

THE NATIONAL LITERACY TRUST

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2018**

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**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2018**

The Trustees present their annual report together with the financial statements of the charity for the year ended 31 March 2018.

REFERENCE AND ADMINISTRATIVE DETAILS

The Trustees and advisers currently in office or who served during the year were as follows:

TRUSTEES

Julia Cleverdon DCVO CBE (Chairman)
Frank Carter
Luisa Edwards (appointed 6 July 2017)
Ben Fletcher
Gareth Hughes (Treasurer, until 6 July 2017)
Joanna Prior
Liz Robinson
Neil Sherlock (appointed 6 July 2017)
Joanna Trollope OBE
Lara White (Treasurer, appointed 6 July 2017)
Dr Clare Wood (appointed 5 February 2018)

PATRON

Her Royal Highness the Duchess of Cornwall

PRESIDENT

Baroness Prashar of Runnymede

VICE PRESIDENT

Amanda Jordan OBE

REGISTERED OFFICE

68 South Lambeth Road, London SW8 1RL

CHARITY NUMBER

1116260

SCOTLAND CHARITY REGISTRATION NUMBER

SC042944

COMPANY NUMBER

05836486

AUDITOR

RSM UK Audit LLP, Portland, 25 High Street, Crawley RH10 1BG

BANKERS

Lloyds TSB Bank Plc, Law Courts Branch, 222 Strand, London WC1R 2BB

WEBSITE

www.literacytrust.org.uk

CHIEF EXECUTIVE

Jonathan Douglas

COMPANY SECRETARY

Samantha Brookes

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2018****STRUCTURE, GOVERNANCE AND MANAGEMENT**

The National Literacy Trust was established by Trust Deed dated 19 November 1992 and subsequently registered with the Charity Commission. The status of the Trust was changed with the registration of the new charitable company at Companies House in June 2006 and re-registered with the Charity Commission.

These are the full accounts of the incorporated charity. The accounts comply with the Companies Act 2006. The National Literacy Trust is a registered charity (no. 1116260) and a company (no. 5836486) limited by guarantee up to a maximum of £1 each, per member.

The Trustees confirm that there were no related party transactions during the year.

ORGANISATION OF THE CHARITY

The Trustees meet four times per year and have full responsibility for all legal and financial matters. Any additions to the membership follow consideration and invitation by the Board of Trustees. The Trustees have delegated responsibility for the strategic and financial management of the charity to the Director. New Trustees receive a full induction, briefing them on the charity's strategy, campaigns and projects and their responsibilities. The Board is supported by an Audit and Risk Committee that meets four times a year.

RISK ASSESSMENT

The Trustees are mindful of the need to identify and assess the major risks facing the charity. Appropriate procedures and systems have been implemented to ensure that risks are managed in ways to optimise the appropriate and effective use of all resources. A risk assessment has also been undertaken with regard to the current economic climate. An Audit and Risk Committee was formed in May 2014, to examine financial risks and organisational sustainability in more detail.

Strategic risks are identified on an annual basis as part of the annual delivery plan. Trustees receive a quarterly report on the management of these risks at the Audit and Risk Committee; these are then reported on to the full Board of Trustees. The highest ranked risks for 2017/18 were that the charity's traded model didn't engage the schools market, that the organisation's cash flow wasn't regulated, that income to core wasn't high enough to sustain project growth and that we fail to raise money for the continuation of our Hubs work. These risks are being mitigated by the development of strategies to adjust and the implementation of said strategies. A new addition to the Executive Management Group of a Head of Fundraising will strengthen our ability to secure income.

In addition each project maintains its own risk register, and reports on them quarterly to the charity's Executive Management Team through a quarterly reporting template.

OBJECTIVES AND ACTIVITIES FOR THE PUBLIC BENEFIT

The formal objectives of the National Literacy Trust are to advance public education in reading, writing and other literacy skills.

The Trustees have read the Charity Commission's guidance on public benefit, and the specific guidance for charities whose objects include Education. The Trustees have paid due regard to the Commission's guidance, and all who make decisions about the activities undertaken are concerned to ensure that a tangible educational benefit is provided to a broad range of people. The Trustees consider that the achievements and performance of the charity, as outlined and reviewed below, demonstrate success in this regard.

We are an independent charity that transforms lives through literacy. Literacy is made up of the four strands of language skills – reading, writing, speaking and listening.

**REPORT OF THE TRUSTEES
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We equip disadvantaged young people with literacy fit for employment and life.

Our values

To achieve our vision we need to be focused, enterprising and connecting.

Our approaches

We have three ways of addressing our mission. They are:

1. **We work with schools to narrow the gap between young people from poorer and more affluent backgrounds**
2. **We narrow the literacy gap between poorer and richer communities**
3. **We campaign to raise awareness of the levels and impact of youth literacy**

These strategies are delivered through a range of projects which receive restricted funding:

In schools

- **Young Readers Programme** – inspiring disadvantaged children and young people to read for enjoyment
- **Young Writers** – inspiring children to improve their writing skills through partnerships between schools and cultural venues
- **Words for Work** – promoting literacy for employment through partnerships between schools and business
- **Sport and Literacy programmes** – engaging children in literacy using the motivational power of sport
- **Literacy for Life** – raising literacy levels in secondary schools
- **Love our Libraries** – improving primary school libraries

In communities

- **Early Words Together** – working with early years settings to support families with learning in the home
- **Literacy Hubs and local campaigns** – intensive place-based literacy programmes established in Middlesbrough, Peterborough, Bradford, Stoke on Trent, Swindon and literacy campaigns in Manchester and the North East
- **Books Unlocked** – encouraging prisoners to read for enjoyment

The National Literacy Trust also offers a schools membership programme which gathers and disseminates best practice in teaching literacy through online resources, competitions and enabling schools to work together in clusters. The charity also supports schools with evidence-based training programmes for teachers.

The charity's objectives are met mainly from sponsorship and donations from charitable trusts and foundations and corporate organisations, and from funding from individuals. The principal funders are Better World Books, WHSmith, Boots Opticians, Slaughter and May, KPMG, McDonald's, the Authors' Licensing and Collecting Society, the Fidelity Foundation and Garfield Weston Foundation, who provide funding towards core activities such as website development, support for schools, research and policy work. The JJ Charitable Trust funded Literacy for Life. British Land and WHSmith are the main supporters of the Young Readers Programme. Premier League Foundation supports Premier League Primary Stars. The Booker Prize Foundation supports our work in prisons. The Literacy Hub in Bradford is funded by the Morrisons Foundation. The Man Charitable Trust and the Foyle Foundation funded the development and pilot of Love our Libraries. Penguin Random House funds the Read North East campaign.

