



JOHN LYON'S CHARITY

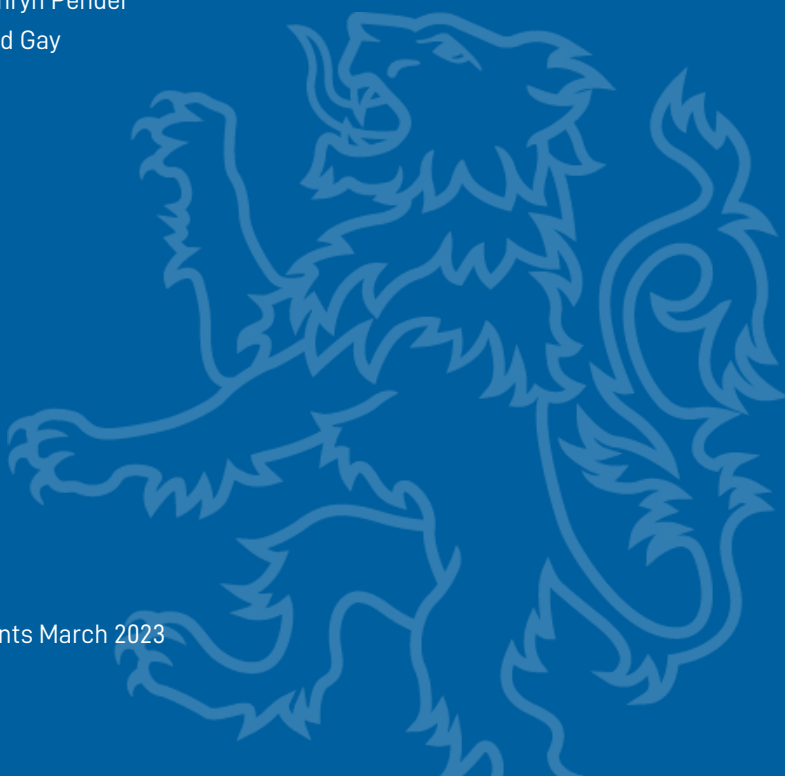


Report of the Trustee and Financial Statements

FOR THE YEAR ENDED
31 MARCH 2023

TRUSTEES AND ADVISERS

| | |
|--|--|
| 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 | Savoy Strand 105-109 Strand, London WC2R 0AA |
| 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, 15 Westferry Circus, Canary Wharf, London E14 4HD |
| Solicitors | Cripps LLP, 2nd Floor 80 Victoria Street, London SW1E 5JL |
| Investment Advisers | Cambridge Associates, 80 Victoria Street, London SW1E 5JL |
| Custodian | Cazenove Capital, 1 London Wall Place, London Wall, London EC2Y 5AU |
| Principal Officers | |
| Chief Executive Officer | Dr Lynne Guyton |
| Grants Director | Ms Cathryn Pender |
| Finance and Operations Director | Mr Lloyd Gay |



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 £186 million to 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. In the Financial Year ending March 2023 it paid grants of £14.96 million towards work in areas including 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.

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VISION



MISSION



VALUES



OBJECTIVES

TO TRANSFORM THE LIVES OF CHILDREN AND YOUNG PEOPLE TO LEARN, GROW & DEVELOP THROUGH EDUCATION.

OUR VISION

- To transform the lives of Children and Young People to learn, grow & develop through **education**

OUR MISSION

- **Education** is at the heart of John Lyon's Charity because it enables us to have the greatest possible impact on Children and Young People in our Beneficial Area. As an independent grant-giver we champion through thought leadership and work in partnership to create systems change for the wider benefit of the Children and Young People and Education sectors.

OUR VALUES

- John Lyon's Charity is a **collaborative** funder, working with grantees, government and trusts and foundations to ensure the needs of the Children and Young People and Education sectors are at the forefront of how we grant.
- We are an **independent** funder, we do not fundraise, and we do not bid for government contracts to provide services. We are apolitical and non-religious. This allows us to judge applications on their own merit.
- We are a **flexible** funder; we aim to be nimble in how we grant. We afford organisations with the space to think strategically, to experiment, to adjust and to have time for reflection.
- We are an **ambitious** funder and see our relationship with grantees as partnerships. Our aim is to be ambitious for the organisations we work with and aim to instil confidence in them.
- We are **dynamic** and passionate about who and what we fund. We also put the fun into funding by focusing on what children and young people need rather than responding to trends.

OUR OBJECTIVES

- To improve the life chances of children and young people through **access** to **education** and learning they might not otherwise have had.
- To be an **inclusive** funder by providing **educational** opportunities for children and young people regardless of faith, ethnicity, gender or special need.
- To build **capacity** for the CYP and **Education** sectors and its organisations.
- To promote **collaboration** between organisations to best serve the CYP and **Education** sectors.

CEO MESSAGE



The impact of Covid and the cost-of-living crisis is still making itself felt amongst the communities we serve in North and West London. The **15% increase in our total grant making** last year to £15M is a reflection of our increased commitment to charities through both our Home-School-Community (HSC) Strategy and through discretionary cost-of-living payments to grantees. HSC was launched specifically as a long-term response to the pandemic to strategically distribute funds over six years to strengthen the resilience of the CYP sector in our Beneficial Area. HSC has allowed the Charity to test out new ways of funding in response to the challenges of austerity and Covid. Crucially, this has been in addition to our 'usual' grant making.

The Children and Young People's sector has never felt more vulnerable in terms of funding and sustainability. We have seen a **46% increase in applications** to us in one year alone, and a **75% increase** over five years. The launch of our new strategy on 1st April 2023 looks to tackle the increasing demand on our funding by streamlining and focussing our grant funds on education, increasing the number and value of grants over £40K and awarding grants for up to five years.

The Charity's unique approach to grant making is born out of over 30 years of working with fixed parameters; the nine boroughs of the Beneficial Area (BA), and the focus of working with young people. These two requirements make the Charity different from other national or more generalist funders and guides the Charity in its thinking. The Charity's BA forms a constituency of young people that is unique in its make-up: it has four outer London boroughs and four inner London boroughs with a mix of inner-city wealth and poverty, including the wealthiest borough in the country, but also child poverty, in areas of North Westminster/South Brent higher than inner Glasgow and Liverpool.

Very few parts of the world rival London for the sheer scale of ethnic, linguistic and religious diversity and the North West of London, that the Charity operate in, is the most diverse of all. By most measures of diversity, the London Borough of Brent is the most ethnically diverse in the UK and Harrow is the most religiously diverse borough in the country. The BA is in many ways the arrival lounge of

the country, very often the first place that new waves of migrants come. This has shaped the structure and makeup of the voluntary sector in the BA, with a much higher proportion of groups serving these communities.

For a number of years now the Trust and Foundation world has been discussing how to deliver funding *in place* while also delivering *relational* grant making. These are two values that the Charity has consistently held as imperative to how it operates. The Charity has developed longstanding relationships with local communities, who in turn value the Charity as a key local stakeholder and an important part of the local funding ecology. As national funders look at ways to be close to their grantees, the Charity already has strong bonds with its grantees. Hence, our mantra of undertaking 'grant making by walking about', boosted by the work of the Young People Foundations (YPFs), has given the Charity a recognisable brand in the sector and in the Beneficial Area.

