

CLARITY – EMPLOYMENT FOR BLIND PEOPLE
(A registered charity and company limited by guarantee)
REPORT OF THE COUNCIL AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

Charity Number. 210794 (England and Wales)
Charity number SC042291 (Scotland)
Company Registration Number 00116713 (England and Wales)



CLARITY - EMPLOYMENT FOR BLIND PEOPLE

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FOR THE YEAR ENDED 31 MARCH 2011**

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CLARITY - EMPLOYMENT FOR BLIND PEOPLE

REFERENCE AND ADMINISTRATIVE DETAILS

FOR THE YEAR ENDED 31 MARCH 2011

Founded 1854

Registered in accordance with the National Assistance Act 1948

Registered under the Charities Act 1960 and the Charities and Trustee Investment (Scotland) Act 2005

A company limited by guarantee

Council Members

J Sharman
T B Burton FCA
R Wilson
G D Williams
J M Mellor

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

Registered Number

00116713 (England and Wales)

Bankers

Barclays Bank plc
1 Churchill Place
London
E14 5HP

Statutory Auditors

Wilkins Kennedy
Statutory Auditor
Chartered Accountants
Bridge House
London Bridge
London
SE1 9QR

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 100th Annual General Meeting of the members of the above Charitable Company will be held at the headquarters of the Charitable Company at York Way on 29 September 2011 at 12 15 pm for the following purposes

- 1 To approve the minutes of the previous Annual General Meeting held on 8 October 2010 (Resolution No 1)
- 2 To approve and adopt the Council's report and annual accounts for the year ended 31 March 2011 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 No 3)
- 4 To re-appoint Wilkins Kennedy as auditors (Resolution No 4)
- 5 To transact any other ordinary business of the Charitable Company

By Order of the Council



T B BURTON FCA
Council Member

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

ANNUAL REPORT OF THE COUNCIL

FOR THE YEAR ENDED 31 MARCH 2011

The Council submits its report together with the audited financial statements for the year ended 31 March 2011, which have been prepared in accordance with the Companies Act 2006, 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 at least four times a year. One third of the Council members retires each year but is eligible 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 Charitable Company and its subsidiary.

Council members are recruited generally from sectors of the business community relevant to part or all of the Charitable Company's activities.

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

On 5 May 2011, the Charitable Company was registered with the Office of the Scottish Charity Regulator and now has charitable status under the Charities and Trustee Investment (Scotland) Act 2005.

Objectives and activities for the public benefit

In shaping our objectives for the year and planning our activities, the Council members have considered the Charity Commission's guidance on public benefit.

The objectives of the Charitable 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 Charitable Company 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 Charitable Company's telephone sales offices.

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

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

ANNUAL REPORT OF THE COUNCIL

FOR THE YEAR ENDED 31 MARCH 2011

Achievements and performance for the public benefit

Factory output in the year ended 31 March 2011 was the highest for 5 years reflecting the increase in contract manufacturing. The sales contribution generated was double the previous year and 13% over budget. However, overall profitability continued to decline as CLARITY brand sales fell by over 20%. The customer base continued to erode and was not able to be maintained through traditional "cold" telesales.

As a result a Marketing Manager was recruited to oversee new methods of acquiring supporters particularly via the internet. A PR company was also engaged to develop new ways of promoting CLARITY and sales of CLARITY brand products as well as the whole sector of ethical purchasing. The profile of CLARITY brand products increased as the company was exposed via social network sites, youtube and a new blog (www.claritymatters.org). The main ecommerce website was overhauled and a new domain added www.clarityproducts.org. Although online orders are currently low it is anticipated that the internet will be the main driver for expanding new customer sales in 2011-12.

In October, the Department of Work & Pensions speciality disability employment programme, WORKSTEP, was replaced by Work Choice. CLARITY is now a subcontractor for this programme in the region of West and North London. The transition of all employees from one programme to the other was time consuming and has led to difficulties particularly for CLARITY employees in the sales offices outside London.

The internal programme, WORK Visions, continued through the year providing employment opportunities which led to contracts for 4 disabled people.

Fundraising activities for CLARITY are carried out by The Greater London Fund for the Blind for which the Charitable Company is extremely grateful.

