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REPORT OF THE TRUSTEES

Legal and Administrative

The Headley Trust (No. 266620) was established under a Trust Deed dated 4 July 1973 and became a registered charity on 20 February 1974.

Trustees	Sir Timothy Sainsbury Lady Susan Sainsbury Mr T J Sainsbury Mr J R Benson Miss J S Portrait
Registered Office	Allington House (First Floor), 150 Victoria Street London SW1E 5AE
Principal Officers	Mr A Bookbinder Director Mr P Spokes Finance Director Miss H Marriott Executive Dr P R Morison Executive Mr M Williams Executive Miss J Temple 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	BlackRock Investment Managers (UK) Ltd 33 King William Street London EC4R 9AS

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.

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

Policies

During the year the Trustees considered proposals under the following categories:

- Arts and Heritage - UK
- Arts and Heritage - Overseas
- Developing Countries
- Education
- Health and Social Welfare

The Trustees are advised by consultants with appropriate expertise.

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.

There have been no significant changes in the grant-making policies of the Trust over the year under review.

REPORT OF THE TRUSTEES (continued)

Reserves Policy

It is the policy of the Trustees to hold reserves of unrestricted income in addition to their expendable endowment.

The Trustees make some grants for payment over a period of years. Those which are 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 referred to in note 3 to the accounts and amount to £1,119,000. 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 free unrestricted reserves is adequate and that the Trust is in a position to meet all its commitments. The free unrestricted reserves of the charity at 31 December 2007 amounted to £734,000.

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.

Investment policy and performance

Trustees meet with their investment managers regularly to discuss investment strategy and also seek to ensure that the Trust's income requirements are met and that long term capital growth is in line with relevant indices. The Trustees have agreed not to invest in companies whose principal activity is gaming. The Trust's investments are held as expendable endowment, and to that extent may be utilised in the Trust's grant making, should income in any year be insufficient.

The value of the Trust's portfolio rose in value during the year, and the investment managers outperformed their benchmark by 1.3%. The Trustees normally hold investments for the long term. They have further diversified their portfolio during the year, and will continue to do so 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. They continue to keep processes under review.

REPORT OF THE TRUSTEES (continued)

Review of the Past Year

The Trustees met 5 times during the year to make grants and review investments.

During the year, the asset value of the Trust increased from £76.8 million at 31 December 2006 to £78.9 million at 31 December 2007, a rise of 2.7%. The net unrestricted income of the Trust for the year after charging support and governance costs was £2.37 million, an increase on the previous year's figure of £1.96 million.

The Trust brought forward reserves of £0.76 million, giving a total of £3.13 million available for distribution by the Trustees. During the year grants to the value of £2.19 million were approved. Certain grants are payable over more than one year and those due to be paid after 31 December 2008 are not accrued in these accounts and amounted to £1.12 million at the year end.

Because of possible fluctuations in income from year to year, Trustees have decided that the most appropriate way of benchmarking costs incurred in running the charity, is to measure these costs relative to its day to day activity of grant-making, as income alone is an unsuitable benchmark for charitable activity. On that basis, support and governance costs represented 6.9% and 0.5% respectively of the value of grants paid, which totalled £2.9 million.

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

	Grants Approved	Value £	Average Grant £
Arts and Heritage - UK	27	568,350	21,050
- Cathedrals Programme	5	149,000	29,800
- Parish Churches Programme	60	137,422	2,290
- Museums Treasure Acquisition Scheme	15	20,777	1,385
Arts and Heritage - Overseas	8	208,745	26,093
Developing Countries	13	263,950	20,304
Education	10	182,350	18,235
Health and Social Welfare	36	630,025	17,501
- Aids for Disabled	48	26,123	544
	222	2,186,742	9,850

Arts and Heritage – UK – £875,549

The Trustees respond to a wide and eclectic variety of buildings conservation or heritage projects in the UK. They also support regional museums with revenue costs or the purchase of unusual or exceptional artefacts, aim to promote educational access to museums and galleries for both the disabled and disadvantaged, and wish to encourage arts outreach and musical opportunities for young people. They continue to be interested in notable archaeological projects in the UK. They wish to encourage both the revival of rural crafts and the continuing richness of the English Crafts movement. The Trustees have made a major commitment to the Victoria & Albert Museum's new Ceramics Gallery which will be one of the most important in the world.

