

**ANNUAL REPORT FOR THE YEAR ENDED 5 APRIL 2006**

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**REPORT OF THE TRUSTEES**

**Legal and Administrative**

The charity (No. 287077) was established under a Trust Deed dated 5 May 1983.

<b>Trustees</b>	Lord Sainsbury of Preston Candover KG Lady Sainsbury CBE Sir Martin Jacomb Sir James Spooner	
<b>Registered Office</b>	Allington House (1st Floor), 150 Victoria Street London SW1E 5AE	
<b>Principal Officers</b>	Mr M Pattison CBE	Director (until 30/11/06)
	Mr A Bookbinder	Director (from 1/12/06)
	Mr P Lawford	Administrator
	Dr P Morison	Administrator
	Mr P Spokes	Financial Controller
<b>Bankers</b>	Child & Co 1 Fleet Street London EC4Y 1BD	
<b>Solicitors</b>	Farrer & Co 66 Lincoln's Inn Fields London WC2A 3LH	
<b>Auditors</b>	Saffery Champness Lion House, Red Lion Street London WC1R 4GB	
<b>Investment Advisers</b>	FF & P Asset Management Limited 37 Dover Street London W1S 4NJ	

**Investment Powers**

The Trust Deed empowers the Trustees to appoint investment advisers, who have discretion to invest the funds of the trust within guidelines established by the Trustees.

**Objects**

The objects of the Trust as given in the Trust Deed are for general charitable purposes.

**Chairman's Foreword**

This is the 33<sup>rd</sup> year in which the Linbury Trust has produced an annual report. It was during the 8<sup>th</sup> year of our existence that the cumulative total amount of grants paid exceeded £1 million, and during our 17<sup>th</sup> year that the total exceeded £10 million. I am pleased to report that during the most recent year, our 33<sup>rd</sup>, the cumulative total of grants paid surpassed £100 million.

Each doubling of the Trust's lifespan has therefore been accompanied by around a ten-fold increase in the total amount of grants paid. This trend cannot be expected to continue indefinitely. However we do expect at least to maintain and, over the medium-term, to continue to grow the annual level of our grant-making.

In previous years I have written about how over-regulation has an adverse effect on small charities and on grant-making trusts and foundations. This view is widely held, as was evident in the meetings of the Parliamentary Joint Scrutiny Committee on the Charities Bill, of which I had the honour to be a member. It was also highlighted in the excellent Centre for Policy Studies report on Charities published earlier this year.

The Centre for Policy Studies also drew attention to the fact that it is Government policy, at both national and local level, to direct a growing amount of social welfare expenditure through large charities, which thereby become agents of government. Among various useful insights, the CPS pointed out the dangers inherent in further instances of the ever closer relationship between the public sector and charities, particularly where a local authority is the sole trustee of a charity.

The Joint Committee made a number of recommendations, and it is greatly to be regretted that the Government has failed to adopt some of them. Among the most important of these was that the Charity Commission should be truly independent of central government, accountable to Parliament and not to the Crown, a point also made by the CPS. The Government's determination that the sector's regulator should in effect be an arm of government is further evidence of the insincerity of its stated commitment to the independence of the charity sector.

A certain amount of official rhetoric is also devoted to the desirability of broadening and deepening philanthropy in the UK. Yet, as I have noted previously, the Government has done nothing to reverse what I regard as the greatest single retrograde step in this area, namely the considerable financial damage inflicted on charitable foundations by the abolition of Advance Corporation Tax, without which their income from UK equity investments would be 25% greater. The Chancellor discouraged larger donors further in the 2006 Budget, by making consistent supporters of individual charities explicit targets of frequent HM Revenue and Customs investigation – a totally disproportionate reaction to improper conduct in what is surely a limited number of cases.

I continue to regard the latest version of the Charities accounting regulations (the 'SORP' – all 451 paragraphs of it) as an unnecessary and over-bureaucratic burden. This is particularly the case for the many thousands of smaller charities which, quite rightly, do not employ qualified finance staff. These are the charities for which the Joint Parliamentary Committee specifically recommended a relaxation of the regulatory burden.

There has, however, been a positive and common-sense development with regard to the SORP as far as it relates to endowed grant-making trusts. Following some work undertaken in conjunction with the Association of Charitable Foundations and others, the Charity Commission recently authorised an interpretation of the SORP for grant-making trusts that has dealt with certain of the concerns that we expressed last year.

Despite this small step forward, my fellow Trustees and I continue to regard some of the prescriptions of the SORP as potentially misleading. For example, it requires that the endowment

and the income funds of a charity be accounted for separately. As the Linbury Trust's endowment is expendable and therefore available to meet our grant commitments, the Trustees continue to take the view that no useful purpose is served by showing the endowment and income funds separately. Indeed to do so could be said to present a misleading picture of the Trust's financial position and its ability to make and meet commitments. As a result of our decision to adopt what we regard as a proper picture of our finances, our auditors have again felt obliged to qualify the accounts; we regard this as a small price to pay for seeking to present our financial affairs realistically.

