755
Resources Expended					
Cost of generating incoming resources	2	-	1,117	1,117	1,034
Charitable activities	3	7,406	-	7,406	6,094
Governance costs	4,5	126	17	143	161
Total Resources Expended		7,532	1,134	8,666	7,289
Net (Outgoing)/Incoming Resources before transfers		(7,529)	6,109	(1,420)	(534)
Transfers					
Gross transfers between funds	8	7,529	(7,529)	-	-
Net Outgoing Resources before other Recognised Gains and Losses		-	(1,420)	(1,420)	(534)
Statement of Total Recognised Gains and losses					
Realised surplus on sale of investment properties		-	5,815	5,815	17,986
Unrealised surplus on investment properties	6	-	12,873	12,873	813
Realised gain/(loss) on sale of investments		-	1,000	1,000	(945)
Unrealised surplus on investments	7	-	13,687	13,687	14,820
Net Movement in Funds for the Year		-	31,955	31,955	32,140
Balance at beginning of year		-	275,461	275,461	243,321
Balance at end of year	12	-	307,416	307,416	275,461

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 26 form part of these Financial Statements.

JOHN LYON'S CHARITY

BALANCE SHEET
At 31 March 2014

	Note	2014 £'000	2013 £'000
Fixed Assets			
Investment properties	6	154,802	148,107
Investments	7	152,548	112,745
		<u>307,350</u>	<u>260,852</u>
Current Assets			
Debtors	9	1,404	19,067
Cash at bank		1,320	452
		<u>2,724</u>	<u>19,519</u>
Creditors: due within one year	10	<u>(2,658)</u>	<u>(4,910)</u>
Net Current Assets		<u>66</u>	<u>14,609</u>
		<u>307,416</u>	<u>275,461</u>
Represented by:			
Endowment fund	12a	307,416	275,461
Unrestricted fund	12b	-	-
		<u>307,416</u>	<u>275,461</u>

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 14 June 2014 and signed on the Trustee's behalf by:

S Whiddington

R Orr-Ewing

The Accounting Policies and Notes on pages 17 to 26 form part of these Financial Statements.

	Note	2013/14 £'000	2012/13 £'000
Net Cash inflow/(outflow) from Operating Activities	16	11,243	(17,776)
Net Cash (outflow)/inflow from Capital Expenditure and Financial Investment Activities	17	(13,123)	12,728
Returns on Investment and Servicing of Finance	17	2,748	2,421
		-----	-----
Increase/(Decrease) in Cash in the Period		868	(2,627)
		=====	=====
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the year		868	(2,627)
Cash inflow/(outflow) from changes in financing		2,607	(2,607)
		-----	-----
Movement in net funds/(debt) in the year		3,475	(5,234)
Net (debt)/funds at the beginning of the year		(2,155)	3,079
		-----	-----
Net funds/(debt) at the end of the year	18	1,320	(2,155)
		=====	=====

The Accounting Policies and Notes on pages 17 to 26 form part of these Financial Statements.

Basis of Accounting

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

Investment Properties

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

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

- a. a willing seller;
- b. that prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
- c. that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- d. that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- e. that both parties to a transaction had acted knowledgeably, prudently and without compulsion.

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

No depreciation is charged on Investment Properties.

Rental Income

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

Investments

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

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

Grants

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

Taxation

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

Pension Costs

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

1. Activities for Generating Funds	2013/14	2012/13
	£'000	£'000
Net UK Property Income		
Residential rents due for the year	2,097	2,146
Commercial rents due for the year	2,398	2,173
	-----	-----
Total Incoming Resources from property	4,495	4,319
	=====	=====
2. Cost of Generating Funds	2013/14	2012/13
	£'000	£'000
Property Management charges	294	208
Property Repairs and other expenses	581	445
	-----	-----
Total cost of generating income from property	875	653
Other management costs	242	381
	-----	-----
	1,117	1,034
	=====	=====

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.

	Grant Funded Activity	Support Costs	Total 2013/14	Total 2012/13
	£'000	£'000	£'000	£'000
Arts in Education	913	78	991	1,075
Bursaries	730	62	792	822
Children & Families	965	82	1,047	685
Education & Learning	1,111	95	1,206	857
Emotional Welbeing	615	53	668	505
Special Needs & disability	603	52	655	386
Sport	290	25	315	374
Training	332	28	360	272
Youth Clubs and Youth Activities	951	81	1,032	926
Youth Issues	305	26	331	187
Other	8	1	9	5
	-----	-----	-----	-----
	6,823	583	7,406	6,094
	=====	=====	=====	=====