Armed Forces Memorial Appeal - £10,000

General donation to the appeal.

Bowes Museum Trust - £25,000

Towards the development appeal.

British Film Institute - £40,000

Towards the first phase of an appeal to upgrade the storage facilities for the National Film Archive and restore the collections.

Christ Church, Spitalfields - £20,000

Towards the restoration of the organ.

Common Ground - £60,000

Towards core costs.

Durham County Council - £40,000

Towards Phase One of the landscape restoration project at Hardwick Park & Garden.

Greenwich Foundation - £40,000

Towards the 'Discover Greenwich' project.

Holy Trinity Church, Long Melford - £10,000

Towards the cost of fabric restoration.

Hove Museum - £70,000

Towards the cost of the Craft Curator post.

Imperial War Museum - £35,000

To HMS Belfast towards the cost of the refurbishment and redevelopment appeal.

McDonald Institute for Archaeological Research - £30,000

Towards the costs of a research study on Anglo-Saxon small-long brooches.

National Maritime Museum - £52,400

Towards the cost of completing the new Falmouth Galleries.

National Trust for Scotland - £30,000

Towards the cost of building a new visitor centre at Culloden.

Newbury Spring Festival - £10,000

Towards Young Artists Platform, Masterclass & Free Ticket Scheme for the 2007 Festival.

Pegasus Opera Company - £7,000

Towards the production of Delius' Koanga to mark the 200th anniversary of the abolition of the slave trade.

University of Manchester - £10,000

Towards the completion of the conservation and cataloguing of the Walter Crane Archive.

Watermill Theatre Trust - £25,000

A further grant towards the refurbishment project.

Wildscreen Trust - £40,000

Towards the ARKive programme.

Grants of £5,000 or under totalling £13,950 were also made to:

British Museum Development Trust
Ely Cathedral Trust
Fitzwilliam Museum, Cambridge
Friends of Music at Winchester
Glyndebourne Productions Ltd
Guggenheim UK Charity Trust
Royal Institute of British Architects (RIBA)
Royal Opera House Foundation
Voices Foundation

From the Cathedrals Programme

The Trustees also allocate a substantial sum each year for repair work to the fabric of cathedrals and large ecclesiastical buildings of exceptional architectural merit (pre-18th century). Modern amenities, organ repair/restoration and choral scholarships are not normally eligible.

Boston Stump Restoration Appeal - £50,000

Towards the restoration of the Tower of St Botolph's, Boston, Lincolnshire.

Ely Cathedral Trust - £39,000

Towards the restoration of part of the East wall and glass.

Howden Minster - £15,000

Towards the Regeneration Appeal.

Selby Abbey Appeal - £15,000

Towards the final phase of the restoration appeal.

Southwell Minster - £30,000

Towards the restoration of the Central Tower.

From the Museums Treasure Acquisition Scheme

This scheme to help regional and local museums purchase treasure was established in 2004 in partnership with the Museums, Libraries and Archives Council/Victoria & Albert Museum Purchase Grant Fund. 15 grants were awarded this year (with a total of 77 since the scheme began.)

Grants of £5,000 or under totalling £20,777 were made to the following museums;

Barbican House Museum, Lewes
Buckinghamshire County Museum, Aylesbury
Canterbury Museums & Galleries
Charnwood Museum, Loughborough
Derby Museums and Art Gallery
Dorset County Museum, Dorchester
Epping Forest District Museum, Waltham Abbey
Harborough Museum, Market Harborough
Northampton Museum & Art Gallery
Northgate Museum, Bridgnorth
Norwich Castle Museum & Art Gallery
Saffron Walden Museum
Somerset County Museum, Taunton
Warrington Museum & Art Gallery
Wiltshire Heritage Museum, Devizes

From the Parish Churches Programme

Funding for fabric repair and restoration is considered for medieval parish churches (or pre-16th century churches of exceptional architectural merit) in rural, sparsely populated, less prosperous villages, through a process of review, diocese by diocese. Urban churches are not eligible, and funding is available for fabric only (including windows), not refurbishment nor construction of church halls nor other modern amenities.

