

THE NATIONAL LITERACY TRUST

**REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016**

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**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2016**

The Trustees present their annual report together with the financial statements of the charity for the year ended 31 March 2016.

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)
Baroness Andrews of Southover OBE
Frank Carter
Naomi Eisenstadt CB
Gareth Hughes (Treasurer)
Joanna Prior (appointed 30 April 2015)
Jane Reed CBE
Liz Robinson (appointed 30 April 2015)
Joanna Trollope OBE
Honor Wilson-Fletcher MBE

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 (formerly Baker Tilly UK Audit LLP), 25 Farringdon Street, London EC4A 4AB

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 2016****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 2015/16 were that the charity's traded model didn't engage the schools market, that cash flow wasn't regulated and that income to core wasn't high enough to sustain project growth. These risks are being mitigated by the development and implementation of strategies to address them. A new addition to the Executive Management Group of a Head of School Programmes will also strengthen our ability to engage the schools market.

In addition, each project maintains its own risk register and reports quarterly to the charity's Executive Management Group 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
FOR THE YEAR ENDED 31 MARCH 2016****Our mission**

We equip disadvantaged young people with literacy fit for employment and life.

Our values

To achieve our vision we need to be focused, effective 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:

Young Readers Programme – inspiring disadvantaged children and young people to read for enjoyment

Words for Work – promoting speaking and listening skills through partnerships between schools and business

Literacy Hubs – intensive place-based literacy programmes established in Middlesbrough, Peterborough and Bradford

The Schools Network – promoting best practice in literacy teaching in schools

Premier League Reading Stars and **Premier League Reading Stars Cymru** – engaging school children in reading using the motivational power of football

Oxfordshire Gaining Momentum – raising literacy levels in secondary schools in Oxfordshire

Literacy for Life – raising literacy levels in secondary academies

Early Words Together – supporting families with early home learning

HELLO – raising the quality of literacy provision in early years settings

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, Boots Opticians, Slaughter and May, KPMG, McDonald's, Pearson and the Authors' Licensing and Collecting Society, who provide funding towards core activities such as website development, support for schools, research and policy work. The JJ Charitable Trust funds Literacy for Life. UBS, British Land and WHSmith are the main supporters of the Young Readers Programme. Arts Council England and the Premier League Foundation support Premier League Reading Stars. The Booker Prize Foundation supports our work in prisons and, with the Esmée Fairbairn Foundation and Middlesbrough, Peterborough and Bradford local authorities, funds the Literacy Hubs. The National Literacy Trust is commissioned by Oxfordshire County Council to deliver Oxfordshire Gaining Momentum. Premier League Reading Stars Cymru was enabled by a grant from the Welsh government. The HELLO programme has been supported by a grant from the Department for Education.

Our senior management team comprises Jonathan Douglas, Director; Abigail Moss, Deputy Director; Clare McGread, Head of Community and Early Years Programmes; Sam Brookes, Head of Information and Resources; Clare Bolton, Head of Marketing and Communications; Fiona Evans, Head of School Programmes; and Rosemary Thomas, Head of Operations. The pay of the senior management team is agreed by Trustees.

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2016****POLICY ON GRANT GIVING**

The Trust is not a grant-giving body.

The only payments made out of restricted funds are for the distribution of books for the Young Readers Programme, for supporting children's centres in 12 local authorities to deliver Early Words Together and for 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 2015/16

In 2015/16 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. However, the gap between the literacy attainment of children from poorer backgrounds (those eligible for Pupil Premium funding) and other children remains significant. The gap is wide at the point of entry to primary education, narrows by the age of 11, but expands significantly during secondary education. This pattern is consistent across UK data. 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%.

In 2015/16 we have particularly focused our attention on literacy in secondary schools, developing a strategic programme in partnership with a number of other literacy charities and Exeter University. This is being piloted with Ormiston and Aldridge Academy chains and Oxfordshire local authority.

At the same time our work in primary schools flourished, particularly through initiatives like the Young Readers Programme and Premier League Reading Stars, which offer a vital resource to inspire young readers and support the work of thousands of committed teachers.

We offer robust literacy resources to both primary and secondary schools through our network. This is strengthened by partnerships which bring new resources and skills to support literacy issues that have been identified by schools or our research. With the Premier League we are addressing boys' literacy; in 2015 we launched a new partnership with Boots Opticians which is supporting the million children in primary schools with previously undiagnosed eyesight issues. We deliver training programmes helping teachers to promote reading for enjoyment, support boys' literacy and embed literacy across the curriculum in secondary schools.

