

THE GLASS-HOUSE TRUST

ANNUAL REPORT

5 APRIL 2006

Allington House (1st Floor)
150 Victoria Street
London SW1E 5AE

THE GLASS-HOUSE TRUST
5 April 2006

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REPORT OF THE TRUSTEES

Legal and Administrative

The Glass-House Trust (No. 1017426) was established under a Trust Deed dated 4 February 1993.

Trustees	Mr A J Sainsbury Mrs E R Z Sainsbury Mr T J Sainsbury Ms J M Sainsbury Miss J S Portrait	
Registered Office	Allington House (1st Floor) 150 Victoria Street London SW1E 5AE	
Principal Officers	Mr M Pattison CBE Mr A Bookbinder Mr P Spokes Mr Matthew Williams Miss H Marriott	Director (until 30 November 2006) Director (from 1 December 2006) Finance Director Executive Executive
Bankers	Child & Co 1 Fleet Street, London EC4Y 1BD	
Solicitors	Portrait Solicitors 1 Chancery Lane London WC2A 1LF	
Auditors	Horwath Clark Whitehill LLP St Bride's House, 10 Salisbury Square London EC4Y 8EH	
Investment Advisers	Berry Asset Management Plc 101 The Chambers, Chelsea Harbour London SW10 0XF	

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.

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REPORT OF THE TRUSTEES (continued)

Organisation

The Trust is one of the Sainsbury Family Charitable Trusts which share a common administration. The other Sainsbury Family Charitable Trusts which are administered from the Registered Office are as follows:

The Ashden Trust	The Linbury Trust
The Alan and Babette Sainsbury Charitable Fund	The Mark Leonard Trust
The Elizabeth Clark Charitable Trust	The Monument Historic Buildings Trust
The Gatsby Charitable Foundation	The Monument Trust
The Headley Trust	The Staples Trust
The Indigo Trust	The Tedworth Charitable Trust
The J J Charitable Trust	The Three Guineas Trust
The Jerusalem Trust	The True Colours Trust
The Kay Kendall Leukaemia Fund	The Woodward Charitable Trust

Policies

Proposals are generally invited by the Trustees or initiated at their request. The Trustees prefer to support innovative schemes that can be successfully replicated or become self-sustaining. Grants are not normally made to individuals. The Trustees' objective for the current year is for the Trust to continue its grant-making as described above.

Reserves Policy

It is the policy of the Trustees to approve grants for payment over a period of years, subject to certain conditions over the life of the grant. Those expected to be paid within twelve months of the year end are accrued in the accounts, whilst those due to be paid later than this are not accrued. These are referred to in note 3 to the accounts and amount to £676,406. They represent funds earmarked for continued support to certain existing beneficiaries, although formal commitments have not yet been made. Cash flow projections for income and expenditure are regularly reviewed to ensure that the level of available reserves is adequate and that the Trust is in a position to meet all its commitments.

The Trustees consider that when possible it is appropriate to hold free funds, both to meet the short-term working capital needs of the Trust and in anticipation of the potential payment of subsequent grant instalments. The deficit on unrestricted reserves at 5 April 2006 was £281,300 (2005: £315,550) and is expected to be met from future income flows. However, in the unlikely event that the Trustees find themselves unable to meet current commitments from unrestricted reserves, they would be willing to draw on expendable endowment in order to meet those commitments, as they see fit.

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REPORT OF THE TRUSTEES (continued)

Investment Policy and Performance

Trustees meet with their investment managers regularly to discuss investment strategy and also to seek to ensure that the Trust's income requirements are met and that long term capital growth is in line with relevant indices.

The value of the Trust's portfolio rose during the year, although by less than the FT All Share Index in terms of capital value. The Trustees normally hold investments for the long term, and expect to continue to diversify their portfolio when market conditions are suitable.

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. The Trustees continue to be vigilant and to keep processes under review.

Review of the Past Year

During the year the asset value of the Trust increased from £11,722,676 at 5 April 2005 to £12,852,042 at 5 April 2006, a rise of 9.7%. The net unrestricted income of the Trust for the year after charging support and governance costs was £476,270, which was down on the previous year's figure of £590,592.

Because of possible fluctuations in income from year to year and Trustees' decision to draw on expendable endowment as necessary to fund any grant payments in excess of available income, Trustees have decided that the best way of benchmarking the costs incurred in running the charity is to measure them relative to its day to day activity of grant-making, as income alone is no longer a valid benchmark for charitable activity. On that basis, support costs and governance costs represented 7.8% and 0.7% respectively of the value of grants paid, which amounted to £568,420.

The Trustees met twice times during the year to make grants and a further three times to review investment activity. During the year, grants to the value of £1,036,500 were approved.