Reserves policy

It is the policy of the Charitable Company to maintain unrestricted funds, which are the free reserves of the Charitable Company, at a level to maintain income to finance the operation of the supported factory. The Council estimate that reserves amounting to 3 months of expenditure are required which is approximately £1million. 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 Charitable Company. The Council will review this policy on an annual basis.

The unrestricted general funds at 31 March 2011 are £287,423 (2010: £315,176). The Council are looking at ways to bridge the shortfall between unrestricted general funds and the target level of reserves.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

ANNUAL REPORT OF THE COUNCIL

FOR THE YEAR ENDED 31 MARCH 2011

Future activities

Notwithstanding the gross contributions it achieved, the increase in contract manufacturing has caused the organisation to lose focus on its primary driver of profitability, the sales of CLARITY brand products. In order to correct this and to cut costs the Charitable Company has undergone a restructuring process in the first half of the year ended 31 March 2012.

Business development will concentrate on developing a strategy for selling into the corporate sector which has been under developed in relation to the domestic and SME sectors.

From the first quarter of the year ended 31 March 2012, the national sales office in Portsmouth took responsibility for selling to a third CLARITY sales region. This will lead to a full utilisation of the office's resources and will allow significant economies of scale savings. The mail order operation run from London will be expanded to service this increase in demand. The new CRM system that was expected to be operational in 2009-10 will now be implemented in time for the Christmas 2011 sales period.

As Work Choice and the relationship with the prime contractor, Seetec, develops it is anticipated that the WORK Visions programme will be developed to provide for disabled people a seamless process from long term unemployment to employment in open/mainstream organisations via the CLARITY "stepping stone".

Other Income

Legacy income was received to the amount of £85,183. The Charitable Company has a residual interest in a bank deposit totalling £81,000 subject to a life interest in respect of the income therefrom.

Financial review

The net outgoing resources before other recognised gains and losses from investments amounted to £269,496 (2010 – net outgoing resources £211,952).

Investment policies and returns

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

The property investment is through the Charities Property Fund. The aim of this investment is to obtain an income return of 6% which has been achieved. The fund has gained 2% in capital value in the year.

For the majority of the year, the company's investment in equities was 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 five year period. Income from this fund is in line with previous years. On 12 March 2011 these funds were transferred to the "I M CAF UK Equity Fund". The fund showed a 1.4% increase in market value at the year end compared to 31 March 2010.

The remaining funds are currently held in cash deposit accounts.

The Council consider their investment in equities and property to be long term and utilise the yields derived therefrom to assist in the day to day running of the company.

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 quarterly meeting.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

ANNUAL REPORT OF THE COUNCIL

FOR THE YEAR ENDED 31 MARCH 2011

Employees

The average number of employees employed by the Charitable Company throughout the year was 81 (2010 – 84) of whom 46 (2010 – 47) were blind and disabled

Risk management

The Charitable Company continues to examine the major strategic, business and operational risks which the Charitable Company faces and confirms that systems have been established to enable regular reports to be produced so that the necessary steps can be taken to lessen these risks

Key performance indicators

The Charitable Company 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

The Council Members are responsible for preparing the Annual Report of the Council and the financial statements in accordance with applicable law and regulations.

Company and charity law requires the Council Members to prepare financial statements for each financial year. Under that law the Council Members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accountancy Practice (United Kingdom Accounting Standards and applicable law). Under company law the Council Members must not approve the financial statements unless they are satisfied that they 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 these financial statements, the Council Members are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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 adequate accounting records that are sufficient to show and explain the Charitable Company's transactions and disclose with reasonable accuracy at any time the financial position of the Charitable Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Charitable Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

ANNUAL REPORT OF THE COUNCIL

FOR THE YEAR ENDED 31 MARCH 2011

Statement as to disclosure of information to auditors

So far as the Council Members are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Charitable Company's auditors are unaware, and each Council Member has taken all the steps that he or she ought to have taken as a Council Member in order to make himself or herself aware of any relevant audit information and to establish that the Charitable Company's auditors are aware of that information

Auditors

The auditors, Wilkins Kennedy, will be proposed for reappointment at the forthcoming Annual General Meeting

This report was approved by the Council on 29 September 2011



T B Burton FCA
Council Member

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF CLARITY – EMPLOYMENT FOR BLIND PEOPLE