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2016**

2015/16 Targets	Achievements
We will grow our network membership to 1,600; 560 (35%) will be from our target schools (low literacy and high deprivation)	By April 2016 we had 2,496 schools in our network; 800 (32%) were from our target group
Our programmes will work with 125,000 young people	Our programmes worked with 103,465 young people
We will launch our secondary school improvement model	We launched a secondary school improvement model – “Literacy for Life” – which is being piloted with two academy chains and evaluated by Durham University

2. We will 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 into these communities effective interventions and resources from the National Literacy Trust and partner organisations and is supported by a public campaign to support community engagement.

The National Literacy Trust established the UK's first Literacy 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 2015/16 we consolidated the Hub programmes in all three locations and laid the foundation for two more Hubs.

The foundation of all community-based approaches to raising literacy is the active engagement of families in the language and learning of their children. We actively support this in the UK's poorest communities through our Early Words Together project, which was positively evaluated by the University of Coventry in 2015. We are also seeking to raise the quality of early years settings' literacy support and their engagement with parents through the HELLO programme.

2015/16 Targets	Achievements
We will launch a new approach to raising the quality of literacy provision in early years settings, working with 70 PVI (private, voluntary or independent) and maintained nursery settings.	We worked with 74 PVI and maintained nursery settings to launch HELLO – a literacy improvement model for early years settings
We will develop agreements to launch Literacy Hubs in an additional two areas	We developed agreements with Stoke-on-Trent and Manchester local authorities to develop literacy campaigns leading to the development of Hub models

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 MARCH 2016

3. We will 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 campaigns are built on our research activity. In 2015/16, 30,000 young people took part in our Annual Literacy Survey, giving a unique and vital insight into their reading, writing, speaking and listening skills, attitudes and behaviours. We also undertook important new research looking at the potential of digital technology to engage readers in secondary schools, and researched the contemporary home literacy environment of children aged three to five, where technology is increasingly prevalent.

Our media campaigns in 2015/16 promoted the findings of our research programmes to teachers, practitioners and families. We used our research findings to create new solutions to issues that are undermining the literacy of young people. Increasingly, many of the solutions are utilising technology.

2015 was a General Election year. Our lobbying focus was on establishing literacy as a priority in the election campaign and winning cross-party support for literacy in the new Parliament. To achieve this we brought together 19 charities with an interest in reading and literacy into the National Literacy Forum to agree a literacy manifesto for the 2015 General Election campaign. The "Vision for Literacy" won support from all three main parties. We also helped lead the Read On Get On campaign with Save the Children, which won recognition in the main political parties' manifestos.

The Forum went on to launch a Business Pledge in October 2015, challenging the business community to pledge their active support as partners in the UK's literacy campaign.

2015/16 Targets	Achievements
We will establish a Commission on Literacy and Social Mobility and publish its findings to help prioritise literacy in the new Parliament	We revised our policy focus and instead of a commission we established a new Literacy All Party Parliamentary Group following the General Election
We will launch a corporate declaration, which all businesses will be invited to sign to demonstrate their commitment to raising literacy levels	The Literacy Business Pledge was launched with the support of 19 charities and 44 businesses
Our media work will achieve a reach of 200 million and have a value of £3m	Our media work had a reach of 243 million and a value of £4.2 million

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2016****OUR TARGETS FOR 2016/17**

Our 2016/17 business plan sets targets for how we will work to the themes within our 2015-20 strategy. In 2016/17 we aim to:

- 1. Work with schools to narrow the gap between young people from poorer and more affluent backgrounds**
 - Work with 6,000 schools to raise literacy levels
 - Work with 50% of our target schools – schools where literacy is lowest and poverty highest
 - Work with 125,000 young people through our programmes
- 2. Narrow the literacy gap between poorer and richer communities**
 - Sustain our three established Literacy Hubs, launch two new Hubs and identify partners for two new Hubs in the UK's most deprived communities
 - Work with 150 early years settings to support family literacy
- 3. Campaign to raise awareness of the levels and impact of youth literacy**
 - Achieve a media reach of 210 million and a value of £3.5m
 - Strengthen the work of the National Literacy Forum by gathering evidence of increased business commitment to literacy stimulated by the Literacy Pledge
 - Launch a business literacy promise in three of our Hub areas
 - Work with the Literacy APPG to promote place-based literacy approaches to MPs and Lords

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 £83,933. This comprised increases in both restricted and unrestricted funds, of £68,066 and £15,867 respectively.