Grants totalling £28,922 were made in the Diocese of Winchester

Blessed Virgin & Holy Child, Beaulieu
St Nicholas, Bishop's Sutton
St Michael & All Angels, Cheriton
St Peter, Goodworth Clatford
All Saints, Hannington
All Saints, Harbridge
St Mary the Virgin, Mapledurwell
St Andrew, Medstead
St Mary the Virgin, Micheldever
St Andrew, South Warnborough

Grants totalling £2,000 were made in the Diocese of Guildford

St Thomas, East Clandon

Grants totalling £20,500 were made in Diocese of Hereford

All Saints, Culmington
St Bartholomew, Westhild
St John the Baptist, Upton Bishop
St John the Baptist, Yarkhill
St Peter, Birley
St Mary, Clifford
St Mary, King's Pyon
St Stephen, Old Radnor

Grants totalling £21,500 were made in the Diocese of Chester

St Mary, Acton
St Bertoline, Barthomley
St Oswald, Brereton
St Mary the Virgin, Bruera
All Saints, Handley
St Oswald, Malpas
St Lawrence, Over Peover
St Mary, Rostherne
St Edith, Shocklach
St Michael, Shotwick
St Mary, Tilston

Grants totalling £16,000 were made in the Diocese of St David's

St David, Llanarthney
St David, Llanddewi Brefi
St Cathen, Llangathan
St Rhian, Llanrhian
St David, Meidrim
St Brynach, Pontfaen
St John the Baptist, Ysbytty Ystwyth

Grants totalling £31,000 were made in the Diocese of Ely

St Michael & All Angels, Abington Pigotts
St Andrew, Abbots Ripton
St Peter, Easton
All Saints, Grafham
St Mary, Great Eversden
St Nicolas, Hail Weston
All Saints, Harston
St Mary & St John, Hinxton
St Peter, Horningsea
St Peter, Kings Ripton
St John the Evangelist, Little Wilbraham
All Saints, Longstanton
St Peter, Walpole
St Andrew, West Dereham
St Mary Magdalene, Wiggenhall

Grants totalling £17,500 were made in the Diocese of St Edmundsbury & Ipswich

St Mary, Bentley
Holy Trinity, Blythburgh
St Peter, Brampton
St Andrew, Brockley
St Mary the Virgin, Halesworth
St Peter, Moulton
All Saints, Stuston
St Peter, Thurston

Arts and Heritage - Overseas - £208,745

Trustees support conservation projects of outstanding artistic or architectural importance; particularly the restoration of buildings, statuary or paintings, primarily in the countries of Central and Eastern Europe. They seek out reputable local non-governmental organisations as partners in these countries. They are also willing to consider archaeological projects in the region. Trustees hope to raise local community awareness of heritage issues and increase the 'culture' of philanthropy by setting an example, to support the infrastructure and capacity of newly formed heritage NGOs in the region, and to train the next generation of conservation and heritage management professionals.

Friends of Cerveny Dvur - £27,645

Towards the restoration of the Pheasantry at Cerveny Dvur, Czech Republic.

Holley Martlew Archaeological Foundation - £60,000

A further grant towards core costs.

National Museum, Moldova - £22,600

Towards the cost of re-equipping a paper conservation laboratory.

National Trust, Slovakia - £18,000

Towards the cost of restoring the Minerva Temple in the Aspromonte-Linden park complex in Lednicke Rovné, North West Slovakia.

St George's Anglican Church, Venice - £10,000

Towards the restoration appeal.

Transylvania Trust - £70,000

A further grant of £20,000 towards the completion of Phase II of the restoration of the Court d'Honneur at Banffy Castle, Bontida, Romania;
£50,000 towards the 'Heritage Without Borders' heritage skills and capacity-building project.

