

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 2010

Charity Number: 210794
Company Registration Number: 116713 (England and Wales)



CLARITY - EMPLOYMENT FOR BLIND PEOPLE

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FOR THE YEAR ENDED 31 MARCH 2010**

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CLARITY - EMPLOYMENT FOR BLIND PEOPLE

REFERENCE AND ADMINISTRATIVE DETAILS

FOR THE YEAR ENDED 31 MARCH 2010

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
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

116713 (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 99th Annual General Meeting of the members of the above Charity will be held at the headquarters of the Charity at York Way on 8 October 2010 at 12 45pm for the following purposes

- 1 To approve the minutes of the previous Annual General Meeting held on 25 September 2009 (Resolution No 1)
- 2 To approve and adopt the Council's report and annual accounts for the year ended 31 March 2010 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

J Sharman (Resolution No 3)
- 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

FOR THE YEAR ENDED 31 MARCH 2010

The Council submits its report together with the audited financial statements for the year ended 31 March 2010, 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 retire each year but are 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 Company and its subsidiary.

Council members are recruited generally from sectors of the business community relevant to part or all of the 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 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 Company's manufacturing operations are contracted to its wholly owned trading subsidiary under long term contractual arrangements.

Objectives and activities for the public benefit

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 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 Company'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 declined by 5% over the year, which follows a similar pattern to 2008/09. Further to this, gross contributions reduced by 6.5% reflecting static finished goods prices and an upward pressure on component and chemical costs.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

ANNUAL REPORT OF THE COUNCIL

FOR THE YEAR ENDED 31 MARCH 2010

Achievement and performance (continued)

In contrast, the gross contribution from sales of non-CLARITY products nearly trebled compared to the previous year. These sales comprised both third party contract production plus sales of the new internal "York House" brand, primarily to the public sector. Some diversification took place into "packaging only" contracts for non personal care items.

Recruitment and training activities were centred around "WORK Visions", an in-house employment programme offering a variety of short and medium term placements/employment contracts. This was designed to offer many more opportunities for disabled people to get onto the employment ladder. It will also serve as a model for an effective intermediate labour market solution for the region when the new Government specialist employment programme (Work Choice) begins in October 2010.

Fundraising activities for CLARITY are carried out by The Greater London Fund for the Blind. This year there were additional funds made available for which the charity is extremely grateful.

Reserves policy

It is the policy of the Company to maintain unrestricted funds, which are the free reserves of the 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 Company. The Council will review this policy on an annual basis.

The unrestricted funds at 31 March 2010 are £753,715 (2009 £853,086). The Council are looking at ways to bridge the shortfall between unrestricted funds and the target level of reserves.

Future activities

CLARITY brand sales are the main drivers of profit in the business. In order to maximise sales from existing supporters a new CRM software package will be installed in the National Sales Office in Portsmouth. The website will be re-launched including an e-commerce shopping solution. This will enable marketing efforts for new support acquisition to be more diverse than the traditional "cold-call" approach. To facilitate these efforts a new Marketing Manager will be recruited.

The success of non-CLARITY brand sales in 2009/10 will enable the organisation to be more focussed on the types of contracts that generate the best margins and less concerned about just volume. Business Development activities are continuing in many directions from public sector supply chains to speciality stores.

The overall mission of disabled employment will remain central to the activities of CLARITY/GWB but the direction this takes will be determined after the introduction of Work Choice.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

ANNUAL REPORT OF THE COUNCIL

FOR THE YEAR ENDED 31 MARCH 2010

Other Income

Legacy income was received to the amount of £21,926. The 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 incoming resources before other recognised gains and losses from investments amounted to £35,548 (2009 – net outgoing resources £306,392).

Investment policies and returns

The 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. In line with all property funds capital levels reduced significantly in the year to 31 March 2009 but have recovered by 8% in the current year.

The company's investment in 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 five year period. Income from this fund is in line with previous years. Having declined in value by 33% in the year to 31 March 2009 the value at 31 March 2010 shows an increase of 50% from that date.

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.

Employees

The average number of employees employed by the Company throughout the year was 84 (2009 – 84) of whom 47 (2009 – 47) were blind and disabled.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

ANNUAL REPORT OF THE COUNCIL

FOR THE YEAR ENDED 31 MARCH 2010

Risk management

The Company continues to examine the major strategic, business and operation risks which the 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 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 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.

Statement as to disclosure of information to auditors

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

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

ANNUAL REPORT OF THE COUNCIL

FOR THE YEAR ENDED 31 MARCH 2010

Final salary pension scheme

The result of the estimated funding position of the final salary pension scheme at 31 March 2009 prepared by the schemes actuaries showed that the scheme was now underfunded, as compared to being in surplus for many years. Increased longevity, poor stock market performance and increased costs as a result of changes in pension legislation had all contributed to this decline.

The actuaries advised that to return the Scheme to a positive funding level over the long term would necessitate the company increasing its contributions to 31% of salaries compared to 9% at the present time. The Trustees of both the company and the Scheme agreed that this level of cost was totally unaffordable.