**REPORT OF THE TRUSTEES
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Our senior management team comprises Jonathan Douglas, Director; Sam Brookes, Head of Information and Resources; Clare Bolton, Head of Marketing and Communications; Fiona Evans, Head of School Programmes; Darranda Rowswell, Head of Fundraising and Rosemary Thomas, Head of Operations. The pay of the senior management team is agreed by Trustees.

POLICY ON GRANT GIVING

The charity is not a grant-giving body.

The only payments made by grant out of restricted funds in 2017/18 were to schools taking part in the Literacy for Life programme.

OUR PRIORITIES IN OUR FIVE-YEAR STRATEGY 2015-2020

Improving literacy is a national priority for the UK. It sits at the heart of economic success and sustainability, fairness and equal opportunities. The National Literacy Trust exists to lead the national campaign to raise awareness of the issue and find solutions which mobilise the resources of the business, corporate and third sectors.

The focus of the National Literacy Trust's work is children and young people. Here, the key priority is the relationship between low literacy and poverty, which are part of a mutually reinforcing intergenerational pattern.

The mission of the National Literacy Trust is to break the relationship between low literacy and poverty to give a new generation the skills to fulfil their opportunities.

OUR TARGETS FOR 2017/18

2017/18 was an important year for the charity as we initiated our 2018 celebration of our 25th anniversary. In our first 25 years our programmes have worked directly with over 2 million children and we have raised over £10 million from business to support literacy in the UK. We are using our 25th anniversary year to strengthen our campaign with several large-scale research programmes (undertaken with UCL and KPMG), thank our supporters and increase our delivery in the most deprived areas of the UK (specifically by increasing the number of Literacy Hubs and launching new and innovative school programmes).

In 2017/18 we set ambitious targets which helped us focus our work where it would have the greatest benefit and would help us to genuinely respond to need.

1. We work with schools to narrow the gap between young people from poorer and more affluent backgrounds

Our partnership with schools in the UK is the foundation of our strategy. In the past two decades there has been improvement in literacy attainment in schools in England and Scotland. International comparison data published in 2017 has highlighted improvement in the reading skills of primary-aged children in England and Northern Ireland. However, data suggests the literacy skills of secondary pupils remain a significant challenge. And the gap between the literacy attainment of children from poorer backgrounds (those eligible for Pupil Premium funding) and other children continues to be a worrying phenomenon of the UK system. The focus of our work with schools is to address this gap and raise the literacy levels of pupils from poorer backgrounds.

We want to engage all schools in the UK in our mission, but our work prioritises the 3,340 schools where literacy levels are below average and free school meal entitlement is above 20%.

One of the most significant ways in which we can support schools is by brokering partnerships which help bring new resources, perspectives and excitement to the teaching of literacy in hard pressed schools. In 2017/18 we launched a refreshed partnership with the Premier League which has supported literacy in 1,610 primary schools – 25,000 children entered the Premier League

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2018**

Writing Stars competition. Our partnership with the Football Association supported literacy in 106 secondary schools. Young City Poets worked with cultural venues across the UK from the Eden Project to the Bronte Parsonage to establish partnerships with local schools to inspire children's writing. With the support of the Careers and Enterprise Company, Words for Work linked key national businesses such as Rolls Royce, Penguin Random House and Facebook to secondary schools and brought business volunteers into the classroom to support literacy for employment. Business partners were also crucial to the success of the Young Readers Programme, which celebrated its 20th anniversary in June 2017. The programme reached 12,000 children from disadvantaged communities in 2017/18, encouraging them to read for enjoyment through partnerships with British Land, WHSmith and Novae/Axis.

In 2017/18 we launched new initiatives for schools, including News Wise – an innovative partnership with the Guardian Foundation, the PSHE Association and Google – to support primary school children with the literacy skills they need to detect fake news. We also began the scale-up of our successful Love our Libraries pilot, which during the year established or improved school library provision for 15,000 children.

Our training for teachers and school membership programme are supporting the teaching of literacy in schools across the UK. We are committed to the promotion of evidence-informed approaches to teaching literacy and the Education Endowment Foundation (EEF) – the Government funded education research centre – is a key partner. In 2017 we took on a new training programme to support teachers in the teaching of writing, which had originally been developed in Calderdale and which the EEF's research had demonstrated was highly effective. This is now being promoted to schools across the country,

KPIs for our 2017/18 schools activities:

- **2,102 schools were members during the year. This was higher than our target of 2,000.**
- **Our programmes reached 116,290 young people. This was significantly higher than in the previous year, but below our target of 150,000.**
- **In total we worked with at least 5,529 schools. This was higher than our target of 5,000 schools. We worked with 1,327 schools from our target school group.**

2. We narrow the literacy gap between poorer and richer communities

In some of the poorest communities in the UK school improvement is stalling, literacy levels are not rising and schools are being held back by a combination of social and economic factors. In these communities schools find it hard to engage the cultural and economic resources that can act as a catalyst to improvement. We believe we have a special role to play in these communities. The Literacy Hub model brokers literacy partnerships within these communities and brings new literacy resources into the area. We provide effective interventions and support from our partner organisations. Each Hub also has a public campaign to engage the wider community.

The National Literacy Trust established the first National Literacy Trust Hub in Middlesbrough, using a place-based approach to tackle the low literacy attainment of children in the town. In 2014 and 2015 Hubs were launched in Bradford and Peterborough. In 2016/17 we strengthened these partnerships and launched new Hubs in Stoke on Trent and Manchester, and the publication of a powerful and positive evaluation of the Hubs was published. 2017/18 saw the launch of a new Hub in Swindon and the development of plans for one in Nottingham to be launched in April 2018.

The Hubs are making a significant impact on the literacy issues which they have identified as priorities: in Middlesbrough the number of children starting school with below expected levels of communication and language have halved in our target wards, which was noted in the House of Commons; in Bradford there has been significant growth in the number of secondary school children reading for enjoyment. We have seen an increased strategic support for literacy in many of the Hubs: in 2018 Peterborough launched its Vision for Reading at a public event hosted by the Hub and the local authority and led by the Mayor.

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We welcomed the announcement of the Department for Education's 12 Opportunity Areas in social mobility "cold spots", and we have started conversations with the Government about how our Literacy Hub model can be implemented in some of the areas.

In 2017/18 our first regional literacy campaign Read North East, was publicly launched. It aims to impact on the literacy levels of one of the most underskilled regions of the country. Focused on encouraging early literacy support in the home, the campaign has been developed with the marketing support of Penguin Random House. Book giveaways in shopping centres and at public events celebrated the launch of the campaign. Media partners and businesses with a strong regional reach – including football clubs and Greggs – are providing effective channels for reaching target families.

The foundation of all community-based approaches to raising literacy is the active engagement of families in the language and learning of their children. Early Words Together is our flagship early years intervention, aiming to transform early language. During 2017/18 the programme expanded, with the roll-out of the programme across some of the most disadvantaged communities in Glasgow. The Nuffield Foundation also agreed funding for a randomised control trial to evaluate the impact of the programme.

