

Charity No: 1026432
Company No: 2846227

**BAG BOOKS
REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 2016**

BAG BOOKS
Year ended 31 December 2016
Reference and administrative information

Status

The organisation is a charitable company limited by guarantee, incorporated on 19 August 1993 and registered as a charity on 24 September 1993

Governing Document

The company was established under a Memorandum of Association which established the objects and powers of the charitable company. The objects are:

“to promote the recreation and education of children and adults with special learning difficulties and/or physical disabilities in particular through the use of tactile books and related material in the interests of social welfare and with the object of improving their conditions of life.”

The charitable company is governed under its Articles of Association.

The Trustees have referred to the Charity Commission’s general guidance on public benefit and believe that the charity meets the requirements of public benefit with regard to its aims and objectives and in planning its future activities. In particular, the Trustees have considered how the planned activities will contribute to the aims and objectives they have set.

Summary of investment powers

The trustees may invest the moneys of the company not immediately required for its own purposes in or upon such investments, securities, or property as may be thought fit.

Business Address and Registered Office

1 Stewart’s Court, 218-220 Stewart’s Road, London SW8 4UB

Contact details

Tel: 020 7627 0444 Fax: 020 7627 0999
email: office@bagbooks.org web: www.bagbooks.org

Charity Number

1026432

Company Number

2846227

VAT Number

GB 994 0287 86

BAG BOOKS
Year ended 31 December 2016
Reference and administrative information

Trustees and directors

Philip Wilson, Chair
Rachel Tyson, Treasurer
Sandra Allon
Mandeep Rai
Jan Stogdon
Natasha Theobald
Jonathan Walsh

Patrons

Prof. James Hogg BA(Hons) PhD FIASSID *retired 26/04/16*
Kay Hounsham MSc MBE
Michael Morpurgo OBE FRSL FKC DL
Dr Alison Salt MBBS FRCPCH FRACP MSc

Senior Management Team

Dean Casswell, Chief Executive
Stuart Cummings, Director of Services *resigned 05/06/16*
Nina Martinez, Storytelling Manager *appointed 01/06/16*
Sophie Baker, Craft Workshop Manager *from 01/07/16*
Karen Shand, Craft Workshop Manager (Maternity Cover) *to 30/06/16*
Marion Mason, Finance Officer
Camilla John, Fundraising and Communications Manager

Company Secretary

Dean Casswell

Bankers

Unity Trust Bank plc, Nine Brindleyplace, Birmingham B1 2HB

Solicitors

Bates, Wells & Braithwaite, Cheapside House, 138 Cheapside, London EC2V 6BB

Auditors

Wyatts, Chartered Accountants, York House, 1 Seagrave Road, London SW6 1RP

BAG BOOKS
Year Ended 31 December 2016
Trustees' Report

The Trustees and Directors present their report and the audited financial statements for the year ended 31 December 2016. The legal and administrative information set out on pages 1 and 2 forms part of this report. The financial statements comply with current statutory requirements, the memorandum and articles of association and the Statement of Recommended Practice – Accounting and Reporting by Charities (issued July 2015): FRS 102.

Introduction

Bag Books is a charity which works to help develop communication skills in children and adults with the most severe learning disabilities. We do this through:

- making multi-sensory books
- running specialist multi-sensory storytelling sessions
- training people in multi-sensory storytelling

Multi-sensory books can be enjoyed without being understood. They are designed for people with profound & multiple learning disabilities (PMLD – a maximum developmental age of 18 months), people with severe learning disabilities (SLD – a maximum developmental age of 6 years) or people with severe autistic spectrum disorders. The multi-sensory books comprise a large-print storyboard with 6-12 lines of text. Each line of the story is matched with a specially selected object (many of them hand-made) which participants are helped to access hand-over-hand with the Storyteller. These objects engage the senses of sight, sound, touch, smell and motion.

Executive Summary

As reported last year, 2016 was always going to be a difficult year as we managed the planned shrinkage in our work following the conclusion of our Big Lottery Fund and Henry Smith Charity grants in December 2015. Financially, although we made a deficit for the year as a whole, the last six months generated a surplus and we are confident that we are in a strong position going forward. In addition, we increased our secured income at the start of the year to £84k (2015: £37k) which has meant our reserves will now stretch further and are at their highest ever level. Our work is divided into objectives each measured by a Key Performance Indicator with targets set for the year. We met our green targets in five of our eight objectives and in the remaining three we are confident that we can return them to green over the forthcoming year.

Structure, governance and management

1. Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up.
2. Trustees are elected by the Members at the Annual General Meeting and at each meeting a third retire by rotation. Trustees can be appointed during the year but must then be elected at the subsequent Annual General Meeting.
3. The Trustees meet quarterly and have been selected on the basis of experience and knowledge of severe and profound intellectual and physical disabilities and/or specialist skills in law, business and fundraising.

