

Company no. 1697726
Charity no. 287088

The Sofa Project
Report and Audited Financial Statements
31 March 2016

The Sofa Project

Contents

For the year ended 31 March 2016

	Page
Reference and administrative details	1
Report of the trustees	
Structure, governance and management	2
Objectives, activities, achievements and performance	2
Financial review	5
Plans for the future	6
Statement of responsibilities of trustees	6
Independent auditors' report	8
Statement of financial activities	10
Balance sheet	11
Statement of cash flows	12
Notes to the financial statements	13

The Sofa Project

Report of the trustees

For the year ended 31 March 2016

Reference and administrative information set out on page 1 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 (effective from January 2015).

Structure, governance and management

Trustees, who are also Directors for the purposes of the Companies Act 2006, who served during the year and up to the date of the approval of this report are listed on page 1.

During the year some Trustees of long-standing retired. I would like to thank Bryan Fawcett, a former Chair of Trustees and member of the Finance and General Purposes Committee, and Peter Jameson, who was Chair of the F&GPC, for their invaluable contribution to SOFA. We have benefitted greatly from their wisdom and financial expertise. John Sole made a significant contribution whenever it was most needed and Graham Papworth's financial expertise and intervention based on his commercial experience was of real value. We wish them all well but I am pleased to report that we are about to appoint four new Trustees so we still have a Board that believes in what SOFA does and shares my determination that it will continue to be of service to the many people whose lives would be more difficult without us. The Board has always been one of SOFA's great strengths and the mixture of experienced and fresh faces will ensure that this continues into the future.

The Board meets every two months but members are expected to keep up to date with events in the interim. This is achieved through visits and by frequent emails. The most important requirement is for them to know enough about SOFA and its activities to be able to contribute meaningfully to the decision making processes. Any person willing to act as a Trustee, and who is permitted by law to do so, may be appointed by a decision of existing Trustees. Prospective trustees are usually interviewed by the Chair of Trustees and CEO before their election is proposed and voted on at a Board meeting.

SOFA is managed by the CEO, Ms Nicci Peck, Steve Orman, Operations Manager, and a team of dedicated full and part-time employees. Frequent meetings between the Chair of Trustees and the CEO keep the lines of communication alive between Board meetings. A simple definition of policy is that the Executive manages the business on a day-to-day basis whilst Trustees are concerned with strategic matters and in ensuring that SOFA's activities are directed towards the achievement of our charitable objects but the division of responsibilities and actions are never that straightforward. However, since Ms Peck's appointment, there have been no incidents that have caused the Board to doubt the effectiveness of these lines of communication and responsibility.

The charity is a company limited by guarantee. The charity's governing document is its Articles of Association.

The subsidiary Community Interest Company (CIC) known as 'SOFA Environmental Services CIC' (registered company number 6437490), set up in 2007, continued to be dormant through the whole of 2015/16. After due consideration the Board decided not to do away with this company but to keep it in case a need for it should arise in the future.

Objectives, activities, achievements and performance

Our charitable objects as defined in the charity's Articles of Association are:

- (a) The relief of poverty by renovating and supplying furniture, household goods and domestic and electrical equipment to persons who are in conditions of need, hardship or distress.

The Sofa Project

Report of the trustees

For the year ended 31 March 2016

- (b) To promote social inclusion for the public benefit by preventing people becoming socially excluded, relieving the needs of those people who are socially excluded and assisting them to integrate into society, including but not limited to, the provision of training, education, rehabilitation and employment and volunteering opportunities.
- (c) To protect and preserve the environment by recycling and re-using manufactured goods and chattels.

They are formal statements, and none the worse for that, but they afford only an impersonal overview as to the contributions SOFA makes to our local community. Trustees have regard to the Charity Commission guidance on public benefit. The charity's activities and public benefit are shown throughout this report but in particular I would like to comment in more detail about two of the things we do: helping people to achieve the dignity that comes with being employed and working with Bristol City Council to close the gap between the have and the have-nots in our city.