This closeness to the groups and end users does, however, create its own challenges. For many groups, securing a grant from the Charity is the difference between survival and closure. The austerity of the last 12 years has led to a number of the groups that used to deliver services in the BA closing with the end of public funding. What is left is a sector that is primarily made up of small and medium size organisations. Over the last three years, 66% of the organisations funded by the Charity had incomes of under £1M.

The Charity has always worked hand in hand with grantees to ensure their applications are fit for purpose. Organisations within the BA are able to cope with the shifting priorities of other Funders knowing that the Charity's remit of place and CYP remains. This will clearly continue, but with a tighter focus on education as well. We recognise that we cannot fund every CYP group in today's economic climate. Hence, by viewing applicants with this stricter educational lens we will concentrate on those organisations that we believe can be robust, resilient and sustainable for the sector in our BA. We won't push organisations to expand when it's not appropriate. But where we see opportunity, will look to build capacity for an organisation and the sector as a whole.

We also recognise that we need to be mindful of the funding ecology within our BA because over the past

30 years we have shaped funding of the sector significantly. We have seen that groups which are closer to the people better serve them and are better at working with and understanding the challenges that communities face.

The next two years will see further increases in our grant making as we get into the 'heavy lifting' phase of our HSC covid response; our HSC funds have increased from 15% of total grants given in 2021/22 to 22% last year. Our focus next year and beyond will be on ensuring that we target our funds to ensure that despite the challenges of the cost of living and the aftermath of covid we can create meaningful and life changing opportunities for children and young people.

Dr Lynne Guyton,
Chief Executive Officer

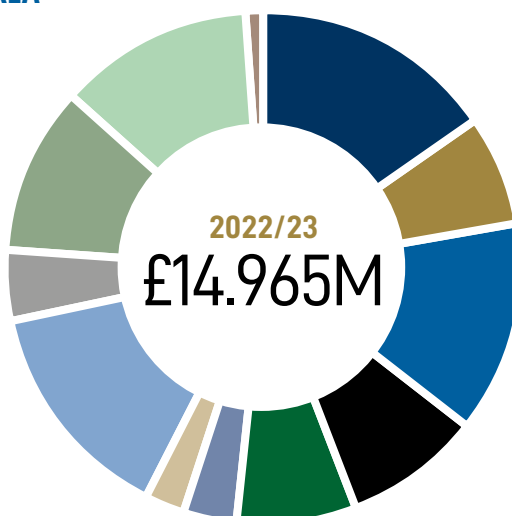


OVERVIEW OF GRANTS 2022/23

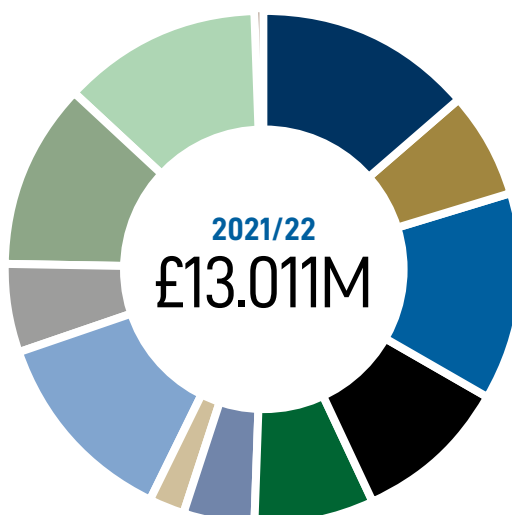
TOTAL GRANTS PAID £14.96M (2021/22 - £13.01M)

FUNDING BY PROGRAMME AREA

Grants to Arts & Science increased by 30%, Youth Clubs by 31% and Children & Families by 20% last year. The growth in all three of these Programme Areas can be largely explained by growth of the Home-School-Community Grants Programme. The Cultural Capital Fund accounts for 32% of Arts & Science spend whereas both Youth Clubs & Youth Activities and Children & Families were well represented within the Recovery, Replication and Collaboration Funds.



- Arts & Science **2,311**
- Children & Families **1,053**
- Education & Learning **1,983**
- Emotional Wellbeing **1,281**
- Special Needs & Disabilities **1,124**
- Sport **484**
- Training **401**
- Youth Clubs & Youth Activities **2,099**
- Youth Issues **668**
- Bursaries **1,597**
- Capacity Building **1,839**
- Restricted Grants **125**

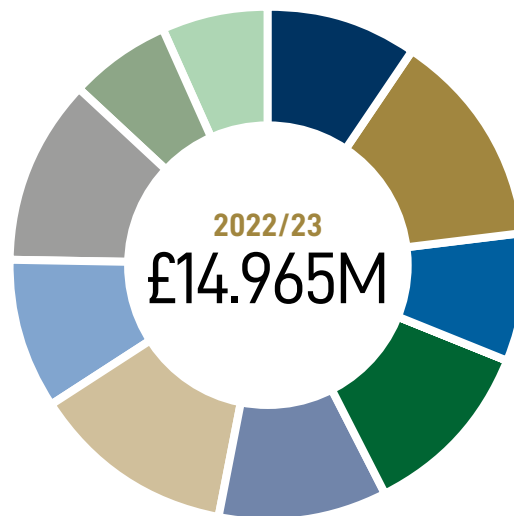


- Arts & Science **1,783**
- Children & Families **874**
- Education & Learning **1,687**
- Emotional Wellbeing **1,292**
- Special Needs & Disabilities **944**
- Sport **314**
- Training **401**
- Youth Clubs & Youth Activities **1,603**
- Youth Issues **724**
- Bursaries **1,527**
- Capacity Building **1,621**
- Restricted Grants **63**

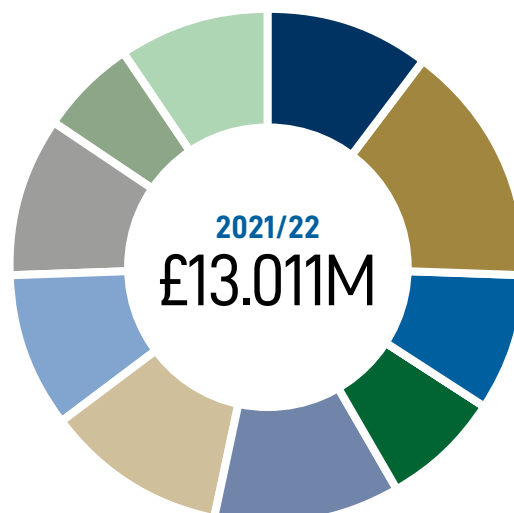
FUNDING BY BOROUGH

Both Ealing and Harrow saw a significant increase in spend under the HSC Grants Programme, with Harrow seeing over a 200% increase on the previous year.

Note: The difference between the bursaries in the Funding by Programme Area figure above and Funding by Borough – Discretionary Bursary is because there is one older bursary which is split 50% Brent and 50% Harrow for GDST so that is allocated to the boroughs rather than discretionary.