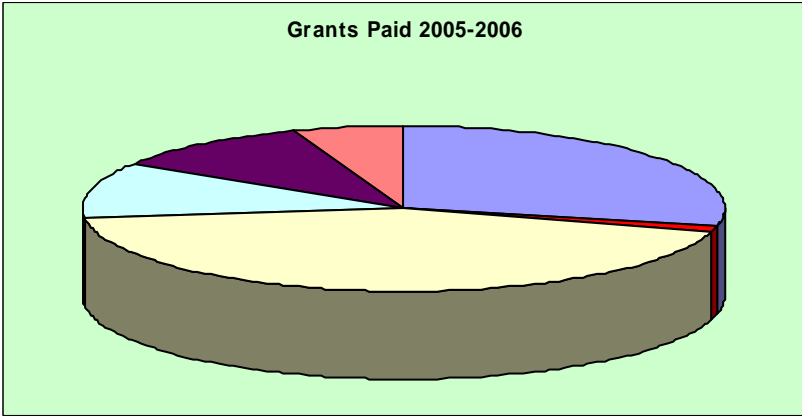
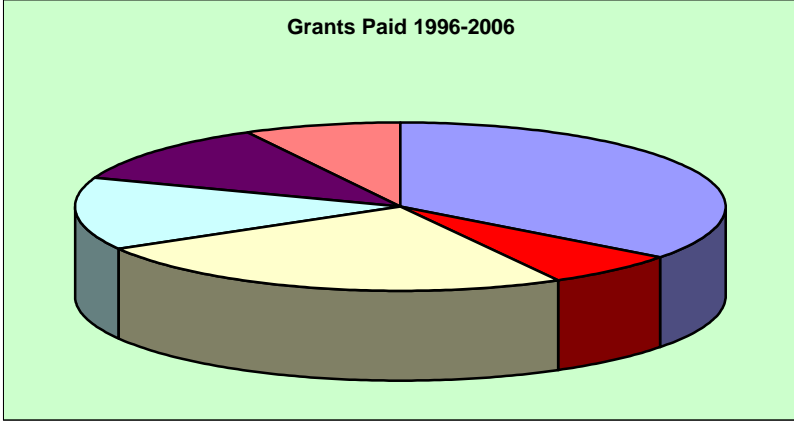
At the end of 2006, Michael Pattison retires as the Director of the Sainsbury Family Charitable Trusts, having served for no less than 11 years in that capacity. During that time he has given invaluable service to the Linbury Trustees, and his wise advice and highly professional standards of administration have been greatly valued by me and my fellow Trustees of Linbury and indeed of all the Sainsbury Family Charitable Trusts.

Lord Sainsbury of Preston Candover KG

October 2006

**Summary of grants paid – last 10 years**

Total of grants paid				
	1996-2006		2005-2006	
	In £m	%	In £m	%
Arts	21.0	35	1.6	29
Education	14.9	25	2.4	42
Environment and Heritage	8.4	14	0.6	11
Medical	4.0	7	0.0	2
Social Welfare	7.0	11	0.6	11
Developing Countries and Humanitarian Aid	4.7	8	0.3	5
	<u>60.0</u>	<u>100</u>	<u>5.5</u>	<u>100</u>



## **General Policies**

The Trustees continued to initiate and consider proposals to make grants within the categories listed below:

- Arts
- Environment and Heritage
- Social Welfare
- Education
- Medical
- Developing Countries and Humanitarian Aid

Trustees give priority to charitable causes where they have particular knowledge and experience. The Trustees' current guidelines for grant making are set out in appendix I (page 31) to this report. For areas where they do not have sufficient knowledge or experience, they seek expert advice from qualified specialists. Because of the Trustees' proactive approach, unsolicited applications are not encouraged.

The section below headed 'Review of the Past Year' (pp 7-19) provides an overview of the Trustees' actions during the year in each of the categories listed above, and, selectively, gives a flavour of the valuable work undertaken by our beneficiaries.

## **Investment Policy and Performance**

The Trustees' investment policy is to preserve the real value of the endowment over the medium term. This is agreed with their investment advisers in the form of a target rate of total investment return. One of the consequences of this policy has been a partial re-balancing of the portfolio, over the last two years, towards assets that generate a lower current yield. The resulting decrease in the Trust's apparent income is reflected in the Statement of Financial Activities.

In accordance with this investment policy, the Trustees have regard to the total return that they expect will be generated by the investment portfolio, rather than to income alone, when determining their expenditure budgets.

Financial markets performed strongly during the year, and the value of the Trust's endowment grew accordingly, well ahead of the target annual rate of growth. However Trustees are mindful of the fact that their policy is to preserve the real value of the endowment over the medium term, and that the strong financial market conditions of the last 12 months cannot be expected to persist indefinitely.

The value of the expendable endowment grew during the year by 12.6%, and at the year-end stood at £152.5 million.

During the year the Trustees continued the diversification of the investment portfolio that had commenced in the previous year, by undertaking sales of part of their holding in J Sainsbury plc. At the year-end shares in J Sainsbury plc amounted to around 65% of the value of the endowment; the comparative figures for 2005 and 2004 were 78% and 89% respectively.

Trustees regularly meet their investment advisers to discuss strategy and to review performance.

## **Organisation**

The Trust is one of the Sainsbury Family Charitable Trusts, which share a common administration but are otherwise independent of each other.

There were 2 meetings of the Trustees during the year. As noted above, Trustees also met periodically with the Trust's investment advisers. The Grants Committee, to which decisions regarding the disbursement of funds are delegated, met 9 times.

**Review of the Past Year**

In 2005/06 the Trustees approved **87** (2004/05 – 106) grants amounting to **£4.66** million (2004/05 - £5.77 million); grants totalling **£5.48** million (2004/05 – £6.22 million) were paid during the year. Trustees continue to anticipate that, on a rolling average basis, the level of grant-making of recent years will at least be broadly maintained for the foreseeable future.

The table below summarises the grants paid by Trustees during the year, and the grants awarded.

