

CLARITY – EMPLOYMENT FOR BLIND PEOPLE
(A registered charity and company limited by guarantee)
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008

Charity Number 210794
Company Registration Number 116713



CLARITY - EMPLOYMENT FOR BLIND PEOPLE

CONTENTS

	Page
Reference and Administrative Details	3
Notice of Annual General Meeting	4
Annual Report of the Council	5 - 8
Independent Auditors' Report	9
Consolidated Statement of Financial Activities	10
Consolidated and Charity Balance Sheets	11
Consolidated Cash Flow Statement	12
Notes to the Consolidated Financial Statements	13 - 24

CLARITY - EMPLOYMENT FOR BLIND PEOPLE

REFERENCE AND ADMINISTRATIVE DETAILS

Founded 1854

Registered in accordance with the National Assistance Act 1948

Registered under the Charities Act 1960

A company limited by guarantee

Directors and Trustees

J Sharman
T B Burton FCA
R Wilson
R W Lynes
D Calow

Council Chairman

J Sharman

Vice Chairman and Hon. Treasurer

T B Burton FCA

Chief Executive

J G Robinson

Secretary

M Moothathamby

Headquarters and registered office

276 York Way
London
N7 9PH

Bankers

Barclays Bank plc
1 Churchill Place
London
E14 5HP

Independent Auditors

Wilkins Kennedy
Bridge House
London Bridge
London
SE1 9QR

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 97th Annual general Meeting of the members of the above Charity will be held at the headquarters of the Charity at York Way on 10th October 2008 at 10am for the following purposes

- 1 To approve the minutes of the previous Annual General Meeting held on 28 September 2007 (Resolution No 1)
- 2 To approve and adopt the Council's report and annual accounts for the year ended 31 March 2008 and to receive the auditors' report (Resolution No 2)
- 3 To re-elect the following member of the Council who retires by rotation and, being eligible, will be proposed for re-election

T B Burton (Resolution No3)

- 4 To re-appoint Wilkins Kennedy as auditors (Resolution No 4)
- 5 To transact any other ordinary business of the company

By Order of the Council



T B BURTON FCA
Council Member

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

ANNUAL REPORT OF THE COUNCIL

YEAR ENDED 31 MARCH 2008

The Council submits its report together with the audited financial statements for the year ended 31 March 2008, which have been prepared in accordance with the Companies Act 1985, the Charities Act 1993 and the governing instrument

Structure, Governance and Management

Clarity – Employment for Blind People ('the Charity') is a company limited by guarantee and also a Registered Charity. The Charity is governed by its Memorandum and Articles of Association.

Council members at the date of this report are shown on page 3. They are the directors and trustees respectively of the company and the Charity. The Council meets four times a year. One third of the Council members retire each year but are allowed to stay on for re-election at the Annual General Meeting.

Council members are responsible for preparing the Annual Report and Financial Statements and are responsible for keeping proper accounting records which disclose the financial position of the Charity and its subsidiary.

Council members are recruited generally from sectors of the business community relevant to part or all of the Charity's activities. No new Council members have been appointed during the current year.

New Council members are briefed on their legal obligations under charity and company law, the content of the Memorandum and Articles of Association and the workings of the Council body and the decision making process.

The Charity is managed by the Chief Executive on a day-to-day basis with Council members' approval being required for significant items of capital expenditure, strategic issues, annual business plans and investment matters.

The Charity's manufacturing operations are contracted to its wholly owned trading subsidiary under long term contractual arrangements.

Objectives and activities

The objectives of the Company are the provision of employment, training, pensions, grants and other financial and welfare assistance to blind and disabled people. To achieve this objective, the Charity employs blind and disabled people in a supported factory producing liquid and soap products for toiletry and household markets and as sales operatives in the Charity's telephone sales offices.

In addition, a comprehensive training programme covering both specific job training and life skills training is being continually expanded.

Achievement and performance

Sales of Clarity brand products via Clarity sales offices and the network of distributors fell by 10% over the year largely due to the natural shrinkage of the supporter database. The efforts of the New Business Centre based in the Portsmouth office mitigated this to a certain extent but the acquisition of new supporters via the telesales medium is increasingly difficult due to the Telephone Preference Service which has now prevented unsolicited telephone access to 85% of UK domestic householders.

CLARITY - EMPLOYMENT FOR BLIND PEOPLE

ANNUAL REPORT OF THE COUNCIL

YEAR ENDED 31 MARCH 2008

Achievement and performance (continued)

The Repeat Business Centre in Portsmouth has expanded to include the regions of South and North Yorkshire and has capacity to add further regions in 2008/9. The Scottish office, which concentrates solely on sales to commercial supporters, has expanded its scope to include the whole of Scotland and is serviced by mail order from the London factory.

