

Charity No: 1026432
Company No: 2846227

**BAG BOOKS
REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 2008**

BAG BOOKS
Year ended 31 December 2008
Reference and administrative information

Status

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

Governing Document

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

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

The charitable company is governed under its Articles of Association.

Summary of investment powers

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

Business Address and Registered Office

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

Charity Number

1026432

Company Number

2846227

BAG BOOKS
Year ended 31 December 2008
Reference and administrative information

Trustees and directors

Philip Wilson, Chair	
James Roy, Treasurer	(appointed 27/01/09)
Sandra Allon	(appointed 27/01/09)
Terry Baker	(appointed 27/01/09)
Monique Bruce Copp	(resigned 22/07/08)
Stephen Burke	(appointed 08/04/08)
Diana Kinloch	(resigned 22/07/08)
Caroline Peel	(resigned 27/01/09)
Jonathan Walsh	

Patrons

Prof. James Hogg BA(Hons) PhD FIASSID
Kay Hounsham MSc MBE
Michael Morpurgo
Dr Alison Salt MBBS MSc FRCPCH

Chief Executive

Dean Casswell	(appointed 07/07/08)
---------------	----------------------

Company Secretary

Dean Casswell	(appointed 27/01/09)
Richard Fuller	(resigned 27/01/09)

Bankers

Lloyds TSB Bank plc, Clapham (309210) Branch, 2 South Side, London SW4 7AD

Solicitors

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

Auditors

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

The trustees and directors present their report and the audited accounts for the year ended 31 December 2008.

The legal and administrative information set out on pages 1 and 2 forms part of this report. The financial statements comply with current statutory requirements, the memorandum and articles of association and the Statement of Recommended Practice – Accounting and Reporting by Charities (issued March 2005).

Objectives and activities

1. The charitable objects are stated on page 1. During the year, the trustees began a strategic review of the charity, which is ongoing. The first step in the process was to adopt the following mission statement:

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

The trustees also adopted the following aims:

- To develop the emotional perception of children and adults with learning disabilities.
- To motivate children and adults with learning disabilities to engage with objects and materials, and their peers.
- To develop the language, communication and motor skills of children and adults with learning disabilities.
- To enable professional workers and parent/carers in contact with people who have a learning disability to make use of tactile and multi-sensory books.
- To enable service users to be involved in story development and production.

The strategic review document is available in full on the charity's website <http://www.bagbooks.org/strategy.html>

Structure and governance

2. Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up.
3. Trustees are elected by the Members at the Annual General Meeting for a 3 year term. Trustees can be appointed during the year but must be elected at the subsequent Annual General Meeting.
4. The trustees meet quarterly and have been selected on the basis of experience and knowledge of severe and profound intellectual and physical disabilities and/or specialist skills in law, business and fundraising.
5. Some new Trustees have been recruited on the recommendation of current or retiring Trustees following a skills audit of the Board; others have been recruited through open advertisement and interview. The Board would seek to recruit by advertising or through trustee brokerage services when possible.

BAG BOOKS
Year Ended 31 December 2008
Trustees' Report

6. New trustees are inducted into the workings of the charity through a tour of the workshop and informal discussions with staff. They are also offered the opportunity to observe hands-on work with beneficiaries. An induction pack is provided which includes copies of the memorandum and articles of association, the most recent Audited Accounts, minutes of the last two Board meetings and the Charity Commission's booklet "The Essential Trustee." The Chair and Chief Executive are readily available to respond to any questions or for further information.
7. We have lost three long-standing trustees since the last report: Monique Bruce Copp, Diana Kinloch and Caroline Peel. All will be sadly missed and were thanked for their support over the years. We have also gained four new trustees:
- James Roy, *a retired Accountant with over 40 years' experience who becomes our Treasurer.*
 - Sandra Allon, *formerly the Merchandising Director for Europe for Aquascutum and a senior buyer at Harrods for 30 years.*
 - Terry Baker, *the Head Teacher of a virtual school for looked after children. Formerly Head of three Special Schools over a 28 year period.*
 - Stephen Burke, *the Chief Executive of the charity Counsel & Care.*

They have joined our existing trustees:

- Philip Wilson, *our Chair who is Director of Development at the British Science Association. Formerly the Director of Fundraising at The Prostate Cancer Charity.*
- Jonathan Walsh, *a solicitor.*