A further grant of £500 was also made to:

Diocese in Europe

Developing Countries - £263,950

The Trustees' primary geographical areas of interest are sub-Saharan anglophone Africa and Ethiopia. Priority project areas are:

- water/sanitation e.g. providing access to safe, potable water for disadvantaged communities, preserving areas of culturally or ecologically important swampland or marshland, improving urban or rural sanitary condition and promoting the better use of water.
- environment e.g. preserving natural woodland, promoting better use of wood stocks for fuel or construction.
- education and literacy e.g. improving the quality of education and levels of literacy for underprivileged adults or children through training support, materials, construction.
- healthcare e.g. improving standards of health (particularly reproductive) and assisting people with disabilities to lead a more fulfilled life.
- community and voluntary sector development e.g. projects which provide training, support and information to assist the development of community groups and local charities.

Trustees will also consider emergency appeals and projects.

Architects for Aid - £50,000

Towards core costs.

Cafe Africa Trust, UK - £54,000

Towards the cost of employing an East African staff member to support the revitalisation of Africa's coffee industry.

Convention on Business Integrity - £30,000

Towards core programmes working with the business community in Nigeria on anti-corruption measures.

Foundation for Reconciliation in the Middle East - £20,000

Towards core costs.

Home-Start Kenya - £30,000

Towards core costs.

International Service Fellowship Trust (Interserve) - £12,000

To Ashirvad to provide support for the training of Indian doctors in developmental paediatrics.

Law Society of Zimbabwe - £50,000

£12,000 towards supporting the independent functioning of the Zimbabwe legal profession.

£38,000 towards the salary costs of a Secretary.

Tear Fund - £10,000

Towards emergency relief work in Darfur.

Grants of £5,000 or under totalling £7,950 were also made to:

Action for Brazil's Children Trust
Harambee Schools Kenya
Habitat for Humanity
Rainbow Development in Africa (RDA)

Education - £182,350

The Trustees' main area of interest is in providing bursary support, primarily for UK students, particularly for artistic or technical skills training. The bursaries are intended for postgraduate study, except in exceptional circumstances. They also aim to provide performing opportunities for talented young artists, as well as opportunities to participate in the performing and creative arts for young people who are disadvantaged or disabled.

Bishopsland Educational Trust - £10,000

Towards bursaries for apprentice silversmiths and jewellers.

Carousel - £30,000

Towards piloting accredited music and dance training for young people with learning disabilities.

Cutty Sark Trust - £40,000

Towards the provision of a maritime technical skills apprenticeship..

English Pocket Opera Company - £15,000

Towards the opera residency programme in London schools.

National Youth Orchestra of Great Britain - £40,000

Towards core costs.

Royal Institute of British Architects (RIBA) - £10,600

To provide two scholarships to send young architectural historians to the British School at Rome.

Truro Cathedral - £30,000

Towards the Chorister Outreach programme.

Grants of £5,000 or under totalling £6,750 were also made to:

Chefs Adopt A School Trust
Hampshire Country Learning
Kinder Archive Project

Health & Social Welfare - £656,148

Trustees give priority to charities helping carers of an ill or disabled relative, and those that support elderly people of limited means. They are interested in tackling the causes and effects of social exclusion. They will consider applications which deal with educational (e.g. literacy) and psychological support for pre-school children and their families. They continue to see parenting education and support programmes as a priority, and to promote the wellbeing of the family. The Trustees will consider homelessness projects, particularly for older people, and are interested in care and support for families with autistic children.

Acorn Christian Foundation - £30,000

Towards the School Listening Programme aiming to reduce bullying and truancy.

Amber Foundation - £35,000

Towards the cost of a trainer for Amber's 'Practical Housing Units' course for young, unemployed people.

Anchor Staying Put - £15,000

Towards the Anchor Staying Put in Brentwood gardening scheme.

Brighton & Sussex Medical School - £150,000

Towards creating a 'Headley Clinical Fellow in Rheumatology' to conduct a trial to evaluate the utility of novel quantitative magnetic resonance brain imaging in patients with lupus and antiphospholipid syndrome.