Our community programmes also work in settings where literacy is a particular concern. Working with the Man Booker Prize, the 2017/18 Books Unlocked programme engaged 45 prisons and Young Offender Institutions, more than ever before. High-profile authors such as David Mitchell, Sarah Waters and Jim Crace visited reading groups and spoke to prisoners about their books and experiences as writers. Our Patron, HRH The Duchess of Cornwall, also visited HMP Styal to hear more about Books Unlocked and inspire participants to read more often for enjoyment.

The KPIs for our 2017/18 communities activities:

- **We met our target to sustain our five existing Hubs and launch a new one in Swindon.**
- **We worked with 184 early years settings, above our target of 150.**

3. We campaign to raise awareness of the levels and impact of youth literacy

Campaigning to raise awareness of literacy as a pressing challenge to the UK, to win support for our programmes, to strengthen and change policy and to support behaviour change is a vital activity for the National Literacy Trust.

Our research programme informs our campaigning and provides the evidence-base for developing and evaluating our programmes. The Annual Literacy Survey is the charity's key annual research activity – 49,047 children and young people from 200+ schools took part in 2017. The survey demonstrated that more children were reading for enjoyment than in any of the previous surveys, and this was used to celebrate the 20th anniversary of the Young Readers Programme in 2017. Press coverage included 114 media articles.

The charity operates the secretariat for the All Party Parliamentary Literacy Group. In 2017 we worked with the Group to launch a commission on fake news and critical literacy. Throughout the autumn and spring we have led a research programme gathering evidence from children, teachers and academics, and working with partners such as Facebook, the BBC, Google and the Guardian, to explore the critical literacy skills that young people will need to identify fake news and positively engage in democracy in the new digital and social media environment. The commission's report will be published in summer 2018.

The start of the National Literacy Trust's 25th anniversary campaign in 2018 was marked by the publication of new research which, for the first time, established the relationship between literacy and life expectancy. It revealed a 26-year gap in life expectancy between the wards with the highest and lowest levels of literacy identified through Experian metrics. The report generated a large amount of media interest, raising public awareness of the links between literacy and inequality.

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The National Literacy Trust leads the Read On. Get On campaign. The campaign is a coalition of national charities formerly led by Save the Children, with a common goal – to get every child reading well by the age of 11. Government measures in this area have been inconsistent and as a result there has been no reliable objective measurement of progress towards this goal. The campaign partners have, therefore, combined their own data with that of commercial partners to establish an objective measurement of how well children are reading by the age of 11. The first data set for this work – the Read On. Get On index – was published in December 2017. This revealed the urgent need to improve children’s reading attitudes and behaviours.

We convene the National Literacy Forum, which supports collaboration between 19 third sector organisations committed to raising literacy levels. In 2017/18 this group welcomed new members and launched a new Literacy Business Pledge, which was signed by 63 businesses – committing themselves to work in partnership with Forum members.

KPIs for our 2017/18 literacy campaigning:

- **We launched a new Literacy Business Pledge and increased the number of business signatories to 63.**
- **Our media coverage had a value of £5.2m – well above our target of £3.75m. We achieved a reach of 201m, below our target of 210m.**
- **Our Literacy Hubs generated 269 media articles with a reach of 16.2m.**
- **We launched a Parliamentary Commission on Literacy and Fake News for the Literacy All Party Group.**

OUR TARGETS FOR 2018/19

Our 2018/19 business plan sets targets for how we will work to the themes within our 2015-20 strategy. In 2018/19 we aim to:

1. **Work with 5,500 schools to narrow the gap between young people from poorer and more affluent backgrounds.**
2. **Work with 150,000 beneficiaries to narrow the literacy gap between poorer and richer communities.**
3. **Campaign to raise awareness of literacy levels and the impact of poor literacy.**

FINANCIAL REVIEW

The financial activities of the year are set out in detail on the attached pages. The net movement of funds for the year was an increase of £365,780. This comprised an increase in restricted funds of £372,224 and a decrease in unrestricted funds of £6,444.

Overall, the charity’s funds increased from £1,106,923 (restated, see note 14) at the beginning of the year to £1,377,836 at the year end, of which £181,051 was in unrestricted funds and £1,196,785 in restricted funds.

Total income for the year has increased 33% from £3.1m in 2016/17 to £4.2m in 2017/18. We had budgeted to increase income from 2016/17. We expect our income to continue to grow in 2018/19. Total expenditure for the year increased 10% from £3.4m in 2016/17 to £3.8m in 2017/18.

The level of unrestricted reserves now in place are in line with the level of reserves that the Trustees believe is appropriate and represents three months’ operating costs.

Due to the recognition of the employer debt on withdrawal from The Pensions Trust the reserves are currently at £181,051, which approximates to two months’ operating costs. This event has been shown as a prior year adjustment. The charity is currently seeking to enter into a deferred debt arrangement. The level of unrestricted reserves is forecast to increase next year. As such the Trustees believe that the level of reserves is sufficient.

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There are several strands of income aimed at covering core costs: ensuring that funding bids carry the right level of cost allocation, a funding strategy for unrestricted costs and looking at the generation of income through our traded and CPD offer.

Based on both the current position and the forecasts, the Trustees believe that the National Literacy Trust is in a strong position and will continue to build on this position.

POLICY ON RESERVES

The Trustees aim to maintain free reserves in unrestricted funds at a level which equates to approximately three months of unrestricted expenditure.

The charity holds free reserves in order to:

- provide working capital
- allow the organisation to provide continuity of service if income levels fluctuate, thereby giving time to seek new sources of revenue
- allow the organisation to provide continuity of service if it had to cope with increases in expenditure that could not be accurately forecast
- ensure that in the worst possible circumstances it would be able to pay all creditors and wind up the organisation

The balance held as unrestricted funds at 31 March 2017 was £181,051, all of which is regarded as free reserves. This is approximately two months of unrestricted expenditure. The Trustees aim to increase free reserves over the next two financial years.

POLICY ON FUNDRAISING

The charity does not employ any external professional fundraisers or consultants, and is very careful to comply with all proposed and enacted legislation in this space.

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2018****TRUSTEES' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS**

The Trustees (who are also directors of The National Literacy Trust) for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees 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 the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP
- make judgments and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The Trustees who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the Trustees have confirmed that they have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2018****CELEBRATING 25 YEARS OF THE NATIONAL LITERACY TRUST**

Addressing the literacy gap is a national priority. In 2017 25% of children left primary school unable to read well. Many of these children will never catch up and will consequently face significant challenges throughout their lives. Low literacy impacts on employment options, earnings potential, health and domestic stability. Ultimately, as the National Literacy Trust's research published this year demonstrates, low literacy is related to shortened life expectancy. The charity's mission is to transform life stories by ensuring every child has the literacy skills that they need to be successful.