The importance of being in work, from having a job, is easily underestimated by those who have never had occasion to think what life would be like without it, but there are many in society who have been denied the opportunity to work for a multitude of reasons. Work is not only about earning money, although that is not to be underestimated, but it is about being a member of a productive team, about having common ground for communication with others and about being treated with respect by those you work with. This sounds straightforward but it does not come easily to everybody. People have to rely on you as you have to rely on them and this takes a degree of self-confidence that needs to be carefully encouraged.

Helping people to achieve this condition is what we do at SOFA and when we succeed it gives all of us, volunteer Trustees and staff, the deepest satisfaction. It takes a special person with a big heart to give enough of himself or herself to help fill such a gap in the lives of others. When people leave us, and the very nature of our involvement is that we hope those we work with will eventually leave us for gainful employment elsewhere, and tell us how we have helped them prepare for the wider world it endorses the value of our contribution to society. We are fortified by these heartfelt messages as in this letter from a colleague who had worked at SOFA for 20 months as he prepared for release from prison:

"You have made a difference to my life. You didn't judge, instead you accepted, helped and supported. You helped me to slowly fit back into society, allowing and encouraging me to find and develop the tools within myself to be a better person. Through my achievements at work my self-confidence, self-belief and social skills have been encouraged to grow. I have learned so much about myself. I have been tested and challenged in so many ways. Now I begin the rest of an even bigger journey. You will never be forgotten."

And another:

"My 16 months employment with SOFA has been without doubt amongst my most productive by way of appropriate preparation for my release from prison. I have always found all of the staff at SOFA to be very approachable and professional in their dealings with prisoners. I would like to express my gratitude to SOFA Project for the opportunity that they provided and for the decent and fair way I was treated during my employment with them."

The Sofa Project

Report of the trustees

For the year ended 31 March 2016

There is no other organisation in the Bristol area that does as much as we do in this regard. None work more closely or more effectively with HM Prison Service. Most of our colleagues from HMP Leyhill come to work on our premises as part of the programme preparing them for release after completion of their sentences but we have recently launched a new venture at HMP Bristol. The circumstances of many prisoners here is such that they cannot leave the prison to work so we take the work to them. They assemble flat-pack furniture in their own workshop for us to sell at low prices in our shops so that, even from inside prison, these men are experiencing the benefits of employment and the knowledge that they are also helping others.

We find work for the long-term unemployed in Bristol. People come to us through specialist companies such as Seetec, Pinnacle People and Learndirect. They work on six-month placements and we have been able to offer full-time employment to some at the end of this period. We find the work best suited to each individual from across all areas of our business from administration and retail to warehousing.

Our latest venture is to start providing work experience for young people aged 18-24 with learning difficulties. We aim to provide them with support to improve their work skills and confidence so improving their chances of gaining paid employment. Their support organisation, Sixteen, have trained our staff to develop the specific skills required and they also provide ongoing supervision for the young people coming to work with us.

Our work with these people has to be meaningful to them which means that they have to see that they are making a contribution to what we do as well as developing their own sense of self-esteem and confidence. This made it a seamless development for us to open a clothing store next to our main shop in Old Market. We are the only charity outlet on West Street and Old Market areas of Bristol offering very affordable clothing and accessories for men, women and children. Starting with an extremely well attended launch event in September 2015 this new venture is growing well. It endorses our belief that re-use is a sound economic and environmentally friendly philosophy both for us and our customers and this new venture is attracting new customers to our core furniture retailing business as well.

Bristol is known as a good place to live but whilst our newly elected mayor celebrates the city's prosperity and cultural diversity his strategy for the city also deals with a deep rooted problem:

Our challenge is that while we have a great story to tell, this prosperity is shared by too few people. A quarter of our children grow up in poverty. We have 42 areas ranked in the most deprived 10% in England, 6 in the most deprived 1%. We are a city in which inequality is growing and, for many, life is increasingly unaffordable. This is unacceptable. Not only is this a social injustice but it is an economic liability that undermines the strengths of our democracy and society.