Own label sales for contract customers, although down overall, are buoyed by increased orders for products with a higher degree of value added which are made possible by the new production facilities. The recruitment of a Business Development Manager early in 2008 has led to increased enquiries for contract orders which should add to sales in the medium term. There has been a focus on the longer term strategy of developing relationships with government and local authority bodies to take advantage of legislation promoting the use of supported businesses in public sector procurement.

Training activities have continued to be developed. Increased emphasis has been placed on progressing employees to supervisory positions within the organisation. The first group for the Team Leaders NVQ successfully completed the qualification and those employees are now carrying out most of the workplace training programme.

IT training has improved with more competent members of staff supporting the college tutors and running "catch up" sessions by themselves.

There has been no increase in financial support either from local authorities or central government via the WORKSTEP grant, which has remained at the same level for the last 6 years. It is anticipated that the local authority grants which are available for some employees now will be withdrawn over time as employees retire or move elsewhere and are unlikely to be available for future recruits. Consequently, if employment is to remain at the same level, which is the organisation's minimum aim, then the reserves of the Charity will have to be used to finance this.

The Charity relies on The Greater London Fund for Blind to carry out fund raising activities on its behalf. Once again very considerable thanks are due to the GLFB for the high level of funds received during the last few years.

Reserves policy

It is the policy of the Charity to maintain unrestricted funds, which are the free reserves of the Charity, at a level to maintain income to finance the operation of the supported factory. The Council estimate that reserves amounting to 6 months of expenditure are required which is approximately £2million. This would provide sufficient funds to cover governance costs as well as welfare payments and the cost of sheltered housing. In addition should capitation receipts decrease suddenly the Council consider this level of reserves to be sufficient to allow time to source alternative funding. In addition the designated reserves, representing investments, are required to produce income in future years to fund the core activities of the Charity. The Council will review this policy on an annual basis.

The unrestricted funds at 31 March 2008 are £912,356. The Council are looking at ways to bridge the shortfall between unrestricted funds and the target level of reserves.

Future activities

The Charity will broaden the scope of its training programme to enable all employees to achieve their full potential. Increased emphasis will be placed on teaching those skills which make employees attractive to other organisations should they want to further their career elsewhere. It is anticipated that a new position will be created to focus on both internal and external employee progressions.

For the Clarity brand sales the future approach will be twofold, firstly, expand the current business model to those geographic and market areas that are not currently covered, then secondly explore new routes of supporter acquisition other than telesales.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

ANNUAL REPORT OF THE COUNCIL

YEAR ENDED 31 MARCH 2008

Future activities (continued)

The role of the Business Development Manager as detailed earlier will be important to ensure that sales volumes return to the level which is consistent with the capacity of the factory and the workforce

Other Income

During the year the company sold its freehold property in Dunstable for a profit of £175,416 This property was rented from the company for many years by the former Works Manager of the Luton factory which closed some years ago The property was sold following the death of the occupier, there being no further need for accommodation in the area

Legacy income was received to the amount of £203,922

Financial review

The net incoming resources before exceptional items and unrealised and realised gains from investments amounted to £143,514 (2007 - £116,936)

Investment policies and returns

The Charity continues to invest in three main areas namely property, U K. equities, and cash

The property investment is through the Charities Property Fund which is managed by Mayflower Management Co Ltd a wholly owned subsidiary of Rensburg Sheppards Investment Management Ltd, who work in conjunction with Cordea Savills The aim of this investment is to achieve an income return of 6% per annum in addition to capital growth Despite the downturn in Commercial Property Investments over the past 12 months the income return has continued at the required level and the capital value of the investments at the year end are higher than the amount originally invested in September 2005

The Charity's exposure to equities is through the Charity Aid Foundations' UK Growth and Bond Income funds with the aim to deliver a total return higher than the FT All Share index over a 5 year period The value of these investments has fallen during the year by 22% in line with the downturn in Equities worldwide

The remaining funds are currently held in cash deposit accounts The aim is to invest these sums in fixed interest instruments but the Council continue to adopt the current strategy due to the continuing volatility of the Gilt and Corporate bond markets

The Council consider their investments in Equities and Commercial Property to be long term and utilise the yields derived therefrom to assist in the day to day running of the Charity

The Council manage the investments in accordance with the Statement of Investment Principles which they have adopted and review the overall investment portfolio at each of their quarterly meetings

Employees

The average number of employees employed by the Charity throughout the year was 89 (2007 – 76) of whom 50 (2007 – 47) were blind and disabled

Risk management

The Council continues to examine the major strategic, business and operation risks which the Charity faces and confirms that systems have been established to enable regular reports to be produced so that the necessary steps can be take to lessen these risks

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

ANNUAL REPORT OF THE COUNCIL

YEAR ENDED 31 MARCH 2008

Key performance indicators

The Chanty has few financial indicators as its main purpose is to provide employment for blind people and is a non-profit making organisation. The returns required on the investments are discussed above. Its main non financial performance indicator is the number of blind and disabled people employed.