We have audited the financial statements of Clarity - Employment for Blind People for the year ended 31 March 2011 on pages eleven to twenty five. 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 Charitable Company'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 Charitable Company's members those matters we are required to state to them in a Report of the Auditors 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

As explained more fully in the Statement of Council Members' Responsibilities set out on page eight, the Council Members 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 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 Council Members, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Charitable Company's and Group's affairs as at 31 March 2011 and of its incoming resources and application of resources in the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and,
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Annual Report of the Council for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Council Members' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Wilkes Kennedy

M Wilkes (Senior Statutory Auditor)
For and on behalf of Wilkes Kennedy
Statutory Auditor
Chartered Accountants
Bridge House
London Bridge
London SE1 9QR

Date

17/10/11

CLARITY – EMPLOYMENT FOR BLIND PEOPLE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 MARCH 2011

Incorporating income and expenditure account	Notes	2011 £	2010 Restated £
Incoming resources			
Incoming resources from generated funds			
Voluntary income		197,644	139,423
Activities for generating funds		2,628,741	2,920,144
Investment income		385,586	247,686
Total incoming resources	2	3,211,971	3,307,253
Resources expended			
Charitable activities			
- distribution costs		1,390,684	1,521,096
- supported factory costs		1,986,784	2,106,884
- welfare		80,439	96,454
- sheltered housing costs		6,435	10,208
Governance costs		17,125	21,063
Total resources expended	3	3,481,467	3,755,705
Net outgoing resources – excluding exceptional items		(269,496)	(448,452)
Exceptional items			
Curtailment gain on closure of final salary pension scheme to future accrual of benefits	13	-	484,000
Net outgoing resources before other recognised gains and losses		(269,496)	35,548
Other recognised gains and losses			
Realised and unrealised gains on investment assets	7	48,193	686,466
Actuarial gain on defined benefit pension scheme	13	1,530,000	94,000
Unrealised surplus on revaluation of property	14	50,000	-
Net movement in funds	5	1,358,697	816,014
Total funds brought forward as previously stated		5,822,815	4,479,612
Prior year adjustments	1 13	-	527,189
Total funds brought forward as restated		5,822,815	5,006,801
Total funds carried forward		£7,181,512	£5,822,815

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

None of the Charitable Company's activities were acquired or discontinued during the above two financial years

The notes on pages 14 to 25 form part of the financial statements

CLARITY – EMPLOYMENT FOR BLIND PEOPLE
CONSOLIDATED AND CHARITY BALANCE SHEETS
AS AT 31 MARCH 2011

	Notes	2011 Group £	2010 Restated Group £	2011 Charity £	2010 Restated Charity £
Fixed assets					
Tangible assets	6	997,148	965,728	997,148	965,728
Investments	7	3,716,732	3,893,702	3,716,732	3,893,702
Investment in subsidiary	7	-	-	1	1
		<u>4,713,880</u>	<u>4,859,430</u>	<u>4,713,881</u>	<u>4,859,431</u>
Current assets					
Stocks	8	441,100	453,652	441,100	453,652
Debtors	9	354,256	374,847	386,033	395,578
Cash at bank and in hand		553	53,639	553	53,639
		<u>795,909</u>	<u>882,138</u>	<u>827,686</u>	<u>902,869</u>
Creditors - Amounts falling due within one year	10	(502,277)	(560,753)	(540,264)	(587,694)
Net current assets		<u>293,632</u>	<u>321,385</u>	<u>287,422</u>	<u>315,175</u>
Total assets less current liabilities		<u>5,007,512</u>	<u>5,180,815</u>	<u>5,001,303</u>	<u>5,174,606</u>
Defined benefit pensions asset	13	2,174,000	642,000	2,174,000	642,000
Net assets including pensions asset	11	<u>£7,181,512</u>	<u>£5,822,815</u>	<u>£7,175,303</u>	<u>£5,816,606</u>
Funds					
Designated funds		4,713,880	4,859,430	4,713,880	4,859,430
Non charity funds		6,209	6,209	-	-
General funds		<u>287,423</u>	<u>315,176</u>	<u>287,423</u>	<u>315,176</u>
Unrestricted funds excluding pensions asset		5,007,512	5,180,815	5,001,303	5,174,606
Pensions reserve	13	2,174,000	642,000	2,174,000	642,000
Total unrestricted funds		<u>£7,181,512</u>	<u>£5,822,815</u>	<u>£7,175,303</u>	<u>£5,816,606</u>