- Barnet **1,453**
- Brent **2,033**
- Camden **1,186**
- City of London **12**
- Discretionary **1,706**
- Discretionary – Bursary **1,560**
- Ealing **1,923**
- Hammersmith & Fulham **1,408**
- Harrow **1,743**
- Kensington & Chelsea **944**
- Westminster **997**



- Barnet **1,362**
- Brent **1,972**
- Camden **1,130**
- City of London **11**
- Discretionary **975**
- Discretionary – Bursary **1,509**
- Ealing **1,482**
- Hammersmith & Fulham **1,270**
- Harrow **1,310**
- Kensington & Chelsea **785**
- Westminster **1,205**

FUNDING BY GRANT TYPE

| £'000 | 2022/23 | 2021/22 |
|---------------------------------------|---------------|---------------|
| Schools in Partnership | 648 | 869 |
| Bursaries | 1,597 | 1,527 |
| Small Grants (below £5k) | 68 | 67 |
| Main Grant Fund | 6,681 | 6,829 |
| School Holiday Activity Fund (SHAF) | 366 | 361 |
| Internships | 94 | 106 |
| Capacity Building | 1,209 | 1,067 |
| Uplift (Cost of Living Payments) | 847 | 0 |
| Pupil Exclusion Prevention Initiative | 200 | 200 |
| Resilience (Covid Response) | 125 | 0 |
| Sub Total | 11,835 | 11,026 |
| Home-School-Community Funds | | |
| Cultural Capital | 855 | 705 |
| Recovery | 1,024 | 556 |
| Replication | 510 | 224 |
| YPF Small Grants | 500 | 500 |
| Collaboration | 241 | 0 |
| Sub Total | 3,130 | 1,985 |
| Total | 14,965 | 13,011 |

The Charity granted just shy of £1M in cost-of-living uplift grants to help charities that were feeling the squeeze on energy bills, rents and salaries. Grants for Capacity Building also saw an increase as we seek to cement the longevity and impact of the eight Young People Foundations in our Beneficial Area.

TOTAL NUMBER OF GRANT APPLICATIONS

| | 2022/23 | 2021/22 | 2020/21 | 2019/20 | 2018/19 |
|--------------|------------|------------|------------|------------|------------|
| Approved | 453 | 283 | 240 | 255 | 259 |
| Declined | 237 | 190 | 164 | 207 | 135 |
| Total | 690 | 473 | 404 | 462 | 394 |

690 applications were received during the last financial year, and as of 31st March 2023, 453 had been approved and 237 had been declined. The number received

represents a 75% increase in applications over the past five years, demonstrating that the demand for the Charity's funds has never been greater.

GRANT PAYMENTS BY VALUE

| Grant by size (£) | 22/23 No. of | 22/23 £ '000 | 21/22 No. of | 21/22 £ '000 | 20/21 No. of | 20/21 £ '000 | 19/20 No. of | 19/20 £ '000 |
|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 0-5,000 | 228 | 812 | 149 | 530 | 65 | 196 | 119 | 444 |
| 5,001-15,000 | 101 | 864 | 35 | 411 | 110 | 950 | 57 | 618 |
| 15,001- 40,000 | 275 | 8,384 | 249 | 7,629 | 275 | 8,062 | 265 | 7,435 |
| Over 40,000 | 80 | 4,905 | 69 | 4,441 | 48 | 3,012 | 38 | 2,273 |

The total number of grants made over £15,000 has been steadily increasing over the past five years. The cost-of-living crisis coupled with the impact of covid has been felt across our Beneficial Area and the request for larger grants is one consequence of this.

More significantly, as we look to have greater impact, the number and value of grants over £40,000 has increased from 21% in 2019/20 to 33% last year. With the launch of our new 5-year strategy on 1st April 2023 the aim will be to continue this trend by giving larger annual grants (up to £50K for Charities and up to £60K for Schools) for up to five years.



REPORT OF THE TRUSTEE

1. 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 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 2023 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 30th November 1991 subject to amendments in 1996, 2001, 2013 (when a minor change was made to value thresholds on consultation) and 2017 (on delegation powers and consultation with each Local Authority on grant allocations and percentages of grants per borough) and 2022 (to permit transactions between the Corporation as corporate trustee of JLC and the Corporation in its own capacity).

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 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, trustee's 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 dated 14 November 2018 made under section 105 of the Charities Act 2011, and a Scheme dated 14th April 2022 (made pursuant to section 69 of the Charities Act 2011).

B) CHARITY MANAGEMENT

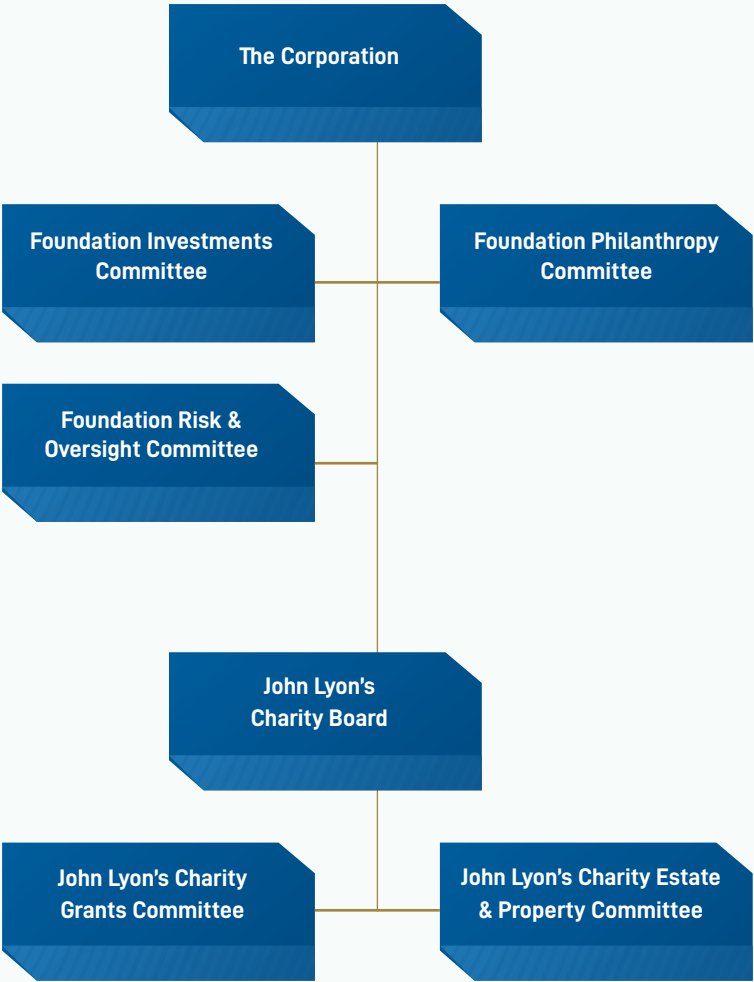
The Charity had an average total of 16 permanent staff in the year. The day-to-day management of the Charity's affairs is conducted through the Chief Executive Officer as the senior executive officer of the Charity reporting to the Trustee through the Charity Management Board. The senior management team includes the Grants Director and Finance and Operations Director.

C) STRUCTURE

The Charity has a clear organisational reporting governance structure with Terms of Reference (ToR) 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 ToR which set out its accountability and purpose. The ToRs are 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 2018. 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.

The Charity has a fully functioning Charity Management Board with seven members comprising six Governors representing the Trustee and one independent member. The Charity's search for an eighth (and independent) member should be concluded shortly.



John Lyon's Charity Governance Structure

Charity Management Board

The purpose of the Board is to supervise and from time to time direct the management and administration of the Charity.

Grants Committee

The purpose of the Committee is to supervise and from time to time direct the management and administration of the Charity's grant making activities.

Estate & Property Committee

The purpose of the Committee is to supervise and from time to time direct and make decisions in connection with the management and administration of the Charity's Property Portfolio.

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).

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 Adviser, responsibility for determining the appropriate financial investments.