2018 is the 25th anniversary of the National Literacy Trust and we can look back with pride on our achievements: On the 2 million children who have participated in our programmes; The National Years of Reading we have led transforming the nation's reading habits; On the innovative partnerships with business we have forged which have resulted in over £10m of corporate investment in literacy programmes.

To continue to improve the nation's literacy we need a tighter focus than ever before. Tragically, the link between poverty and low literacy is deeply engrained so we must focus on children from the most disadvantaged communities. In these communities our Literacy Hubs are developing community leaders, social entrepreneurs who are transforming skills and aspirations in their communities. I am immensely grateful to all the local businesses who are working with our Hub managers and joining the Hub campaigns and recognising that the sustainability of their business and of the community are entirely dependent on its levels of literacy skills.

2017/18 was a year of significant growth for the National Literacy Trust 25th anniversary enabling us to establish a new Literacy Hub in Swindon and prepare for the launch of the Nottingham Hub. We have also been able to develop new and innovative programmes working with the schools where we know that poverty is acting as a drag on the literacy skills of a new generation.

Our business partners are key to our campaign, bringing new and powerful resources to engage and inspire young people through initiatives like Premier League Reading Stars. Through their presence in the community they can directly reach the families and children who we most want to engage with. The unique presence of British Land across the UK and its committed volunteers take us to the heart of communities where we work together to inspire children to read for pleasure. McDonald's ongoing Happy Readers campaign has put over 55 million books into the hands of families, many of whom belong to the category of the 1 in 7 who don't have a single book. We are immensely grateful to our business partners for their energy, skills, creativity, volunteers and funding.

We are constantly inspired and encouraged by the support and commitment of our Patron, HRH The Duchess of Cornwall. It was a privilege for us to work with the other literacy and reading charities of which The Duchess is Patron, to celebrate Her Royal Highness' 70th birthday at Clarence House with the Duchess's Bookshelves project, which dispatched 70 bookshelves packed with great reads to some of the most challenging primary schools in the UK. It was an honour this year to welcome Her Royal Highness to the Stoke Literacy Hub and also to HMP Styal where she met prisoners involved in our Books Unlocked programme.

The work of the National Literacy Trust is genuinely life changing. In the coming year we look forward to welcoming new partners to our cause as we recommit to ensuring that every child has the literacy skills needed to fulfil their potential.

Approved by the Trustees on and authorised for issue on and signed on their behalf by:

Dame Julia Cleverdon DCVO CBE
Chairman



Date

29.11.18

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES AND MEMBERS OF THE NATIONAL LITERACY TRUST**Opinion**

We have audited the financial statements of The National Literacy Trust (the 'charitable company') for the year ended 31 March 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We have been appointed auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report to you in accordance with regulations made under those Acts.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we

have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- the charitable company has not kept proper and adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Trustees' were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Trustees' Report

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' responsibilities set out on page 9, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made exclusively to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the members and the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity, its members as a body, and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

Zoë Longstaff-Tyrrell (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Portland
25 High Street
Crawley
West Sussex
RH10 1BG

Date *6 December 2018.*

RSM UK Audit LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

**STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 MARCH 2018**

	Notes	Unrestricted Funds £	Restricted Funds £	Total Funds 2018 £	Total Funds 2017 £ restated
Income:					
Donations and legacies	2 a	1,548,757	-	1,548,757	1,275,171
Income from charitable activities	2 b	96,850	2,173,964	2,270,814	1,429,739
Income from other trading activities	2 c	344,510	-	344,510	429,278
Investment income		134	-	134	140
Total Income		<u>1,990,251</u>	<u>2,173,964</u>	<u>4,164,215</u>	<u>3,134,328</u>
Expenditure:					
Costs of raising funds	3 c	(648,775)	-	(648,775)	(554,531)
Expenditure on charitable activities	3 a-b	(1,356,362)	(1,793,298)	(3,149,660)	(2,895,229)
Total expenditure		<u>(2,005,137)</u>	<u>(1,793,298)</u>	<u>(3,798,435)</u>	<u>(3,449,760)</u>
Net Income for the year		(14,886)	380,666	365,780	(315,432)
Transfer between funds	11	8,442	(8,442)	-	-
Total funds brought forward restated	11, 14	187,495	824,561	1,012,056	1,327,488
Total funds carried forward		<u>181,051</u>	<u>1,196,785</u>	<u>1,377,836</u>	<u>1,012,056</u>

BALANCE SHEET
AT 31 March 2018

	Notes	£	2018 £	£	2017 £ restated
FIXED ASSETS					
Tangible Assets	7		<u>14,239</u>		<u>23,161</u>
			14,239		23,161
CURRENT ASSETS					
Debtors	8	974,134		799,447	
Cash at Bank and in hand		<u>895,020</u>		<u>683,563</u>	
		1,869,154		1,483,010	
CREDITORS: Amounts falling due within One Year	9	<u>(505,557)</u>		<u>(494,115)</u>	
NET CURRENT ASSETS			1,363,597		988,895
CREDITORS: Amounts falling due after more than one year	9		-		-
NET ASSETS			<u><u>1,377,836</u></u>		<u><u>1,012,056</u></u>
The funds of the charity:					
Restricted Funds	11		1,196,785		824,561
Unrestricted Funds			181,051		187,495
	14		<u><u>1,377,836</u></u>		<u><u>1,012,056</u></u>

These accounts are prepared in accordance with the special provisions of Part 15 of the Companies Act relating to small companies and constitute the annual accounts required by the Companies Act 2006 and are for circulation to members of the company. The financial statements on pages 14-31 were approved by the Trustees and authorised for issue on and signed on their behalf by:

Dame Julia Cleverdon

Julia Cleverdon DCVO CBE

Lara White

Lara White

29.11.18

date

**THE NATIONAL LITERACY TRUST
FOR THE YEAR ENDED 31 MARCH 2018
STATEMENT OF CASHFLOWS**

Page 16

	Notes	£	2018 £	£	2017 £
Cash used in operating activities	16		211,323		(370,825)
Cash flows from investing activities:					
Interest Income		134		140	
Purchase of tangible fixed assets		-		(5,303)	
Cash provided by/(used in) investing activities			134		(5,163)
Increase/(decrease) in cash and cash equivalents in the year			211,457		(375,987)
Cash and cash equivalents at the beginning of the year			683,563		1,059,550
Total cash and cash equivalents at the end of the year			895,020		683,563

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018****1. ACCOUNTING POLICIES****a) Basis of preparation**

The financial statements are presented in sterling, which is the functional currency of the charitable company. Monetary financial amounts in these financial statements are rounded to the nearest £1.