The financial statements were approved by the Council on 29 September 2011 and signed on their behalf


J Sharmah – Council Chairman


T B Burton FCA – Honorary Treasurer

The notes on pages 14 to 25 form part of these financial statements
Registered number 00116713

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2011

Reconciliation of surplus to net cash flow from operations		2011 £	2010 Restated £
Net movement in funds before distributions		(269,496)	(211,952)
Depreciation		40,472	44,727
Dividend and interest income		(224,586)	(219,685)
Decrease in stocks		12,552	260,680
Decrease/(increase) in debtors		20,591	(18,478)
(Decrease)/increase in creditors		(58,476)	101,312
FRS17 adjustments for pension funding		(2,000)	(356,000)
Net cash outflow from operations before distributions		<u>£(480,943)</u>	<u>£(399,396)</u>
CASH FLOW STATEMENT			
	Note	£	£
Net cash outflow from operations		(480,943)	(399,396)
Returns on investments and servicing of finance			
Dividend and interest income		224,586	219,685
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(21,892)	(10,238)
Treasury deposit realisation		5,163	221,081
Proceeds from sale of investment		220,000	-
(Decrease)/increase in cash		<u>£(53,086)</u>	<u>£31,132</u>
Reconciliation of net cash flow to movement in net funds		£	£
(Decrease)/increase in cash in the year		(53,086)	31,132
Movement in net funds in the year		(53,086)	31,132
Net funds at 31 March 2010		53,639	22,507
Net funds at 31 March 2011	14	<u>£553</u>	<u>£53,639</u>

The notes on pages 14 to 25 form part of these financial statements

CLARITY – EMPLOYMENT FOR BLIND PEOPLE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

1 Accounting policies

1.1 Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by revaluation of freehold property, and in accordance with the Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2005) and the Companies Act 2006

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.

1.3 Basis of consolidation

The group financial statements include the financial statements of the Charitable Company and its trading subsidiary undertaking.

Inter-group transactions are eliminated on consolidation and all incoming resources and resources expended figures relate to external transactions only. In accordance with Section 408 of the Companies Act 2006 a separate Statement of Financial Activities dealing with the results of the Charitable Company only has not been presented.

1.4 Incoming resources

All incoming resources are included in the Statement of Financial Activities when the Charitable Company 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.

1.5 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 Charitable Company.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Accounting policies (continued)

1 6 Tangible fixed assets

The Charitable Company's freehold building is annually appraised and valued at the year end by the members of the Council at open market value in accordance with FRS15, Tangible Fixed Assets. No depreciation charge is made on the grounds that it would be immaterial, as the estimated residual value of the freehold building is not materially different from the carrying amount. The freehold building is, however, reviewed for impairment in accordance with FRS11, Impairment of Fixed Assets and Goodwill.

Fixed assets, other than the freehold building, are stated at original historical cost less aggregate depreciation. Assets costing less than £500 are not capitalised. Depreciation is provided at rates calculated to write-off the cost, less estimated residual value, of each asset over its estimated useful life as follows -

Plant and machinery	10% - 25% per annum (straight line basis)
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1 7 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 8 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 materials. Net realisable value represents estimated selling price less costs to complete and sell. Provision is made for slow moving, obsolete or damaged stock where the net realisable value is less than cost.

1 9 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 10 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 11 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.

1 12 Pension costs

Defined benefit scheme

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.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Accounting policies (continued)

1 12 Pension costs (continued)

Defined benefit scheme (continued)

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.

Defined contribution scheme

The Charitable Company contributes to a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Charitable Company in independently administered funds. The pension cost charge represents contributions payable by the Charitable Company to the scheme.

1 13 Prior year adjustments

The Charitable Company's freehold property was previously accounted for at cost. The freehold property is now accounted for at open market value as described in note 1 6 above. This has resulted in an increase in total unrestricted funds of the Charitable Company brought forward of £774,788.

The Charitable Company has also changed its accounting policy in respect of stocks, to reflect the cost of materials only and to exclude the cost of labour and a proportion of overheads. The Council Members consider that this will give a more consistent view of the Charitable Company's financial situation. This has resulted in a decrease in total unrestricted funds of the Charitable Company brought forward of £247,599.