Statement of responsibilities of the trustees

8. The Trustees are required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including the net income or expenditure, for the period. In preparing those financial statements the Trustees are required to:
- a) select suitable accounting policies and then apply them consistently;
 - b) make judgements and estimates that are reasonable and prudent;
 - c) state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
 - d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.
9. The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of charity and which enable them to ensure that the financial statements comply with the Companies Act 1985. The Trustees are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

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

Management

11. The trustees employ a full-time Chief Executive to manage the charity. The charity also employs a full-time Fundraising Manager, Craft Workshop Manager, Deputy Workshop Manager and a Craft Artist. Part-time staffs include an Administrator, a Story-Go-Round Co-ordinator and three more Craft Artists.
12. In July 2008, our founder, Chris Fuller, stepped aside upon the appointment of our first Chief Executive, Dean Casswell. However, Chris continued her involvement with the charity in a consultancy role until February 2009 when she retired. The trustees thank Chris for her hard work over the years; the charity and its beneficiaries owe her a great debt.
13. Our regular volunteers are invaluable to the production of story-packs: all knitted items for the stories and a considerable amount of hand sewing, has been supplied by volunteers. We would like to give special thanks to Charles Walford who began assisting us with administration for two days per week in early 2005. Sadly, Charles was forced to stop volunteering by ill health in September; our thanks go to him for his valued support. We are also grateful to the team of corporate volunteers from GE Capital Europe who helped out in our workshop. Together, we estimate that our volunteers donated 80 days of time to us during the year and the value to the charity of this work is £7,500.
14. Bag Books has strong links with MENCAP, the RNIB, ClearVision *lending library of tactile books for children with visual impairment*, and works closely with PAMIS (in Dundee,) *in partnership with people with profound learning disabilities and their carers*, both advising and receiving research information. The charity is a member of the European Academy of Childhood Disability, LDVISIG *learning difficulty and visual impairment (adults) special interest group*, the Society for Storytellers, the Independent Publishers Guild, the National Council of Voluntary Organisations, the ImpACT Coalition *improving accountability, clarity and transparency* and the Fundraising Standards Board.
15. The Trustees have assessed the major risks to which the charity is exposed, in particular those relating to the specific operational areas of the charity and its finances. The Trustees believe that by monitoring reserve levels, ensuring controls exist over key financial systems and by examining the operational and business risks faced by the charity, they have established systems to mitigate those risks.

Performance and Achievements

16. Bag Books is the only organisation in the world publishing multi-sensory stories for people with profound learning disabilities.
17. Our performance against the key aims and objectives stated in our last report was as follows:
- To deliver the Story-Go-Round project in the South West of England, the South East of England and the North of England. *The South West tour started in January 2008 and involved 349 children; the South East tour started in September 2008 and involved 398 children; and the North tour started in November 2008 and involved 348 children.*
 - To deliver our training programme to 180 library staff. *A total of 481 library staff were trained: 177 in the South West; 126 in the South East; and 178 in the North.*
 - To assess and evaluate the effectiveness of these tours from storytellers' reports, county and host libraries, and participating schools feedback questionnaires. *94% of the school staff responding to our surveys thought that the children had benefited from the storytelling and 99% of library staff rated the quality of the training as "good" or "very good".*
 - To provide on-going encouragement for libraries and special schools in these areas to form partnerships which will result in regular multi-sensory storytelling sessions for children with severe and complex needs in their local libraries. *Immediately after the training 88% of library staff said they were "probably" or "definitely" confident enough to continue using the stories; however, when we did a follow-up survey six months later that had fallen to 23%. 71% thought they would have enough confidence if they had a mentor and that is the basis for our new project "Telling Tales".*
 - To appoint and train a new storyteller. *A new, freelance storyteller was trained in January 2008.*
 - To employ a part-time Story-Go-Round co-ordinator. *A co-ordinator was employed in January 2008.*
 - To complete the Beam Project, which has been improving and increasing our services to young people and adults for five years, by producing one new story-pack. *The Beam Project was completed and a new story, Andre's Night Out, was published in October 2008.*
 - To train through INSET or storytelling demonstrations, 60 school staff and 10 staff in adult services. *213 school staff and 44 staff in adult services were trained.*
 - To reach 4,000 children and young people with stories and three new adult residential or day services. *We estimate that we reached over 15,000 people and we visited three new adult centres: Sea View Centre, Poole; Tower Drive Day Centre, Milton Keynes; and Whaddon Way Day Centre, Milton Keynes.*
 - To support the individual progress and personal development of two local people with complex needs as they undertake further work experience in our workshop, through the Back To Work project. *Two people were involved in the six month long work experience project which finished in April 2008.*