	All grants <u>paid</u> in year for			New grants <u>awarded</u> in year for		
	Revenue Purposes	Capital Projects	Total	Revenue Purposes	Capital Projects	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Arts	404	1,150	1,554	130	275	405
Education	356	2,000	2,356	124	1,000	1,124
Environment and Heritage	443	150	593	255	2,000	2,255
Medical	32	-	32	232	-	232
Social Welfare	639	-	639	412	-	412
Developing Countries and Humanitarian Aid	303	-	303	232	-	232
	<b>2,177</b>	<b>3,300</b>	<b>5,477</b>	<b>1,385</b>	<b>3,275</b>	<b>4,660</b>

The Trust's income for the year decreased by 45% to **£3.7** million (2004/05 £6.8 million).

There were two principal factors behind the decrease. The 2005/06 financial year was the first year in which the full impact of the recent reduction of 50% in the J Sainsbury dividend was felt. Secondly, the remainder of the Trust's endowment is now, as explained on the previous page, invested with the objective of achieving a satisfactory total return, significantly ahead of inflation; as a consequence, this portion of the Trust's funds is invested in lower-yielding assets than hitherto.

Costs of administration accounted for **0.16%** (2004/2005 – **0.27%**) of year end net assets. As a proportion of income, costs of administration accounted for **6.66%** (2004/2005 – **5.57%**).

The following sections describe the Trust's activities in each of the major categories of grants. The captions 'Revenue' and 'Capital' refer to the purpose for which each grant was made. Trustees believe that the readers of this report will find a representative list of the larger grants actually paid during the year to be helpful; these are itemised in the following pages. In most cases these are also 'grants payable', as defined by the Charities SORP.

a) **ARTS**

	<b>For Revenue Purposes £</b>	<b>For Capital Projects £</b>
<b>Total grants paid during the year</b>	<b>403,608</b>	<b>1,150,000</b>
<b>Total new grants approved during the year</b>	<b>130,079</b>	<b>275,000</b>

The Linbury Trust has supported excellence in the visual and performing arts for many years. This support has included a series of major grants made to a select number of the UK's most important cultural institutions, usually towards major development projects. The Trustees are currently supporting the Ashmolean Museum, part of the University of Oxford, which has recently broken ground on a redevelopment which will comprehensively modernise this nationally important museum. The Linbury Trust is the lead private benefactor to the Ashmolean's redevelopment project.

The Trustees continued their sponsorship of the Linbury Biennial Prize for Stage Design. This unique award gives the most talented recent graduates in stage design the chance to work with leading British companies on opera, theatre or dance productions. As part of the selection process twelve short-listed designers have the chance to exhibit their designs and models at the Royal National Theatre in London, to which the Trustees are grateful for its continued association with the Prize. In 2005 the young Swiss designer Patrick Burnier was the overall winner; he will undertake a commission with Random Dance. The other companies involved in the 2005 Prize, and the respective winners, were Bristol Old Vic (James Cotterill), the Gate Theatre, Notting Hill (Hannah Clark) and the Nottingham Playhouse (Phil Brunner).

The Trustees gave support to two theatres towards their respective redevelopment projects. The Young Vic, in London, received the second instalment of a total grant of £250,000; and the Trustees made a grant of £25,000 to the Royal and Derngate Theatres, Northampton.

The Trustees gave a grant to the Royal Opera House towards sponsorship of the Royal Ballet's new production of 'Sleeping Beauty'.

The Public Catalogue Foundation received a grant for the first time. The objective of the PCF is to publish a national series of illustrated catalogues of all paintings in publicly owned collections in the UK. Its volumes give basic catalogue information and are an important step towards making public collections effective and accessible guardians of our heritage. Linbury gave a grant towards the publication of the two volumes that will cover collections in Hampshire.

**GRANT PAYMENTS OF £20,000 OR MORE IN 2005/2006**

**Ashmolean Museum**

Part of a planned programme of grants towards the re-development project

**Linbury Biennial Prize for Stage Design**

Towards the 2003 and 2005 Prizes

**Royal & Derngate Theatres, Northampton**

Towards the redevelopment appeal

<b>£</b>
<b>1,000,000</b>
<b>165,904</b>
<b>25,000</b>

**Grant Payments of less than £20,000**

Twenty two grants totalling £87,704, including:

Arc Dance Company  
Artists General Benevolent Institution  
Federation of British Artists  
Public Catalogue Foundation  
Royal Opera House Foundation  
University of Oxford

**b) EDUCATION**

	<b>For Revenue Purposes £</b>	<b>For Capital Projects £</b>
<b>Total grants paid during the year</b>	<b>356,272</b>	<b>2,000,000</b>
<b>Total new grants approved during the year</b>	<b>123,961</b>	<b>1,000,000</b>

The Rambert School of Ballet and Contemporary Dance, which Trustees have supported in numerous ways over many years, has been obliged to re-locate its teaching and administrative premises following the closure of the Twickenham campus of Brunel University, the School's former landlord. Two suitable buildings were identified; the Linbury Trust is providing the primary financial support towards the School's re-location. This support takes the form of a £2 million grant, and a £2 million loan, both paid in full during the year. After the year end, the Trustees agreed in principle to convert a part of the loan into a grant.

The Linbury Trustees' keen interest in education in the arts is further exemplified by their continuing support to the British School at Rome for the Sainsbury Scholarships in Painting and Sculpture, awarded to gifted young artists for up to two years' study in Rome. They also made a grant to the Clore Leadership Programme, towards creating a Fellowship in Dance in 2005/06; this programme provides leadership and management training to administrators and practitioners across the arts, and seeks to deepen the pool of future leaders of cultural institutions.