Foundation Risk and Oversight Committee

The purpose of the Committee is take responsibility for and have oversight of all risks for each Foundation entity collectively and individually. Mitigation and reduction of risk is agreed and pursued.

D) FUTURE STRATEGY

We recently conducted a strategic review as there are both 'push' and 'pull' factors as to why we need to take stock and think about the future strategic direction of the Charity. This will require the Charity to continue to be both proactive as well as responsive.



INTERNAL RATIONALE:

The Charity last completed a strategy review in 2017/18. Since then, the Charity has grown, the economic landscape has changed, and we need to ensure we have the vision, mission and objectives that are fit for purpose for the next five years.

The demand for our funding is increasing and our staff are already stretched managing over 500 grants. We cannot fund everything in the CYP sector.



EXTERNAL RATIONALE:

The impact of a shrinking welfare state caused by the effects of austerity, Covid-19 and a Cost-of-Living crisis is threatening the sustainability of the CYP sector in our Beneficial Area.

The funding landscape is changing towards greater collaboration, sharing of resources and research. Our stature has increased over the past five years, and we now have the opportunity to cement our place as a leader in systems change for the sector.

There is an increasing need to refine our focus to ensure the biggest impact in light of the current landscape.

KEY CHANGES PROPOSED

FOCUS:

- A tighter **educational** focus to inform grants chosen to align with our wider Foundation strategy.
- Expansion and implementation of learning and evaluation to better assess impact and outcomes of grant giving.
- As a thought leader and collaborator with government and the Trusts and Foundation (T&F) sector.

PROGRAMME AREAS:

- Streamline from eleven to four.

BURSARIES:

- Continue to fund a small number of 100% bursaries at the two Foundation Schools and Christ's Hospital School.

GRANT PERIOD:

- Increase maximum duration for Main Grants from three to up to five years; security of funding is key in the CYP and Education sectors.

GRANT SIZE:

- Increase in average Main Grant size from £30K p.a. to £40K–£50K p.a.
- Increase in average Schools in Partnership Grant size from £50K p.a. to £60K p.a.
- Increase in SHAF Grant from £4K to £5K.

GRANT FUNDS:

- Introduction of a Refurbishment Fund.
- Introduction of a Gateway Fund for organisations new to the Charity.
- Removal of Small Grants Fund

GRANT NUMBERS/TYPE:

- Fewer, larger, longer grants to be awarded

There are a number of working practices the Charity advocates that are now commonly recognised as exemplars within the T&F sector. This places the Charity as a leader and trusted friend in the sector.

- Its commitment to place-based funding offering 'grantmaking by walking around' is rare in the T&F world yet proven to be effective. Other funders turn to us for references on our grantees and others are now turning to place-based funding.
- Since its inception, the Charity has advocated for the importance of core costs. More than ever before, T&Fs are turning to consider funding what is vital.

The Charity has long been a proponent of investment in systems change and local infrastructure. Examples include the Charity's approach to Emotional Wellbeing in schools (with collaboration between local schools, charities and the Local Authority), piloting new ways of working (the Excluded Programme is supporting new ways to help schools and pupils navigate without permanent exclusions) and the establishment and replication of the YPF Model which has introduced the Charity to new audiences nationwide. Establishing new programmes like these underpins the Charity's commitment to wider community engagement and its ability to act as an advocate and to champion local community voices. We will increase our visibility amongst funder panels, grantees and government by committing to fund research and best practice in the CYP sector (e.g. Propel, Foundation Practice Rating), that gives the Charity a voice in shaping the sector for the future.

The Charity works incredibly closely with YPFs and this gives the Charity a valuable and effective platform from which to influence wider policy and further build its reputation in the sector as an innovator and 'Thought Leader'. The role that the YPFs are playing nationally in setting the direction of both Youth Policy and local collaboration more generally is significant and it is reshaping the sector far beyond the Charity's own Beneficial Area.

The learning and tools garnered from the process of establishing new initiatives such as the YPFs will be harnessed to support the Charity's ambition to reinforce change in other priority areas in the CYP sector (e.g. Arts education). This is about providing capacity building for the sector.

The Charity has the privilege of a large, diverse voluntary sector within its Beneficial Area, and it has refined its grant making over the many years to reflect this. As we move forward with a new strategy our aim is to have the biggest impact possible on the CYP and Education sectors by utilising the skills and knowledge of the wider Foundation family. The next chapter for the Charity and the Foundation's philanthropy will be exciting, meaningful and create a positive transformation for the CYP sector over the next five to ten years.



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 the current total return policy was adopted by the Trustee on 20th March 2021.

In determining the initial unexpended total return, the Trustee had 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 of 31st March 2023, the unapplied total return fund is £326 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 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.

From April 2019 the value available for expenditure has been calculated using the total return rate of 3.5%. This is reviewed by the Charity Management Board on an annual basis.

As a long-term response to the impact of Covid-19 on the Charity's beneficial area the Trustee approved an "Agreed Additional Spend" of £22 million to be applied during the six-year period representing the financial years ending 31st March 2022 to 31st March 2028. The additional funding was approved in March 2021 and will be allocated for spending under the Charity's "Home - School - Community" Covid 19 response strategy. The expendable amount applicable to the strategy will be determined on an annual basis by the Trustee. (i.e. without the wording regarding being added to the amount available).

INVESTMENT POLICY

A formal investment policy is in place setting out the strategic asset allocation. This includes an ESG statement to which the Charity adheres and takes seriously. 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 Investments Committee and the Charity Management Board.

The financial assets portfolio's asset allocation should reflect the Charity's long-term investment objectives and risk tolerances. The portfolio shall be allocated between three primary asset groupings, defined by their role in the portfolio:

- **Growth Assets;** comprising equities and equity-like assets (liquid and illiquid) to drive portfolio growth, support spending and maintain real value over the long term.
- **Diversifiers;** including credit, hedge funds and other alternative assets producing returns with a low correlation to equities to reduce volatility and diversify the portfolio's sources of economic returns.
- **Liquidity Reserves;** comprising government bonds, high quality short-dated credit and cash to provide liquidity to meet spending and other cash requirements during periods of economic stress.

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 £4.6 million have been received (2021/22 - £2.0 million). The residual value of the reversionary properties as of 31st March 2023 is £34.1 million (2021/22 - £34.5 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 surplus proceeds of the St John's Wood estate in both commercial properties and in the investment portfolio, with several prime residential properties on the original estate being retained where vacant possession has been obtained.

OUR APPROACH TO RESPONSIBLE INVESTMENTS

As custodians of an endowment, we endeavour to use all our assets, including investments and properties, to have the greatest possible positive impact on children and young people in our Beneficial Area.

We recognise the importance of environmental, social and corporate governance (ESG) issues in the selection and management of investments within our portfolio. Our Investments Committee asks all our fund managers to have an ESG policy in place and to incorporate an assessment of ESG into their decision-making processes. The Investments Committee also ensures that a consideration of ESG factors are a standard part of our selection process when appointing new fund managers.

UNDERLYING INVESTMENT PRINCIPLES

The underlying principle of John Lyon's Charity's is that it should be an exemplar Foundation, existing in perpetuity with education at the heart of its cause.

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 Charity holds assets invested in a variety of financial instruments, residential and commercial property. Both income and some capital are used to finance the grant making activities under a Total Return Policy (TRP).

The Charity takes a long-term view of its assets and this is demonstrated through the market positions it takes with regard to both financial and property investments.