Various options were considered but it was fully agreed that there was no alternative other than to close the Scheme to future accrual of benefits for existing members. Benefits up to the date of closure will be preserved and continue to grow in line with inflation. The Scheme closed to new members in 2005.

Employees were formally consulted and attended forums at which both the actuaries and the company explained the reasons behind the decision. Detailed question and answer sessions were held with staff subsequent to the formal announcement being issued. A closure date of 31 March 2010 was confirmed.

All employees have been offered membership of a defined contribution scheme and a representative of the insurance company operating the scheme made presentations explaining the new arrangements. The majority of staff have joined the new scheme.

The company regrets the decision that had to be taken and wishes to thank all staff for the understanding way in which it has been accepted.

Auditors

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

This report was approved by the Council on 8 October 2010.



TB 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 2010 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 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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Council Members' Responsibilities set out on page eight, the directors 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 company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, 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 company's affairs as at 31 March 2010 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 directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Wilkins Kennedy

M Wilkes (Senior Statutory Auditor)

For and on behalf of Wilkins Kennedy

Statutory Auditor

Chartered Accountants

Bridge House

London Bridge

London SE1 9QR

Date *18 October 2010*

CLARITY – EMPLOYMENT FOR BLIND PEOPLE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 MARCH 2010

Incorporating income and expenditure account	Notes	2010 £	2009 £
Incoming resources			
Incoming resources from generated funds:			
Voluntary income		139,423	112,521
Activities for generating funds		2,920,144	2,901,274
Investment income		247,686	446,996
Other incoming resources		-	300
Total incoming resources	2	3,307,253	3,461,091
Resources expended			
Charitable activities			
- distribution costs		1,521,096	1,565,959
- supported factory costs		2,106,884	2,063,951
- welfare		96,454	94,464
- sheltered housing costs		10,208	23,492
Governance costs		21,063	19,617
Total resources expended	3	3,755,705	3,767,483
Net outgoing resources – excluding exceptional items		(448,452)	(306,392)
Exceptional items			
Curtailment gain on closure of final salary pension scheme to future accrual of benefits	13	484,000	-
Net incoming/(outgoing) resources before other recognised gains and losses		35,548	(306,392)
Other recognised gains and losses:			
Gains/(losses) on investment assets	7	686,466	(1,408,637)
Actuarial gain/(loss) on defined benefit pension scheme	13	94,000	(1,411,000)
Net movement in funds	5	816,014	(3,126,029)
Total funds brought forward		4,479,612	7,605,641
Total funds carried forward		£5,295,626	£4,479,612

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

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 2010

	Notes	2010 Group £	2009 Group £	2010 Charity £	2009 Charity £
Fixed assets					
Tangible assets	6	190,940	225,528	190,940	225,528
Investments	7	3,893,702	3,428,317	3,893,702	3,428,317
Investment in subsidiary	7	-	-	1	1
		<u>4,084,642</u>	<u>3,653,845</u>	<u>4,084,643</u>	<u>3,653,846</u>
Current assets					
Stocks	8	701,251	714,332	701,251	714,332
Debtors	9	374,847	356,369	395,578	379,636
Cash at bank and in hand		53,639	22,507	53,639	30,543
		<u>1,129,737</u>	<u>1,093,208</u>	<u>1,150,468</u>	<u>1,124,511</u>
Creditors: Amounts falling due within one year	10	<u>(560,753)</u>	<u>(459,441)</u>	<u>(587,694)</u>	<u>(496,954)</u>
Net current assets		<u>568,984</u>	<u>633,767</u>	<u>562,774</u>	<u>627,557</u>
Total assets less current liabilities		<u>4,653,626</u>	<u>4,287,612</u>	<u>4,647,417</u>	<u>4,281,403</u>
Defined benefit pensions asset	13	642,000	192,000	642,000	192,000
Net assets including pensions asset	11	<u>£5,295,626</u>	<u>£4,479,612</u>	<u>£5,289,417</u>	<u>£4,473,403</u>
Funds					
Designated funds - realised		4,527,413	4,748,494	4,527,413	4,748,494
- unrealised		(633,711)	(1,320,177)	(633,711)	(1,320,177)
Total designated funds		<u>3,893,702</u>	<u>3,428,317</u>	<u>3,893,702</u>	<u>3,428,317</u>
Non charity funds		6,209	6,209	-	-
General funds		<u>753,715</u>	<u>853,086</u>	<u>753,715</u>	<u>853,086</u>
Unrestricted funds excluding pensions asset		<u>4,653,626</u>	<u>4,287,612</u>	<u>4,647,417</u>	<u>4,281,403</u>
Pensions reserve	13	<u>642,000</u>	<u>192,000</u>	<u>642,000</u>	<u>192,000</u>
Total unrestricted funds		<u>£5,295,626</u>	<u>£4,479,612</u>	<u>£5,289,417</u>	<u>£4,473,403</u>