BAG BOOKS
Year Ended 31 December 2016
Trustees' Report

4. Any Trustee vacancies are openly advertised and new Trustees are inducted into the workings of the charity through a tour of the craft workshop, informal discussions with staff and volunteers and the opportunity to observe storytelling sessions with beneficiaries. An induction pack is provided which includes copies of the Memorandum and Articles of Association, the most recent Audited Accounts, minutes of the last two Board meetings and the Charity Commission's booklet "The Essential Trustee."
5. At the year-end we had seven Trustees:
 - Philip Wilson, *our Chair, who was formerly the Director of Development at the British Science Association and the Director of Fundraising at The Prostate Cancer Charity. Philip has been a Trustee since 14/01/04.*
 - Rachel Tyson, *our Treasurer, a qualified accountant currently working for a private entrepreneur and philanthropist. Rachel has been a Trustee since 06/11/12.*
 - Sandra Allon, *formerly the Merchandising Director for Europe for Aquascutum and a senior buyer at Harrods for 30 years. Sandra has been a Trustee since 27/01/09.*
 - Mandeep Rai, *an Associate Director at HSBC Private Bank. Mandeep has been a Trustee since 27/01/15.*
 - Jan Stogdon, *formerly the Headteacher of a Special School with over 30 years' experience of teaching children with severe learning disabilities. Jan has been a Trustee since 01/05/12.*
 - Natasha Theobald, *a charity marketing professional with 19 years' experience. Natasha has been a Trustee since 20/07/10.*
 - Jonathan Walsh, *a solicitor. Jonathan has been a Trustee since 26/04/06.*
6. In addition to the skills and experience listed above one of the Trustees is also a parent of a person with severe learning disabilities and another Trustee is a sibling of a person with severe learning disabilities.
7. The Trustees employ a Chief Executive to manage the charity alongside a Storytelling Manager, Craft Workshop Manager, Finance Officer and Fundraising & Communications Manager. The charity also employs a Senior Craft Artist, a Volunteer Co-ordinator, a Storytelling-Training Co-ordinator and two Craft Artists. The remuneration of all staff members is reviewed annually when the Trustees set the budget for the forthcoming year. In addition, the charity has contracts with 11 freelance Storytellers.
8. Regular volunteers are invaluable to multi-sensory book production: all knitted items for the stories and a considerable amount of hand sewing is supplied by volunteers. We are also grateful to the teams of corporate volunteers who join us for Craft Days. During the year we were assisted by teams from Annington (three times), Salesforce.com (twice), Standard Chartered, and McGraw-Hill Education. Together, we estimate that our volunteers donated 298 days (2015: 413 days) to us during the year and the value to the charity of this work is £24,000 (2015: £33,000) but this sum is not included in these accounts.

9. Bag Books is a member of the PMLD Network, the European Academy of Childhood Disability, Nasen, the National Council of Voluntary Organisations, the Charity Finance Group and the Foundation for Social Improvement. The charity is also registered with the Fundraising Regulator. The Chief Executive is a Fellow of the Royal Society of Arts and a member of the Association of Chief Executives of Voluntary Organisations and the Institute of Fundraising. The Storytelling Manager is a member of the British Institute of Learning Disabilities (BILD), the Epilepsy Society and the National Autistic Society.

Risk management policy

10. The Trustees annually review the major risks to which the charity is exposed. The main risk has been identified as an over-reliance on a small pool of funders and this is mitigated by constantly monitoring reserve levels and attempting to widen the number of funders. The second risk is a loss of key personnel which is mitigated by ensuring we offer a flexible working environment. Our third main risk has been identified as a failure to protect children and/or vulnerable adults which is mitigated by ensuring we comply with Disclosure and Barring Service regulations.

Objectives, activities, achievements and performance

11. Bag Books is still the only organisation in the world publishing multi-sensory stories for people with severe or profound & multiple learning disabilities. The charitable objects are stated on page 1. The Trustees have adopted the following mission statement:

“To enhance the lives of children and adults with learning disabilities through the use of multi-sensory books.”

In July 2015 the Trustees held a biennial “Away Day” at which they reviewed the Charity Commission documents “The Hallmarks of an Effective Charity” and “Charity Trustee Meeting: 15 Questions Trustees Need To Ask.” The Trustees also adopted a “Strategic and Business Plan 2015-2019” which is available in full on the charity’s website <http://www.bagbooks.org/about-us/the-organisation/strategic-plan>
The plan is due to be updated at an “Away Day” scheduled for July 2017.

12. As part of their strategy, the Trustees have also adopted the following aims:
- To motivate children and adults with learning disabilities to engage with objects and materials, and their peers.
 - To develop the language, communication and motor skills of children and adults with learning disabilities.
 - To develop the emotional perception of children and adults with learning disabilities.
 - To enable professional workers and parents/carers in contact with children and adults with learning disabilities to make use of tactile and multi-sensory books.
 - To enable children and adults with learning disabilities to be involved in story development and production.
13. The Trustees have also adopted six Charitable Objectives and two Organisational Objectives. Set out below is a review of what we intended to do in 2016 (as stated in our 2015 accounts), what we actually achieved during 2016 and what our plans are for 2017. The Trustees have agreed an easily measurable Key Performance Indicator for each Objective and a traffic light system of targets - the Red, Amber and Green target for each is also reported on below.