Overall, the charity's funds increased from £1,338,422 at the beginning of the year to £1,422,355 at the year end, of which £237,412 was in unrestricted funds and £1,184,943 in restricted funds. The increase in funding was due to several new strands of funding, from the Department for Education for early years improvement and for the Boots Opticians Schools Challenge, as well as strong funding for other existing programmes.

Total income for the year has increased 4% from £3.8m in 2014/15 to £3.9m in 2015/16. This was lower than budget and a higher level of growth is expected in the coming year. Total expenditure for the year increased 21% from £3.1m in 2014/15 to £3.8m in 2015/16.

The level of unrestricted reserves now in place is in line with the level that the Trustees believe is appropriate and represents three months' operating costs. The level of unrestricted reserves is forecast to increase in the next year in line with the growth of the organisation.

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 the sale of services.

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.

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2016****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 organisation 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 2016 was £237,412, all of which is regarded as free reserves. This is less than the equivalent of three months of unrestricted expenditure. The Trustees aim to increase free reserves over the next two financial years.

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 2016****FINANCIAL SUPPORTERS**

Weak literacy skills in the UK undermine our economic competitiveness, our social equity and the strength of our communities. The mission of the National Literacy Trust is urgent and our work is creating opportunities for young people in the UK's most deprived areas. The team who work at the charity is committed and energetic. They are keen to innovate and are deeply committed to our mission. I am immensely grateful for their hard work. But the truth is they cannot hope to tackle this massive issue alone. They know that they can only break the relationship between literacy and disadvantage, which robs so many children of their futures, through strong partnerships.

So I am immensely grateful for the business partners who not only support our mission but are the active agents, bringing resources, insight and volunteers and working with us as partners in our campaign to raise literacy levels. This year we have welcomed Boots Opticians to our campaign. In partnership with them we want to reach the 1 million children in primary schools whose literacy is held back by undiagnosed eyesight issues. They join a range of businesses, from KMPG and PwC to the Premier League and British Land, who have committed to working in partnership with the National Literacy Trust to raise the UK's literacy levels.

We share our commitment to literacy with a strong range of inspiring third sector partners, and we are very grateful for the partnerships with the other 18 charities in the National Literacy Forum. In the past 12 months we have developed the Forum as an effective lobbying body for literacy in the 2015 General Election campaign.

We are also hugely grateful to the army of volunteers who support the charity with their time and skills. Whether they are from our partner businesses, expert teachers and librarians committed to our programmes or members of the community in areas where literacy is weak and we are focusing our efforts, the National Literacy Trust relies on them to deliver its programmes and to reach deep into areas of need.

The support of our Patron, Her Royal Highness the Duchess of Cornwall, has been invaluable in the past year. We were particularly honoured that during 2015/16 she visited our Literacy Hub in Peterborough. Thousands of children celebrated their diverse language, literacy and cultural identities in a memorable celebration which demonstrated the energy the Hub is bringing to the city's literacy challenge. We were thrilled that the following day Her Royal Highness met prisoners participating in our Books Unlocked programme when she visited HMP Brixton.

On behalf of the Trustees of the National Literacy Trust – and of the hundreds of thousands of children we have reached in the past year – we would like to thank all our supporters who share our belief that literacy changes lives.

Approved by the Trustees on and authorised for issue on 6 July 2016 and signed on their behalf by:



Dame Julia Cleverdon DCVO CBE
Chairman

Date 6th July 2016

Independent Auditors' Report to the Trustees and the members of the National Literacy Trust

We have audited the financial statements of National Literacy Trust for the year ended 31 March 2016 on pages 12 to 25. 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 the Republic of Ireland").

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.

Respective responsibilities of Trustees and auditor

As explained more fully in the Statement of Trustees' responsibilities set out on page 8, 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.

We have been appointed auditors 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.

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 Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

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 March 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; 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).

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires 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 in preparing the Trustees' report.

RSM UK Audit LLP

NICHOLAS SLADDEN (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP, Statutory Auditor