Statement of Council Members' Responsibilities

Company and charity law requires the Council Members to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Charitable Company and of the income and expenditure of the Group and the Charitable Company for that period. In preparing those financial statements, the Council Members are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the charitable company will continue in business.

The Council Members are responsible for keeping proper accounting records which 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 1985. 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.

Statement as to disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Auditors

Deloitte & Touche LLP resigned as auditors during the year and Wilkins Kennedy were appointed auditors in their place. Wilkins Kennedy will be proposed for reappointment in accordance with Section 385 of the Companies Act 1985.

This report was approved by the Council on 10 October 2008



TB Burton FCA
Council Member

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CLARITY – EMPLOYMENT FOR BLIND PEOPLE

We have audited the consolidated financial statements of Clarity - Employment for Blind People for the year ended 31 March 2008, which comprise the Consolidated Statement of Financial Activities, the Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These consolidated financial statements have been prepared under the historical cost convention, with the exception of investments which have been stated at their market value, and in accordance with the accounting policies set out therein and the requirements of the Statement of Recommended Practice Accounting and Reporting by Charities.

This report is made solely to the Charitable Company'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 Charitable Company's members those matters we are required to state to them in an auditors' 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 Charitable Company and the Charitable Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Council Members and Auditors

The Charitable Company's Council Members, who are also directors for the purposes of the Companies Act 1985, are responsible for the preparation of the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), as set out in the Statement of Council Members' Responsibilities.

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 properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Annual Report of the Council is consistent with the financial statements.

In addition we report to you if, in our opinion, the Charitable Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law, regarding directors' remuneration and other transactions is not disclosed.

We read the Annual Report of the Council 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 Council Members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Charitable 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Charitable Companies, of the state of affairs of the Group and the Charitable Company as at 31 March 2008 and of the incoming resources and application of resources for the year then ended, and have been properly prepared in accordance with the Companies Act 1985
- the information given in the Annual Report of the Council is consistent with the financial statements

Bridge House
London Bridge
London SE1 9QR

20/10/08

Wendie Kennedy

Chartered Accountants and Registered Auditor

CLARITY – EMPLOYMENT FOR BLIND PEOPLE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 MARCH 2008

	Notes	Total Funds 2008 £	Total Funds 2007 £
Incoming resources			
Incoming resources from generated funds:			
Voluntary income		277,845	234,655
Activities for generating funds		3,087,854	3,239,115
Investment income		508,375	498,515
Other incoming resources		177,411	800
Total incoming resources	2	4,051,485	3,973,085
Resources expended			
Charitable activities:			
- distribution costs		1,711,930	1,668,148
- supported factory costs		2,092,147	2,333,305
- welfare		106,090	111,026
- sheltered housing costs		6,839	7,546
Governance costs		20,965	36,124
Total resources expended	3	3,937,971	4,156,149
Net incoming resources – excluding exceptional items		143,514	116,936
Exceptional items included in supported factory costs			
Costs incurred to restructure an agency distribution		(30,000)	(300,000)
Net incoming resources before other recognised gains and losses		113,514	(183,064)
Other recognised gains and losses:			
(Losses) / gains on investment assets	7	(1,005,571)	482,731
Actuarial (loss) / gain on defined benefit pension scheme	13	(504,000)	302,000
Unrecognised surplus / (deficit) in the defined benefit pensions scheme – reversed from previous year	13	726,000	(726,000)
Net movement in funds	5	(670,057)	(124,333)
Total funds brought forward		8,275,698	8,400,031
Total funds carried forward		£7,605,641	£8,275,698

There were no recognised gains or losses other than those shown in the above Statement of Financial Activities

None of the Charity's activities were acquired or discontinued during the above two financial years
There are no restricted or endowed funds