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

4. Governance Costs	2013/14 £'000	2012/13 £'000
Administration fees	52	51
Audit fees - current year	30	23
- prior year under provision	12	6
Sundry expenses	13	3
Printing & stationery	19	16
Rent and rates	-	14
	<hr/>	<hr/>
	126	113
Valuation fees - current year	18	30
- prior year over/under provision	(1)	18
	<hr/>	<hr/>
	143	161
	<hr/> <hr/>	<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	2013/14 £'000	2012/13 £'000
Administration fees	52	128	180	178
Audit fees	42	-	42	29
Valuation fees	17	-	17	48
Printing & stationery	19	58	77	64
Seminars and sponsorship	-	30	30	11
Sundry expenses	13	-	13	3
Consultancy fees	-	30	30	23
Staff costs	-	252	252	222
Travel and other expenses	-	35	35	23
Rent, rates and service charge	-	50	50	48
	<hr/>	<hr/>	<hr/>	<hr/>
	143	583	726	649
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Administration of Charitable Grants

	2013/14 £'000	2012/13 £'000
Staff Costs		
Wages and salaries	202	175
Social security costs	18	16
Pension & health care contributions	32	31
	<hr/>	<hr/>
	252	222
	<hr/> <hr/>	<hr/> <hr/>

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

Average number of employees during year:

Grants staff	5	5
	<hr/>	<hr/>

In the current year one employee (2012/13 - one) was entitled to emoluments falling in the band of £60,001 - £70,000.

6. Investment Properties	2014 £'000	2013 £'000
Reversionary estate	43,153	46,562
Residential properties	64,149	57,770
Commercial Properties	47,500	43,775
	<hr/>	<hr/>
Market value	£154,802	£148,107
	<hr/> <hr/>	<hr/> <hr/>
	2014 £'000	2013 £'000
Balance at beginning of year	148,107	143,026
Additions at cost	1,022	12,697
Unrealised gain on revaluation	12,873	813
Disposals at valuation	(7,200)	(8,429)
	<hr/>	<hr/>
Balance at end of year	£154,802	£148,107
	<hr/> <hr/>	<hr/> <hr/>

The investment properties were revalued as at 31 March 2014 by Cluttons LLP, Chartered Surveyors, having been previously revalued as at 31 March 2013, in accordance with guidance set out in the Valuation and Appraisal Manual of the Royal Institution of Chartered Surveyors.

Properties forming the Charity's original endowment and properties acquired prior to 31 March 1997 were not recorded in the Balance Sheet at the date of acquisition; most of these were acquired many years ago and it is not practicable to identify and disclose the original cost, which is unlikely to be material. Properties acquired and capitalised improvements since 31 March 1997 and retained within the portfolio have a cost of £64.3m (2013 - £64.2m).

7. Investments

All investments are held in the Endowment Fund.

At 31 March 2014 the following investments accounted for more than 5% of the overall portfolio:

	%
INSTL Cash Series INSTL Sterling Liquidity GBP	7.28
The Growth Trust for Charities	18.78
Towers Watson Partners LP Fund	5.31
Landowne Developed Absolute N1	9.78
Legg Mason Global Fund Opps Prem	5.74
Schroder UK Opportunities Fund Z Inc	11.25
Schroder Strategic Credit Fund L Inc	8.31
Schroder Multi Manager Global Fund A Inc	7.02

	2014 £'000	2013 £'000
Free Fund	131,434	101,335
Special Fund	21,114	11,410
	<hr/>	<hr/>
Market value	152,548	112,745
	<hr/> <hr/>	<hr/> <hr/>
Historical cost	115,700	83,594
	<hr/> <hr/>	<hr/> <hr/>

7. Investments (continued)

Included in the above is cash invested and cash held for investment of £3,755,621 (2013 - £16,389) in the Special Fund and £11,116,259 (2013 - £437,901) 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 £2.955m (2013: £3.015m)

Investment movements in the year are summarised as follows:

	2014 £'000	2013 £'000
Balance at beginning of year	112,745	97,880
Investment purchases	35,295	38,625
Net investment realisations	(23,597)	(38,449)
Unrealised surplus/(loss) on revaluation	13,687	14,820
Net movement in cash held for investment	14,418	(131)
	<hr/>	<hr/>
Balance at end of year	152,548	112,745
	<hr/> <hr/>	<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 12th 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 31st March 2014 and 2015 is:

Year ended:	Asset Values £'000	4 year Average £'000	Expendable amount @ 4% £'000
31 st March 2010	201,945	185,701	-
31 st March 2011	218,761	193,754	-
31 st March 2012	240,536	207,409	8,296
31 st March 2013	275,461	234,176	9,367
31 st March 2014	307,416	260,543	10,422

The amount available for the year ended 31st March 2015 is £10,422,000.