SOFA has over thirty years of experience in tackling this problem. We deliver clean and decent furniture to people on low incomes throughout the city. We donate starter packs free of even our usual low prices to families, often after a marital break-up, who would otherwise be without the basics they need to survive. We do this not as a charity but as a group of human beings intent on helping those less fortunate than ourselves. Nobody does this on the scale and with the humanitarian commitment that we do.

The Sofa Project

Report of the trustees

For the year ended 31 March 2016

This year also saw us provide household items to the first Syrian refugees being housed in Bristol, in partnership with Bristol City Council. We were very pleased to be asked to do this by BCC as the first families were welcomed to our city.

We are Bristol institution and proud of it.

Financial review

However, as well as being of service to the community Trustees and the Executive are aware of the need for SOFA to be an efficient organisation that observes best management practices especially in regard to finance and staff relationships. We knew that we had fallen somewhat behind in this regard so during this year the Trustees asked the CEO and the FD, Nathan Brady of Blenheim Accounting, to carry out a review of our IT, financial control and management information systems as it had become apparent these were no longer as efficient as they needed to be for a company of our size and diversity. The Trustees accepted the proposals for improvement especially as they resulted in reduced costs as well as real gains in operating efficiency. They have now been put in place and it is safe to say that we are now more in control than ever before and we are better equipped to react to the inevitable tactical pressures that affect a business such as ours.

Whilst it is very satisfactory to be getting more up to date and accurate financial information as a result of these changes it is disappointing that this should have brought us face to face with a disappointing result for the year. We were pleased with the outcome for the previous year but regret that in the year to March 2016 we sustained a deficit of £23,223. The fundamental aspects of our business remain sound as can be seen from the accounts attached to this report but we suffered a reduction in income from grants and donations from £203,890 to £128,444, a drop of £75,446 for the year. Had our income from these sources been consistent with the previous year we would have been pleased that the result reflected the success in the achievement of our objectives in spite of the restructuring that absorbed some costs and a great deal of management time. It has long been our intention to reduce our dependence on grants and donations because of the lack of control we have over this source of income, but I am afraid we have been slow to identify this trend and to take remedial action. This is now in hand and we hope for a better performance in the future but we are going to have to run to catch up by the close of this financial year. Details of those funders who supported us, and to whom we offer our sincere thanks, are included in the accounts section. We recommend their careful perusal.

Trustees acknowledge the qualification in this year's accounts and have taken steps to rectify the problem. The new stock, sales and accounting systems already referred to have been introduced and we are satisfied that we now have full control back of our sales and stock systems.

The Trustees continue to aim at accumulating reserves of £250,000, which they consider to be both desirable and appropriate. This remains, however, a very challenging target. However well managed charities are they cannot work in the same way as businesses in the mainstream economy. Achieving a balance between fulfilling our commitment to society and balancing the books is a day to day challenge. SOFA has been doing this for over thirty years and it is a situation we live with but if this sort of pressure is now affecting those who support what we do with grants, we do not realistically expect to reach this level of reserves in the immediate future.

The Sofa Project

Report of the trustees

For the year ended 31 March 2016

Plans for the future

The Trustees face the future with confidence in spite of this setback. We have always adopted a cautious approach to the management of money and have consistently resisted the temptation to borrow either to justify ventures that might put SOFA at risk or to sustain our everyday activities. This means that we are better able to absorb the setback that a difficult year implies but we have not been complacent in our reaction to the result. For several years we have rented two industrial premises, as well as our office and shop, but we are currently vacating one of these and concentrating all our warehousing and processing activities into just one of them. This will bring a significant reduction in costs but will put enormous pressure on our already stretched manpower resources. I am grateful for the opportunity to express the appreciation of Trustees for the positive way in which Nicci Peck and her team are approaching this task of trying to put a quart into a pint pot. This will have substantial long-term benefits through lower costs and greater efficiency through minimising stock levels.

Our trading situation continues to be challenging. We cannot order raw materials and products as most companies do but we have to hunt for them in a fragmented market and buy what we can when it is available. This has tended to make us think in the short term but we are in the process of setting up a Strategic Review to test the suitability of our business model to these circumstances and make recommendations for change if this is thought necessary. It would be unwise to draw any early conclusion but the outcome of this review will inform the future direction of our business and will be reported on in detail in our next annual report.