The Trustees also have a particular interest in the study of history, and take selective opportunities to promote the importance of history as a core element in the curriculum and within the academic world. This year they supported a joint initiative of the Historical Association and Manchester Metropolitan University to create a DVD, the purpose of which is to promote the study of history at GCSE and beyond to pupils, parents and teachers. The DVD includes filmed interviews with history graduates who have achieved success in widely differing walks of life. Trustees regard this as a helpful counter-balance to what can be an over-dependence on 'vocational' subjects.

**GRANT PAYMENTS OF £20,000 OR MORE IN 2005/2006**

**Black Cultural Archives**

Towards a schools programme which teaches the contribution made by those of African descent to British life

£  
**20,000**

**British School at Rome**

Sainsbury Scholarship in Painting and Sculpture

**49,748**

**Dyslexia Institute**

Towards the new National Dyslexia Training and Resource Centre

**50,000**

**Historical Association**

Towards a project to encourage more widespread study of history at GCSE and beyond

**42,743**

**The Idea Store**

Towards the construction of an 'Idea Store' in lieu of the former public library in Tower Hamlets

£  
20,000

**Institute for Historical Research Trust**

Towards the Queen Elizabeth the Queen Mother Chair

52,973

**Rambert School of Ballet and Contemporary Dance**

Towards the re-location of the school

2,000,000

**Grant Payments of less than £20,000**

Twenty two grants totalling £120,808, including:

Arts Educational School Trust

Bloomfield Learning Centre

Clore Leadership Programme

Dance City

Lisa Ullmann Travelling Scholarship

Royal Ballet School

Southwark Playhouse

Studio Voltaire

Volunteer Reading Help

Yorkshire Ballet Seminars

c) **ENVIRONMENT AND HERITAGE**

	<b>For Revenue Purposes £</b>	<b>For Capital Projects £</b>
<b>Total grants paid during the year</b>	<b>443,167</b>	<b>150,000</b>
<b>Total new grants approved during the year</b>	<b>254,500</b>	<b>2,000,000</b>

The Trustees maintained their support for a select number of museums and historic buildings, including the British Empire and Commonwealth Museum in Bristol and St George's Chapel, Windsor. They made a grant of £25,000 towards the creation of a monument on the Westminster Embankment dedicated to the Battle of Britain. The monument commemorates not only the airmen but all those who played a role in this decisive moment in British history.

The Royal Horticultural Society has recently built a new glasshouse at its Wisley gardens, the previous glasshouse having been long overdue for replacement. The new structure will benefit from modern climate control technology and will offer considerably more extensive educational opportunities. The Trustees gave a grant of £200,000 towards this project, of which 50% was paid during the year.

The Trustees renewed their support for the Ashden Awards for Sustainable Energy. The Ashden Awards, which were initiated in 2001, annually reward outstanding and innovative projects in the UK and overseas which tackle climate change and poverty, and improve quality of life, by providing renewable energy at a local level.

The Sainsbury Archive is an important resource for the study of commercial and social history over the last 150 years. The Linbury Trust, together with other Sainsbury Family Charitable Trusts and J Sainsbury plc, maintained its support for the Archive, principally with a grant towards its physical establishment at the Docklands site of the Museum of London.

**GRANT PAYMENTS OF £20,000 OR MORE IN 2005/2006**

**Ashden Awards for Sustainable Energy**

Towards the 2005 awards

£  
50,000

**Battle of Britain London Monument**

Towards construction of the monument on the Embankment

25,000

**British Empire & Commonwealth Museum, Bristol**

Towards assisting with the improvement of the display, and towards costs of developing plans for expansion

116,667

**Museum of London**

Towards a curator's post for work on the Sainsbury Archive and re-location costs

130,000

**Royal Horticultural Society**

Towards the new glasshouse at the Wisley gardens

100,000

£

**150,000**

**St George's Chapel, Windsor**

Second instalment of a £1million grant for the endowment appeal

**Grant Payments of less than £20,000**

Six grants totalling £21,500, including:

Danebury Trust

Wells Cathedral

d) **MEDICAL**

	<b>For Revenue Purposes £</b>
<b>Total grants paid during the year</b>	<b>32,220</b>
<b>Total new grants approved during the year</b>	<b>232,500</b>

The Trustees made a new grant of £15,000 to the Myasthenia Gravis Association, towards a post which will raise awareness and understanding of this debilitating disease.

**Grant Payments of less than £20,000**

Eight grants totalling £32,220, including:

Institute of Neurology, University College London  
Myasthenia Gravis Association

e) **SOCIAL WELFARE**

	<b>For Revenue Purposes £</b>
<b>Total grants paid during the year</b>	<b>639,000</b>
<b>Total new grants approved during the year</b>	<b>412,050</b>

Within this category, the Trustees take particular interest in charities working with severely disadvantaged and under-achieving young people. They continue to support programmes designed to help young people to break free from the nexus of low aspirations, anti-social behaviour, substance abuse, crime and, in all too many cases, re-offending, which are so often the product of long-term economic deprivation, failure to benefit from the opportunities provided by education, and family breakdown.

The Trustees have long been aware that the harmful consequences of substance misuse, particularly when undertaken by young people, are inseparable from much of the charitable work which they support under the category of social welfare. They made a grant to Cranstoun Drug Services towards its ‘Choosing to Change’ programme, which will underpin Cranstoun’s working practices in the years ahead.