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REPORT OF THE TRUSTEES (continued)

Review of the Past Year (continued)

Grants paid during the year may be analysed by number and by value in the categories set out below;

	Grants Paid	Value £
Built Environment	3	302,500
Child Development	2	128,483
Social Policy	1	20,000
Overseas Development	2	11,500
Art	3	80,000
General	3	25,937
	14	568,420

GRANTS PAID

BUILT ENVIRONMENT – £302,500

Architecture Foundation/National Tenants Resource Centre - £270,000

Joint grant towards continuing The Glass-House, a design advisory service for tenants living in social housing.

London School of Economics and Political Science - £2,500

Towards a community-led seminar on the alternatives to demolition of low demand housing stock.

National Tenants Resource Centre - £30,000

Towards the purchase of Trafford Hall and the design of new sleeping accommodation for the Centre.

CHILD DEVELOPMENT – £128,483

Families, Children & Childcare Project - £108,483

Towards further research on how demographic factors and individual mother or child characteristics are related to the use of non-maternal care.

A Space - £20,000

Towards running costs

SOCIAL POLICY – £20,000

Transform Drug Policy Foundation - £20,000

Towards core costs.

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OVERSEAS DEVELOPMENT - £11,500

Akany Avoko - £8,500

Towards the running costs for the refuge for girls and young women and for Akany Harsina, a new education and cultural programme.

Project Galle 2005 - £3,000

Towards emergency relief work for people in Sri Lanka affected by the tsunami.

ART - £80,000

Pier Trust - £40,000

Towards core costs.

London Musicians Collective - £30,000

Towards the costs of Resonance FM.

University of Cambridge, Jesus College – £10,000

Towards the Jesus College Art Fund programme of exhibitions.

GENERAL - £25,937

Cumbria Community Foundation - £20,000

For redistribution to local organisations affected by the winter flooding in Carlisle and the surrounding areas, concentrating particularly on support for community groups working with older people or young people and children.

Museum of Childhood - £5,000

Towards the redevelopment appeal.

The Sainsbury Archive - £937

Towards running costs.

Approved by the Trustees on 30 December 2006 and signed on their behalf by:

..... TRUSTEE

THE GLASS-HOUSE TRUST
5 April 2006

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 5 APRIL 2006

	<i>Notes</i>	Unrestricted Funds	Expendable Endowment	Total Funds 2006	<i>Total Funds 2005</i>
		<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Income and expenditure					
Incoming resources					
Investment income	2	446,853	-	446,853	556,243
Bank deposit interest		77,708	-	77,708	18,853
Interest on short term deposits		-	-	-	66,753
Total incoming resources		<u>524,561</u>	<u>-</u>	<u>524,561</u>	<u>641,849</u>
Resources expended					
Cost of generating funds:					
Investment management fee		-	34,522	34,522	30,449
Charitable activity:					
Grant-making	3	442,020	-	442,020	514,518
Grant related support costs	4	44,060	-	44,060	55,006
Cost of grant-making		486,080	-	486,080	569,524
Governance costs	4	4,231	-	4,231	4,067
Total resources expended		<u>490,311</u>	<u>34,522</u>	<u>524,833</u>	<u>604,040</u>
Net incoming resources/(resources expended)		34,250	(34,522)	(272)	37,809
Other Recognised Gains and Losses					
Gains/(losses) on investment assets:					
Realised		-	393,696	393,696	(14,110)
Unrealised	7	-	735,942	735,942	408,550
Net movement in funds		<u>34,250</u>	<u>1,095,116</u>	<u>1,129,366</u>	<u>432,249</u>
Balances brought forward at 6 April 2005		(315,550)	12,038,226	11,722,676	11,290,427
Balances carried forward at 5 April 2006		<u>(281,300)</u>	<u>13,133,342</u>	<u>12,852,042</u>	<u>11,722,676</u>

The notes on pages 9 to 14 form part of these accounts

THE GLASS-HOUSE TRUST
5 April 2006

BALANCE SHEET

AS AT 5 APRIL 2006

	<i>Notes</i>	2006	2005
		£	£
FIXED ASSETS			
Tangible Fixed Assets	6	5,505	6,423
Investments	7	12,005,085	10,005,538
		<u>12,010,590</u>	<u>10,011,961</u>
CURRENT ASSETS			
Debtors	8	13,382	-
Cash at bank and in hand		<u>1,281,531</u>	<u>2,328,124</u>
		1,294,913	2,328,124
CURRENT LIABILITIES			
Creditors - amounts falling due within 1 year	9	<u>(453,461)</u>	<u>(617,409)</u>
NET CURRENT ASSETS		841,452	<u>1,710,715</u>
NET ASSETS		<u>12,852,042</u>	<u>11,722,676</u>
CAPITAL FUNDS			
Expendable endowment	10	13,133,342	12,038,226
INCOME FUNDS			
Unrestricted funds	10	(281,300)	(315,550)
		<u>12,852,042</u>	<u>11,722,676</u>

Approved by the Trustees on 30 November 2006 and signed on their behalf by :

..... TRUSTEE

The notes on pages 9 to 14 form part of these accounts

THE GLASS-HOUSE TRUST

5 April 2006

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 (SORP 2005) "Accounting and Reporting by Charities", applicable accounting standards and the Charities Act 1993, and comply with the Charities (Accounts and Reports) Regulations 2005 issued under the Charities Act 1993.