18. The main change for the charity during the year was the move to new premises in November. The old premises in Fulham had been our home since we started in 1993 but we had outgrown them. The new premises in Lambeth offer 50% more floor area and, with higher ceilings, we have doubled our storage shelving capacity. This should lead to economies of scale in terms of ordering and greater efficiency in terms of production together with room to accommodate additional volunteers.
19. We expanded the information on our website and in 2008 it attracted 28,005 visits (a 54% increase on the previous year) and 61,931 page views (a 76% increase). The website coding was rewritten so that it met the internationally recognised disability access criteria for websites. The website subsequently won an international award for content and a silver award for design.
20. In addition to the "Andre's Night Out" story previously mentioned, we also published a new story called "Yolande's Swim" which is aimed at children. To celebrate the 20th anniversary of its publication, the popular Roald Dahl story "Matilda" was adapted as a Bag Books story. The use of the story was authorised by the literary estate of Roald Dahl and the adaptation of the story and prototype development costs were funded by the BAND Trust. It is currently being trialed before going into full production.

Fundraising performance

21. We entered a team in a fundraising event for the first time. 18 women (plus "Desmond" our mascot) took part in the adidas Women's 5k Challenge in Hyde Park, London. Just over £2,000 was raised.
22. The actor and comedian, John Sessions, recorded a Radio 4 Appeal for us which was broadcast in November and over £15,000 was raised.
23. We invested £101,436 in fundraising and this produced £242,650 which is 79% of our total income. The fundraised income can be broken down as follows: 86% from Trusts and Foundations; 5% from corporate partners; and 9% from individuals.
24. The Trustees are very grateful to all our donors including: The Charles Dunstone Charitable Trust, The Baily Thomas Charitable Trust, The Folye Foundation, The Clothworkers' Company, The Stanley Thomas Johnson Foundation, The Sapp Family Foundation, Linklaters, The Wates Foundation and The Hedley Foundation.

Financial review

25. During the year the trustees reviewed the reserves policy and amended it to read: "Unrestricted Reserves should be equivalent to at least 13 weeks of annual expenditure and ideally should be equivalent to 26 weeks." At 31st December 2008 our unrestricted reserves of £86,753 were equivalent to 13 weeks of annual expenditure.

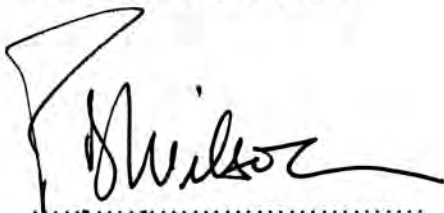
BAG BOOKS
Year Ended 31 December 2008
Trustees' Report

26. During the year we received orders for 1,060 books, a 28% increase on the previous year. We supplied 920 books, a 17% increase on the previous year. The increased volume of orders puts a greater strain on the finances of the charity because we make a charge only to regulate demand, rather than to cover our costs. In order to reduce the total subsidy we need to fundraise for, we have increased some of the charges for 2009, although on average these new charges still only cover 25% of our production costs.
27. 2008 was yet another difficult year financially. Income increased by 15% to £307,056 but expenditure increased by 21% to £356,952. The deficit of £49,896 was caused by several factors: the increase in demand for books and a resultant increase in the total subsidy for them; the one-off costs of moving to larger premises; and a one-off investment in events fundraising which should produce results in 2009.
28. Our new Chief Executive has been tasked with reducing expenditure where possible without cutting back on our services and the financial position began to improve in the second half of the year following his appointment. He has identified £46,000 worth of savings and these have been incorporated into the budget for 2009. The Trustees are glad to report that our management accounts for the first quarter of 2009 show a modest surplus although fundraising is becoming increasingly difficult in the recession. The management accounts and projections will be carefully monitored so that timely action can be taken if needed due to the current economic climate.