The investment objective of the property portfolio is to generate a level of net yield in real terms of at least 3.5% across the combined property portfolio. The investment objective is to generate a total return of inflation (CPI) plus 4% per annum over the long term, (after expenses) for the financial investment portfolio.

The Total Return on total assets (before management expenses) in the year is reflected at note 11 and is negative at –£26.5 million (2022 = £60.6 million). Total net assets are valued of £391.0 million, representing a 10.3% decrease on the previous year.

ASSET ALLOCATION

| Asset Class | Value at 31 Mar 23 | | Value at 31 Mar 22 | |
|---------------------------------|--------------------|-------------|--------------------|-------------|
| | £'000 | % | £'000 | % |
| Investment Assets | | | | |
| Fixed Interest | 25,687 | 7% | 17,328 | 4% |
| UK Equities | 17,528 | 5% | 18,372 | 5% |
| Global Equities | 74,241 | 19% | 77,942 | 18% |
| Hedge funds/ Alternatives | 21,085 | 5% | 23,432 | 5% |
| Unlisted investments | 346 | 0% | – | – |
| Sterling cash | 15,313 | 4% | 22,782 | 5% |
| Other investments | 7 | 0% | 7 | 0% |
| Total Investments | 154,207 | 40% | 159,863 | 37% |
| Property Assets | | | | |
| Residential Estate | 67,477 | 17% | 65,162 | 15% |
| Commercial Property | 122,040 | 31% | 163,050 | 37% |
| Indirect Property Funds | 5,172 | 1% | 10,326 | 2% |
| Total Property | 194,689 | 49% | 238,538 | 54% |
| Investment Assets Totals | 348,896 | 89% | 398,401 | 91% |
| Reversionary Estate | 34,100 | 9% | 34,542 | 8% |
| Other Net Assets | 8,024 | 2% | 3,106 | 1% |
| Total Net Assets | 391,020 | 100% | 436,049 | 100% |

The total value of investment assets at the year-end is £159.4 million (2022 = £170.2 million), including indirect property funds, and shows a decrease in value of 6.4% on the previous year. Included in the decrease in the value of the investments assets is £5.1 million which relates to a sale of 50% of the holding in the indirect property fund which was subject to exchange of contracts at the year end with settlement being completed post year end. The debtor representing the proceeds of sale is reflected at note 12. The total return on the Investment Portfolios was £0.90 million, 0.69% (2022 = £8.96 million, 6.2%).

The Charity has continued to hold investment property assets in both residential and commercial property. The residential property portfolios have continued to perform well with minimal voids in the residential estate in the year. Commercial property has been impacted by a softening in the market and this has particularly impacted the property assets within the industrial sector.

The Charity's residential property estate shows unrealised gains based on year end valuation of £2.3 million (2022 = profits £1.8 million). The commercial property assets showed a loss on valuation of £41.04 million (2022 = profit £33.4 million).

ANNUAL INCOME

The income of the Charity derived from its assets totalled £9.54 million, from £9.54 million in 2021/22.

RESERVES POLICY

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

ANNUAL EXPENDITURE

During 2022/23 the Charity spent £14.96 million (2022 = £13.01 million) on grants, while operational support costs related to charitable activities was £1.4 million (2022 = £1.2 million). Expenditure on raising funds was £3.1 million (2022 = £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 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, £8.9 million in 2023/24, £4.9 million in 2024/25 and £0.74million 2025/26. A further £1.0 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 18.

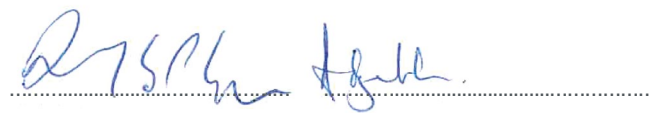
RISK MANAGEMENT

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.

In terms of protecting our assets and income from the effects of a bear market or recession, we are confident that the long-term strategic approach we take to all of our investments will mitigate any short-term falls in performance.

AUDITORS

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



D Eyton

A Butler

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.

23 June 2023



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 2023 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2023, and of its incoming resources and application of resources, including its income and expenditure, 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

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

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 contained within the Report of the Trustee. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 Trustee's 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 Trustee determines 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 the Act and relevant regulations made or having effect thereunder.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the charity and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, sector research and application of cumulative audit knowledge and experience.
- We determined the principal laws and regulations relevant to the charity in this regard to be those arising from the Charities Act 2011, Financial Reporting Standard 102, relevant property law and regulations, and relevant employee legislation.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the Charity with those laws and regulations. These procedures included, but were not limited to enquiries of management, review of minutes and review of legal and regulatory correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that there was potential for management bias in the valuation of investment properties. We addressed this through review of the valuation reports prepared by management's expert, testing the accuracy and completeness of inputs to their calculation, and challenging any assumptions applied in the valuations for example by agreement to third party metrics.

- We also identified potential for management bias in the judgements made around recoverability of debtors. We addressed this through examination of post year end cash received, review of correspondence with debtors and discussion of recoverability with management.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

USE OF OUR REPORT

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 charity's trustees 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 charity's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.



PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

Date: **28 July** 2023

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 | Unrestricted Fund | Endowment Fund | Total Funds 2022/23 | Total Funds 2021/22 |
|--|------|-----------------|-------------------|-----------------|---------------------|---------------------|
| | | £'000 | £'000 | £'000 | £'000 | £'000 |
| Income and Endowment from: | | | | | | |
| Charitable Activities | | 1,020 | – | – | 1,020 | 63 |
| Property Investments | 2 | – | – | 7,148 | 7,148 | 7,537 |
| Investments | 3 | – | – | 2,397 | 2,397 | 2,006 |
| Other Income | 4 | – | – | – | – | 2,058 |
| Total Income and Endowment | | 1,020 | – | 9,545 | 10,565 | 11,664 |
| Expenditure on: | | | | | | |
| Raising Funds | 5 | – | – | 3,136 | 3,136 | 2,195 |
| Charitable Activities | 6–7 | 125 | 16,222 | – | 16,347 | 14,179 |
| Total Expenditure | | 125 | 16,222 | 3,136 | 19,483 | 16,374 |
| Net (Losses)/Gains on Property Investments | | – | – | (34,636) | (34,636) | 38,501 |
| Net (Losses)/Gains on Investments | | – | – | (1,475) | (1,475) | 10,533 |
| Net Income/(Expenditure) | | 895 | (16,222) | (29,702) | (45,029) | 44,324 |
| Transfers Between Funds | 11 | – | 16,222 | (16,222) | – | – |
| Net Movement in Funds | | 895 | – | (45,924) | (45,029) | 44,324 |
| Reconciliation of Funds: | | | | | | |
| Total Funds Brought Forward | | 1 | – | 436,048 | 436,049 | 391,725 |
| Balance at End of Year | | 896 | – | 390,124 | 391,020 | 436,049 |

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

Details of the Restricted Fund income can be found at note 15C.

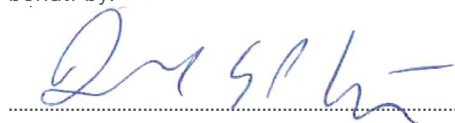
Comparative figures for the respective funds are set out in Note 1.

The Accounting Policies and Notes on pages 30–47 form part of these Financial Statements.