Statement of responsibilities of the trustees

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 charity and the incoming resources and application of resources, including the net income or expenditure, of the charity for the year. In preparing those 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 judgements and estimates that are reasonable and prudent;
- 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

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

The trustees confirm that to the best of their knowledge there is no information relevant to the audit of which the auditors are unaware. The trustees also confirm that they have taken all necessary steps to ensure that they themselves are aware of all relevant audit information and that this information has been communicated to the auditors.

The Sofa Project

Report of the trustees

For the year ended 31 March 2016

Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up. The trustees are members of the charity but this entitles them only to voting rights. The trustees have no beneficial interest in the charity.

Auditors

Godfrey Wilson Limited were appointed as auditors to the charitable company during the year and have expressed their willingness to continue in that capacity.

Approved by the trustees on 27 October 2016 and signed on their behalf by

Colin Evans - Trustee

Independent auditors' report

To the members of

The Sofa Project

We have audited the financial statements of The Sofa Project for the year ended 31 March 2016 which comprise the statement of financial activities, balance sheet, statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charity's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's members 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 explained more fully in the Trustees' Responsibilities Statement, 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.

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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Basis for qualified opinion on financial statements

The audit evidence available to us in respect of completeness of income was insufficient. The charitable company failed to keep adequate records of sales made from one of its retail outlets, and insufficient controls were in place to ensure all sales proceeds were banked. The stock system used during the year did not accurately track stock movements and could not be relied upon to gain evidence of sales. Owing to the nature of the charitable company's records, we were unable to obtain sufficient appropriate audit evidence with regards to completeness of income.

Qualified opinion on financial statements

In our opinion, except for the possible effects of the matters described in the "basis for qualified opinion" paragraph, 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;

Independent auditors' report

To the members of

The Sofa Project

- 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual 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

In respect solely of the limitation on our work relating to income and stock described above:

- we have not received all the information and explanations we require for our audit; and
- we were unable to determine whether adequate accounting records have been kept.

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

- returns adequate for our audit have not been received from branches not visited by us;
- 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.

Date:

Alison Godfrey FCA
(Senior Statutory Auditor)

For and on behalf of:

GODFREY WILSON LIMITED

Chartered accountants and statutory auditors
5th Floor, Mariner House
62 Prince Street
Bristol
BS1 4QD

The Sofa Project

Statement of financial activities (incorporating an income and expenditure account)

For the year ended 31 March 2016

	Note	Restricted £	Unrestricted £	2016 Total £	Restated 2015 Total £
Income from:					
Donations and legacies	3	62,500	65,944	128,444	203,890
Charitable activities	4	-	859,013	859,013	871,064
Investments	5	-	39,894	39,894	32,287
Total income		<u>62,500</u>	<u>964,851</u>	<u>1,027,351</u>	<u>1,107,241</u>
Expenditure on:					
Raising funds		-	24,556	24,556	24,086
Charitable activities		<u>62,500</u>	<u>963,518</u>	<u>1,026,018</u>	<u>1,021,283</u>
Total expenditure	6	<u>62,500</u>	<u>988,074</u>	<u>1,050,574</u>	<u>1,045,369</u>
Net income / (expenditure) and net movement in funds	7	-	(23,223)	(23,223)	61,872
Reconciliation of funds:					
Total funds brought forward		-	83,579	83,579	21,707
Total funds carried forward		<u>-</u>	<u>60,356</u>	<u>60,356</u>	<u>83,579</u>

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 17 to the accounts.

The 2015 comparatives have been restated in line with the Charities SORP (FRS 102). Details of the restatements are set out in note 1 (c).