14. **Charitable Objective 1** *To promote multi-sensory storytelling within the academic, library, adult day centre, health and special educational fields.*

We said we would:

- Prioritise “Once Upon A Time” multi-sensory storytelling visits to the 18% of Special Schools whose last visit was more than five years ago.
- Fundraise for an expanded “Autism Storytime” project introducing multi-sensory storytelling to many more Special Schools with pupils who have autism spectrum disorder.
- Organise another national multi-sensory storytelling day which will take place on 23rd September 2016.

In 2016 this is what we did:

- Our “Once Upon A Time” projects aims to run storytelling sessions every five years with each of the 702 (2015: 710) Special Schools across the UK catering for pupils with severe learning disabilities. We have now achieved that with 77% (2015: 82%) of the schools.
- Fundraising to expand the “Autism Storytime” project proved difficult but we did manage to visit a further 11 (2015: 8) of the 158 Special Schools we have identified across the UK catering solely for pupils with severe autism spectrum disorders. We have now visited 14% of these schools over the past five years.
- The national multi-sensory storytelling day on 23rd September 2016 was publicised through our newsletter and website. We visited several schools across the UK on the day including Rutherford School, Croydon where we launched our new story “*The Great Train Rescue.*”
- A Big Lottery Fund grant for our “Tall Stories” project, introducing multi-sensory books to adult day centres and residential care homes, came to an end in December 2015 but we obtained a grant from a Charitable Trust to enable it to carry albeit on in a much reduced form. During the year we visited 6 (2015: 88) centres.
- We visited 2 (2015: 13) Children’s Hospices during the year. Over the past five years we have visited 45 of the 48 Children’s Hospices across the UK.
- We trained an Occupational Therapist and a Speech and Language Therapist from Söderhamn, Sweden as part of a three day visit to us. A Speech and Language Therapist from Sri Lanka spent a day observing storytelling sessions with adults. We also corresponded with an academic contact from the University of Education in Ludwigsburg, Germany.

Our Key Performance Indicator for this Objective is:

The number of page views on our website.

2016: 260,475
2015: 233,173
2014: 197,441
2013: 118,423
2012: 118,465

2016 Target

Red: under 150k Amber: 150k-200k Green: over 200k

The Trustees judge this to be Green on our traffic light system of targets.

In 2017 we plan to:

- Contribute to the NHS National Institute for Health Research programme on “Improving communication for adults with profound and multiple learning disabilities”.
- Organise another national multi-sensory storytelling day which will take place on 22nd September 2017.

BAG BOOKS
Year Ended 31 December 2016
Trustees' Report

15. **Charitable Objective 2** *To develop a range of appropriate literature for children and adults with Severe and Profound & Multiple Learning Disabilities.*

We said we would:

- Launch three new “classic” books.
- Translate the remaining titles into Welsh language versions.

In 2016 this is what we did:

- We launched three new “classic” design books: “*Learning To Fly*” about a robin chick hatching and leaving the nest, “*The Great Train Rescue*” about evacuating a wheelchair passenger from a stranded train and “*He’s A Winner*” about a shopping trip that turns into a supermarket sweep.
- All our titles now have North and South Welsh language versions.

Our Key Performance Indicator for this Objective is:

The number of new titles published

2016:	3
2015:	3
2014:	5
2013:	3
2012:	4

2016 Target Red: 1 and under Amber: 2 Green: 3 and over

The Trustees judge this to be Green on our traffic light system of targets.

In 2017 we plan to:

- Launch two new “classic” design books and one new story in our “DIY” range.

16. **Charitable Objective 3** *To produce multi-sensory books to a high standard in order to promote storytelling.*

We said we would:

- Maintain the high level of book production.

In 2016 this is what we did:

- The number of “classic” books completed was 935 although at the end of the year we also had a further 90 copies of our two newest titles nearing completion in order to send to Children’s Hospices thanks to grant funding.
- In addition to the “classic” design books we also made 79 (2015: 70) “At Home” books for parents.
- 1,236 (2015: 783) new users registered on our website for our DIY range of stories, 6,064 (2015: 3,922) copies of which were downloaded.

Our Key Performance Indicator for this Objective is:

The number of “classic” books made.

2016:	935
2015:	1,105
2014:	1,457
2013:	1,151
2012:	805

2016 Target Red: under 800 Amber: 800-1,000 Green: over 1,000

The Trustees judge this to be Amber on our traffic light system of targets.

In 2017 we plan to:

- Increase book production to achieve the green target.

17. **Charitable Objective 4** *To organise a programme of multi-sensory storytelling sessions across the UK.*

We said we would:

- Continue fundraising for multi-sensory storytelling visits.