Emmaus - £25,000

Towards the capital appeal.

hact (Housing Associations Charitable Trust) - £90,000

Towards the costs of developing new home-sharing schemes in Cumbria and Somerset in partnership with local housing and support agencies.

PSS - £70,000

Towards the costs of providing respite for couples (eg a frail older person and their spouse/carer).

Relationships Foundation UK - £21,375

Towards research to look at the factors linking working patterns to family breakdown and other indicators of family dysfunction.

South Devon Carers Consortium - £40,000

Towards the cost of increasing the capacity of support services for carers in South Devon.

The Passage, Victoria - £120,000

Towards the development of Complex Needs work and to support core costs.

Grants of £5,000 or under totalling £33,650 were also made to:

Alabare Christian Care Centres
Alzheimer's Society
Andover Young Carers Project
Ataxia UK
Breakthrough Breast Cancer

Breast Cancer Haven
Council of Christians & Jews
Crisis
Escape Support Group
Explore
Fine Cell Work
Friends of Chelsea & Westminster Hospital
Friends of Marsha Pheonix
Hampshire & Isle of Wight Air Ambulance
Integrated Neurological Services
Kids Church
Macmillan Cancer Support
National Hospital Development Foundation (NHDF)
Nordoff-Robbins Music Therapy Centre
Right to Life Charitable Trust
Royal British Legion
Samaritans
St Giles Trust
The Passage, Victoria
Treloar Trust
Wheatsheaf Trust

Aids for Disabled Fund

The Trustees make a number of small grants to appropriate charities, agencies and local authorities to provide aids for disabled individuals. These are awarded for a range of aids and equipment, including, but not limited to, the following:

- specially adapted computer systems for the partially blind;
- voice-activated computers for sufferers of spinal injuries;
- stair-lifts and wheelchairs for people with restricted mobility.

Grants totalling £26,123 were made for these purposes during the year.

Grants Cancelled

Grants totalling £122,804 were cancelled, refunded or amended during the year.

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

.....TRUSTEE

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 DECEMBER 2007

	<i>Notes</i>	Unrestricted Funds	Expendable Endowment	Total Funds 2007	Total Funds 2006
		£'000	£'000	£'000	£'000
INCOMING RESOURCES					
Donations and gifts		167	-	167	42
Investment income	2	2,086	-	2,086	1,857
Bank deposit interest		190	-	190	143
Interest on short term deposits		141	-	141	110
Total incoming resources		2,584	-	2,584	2,152
RESOURCES EXPENDED					
Costs of generating funds					
Investment management fee		-	45	45	27
Charitable activity					
Grant expenditure	3	2,382	2,000	4,382	3,125
Grant-related support costs	5	201	-	201	181
Costs of grant-making		2,583	2,000	4,583	3,306
Governance costs	5	14	-	14	14
Total resources expended		2,597	2,045	4,642	3,347
Net outgoing resources		(13)	(2,045)	(2,058)	(1,195)
Other Recognised Gains and Losses					
Gains/(losses) on investment assets					
Realised		-	1,677	1,677	2,187
Unrealised	7	(8)	2,515	2,507	7,978
Net movement in funds		(21)	2,147	2,126	8,970
Balances brought forward at 1 January 2007		755	76,028	76,783	67,813
Balances carried forward at 31 December 2007		734	78,175	78,909	76,783

The notes on pages 18 to 23 form part of these accounts.

There are no gains and losses in either the current or preceding year other than those recognised in the statement of financial activities.