The notes on pages 13 to 24 form part of the financial statements

CLARITY – EMPLOYMENT FOR BLIND PEOPLE
CONSOLIDATED AND CHARITY BALANCE SHEETS
AS AT 31 MARCH 2008

	Notes	2008 Group £	2007 Group £	2008 Charity £	2007 Charity restated £
Fixed assets					
Tangible assets	6	233,954	245,657	233,954	245,657
Investments	7	5,101,076	6,178,603	5,101,076	6,178,603
Investment in subsidiary	7	-	-	1	1
		<u>5,335,030</u>	<u>6,424,260</u>	<u>5,335,031</u>	<u>6,424,261</u>
Current assets					
Stocks	8	725,532	675,045	725,532	675,045
Debtors	9	387,224	312,487	407,374	363,993
Cash at bank and in hand		32,024	63,502	32,024	63,502
		<u>1,144,780</u>	<u>1,051,034</u>	<u>1,164,930</u>	<u>1,102,540</u>
Creditors Amounts falling due within one year	10	(460,169)	(480,596)	(486,529)	(538,312)
Net current assets		<u>684,611</u>	<u>570,438</u>	<u>678,401</u>	<u>564,228</u>
Total assets less current liabilities		6,019,641	6,994,698	6,013,432	6,988,489
Defined benefit pensions asset		1,586,000	1,281,000	1,586,000	1,281,000
Net assets including pensions asset	11	<u>£7,605,641</u>	<u>£8,275,698</u>	<u>£7,599,432</u>	<u>£8,269,489</u>
Funds					
Designated funds - realised		5,012,616	5,084,572	5,012,616	5,084,572
- unrealised		88,460	1,094,031	88,460	1,094,031
Total designated funds		<u>5,101,076</u>	<u>6,178,603</u>	<u>5,101,076</u>	<u>6,178,603</u>
Non charity funds		6,209	6,209	-	-
General funds		912,356	809,886	912,356	809,886
Unrestricted funds excluding pensions asset		<u>6,019,641</u>	<u>6,994,698</u>	<u>6,013,432</u>	<u>6,988,489</u>
Pensions reserve	13	1,586,000	1,281,000	1,586,000	1,281,000
Total unrestricted funds		<u>£7,605,641</u>	<u>£8,275,698</u>	<u>£7,599,432</u>	<u>£8,269,489</u>

The financial statements were approved by the Council on 10 October 2008 and signed on their behalf

J Sharman – Council Chairman

T B Burton FCA – Honorary Treasurer

The notes on pages 13 to 24 form part of these financial statements

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2008

Reconciliation of surplus to net cash flow from operations		2008 £	2007 £
Net movement in funds before distributions		143,514	116,936
Depreciation		41,878	39,201
Purchase of sales agency		(30,000)	(300,000)
Profit on sale of tangible fixed assets		(177,411)	(800)
Dividend and interest income		(274,375)	(257,515)
Increase in stocks		(50,486)	(24,714)
(Increase)/decrease in debtors		(74,737)	100,235
Decrease in creditors		(20,427)	(46,085)
FRS17 adjustments for pension funding		(83,000)	(150,000)
Net cash outflow from operations before distributions		£(525,044)	£(522,742)
CASH FLOW STATEMENT			
	Note	£	£
Net cash outflow from operations		(525,044)	(522,742)
Returns on investments and servicing of finance			
Dividend and interest income		274,374	257,515
Capital expenditure			
Payments to acquire tangible fixed assets		(33,244)	(39,833)
Proceeds from sale of tangible fixed assets		180,480	800
Treasury deposit realisation		71,956	377,732
(Decrease) / increase in cash		£(31,478)	£73,472
Reconciliation of net cash flow to movement in net funds		£	£
(Decrease) / increase in cash in the year		(31,478)	73,472
Movement in net funds in the year		(31,478)	73,472
Net funds at 31 March 2007		63,502	(9,970)
Net funds at 31 March 2008	14	£32,024	£63,502

The notes on pages 13 to 24 form part of these financial statements

CLARITY – EMPLOYMENT FOR BLIND PEOPLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008

1. Accounting policies

1.1 Basis of preparation

The financial statements have been prepared under the historical cost convention, with the exception of fixed asset investments which have been stated at their market value, and in accordance with the Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2005) issued in March 2005

The Statement of Financial Activities (SOFA) and Balance Sheet consolidate the financial statements of the Charity and its subsidiary undertaking. The results of the subsidiary are consolidated on a line by line basis.

1.2 Company status

The Charity is a company limited by guarantee. The guarantors are the Council members of Clarity – Employment for Blind People. The liability in respect of the guarantee, as set out in the memorandum, is limited to £1 while a person is a Council member and for up to one year after ceasing to be a member.

The Charity has availed itself of Paragraph 3 (3) of Schedule 4 of the Companies Act 1985 and adapted the Companies Act formats to reflect the special nature of the Company's activities. The Statement of Financial Activities replaces the Income and Expenditure account which is no longer required as there are no capital (endowment) funds or investments or investment disposals to be reported, and as such the net incoming resources for the year equate to the net surplus of income over expenditure that would otherwise have been reported in an Income and Expenditure account.

1.3 Basis of consolidation

The consolidated accounts for 2008 consolidate the accounts of the Charity and its subsidiary drawn up to 31 March 2008. Clarity has taken advantage of s 230 of the Companies Act 1985 and paragraph 397 of the SORP and not published its own SOFA.

1.4 Prior year adjustment

Gift aid has previously been accounted for on a cash basis. To comply with United Kingdom Generally Accepted Accounting Practice applicable to Charitable Companies and to reflect the substance of the payment, gift aid is now accounted for on a payable basis in order to reallocate the payment to the period it relates. This has resulted in an increase in total unrestricted funds of the charity brought forward of £57,141 – see note 11.