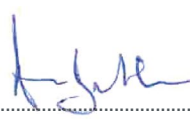
BALANCE SHEET AS AT 31 MARCH 2023

| | Note | 2023 | 2022 |
|--|------|----------------|----------------|
| | | £'000 | £'000 |
| Fixed Assets | | | |
| Tangible assets | 8 | 31 | 17 |
| Investment properties | 9 | 223,617 | 262,754 |
| Investments | 10 | 159,379 | 170,189 |
| | | 383,027 | 432,960 |
| Debtors: due within more than one year | 12 | 422 | – |
| Current Assets | | | |
| Debtors | 12 | 7,173 | 1,071 |
| Cash at bank | | 4,558 | 6,679 |
| | | 11,731 | 7,750 |
| Creditors: due within one year | 13 | (4,160) | (4,661) |
| Net Current Assets | | 7,571 | 3,089 |
| Net Assets | | 391,020 | 436,049 |
| Represented by: | | | |
| Endowment fund | 15a | 390,124 | 436,048 |
| Unrestricted fund | 15b | – | – |
| Restricted fund | 15c | 896 | 1 |
| | | 391,020 | 436,049 |

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 23 June 2023 and signed on the Trustee's behalf by:



D Eyton



A Butler

The Accounting Policies and Notes on pages 30–47 form part of these Financial Statements.

CASH FLOW STATEMENT YEAR ENDED 31 MARCH 2023

| | Note | 2022/23 | 2021/22 |
|--|------|----------------|--------------|
| | | £'000 | £'000 |
| Net Cash outflow from Operating Activities | 21 | (18,329) | (7,136) |
| Net Cash inflow from Capital Expenditure and Financial Investment Activities | 22 | 13,811 | 7,527 |
| Returns on Investment and Servicing of Finance | 22 | 2,397 | 2,064 |
| (Decrease)/Increase in Cash in the Period | | (2,121) | 2,455 |
| Cash at the beginning of the year | | 6,679 | 4,224 |
| Movement in cash in the year | | (2,121) | 2,455 |
| Cash at the end of the year | | 4,558 | 6,679 |

The Accounting Policies and Notes on pages 30–47 form part of these Financial Statements.



JOHN LYON'S CHARITY 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 principal 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 January 2019.

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. A review of the Charity's current activity and future commitments has concluded that the Charity has enough liquid assets which can be realised to meet the rate of expenditure under the current total return policy which is itself based upon valuation. In addition, the Charity operates with a minimal cost base.

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 fair 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.

Properties have been valued individually on the basis of fair value, in accordance with RICS Valuation – Global Standards 2022 and UK National Supplement (known as "The Red Book"), incorporating the International Valuation Standards 2020.

Fair value is considered to be market value as defined by The Red Book being: 'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each 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.

FIXED ASSET INVESTMENTS

Investments are recorded at cost and are stated at fair value at the balance sheet date. The unrealised gains and losses arising as a result are included in the Statement of Financial Activities (SOFA) together with any realised gains and losses on any investments disposed of in the year.

Financial assets, including investments in equity instruments are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried, where possible, at fair value and the changes in value are recognised in the SOFA. Assets are considered for indications of impairment, with any impairment then recognised 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.

1. ANALYSIS OF THE STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 MARCH 2022

| | Restricted Fund 2021/22 | Unrestricted Fund 2021/22 | Endowment Fund 2021/22 | Total Funds 2021/22 |
|-----------------------------------|----------------------------|------------------------------|---------------------------|------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Income and Endowment from: | | | | |
| Charitable activities | 63 | – | – | 63 |
| Property investments | – | – | 7,537 | 7,537 |
| Investments | – | – | 2,006 | 2,006 |
| Other Income | – | – | 2,058 | 2,058 |
| Total Income and Endowment | 63 | – | 11,601 | 11,664 |
| Expenditure on: | | | | |
| Raising funds | – | – | 2,195 | 2,195 |
| Charitable activities | 63 | 14,116 | – | 14,179 |
| Total Expenditure | 63 | 14,116 | 2,195 | 16,374 |
| Net Gains on Property Investments | – | – | 38,501 | 38,501 |
| Net Gains on Investments | – | – | 10,533 | 10,533 |
| Net Income/(Expenditure) | – | (14,116) | 58,440 | 44,324 |
| Transfers between funds | – | 14,116 | (14,116) | – |
| Net Movement in Funds | – | – | 44,324 | 44,324 |
| Reconciliation of Funds: | | | | |
| Total funds brought forward | 1 | – | 391,724 | 391,725 |
| Balance at end of year | 1 | – | 436,048 | 436,049 |

2. INCOME FROM PROPERTY

| | 2022/23 | 2021/22 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Residential rents | 2,456 | 2,537 |
| Commercial rents | 4,692 | 5,000 |
| Total Incoming resources from property | 7,148 | 7,537 |

3. INCOME FROM INVESTMENTS

| | 2022/23 | 2021/22 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Investments | 2,344 | 1,596 |
| Bank and deposit interest | 53 | 2 |
| Loan interest | – | 408 |
| Total Incoming resources from investments | 2,397 | 2,006 |

4. OTHER INCOME

| | 2022/23 | 2021/22 |
|---|----------|--------------|
| | £'000 | £'000 |
| Dilapidations recharged | – | 58 |
| Prior amounts written off now recovered | – | 2,000 |
| Total other incoming resources | – | 2,058 |

5. EXPENDITURE ON RAISING FUNDS

| | 2022/23 | 2021/22 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Property management charges | 485 | 399 |
| Property repairs and other expenses | 1,695 | 913 |
| Total cost of generating income from property | 2,180 | 1,312 |
| Other management and support costs | 956 | 883 |
| | 3,136 | 2,195 |

6. 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 2022/23 | Grant Funded Activity | Support Costs | Total 2021/22 | Grant Funded Activity | Support Costs |
|--|------------------|-----------------------------|------------------|------------------|-----------------------------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Arts & Science | 1,478 | 1,353 | 125 | 1,197 | 1,098 | 99 |
| Children & Families | 957 | 876 | 81 | 874 | 802 | 72 |
| Education & Learning | 1,914 | 1,741 | 173 | 1,650 | 1,513 | 137 |
| Capacity Building | 1,404 | 1,285 | 119 | 1,219 | 1,117 | 102 |
| Emotional Wellbeing | 1,016 | 929 | 87 | 1,207 | 1,107 | 100 |
| Special Needs & Disability | 967 | 885 | 82 | 850 | 780 | 70 |
| Sport | 524 | 479 | 44 | 631 | 579 | 52 |
| Training | 438 | 402 | 36 | 341 | 313 | 28 |
| Youth Clubs and Youth Activities | 1,903 | 1,743 | 160 | 1,692 | 1,553 | 139 |
| Youth Issues | 458 | 420 | 39 | 626 | 574 | 52 |
| Bursaries | 1,744 | 1,597 | 147 | 1,666 | 1,527 | 139 |
| Restricted grants | 125 | 125 | – | 63 | 63 | – |
| | 12,928 | 11,835 | 1,093 | 12,016 | 11,026 | 990 |
| Home – School – Community Strategic Funds | | | | | | |
| Cultural Capital Fund | 934 | 855 | 79 | 768 | 705 | 63 |
| Recovery Fund | 1,119 | 1,024 | 95 | 606 | 556 | 50 |
| Replication Fund | 557 | 510 | 47 | 244 | 224 | 20 |
| Collaboration Fund | 263 | 241 | 22 | – | – | – |
| YPF Small Grants Fund | 546 | 500 | 46 | 545 | 500 | 45 |
| | 16,347 | 14,965 | 1,382 | 14,179 | 13,011 | 1,168 |