Chartered Accountants

25 Farringdon Street

London, EC4A 4AB

Date 25 July 2016

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

THE NATIONAL LITERACY TRUST

STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 MARCH 2016

	Notes	Unrestricted Funds £	Restricted Funds £	Total Funds 2016 £	2015 £
Income:					
Donations and legacies	2	1,290,831	-	1,290,831	978,109
Income from charitable activities	5	-	2,410,029	2,410,029	2,603,833
Income from other trading activities	6	246,256	-	246,256	177,186
Investment income		490	-	490	297
Total income		<u>1,537,577</u>	<u>2,410,029</u>	<u>3,947,606</u>	<u>3,759,425</u>
Expenditure:					
Costs of raising funds	3 a/c	515,000	-	515,000	454,907
Expenditure on charitable activities	3 b	1,006,710	2,341,963	3,348,673	2,687,093
Total expenditure	3 d	<u>1,521,710</u>	<u>2,341,963</u>	<u>3,863,673</u>	<u>3,142,000</u>
Net income and net movement in funds for the year		15,867	68,066	83,933	617,425
Reconciliation of funds					
Total funds brought forward		221,545	1,116,877	1,338,422	720,997
Total funds carried forward		<u>237,412</u>	<u>1,184,943</u>	<u>1,422,355</u>	<u>1,338,422</u>

The statement of financial activities includes all gains and losses recognised in the year. All incoming resources and resources expended derive from continuing operations.

THE NATIONAL LITERACY TRUST

Company number: 5836486

BALANCE SHEET
AT 31 MARCH 2016

	Notes	£	2016 £	£	2015 £
FIXED ASSETS					
Tangible assets	9		<u>23,319</u>		<u>4,396</u>
			23,319		4,396
CURRENT ASSETS					
Debtors	10	650,081		475,028	
Cash at bank and in hand		<u>1,059,550</u>		<u>1,225,363</u>	
		1,709,631		1,700,391	
CREDITORS: Amounts falling due within one year	11	<u>(264,283)</u>		<u>(332,859)</u>	
NET CURRENT ASSETS			1,445,348		1,367,532
CREDITORS: Amounts falling due after more than one year	11, 15		(46,312)		(33,509)
NET ASSETS	14		<u><u>1,422,355</u></u>		<u><u>1,338,419</u></u>
The funds of the charity:					
Restricted funds	13		1,184,943		1,116,877
Unrestricted funds			237,412		221,542
			<u><u>1,422,355</u></u>		<u><u>1,338,419</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 12-25 were approved by the Trustees and authorised for issue on 6 July 2016 and signed on their behalf by:

Julia Cleverdon DCVO CBE
Chairman

Gareth Hughes
Treasurer

Date

Dave Julia Cleverdon
.....
G. Hughes
.....
6 July 2016
.....

THE NATIONAL LITERACY TRUST

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 MARCH 2016

	Notes	£	2016 £	£	2015 £
Cash used in operating activities	19		(144,434)		616,825
Cashflows from investing activities					
Interest income		490		297	
Purchase of tangible fixed assets		(21,869)		(5,861)	
Cash provided by (used in) investing activities			(21,379)		(5,564)
Increase (decrease) in cash and cash equivalents in the year			(165,813)		611,261
Cash and cash equivalents at the beginning of the year			1,225,363		614,102
Total cash and cash equivalents at the end of the year			1,059,550		1,225,363

THE NATIONAL LITERACY TRUST

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

1. ACCOUNTING POLICIES

a) Accounting Convention

The financial statements have been prepared under the historical cost basis of accounts and in accordance with the Accounting and Reporting by Charities Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) effective 1 January 2015 – (Charities SORP (FRS102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and the Companies Act 2006.

Reconciliation with Previous Generally Accepted Accounting Practice

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 the restatement of comparative items was required.

At the date of transition in applying Section 28 of FRS 102 the charity has provided for the agreed deficit funding arrangement in place to identify a liability for this obligation in the financial statements. This is the 'net present value' of deficit contributions payable.

Reconciliation of funds and balances	1 April 2014 £	31 March 2015 £
Fund balances as previously stated	760,934	1,376,525
Present value of provision (note 15)	(39,937)	(38,106)
Fund balances as restated	<u>720,997</u>	<u>1,338,419</u>

In accordance with the requirements of FRS 102 a reconciliation of opening balances and net income/(expenditure) for the year is provided with the net income/(expenditure) under previous GAAP adjusted for the presentation of investment gains/(losses) as a component of reported income.

Reconciliation of reported net income	2015 £
Net income as previously stated	615,591
Adjustment for movement in pension provision	1,831
2015 net income as restated	<u>617,422</u>

THE NATIONAL LITERACY TRUST

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

The principal accounting policies adopted in the preparation of the financial statements are consistent year on year and are set out below.

b) 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:

Fixtures & Fittings	-	20% per annum
Office Equipment	-	25% per annum

c) Stocks

Costs of promotional materials are written off in the year of acquisition.

d) Pension Scheme

The charity operates an auto enrolment defined contribution pension scheme, although the scheme does 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.

e) 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.