The charity constitutes a public benefit entity as defined by FRS 102.

b) Going Concern

The charity's activities, together with the factors likely to affect its future development, performance and position are set out in the Trustees' Report. The Trustees have prepared financial forecasts for the next 12 months which indicate that the charity can meet its liabilities as they fall due. On the basis of these forecasts, the Trustees consider that it is appropriate to prepare the accounts on the going concern basis.

c) Fixed Assets

Fixed Assets are capitalised and included at cost. The costs of any assets with a value below £200 are taken to the SOFA when incurred.

Depreciation is provided on a straight line basis so as to write off the cost of tangible fixed assets over their estimated useful lives.

The rates of depreciation employed are as follows:

Office Equipment	-	25 - 33% per annum
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d) Income

Income is accounted for on a receivable basis and is reported gross of related expenditure. The specific bases used are as follows:

Voluntary income includes grants and donations from companies, trusts and individuals.

Grants and sponsorships receivable consists of Government Grant Income relating to website development, publications, policy and research and sponsorship of specific projects as well as grants from corporate supporters.

Literacy training courses income is generated from delegate fees charged to attendees of literacy courses and seminars.

Fundraising income consists of sponsorship in respect of events held and donations in return for promotional materials.

Membership subscriptions for online networks are treated as payment for services, and are recognised over the period of membership, i.e. equally over 12 months.

Interest receivable is included when receivable.

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018
(Continued)**

e) Expenditure is allocated as follows:

Charitable Activities: All expenditure directly relating to the compilation and production of literacy publications, maintenance of the extensive literacy website and database, and specific literacy projects including grants. Grants are made in order to allow institutions to run community literacy projects. Analysis of grants made in the year have been disclosed in Note 15.

Costs of Generating Funds: All expenditure for the purpose of promoting the charity's activities and encouraging voluntary contributions.

Support Costs: Costs incurred indirectly in support of expenditure on the objects of the charity and include functions such as Human Resources and Information Technology. All costs are allocated between the expense categories of the SOFA on a basis designed to reflect the use of the resource. See Note 3b) Analysis of support costs.

f) Fund Accounting

The unrestricted funds comprise general funds, which are available for use by the Charity for its general objectives. The restricted funds are subject to restrictive conditions made by the grant-making body or donor. Transfers between funds are explained in Note 11.

g) Recognition of Liabilities

Expenditure is accounted for on an accruals basis. A liability is recognised as soon as there is a legal or constructive obligation committing the charity to the expenditure.

h) Taxation

The charity is a registered charity and as such its income and gains falling with Sections 371 to 489 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 are exempt from Corporation Tax to extent that they are applied to its Charitable Objectives.

i) Operating leases

The rentals payable under Operating Leases are charged to the SOFA on a straight line basis over the terms of the leases. Further information on operating leases can be found in Note 10.

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018
(Continued)**

j) Pension Scheme

The charity operates an auto enrolment defined contribution pension scheme, although the scheme does not have a guaranteed element of pension benefits. The pension costs charge represents the amounts payable by the company to the fund in respect of the year. The assets of the scheme are held separately from those of the charity in an independently administered fund. Additional disclosures in respect of the guaranteed element of the pension scheme benefits are given in the notes to the financial statements.

k) Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

l) Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The trustees do not consider any of the judgements or estimations to have any significant effect on the financial statements.

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018
(Continued)**

2. INCOME**a. Donations and legacies**

	2018 £	2017 £
Donations from individuals	415,103	229,174
Donations from companies	570,702	544,442
Donations from charitable trusts	196,797	47,400
Other donations	366,155	454,155
	<u>1,548,757</u>	<u>1,275,171</u>

	Unrestricted £	Restricted £	2018 £	2017 £
b. Income from charitable activities:				
Grants and sponsorships receivable	96,850	2,173,964	2,270,814	1,429,739
Other charitable activities	-	-	-	-
3 a-b	<u>96,850</u>	<u>2,173,964</u>	<u>2,270,814</u>	<u>1,429,739</u>

Income from charitable activities was all restricted income in 2017.

c. Other trading activities

	Unrestricted £	Restricted £	2018 £	2017 £
Literacy training & consultancy	161,085	-	161,085	162,082
Online network subscriptions	123,322	-	123,322	231,161
Literacy resources	35	-	35	1,124
Early Words Together - Traded Model	18,238	-	18,238	19,421
Skills Academy	13,230	-	13,230	15,490
Literacy Toolkits	28,600	-	28,600	-
	<u>344,510</u>	<u>-</u>	<u>344,510</u>	<u>429,278</u>

Income from trading activities was all unrestricted income in 2017.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018
(Continued)

3. EXPENDITURE

a) Analysis of total resources expended

	Direct costs £	Grants £ Note 15	Support costs £	Total 2018 £	2017 £
Costs of raising funds	530,046	-	118,729	648,775	554,531
Charitable Activities					
Website, publications, policy & research	316,955	-	140,086	457,041	401,533
Literacy training & consultancy	235,152	-	44,611	279,763	264,428
North East Campaign	52,265	-	9,165	61,430	8,693
Online network	130,049	-	28,679	158,729	159,224
Literacy resources	-	-	-	-	45
Early Words Together - Traded	38,877	-	6,822	45,699	(1,711)
Skills Academy	8,399	-	2,205	10,604	11,715
Hubs Central	110,272	-	34,525	144,798	-
Bradford Hub	83,741	-	14,021	97,762	-
Peterborough Hub	3,198	-	-	3,198	-
Middlesbrough Hub	5,555	-	-	5,555	-
Swindon Hub	31,278	-	1,771	33,049	-
Scarborough Hub	3,340	-	-	3,340	-
Nottingham Hub	10,931	-	1,771	12,703	-
Stoke Hub	148,581	-	7,358	155,939	101,026
Early Years Programmes	128,328	288,678	4,899	421,905	154,208
Manchester Hub	49,408	-	1,251	50,659	19,056
Primary School Programmes	67,824	-	4,412	72,236	(1,164)
Literacy For Life	112,718	-	20,749	133,467	381,899
Oxfordshire Gaining Momentum	-	-	-	-	206,374
Young Readers Programme	435,695	-	60,847	496,542	395,585
Zoe's Community Challenge	15,457	-	3,606	19,063	49,166
Premier League Reading Stars	153,927	-	27,962	181,888	243,766
Sport and Literacy	55,313	-	4,412	59,725	21,136
Literacy Leaders	18,146	-	2,052	20,198	16,740
Books About Town	-	-	-	-	922
Words For Work	84,866	-	21,318	106,184	34,759
Young Writers Programme	46,857	-	6,797	53,654	43,866
Books Unlocked	43,101	-	15,072	58,173	-
Other named projects	6,356	-	-	6,356	63,704
Literacy Action Hubs	-	-	-	-	218,714
Picture The Poet	-	-	-	-	29,457
Premier League Reading Stars - Cymru	-	-	-	-	67,811
DFE Early Years	-	-	-	-	4,278
	2,396,590	288,678	464,392	3,149,660	2,895,229
	2,926,636	288,678	583,121	3,798,435	3,449,760