7. SUPPORT COSTS

The breakdown of support costs is shown in the table below. The allocation to Charitable Activities is shown in Note 6 above.

| | | 2022/23 | 2021/22 |
|---------------------|-------------------------------------|--------------|--------------|
| | | £'000 | £'000 |
| Audit fees | – current year | 27 | 26 |
| | – prior year (over)/under provision | 5 | 4 |
| Valuation fees | – current year | 30 | 27 |
| | – prior year (over)/under provision | 6 | 8 |
| Depreciation | | 11 | 8 |
| Consultancy fees | | 74 | 38 |
| Staff costs | | 791 | 695 |
| Operating lease | – office equipment | 7 | 7 |
| Other support costs | | 431 | 355 |
| | | 1,382 | 1,168 |

| | | 2022/23 | 2021/22 |
|-------------------------------------|--|--------------|--------------|
| | | £'000 | £'000 |
| Staff costs | | | |
| Wages and salaries | | 904 | 830 |
| Social security costs | | 111 | 94 |
| Pension & health care contributions | | 165 | 150 |
| | | 1,180 | 1,074 |

Included in the above amount is salary costs of £389,567 (2022 - £379,382) which relates to expenditure on raising funds and are reflected within other management costs in Note 5.

The Charity contributes as a minimum 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: | 16 | 14 |
|---|-----------|-----------|

7. SUPPORT COSTS *CONTINUED*

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

| | 2022/23 | 2021/22 |
|---------------------|---------|---------|
| | £'000 | £'000 |
| £70,001 - £80,000 | 1 | 1 |
| £80,001 - £90,000 | – | 1 |
| £90,001 - £100,000 | 2 | 1 |
| £160,001 - £170,000 | 1 | 1 |

The total amount of employee benefits received in the year by key management personnel, was £472,371 (2022 - £449,948). The Charity considers its key management personnel to comprise the Chief Executive Officer, Grants Director, Finance & Operations Director and the Trustee.



8. TANGIBLE FIXED ASSETS

| | Furniture & Equipment | Total |
|--|-----------------------|------------|
| | £'000 | £'000 |
| Cost at 1 April 2022 | 113 | 113 |
| Additions in the year | 25 | 25 |
| Disposal in the year | – | – |
| At 31 March 2023 | 138 | 138 |
| Accumulated depreciation at 1 April 2022 | 96 | 96 |
| Depreciation charge in year | 11 | 11 |
| Accumulated depreciation on disposal | – | – |
| At 31 March 2023 | 107 | 107 |
| Net Book Value at 31 March 2023 | 31 | 31 |
| Net Book Value at 31 March 2022 | 17 | 17 |

9. INVESTMENT PROPERTIES

| | 2023 | 2022 |
|---------------------------------------|-----------------|----------------|
| | £'000 | £'000 |
| Reversionary estate | 34,100 | 34,542 |
| Residential properties | 67,477 | 65,162 |
| Commercial properties | 122,040 | 163,050 |
| Market value | 223,617 | 262,754 |
| Balance at beginning of year | 262,754 | 229,326 |
| | – | – |
| Unrealised (loss)/gain on revaluation | (36,181) | 37,848 |
| Disposals at valuation | (2,956) | (4,420) |
| Balance at end of year | 223,617 | 262,754 |

The investment properties (Residential properties, Commercial properties and Reversionary Estate) were revalued as at 31 March 2023 by Cluttons LLP, Chartered Surveyors, 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 £1.7 million (2021/22 – £0.8 million).



10. INVESTMENTS

| | 2023 | 2022 |
|-----------------------------|---------|---------|
| | £'000 | £'000 |
| Listed investments | | |
| Free (Main) Fund | 146,940 | 151,370 |
| Special Fund | 12,093 | 18,819 |
| | 159,033 | 170,189 |
| Unlisted investments | 346 | – |
| Market value | 159,379 | 170,189 |
| Historical cost | 150,271 | 157,581 |

At the year end the Charity was committed to investing \$2.3M into a private equity unlisted investment through Hollyport Secondary Opportunities VIII management Ltd.

Included in listed investments is sterling cash invested and cash held for investment of £8,399,474 (2021/22 = £14,296,444) in the Special Fund and £6,914,357 (2021/22 = £8,485,702) in the Free Fund. The Special Fund is defined in the Governing Documents.

| | 2023 | 2022 |
|--|----------|----------|
| | £'000 | £'000 |
| Balance at beginning of year | 170,189 | 162,117 |
| Investment purchases | 16,636 | 25,558 |
| Net investment realisations | (18,940) | (28,752) |
| Unrealised gain/(loss) on revaluation | (1,037) | 7,960 |
| Net movement in cash held for investment | (7,469) | 3,306 |
| Balance at end of year | 159,379 | 170,189 |

Net investment realisations resulted in realised gains of £0.44m (2021/22 = gains of £2.57m).

10. INVESTMENTS *CONTINUED*

At 31 March 2022 the following investments accounted for more than 5% of the overall portfolio:

| | 2023 | 2022 |
|---|------|------|
| | % | % |
| Children's Investment Fund USD Class | 5.6 | 6.2 |
| The NT World Equity Index Feeder | 13.1 | 14.0 |
| Ownership Capital Global Equity | 6.9 | 6.6 |
| Russell Acadian Global Managed | 6.3 | 7.7 |
| Institutional GBP Liquidity Fund | 5.3 | 13.4 |
| Unite student accommodation | 6.1 | 6.1 |
| The Emerging World Fund | 5.2 | 5.0 |
| Stewart Investors Global Emerging Markets Sustainability Fund | 5.0 | 5.1 |
| Maj Invest Global Value | 6.7 | 7.4 |
| Heronbridge UK Equity Fund | 5.8 | 5.3 |
| Pimco income Fund | 5.6 | – |
| Jupiter UK Alpha Fund | 5.3 | 5.6 |



11. 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 total return policy (which has been set and adopted by the Trustee in accordance with the 2006 Order) provides that the amount to be applied annually is determined by taking an average of the value of the Charity's net assets on the last four balance sheet dates. The policy allows the Trustee to expend up to 3.5% 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 2023 and 2024 is:

| Year ended: | Net asset Values | 4 year Average | Expendable Percentage of Average | Expendable Amount |
|----------------------|---------------------|-------------------|-------------------------------------|----------------------|
| | £'000 | £'000 | % | £'000 |
| 31 March 2020 | 345,398 | 361,163 | 3.50 | 12,641 |
| 31 March 2021 | 391,725 | 367,761 | 3.50 | 12,872 |
| 31 March 2022 | 436,048 | 384,458 | 3.50 | 13,456 |
| 31 March 2023 | 391,113 | 391,071 | 3.50 | 13,687 |

The amount available for the year ended 31 March 2023 was £13,456,033, and for year ending 31 March 2024 is £13,687,484.

| | 2022/23 | 2021/22 |
|----------------------------------|----------|----------|
| | £'000 | £'000 |
| Expendable amount | 13,456 | 12,872 |
| Additional expendable amount | 2,766 | 1,244 |
| | 16,222 | 14,116 |
| Transferred to Unrestricted Fund | (16,222) | (14,116) |
| Reinvested | – | – |