1.5 Incoming resources

All incoming resources are included in the Statement of Financial Activities when the charity is entitled to the income and the amount can be quantified with reasonable accuracy. The following specific policies are applied to particular categories of income.

Voluntary income including donations and legacies are recognised on a receivable basis when the Council consider that such recognition is prudent and practicable and conditions for receipt have been met.

Activities for generating funds includes sales from supported factories, which represent the amounts receivable for goods and services provided in the normal course of trading net of trade discounts, VAT and other sales related taxes. Capitations income included in this category are received from local authorities in respect of blind and disabled employees and are credited in the period to which they relate.

Investment income is included when receivable.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Accounting policies (continued)

1.6 Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been shown as support costs allocated to activities on a basis consistent with use of the resources and the number of employees involved i.e. time spent.

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries.

Governance costs represent the costs of trustee meetings, audit fees, other professional fees and a percentage of senior management time spent on governance of the Charity.

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost including any incidental expenses of acquisition. Assets costing less than £500 are not capitalised.

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost less estimated residual value on a straight line basis over their expected useful lives at the following annual rates:

Freehold buildings - 0.5% and 1.5%

Plant and machinery - 10% to 25%

Freehold land is not depreciated.

1.8 Investments

Investments are stated at market value, except for the investment in the subsidiary company, which is stated at cost. The market value of listed investments is taken to be the mid-market price ruling at the balance sheet date. Any loss or gain on revaluation is taken to the Statement of Financial Activities.

1.9 Stocks

Raw material and finished goods stocks are valued at the lower of cost and net realisable value. Cost in relation to manufactured products is the cost of labour and materials with a proportion of overhead expended added where appropriate.

1.10 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the Statement of Financial Activities as incurred.

1.11 Funds accounting

Unrestricted general funds – these are funds which can be used in accordance with the charitable objects at the discretion of the Council Members.

Designated funds - these are funds set aside by the Council Members out of unrestricted general funds for specific future purposes or projects.

1.12 Taxation

The company is a registered charity and is therefore entitled to the exemptions from corporation tax afforded by section 505 of the Income and Corporation Taxes Act 1988. Accordingly, there is no corporation tax charge in these financial statements.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Accounting policies (continued)

1.13 Pension costs

The amounts charged in the Statement of Financial Activities are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs and other finance costs have been recognised immediately in the Statement of Financial Activities. Actuarial gains and losses are recognised immediately in "Other recognised gains and losses". This is in accordance with the Financial Reporting Standard – Retirement Benefits – FRS17.

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond. The actuarial valuation is obtained at least triennially and is updated at each balance sheet date. The resulting defined pension scheme asset or liability is shown separately on the face of the balance sheet.

1.14 Capital grants from the Employment Service

Grants are receivable from the Employment Service in respect of certain plant and machinery. They are subject to conditions laid down by the Service and are repayable on a diminishing basis within five years of receipt if the plant and machinery in question is sold. These grants are released to the SOFA on entitlement. No grants were received in the year to 31 March 2008.

2 Incoming Resources	2008 £	2007 £
2.1 Voluntary income		
Greater London Fund for the Blind donation	73,000	80,500
Legacies	203,922	152,747
Other donations	923	1,408
	277,845	234,655
Legacies include an amount of £2,000 to be used in Scotland, which is a restricted fund. The restricted fund was fully spent during the year for the purpose set out.		
2.2 Activities for generating funds		
Sales from supported factories	2,600,415	2,723,561
Capitations / Employment grant	473,445	499,438
Sheltered housing income	13,994	16,116
	3,087,854	3,239,115
2.3 Investment income		
Dividends receivable	249,563	226,658
Interest income – bank	24,812	30,857
Other finance income – FRS17 net investment return (note 13)	234,000	241,000
	508,375	498,515
2.4 Other incoming resources		
Profit on sale of tangible fixed assets	177,411	800
Total incoming resources	£4,051,485	£3,973,085

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Resources Expended	Staff costs £	Other costs £	Support Costs £	Total 2008 £	Total 2007 £
Distribution costs	241,477	1,470,453	-	1,711,930	1,668,148
Benefits to the blind and disabled					
- supported factory costs	1,123,779	788,333	180,035	2,092,147	2,333,305
- welfare	18,710	74,320	13,060	106,090	111,026
- Sheltered housing costs	-	6,839	-	6,839	7,546
Governance costs	15,000	5,965	-	20,965	36,124
	<u>£1,398,966</u>	<u>£2,345,910</u>	<u>£193,095</u>	<u>£3,937,971</u>	<u>£4,156,149</u>

Governance costs relate to audit and legal fees and management costs relating to financial statements and trustees meetings

Support costs relate to overhead salaries and administration costs less allocation to welfare and governance costs based on time expended Staff costs totalling £106,028 are included as part of support costs for supported factory costs