For legacies income, entitlement is the earlier of the charitable company being notified of a distribution, the receipt of the legacy or the date on which the personal representatives of an estate have agreed a distribution.

Gifts in kind and donated goods are recognised in the accounts where the benefits to the charity can be reasonably quantified and measureable. The value is the price the charity estimates it would pay to purchase equivalent goods and services.

Interest receivable is included when receivable.

THE NATIONAL LITERACY TRUST

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (Continued)

f) 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 14.

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.

g) 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 10.

h) 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.

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 12.

j) 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.

2. VOLUNTARY INCOME

	2016 £	2015 £
Voluntary income:		
Donations from individuals	141,641	185,134
Donations from companies	583,804	452,961
Donations from charitable trusts	47,871	9,315
Donations from legacies	16,225	-
Other donations	460,535	330,699
Gifts in kind	40,755	-
	<u>1,290,831</u>	<u>978,109</u>

THE NATIONAL LITERACY TRUST

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016
(Continued)

3. RESOURCES EXPENDED

a) Analysis of total resources expended

	Direct costs £	Grants £ note 10	Support costs £	Total Funds 2016 £	2015 £
Costs of raising funds	471,824	-	43,174	514,998	454,816
Charitable Activities					
Website, publications, policy analysis and research	254,028	-	116,163	370,191	355,788
Literacy training & consultancy	135,544	-	55,039	190,583	209,112
Online network	129,113	-	26,202	155,315	168,048
Literacy resources	17,995	-	-	17,995	25,997
Young Readers Programme	288,508	-	39,823	328,331	263,290
Oxfordshire Reading Campaign	-	-	-	-	135,848
Premier League Reading Stars	276,961	-	34,855	311,816	232,257
Literacy Champions	-	-	-	-	58,827
Words for Work	31,237	-	17,460	48,697	84,421
Transforming Writing	-	-	-	-	9,900
Books About Town	77,431	-	10,177	87,608	163,548
Picture the Poet	55,564	-	7,253	62,817	65,461
Literacy Hubs	199,361	-	23,448	222,809	213,484
Early Words Together	177,692	-	26,520	204,212	379,368
Premier League Reading Stars Cymru	277,615	-	18,627	296,242	188,987
Literacy for Life	220,418	150,000	13,590	384,008	41,247
Oxfordshire Gaining Momentum	193,638	-	16,274	209,912	53,224
Boots Opticians Schools Challenge	45,354	-	22,328	67,682	-
HELLO	133,377	175,000	26,666	335,043	-
Other named projects	39,807	-	15,605	55,412	38,381
	2,553,647	325,000	470,030	3,348,675	2,687,186
	3,025,471	325,000	513,206	3,863,673	3,142,002

b) Analysis of support costs

	Premises £ (1)	General Office £ (1)	Staff (2)	Finance £ (2)	Information Technology £ (2)	Total Funds 2016 £	2015 £
Basis of Allocation	(1)	(1)	(2)	(2)	(2)		
Website, publications, policy analysis and research	26,899	17,837	54,226	3,626	13,575	116,163	156,764
Literacy training & consultancy	8,792	5,830	31,657	7,252	1,508	55,039	76,931
Online network	8,792	5,830	6,752	1,813	3,017	26,204	35,161
Literacy resources	-	-	-	-	-	-	4,482
Young Readers Programme	10,746	7,126	18,993	1,450	1,508	39,823	46,668
Oxfordshire Reading Campaign	-	-	-	-	-	-	32,808
Premier League Reading Stars	5,268	3,493	23,074	1,813	1,207	34,855	41,561
Literacy Champions	-	-	-	-	-	-	15,447
Words For Work	2,896	1,920	11,254	1,088	302	17,460	31,433
Premier League Reading Stars Cymru	7,222	4,789	4,501	1,813	302	18,627	15,129
Books About Town	2,547	1,689	3,826	1,813	302	10,177	10,001
Picture the Poet	1,954	1,296	2,251	1,450	302	7,253	10,884
Literacy Hubs	7,536	4,997	7,594	1,813	1,508	23,448	35,524
Early Words Together	8,827	5,853	9,424	1,813	603	26,520	31,731
Literacy for Life	5,512	3,655	2,671	1,450	302	13,590	16,842
Oxfordshire Gaining Momentum	5,477	3,632	5,413	1,450	302	16,274	19,299
Boots Opticians Schools Challenge	1,326	879	17,164	1,450	1,508	22,328	-
HELLO	2,617	1,735	18,993	1,813	1,508	26,666	-
Other named projects	1,675	1,111	11,793	725	302	15,605	2,723
Generating Funds	25,222	16,727	(4,520)	3,626	2,119	43,174	89,798
	133,308	88,399	225,066	36,258	30,175	513,206	673,186