The Trustees also support organisations that use the arts to work with disadvantaged people, including the homeless, serving prisoners and ex-offenders. The Trustees maintained their support for Dance United, Streetwise Opera, the Irene Taylor Trust, the Firebird Trust and Oxford Concert Party. A new grant was given to the Streets Alive Theatre Company.

The Trustees were impressed with the work undertaken by the Rainbow Centre for Conductive Education, in Fareham, with young children who suffer from cerebral palsy. They made a major grant towards urgently needed new premises for the Rainbow Centre.

The Linbury Trust also supports organisations that work with the elderly, in particular those that assist the elderly to remain in their own homes.

**GRANT PAYMENTS OF £20,000 OR MORE IN 2005/2006**

**Alexandra Rose Day**

Towards core costs

£

**25,000**

**Cranstoun Drug Services**

Towards the costs of the ‘Choosing to Change’ programme manager

**35,000**

**Dance United**

Towards action research and development funding of the collaboration with two women’s prisons

**40,000**

**Fairbridge**

Towards the costs of the operations manager at the Solent centre with two women’s prisons

**25,000**

	£
<b>Irene Taylor Trust</b> Towards the core costs of organising music workshops in prisons and Young Offender Institutions	<b>20,000</b>
<b>The Rainbow Centre for Conductive Education, Fareham</b> Towards the cost of a new building for this school for children born with cerebral palsy	<b>100,000</b>
<b>St Giles Trust</b> Towards the pilot peer-advisory project in Young Offender Institutions	<b>30,000</b>
<b>Streetwise Opera</b> Towards the director's post of this charity which works with the homeless through the medium of opera	<b>28,000</b>
<b>Streets Alive Theatre Company</b> Towards drama-based work with homeless young people in London	<b>60,000</b>
<b>Thrive</b> Towards establishing a gardening advisory service for older people	<b>25,000</b>
<b>Trail-Blazers</b> Towards the mentoring work at Feltham with young offenders	<b>25,000</b>
<b>Weston Spirit</b> Towards the new centre for work with disadvantaged young people in North Wales	<b>20,000</b>
<b>Youth at Risk</b> Towards the 'Leaps & Bounds' Project	<b>40,000</b>

**Grant Payments of less than £20,000**

Twenty three grants totalling £166,000, including:

Art Studio  
 Care & Repair  
 Church Housing Trust  
 Coldingley Crime Diversion Scheme  
 Firebird Trust  
 HMYOI Feltham  
 Heart 'n Soul  
 Marine Society & Sea Cadets  
 Oxford Concert Party  
 REMAP  
 Scene and Heard  
 Second Chance  
 Staying Put Services  
 Universal Beneficent Society  
 University of Sunderland

**f) DEVELOPING COUNTRIES AND HUMANITARIAN AID**

	<b>For Revenue Purposes £</b>
<b>Total grants paid during the year</b>	<b>302,517</b>
<b>Total new grants approved during the year</b>	<b>232,176</b>

The Trustees maintained their interest in supporting organisations that work in the medical or educational fields in Palestine. They made a grant to the Spafford Children’s Centre in Jerusalem towards work with traumatised Palestinian children, and made the second payment of a £90,000 grant to Medical Aid for Palestinians towards the training of community nurses.

The Trustees have also had a long-standing interest in supporting education in South Africa. They renewed a grant to Buskaid, a pioneering music school in Soweto.

The Trust reserves some funds each year for responses to humanitarian disasters. This year help was given to UNICEF for famine relief work in East Africa. The Trustees also recognise that disasters do occur in the developed world; they made a contribution to the relief of the southern states of the USA following Hurricane Katrina.

**GRANT PAYMENTS OF £20,000 OR MORE IN 2005/2006**

**Burma Forces Welfare Association**

Towards support for Burmese British Army veterans living in Burma and in refugee camps in Thailand

£  
**25,000**

**Direct Relief International**

Towards Hurricane Katrina relief

**27,345**

**Medical Aid for Palestinians**

Towards the training of 20 community health workers

**45,000**

**UNICEF**

Towards East African famine relief

**25,000**

**Grant Payments less than £20,000**

Eight grants totalling £55,172, including:

Buskaid

Mines Advisory Group

Spafford Children’s Centre

University of East Anglia

Approved by the Board of Trustees on .....and signed on their behalf by

.....TRUSTEE

**STATEMENT OF FINANCIAL ACTIVITIES**

**FOR THE YEAR ENDED 5 APRIL 2006**

	<i>Notes</i>	<b>Total Funds 2006 £'000</b>	<b>Total Funds 2005 £'000</b>
<b>Income and Expenditure</b>			
<b>Incoming resources</b>			
Investment income	2	3,647	6,224
Bank deposit interest		74	206
Donation received		1	375
Total incoming resources		<u>3,722</u>	<u>6,805</u>
<b>Resources expended</b>			
<b>Cost of generating funds</b>			
Investment management fees		41	6
<b>Charitable activity</b>			
Grant-making:			
Grant expenditure	3	6,018	4,674
Costs of administration	5	248	379
		<u>6,266</u>	<u>5,053</u>
<b>Other resources expended</b>			
Loss on disposal of freehold premises		-	140
Total resources expended		<u>6,307</u>	<u>5,199</u>
<b>Net (resources expended)/incoming resources for the year</b>		(2,585)	1,606
<b>Other Recognised Gains and Losses</b>			
Foreign Currency gains realised		-	13
Gains/(losses) on investment assets			
Realised		751	(788)
Unrealised	7	16,399	8,259
<b>Net movement in funds</b>		14,565	9,090
Balances brought forward at 6 April 2005		139,167	130,077
<b>Balances carried forward at 5 April 2006</b>		<u>153,732</u>	<u>139,167</u>

The Statement of Financial Activities includes all gains and losses recognised in the year.