In 2016 this is what we did:

- We received feedback from 583 (2015: 461) Special Needs teachers who collectively observed 3,887 (2015: 3,467) of their pupils participating in one of our storytelling sessions. Those teachers judged that 97.9% (2015: 97.9%) of the children in their class benefitted from a Bag Books multi-sensory storytelling session. The teachers also rated their overall satisfaction with our service at 96.4% (2015: 96.0%). Unedited feedback is posted on our website at <http://www.bagbooks.org/in-your-area> including:
 - *"All of the students really enjoyed the Bag Books experience. "The Fairground" story was lovely with lots of different sensory experiences which everyone enjoyed. The students were all very keen to reach out and touch all of the different props and objects shown to them. Students all watched the storyteller waiting to see what was going to happen next with a big smile on their faces. The students also enjoyed watching each other's responses. We also had some great talking from some students that don't always join in or speak out in groups. Overall, this was a great session which staff and students both really enjoyed. Thank you so much. What a wonderful way to spend a Friday morning."* **Forest Way School, Coalville.**
 - *"I just wanted to say a big thank you to Bag Books for coming to our school. It was a huge success and has motivated the teachers to incorporate Bag Books even more into their daily routine. I am also putting the use of Bag Books as a focus for our Literacy Action Plan this year. Everyone said that the Bag Books Storyteller was really engaging and the pupils got a lot out of it. I also wanted to thank you for the brand new Bag Books that have arrived at the school! They will be placed in our Library as a resource for everyone to use. Thanks a million, it makes a real impact in the lives of the pupils in the school and we really appreciate it!"* **Vice Principal, Springhead School, Scarborough.**
 - *"Thank you so much for selecting our school for this rewarding and worthwhile session. All our pupils gained a huge amount through the experience and will continue to do with the support of the resources and packs distributed to the school."* **Bothwell Park High School, Motherwell.**
 - *"The books were excellent. We started the session with one pupil very agitated and one crying. As the story started they became very interested and were following the pages as they went round. They were all engaged with the sensory resources. At the end of the session we were all calm and very happy. A lovely session. Thank you."* **Meadows School, Leek**

Our Key Performance Indicator for this Objective is:

The number of service users attending storytelling sessions.

2016:	5,047
2015:	6,418
2014:	7,076
2013:	7,003
2012:	4,782

2016 Target Red: under 3k Amber: 3k-5k Green: over 5k

The Trustees judge this to be Green on our traffic light system of targets.

In 2017 we plan to:

- Continue fundraising for multi-sensory storytelling visits

18. **Charitable Objective 5** *To train parent/carers and professional workers in the learning disability field as multi-sensory storytellers.*

We said we would:

- Enhance our training using the updated training pack.

In 2016 this is what we did:

- Our enhanced training made good use of our expanded training pack and the accompanying DVD with over 100 minutes of demonstration storytelling sessions.
- With the end of our Big Lottery Fund grant for our "Tall Stories" project in December 2015 we had anticipated a fall in training and adjusted our targets accordingly. However, our full-time Director of Services resigned mid-way through the year to return to teaching and due to a lack of funding we replaced him with a two-days per week Storytelling Manager and this reduced the resources available for training.

Our Key Performance Indicator for this Objective is:

The number of people trained.

2016:	310
2015:	744
2014:	562
2013:	738
2012:	363

2016 Target
Red: under 150
Amber: 150-350
Green: over 350

The Trustees judge this to be Amber on our traffic light system of targets.

In 2017 we plan to:

- Advertise an "open" Training Day at a Special School in London.

19. **Charitable Objective 6** *To provide story production craft experience opportunities to people with Severe or Profound & Multiple Learning Disabilities.*

We said we would:

Obtain funding to expand the Build-a-Book project beyond London.

In 2016 this is what we did:

- We did not manage to obtain funding to expand the project beyond London (although we are still hopeful of doing so). However, we did obtain funding to significantly expand the project within London which resulted in us visiting 40 venues (2015: 9). Feedback from teachers included:
- *"Just wanted to say a massive thank you for inspiring our children today. We really enjoyed the story and all the different things we did making the book. From painting, to drilling the bunting. To see our children all working together was beautiful. Our children really did enjoy seeing the book come together and having the story read to us with the sensory pages. To see their faces light up with excitement is priceless. Such a fantastic idea."* **Riverside School, Beckenham.**

Our Key Performance Indicator for this Objective is:

The number of people attending a course.

2016:	283
2015:	61
2014:	47
2013:	63
2012:	32

2016 Target
Red: under 10
Amber: 10-20
Green: over 20

The Trustees judge this to be Green on our traffic light system of targets.

In 2017 we plan to:

- Obtain funding to expand the Build-a-Book project beyond London.

20. **Organisational Objective A** *To have long term financial security.*

We said we would:

- Maintain our level of reserves.

In 2016 this is what we did:

- Our reserves increased towards the top end of our green target.

Our Key Performance Indicator for this Objective is:

The level of reserves.

2016: 39 weeks

2015: 30 weeks

2014: 29 weeks

2013: 27 weeks

2012: 18 weeks

2016 Target
Red: under 20 or over 40
Amber: 21-29 or 41-45
Green: 30-40

The Trustees judge this to be Green on our traffic light system of targets.

In 2017 we plan to:

- Carefully monitor reserve levels and spend any surplus funds on charitable activities.

21. **Organisational Objective B** *To continually improve our Governance, Management and infrastructure.*

We said we would:

- The post of Volunteer Co-ordinator became vacant in January 2016 and we will be recruiting a replacement member of staff.

In 2016 this is what we did:

- Thanks to additional funding the post of Volunteer Co-ordinator was made full-time but there was a dip in the number of volunteers due mainly to the post being vacant for a time.
- We were shortlisted in the "Société Générale Charity of the Year" category at the European Diversity Awards.