The total funds of the group at 1 April 2010 as previously stated were £5,295,626, and the total funds of the Charitable Company at 1 April 2010 as previously stated were £5,289,417, before the prior year adjustments of £774,788 and £247,599 described above.

2 Incoming Resources	2011 £	2010 £
2 1 Voluntary income		
Greater London Fund for the Blind donation	108,500	116,400
Legacies	85,183	21,926
Other donations	3,961	1,097
	197,644	139,423
2 2 Activities for generating funds		
Sales from supported factories	2,195,134	2,484,467
Capitations / Employment grant	418,398	419,582
Sheltered housing income	15,209	16,095
	2,628,741	2,920,144
2 3 Investment income		
Dividends receivable	224,538	219,582
Interest income – bank	48	104
Other finance income—FRS17 net investment return (note 13)	161,000	28,000
	385,586	247,686
Total incoming resources	£3,211,971	£3,307,253

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3	Resources Expended	Staff costs £	Other costs £	Support Costs £	Total 2011 £	Total 2010 £
	Distribution costs	242,596	1,148,088	-	1,390,684	1,521,096
	Benefits to the blind and disabled					
	- supported factory costs	1,051,270	745,768	189,746	1,986,784	2,106,884
	- welfare	16,082	49,343	15,014	80,439	96,454
	- Sheltered housing costs	-	6,435	-	6,435	10,208
	Governance costs	12,000	5,125	-	17,125	21,063
		<u>£1,321,948</u>	<u>£1,954,759</u>	<u>£204,760</u>	<u>£3,481,467</u>	<u>£3,755,705</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 £104,665 (2010 £105,541) are included as part of support costs for supported factory costs

4	Staff Costs	2011 £	2010 £
	Wages and salaries	1,134,973	1,151,296
	Social security costs	95,006	79,334
	Pension costs – defined benefit scheme	Note 13 159,000	211,000
	Pension costs – defined contribution scheme	37,634	11,806
		<u>£1,426,613</u>	<u>£1,453,436</u>

The trustees received no remuneration or reimbursement of expenses during the year (2010 £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 (2010 one)

The average number of employees during the year was as follows	2011	2010
Production	49	46
Distribution	28	33
Training/welfare	1	2
Management and administration of the charity	3	3
	<u>81</u>	<u>84</u>

During the year the Charity employed 46 blind and disabled people in the supported factory and in sales offices (2010 47)

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5	Net movement in funds	2011 £	2010 £
	Net movement in funds is stated after charging		
	Depreciation	40,472	44,826
	Auditors' remuneration – audit fees	10,000	10,000
	Operating lease rentals		
	- plant and machinery	3,840	7,932
	- land and buildings	231,479	230,000

6	Tangible Fixed Assets Group and Charity	Freehold Building	Plant and machinery	Total
		£	£	£
	Cost/valuation			
	At 1 April 2010 as previously stated	30,669	341,562	372,231
	Restatement	769,331	-	769,331
	At 1 April 2010 as restated	800,000	341,562	1,141,562
	Additions	-	21,892	21,892
	Revaluation	50,000	-	50,000
	Disposals and deletions	-	(84,821)	(84,821)
	At 31 March 2011	850,000	278,633	1,128,633
	Depreciation			
	At 1 April 2010 as previously stated	5,457	175,834	181,291
	Restatement	(5,457)	-	(5,457)
	At 1 April 2010 as restated	-	175,834	175,834
	Charge for the year	-	40,472	40,472
	Disposals	-	(84,821)	(84,821)
	At 31 March 2011	-	131,485	131,485
	Net book value			
	At 31 March 2011	£850,000	£147,148	£997,148
	At 31 March 2010 as previously stated	25,212	165,728	190,940
	Restatement	774,788	-	774,788
	At 31 March 2011 as restated	£800,000	£165,728	£965,728

The Charitable Company's freehold property is valued at the year end by the Council members at open market value based on rental yield. The freehold property was valued at £850,000 on 9 September 2011 by HB Surveyors & Valuers Limited.

Original cost of the freehold property, included at valuation was £30,669.