The Charity has taken advantage of the exemptions provided under the SORP 2005 and has not prepared a cash flow statement for the year.

The principal accounting policies adopted are as follows:

- a) Income
 - (i) Income is shown gross which includes the associated tax credit unless the tax so deducted is considered irrecoverable.
 - (ii) Dividends are included by reference to their due dates.
 - (iii) Interest is recorded only when it has been received.

- b) Grant expenditure

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

Payments that are due within one year of the year-end date are included within grant expenditure in 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 noted as a commitment but not accrued as expenditure (see note 3).

- c) 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.

- d) Support costs

Most of these costs support the grant-making activity of the Trust and are so allocated. They comprise in the main 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.

- e) Charitable activity

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

- f) Governance costs

Governance costs comprise all costs involving the public accountability of the charity and its compliance with regulation and good practice. These costs include fees for statutory audit, legal fees where relevant, together with an allocation of support costs.

- g) Depreciation

Fixed assets are depreciated at rates which reflect their useful life to the Trust.

The following rate has been used:

Leasehold Improvements (excluding land)	-	10% per annum
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NOTES TO THE ACCOUNTS (Continued)

2. INCOME ON INVESTMENTS

Income received on investments may be analysed as follows:

	2006		2005	
	£	%	£	%
U.K. Fixed Interest	275,597	61.7	329,120	59.2
U.K. Equities	168,819	37.8	227,123	40.8
Overseas Equities	2,437	0.5	-	-
	<u>446,853</u>	<u>100.0</u>	<u>556,243</u>	<u>100.0</u>

3. GRANTS PAYABLE

	2006		2005	
	£	£	£	£
Reconciliation of grants payable:				
Commitments at 6 April 2005		574,673		573,741
Grants not accrued at 6 April 2005	107,343		30,000	
Grants approved in the year	1,036,500		591,861	
Grants cancelled, refunded or amended	(25,417)		-	
Grants not accrued at 5 April 2006	<u>(676,406)</u>		<u>(107,343)</u>	
Grants payable for the year		442,020		514,518
Grants paid during the year		(568,420)		(513,586)
Commitments at 5 April 2006		<u>448,273</u>		<u>574,673</u>

Commitments at 5 April 2006 are payable as follows:

	2006	2005
	£	£
Within one year (note 10)	<u>448,273</u>	<u>574,673</u>

Commitments

In addition to the amounts committed and accrued noted above, the Trustees have also authorised certain grants that are subject to the recipient fulfilling certain conditions. The total amount authorised but not accrued as expenditure at 5 April 2006 was £676,406 (2005: £107,343).

THE GLASS-HOUSE TRUST
5 April 2006

NOTES TO THE ACCOUNTS (Continued)

3. GRANTS PAYABLE (Continued)

The amount payable in the year includes the following: £

Built Environment

London School of Economics & Political Science	2,500
Glass-House Community-led Design	300,000

Child Development

A Space	50,000
Institute of Education	10,000
University of Oxford	7,500

Social Policy

Transform Drug Policy Foundation	20,000
Housing Associations Charitable Trust (HACT)	10,000

Overseas Development

Akany Avoko	8,500
Project Galle 2005	3,000

Art

London Musicians Collective	30,000
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General

Cumbria Community Foundation	20,000
Museum of Childhood	5,000
The Sainsbury Archive	937

Grants cancelled, refunded or amended in the year includes the following:

Architecture Foundation	(25,417)
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4. ALLOCATION OF SUPPORT COSTS

	Charitable Activity	Governance	2006 Total	2005 Total
	£	£	£	£
Direct charitable expenditure	10,284	-	10,284	7,817
Staff costs	19,752	1,716	21,468	23,373
Office costs	2,941	-	2,941	17,584
Depreciation	918	-	918	918
	33,895	1,716	35,611	49,692
Legal fees	10,165	-	10,165	6,984
Auditor's fees	-	2,515	2,515	2,397
	44,060	4,231	48,291	59,073

Included above is £10,165 payable for legal services to Portrait Solicitors, a firm in which Miss J S Portrait is a partner. No Trustees received remuneration or were reimbursed expenses during the year.