4. Staff Costs	2008 £	2007 £
Wages and salaries	1,216,029	1,078,097
Social security costs	81,648	82,475
Pension costs – including recurring FRS17 costs	207,317	151,466
	<u>£1,504,994</u>	<u>£1,312,038</u>

The trustees received no remuneration or reimbursement of expenses during the year (2007 £nil) There was one employee whose emoluments exceeded £60,000 during the year and whose emoluments fell in the band £60,001 to £70,000 (2007 one)

The average number of employees during the year was as follows	2008	2007
Production	52	52
Distribution	31	18
Training/welfare	3	2
Management and administration of the charity	3	4
	<u>89</u>	<u>76</u>

During the year the Charity employed 50 blind and disabled people in the supported factory and in sales offices (2007 47)

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5	Net movement in funds	2008	2007	
		£	£	
	Net movement in funds is stated after charging/(crediting)			
	Depreciation	41,878	39,201	
	Profit on sale of tangible fixed assets	(177,411)	(800)	
	Auditors' remuneration – audit fees	9,250	14,000	
	Operating lease rentals			
	- plant and machinery	3,991	4,551	
	- land and buildings	230,000	210,000	
		<u></u>	<u></u>	
6	Tangible Fixed Assets Group and Charity	Freehold Building	Plant and machinery	Total
		£	£	£
	Cost			
	At 1 April 2007	35,625	458,162	493,787
	Additions	-	33,244	33,244
	Disposals	(4,956)	(40,363)	(45,319)
		<u></u>	<u></u>	<u></u>
	At 31 March 2008	30,669	451,043	481,712
	Depreciation			
	At 1 April 2007	7,047	241,083	248,130
	Charge for the year	99	41,779	41,878
	Disposals	(1,887)	(40,363)	(42,250)
		<u></u>	<u></u>	<u></u>
	At 31 March 2008	5,259	242,499	247,758
	Net book value			
	At 31 March 2008	<u>£25,410</u>	<u>£208,544</u>	<u>£233,954</u>
	At 31 March 2007	£28,578	£217,079	£245,657

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Investments				
Group and Charity	Listed investments	Property fund	Bank deposit	Total
	£	£	£	£
Market value at 1 April 2007	2,018,595	3,597,686	562,322	6,178,603
Disposals	-	-	(71,956)	(71,956)
Net investment losses realised and unrealised	(442,361)	(563,210)	-	(1,005,571)
Market value at 31 March 2008	1,576,234	3,034,476	490,366	5,101,076
Historical cost at 31 March 2008	1,632,250	2,890,000	490,366	5,012,616
Unrealised (losses)/gains at 31 March 2008	£(56,016)	£144,476	£-	£88,460
Unrealised gains at 31 March 2007	£386,345	£707,686	£-	£1,094,031
Historical cost at 31 March 2007	£1,632,250	£2,890,000	£562,322	£5,084,572
Market value of listed investments:				
Charities Aid Foundation	£1,576,234			

Investment in subsidiary	2008	2007
	£	£
Shares in wholly owned subsidiary undertaking at cost	£1	£1

The subsidiary undertaking incorporated in the United Kingdom is GWB Products Limited, the principal activity of which is to carry out the manufacturing processes for the Charity. The available profits of the year can be distributed by way of gift aid payments to Clarity – Employment for Blind People. A summary of the results of the trading company is shown below. Audited accounts will be filed with the Registrar of Companies.

Profit and loss account	2008	2007 restated
	£	£
Turnover	945,000	936,000
Direct costs	(745,839)	(676,521)
Gross profit	199,161	259,479
Administrative expenses	(174,802)	(203,040)
Net profit	24,359	56,439
Gift aid payable	(24,359)	(57,141)
Retained in subsidiary	-	(702)
Retained profit brought forward	6,209	6,911
Retained profit carried forward	£6,209	£6,209

At 31 March 2008, the aggregate of the share capital and reserves of GWB Products Limited amounted to £6,210 (2007 £6,210)

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8	Stocks	Group		Charity	
		2008 £	2007 £	2008 £	2007 £
	Raw materials and consumables	152,317	152,194	152,317	152,194
	Finished goods	573,215	522,851	573,215	522,851
		<u>£725,532</u>	<u>£675,045</u>	<u>£725,532</u>	<u>£675,045</u>
9.	Debtors	Group		Charity	
		2008 £	2007 £	2008 £	2007 £
	Trade debtors	223,701	207,802	223,701	207,802
	Other debtors	159,314	99,050	159,314	99,050
	Prepayments	4,209	5,635	-	-
	Gift aid receivable	-	-	24,359	57,141
		<u>£387,224</u>	<u>£312,487</u>	<u>£407,374</u>	<u>£363,993</u>
10	Creditors Amounts falling due within one year	Group		Charity	
		2008 £	2007 £	2008 £	2007 £
	Bank overdraft	-	4,657	-	-
	Trade creditors	81,962	100,905	-	-
	Other creditors	45,714	66,221	44,803	62,354
	Tax and social security	58,576	59,895	58,576	59,895
	Accruals	77,667	52,668	23,317	21,668
	Amount due to subsidiary undertaking	-	-	163,583	198,145
	Interest free loan from the Employment Service	196,250	196,250	196,250	196,250
		<u>£460,169</u>	<u>£480,596</u>	<u>£486,529</u>	<u>£538,312</u>