The Sofa Project

Balance sheet

As at 31 March 2016

	Note	£	2016 £	2015 £
Fixed assets				
Tangible fixed assets	10		29,034	34,334
Investments	11		<u>1</u>	<u>1</u>
			29,035	34,335
Current assets				
Stocks	12	35,815		48,124
Debtors	13	105,817		95,843
Cash at bank and in hand		<u>113,585</u>		<u>4,974</u>
		255,217		148,941
Liabilities				
Creditors: amounts falling due within 1 year	14	<u>223,896</u>		<u>99,697</u>
Net current assets				
			<u>31,321</u>	<u>49,244</u>
Net assets				
	16		<u><u>60,356</u></u>	<u><u>83,579</u></u>
Funds				
Unrestricted funds:	17			
Designated funds			29,034	34,334
General funds			<u>31,322</u>	<u>49,245</u>
Total charity funds				
			<u><u>60,356</u></u>	<u><u>83,579</u></u>

These accounts have been prepared in accordance with the special provisions applicable to companies subject to the small companies' regime.

Approved by the trustees on 27 October 2016 and signed on their behalf by

Colin Evans - Trustee

The Sofa Project

Statement of cash flows

For the year ended 31 March 2016

	Note	2016 £	2015 £
Cash used in operating activities:			
Net cash provided by / (used in) operating activities	18	<u>69,027</u>	<u>(36,252)</u>
Cash flows from investing activities:			
Dividends, interest and rents from investments		39,894	32,287
Purchase of tangible fixed assets		<u>(310)</u>	<u>-</u>
Net cash provided by / (used in) investing activities		<u>39,584</u>	<u>32,287</u>
Increase / (decrease) in cash and cash equivalents in the year		108,611	(3,965)
Cash and cash equivalents at the beginning of the year		<u>4,974</u>	<u>8,939</u>
Cash and cash equivalents at the end of the year		<u><u>113,585</u></u>	<u><u>4,974</u></u>

The Sofa Project

Notes to the financial statements

For the year ended 31 March 2016

1. Accounting policies

a) Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities in preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The Sofa Project meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

b) Going concern basis of accounting

The accounts have been prepared on the assumption that the charity is able to continue as a going concern, which the trustees consider appropriate having considered the charity's ability to generate its own income over the next twelve months. The trustees note the low level of reserves available and the challenging financial position. A strategy has been implemented post balance sheet to reduce the charity's overheads and the trustees are confident in the measures they have taken to ensure the charity remains a going concern. Other than this, there are no material uncertainties about the charity's ability to continue as a going concern.

c) 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 the requirement to recognise outstanding holiday pay as an accrual, a liability was recognised for nil. The initial liability was for nil. At 31 March 2015 a liability was recognised for £2,241. The initial liability at 31 March 2015 was nil. No other restatements were required. In accordance with the requirements of FRS 102 a reconciliation of opening balances is provided.

Reconciliation of funds and balances

	1 April 2014 £	31 March 2015 £
Funds balances as previously stated	21,707	85,820
Recognition of outstanding holiday as an accrual	<u>-</u>	<u>(2,241)</u>
Funds balances as restated	<u><u>21,707</u></u>	<u><u>83,579</u></u>

The Sofa Project

Notes to the financial statements

For the year ended 31 March 2016

d) Income

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

Income from the government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

Voluntary income is received by way of donations and gifts and is included in full in the Statement of Financial Activities when receivable. Gifts donated for resale are included as income when they are sold. Donated assets are included at the value to the charity where this can be quantified and a third party is bearing the cost. In line with the SORP FRS102, the value of services provided by volunteers has not been included.

Income from the charity's shops and investment income is included in the year in which it is receivable.

e) Donated services and facilities

Donated professional services and donated facilities are recognised as income when the charity has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use by the charity of the item is probable and the economic benefit can be measured reliably. In accordance with the Charities SORP (FRS 102), general volunteer time is not recognised.