BALANCE SHEET

	Notes	2007	2006
		£'000	£'000
FIXED ASSETS			
Tangible fixed assets	4	14	18
Investments	7	79,824	74,282
		<u>79,838</u>	<u>74,300</u>
CURRENT ASSETS			
Debtors	8	139	446
Cash at bank and in hand		2,734	4,364
		<u>2,873</u>	<u>4,810</u>
Creditors - amounts falling due within 1 year	9	<u>3,802</u>	<u>2,327</u>
NET CURRENT (LIABILITIES)/ASSETS		(929)	2,483
NET ASSETS	10	<u><u>78,909</u></u>	<u><u>76,783</u></u>
CAPITAL FUNDS			
Expendable endowment	10	78,175	76,028
INCOME FUNDS			
Unrestricted funds	10	734	755
		<u><u>78,909</u></u>	<u><u>76,783</u></u>

The financial statements were approved and authorised for issue by the Board of Trustees on
..... and were signed on their behalf by

))
.....) TRUSTEE
))

The notes on pages 18 to 23 form part of these accounts.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

RECONCILIATION OF NET OUTGOING RESOURCES TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2007	2006
	£'000	£'000
Net outgoing resources	(2,058)	(1,195)
Depreciation charges	4	4
Decrease in debtors	307	532
Increase in creditors	1,475	444
Net cash outflow from operating activities	<u>(272)</u>	<u>(215)</u>

CASH FLOW STATEMENT

	2007	2006
	£'000	£'000
Net cash outflow from operating activities	(272)	(215)
Capital Expenditure and financial investment		
Purchase of investments	(19,463)	(23,223)
Sale of investments	<u>18,105</u>	<u>24,287</u>
	(1,358)	1,064
(Decrease)/ increase in cash	<u>(1,630)</u>	<u>849</u>

Analysis of decrease in cash during the year

	2007	2006	Change in year
	£'000	£'000	£'000
Cash at bank and in hand	2,734	4,364	(1,630)
	<u>2,734</u>	<u>4,364</u>	<u>(1,630)</u>

The notes on pages 18 to 23 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 (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 principal accounting policies adopted are as follows:

a) Depreciation

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

The following rate has 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) 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.

c) Grants payable

Grants for which there is a legal obligation, or a valid expectation of receipt by the beneficiary at the year end, and for which conditions attaching to their payment have been fulfilled, are accounted for within the Statement of Financial Activities. Grants approved subject to conditions that have not been met at the year end are not accrued (see 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.

e) 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 Sainsbury Family Charitable Trusts, which are allocated in proportion to time spent on Trust matters and grants paid.

f) Governance costs

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

g) Fund accounting

Details of the nature and purpose of each fund is set out in note 11.

h) Charitable activity

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 may be analysed as follows:

	2007		2006	
	£'000	%	£'000	%
Quoted				
Fixed interest	538	25.8	369	19.9
U.K. Equities	1,415	67.8	1,389	74.8
Overseas Equities	133	6.4	99	5.3
	<u>2,086</u>	<u>100.0</u>	<u>1,857</u>	<u>100.0</u>

3. GRANTS PAYABLE

	2007		2006	
	£'000	£'000	£'000	£'000
Reconciliation of grants payable:				
Commitments at 1 January 2007		2,314		1,808
Grants not accrued at 1 January 2007	3,438		688	
Grants approved in the year	2,186		5,892	
Grants cancelled, refunded or amended	(123)		(17)	
Grants not accrued at 31 December 2007	<u>(1,119)</u>		<u>(3,438)</u>	
Grants payable for the year		4,382		3,125
Grants paid during the year		<u>(2,905)</u>		<u>(2,619)</u>
Commitments at 31 December 2007		<u>3,791</u>		<u>2,314</u>

Commitments at 31 December 2007 are payable as follows:

	2007		2006	
	£'000	£'000	£'000	£'000
Within one year (note 9)		<u>3,791</u>		<u>2,314</u>

Commitments

In addition to the amounts committed and accrued noted above, the Trustees have also authorised certain grants which are subject to the recipient fulfilling certain conditions. The total amount authorised but not accrued as expenditure at 31 December 2007 was £1,119,000 (2006: £3,437,360).