Our Key Performance Indicator for this Objective is:

The number of volunteer days.

2016: 298

2015: 413

2014: 396

2013: 367

2012: 214

2016 Target
Red: under 250
Amber: 250-350
Green: over 350k

The Trustees judge this to be Amber on our traffic light system of targets.

In 2017 we plan to:

- Put renewed effort into recruiting and retaining volunteers to enable us to regain our green target.

22. Overall, our aim was to reach at least 25,000 people with learning disabilities during 2016. We know that 5,047 (2015: 6,418) service users attended our storytelling sessions and that 6,064 (2015: 3,922) of our DIY range of stories were downloaded. Our books tend to last for at least five years as we offer an at-cost replacements parts service. Over the past five years we have supplied our classic books to 1,228 (2015: 1,241) different schools, libraries, children's hospices or day centres. Previous surveys have shown that in these locations our books reach an average of 23 people with learning disabilities each year. In addition, over the past five years we have supplied books to 195 (2015: 239) individuals. We therefore estimate that this target was easily met. We aim to reach 25,000 people with learning disabilities during 2017.

Financial review

23. Income decreased by 21% to £361,698 (2015: £457,948). Our budget for the year had predicted income to fall to £399,822 mainly due to the ending of the Big Lottery Fund "Tall Stories" grant. Income was therefore 10% below the budget mainly due to a new application to the Big Lottery Fund which had been included in the budget but which was rejected.
24. Expenditure decreased by 9% to £386,173 (2015: £424,715). Our budget for the year had predicted expenditure of £399,800 so expenditure was 3% below the budget.
25. This has resulted in a deficit of net resources of £24,475 (2015: surplus of £33,233).

Budget for 2017

26. The Trustees have agreed a budget for 2017 of income totaling £384,000 (2016: £399,822) of which £84,000 (2016: £37,000) had been secured by the start of the year. Budgeted expenditure is £378,800 (2016: £399,800).

Reserves policy

27. Over the course of the first six months of 2011 our reserves fell by 64% which forced us to cut back on our activities and make some redundancies. Our reliance on one-off donations from Charitable Trusts makes our income very unpredictable so our Reserves Policy is relatively conservative.
28. Our policy is that "Unrestricted Reserves should be equivalent to between 30 and 40 weeks of budgeted future annual unsecured expenditure." At the end of the year our Unrestricted Reserves (General Funds) were £114,826 (2015: 121,898). Our budgeted expenditure for 2017 is £378,800 of which £84,000 had already been secured and £142,675 was covered by Restricted Funds leaving a balance of £152,125 (2015: £214,390) to raise. Our Unrestricted Reserves were sufficient to cover 75% (2015: 57%) of this balance which equates to 39 weeks (2015: 30 weeks).
29. Given the volatile nature of much of our income, the Trustees will continue to closely monitor the reserves position throughout the forthcoming year, spending any surplus funds on charitable activities.

Staff pension arrangements

30. Because of our small size, the staging date set by The Pensions Regulator for our workplace pension obligations to begin was 01/02/17. We successfully applied to them to bring the date forward to 01/07/13. We joined the National Employment Savings Trust (NEST) pension scheme and the charity has agreed to match employees' contributions up to 3% of salary. A breakdown of staffing costs including pension payments appears as Note 4.

Trustee indemnity insurance

31. Our insurance policy automatically includes Trustee indemnity insurance.

Fundraising performance

32. Direct fundraising costs were £26,049 (2015: £26,830) which represents just 7% (2015: 6%) of total expenditure. With Support Costs added, we invested a total of £70,991 (2015: £73,976) in fundraising and this produced voluntary income of £301,938 (2015: £374,992) which was 83% (2015: 82%) of our total income. The fundraised income can be broken down as follows:

- Income from Charitable Trusts and Foundations increased 2% to £192,816 (2015: £188,396)
- Income from corporate partners increased 7% to £77,664 (2015: £72,904)
- Income from individuals increased 106% to £31,457 (2015: £15,307)
- Income from Gifts In Kind increased 47% to £9,926 (2015: £6,751)
- Income from The Big Lottery Fund was £0 (2015: £98,384)

33. The large increase in donations from individuals was mainly due to a Radio 4 Appeal in October hosted by our long-standing Patron, Michael Morpurgo. It raised over £15,000 and can still be listened to at <http://tinyurl.com/R4BB2016>

34. By the end of the year the following grants and pledges of £2,500 and over had been secured for 2017:

- £25,000 from Annington as the third year of a three year pledge towards storytelling sessions in Special Schools.
- £20,000 from John Lyon's Charity as the second year of a three year grant towards storytelling sessions.
- £15,000 from The Pears Foundation as the second year of a two year unrestricted grant.
- £12,000 from The Stavros Niarchos Foundation as the second year of a three year grant towards the costs of our Volunteer Co-ordinator.
- £5,000 from The Sobell Foundation as the third year of a three year grant towards the costs of our Volunteer Co-ordinator.
- £3,000 from The Odin Charitable Trust as the third year of a three year unrestricted pledge.