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

	2013/14 £'000	2012/13 £'000
Expendable amount as above	9,367	8,296
Utilised	(7,529)	(3,407)
	<hr/>	<hr/>
Balance retained as unapplied	1,838	4,889
	<hr/> <hr/>	<hr/> <hr/>

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

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	2013/14 £'000	2012/13 £'000
Opening value of endowment fund at 1 April	275,461	240,536
Less: Opening value of the fund at 31 March 1997	(63,797)	(63,797)
Opening value of Total Return Funds	211,664	176,739
Add:		
Investment return – income	7,243	6,740
Investment return – realised/unrealised gains	33,375	32,674
	<u>252,282</u>	<u>216,153</u>
Less:		
Cost of generating funds	(1,117)	(1,034)
Governance costs	(17)	(48)
Unapplied total return before transfers carried forward	<u>251,148</u>	<u>215,071</u>
Return applied during the year	(7,529)	(3,407)
Unapplied total return as at 31 March	243,619	211,664
Add: value of the fund at 31 March 1997	63,797	63,797
Endowment fund including unapplied total return as at 31 March	<u><u>307,416</u></u>	<u><u>275,461</u></u>

9. Debtors

	2014 £'000	2013 £'000
Amounts due from tenants and managing agents	1,369	19,024
Other debtors and prepayments	35	43
	<u>1,404</u>	<u>19,067</u>

10. Creditors: amounts falling due within one year	2014	2013
	£'000	£'000
Grants payable	1,932	1,649
Other creditors and accruals	726	654
Bank overdraft	-	2,607
	<hr/>	<hr/>
	2,658	4,910
	<hr/> <hr/>	<hr/> <hr/>

11. Operating Lease Commitments

As at 31 March 2014, the minimum annual lease payments to which The Charity is committed under a non-cancellable operating lease is:

	2014	2013
	£'000	£'000
Expiring within two to five years	87	85
	<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 £237,188 (£251,979 in 2012/13) and The John Lyon School of £379,742 (£333,052 in 2012/13) to enable individuals resident in the beneficial area to attend those Schools, who would not be able to do so without that financial support. These grants are aimed at providing wider access to education at the schools and are consistent with the Founder's original intention for the application of his endowment.

In January 2012 the Charity purchased a property from The John Lyon School and leased it back to the school. As landlord the Charity has invested £1 million in the refurbishment of the building. The transaction was conducted on arms length terms and each party had separate valuation and legal advice. The transaction was approved by the Charity Commission.

Each member of the Corporation and the principal officers are required to complete a declaration of interest statement each year for the purpose of identifying and ensuring proper disclosure of such interests. Three grants totalling £102,000 (2012/13 – six grants totalling £191,655) 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.

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

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:

	2013/14	2012/13
	£'000	£'000
Salaries	222	222
Office costs	41	41
Computer and IT support	22	22
	—	—
	285	285
	=====	=====

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.

	2013/14	2012/13
	£'000	£'000
Fees charged to Endowment Fund in respect of the sale of investment properties	525	477
	—	—
	=====	=====

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:

	2013/14	2012/13
	£'000	£'000
Management fees and insurance commissions	293	208
Valuation and lease audit fees	17	48
Capital transaction fees	313	295
	—	—
	623	551
	=====	=====

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 £9.2 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

Contracts were exchanged on 9th April 2014 for the purchase of an investment property for £10.9 million which is due to be completed on 25th June 2014.

16. Reconciliation of Net Incoming Resources before Grants to Net Cash Inflow from Operating Activities	2013/14	2012/13
	£'000	£'000
Net incoming resources before grants	5,403	5,072
Grants from annual income	(6,823)	(5,606)
	-----	-----
Net outgoing resources after grants	(1,420)	(534)
Decrease/(Increase) in debtors	17,663	(17,620)
(Decrease)/Increase in creditors	(2,252)	2,799
Income from listed investments and deposit interest	(2,748)	(2,421)
	-----	-----
Net Cash inflow/(outflow) from Operating Activities	11,243	(17,776)
	=====	=====
17. Analysis of Cash Flows for Headings Netted in the Cash Flow Statement		
Capital Expenditure and Financial Investment Activities		
Net proceeds from property transactions	12,885	14,496
Expenses charged to Endowment Fund	(892)	(778)
Sale of investments	24,597	37,504
Purchase of investments (note 7)	(35,295)	(38,625)
(Increase)/decrease in cash held for investment (note 7)	(14,418)	131
	-----	-----
Net Cash (outflow)/inflow from Capital Expenditure and Financial Investment Activities	(13,123)	12,728
	=====	=====
Net Proceeds from Property Transactions		
Freehold/lease premium proceeds	13,907	27,193
Purchase of properties (note 6)	(1,022)	(12,697)
	-----	-----
	12,885	14,496
	=====	=====
Returns on Investment and Servicing of Finance		
Income from listed and unlisted investments	2,741	2,410
Deposit interest	7	11
	-----	-----
	2,748	2,421
	=====	=====

18. Analysis of net debt

	As at 1 April 2013 £'000	Cashflow £'000	As at 31 March 2014 £'000
Cash in hand and at bank (Overdraft)	452 (2,607)	868 2,607	1,320 -
	_____	_____	_____
Total	(2,155)	3,475	1,320
	=====	=====	=====