(1) Usage

(2) Staff time

THE NATIONAL LITERACY TRUST

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (Continued)

3. RESOURCES EXPENDED (continued)

c) Analysis of costs of raising funds

	2016 £	2015 £
Staff costs	375,407	239,063
Other direct costs	96,417	125,954
Support costs	43,176	82,738
	<u>515,000</u>	<u>447,755</u>

d) Net income for the year is stated after charging

	2016 £	2015 £
Auditor's remuneration - audit fees	13,250	11,900
- other services	1,300	2,500
Operating leases - equipment	2,121	1,697
Operating leases - land and buildings	91,920	91,920
Depreciation	2,946	1,465

5	Unrestricted £	Restricted £	2016 £	2015 £
Income from charitable activities:				
Grants and sponsorships receivable	-	2,410,029	2,410,029	2,603,833
	<u>-</u>	<u>2,410,029</u>	<u>2,410,029</u>	<u>2,603,833</u>

6				
Other trading activities				
Literacy training & consultancy	86,590	-	86,590	66,523
Online network subscriptions	158,795	-	158,795	108,697
Literacy resources	871	-	871	1,966
	<u>246,256</u>	<u>-</u>	<u>246,256</u>	<u>177,186</u>

7. STAFF COSTS

	2016 £	2015 £
Staff costs:		
Wages and salaries	1,672,576	1,368,546
Social security costs	168,558	136,284
Pension costs	131,022	96,978
Training and recruitment	47,038	23,503
	<u>2,019,194</u>	<u>1,625,311</u>

8. EMPLOYEE AND TRUSTEE INFORMATION

The average number of employees during the year (based on full time equivalents) was 48 (2015: 43).

The number of employees who received emoluments in the following ranges was:

	2016	2015
£60,001 - £70,000	1	1
£70,001- £80,000	1	-
	<u>2</u>	<u>1</u>

These employees accrued retirement benefits under the defined contribution scheme. Total contributions in the year for these staff members were £6,330 (2015: £5,577).

The trustees were not entitled to and did not receive any emoluments from the charity during the year (2015: £Nil).

Expenses of £96 were reimbursed to one Trustee during the year, which related to travel expenses (2015: One Trustee £461).

The charity considers its key management personnel to comprise of Jonathan Douglas and the members of the senior management team. Remuneration and benefits recorded in the year by key management personnel were £380k (2015: £342k).

THE NATIONAL LITERACY TRUST

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016
(Continued)

9. TANGIBLE FIXED ASSETS

	Fixtures & Fittings £	Office Equipment £	Total £
Cost			
At 1 April 2015	18,499	101,543	120,042
Additions	-	21,869	21,869
Disposals	(18,499)	(95,682)	(114,181)
At 31 March 2016	<u>18,499</u>	<u>123,412</u>	<u>27,730</u>
Depreciation			
At 1 April 2015	18,499	97,147	115,646
Charge for the Year	-	2,946	2,946
Disposals	(18,499)	(95,682)	(114,181)
At 31 March 2016	<u>-</u>	<u>100,093</u>	<u>4,411</u>
Net Book Value			
At 31 March 2016	<u>-</u>	<u>23,319</u>	<u>23,319</u>
At 1 April 2015	<u>-</u>	<u>4,396</u>	<u>4,396</u>

10. DEBTORS

	2016 £	2015 £
Sundry Debtors	332,481	213,019
Prepayments and Accrued Income	<u>317,600</u>	<u>262,009</u>
	<u>650,080</u>	<u>475,028</u>

Included within Sundry Debtors is £32,199 (2015: £32,199) relating to rent deposit.
This balance is receivable in > 1 year.