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NOTES TO THE ACCOUNTS (Continued)

5. ANALYSIS OF STAFF COSTS

	2006	2005
	£	£
Wages and salaries	17,880	19,467
Social security costs	1,915	2,085
Other pension costs	1,673	1,821
	<u>21,468</u>	<u>23,373</u>

As mentioned in Note 1(d), the Trust is one of the Sainsbury Family Charitable Trusts, which share a joint administration at the Registered Office. 1.32% of the total support and administration costs of these trusts have been allocated to The Glass-House Trust, including a proportionate share of the cost of employing the total number of staff serving in the office in 2005/06. Staff costs equivalent to 0.5 full time employees were charged to The Glass-House Trust, the same figure as for 2004/05. Included in staff costs are contributions to money purchase pension schemes.

6. TANGIBLE FIXED ASSETS

	Leasehold Improvements
	£
<u>Cost</u>	
At 6 April 2005 and 5 April 2006	<u>9,176</u>
<u>Depreciation</u>	
At 6 April 2005	2,753
Charge for the year	918
Accumulated depreciation at 5 April 2006	<u>3,671</u>
Net book value at 5 April 2006	<u>5,505</u>
Net book value at 5 April 2005	<u>6,423</u>

THE GLASS-HOUSE TRUST
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NOTES TO THE ACCOUNTS (Continued)**7. FIXED ASSET INVESTMENTS**

	2006	2005
	£	£
Market value 6 April 2005	10,005,538	11,591,434
Less: Disposals	(4,084,150)	(1,994,446)
Add: Acquisitions at cost	5,347,755	-
Net gains on revaluation	735,942	408,550
Market value 5 April 2006	12,005,085	10,005,538
Historical cost 5 April 2006	12,091,982	10,838,291

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

	2006		2005	
	Cost	Market Value	Cost	Market Value
	£	£	£	£
Fixed Interest	4,795,702	4,762,744	5,422,900	5,362,893
U.K. Equities	5,799,131	5,663,064	5,415,391	4,642,645
Overseas Equities	1,497,149	1,579,277	-	-
	12,091,982	12,005,085	10,838,291	10,005,538

Fixed interest investments at 5 April 2006 included the following at market value:

	£
Charity Funds Fixed Income COIF	2,054,219
M&G Securities Ltd Charibond Income	2,103,750

UK Equities at 5 April 2006 included the following at market value:

J Sainsbury plc	1,936,313
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8. DEBTORS

Debtors consist of the following:

	2006	2005
	£	£
Other debtors	13,382	-

9. CREDITORS

	2006	2005
	£	£
Grants payable (note 3)	448,273	574,673
Professional charges	5,188	6,537
Investment management fee	-	30,449
Other creditors	-	5,750
	453,461	617,409

THE GLASS-HOUSE TRUST
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NOTES TO THE ACCOUNTS (Continued)**10. ANALYSIS OF NET ASSETS BETWEEN FUNDS**

	Unrestricted Funds	Expendable Endowment	Totals 2006
	£	£	£
Fund balances at 5 April 2006 are represented by :			
Tangible fixed assets	-	5,505	5,505
Investments	-	12,005,085	12,005,085
Current assets	172,161	1,122,752	1,294,913
Current liabilities	(453,461)	-	(453,461)
Total net assets	(281,300)	13,133,342	12,852,042
Unrealised losses included in the above			
On investment assets (see note below)	-	(86,897)	(86,897)
Total unrealised losses at 5 April 2006	-	(86,897)	(86,897)
Reconciliation of movements in unrealised losses on investment assets			
Unrealised losses at 6 April 2005	-	(832,753)	(832,753)
Add in respect of disposals in year	-	9,914	9,914
	-	(822,839)	(822,839)
Add: net gains arising on revaluation in year	-	735,942	735,942
Unrealised losses at 5 April 2006, as above	-	(86,897)	(86,897)

THE GLASS-HOUSE TRUST
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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.

THE GLASS-HOUSE TRUST

5 April 2006

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF THE GLASS-HOUSE TRUST

We have audited the financial statements of The Glass-House Trust for the year ended 5 April 2006 which comprise of the Statement of Financial Activities, the Balance Sheet and the related notes set out on pages 7 to 14. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 9.

This report is made solely to the charity trustees, as a body, in accordance with Regulation 7(2) of the Charities (Accounts and Reports) Regulations 2005 (SI 2005/572). Our audit work has been undertaken so that we might state to the charity 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 Trustees, as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of trustees and auditors

The Trustees' responsibilities for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Trustees' Responsibilities on page 14.

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 responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. 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 other information contained in the Trustees' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of 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 judgments made by the Trustees 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 information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Unqualified opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charity as at 5 April 2006 and of its incoming resources and application of resources for the year then ended; and
- have been properly prepared in accordance with the Charities Act 1993.

Horwath Clark Whitehill LLP
Chartered Accountants and Registered Auditors
Date

St Bride's House
10 Salisbury Square
London EC4Y 8EH