35. The Trustees would like to thank all our donors for their support. The Trustees are also grateful to all the companies and organisations which provide goods and services free of charge. This support is recognised under "Gifts in Kind". One of the main items within this is the audit which has been kindly provided on a pro-bono basis by Wyatts for several years.

Statement of responsibilities of the trustees

36. The Trustees are required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including the net income or expenditure, for the period. In preparing those financial statements the Trustees are required to:
- a) select suitable accounting policies and then apply them consistently;
 - b) make judgments and estimates that are reasonable and prudent;
 - c) state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements;
 - d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation; and
 - e) observe the methods and principles in the Charities SORP.
37. The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of charity and which enable them to ensure that the financial statements comply with the Companies Act 2006. The Trustees are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

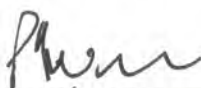
Statement of disclosure to auditors

38. As far as the Trustees are aware there is no relevant audit information of which charity's auditors are unaware. Additionally, the Trustees have taken all steps they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

Auditors

39. A resolution to confirm the reappointment of Wyatts as the company auditor will be proposed at the Annual General Meeting on 25th April 2017.

Approved by the Board of Trustees at its meeting on 25th April 2017 and signed on its behalf:



.....
Philip Wilson
Chair of Trustees
25th April 2017

Independent Auditors Report to the members of Bag Books

We have audited the financial statements of Bag Books for the year ended 31 December 2016 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Respective responsibilities of Trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement on page 4, the trustees (who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice Board's Ethical Standard for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- the information given in the Trustees Report is inconsistent in any material respect with financial statements; or
- the charitable company has not kept adequate accounting records; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



K. Wyatt (Senior Statutory Auditor)
For and on behalf of
WYATTS Statutory Auditors
York House, 1 Seagrave Road, London SW6 1RP

BAG BOOKS
Year Ended 31 December 2016
Financial Statements

Statement of Financial Activities

	Notes	Unrestricted Funds		Restricted Funds		Total	
		2016	2015	2016	2015	2016	2015
INCOME							
Donations & legacies		80,589	72,159	221,349	302,833	301,938	374,992
Charitable activities							
Book Production		40,757	54,511		0	40,757	54,511
Storytelling & Training		8,571	21,088		0	8,571	21,088
Investments		506	606		0	506	606
Other							
Gifts in kind		9,926	6,751		0	9,926	6,751
TOTAL INCOME		<u>140,349</u>	<u>155,115</u>	<u>221,349</u>	<u>302,833</u>	<u>361,698</u>	<u>457,948</u>
EXPENDITURE							
Raising funds		70,991	73,976		0	70,991	73,976
Charitable activities							
Book Production		52,424	39,530	135,129	141,655	187,553	181,185
Storytelling & Training		35,674	36,993	91,955	132,561	127,629	169,554
TOTAL EXPENDITURE	2, 3	<u>159,089</u>	<u>150,499</u>	<u>227,084</u>	<u>274,216</u>	<u>386,173</u>	<u>424,715</u>
OPERATING SURPLUS / (DEFICIT)		(18,740)	4,616	(5,735)	28,617	(24,475)	33,233
Net gains / (losses) on investments		11,668	721		0	11,668	721
Net income / (expenditure)		(7,072)	5,337	(5,735)	28,617	(12,807)	33,954
Reconciliation of funds							
Total funds brought forward		121,898	116,561	148,410	119,793	270,308	236,354
Total funds carried forward		114,826	121,898	142,675	148,410	257,501	270,308

All activities relate to continuing operations.

The notes on pages 18 to 22 form part of these financial statements.

The statement of financial activities includes all gains and losses recognised in the year.

BAG BOOKS
Year Ended 31 December 2016
Financial Statements

Balance Sheet

	Notes	2016 Total £	2015 Total £
Fixed Assets			
Tangible assets	5	<u>1,919</u>	<u>2,757</u>
Current Assets			
Stock		32,715	28,015
Trade debtors		2,875	6,680
Prepayments		13,581	15,321
VAT repayable		574	368
Deposits – Investment Account		85,868	74,199
Cash at bank and in hand		<u>138,717</u>	<u>156,846</u>
Total Current Assets		<u>274,330</u>	<u>281,429</u>
Creditors due within one year:			
Trade creditors		2,856	4,988
Tax and social security		4,640	4,565
Other creditors		3,169	2,242
Deferred income		<u>8,083</u>	<u>2,083</u>
Total Current Liabilities		<u>18,748</u>	<u>13,878</u>
Net current assets		<u>255,582</u>	<u>267,551</u>
Net assets		<u>257,501</u>	<u>270,308</u>
FUNDS			
General funds	6	114,826	121,898
Restricted funds	7	<u>142,675</u>	<u>148,410</u>
Total Funds		<u>257,501</u>	<u>270,308</u>

Cash Flow Statement

	2016 Total £	2015 Total £
Cash flows from operating activities		
<i>Net cash provided by (used in) operating activities</i>	(28,828)	18,778
Cash flows from investing activities		
Dividends, interest and rents from investments	(507)	(606)
Proceeds from sale of property, plant and equipment	0	0
Purchase of property, plant and equipment	(463)	0
Proceeds from sale of investments	11,668	721
<i>Net cash provided by (used in) investing activities</i>	<u>10,698</u>	<u>115</u>
Cash flows from financing activities	0	0
<i>Net cash provided by (used in) financing activities</i>	<u>(18,130)</u>	<u>18,893</u>
Change in cash and cash equivalents in the reporting period	(18,130)	18,893
Cash and cash equivalents at the beginning of the reporting period	156,846	137,953
Cash and cash equivalents at the end of the reporting period	<u>138,716</u>	<u>156,846</u>

The financial statements were approved by the Board of Trustees on 25th April 2017 and signed on its behalf by



.....
Philip Wilson, Chair of Trustees

The notes on pages 19 to 23 form part of these financial statements.