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 2010	1,580,848	2,307,691	5,163	3,893,702
Disposals	(220,000)	-	(5,163)	(225,163)
Net (loss)/gain on revaluation	(292)	48,485	-	48,193
Market value at 31 March 2011	1,360,556	2,356,176	-	3,716,732
Historical cost at 31 March 2011	1,385,403	2,890,000	-	4,275,403
Unrealised losses at 31 March 2011	£(24,847)	£(533,824)	£-	£(558,671)
Unrealised losses at 31 March 2010	£(51,402)	£(582,309)	£-	£(633,711)
Historical cost at 31 March 2010	£1,632,250	£2,890,000	£5,163	£4,527,413
Market value of listed investments				
Charities Aid Foundation	£1,360,556			

Investment in subsidiary	2011	2010
	£	£
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 Charitable Company. 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	2011	2010
	£	£
Turnover	910,000	930,000
Direct costs	(701,289)	(729,232)
Gross profit	208,711	200,768
Administrative expenses	(176,934)	(180,037)
Net profit	31,777	20,731
Gift aid payable	(31,777)	(20,731)
Retained in subsidiary	-	-
Retained profit brought forward	6,209	6,209
Retained profit carried forward	£6,209	£6,209

At 31 March 2011, the aggregate of the share capital and reserves of GWB Products Limited amounted to £6,210 (2010 £6,210).

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8	Stocks	Group		Charity	
		2011 £	2010 £	2011 £	2010 £
	Raw materials and consumables	200,800	217,464	200,800	217,464
	Finished goods				
	As previously stated	240,300	483,787	240,300	483,787
	Restatement	-	(247,599)	-	(247,599)
	As restated	240,300	236,188	240,300	236,188
		<u>£441,100</u>	<u>£453,652</u>	<u>£441,100</u>	<u>£453,652</u>
9	Debtors	Group		Charity	
		2011 £	2010 £	2011 £	2010 £
	Trade debtors	260,417	255,628	260,417	255,628
	Other debtors	90,239	110,439	90,239	110,439
	Prepayments	3,600	8,780	3,600	8,780
	Gift aid receivable	-	-	31,777	20,731
		<u>£354,256</u>	<u>£374,847</u>	<u>£386,033</u>	<u>£395,578</u>
10	Creditors* Amounts falling due within one year	Group		Charity	
		2011 £	2010 £	2011 £	2010 £
	Trade creditors	76,183	131,730	76,183	131,730
	Other creditors	70,408	59,506	70,408	59,506
	Tax and social security	79,491	46,517	79,491	46,517
	Accruals	79,945	126,750	79,945	126,750
	Amount due to subsidiary undertaking	-	-	37,987	26,941
	Interest free loan from the Employment Service	196,250	196,250	196,250	196,250
		<u>£502,277</u>	<u>£560,753</u>	<u>£540,264</u>	<u>£587,694</u>

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

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Designated funds

Investments

Following the disposal of the investment property in Wigan and the receipt of the cash for the Ashburton Grove property the Council Members 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 Charitable Company.

Tangible Assets

These consist of the freehold property held to provide subsidised accommodation for blind and disabled staff, and plant and machinery held for the purpose of producing liquid and soap products in the Charitable Company's supported factory.

	Balance 1 April 2010 £	New Designations £	Designations Released £	Balance 31 March 2011 £
Group and Charity				
Designated funds				
- investments	3,893,702	48,193	(225,163)	3,716,732
- tangible assets	965,728	31,420	-	997,148
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total designated funds	<u>£4,859,430</u>	<u>£79,613</u>	<u>£(225,163)</u>	<u>£4,713,880</u>

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 (2010 nil)

(ii) Operating leases

At 31st March 2011 the group and Charitable Company had annual commitments under non cancellable leases as follows

	2011		2010	
	Land and Buildings £	Plant and Machinery £	Land and Buildings £	Plant and Machinery £
Expiring				
Between two and five years	-	3,840	-	2,600
After five years	230,000	-	230,000	1,240
	<u>£230,000</u>	<u>£3,840</u>	<u>£230,000</u>	<u>£3,830</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 Charitable Company operates a defined benefit final salary pension scheme which closed to future accrual of benefits with effect from 31 March 2010, but provides deferred benefits for some employees. The assets of the scheme are held in a separate trustee administered fund. The funding of this scheme and the Charitable Company's pension cost are both determined based on advice provided by a professionally qualified actuary. The Charitable Company's pension costs for the year were £Nil (2010 £57,226) and were assessed using the Projected Unit Method together with the actuarial assumptions detailed below.