b) Analysis of support costs

Basis of Allocation	Premises	General Office	Staff	Finance	Information Technology	Total	
	£ (1)	£ (1)	£ (2)	£ (2)	£ (2)	2018 £	2017 £
Website, publications, policy analysis and research	33,049	21,577	58,143	3,836	23,481	140,086	125,502
Literacy training & consultancy	10,522	6,869	14,145	7,672	5,402	44,611	59,971
North East Campaign	2,327	1,519	3,497	767	1,054	9,165	(1,166)
Online network	6,913	4,514	12,202	1,918	3,133	28,679	28,752
Early Words Together - Traded	2,394	1,563	(138)	1,918	1,085	6,822	20,096
Skills Academy	270	176	486	1,151	122	2,205	(3,402)
Hubs Central	6,745	4,403	18,403	1,918	3,056	34,525	-
Bradford Hub	3,372	2,202	5,989	930	1,528	14,021	-
Peterborough Hub	-	122	(96)	96	-	-	-
Middlesbrough Hub	-	-	(96)	96	-	-	-
Swindon Hub	337	220	968	93	153	1,771	-
Scarborough Hub	-	-	(96)	96	-	-	-
Nottingham Hub	337	220	968	93	153	1,771	-
Stoke Hub	2,023	1,321	2,539	558	917	7,358	6,898
Early Words Together	2,394	1,563	(2,061)	1,918	1,085	4,899	7,276
Manchester Hub	573	374	(114)	158	260	1,251	3,114
Primary School Programmes	1,113	727	1,589	479	504	4,412	(1,701)
Literacy For Life	4,789	3,126	9,343	1,320	2,170	20,749	34,967
Oxfordshire Gaining Momentum	-	-	-	-	-	-	11,197
Young Readers Programme	12,376	8,080	31,370	3,413	5,608	60,847	57,667
Zoe's Community Challenge	978	639	1,163	384	443	3,606	12,032
Premier League Reading Stars	6,576	4,293	11,657	2,455	2,980	27,962	43,319
Sport and Literacy	1,113	727	1,589	479	504	4,412	18,936
Literacy Leaders	708	462	311	249	321	2,052	5,178
Books About Town	-	-	-	-	-	-	-
Words For Work	5,295	3,457	9,017	1,151	2,399	21,318	8,495
Young Writers Programme	1,922	1,255	2,219	530	871	6,797	5,884
Books Unlocked	3,069	2,004	7,763	846	1,391	15,072	-
Other named projects	-	-	-	-	-	-	10,475
Generalling Funds	29,912	19,529	55,939	8,936	4,413	118,729	104,498
Literacy Action Hubs	-	-	-	-	-	-	33,840
Picture The Poet	-	-	-	-	-	-	4,310
Premier League Reading Stars - Cymru	-	-	-	-	-	-	10,318
DFE Early Years	-	-	-	-	-	-	4,309
	139,108	90,944	246,698	43,460	63,033	583,121	610,762

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018**

(Continued)

3. EXPENDITURE (continued)

c) Analysis of costs of raising funds

	2018 £	2017 £
Direct Staff Costs	420,566	375,714
Other direct costs	109,480	74,319
Support costs	118,729	104,498
	<u>648,775</u>	<u>554,531</u>

Costs of raising funds was all unrestricted in 2018 and 2017.

4. NET INCOME

Net income for the year is stated after charging:

	2018 £	2017 £
Auditor's remuneration - audit fees	18,175	13,250
- other services		2,500
Operating leases - equipment	1,767	2,121
Operating leases - land and buildings	102,183	91,920
Depreciation	<u>8,922</u>	<u>5,461</u>

5. STAFF COSTS

	2018 £	2017 £
Wages and Salaries	1,902,114	1,716,013
Social security costs	186,538	174,637
Pension costs	121,527	137,171
Training and Recruitment	37,586	47,281
	<u>2,247,765</u>	<u>2,075,102</u>

THE NATIONAL LITERACY TRUST

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018
(Continued)**

6. EMPLOYEE AND TRUSTEE INFORMATION

The average number of employees during the year (based on full time equivalents) was 53 (2017: 48).
The number of employees who received emoluments in the following ranges was:

	2018	2017
£60,001 - £70,000	2	3
£70,001 - £80,000	-	1
£80,001 - £90,000	1	-
	3	4

One employee accrued retirement benefits under the defined contribution scheme. Total contributions in the year for this staff member were £6,024 (2017: £6,064).

The Trustees were not entitled to and did not receive any emoluments from the charity during the year (2017: £Nil).

Expenses of £289 were reimbursed to two Trustees during the year, which related to travel expenses (2017: One Trustee £512).

There were no other Related Party Transactions during the year (2017: none).

The charity considers its key management personnel to comprise of Jonathan Douglas and the member of the senior management team. Remuneration and benefits recorded in the year by key management personnel were £418,584 (2017: £380,154).

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018
(Continued)**

7. TANGIBLE FIXED ASSETS

	Office Equipment £	Total £
Cost		
At 1 April 2017 and 31 March 2018	<u>33,033</u>	<u>33,033</u>
Depreciation		
At 1 April 2017	9,872	9,872
Charge for the Year	<u>8,922</u>	<u>8,922</u>
At 31 March 2018	<u>18,794</u>	<u>18,794</u>
Net Book Value		
At 31 March 2018	<u>14,239</u>	<u>14,239</u>
At 31 March 2017	<u>23,161</u>	<u>23,161</u>

8. DEBTORS

	2018 £	2017 £
Sundry Debtors	548,292	401,629
Prepayments and Accrued Income	<u>425,842</u>	<u>397,817</u>
	<u>974,134</u>	<u>799,447</u>

Included within Sundry Debtors is £32,279 (2017 £32,279) relating to rent deposit. This balance is receivable in > 1 year.

9. CREDITORS

	2018 £	2017 £
Trade Creditors	67,483	61,549
Taxation and Social Security	66,139	69,044
Other Creditors	178,039	185,549
Accruals and Deferred Income	<u>193,896</u>	<u>177,973</u>
	<u>505,557</u>	<u>494,115</u>

Included within other creditors are amounts totalling £136,849 (2017: £146,449) relating to the Section 75 debt on withdrawal from the Pension Trust Scheme (note 14).

Movement in Deferred Income

	2018 £	2017 £
Brought forward at 1 April 2017	145,760	103,177
Released during year	(856,463)	(937,313)
Deferred during year	809,397	979,896
Carried forward at 31 March 2018	<u>98,694</u>	<u>145,760</u>

The deferred income is mostly made of Network Membership income, and the remainder is the grant income received in advance and to be spent during the year.