1. Accounting policies

- a) **Accounting convention.** The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2016) and Financial Reporting Standard 102 and the Companies Act 2006.
- b) **Incoming Resources.** These are included in the Statement of Financial Activities (SoFA) when:
- The charity becomes entitled to the resources;
 - The trustees think it probable or more likely than not that they will receive the resources; and
 - The monetary value can be measured with sufficient reliability.

Legacies are included in the SoFA as an incoming resource in the year in which the charity is notified and when the entitlement, measurement and their receipt is probable.

Incoming resources from tax reclaims are included in the SoFA at the same time as the gift to which they relate.

Gifts in kind are accounted for at a reasonable estimate of their value to the charity or the amount actually realised. Gifts in kind for sale or distribution are included in the accounts as gifts only when sold or distributed by the charity. Gifts in kind for use by the charity are included in the SoFA as incoming resources when receivable. The value of any voluntary help received is not included in the accounts but is described in the trustees' annual report.

Investment income is included in the accounts when receivable.

- c) **Resources expended.** Resources expended are accounted for on an accruals basis, inclusive of any VAT which cannot be recovered. The charity became registered for VAT on 1st October 2010 and is able to partially recover VAT.
- d) **Tangible fixed assets and depreciation.** Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following basis:
- Furniture, fittings and office equipment - 25% straight line.
- e) **Stocks.** Stocks are valued at lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.
- f) **Fund accounting.** Funds held by the charity are either:
- *Unrestricted funds.* These are funds which can be used in accordance with the charitable objects at the discretion of the trustees.
 - *Restricted funds.* These are funds that are to be used in accordance with specific restrictions imposed by donors or that have been raised by the charity for particular purposes. The costs of raising and administering such funds are charged against the specific fund.
- g) **Investments.** Investments are included at market value at the balance sheet date.
- h) **Investment income.** This includes any gains or loss on the sale of investments and any gain or loss resulting from revaluing investments to market value at the end of the year.
- i) **Taxation.** Bag Books is a registered charity which renders its income exempt from UK income tax.
- j) **Pension costs.** The charity has joined the National Employment Savings Trust (NEST) pension scheme and has agreed to match employees' contributions into that scheme up to 3% of salary. The costs to the charity are recognised as they are incurred.

BAG BOOKS
Year Ended 31 December 2016
Notes to the financial statements

2. Total resources expended	Unrestricted Funds £	Restricted Funds £	2016 Total £	2015 Total £
Wages and salaries	105,639	127,615	233,254	245,354
Materials and consumables	17,867	19,724	37,591	32,873
Storytelling and training	0	44,881	44,881	71,171
Craft Workers/Volunteer Expenses	498	550	1,048	5,559
Direct Fundraising Costs	1,527	1,686	3,213	2,174
Rent and services	16,508	18,223	34,731	34,695
Utility Bills	1,184	1,307	2,491	2,645
Repairs and renewals	858	948	1,806	956
Telephone, Broadband and Computers	519	573	1,092	705
Postage and stationery	1,305	1,441	2,746	3,203
Distribution costs	1,651	1,823	3,474	5,425
Insurance	1,267	1,398	2,665	2,474
Advertising and promotion	3,572	3,943	7,515	8,115
Governance	4,000	0	4,000	3,192
General expenses	1,819	2,009	3,828	4,424
Bank charges	256	282	538	458
Depreciation	618	682	1,300	1,292
Total Resources expended	<u>159,089</u>	<u>227,084</u>	<u>386,173</u>	<u>424,715</u>
3. Allocation of Support Costs	Raising funds £	Charitable Activities £	2016 Total £	2015 Total £
Proportion				
Wages and salaries	23,620	45,851	69,471	76,508
Materials and consumables	0	0	0	0
Storytelling and training	0	0	0	0
Craft Workers/Volunteer Expenses	0	0	0	0
Direct Fundraising Costs	0	0	0	0
Rent and services	11,809	22,922	34,731	34,695
Utility Bills	847	1,644	2,491	2,645
Repairs and renewals	614	1,192	1,806	956
Telephone, Broadband and Computers	371	721	1,092	705
Postage and stationery	934	1,812	2,746	3,203
Distribution costs	0	0	0	0
Insurance	906	1,759	2,665	2,474
Advertising and promotion	2,555	4,960	7,515	8,115
Governance	1,360	2,640	4,000	3,192
General expenses	1,302	2,526	3,828	4,424
Bank charges	183	355	538	458
Depreciation	442	858	1,300	1,292
Total Support Costs	<u>44,942</u>	<u>87,241</u>	<u>132,183</u>	<u>138,667</u>
Direct Costs	<u>26,049</u>	<u>227,941</u>	<u>253,990</u>	<u>286,048</u>
Total Costs	<u>70,991</u>	<u>315,182</u>	<u>386,173</u>	<u>424,715</u>

BAG BOOKS
Year Ended 31 December 2016
Notes to the financial statements

4. Trustees and employees information

None of the Trustees (nor any other persons connected with them) received any remuneration, benefits or reimbursement of expenses from the charity during the year (2015: Nil). The insurance package for the charity automatically includes Trustee Indemnity Insurance.