On receipt, donated professional services and donated facilities are recognised on the basis of the value of the gift to the charity which is the amount the charity would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

f) Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity: this is normally upon notification of the interest paid or payable by the bank.

g) Funds accounting

Unrestricted funds are available to spend on activities that further any of the purposes of the charity. Designated funds are unrestricted of the charity which the trustees have decided at their discretion to set aside to use for a specific purpose. Restricted funds are donations which the donor has specified are to be solely used for particular areas of the charity's work or for specific projects being undertaken by the charity.

h) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

The Sofa Project

Notes to the financial statements

For the year ended 31 March 2016

i) Allocation of support costs

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. These costs have been allocated between cost of raising funds and expenditure on charitable activities based on the time employees have spent in each function and weighted by their salary and employer's national insurance contributions. The calculation produced the following split:

Raising funds	3%
Charitable activities	97%

j) Tangible fixed assets

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life. The depreciation rates in use are as follows:

Computer equipment	20% reducing balance
Fixtures and fittings	20% straight line
Motor vehicles	15% reducing balance
Computer software and website	20% straight line

k) Stock

Donated goods are not valued as the volume and low value of items makes it impractical to measure the fair value of these goods.

Finished goods are valued at cost plus value added during refurbishment, where appropriate. Raw stock is valued at cost.

l) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

m) Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

n) Financial instruments

The trust only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently recognised at amortised cost using the effective interest method.

o) Operating leases

Rentals payable under operating leases, where substantially all the risks and rewards of ownership remain with the lessor, are charged to the statement of financial activities on a straight line basis over the minimum lease term.

p) Transition to FRS 102

The opening fund positions at the date of transition have been restated (see note 1c) due to the recognition of outstanding holiday pay as an accrual but no subsequent restatement of items has been required in making the transition to FRS 102. The transition date was 1 April 2014.

The Sofa Project

Notes to the financial statements

For the year ended 31 March 2016

2. Prior period comparatives: statement of financial activities

	Restricted £	Unrestricted £	2015 Total £
Income from:			
Donations and legacies	14,200	189,690	203,890
Charitable activities	-	871,064	871,064
Investments	-	32,287	32,287
	<hr/>	<hr/>	<hr/>
Total income	14,200	1,093,041	1,107,241
Expenditure on:			
Raising funds	-	24,086	24,086
Charitable activities	27,021	994,262	1,021,283
	<hr/>	<hr/>	<hr/>
Total expenditure	27,021	1,018,348	1,045,369
Net income / (expenditure)	(12,821)	74,693	61,872
Transfers between funds	-	-	-
	<hr/>	<hr/>	<hr/>
Net movement in funds	(12,821)	74,693	61,872

The Sofa Project

Notes to the financial statements

For the year ended 31 March 2016

3. Donations and legacies

	Restricted £	Unrestricted £	2016 Total £	2015 Total £
Grants and donations of £5,000 or more:				
Lloyds TSB Foundation	25,000	-	25,000	25,000
Anonymous	15,000	-	15,000	20,000
Charles Hayward Trust	15,000	-	15,000	15,000
The E D Charitable Trust	-	15,000	15,000	-
Kestrel Man Trust	-	8,000	8,000	-
CHK Charities	-	5,000	5,000	5,000
Beatrice Laing	5,000	-	5,000	-
29th May 1961 Charitable Trust	-	5,000	5,000	-
Pagan Osbourne	-	5,000	5,000	-
Garfield Weston Trust	-	-	-	30,000
Tudor Trust	-	-	-	25,000
Esmee Fairbarin	-	-	-	11,700
Van Neste Foundation	-	-	-	7,000
1970 Trust	-	-	-	5,000
Drapers Charitable Trust	-	-	-	5,000
Singer Foundation	-	-	-	5,000
Grants and donations less than £5,000	2,500	27,944	30,444	50,190
Total donations and legacies	<u>62,500</u>	<u>65,944</u>	<u>128,444</u>	<u>203,890</u>

The charitable company did not receive any government grants during the year (2015: £nil).