All incoming resources and resources expended derive from continuing activities.

Showing the Statement of Financial Activities in a single column is not in accord with the recommendations of the SORP. However Trustees believe that this method of representation gives a clearer picture of the Trust's resources, all of which are expendable. The values of the Endowment and Income funds are shown on page 19.

The notes on pages 21 to 26 form part of these accounts

**BALANCE SHEET**

	Notes	2006	2005
		£'000	£'000
<b>FIXED ASSETS</b>			
Tangible fixed assets	4	60	70
Investments	7	153,074	137,262
		<u>153,134</u>	<u>137,332</u>
<b>CURRENT ASSETS</b>			
Debtors	8	2,171	761
Cash at bank and in hand		781	2,973
		<u>2,952</u>	<u>3,734</u>
<b>CURRENT LIABILITIES</b>			
<b>Creditors</b> - amounts falling due within 1 year	9	(1,908)	(1,199)
<b>NET CURRENT ASSETS</b>		1,044	2,535
<b>Creditors</b> - amounts falling due after 1 year	10	(446)	(700)
<b>Net assets</b>		<u>153,732</u>	<u>139,167</u>
<b>Expendable Endowment</b>		152,476	135,368
<b>Unrestricted income funds</b>		1,256	3,799
		<u>153,732</u>	<u>139,167</u>

The notes on pages 21 to 26 form part of these accounts

Approved by the Board of Trustees on..... and signed on their behalf by

..... TRUSTEE

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 5 APRIL 2006**

**RECONCILIATION OF CHANGES IN RESOURCES TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Net (outgoing)/incoming resources	(2,585)	1,606
Depreciation charges	10	10
Loss on disposal of freehold property	-	140
(Increase)/decrease in debtors	(1,410)	287
Increase/(decrease) in creditors	455	(1,567)
	<u>(3,530)</u>	<u>476</u>

**CASH FLOW STATEMENT**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Net cash (outflow)/inflow from operating activities	(3,530)	476
Capital Expenditure and Financial Investment		
Sale of fixed asset	-	287
Foreign currency gains	-	13
Purchase of investments	(42,701)	(46,386)
Sale of investments	44,039	43,274
	<u>1,338</u>	<u>(2,812)</u>
Decrease in cash	<u>(2,192)</u>	<u>(2,336)</u>

**Analysis of decrease in cash during the year**

	<b>2006</b>	<b>2005</b>	<b>Change in year</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	781	2,973	(2,192)
	<u>781</u>	<u>2,973</u>	<u>(2,192)</u>

The notes on pages 21 to 26 form part of these accounts

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice (SORP2005) "Accounting and Reporting by Charities", applicable standards and the Charities Act 1993, and comply with the Charities (Accounts and Reports) Regulations 2005 issued under the Charities Act 1993.

The principal accounting policies adopted are as follows:

a) Depreciation

Fixed assets are depreciated at rates which represent their useful lives to the Trust.  
The following rates have been used:

Leasehold improvements	10% per annum
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A full year's depreciation is charged in the year of acquisition and none in the year of disposal.

b) Incoming resources

- (i) Income is shown gross which includes tax deducted unless it is considered irrecoverable.
- (ii) Dividends are included by reference to their due dates.
- (iii) Interest is recorded only when it is receivable.

c) Grants payable

Grants for which there is a binding commitment are accounted for within the Statement of Financial Activities.

Other grants are accounted for in the Statement of Financial Activities when conditions attaching to the grant are fulfilled. Grants approved subject to conditions that have not been met at the year end are not included as expenditure in the Statement of Financial Activities (note 3).

d) Investments

Net realised and unrealised gains and losses are reflected in the Statement of Financial Activities. Investments are shown at mid market value.

Partial disposals are accounted for using average book value.

Investments held in foreign currency are converted into sterling at the prevailing exchange rate and any foreign currency gains or losses on disposal are reflected in the Statement of Financial Activities.

e) Costs of administration

These costs relate in the main to the grant-making activity of the Trust and include a share of the staff and office costs of the joint office of the Sainsbury Family Charitable Trusts, which are allocated in proportion to time spent on Trust matters and relative income.

Trustees consider that the separation of the costs of administration of the charity between "support" and "governance" as required by SORP 2005, and particularly where these costs are immaterial by reference to total expenditure, adds little value to these accounts.

f) Charitable activities

The Trustees consider that grant-making is the Trust's sole charitable activity.

**NOTES TO THE ACCOUNTS (continued)**

**2. INVESTMENT INCOME**

Income received on investments is analysed as follows:

	<b>2006</b>		<b>2005</b>	
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
<b>Quoted</b>				
U.K. Equities	2,791	76.5	5,563	89.4
Overseas Equities	-	0.0	66	1.1
<b>Unquoted</b>				
U.K. Equities	203	5.6	16	0.2
Overseas Equities	1	0.0	57	0.9
Short term securities	652	17.9	522	8.4
	<b>3,647</b>	<b>100.0</b>	<b>6,224</b>	<b>100.0</b>