Employee costs during the year were:	2016	2015
	£	£
Salaries	212,146	221,130
Social security costs	15,465	18,712
Employer's contribution to NEST pension scheme	<u>5,643</u>	<u>5,512</u>
Total costs	<u>233,254</u>	<u>245,354</u>
The average number of employees during the year	9.5	10.0
The average number of employees (full-time equivalent) during the year	6.2	6.4
Total employee benefits to the key management personnel listed on page 2	143,372	175,431
The average number of key management personnel (full-time equivalent)	3.3	3.9

No employees received remuneration exceeding £60,000 (2015: Nil)

No holiday pay is accrued as staff are only able to carry forward a maximum of three days.

5. Tangible Fixed Assets

£

Cost

At 1 January 2016	36,271
Additions	463
Disposals	<u>0</u>
At 31 December 2016	<u>36,734</u>

Depreciation

At 1 January 2016	33,515
Disposals	0
Charge for the year	<u>1,300</u>
At 31 December 2016	<u>34,815</u>

Net Book Value

At 31 December 2016	<u>1,919</u>
At 31 December 2015	<u>2,756</u>

BAG BOOKS
Year Ended 31 December 2016
Notes to the financial statements

6. Reconciliation of movements in general funds	2016	2015
	£	£
Opening general funds	121,898	116,561
Surplus/(Deficit) for the year	<u>(7,072)</u>	<u>5,337</u>
Closing general funds	<u>114,826</u>	<u>121,898</u>
7. Reconciliation of net income/(expenditure) to net cash flow from operating activities	2016	2015
	£	£
Net income/(expenditure) for the reporting period	(12,807)	33,954
Adjustments for:		
Depreciation charges	1,300	1,292
(Gains)/losses on investments	(11,668)	(721)
Dividends, interest and rents from investments	507	606
(Increase)/decrease in stocks	(4,700)	(2,104)
(Increase)/decrease in debtors	(6,330)	1,208
Increase/(decrease) in creditors	<u>4,870</u>	<u>(15,457)</u>
Net cash provided by (used in) operating activities	<u>(28,828)</u>	<u>18,778</u>

BAG BOOKS
Year Ended 31 December 2016
Notes to the financial statements

8. Restricted funds

Restricted funds represent amounts received from donors who have specified the use of those funds as a condition for making the donation.

Donor	At the start of the year £	Incoming Resources £	Outgoing Resources £	At the end of the year £
Annington Homes	23,333	32,250	29,916	25,667
John Lyon's Charity		20,000	0	20,000
The BAND Trust		15,000	5,625	9,375
The Garfield Weston Foundation		12,500	10,000	2,500
People's Postcode Trust		12,173	11,564	609
The Foyle Foundation	12,000		1,920	10,080
The Peter Harrison Foundation		10,500	7,000	3,500
The Greendale Foundation		10,000	2,556	7,444
The St James's Place Foundation	9,758		8,000	1,758
The Baily Thomas Charitable Fund		8,000	6,222	1,778
The Mulberry Trust	4,636	2,193	4,636	2,193
Morrisons Foundation		6,800	6,000	800
Simply Health	6,714		5,875	839
The Boshier-Hinton Foundation	6,160		3,451	2,709
The Stavros Niarchos Foundation		6,000	6,000	0
The Hilary Awdry Charitable Trust	5,252		5,252	0
The Crerar Hotels Trust	5,100		5,100	0
An Anonymous Trust	5,000		5,000	0
The Sobell Foundation		5,000	5,000	0
The Shears Foundation		5,000	4,167	833
The Robertson Trust		4,500	0	4,500
The Ironmongers' Company		4,386	0	4,386
The Eveson Charitable Trust	4,269		4,269	0
The Mrs Smith and Mount Trust		4,260	0	4,260
The Hedley Foundation		4,000	1,818	2,182
The Pilkington Charities Fund		3,500	2,625	875
The Eastern Counties Educational Trust Ltd		3,400	2,550	850
The Childwick Trust	3,365		3,365	0
QBE Foundation	3,250		3,250	0
The Ernest Kleinwort Charitable Trust	3,000		3,000	0
The Coral Samuel Charitable Trust		3,000	95	2,905
The Leathersellers' Company Charitable Fund		3,000	0	3,000
80 other donations of under £3,000 each	<u>56,573</u>	<u>45,887</u>	<u>72,828</u>	<u>29,632</u>
	<u>148,410</u>	<u>221,349</u>	<u>227,084</u>	<u>142,675</u>

9. Capital

The company is limited by guarantee and has no issued share capital.