4. Income from charitable activities

	Restricted £	Unrestricted £	2016 Total £	2015 Total £
Sale of donated furniture	-	191,491	191,491	148,577
Sale of new furniture	-	58,935	58,935	88,332
Sale of used domestic appliances	-	79,591	79,591	156,676
Sale of new domestic appliances	-	309,754	309,754	194,661
Sale of graded domestic appliances	-	144,539	144,539	209,783
Revenue from transport and logistics	-	74,703	74,703	73,035
Total income from charitable activities	<u>-</u>	<u>859,013</u>	<u>859,013</u>	<u>871,064</u>

The Sofa Project

Notes to the financial statements

For the year ended 31 March 2016

5. Investment income

	Restricted £	Unrestricted £	2016 Total £	2015 Total £
Rent and management fees	-	39,892	39,892	32,287
Bank interest	-	2	2	-
Total investment income	-	39,894	39,894	32,287

6. Expenditure

	Raising funds £	Charitable activities £	Support and governance costs £	2016 Total £	2015 Total £
Staff costs (note 8)	9,963	283,411	40,692	334,066	378,516
Cost of goods sold	-	360,491	-	360,491	338,358
Production costs	-	71,791	-	71,791	57,605
Transport costs	-	35,692	-	35,692	41,409
Establishment costs	-	139,189	-	139,189	146,383
Office expenses	-	-	37,535	37,535	40,995
Legal & professional	10,404	-	30,832	41,236	10,429
Audit fee	-	-	5,100	5,100	3,686
Depreciation	-	-	5,610	5,610	11,962
Bad debts	-	-	613	613	-
Bank charges	-	-	3,494	3,494	5,786
Other costs	-	-	15,757	15,757	10,240
Sub-total	20,367	890,574	139,633	1,050,574	1,045,369
Allocation of governance and support costs	<u>4,189</u>	<u>135,444</u>	<u>(139,633)</u>	<u>-</u>	<u>-</u>
Total expenditure	<u>24,556</u>	<u>1,026,018</u>	<u>-</u>	<u>1,050,574</u>	<u>1,045,369</u>

The Sofa Project

Notes to the financial statements

For the year ended 31 March 2016

7. Net movement in funds

This is stated after charging:

	2016 £	2015 £
Depreciation	5,610	11,962
Trustees' indemnity insurance	Nil	Nil
Trustees' reimbursed expenses	Nil	Nil
Amounts payable under operating leases		
▪ Property	69,592	77,121
▪ Equipment	17,896	16,624
Auditors' remuneration:		
▪ Statutory audit	3,800	3,686
▪ Under-accrual in prior year	1,300	-
	<u> </u>	<u> </u>

8. Staff costs and numbers

Staff costs were as follows:

	2016 £	2015 £
Salaries and wages	313,705	354,817
Social security costs	<u>20,361</u>	<u>23,699</u>
	<u>334,066</u>	<u>378,516</u>

No employee earned more than £60,000 during the year (2015: none).

	2016 No.	2015 No.
Average number of employees	<u>30</u>	<u>27</u>

The key management personnel of the charity comprise the trustees, the Chief Executive Officer and the Operations Manager. The total employee benefits of the key management personnel of the charity were £64,052 (2015: £59,898).

None of the trustees have been paid any remuneration or received any other benefits from an employment with the charity or a related entity. No trustee expenses have been incurred during the period.

The Sofa Project

Notes to the financial statements

For the year ended 31 March 2016

9. Taxation

The charity is exempt from corporation tax as all its income is charitable and is applied for charitable purposes.

10. Tangible fixed assets

	Equipment £	Motor vehicles £	Computer software and website £	Total £
Cost				
At 1 April 2015	63,605	83,247	18,049	164,901
Additions in year	<u>310</u>	<u>-</u>	<u>-</u>	<u>310</u>
At 31 March 2016	<u>63,915</u>	<u>83,247</u>	<u>18,049</u>	<u>165,211</u>
Depreciation				
At 1 April 2015	56,726	59,080	14,761	130,567
Charge for the year	<u>1,335</u>	<u>3,624</u>	<u>651</u>	<u>5,610</u>
At 31 March 2016	<u>58,061</u>	<u>62,704</u>	<u>15,412</u>	<u>136,177</u>
Net book value				
At 31 March 2016	<u>5,854</u>	<u>20,543</u>	<u>2,637</u>	<u>29,034</u>
At 31 March 2015	<u>6,879</u>	<u>24,167</u>	<u>3,288</u>	<u>34,334</u>

11. Investments

The charitable company owns 33% of the issued ordinary share capital of Sofa Environmental Services CIC, a company registered in England and Wales. The company has been dormant since incorporation. The investment is valued at historic cost (£1).