**3. GRANTS PAYABLE**

	<b>2006</b>		<b>2005</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Reconciliation of grants payable:</b>				
Grants committed but unpaid at 6 April 2005		1,743		3,289
Grants approved but not committed at 6 April 2005	3,919		3,575	
Grants approved in the year	4,660		5,774	
Grants cancelled, amended or refunded	(48)		(756)	
Grants approved but not committed at 5 April 2006	(2,513)		(3,919)	
<b>Grants payable for the year</b>		<b>6,018</b>		<b>4,674</b>
Grants paid in the year		(5,477)		(6,220)
<b>Grants committed but unpaid at 5 April 2006</b>		<b>2,284</b>		<b>1,743</b>

**Commitments at 5 April 2006 are payable as follows:**

	<b>2006</b>		<b>2005</b>	
	<b>£'000</b>		<b>£'000</b>	
Within one year (note 9)	1,838		1,043	
After more than one year (note 10)	446		700	
	<b>2,284</b>		<b>1,743</b>	

Further to the amounts committed and included above, the Trustees have also authorised grants subject to the recipient satisfying specified conditions. The total amount authorised but not included as expenditure at 5 April 2006 was £2,513,132 (2005: £3,919,609).

**NOTES TO THE ACCOUNTS (continued)**

**4. TANGIBLE FIXED ASSETS**

Tangible fixed assets consist of the Trust's share of the cost at 5 April 2006 of refurbishment of leasehold premises at Allington House (1st Floor), 150 Victoria Street, London SW1.

	Leasehold improvements	Total
	<b>£'000</b>	<b>£'000</b>
<b>COST</b>		
Balance at 6 April 2005	100	100
Disposals	-	-
Balance at 5 April 2006	<u>100</u>	<u>100</u>
<b>DEPRECIATION</b>		
Balance at 6 April 2005	30	30
Charge for the year	<u>10</u>	<u>10</u>
Balance at 5 April 2006	<u>40</u>	<u>40</u>
<b>NET BOOK VALUE</b>		
At 5 April 2006	<u>60</u>	<u>60</u>
<b>NET BOOK VALUE</b>		
At 5 April 2005	<u>70</u>	<u>70</u>

**5. COSTS OF ADMINISTRATION**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Salaries and associated costs	159	201
Office costs	61	138
Consultancy fees	3	3
Depreciation	10	10
Legal fees	6	17
Auditor's remuneration	9	10
	<u>248</u>	<u>379</u>

The auditor's remuneration includes an audit fee of £7,109 (2005: £6,875) and additional advisory work of £2,056 (2005: £3,196).

Trustees received no remuneration (2005: £nil) nor expenses in the year (2005: £nil).

**NOTES TO THE ACCOUNTS (continued)**

**6. ANALYSIS OF STAFF COSTS**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs:		
Wages and salaries	132	167
Social security costs	14	18
Other pension costs	13	16
	<u>159</u>	<u>201</u>

The number of employees whose earnings in relation to time spent on the Trust's affairs exceed £60,000 p.a. excluding pension contributions was:

	<b>2006</b>	<b>2005</b>
	<b>Number</b>	<b>Number</b>
£60,001 - £70,000	-	1
£70,001 - £80,000	<u>1</u>	<u>-</u>

The Trust's pension contributions to money purchase schemes for its higher paid staff was £6,812 (2005:£6,398).

As mentioned in note 1(e), the Trust is one of the Sainsbury Family Charitable Trusts which share a joint administration at the Registered Office. 9.28% of the total costs of these trusts have been allocated to the Linbury Trust, including a proportionate share of the costs of employing the total number of staff serving in the office in 2005/06. Staff costs equivalent to 2.5 full time employees were charged to the Linbury Trust (2004/05 - 3.5). Included in the costs of employing the staff are contributions to money purchase pension schemes.

**7. FIXED ASSETS INVESTMENTS**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Market value at 5 April 2005	137,262	126,679
Less: Disposals at book value	(43,288)	(44,062)
Add: Acquisitions at cost	42,701	46,386
Net gains on revaluation at 5 April 2006	16,399	8,259
<b>Market value at 5 April 2006</b>	<u>153,074</u>	<u>137,262</u>
Historical cost at 5 April 2006	<u>115,045</u>	<u>110,724</u>

**NOTES TO THE ACCOUNTS (continued)**

**7. FIXED ASSETS INVESTMENTS (continued)**

The investments held as at 5 April 2006 were as follows:

	<b>2006</b>		<b>2005</b>	
	Cost	Market Value	Cost	Market Value
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Direct investment in listed UK and overseas securities				
UK equities - quoted *	64,989	98,616	80,200	106,035
UK equities - unquoted **	36,702	41,093	10,220	10,434
Overseas equities - unquoted	75	85	7,276	7,769
Short term securities	13,279	13,280	13,028	13,024
	<b>115,045</b>	<b>153,074</b>	<b>110,724</b>	<b>137,262</b>

Cost includes the value of those investments given to the Trust by the Settlor at the time the gift was made and the value of UK equity investments transferred in 1986 from a predecessor Trust. This transfer accounted for £64.06 million of the £64.99 million cost above and was based upon an original gift of shares valued at £895,000 on creation of the predecessor Trust in 1973, together with subsequent bonus issues and further purchases.

\* Includes shares in J Sainsbury plc with a market value of £98,392,130, based on the price on 5 April 2006 of 336.75p per share.

\*\*Includes shares in FF&P Alternative Strategy Income PCC Ltd with a market value of £17,468,089 and shares in FF&P Global Equities Fund with a market value of £16,977,440.

**8. DEBTORS**

Debtors consist of the following:

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Income tax recoverable	-	154
Prepayments	55	53
Loans *	2,012	13
Other debtors	104	541
	<b>2,171</b>	<b>761</b>

\* Includes an interest free loan of £2,000,000 to a registered charity which is repayable after more than one year.