11. CREDITORS

	2016 £	2015 £
Trade Creditors	21,670	65,096
Taxation and Social Security	70,956	69,245
Other Creditors	41,044	62,650
Accruals and Deferred Income	<u>130,613</u>	<u>135,868</u>
	<u>264,284</u>	<u>332,859</u>

Included within other creditors are amounts totalling £16,376 (2015: £37,974) relating to outstanding pension contributions

Movement in Deferred Income

	2016 £	2015 £
Brought forward at 1 April 2015	119,767	152,247
Released during year	(142,126)	(212,297)
Deferred during year	<u>125,536</u>	<u>179,817</u>
Carried forward at 31 March 2016	<u>103,177</u>	<u>119,767</u>

THE NATIONAL LITERACY TRUST

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016
(Continued)

11. CREDITORS

	Notes	2016 £	2015 £
Creditors: falling due after more than one year			
Pension provision	15	46,312	33,509
		<u>46,312</u>	<u>33,509</u>

12. FUTURE FINANCIAL COMMITMENTS**Operating leases**

As at 31 March 2016 the charity had total commitments under non-cancellable operating leases as set out below:

	Land & Buildings 2016 £	2015 £	Other 2016 £	2015 £
Within one year	76,600	76,600	2,371	1,580
Within 2 to 5 years	94,438	171,038	4,742	-
Over 5 years	-	-	3,711	-

Operating lease costs payable in the year were £70,124 (2015: £70,124).

13. RESTRICTED FUNDS

	Movement in Resources			
	B/F £	Incoming £	Outgoing £	C/F £
PROJECT				
1. Young Readers Programme	194,998	322,818	(288,509)	229,307
2. Oxfordshire Reading Campaign	12,740	-	-	12,740
3. Premier League Reading Stars	111,436	286,495	(276,962)	120,969
4. Literacy Champions	41,134	-	-	41,134
5. Words For Work	20,339	59,318	(31,237)	48,420
6. Transforming Writing	2,590	-	-	2,590
7. Books About Town	78,874	(523)	(77,430)	921
8. Picture the Poet	(6,965)	70,538	(55,564)	8,009
9. Literacy Hubs	197,746	182,676	(199,361)	181,061
10. Early Words Together	51,123	201,281	(177,693)	74,711
11. Premier League Reading Stars Cymru	56,295	296,300	(277,615)	74,979
12. Literacy for Life	256,055	331,938	(370,418)	217,575
13. Oxfordshire Gaining Momentum	74,645	203,901	(193,638)	84,908
14. Boots Opticians Schools Challenge	-	63,559	(45,354)	18,205
15. HELLO	-	307,646	(308,377)	(731)
14. Other named projects	25,867	84,083	(39,804)	70,146
	<u>1,116,877</u>	<u>2,410,029</u>	<u>(2,341,963)</u>	<u>1,184,943</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 NATIONAL LITERACY TRUST

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (Continued)

Our programmes and their funding sources

- **Young Readers Programme** – promotes reading for pleasure to disadvantaged children. Funded by corporates including KPMG, British Land, WHSmith, Slaughter & May and trusts and foundations including the Benoy Foundation, John Laing Charitable Trust and The 1989 Willan Charitable Trust. Funding is provided to engage disadvantaged children and their families with reading.
- **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 and Arts Council England.
- **Literacy Champions** – a community volunteering project funded by the Mayor of London, Hodder Charitable Trust and The Brooke Trust, helping parents of young children in disadvantaged communities to support their children's literacy.
- **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 Equitable Charitable Trust, KPMG, British Telecom and Levi Roots.
- **Books About Town** – a project funded by the London Schools Excellence Fund. The project focuses on teaching whole texts and reading for enjoyment.
- **Picture the Poet** – a three-year project funded by The National Portrait Gallery. The project supports the teaching of creative poetry writing at Key Stage 2.
- **Literacy Hubs** – long term and sustained interventions in areas of deprivation to develop corporate strategies to raise literacy levels and to introduce interventions to meet local needs. Funded by Esmée Fairbairn Foundation, Man Booker Foundation and Middlesbrough, Bradford and Peterborough local authorities.
- **Early Words Together** – a project that improves early home learning, working through local authority children centres, with funding from Pearson.
- **Premier League Reading Stars Cymru** – funded by the Welsh Assembly to roll out the PLRS across Wales focusing on deprived areas.
- **Literacy for Life** – a project funded by the JJ Sainsbury Trust to develop a model to improve literacy in secondary schools.
- **Schools Challenge** – a project funded by Boots Opticians using employee volunteers to promote literacy and the importance of eye tests to schools.
- **HELLO** – a Department for Education-funded project looking at how nursery teaching schools can drive improvement.
- **Other named projects** – this relates to funding received where restrictions have been made by the donor for individual small one-off projects.