The interest free loan from the Employment Service is repayable in the event of the Charity ceasing to provide supported employment

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Funds

The funds are all unrestricted funds. Included within the unrestricted funds are designated funds totalling £5,101,076 (2007 £6,178,603). These are explained below.

Designated funds

Following the disposal of the investment property in Wigan and the receipt of the cash for the Ashburton Grove property the directors agreed an investment policy, which included investing the proceeds in a property fund and a treasury deposit. Along with the listed investments already held, these funds are now held as designated funds, to generate a continuing flow of income to help support the cost of charitable activities within an overall strategy of ensuring the long term financial viability of the Charity.

	Balance 1 April 2007 £	Incoming resources £	Outgoing Resources £	Gains or Losses £	Balance 31 March 2008 £
Group					
Designated funds					
- realised funds	5,084,572	-	(71,956)	-	5,012,616
- unrealised funds	1,094,031	-	-	(1,005,571)	88,460
General funds	809,886	3,756,485	(3,654,015)	-	912,356
Non charity funds	6,209	-	-	-	6,209
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Unrestricted funds					
excluding pensions assets	6,994,698	3,756,485	(3,725,971)	(1,005,571)	6,019,641
Restricted funds	-	2,000	(2,000)	-	-
Pensions reserve (note 13)	1,281,000	293,000	(210,000)	222,000	1,586,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total funds	<u>£8,275,698</u>	<u>£4,051,485</u>	<u>£(3,937,971)</u>	<u>£(783,571)</u>	<u>£7,605,641</u>
Charity					
Designated funds					
- realised funds	5,084,572	-	(71,956)	-	5,012,616
- unrealised funds	1,094,031	-	-	(1,005,571)	88,460
General funds	809,886	2,811,485	(2,709,015)	-	912,356
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Unrestricted funds					
excluding pensions assets	6,988,489	2,811,485	(2,780,971)	(1,005,571)	6,013,432
Restricted funds	-	2,000	(2,000)	-	-
Pensions reserve (note 13)	1,281,000	293,000	(210,000)	222,000	1,586,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total funds	<u>£8,269,489</u>	<u>£3,106,485</u>	<u>£(2,992,971)</u>	<u>£(783,571)</u>	<u>£7,599,432</u>

The total funds of the charity at 1 April 2007 as previously stated were £8,212,348, before a prior year adjustment of £57,141 as described in note 1.4

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Financial commitments

(i) Capital commitments

There was no capital expenditure authorised and contracted for at the year end (2007 nil)

(ii) Operating leases

At 31st March 2008 the group and charity had annual commitments under non cancellable leases as follows

	2008		2007	
	Land and Buildings £	Plant and Machinery £	Land and Buildings £	Plant and Machinery £
Expiring				
Within one year	-	-	-	560
Between two and five years	-	3,991	-	3,991
After five years	230,000	-	210,000	-
	<u>£230,000</u>	<u>£3,991</u>	<u>£210,000</u>	<u>£4,551</u>

The lease of the building is subject to regular rent reviews. A rent review from February 2007 is undetermined. An estimated reserve has been made in respect of the anticipated increase.

13. Pension Costs

The charity operates a defined benefit final salary pension scheme for all permanent employees, the assets of which are held in a separate trustee administered fund. The scheme closed to new members on 30 June 2005. The funding of this scheme and the company's pension cost are both determined based on advice provided by a professionally qualified actuary. The company's pension costs for the year were £56,681 (2007 £60,469) and were assessed using the Projected Unit Method together with the actuarial assumptions detailed below.

The pension scheme was formally valued at 1 April 2007 using the Projected Unit Method and assumed annual rates of investment returns 7.0% before retirement – 4.9% after retirement price inflation and wage inflation of 3.1% and 4.6% respectively. This valuation revealed that the scheme had assets with a market value of £9,365,000 and was funded to the extent of 121% of its liabilities on an on-going basis. As a result of the valuation, the charity contributes to the scheme at the recommended rate of 9.0% of pensionable salaries, which will continue for the next three years.

The actuarial valuation described above has been updated at 31 March 2008 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at fair value.