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018
(Continued)**

10. FUTURE FINANCIAL COMMITMENTS

Operating leases

As at 31 March 2018 the charity had total commitments under non-cancellable operating leases as set out below:

	Land & Buildings		Other	
	2018	2017	2018	2017
	£	£	£	£
Within one year	107,300	76,600	1,767	2,121
Within 2 to 5 years	339,783	17,838	3,240	5,832
	<u>447,083</u>	<u>94,438</u>	<u>5,007</u>	<u>7,953</u>

11. RESTRICTED FUNDS

PROJECT	At	Movement in Resources		Transfers	At
	01-Apr-17	Incoming	Outgoing		31-Mar-18
	£	£	£	£	£
1. Bradford Hub	-	167,016	(83,741)	-	83,275
2. Peterborough Hub	-	3,198	(3,198)	-	-
3. Middlesbrough Hub	-	6,334	(5,555)	-	779
4. Swindon Hub	-	170,836	(31,278)	-	139,558
5. Scarborough Hub	-	18,559	(3,340)	-	15,219
6. Nottingham Hub	-	37,288	(10,931)	-	26,357
7. Stoke Hub	17,100	163,055	(148,581)	-	31,575
8. Manchester Hub	48,680	11,864	(49,408)	-	11,136
9. Early Years Programme	(25)	469,587	(417,006)	-	52,555
10. Books Unlocked	28,605	42,373	(43,101)	-	27,877
11. Primary Schools Programmes	25,734	81,871	(67,824)	-	39,781
12. Literacy For Life	112,816	-	(112,718)	-	98
13. Oxfordshire Gaining Momentum	997	-	-	(997)	-
14. Young Readers Programme	366,528	488,182	(435,695)	-	419,015
15. Zoe's Community Challenge	23,269	-	(15,457)	-	7,812
16. Premier League Reading Stars	43,331	148,014	(153,927)	-	37,419
17. Sport and Literacy	23,224	49,071	(55,313)	-	16,982
19. Premier League Reading Stars - Cymru	(1)	-	-	1	-
20. Words For Work	106,506	118,455	(84,866)	-	140,095
21. Books About Town	(2)	-	-	2	-
22. Literacy Leaders	18,146	-	(18,146)	-	-
23. Other named projects	7,447	6,356	(6,356)	(7,447)	-
24. Young Writers Programme	2,205	191,904	(46,857)	-	147,253
	<u>824,561</u>	<u>2,173,965</u>	<u>(1,793,298)</u>	<u>(8,442)</u>	<u>1,196,785</u>

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018
(Continued)**

11. RESTRICTED FUNDS (continued) 2016-17

PROJECT	At	Movement in Resources		Transfers	At
	01-Apr-16	Incoming	Outgoing		31-Mar-17
	£	£	£	£	£
1. Literacy Action Hubs	181,061	3,814	(184,874)	-	-
2. Stoke Hub	-	111,229	(94,129)	-	17,100
3. Manchester Hub	-	64,621	(15,942)	-	48,680
4. Early Words Together	74,711	48,010	(146,931)	24,185	(25)
5. DFE Early Years	(731)	700	31	-	-
6. Books Unlocked	-	42,373	(42,639)	28,871	28,605
7. Teaching Assistant Libraries	-	26,271	(537)	-	25,734
8. Literacy For Life	217,575	242,174	(346,933)	-	112,816
9. Oxfordshire Gaining Momentum	84,908	111,266	(195,177)	-	997
10. Young Readers Programme	229,307	475,140	(337,919)	-	366,528
11. Zoe's Community Challenge	18,205	42,198	(37,135)	-	23,269
12. Premier League Reading Stars	120,969	122,809	(200,447)	-	43,331
13. Sport and Literacy	-	25,424	(2,200)	-	23,224
14. Premier League Reading Stars - Cymru	74,979	(17,486)	(57,493)	-	(1)
15. Words For Work	48,420	84,350	(26,264)	-	106,506
16. Books About Town	921	-	(922)	-	(2)
17. Picture the Poet	8,009	17,138	(25,147)	-	-
18. Literacy Leaders	-	29,708	(11,561)	-	18,146
19. Other named projects	70,146	-	(10,590)	(52,109)	7,447
20. Literacy Champions	41,134	-	-	(41,134)	-
21. Transforming Writing	2,590	-	-	(2,590)	-
22. Oxfordshire Reading Campaign	12,740	-	-	(12,740)	-
23. Cultural Literacy Programme	-	-	(37,982)	40,187	2,205
	<u>1,184,943</u>	<u>1,429,740</u>	<u>(1,774,791)</u>	<u>(15,330)</u>	<u>824,561</u>

Included under Restricted Funds are any donations or grants received which are subject to a restriction imposed by the donors to the purpose for which the funds should be spent.

The associated expenditure against income is included under restricted funds expenditure. Income which has not yet been expended is carried forward as restricted funds. The balance held in Oxfordshire Gaining Momentum was transferred to unrestricted funds as the project came to an end during 2016/17. The balance in Other named projects was transferred to unrestricted funds to correct a historical balance

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018**

(Continued)

Our programmes and their funding sources

- **Bradford Hub** - funded by Morrisons Foundation
- **Peterborough Hub** – funded by Peterborough City Council
- **Middlesbrough Hub** – funded by Normamby Trust
- **Swindon Hub** – funded by WH Smith Plc
- **Scarborough Hub** – funded by Scarborough Borough Council
- **Nottingham Hub** – funded by Nottingham City Council and Small Steps Big Changes
- **Stoke Hub** – funded by Stoke City Council
- **Manchester Hub** – funded by Manchester City Council
- **Early Words Together** – funded by the Department for Education, Glasgow local authority and the Nuffield Foundation, the programmes are focused upon improving and increasing early home learning through identification and support through local authority children centres.
- **Books Unlocked** - Books Unlocked is a reading initiative targeting enjoyment of reading and access to quality literature, working through prison and young offender institution library reading groups, school, college, public library and community reading groups.
- **Primary School Programmes** – funded by Foyles Foundation we help to transform primary school libraries by giving teachers, teaching assistants and parents the skills they need to become library coordinators.
- **Literacy for Life** - Literacy for Life takes a revolutionary approach to improving secondary school language and literacy.
- **Oxfordshire Gaining Momentum** – The Oxford Gaining Momentum (OGM) programme focuses specifically on the importance of language teaching and learning in every subject area. The scheme seeks to address the county's attainment gap between disadvantaged and other pupils, with a focus on students in Years 7 and 8.
- **Young Readers Programme** – promotes reading for pleasure to disadvantaged children. Funded by Corporates including British Land, WH Smith Plc, Slaughter & May and Trusts & Foundations including John Laing Charitable Trust and The Unwin Charitable Trust. Funding is provided to engage disadvantaged children and their families with reading.
- **Zoe's Community Challenge** – a project funded by Boots Opticians where Boots staff go into schools and promote literacy as well as the importance of eye tests.
- **Premier League Reading Stars** - a project for schools to engage children in reading using the motivational power of sport and role models. This project is funded by the Premier League.
- **Sport and Literacy** - Our proven sport and literacy programmes inspire young people to improve their literacy skills through sport-themed activities and sporting personalities.
- **Premier League Reading Stars – Cymru** – Funded by the Welsh Assembly to roll out the PLRS across Wales focusing on deprived areas.
- **Words for Work** – Partners business volunteers and Year 9 pupils to work together to enhance their speaking and listening skills for employment. It is funded by the Paul Hamlyn Foundation, The Maria Marina Foundation and the Careers Enterprise Foundation.
- **Books About Town** – A project funded by the London Schools Excellence Fund. The project focuses on teaching whole texts and reading for enjoyment.
- **Literacy Leaders** – Literacy Leaders is a bespoke, whole-school approach for secondary schools. The project aims to empower, encourage and support students to promote reading for enjoyment, mentor younger students and provide opportunities for writing.
- **Other named projects** – this relates to funding received where restrictions have been made by the donor for individual small one-off projects
- **Young Writers Programme** - We work with cultural organisations to inspire students to improve their literacy skills.