12. Stock

	2016 £	2015 £
Raw stock	15,423	14,986
Finished stock	<u>20,392</u>	<u>33,138</u>
	<u>35,815</u>	<u>48,124</u>

The Sofa Project

Notes to the financial statements

For the year ended 31 March 2016

13. Debtors

	2016 £	2015 £
Trade debtors	55,852	61,136
Prepayments	5,965	6,001
Other debtors	<u>44,000</u>	<u>28,706</u>
	<u>105,817</u>	<u>95,843</u>

Included in debtors is £17,000 (2015: £17,000) relating to rent deposits falling due after more than one year.

14. Creditors: amounts due within 1 year

	2016 £	Restated 2015 £
Trade creditors	56,837	51,297
Accruals	9,825	11,766
Other taxation and social security	25,061	19,062
Deferred income (note 15)	127,170	10,395
Other creditors	<u>5,003</u>	<u>7,177</u>
	<u>223,896</u>	<u>99,697</u>

15. Deferred income

Deferred income comprises both rental income received in advance and income received in advance from Bristol City Council under a contract to supply goods. Income is recognised in the statement of financial activities when the associated goods and services have been delivered.

	2016 £	2015 £
Balance at 1 April	10,395	79,801
Amount released to income	(339,475)	(256,906)
Amount deferred in the year	<u>456,250</u>	<u>187,500</u>
Balance at 31 March	<u>127,170</u>	<u>10,395</u>

The Sofa Project

Notes to the financial statements

For the year ended 31 March 2016

16. Analysis of net assets between funds

	Restricted funds £	Unrestricted funds £	Total funds £
Tangible fixed assets	-	29,034	29,034
Investments	-	1	1
Current assets	-	255,217	255,217
Current liabilities	-	(223,896)	(223,896)
Net assets at 31 March 2016	-	60,356	60,356

17. Movements in funds

	At 1 April 2015 £	Income £	Expenditure £	Transfers between funds £	At 31 March 2016 £
Restricted funds					
Prisoner Programme	-	62,500	(62,500)	-	-
Total restricted funds	-	62,500	(62,500)	-	-
Unrestricted funds					
<i>Designated funds:</i>					
Fixed asset fund	34,334	-	(5,610)	310	29,034
<i>Total designated funds</i>	34,334	-	(5,610)	310	29,034
General funds	49,245	964,851	(982,464)	(310)	31,322
Total unrestricted funds	83,579	964,851	(988,074)	-	60,356
Total funds	83,579	1,027,351	(1,050,574)	-	60,356

Purposes of restricted funds

The Prisoner Programme represents funds given specifically for the charity's work with offenders from Leyhill Open Prison, providing them work whilst they prepare for release.

Purpose of designated funds

The designated fund represents the net book value of fixed assets held by the charity.

The Sofa Project

Notes to the financial statements

For the year ended 31 March 2016

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

	2016 £	Restated 2015 £
Net movement in funds	(23,223)	61,872
Adjustments for:		
Depreciation charges	5,610	11,962
Dividends, interest and rents from investments	(39,894)	(32,287)
Decrease / (increase) in stock	12,309	23,618
Decrease / (increase) in debtors	(9,974)	(15,919)
Increase / (decrease) in creditors	124,199	(85,498)
Net cash provided by / (used in) operating activities	69,027	(36,252)

19. Related party transactions

There were no related party transactions during the period.

20. Other financial commitments

At the year end the company had commitments under non-cancellable operating leases as set out below:

	Property £	Vehicles and equipment £	Total £
Operating leases which expire:			
within one year	66,400	9,080	75,480
within two to five years	33,267	10,288	43,555
	99,667	19,368	119,035

21. Post balance sheet event

A post year end review of overheads conducted by the trustees identified that the closure of a warehouse at Silverthorne Lane would provide significant savings while allowing the charity to continue the majority of its activities. An agreement was reached with the landlord to cancel the lease early at no penalty. The warehouse is to be vacated by the charity by 31/10/16. The annual commitment under the lease was £26,400.