11. APPLICATION OF THE POWER OF TOTAL RETURN *CONTINUED*

| Movements in the Total Return Fund in the Year and Application of Total Return from the Endowment Fund | 2022/23 | 2021/22 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Opening value of endowment fund at 1 April | 436,048 | 391,724 |
| Less: Opening value of the fund at 31 March 1997 | (63,797) | (63,797) |
| Opening value of Total Return Funds | 372,251 | 327,927 |
| Add: | | |
| Investment return – income | 9,638 | 11,601 |
| Investment return – realised/unrealised gains | (36,111) | 49,034 |
| | 345,778 | 388,562 |
| Less: | | |
| Raising funds | (3,136) | (2,195) |
| Unapplied total return before transfers carried forward | 342,642 | 386,367 |
| Return applied during the year | (16,222) | (14,116) |
| Unapplied total return as at 31 March | 326,420 | 372,251 |
| Add: value of the fund at 31 March 1997 | 63,797 | 63,797 |
| | 390,217 | 436,048 |

12. DEBTORS

| | 2023 | 2022 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Amounts due from tenants and managing agents | 2,152 | 987 |
| Other debtors and prepayments | 21 | 84 |
| Proceed receivable on investment sale completed after year end | 5,000 | – |
| Due within one year | 7,173 | 1,071 |
| Due within more than one year | 422 | – |
| | 7,595 | 1,071 |

13. CREDITORS:

| | 2023 | 2022 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Creditor amounts falling due within one year: | | |
| Grants payable | 3,405 | 4,046 |
| Other creditors and accruals | 755 | 615 |
| | 4,160 | 4,661 |

14. OPERATING LEASE COMMITMENTS

As at 31 March 2023 the total minimum payments to which The Charity is committed under non-cancellable operating leases for property and office equipment are:

| | 2023 | 2022 |
|--|--------------|----------|
| | £'000 | £'000 |
| Due within one year | 220 | 54 |
| Due within two and not later than five years | 860 | – |
| Due over five years | 890 | |
| | 1,970 | 9 |



15. 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 the Charity for its Recovery Fund, for the provision of grants to strengthen children & young people's organisations in its beneficial area.

2022/23

| | Balance brought forward | Income | Expenditure | Transfers | Gains/ (losses) | Balance carried forward |
|--------------|-------------------------------|--------|-------------|-----------|--------------------|-------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Endowment | 436,048 | 9,545 | (3,136) | (16,222) | (36,111) | 390,124 |
| Unrestricted | – | – | (16,222) | 16,222 | – | – |
| Restricted | 1 | 1,020 | (125) | – | – | 896 |
| | 436,049 | 10,565 | (19,483) | – | (36,111) | 391,020 |

2021/22

| | Balance brought forward | Income | Expenditure | Transfers | Gains/ (losses) | Balance carried forward |
|--------------|-------------------------------|--------|-------------|-----------|--------------------|-------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Endowment | 391,724 | 11,601 | (2,195) | (14,116) | 49,034 | 436,048 |
| Unrestricted | – | – | (14,116) | 14,116 | – | – |
| Restricted | 1 | 63 | (63) | – | – | 1 |
| | 391,725 | 11,664 | (16,374) | – | 49,034 | 436,049 |

16. TRANSACTIONS WITH THE TRUSTEE AND CONNECTED PERSONS

The Charity made grants in the year to both Harrow School of £426,407 (£437,216 in 2021/22) and the John Lyon School of £556,700 (£578,985 in 2021/22) for the benefit of children resident in the Beneficial Area. Grants for bursaries enable children to attend those schools, who would not be able to do so without that financial support. These grants are aimed at providing wider access to education at the schools and are consistent with the Founder's original intention for the application of his endowment.

Each member of the Corporation and the principal officers are required to complete a declaration of interest statement each year for the purpose of identifying and ensuring proper disclosure of such interests. In 2022/23 there have been 11 grants totalling £422,080 (2021/22 – five grants totalling £305,880) which 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.

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:

| | 2022/23 | 2021/22 |
|---|---------|---------|
| | £'000 | £'000 |
| Management fees and insurance commissions | 484 | 394 |
| Valuation and lease audit fees | – | – |
| Capital transaction fees | 102 | 130 |
| | 586 | 524 |

The Charity Management Board 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.

17. 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).

18. FUTURE COMMITMENTS

GRANT COMMITMENTS

The Charity has committed to multi-year grants including bursary support totaling £15.5 million up to 2028/29, 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

During the year the Charity committed to investing up to \$2.3M into a private equity unlisted investment, Hollyport Secondary Opportunities VIII Management Ltd. At 31 March 2023 a drawdown of \$0.4m had been made, leaving a remaining capital commitment of \$1.9m (2022 - £nil)

19. 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.

20. ANALYSIS OF NET ASSETS BETWEEN FUNDS

2022/23

| | Total 2022/23 | Restricted Fund | Unrestricted Fund | Endowment Fund |
|-----------------------------------|------------------|--------------------|----------------------|-------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | 383,027 | – | 30 | 382,997 |
| Debtors due in more than one year | 422 | – | 422 | – |
| Net Current Assets | 7,571 | 896 | (452) | 7,127 |
| | 391,020 | 896 | – | 390,124 |

TOTAL 2021/22

| | Total 2021/22 | Restricted Fund | Unrestricted Fund | Endowment Fund |
|-----------------------------------|------------------|--------------------|----------------------|-------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | 432,960 | – | 17 | 432,943 |
| Debtors due in more than one year | – | – | – | – |
| Other assets/liabilities | 3,089 | 1 | (17) | 3,105 |
| | 436,049 | 1 | – | 436,048 |

21. RECONCILIATION OF NET INCOMING RESOURCES BEFORE GRANTS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 2022/23 | 2021/22 |
|---|-----------------|----------------|
| | £'000 | £'000 |
| Total income | 10,565 | 11,664 |
| Total expenditure before grants | (4,518) | (3,363) |
| Net incoming resources before grants | 6,047 | 8,301 |
| Grants from annual income | (14,840) | (12,948) |
| Grants from restricted income | (125) | (63) |
| Net outgoing resources after grants | (8,918) | (4,710) |
| Depreciation charge for the year | 11 | 8 |
| Increase in debtors | (6,524) | (2) |
| Increase/(Decrease) in creditors | (501) | (368) |
| Income from listed investments and deposit interest | (2,397) | (2,064) |
| Net Cash outflow from Operating Activities | (18,329) | (7,136) |



22. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

| | 2022/23 | 2021/22 |
|---|---------------|--------------|
| | £'000 | £'000 |
| Capital Expenditure and Financial Investment Activities | | |
| Net proceeds from property transactions | 4,649 | 5,240 |
| Expenses charged to Endowment Fund | (148) | (167) |
| Sale of investments | 18,502 | 31,325 |
| Purchase of investments (note 10) | (16,636) | (25,558) |
| Purchase of plant and equipment (note 8) | (25) | (7) |
| Sale of plant and equipment (note 8) | – | – |
| Decrease/(increase) in cash held for investment (note 10) | 7,469 | (3,306) |
| Net Cash Inflow from Capital Expenditure and Financial Investment Activities | 13,811 | 7,527 |
| Net Proceeds from Property Transactions | | |
| Freehold/lease premium proceeds | 4,649 | 5,240 |
| Purchase of properties (note 9) | – | – |
| | 4,649 | 5,240 |
| Returns on Investment and Servicing of Finance | | |
| Income from listed and unlisted investments | 2,244 | 1,596 |
| Deposit and other interest | 53 | 410 |
| Other income | – | 58 |
| | 2,397 | 2,064 |



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