The amount payable in the year includes the following:

	£
<u>Arts and Heritage - UK</u>	
Victoria & Albert Museum	2,250,000
Common Ground	60,000
National Maritime Museum	52,400
Boston Stump Restoration Appeal	50,000
British Film Institute	40,000
Greenwich Foundation	40,000
Wildscreen Trust	40,000
Ely Cathedral Trust	39,000
Hove Museum	35,000
Imperial War Museum	35,000

NOTES TO THE ACCOUNTS (continued)

3. GRANTS PAYABLE (continued)	£
<u>Arts and Heritage - UK (continued)</u>	
Greenwood Centre	30,000
McDonald Institute for Archaeological Research	30,000
National Trust for Scotland	30,000
Southwell Minster	30,000
Bowes Museum Trust	25,000
Watermill Theatre Trust	25,000
Christ Church, Spitalfields	20,000
University of Reading	16,500
Howden Minster	15,000
Selby Abbey Appeal	15,000
<u>Arts and Heritage - Overseas</u>	
Transylvania Trust	70,000
Holley Martlew Archaeological Foundation	40,000
Friends of Cerveny Dvur	27,645
National Museum, Moldova	22,600
Academia Istropolitana Nova	20,000
National Trust, Slovakia	18,000
<u>Developing Countries</u>	
Architects for Aid	50,000
Convention on Business Integrity	30,000
Home-Start Kenya	30,000
Café Africa Trust, UK	27,000
Law Society Zimbabwe	25,000
Foundation for Reconciliation in the Middle East	20,000
International Association for Digital Publications	20,000
<u>Health and Social Welfare</u>	
Housing Associations Charitable Trust	90,000
The Passage, Victoria	80,000
Brighton & Sussex Medical School	57,500
PSS	55,000
South Devon Carers Consortium	40,000
Amber Foundation	35,000
Acorn Christian Foundation	30,000
Disability, Pregnancy & Parenthood International	30,000
Emmaus	25,000
British Orthopaedic Association	22,500
Relationships Foundation UK	21,375
Royal National Lifeboats Institution	20,000
<u>Education</u>	
Cutty Sark Trust	40,000
National Youth Orchestra of Great Britain	40,000
Rambert School of Ballet & Contemporary Dance	30,000
Truro Cathedral	30,000
Carousel	20,000
English Pocket Opera Company	15,000

NOTES TO THE ACCOUNTS (continued)

4. TANGIBLE FIXED ASSETS

Tangible fixed assets consist of the Trust's share of the cost to 31 December 2007 of refurbishment of leasehold premises at Allington House (1st Floor), 150 Victoria Street, London SW1.

	Leasehold Improvements	Total
	£'000	£'000
COST		
Balance at 1 January 2007	37	37
Additions	-	-
Balance at 31 December 2007	<u>37</u>	<u>37</u>
 DEPRECIATION		
Balance at 1 January 2007	19	19
Charge for the year	4	4
Balance at 31 December 2007	<u>23</u>	<u>23</u>
 NET BOOK VALUE		
At 31 December 2007	<u>14</u>	<u>14</u>
 NET BOOK VALUE		
At 31 December 2006	<u>18</u>	<u>18</u>

5. ALLOCATION OF SUPPORT COSTS

	Grant-making	Governance	2007 Total	2006 Total
	£'000	£'000	£'000	£'000
Staff costs	124	5	129	124
Office costs	49	-	49	34
Legal and professional fees	10	-	10	10
Advisory charges	14	-	14	14
Depreciation	4	-	4	4
	<u>201</u>	<u>5</u>	<u>206</u>	<u>186</u>
 Auditor's remuneration	-	9	9	9
	<u>201</u>	<u>14</u>	<u>215</u>	<u>195</u>

Included above is £9,795 paid for legal services to Portrait Solicitors, a firm in which Miss J S Portrait is a partner. During the year no Trustee received remuneration (2006: £nil) and one Trustee was reimbursed expenses of £343 (2006: £286).

NOTES TO THE ACCOUNTS (continued)

6. ANALYSIS OF STAFF COSTS

	<u>2007</u>	<u>2006</u>
	<u>£'000</u>	<u>£'000</u>
Staff costs:		
Wages and salaries	107	103
Social security costs	13	11
Other pension costs	9	10
	<u>129</u>	<u>124</u>

As mentioned in note 1(e), the Trust is one of the Sainsbury Family Charitable Trusts which share the joint administration at the Registered Office. 4.6% of the total support and administration costs of these Trusts have been allocated to the Headley Trust, including a proportionate share of the costs of employing the total number of staff serving in the office in 2007. Staff costs equivalent to 2 full time employees were charged to the Headley Trust (2006 - 2).