Key aims and objectives for 2009

29. Our plans for 2009 are as follows:
- To reach at least 15,000 people with stories.
 - To deliver the Story-Go-Round project in the North West of England and the West Midlands, training at least 250 library staff.
 - To prepare for the production of our 10,000th story-pack later in the year.
 - To increase the use of volunteers within the charity.
 - To complete our review of the strategic plan for the charity.
 - To increase our financial reserves.

On behalf of the Board



Philip Wilson
Chair of Trustees
28th April 2009

Independent Auditors Report to the Trustees of Bag Books

We have audited the financial statements of Bag Books for the year ended 31 December 2008 which comprise the Statement of Financial Activities, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein and requirements of the Financial Reporting Standards for Smaller Entities (effective January 2007).

This report is made solely to the charity's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charity trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Trustees and Auditors

As described in the statement of trustees' responsibilities, the trustees are responsible for preparing the financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are prepared in accordance with the Companies Act 1985. We report to you, in our opinion, the information given in the Trustees' Report is consistent with the financial statements. We also report to you if, in our opinion, the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or information specified by law regarding trustees' remuneration and transactions with the charity is not disclosed.

We read the Trustees' Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

BAG BOOKS
Year Ended 31 December 2008
Auditors' Report

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the charity's affairs as at 31 December 2008 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended;
- have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Trustees' Annual Report is consistent with the financial statements.

Wyatts

WYATTS
Chartered Accountants
and Registered Auditor
York House
1 Seagrave Road
London
SW6 1RP

28 April 2009

BAG BOOKS
Year Ended 31 December 2008
Statement of Financial Activities

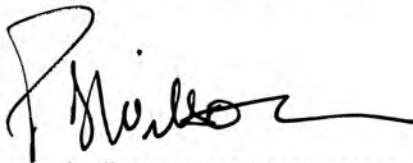
	Notes	Unrestricted Funds £	Restricted Funds £	2008 Total £	2007 Total £ (restated)
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income		76,900	165,750	242,650	211,319
Investment income		3,417	0	3,417	5,612
Incoming resources from charitable activities					
Sale of books and training		<u>60,989</u>	<u>0</u>	<u>60,989</u>	<u>49,089</u>
Total Incoming Resources		<u>141,306</u>	<u>165,750</u>	<u>307,056</u>	<u>266,020</u>
RESOURCES EXPENDED					
Cost of generating funds		45,646	55,790	101,436	70,410
Charitable activities		114,129	133,977	248,106	219,085
Governance costs		<u>3,421</u>	<u>3,988</u>	<u>7,410</u>	<u>6,650</u>
Total resources expended	2	<u>163,197</u>	<u>193,755</u>	<u>356,952</u>	<u>296,145</u>
Net incoming/(outgoing) resources for the year		(21,891)	(28,005)	(49,896)	(30,124)
Reconciliation of funds					
Funds at the start of the year		<u>108,644</u>	<u>55,501</u>	<u>164,145</u>	<u>194,269</u>
Funds at the end of the year		<u>86,753</u>	<u>27,496</u>	<u>114,249</u>	<u>164,145</u>

BAG BOOKS
Year Ended 31 December 2008
Balance Sheet

	Notes	Unrestricted Funds £	Restricted Funds £	2008 Total £	2007 Total £ (restated)
Fixed Assets					
Tangible assets	3	<u>12,871</u>	<u>0</u>	<u>12,871</u>	<u>5,069</u>
Current Assets					
Stock	4	1,631	0	1,631	7,325
Trade debtors		9,019	0	9,019	4,524
Prepayments		9,586	0	9,586	4,838
Deposits		8,813	0	8,813	0
Cash at bank and in hand		<u>51,028</u>	<u>27,496</u>	<u>78,524</u>	<u>148,711</u>
		<u>80,077</u>	<u>27,496</u>	<u>107,573</u>	<u>165,398</u>
Creditors due within one year:					
Trade creditors		476	0	476	1,502
Tax and social security		5,382	0	5,382	3,723
Other creditors		0	0	0	0
Accruals		<u>338</u>	<u>0</u>	<u>338</u>	<u>1,097</u>
		<u>6,197</u>	<u>0</u>	<u>6,197</u>	<u>6,322</u>
Net current assets		<u>73,882</u>	<u>27,496</u>	<u>101,378</u>	<u>159,076</u>
Net assets		<u>86,753</u>	<u>27,496</u>	<u>114,249</u>	<u>164,145</u>
FUNDS					
General funds	5	86,753	0	86,753	108,644
Restricted funds	6	<u>0</u>	<u>27,496</u>	<u>27,496</u>	<u>55,501</u>
		<u>86,753</u>	<u>27,496</u>	<u>114,249</u>	<u>164,145</u>

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and Financial Reporting Standards for Smaller Entities (effective January 2005).