Note 14

	Fixed Assets £	Net Current Assets £	Creditors > 1 year £	Total £
Restricted Funds:				
Young Readers Programme	-	229,307	-	229,307
Oxfordshire Reading Programme	-	12,740	-	12,740
Premier League Reading Stars	-	120,969	-	120,969
Literacy Champions	-	41,134	-	41,134
Words For Work	-	48,420	-	48,420
- Transforming Writing	-	2,590	-	2,590
Books About Town	-	921	-	921
Picture the Poet	-	8,009	-	8,009
Literacy Hubs	-	181,061	-	181,061
Early Words Together	-	74,711	-	74,711
Premier League Reading Stars Cymru	-	74,979	-	74,979
Literacy for Life	-	217,575	-	217,575
Oxfordshire Gaining Momentum	-	84,908	-	84,908
Boots Challenge	-	18,205	-	18,205
DFE Early years	-	(731)	-	(731)
Other named projects	-	70,145	-	70,145
	-	1,184,943	-	1,184,943
Unrestricted Funds:	23,319	260,405	(46,312)	237,412
	-	1,445,348	(46,312)	1,422,355

THE NATIONAL LITERACY TRUST

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (Continued)

15. PENSION COSTS

The charity participates in the Pensions Trust Growth Plan and Flexible Retirement Plan. 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.

The Pensions Trust - Growth Plan

The charity participates in the scheme, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the charity is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2011. This valuation showed assets of £780m, liabilities of £928m and a deficit of £148m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2014 to 31 March 2023	£13.9m per annum (payable monthly and increasing by 3% each on 1 April)
------------------------------------	--

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2016 to 30 September 2025:	£12,945,440 per annum (payable monthly and increasing by 3% each on 1 April)
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From 1 April 2016 to 30 September 2028:	£54,560 per annum (payable monthly and increasing by 3% each on 1 April)
---	---

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the charity recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

THE NATIONAL LITERACY TRUST

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016 (Continued)

15. PENSION COSTS (continued)

	2016	2015	2014
	£	£	£
Present values of provision	51,582	38,106	39,937

Reconciliation of Opening and Closing Provisions	2016	2015
	£	£
Provision at start of the period	38,106	39,937
Unwinding of the discount factor (interest expenses)	623	1,059
Deficit contribution paid	(4,597)	(4,463)
Remeasurements - impact of any change in assumptions	(806)	1,573
Remeasurements - amendments to the contribution schedule	18,256	-
Provision at end of period	<u>51,582</u>	<u>38,106</u>

SOFA Impact	2016	2015
	£	£
Interest expense	623	1,059
Remeasurements - impact of any change in assumptions	(806)	1,573
Remeasurements - amendments to the contribution schedule	18,256	-
Costs recognised in income and expenditure account	13,476	(1,381)

	2016	2015	2014
	% per annum		
Rate of discount	2.07	1.74	2.82

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The charity had an auto-enrolment date of 1 October 2015. To meet these obligations, the charity has changed its pension provider. However, it still has an open scheme with The Pensions Trust so the liability will not crystallise.

16. CONTINGENT LIABILITIES

The charity participates in The Pensions Trust: The Growth Plan and The Flexible Retirement Plan.

As at 30 September 2014 the charity has a contingent liability of £159,069 (2014: £159,069). This liability derives exclusively from a change in the pension law in 2005 and would crystallise only if the company ceased to be a participating employer in the plan or if the plan was to be wound up.

The Pensions Trust advise that the liability has decreased by 32.7% this year (from £220m to £148m).

THE NATIONAL LITERACY TRUST

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016
(Continued)**

17. GRANTS AWARDED

HELLO	Number of grants	£	2016
Middlesbrough Council	1		25,000
Reading Borough Council	1		25,000
St Edmund's Teaching School	1		25,000
Childhaven Community Nursery School	1		25,000
Harrington Nursery School	1		25,000
Everton Nursery School	1		25,000
Peter Pan Teaching School Alliance	1		25,000
	<u>7</u>		<u>175,000</u>

HELLO

Grants made to early years settings to fund their delivery of the programme.

Literacy for Life	Number of grants	£	2016
Ormiston Academy	1		75,000
Aldridge Academy	1		75,000
	<u>2</u>		<u>150,000</u>

Literacy for Life

Grants made to academies to support delivery of the programme.

18. TAXATION

The Company is a registered charity and as such its income and gains falling within Sections 471 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 the extent that they are applied to its charitable objectives.

19. Reconciliation of net movement in funds to net cash flow from operating activities

	2016 £	2015 £
Net movement in funds	83,933	617,422
Add depreciation	2,946	1,465
Investment income	(490)	(297)
Decrease (increase) in debtors	(175,053)	138,247
Increase (decrease) in creditors	(55,770)	(140,012)
Net cash used in operating activities	<u>(144,434)</u>	<u>616,825</u>