The major assumptions used for the actuarial valuation were

	2008	2007	2006
	%	%	%
Rate of increase in salaries	5.0	4.7	4.5
Discount rate	6.6	5.5	5.1
Inflation assumption	3.5	3.2	3.1

For the rate of increase in pensions in payment the assumption used is

Statutory increase on GMP, 1997 to 2005 pension and post 2005 accrual
No allowance is made for discretionary increases

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Pension costs (continued)

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at each balance sheet date were

	2008 %	2008 £	2007 %	2007 £	2006 %	2006 £
Equities & Property	8.5	5,099,000	8.0	5,641,000	8.0	5,676,000
Gifts, Bonds and cash	5.6	3,647,000	5.2	3,735,000	4.8	3,538,000
Total fair value of assets		<u>8,746,000</u>		<u>9,376,000</u>		<u>9,214,000</u>
Present value of scheme liabilities		<u>(7,160,000)</u>		<u>(7,369,000)</u>		<u>(7,659,000)</u>
Surplus in the scheme – being the net pension asset		1,586,000		2,007,000		1,555,000
Unrecognised surplus in the scheme		-		(726,000)		-
Total surplus in the scheme – being the net pension asset		<u>£1,586,000</u>		<u>£1,281,000</u>		<u>£1,555,000</u>

Analysis of the amount that has been charged to the consolidated statement of financial activities under FRS17

	2008 £	2007 £
Current service cost	210,000	151,000
	<u>£210,000</u>	<u>£151,000</u>

Analysis of the amount that has been credited to the consolidated statement of financial activities under FRS 17

	2008 £	2007 £
Expected return on pension scheme assets	635,000	628,000
Interest on pension scheme liabilities	(401,000)	(387,000)
Net return	<u>£234,000</u>	<u>£241,000</u>

Analysis of the actuarial (loss)/gain that has been recognised in the consolidated statement of financial activities

	2008 £	2007 £
Actual return less expected return on pension scheme assets	(972,000)	(271,000)
Experience gains arising on the scheme liabilities	(330,000)	82,000
Changes in assumptions underlying the present value of the scheme liabilities	798,000	491,000
	<u>£(504,000)</u>	<u>£302,000</u>

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Pension Costs (continued)

Movement in surplus during the year

	2008 £	2007 £
Surplus at beginning of year	1,281,000	1,555,000
Movement in year		
Current service cost	(210,000)	(151,000)
Contributions	59,000	60,000
Other finance income	234,000	241,000
Actuarial (loss) / gain	(504,000)	302,000
Unrecognised surplus / (deficit) in the defined benefit pensions scheme – reversed from previous year	726,000	(726,000)
Surplus at end of year	£1,586,000	£1,281,000

History of experience gains and losses

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Difference between the expected and actual return on scheme assets:					
Amount (£)	(972)	(271)	878	124	691
Percentage of scheme assets	(11%)	(3%)	10%	2%	9%
Experience gains/(losses) on scheme liabilities					
Amount (£)	(330)	82	452	423	823
Percentage of the present value of scheme liabilities	(5%)	1%	6%	6%	10%
Changes in assumption for present value of scheme liabilities					
Amount (£)	798	491	(643)	(134)	247
Percentage of the present value of scheme liabilities	11%	7%	(8%)	(2%)	3%
Total actuarial gain/(loss) recognised in the consolidated statement of financial activities					
Amount (£)	(504)	302	687	413	1,761
Percentage of the present value of scheme liabilities	(7%)	4%	9%	6%	22%

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14	Analysis of consolidated net debt	At 1 April 2007 £	Cashflow £	At 31 March 2008 £
	Cash at bank	63,502	(31,478)	32,024
	Interest free loan	(196,250)	-	(196,250)
	Total	£(132,748)	£(31,478)	£(164,226)

	2008 £	2007 £
Reconciliation of net cash flow to movement in net debt		
(Decrease) / increase in cash in the year	(31,478)	78,129
Net debt at 1 April	(132,748)	(210,877)
Net debt at 31 March	£(164,226)	£(132,748)

15 Related party transactions

R Wilson, a trustee, is a shareholder and director of HB Surveyors and Valuers, Surveyors, which firm was employed by the Charity during the year, providing surveying services costing £1,000 (2007 – £nil), at an arm's length basis. There were no unpaid balances as at current and previous year end.

D F Calow, a trustee, is a consultant of Hammonds, solicitors to the Charity, who provided legal services to the Charity during the year, costing £1,677 (2007 – £3,021), at an arm's length basis. There were no unpaid balances as at current and previous year end.

16 Analysis of net assets between funds

The funds of the group are represented by the following assets

	Designated £	General £	Non charity £	Pensions reserve £	Total £
Tangible fixed assets	-	233,954	-	-	233,954
Investments	5,101,076	-	-	-	5,101,076
Net current assets	-	678,402	6,209	-	684,611
Defined benefit pensions asset	-	-	-	1,586,000	1,586,000
	£5,101,076	£912,356	£6,209	£1,586,000	£7,605,641