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018
(Continued)**

	Fixed Assets £	Net Current Assets £	Non Current Liabilities £	2018 Total £
12. ANALYSIS OF FUNDS				
Restricted Funds:				
1. Bradford Hub	-	83,275	-	83,275
2. Middlesbrough Hub	-	779	-	779
3. Swindon Hub	-	139,558	-	139,558
4. Scarborough Hub	-	15,219	-	15,219
5. Nottingham Hub	-	26,357	-	26,357
6. Stoke Hub	-	31,575	-	31,575
9. Manchester Hub	-	11,136	-	11,136
10. Early Words Together	-	52,555	-	52,555
11. Books Unlocked	-	27,877	-	27,877
12. Primary Schools Programmes	-	39,781	-	39,781
13. Literacy For Life	-	98	-	98
14. Young Readers Programme	-	419,015	-	419,015
15. Zoe's Community Challenge	-	7,812	-	7,812
16. Premier League Reading Stars	-	37,419	-	37,419
17. Sport and Literacy	-	16,982	-	16,982
18. Words For Work	-	140,095	-	140,095
19. Young Writers Programme	-	147,253	-	147,253
	-	1,196,785	-	1,196,785
Unrestricted Funds:	14,239	166,812	-	181,051
Pension			(37,794)	
	14,239	1,363,597	(37,794)	1,377,836

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018
(Continued)**

12. ANALYSIS OF FUNDS (continued) 2016-17	Fixed Assets £	Net Current Assets £	Non Current Liabilities £	2017 Total £
Restricted Funds:				restated
1. Literacy Action Hubs	-	-	-	-
2. Stoke Hub	-	17,100	-	17,100
3. Manchester Hub	-	48,680	-	48,680
4. Early Words Together	-	(25)	-	(25)
5. DFE Early Years	-	-	-	-
6. Books Unlocked	-	28,605	-	28,605
7. Teaching Assistant Libraries	-	25,734	-	25,734
8. Literacy For Life	-	112,816	-	112,816
9. Oxfordshire Gaining Momentum	-	997	-	997
10. Young Readers Programme	-	366,528	-	366,528
11. Zoe's Community Challenge	-	23,269	-	23,269
12. Premier League Reading Stars	-	43,331	-	43,331
13. Sport and Literacy	-	23,224	-	23,224
14. Premier League Reading Stars - Cymru	-	(1)	-	(1)
15. Words For Work	-	106,506	-	106,506
16. Books About Town	-	(2)	-	(2)
17. Picture the Poet	-	-	-	-
18. Literacy Leaders	-	18,146	-	18,146
19. Other named projects	-	7,447	-	7,447
20. Literacy Champions	-	-	-	-
21. Transforming Writing	-	-	-	-
22. Oxfordshire Reading Campaign	-	-	-	-
23. Cultural Literacy Programme	-	2,205	-	2,205
24. Premier League Reading Stars - Cymru	-	-	-	-
	-	824,561	-	824,561
Unrestricted Funds:	23,161	164,332	-	187,495
	<u>23,161</u>	<u>988,895</u>	<u>-</u>	<u>1,012,056</u>

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018
(Continued)**

13. PENSION COSTS

Employees are offered the opportunity to contribute from 1% of their basic salary. (There is no obligation to make a personal contribution).

The charity contributes 8% of basic salary. Royal London is our main pension provider and some employees are also enrolled in The Pensions Trust Growth Plan.

14. PRIOR PERIOD ADJUSTMENT - PENSION TRUST SECTION 75 DEBT

Subsequent to the year ended 31 March 2018, the charity has been notified that they had previously crystallised the employer debt on withdrawal from The Pensions Trust – The Growth Plan (“the Plan”). The National Literacy Trust (“the employer”) ceased to participate in the Plan on 19 November 2015.

The Section 75 debt in respect of the employer has been calculated as £146,449 as at that date.

The liability arose in the year ended 31 March 2016 and therefore a prior period adjustment has been processed to account for the liability at that date. Funds at 1 April 2016 have been restated to account for the liability.

The net impact on reserves at 31 March 2016 as a result of the prior period adjustment is £94,867. This is comprised of the reversal of the existing creditor of £51,582, under the previous deficit recovery plan and accounting for the liability under section 75 debt of £146,449. This has also resulted in an associated creditor at 1 April 2016 of £146,449 and a reduction in creditors due in less than and greater than one year of £51,582.

The charity is currently seeking to enter into a deferred debt arrangement in respect of settlement of the s75 liability under which, if successful, it would be able to settle the liability by paying deficit contributions over a period of time in accordance with the scheme’s funding arrangements. In the meantime, the s75 liability has become due and has therefore been classified as a creditor falling due within one year.

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2018
(Continued)**

15. GRANTS AWARDED

Academies	Number of grants	2018 £	Number of grants	2017 £
Peeples	1	138,344		
National Children's Bureau	1	138,334		
Leicester City Council	1	6,000		
Bradford City Council	1	6,000		
Ormiston Academy			1	75,000
Aldridge Academy			1	75,000
	<u>4</u>	<u>288,678</u>	<u>2</u>	<u>150,000</u>

Academies

Grants made to Academies to support delivery of the programme

16. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2018 £	2017 £
Net movement in funds	365,780	(315,432)
Depreciation	8,922	5,461
Investment income	(134)	(140)
Increase in debtors	(174,687)	(149,366)
Increase in creditors	11,443	88,652
Net cash used in operating activities	<u><u>211,323</u></u>	<u><u>(370,825)</u></u>