The pension scheme was formally valued at 1 April 2010 using the Projected Unit Method and assumed annual rates of investment returns 7.4% before retirement – 5.0% after retirement and price inflation of 3.6% per annum. This valuation revealed that the scheme had assets with a market value of £9,234,000 and was funded to the extent of 123% of its liabilities on an on-going basis. As a result of the valuation the Council Members agreed that the cost of expenses, levies for the Pension Protection Fund and death in service premiums will be met from the scheme's funding surplus until at least the next valuation, which is due at 1 April 2013.

The actuarial valuation described above has been updated at 31 March 2011 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

	2011 %	2010 %	2009 %
Rate of increase in salaries	N/A	N/A	4.5
Discount rate	5.6	5.6	6.8
Inflation assumption	3.5	3.6	3.0

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Pension costs (continued)

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

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

	2011 %	2011 £	2010 %	2010 £	2009 %	2009 £
Equities & Property		5,736,000		5,627,000		4,292,000
Gifts, Bonds and cash		3,590,000		3,629,000		2,795,000
Total fair value of assets	7.0	9,326,000	7.1	9,256,000	7.1	7,087,000
Present value of scheme liabilities		(7,152,000)		(8,614,000)		(6,895,000)
Surplus in the scheme – being the net pension asset		2,174,000		642,000		192,000
Total surplus in the scheme – being the net pension asset (note 11)		£2,174,000		£642,000		£192,000

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

	2011 £	2010 £
Current service cost (note 4)	159,000	211,000
	£159,000	£211,000

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

	2011 £	2010 £
Expected return on pension scheme assets	630,000	488,000
Interest on pension scheme liabilities	(469,000)	(460,000)
Net return	£161,000	£28,000

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Pension costs (continued)

Analysis of the actuarial gain that has been recognised in the consolidated statement of financial activities

	2011 £	2010 £
Actual return less expected return on pension scheme assets	97,000	2,087,000
Experience gains/(losses) arising on the scheme liabilities	184,000	(67,000)
Changes in assumptions underlying the present value of the scheme liabilities	1,249,000	(1,926,000)
Movement in surplus during the year	£1,530,000	£94,000

	2011 £	2010 £
Surplus at beginning of year	642,000	192,000
Movement in year		
Current service cost (note 4)	(159,000)	(211,000)
Contributions	-	55,000
Other finance income (note 2 3)	161,000	28,000
Actuarial gain	1,530,000	94,000
Curtailment gain on closure to future accrual of benefits	-	484,000
Surplus at end of year	£2,174,000	£642,000

History of experience gains and losses

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Difference between the expected and actual return on scheme assets					
Amount (£)	97	2,087	(1,994)	(972)	(271)
Percentage of scheme assets	1%	23%	(28%)	(11%)	(3%)
Experience gains/(losses) on scheme liabilities					
Amount (£)	184	(67)	(14)	(330)	82
Percentage of the present value of scheme liabilities	3%	(1%)	0%	(5%)	1%
Changes in assumption for present value of scheme liabilities					
Amount (£)	1,249	(1,926)	597	798	491
Percentage of the present value of scheme liabilities	17%	(22%)	19%	11%	7%
Total actuarial gain/(loss) recognised in the consolidated statement of financial activities					
Amount (£)	1,530	94	(1,411)	(504)	302
Percentage of the present value of scheme liabilities	21%	1%	(20%)	(7%)	4%

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14	Analysis of consolidated net debt	At 1 April 2010 £	Cashflow £	At 31 March 2011 £
	Cash at bank	53,639	(53,086)	553
	Interest free loan	(196,250)	-	(196,250)
	Total	£(142,611)	£(53,086)	£(195,697)

	2011 £	2010 £
Reconciliation of net cash flow to movement in net debt		
(Decrease)/increase in cash in the year	(53,086)	31,132
Net debt at 1 April	(142,611)	(173,743)
Net debt at 31 March	£(195,697)	£(142,611)

15 Related party transactions

The group has taken advantage of the exemption in Financial Reporting Standard No 8 from giving information in relation to transactions involving consolidated subsidiaries within the group

16 Transactions in Scotland

During the year, transactions by the Charitable Company's operations in Scotland were as follows

	£
Turnover	159,292
Cost of sales	(23,667)
Administrative costs	(120,256)
	£15,369