The accounts were approved by the Board on 28th April 2009 and signed on its behalf by



.....
Philip Wilson
Chair of Trustees

1. Accounting policies

a) Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2005) and Financial Reporting Standard for Smaller Entities (effective January 2007).

The company has taken advantage of the exemption in Financial Reporting Standard No.1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

b) Incoming Resources

Income represents grants received by the charity together with the proceeds from the sale of 'Tactile Stories' books. The charity is exempt from value added tax.

c) Resources expended

Resources expended are accounted for on an accruals basis, inclusive of any VAT which cannot be recovered.

d) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Furniture, fittings and office equipment	25% reducing balance.
--	-----------------------

e) Stocks

Stocks are valued at lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

f) Fund accounting

Funds held by the charity are either:

Unrestricted funds

These are funds which can be used in accordance with the charitable objects at the discretion of the trustees.

Restricted funds

These are funds set aside by the trustees for specific future purposes or projects.

2. Total resources expended

	Unrestricted Funds £	Restricted Funds £	2008 Total £	2007 Total £ (restated)
Wages and salaries	100,387	108,754	209,141	170,203
Materials and consumables	20,920	29,344	50,264	36,738
Story Telling and training	7,067	12,865	19,932	16,912
Craft Workers/Volunteer Expenses	3,656	3,961	7,617	14,382
Direct Fundraising Costs	3,344	5,706	9,050	1,151
Rent and services	7,982	10,731	18,713	18,500
Utility Bills	2,214	2,398	4,612	3,114
Repairs and renewals	504	547	1,051	3,261
Computer servicing and training	877	950	1,827	1,720
Postage and stationery	1,881	2,037	3,918	4,704
Travel and delivery	2,101	2,276	4,377	3,746
Insurance	1,825	3,018	4,843	3,700
Advertising and promotion	2,583	3,173	5,756	6,233
Audit and accountancy	648	703	1,351	1,418
General expenses	4,673	5,062	9,735	8,236
Bank charges	228	247	475	435
Depreciation	<u>2,307</u>	<u>1,983</u>	<u>4,290</u>	<u>1,690</u>
Total Resources expended	<u>163,197</u>	<u>193,755</u>	<u>356,952</u>	<u>296,145</u>

3. Tangible Fixed Assets

Furniture Fittings and Equipment	£
Cost	
At 1 January 2008	24,581
Additions	<u>12,092</u>
At 31 December 2008	<u>36,673</u>
Depreciation	
At 1 January 2008	19,512
Charge for the year	<u>4,290</u>
At 31 December 2008	<u>23,802</u>
Net Book Value	
At 31 December 2008	<u>12,871</u>
At 31 December 2007	<u>5,069</u>

4. Stock

	2008 £	2007 £ (restated)
Stock of materials and fabrics	<u>1,631</u>	<u>7,325</u>

5. Reconciliation of movements in general funds

	2008	2007
	£	£ (restated)
Opening general funds	108,644	65,733
Surplus/(Deficit) for the year	<u>(21,891)</u>	<u>42,911</u>
Closing general funds	<u>86,753</u>	<u>108,644</u>

6. Restricted funds

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

	2008	2007
	£	£ (restated)
Incoming resources	165,750	130,729
Resources expended	<u>(193,755)</u>	<u>(203,763)</u>
Net movement in resources	<u>(28,005)</u>	<u>(73,034)</u>
Opening restricted funds	<u>55,501</u>	<u>128,535</u>
Closing restricted funds	<u>27,496</u>	<u>55,501</u>
Closing restricted funds are analysed as follows:		
Book production – general	13,748	34,068
Administrative salary and traveling expenses	<u>13,748</u>	<u>21,433</u>
	<u>27,496</u>	<u>55,501</u>

7. Share capital

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