7. FIXED ASSET INVESTMENTS

	<u>2007</u>	<u>2006</u>
	<u>£'000</u>	<u>£'000</u>
Market value 1 January 2007	74,282	65,181
Less: Disposals at book value	(16,428)	(22,100)
Add: Acquisitions at cost	19,463	23,223
Net gain on revaluation	2,507	7,978
Market value at 31 December 2007	<u>79,824</u>	<u>74,282</u>
Historical cost at 31 December 2007	<u>58,602</u>	<u>50,723</u>

The investments held as at 31 December 2007 were as follows:

	<u>2007</u>		<u>2006</u>	
	Cost	Market Value	Cost	Market Value
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Direct investment in listed U.K. and overseas securities				
Fixed interest	10,572	10,401	8,182	8,138
U.K. Equities	34,155	51,715	31,636	52,549
Overseas Equities	11,068	14,901	9,034	11,724
Short Term Securities	2,807	2,807	1,871	1,871
	<u>58,602</u>	<u>79,824</u>	<u>50,723</u>	<u>74,282</u>

Fixed interest includes investment in Charinco Distribution Units and U.K. Equities includes investment in J Sainsbury plc which at 31 December 2007 had market values of £8,474,945 and £20,046,523 respectively.

NOTES TO THE ACCOUNTS (continued)

8. DEBTORS

	<u>2007</u>	<u>2006</u>
	<u>£'000</u>	<u>£'000</u>
Income tax recoverable	23	17
Other debtors	116	429
	<u>139</u>	<u>446</u>

9. CREDITORS

	<u>2007</u>	<u>2006</u>
	<u>£'000</u>	<u>£'000</u>
Grant Commitments (note 3)	3,791	2,314
Other creditors	-	2
Professional charges	11	11
	<u>3,802</u>	<u>2,327</u>

10. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	<u>Unrestricted Funds</u>	<u>Expendable Endowment</u>	<u>Total 2007</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Fund balances at 31 December 2007 are represented by;			
Tangible fixed assets	-	14	14
Investments	405	79,419	79,824
Current assets	2,131	742	2,873
Current liabilities	(1,802)	(2,000)	(3,802)
Total net assets	<u>734</u>	<u>78,175</u>	<u>78,909</u>

Unrealised gains/(losses) included in the above

On investment assets (see note below)	(28)	21,250	21,222
Total unrealised gains/(losses) at 31 December 2007	<u>(28)</u>	<u>21,250</u>	<u>21,222</u>

Reconciliation of movements in unrealised gains on investment assets

Unrealised gains/(losses) at 1 January 2007	(20)	23,579	23,559
Deduct in respect of disposals in year	-	(4,844)	(4,844)
	<u>(20)</u>	<u>18,735</u>	<u>18,715</u>
Add: gains/(losses) arising on revaluation in year	(8)	2,515	2,507
Unrealised gains/(losses) at 31 December 2007, as above	<u>(28)</u>	<u>21,250</u>	<u>21,222</u>

11. Funds

Unrestricted Funds comprise those funds which the Trustees are free to use in accordance with the charitable objects.

Expendable Endowment represents those assets held by the Trustees principally as investments. Income arising on the expendable endowment fund can be used in accordance with the objects of the charity and is included as unrestricted income. Investment management charges are charged against the fund. The fund is available to meet grant commitments as the Trustees may see fit.

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 HEADLEY TRUST

We have audited the financial statements of Headley Trust for the year ended 31 December 2007 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes set out on pages 15 to 23. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 18.

This report is made solely to the charity Trustees, as a body, in accordance with section 43 of the Charities Act 1993 and regulations made under section 44 of that Act. 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 and its 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 24.

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 31 December 2007 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

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