**9. CREDITORS - amounts falling due within 1 year**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Grants payable within one year (note 3)	1,838	1,043
Accruals	17	108
Taxation and social security	40	35
Professional charges	13	13
	<b>1,908</b>	<b>1,199</b>

**10. CREDITORS - amounts falling due after more than 1 year**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Grants payable 1 - 2 years	200	203
Grants payable 2 - 5 years	246	497
Grants payable (note 3)	446	700

**NOTES TO THE ACCOUNTS (continued)**

**11. RESERVES**

The total funds of the Trust consist of unspent income together with capital, the latter comprising mainly the Trust's investments. All of the Trust's funds whether they derive from income or are of a capital nature may be applied for grantmaking because the capital element is expendable.

It is the policy of the Trustees to approve grants for payment over a period of years. These are brought into the accounts if there is a commitment to pay them after the year end. It is the Trustees' normal intention to meet these grant commitments out of income, but in the event that there is insufficient income, they would use capital. Because income and capital may be used in the same way, the Trustees take the view that the available funds should be seen as one and have therefore adopted a Statement of Financial Activities that merges all resources.

The Trustees therefore believe that a reserves policy that covers income funds only is unnecessary; and that the totality of resources available ensures that the Trust has more than adequate funds to meet its commitments as they fall due.

**12. RISK ASSESSMENT**

The Trustees have examined the major strategic, business and operational risks to which the Trust may be exposed. Through the joint office of the Sainsbury Family Charitable Trusts, systems are in place adequate to meet such potential risks as the Trustees have identified. They continue to keep processes under review.

## STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE ACCOUNTS

Law applicable to charities in England and Wales requires the Trustees to prepare financial statements for each financial year, which give a true and fair view of the charity's financial activities during the year and of its financial position at the end of the year. In preparing financial statements giving a true and fair view, the Trustees should follow best practice and:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any departures disclosed and explained in the financial statements and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustees are responsible for keeping accounting records which disclose with reasonable accuracy the financial position of the charity and which enable them to ascertain the financial position of the charity and which enable them to ensure that the financial statements comply with applicable law. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud.

**INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF THE LINBURY TRUST**

We have audited the financial statements on pages 18 to 26.

**Respective Responsibilities of Trustees and Auditors**

As described on page 27 the Trustees are responsible for the preparation of the annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

Our audit work has been undertaken so that we might state to the 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 trustees as a body, for our audit work, for this report, or for the opinions we have formed.

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Charities Act 1993 and the Charities (Accounts and Reports) Regulations 2005. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the charity has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it or material inconsistencies with the financial statements.

**Basis of audit opinion**

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

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

**Qualified opinion arising from disagreement about accounting treatment**

The funds of the Charity comprise unrestricted general funds and an expendable endowment fund. We believe that in order to comply with the Charities (Accounts and Reports) Regulations 2005 these funds should be separately disclosed on the face of the Statement of Financial Activities on page 18.

Except for this disclosure, in our opinion the financial statements give a true and fair view of the charity's state of affairs as at 5 April 2006 and of its incoming resources and application of resources in the year then ended and have been properly prepared in accordance with the Charities Act 1993 and the Charities (Accounts and Reports) Regulations 2005.

Saffery Champness  
Chartered Accountants and Registered Auditors

Lion House, Red Lion Street  
London  
WC1R 4GB

**Grant Giving Policies and Priorities**

The Linbury Trust's grants are made to a wide range of charities. The sums awarded may be small or may amount to many millions, either on a once-only basis or as a commitment over a number of years.

The Trustees may make grants to any charity or for any charitable purpose. Their practice is to give grants only to charities, and only to organisations which supply full and up to date audited accounts and current budgets, and for work which they believe will be fully cost-effective.

Within the UK, priority is given to causes that are either national in scope, or that are based in regions of which Trustees have a particular knowledge or interest. Preferred causes are as follows (not in order of priority):

- a) Disadvantaged young people, including those who are homeless or are in danger of becoming so, or who are drug abusers.
- b) Specific medical causes which the trustees have adopted and where, in the Trustees' opinion, inadequate research is currently undertaken, or inadequate treatment and understanding exist; for example, Chronic Fatigue Syndrome. Medical causes to which these criteria do not apply are generally not supported. The Trustees usually take specialist advice before making decisions.
- c) Although general educational causes are not supported unless they cover the particular needs of those in a) or b), limited exceptions are made when the Trustees have particular knowledge concerning specific educational appeals.
- d) Appeals for the benefit of older people will be considered if the results can be shown to improve their quality of life directly and in a cost-effective way, and particularly when the goal is to help people to continue living in their own homes.
- e) National heritage appeals will be considered, and in particular, appeals for historic buildings and major art institutions. Trustees occasionally make grants for initiatives to safeguard or renew the natural environment.
- f) Grants for the visual arts, the performing arts and for education in the arts will be considered where, in the opinion of the Trustees, the aim is to produce work of the highest standard and where long-term benefits will result. Arts festivals are generally not supported.
- g) Grants for capital projects or 'one off' grants for specific purposes will not normally be repeated or supplemented within four years of the original grant, and then only in exceptional circumstances.

The Trustees are also prepared to make a small number of grants towards overseas causes. They can only support a small selection among those that they regard as being of exceptional merit or need, and that are handled by charities suitably equipped to operate in the area concerned; generally these are in the fields of healthcare, education, or preservation of local heritage.