The financial statements were approved by the Council on 8 October 2010 and signed on their behalf

J Sharman – Council Chairman

T B Burton FCA – Honorary Treasurer

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

Registered number 116713

CLARITY – EMPLOYMENT FOR BLIND PEOPLE
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2010

Reconciliation of surplus to net cash flow from operations		2010 £	2009 £
Net movement in funds before distributions		35,548	(306,392)
Depreciation		44,826	44,845
Profit on sale of tangible fixed assets		-	(300)
Dividend and interest income		(219,685)	(287,996)
Decrease in stocks		13,081	11,200
(Increase)/decrease in debtors		(18,478)	30,855
Increase/(decrease) in creditors		101,312	(728)
FRS17 adjustments for pension funding		(356,000)	(17,000)
Net cash outflow from operations before distributions		<u>£(399,396)</u>	<u>£(525,516)</u>
CASH FLOW STATEMENT		£	£
	Note		
Net cash outflow from operations		(399,396)	(525,516)
Returns on investments and servicing of finance			
Dividend and interest income		219,685	287,996
Capital expenditure			
Payments to acquire tangible fixed assets		(10,238)	(36,419)
Proceeds from sale of tangible fixed assets		-	300
Treasury deposit realisation		221,081	264,122
Increase/(decrease) in cash		<u>£31,132</u>	<u>£(9,517)</u>
Reconciliation of net cash flow to movement in net funds		£	£
Increase/(decrease) in cash in the year		31,132	(9,517)
Movement in net funds in the year		31,132	(9,517)
Net funds at 31 March 2009		22,507	32,024
Net funds at 31 March 2010	14	<u>£53,639</u>	<u>£22,507</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 2010

1. Accounting policies

1.1 Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by revaluation of fixed asset investments, 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 Charity 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 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.

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 Charity.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Accounting policies (continued)

1.6 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%
Plant and machinery	-	10% to 25%
Freehold land is not depreciated		

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 labour and materials with a proportion of overhead expended added where appropriate.

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

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.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Accounting policies (continued)

1 13 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 2010.

2. Incoming Resources	2010 £	2009 £
2.1 Voluntary income		
Greater London Fund for the Blind donation	116,400	66,780
Legacies	21,926	44,875
Other donations	1,097	866
	139,423	112,521
2 2 Activities for generating funds		
Sales from supported factories	2,484,467	2,453,712
Capitations / Employment grant	419,582	432,547
Sheltered housing income	16,095	15,015
	2,920,144	2,901,274
2.3 Investment income		
Dividends receivable	219,582	274,745
Interest income – bank	104	13,251
Other finance income—FRS17 net investment return (note 13)	28,000	159,000
	247,686	446,996
2 4 Other incoming resources		
Profit on sale of tangible fixed assets	-	300
Total incoming resources	£3,307,253	£3,461,091

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.	Resources Expended	Staff costs £	Other costs £	Support Costs £	Total 2010 £	Total 2009 £
	Distribution costs	236,142	1,284,954	-	1,521,096	1,565,959
	Benefits to the blind and disabled					
	- supported factory costs	1,078,129	836,807	191,948	2,106,884	2,063,951
	- welfare	18,624	62,582	15,248	96,454	94,464
	- Sheltered housing costs	-	10,208	-	10,208	23,492
	Governance costs	15,000	6,063	-	21,063	19,617
		<u>£1,347,895</u>	<u>£2,200,614</u>	<u>£207,196</u>	<u>£3,755,705</u>	<u>£3,767,483</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 £105,541 (2009 £110,259) are included as part of support costs for supported factory costs

4	Staff Costs	2010 £	2009 £
	Wages and salaries	1,151,296	1,161,650
	Social security costs	79,334	79,752
	Pension costs – including recurring FRS17 costs	222,806	198,524
		<u>£1,453,436</u>	<u>£1,439,926</u>

The trustees received no remuneration or reimbursement of expenses during the year (2009 £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 (2009 one)

The average number of employees during the year was as follows	2010	2009
Production	46	49
Distribution	33	30
Training/welfare	2	2
Management and administration of the charity	3	3
	<u>84</u>	<u>84</u>

During the year the Charity employed 47 blind and disabled people in the supported factory and in sales offices (2009 47)

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Net movement in funds		2010	2009
		£	£
Net movement in funds is stated after charging/(crediting)			
Depreciation		44,826	44,845
Profit on sale of tangible fixed assets		-	(300)
Auditors' remuneration – audit fees		10,000	9,500
Operating lease rentals			
- plant and machinery		7,932	4,942
- land and buildings		230,000	230,000
		<u>230,000</u>	<u>230,000</u>
6. Tangible Fixed Assets	Freehold Building	Plant and machinery	Total
Group and Charity			
	£	£	£
Cost			
At 1 April 2009	30,669	393,379	424,048
Additions	-	10,238	10,238
Disposals and deletions	-	(62,055)	(62,055)
	<u>30,669</u>	<u>341,562</u>	<u>372,231</u>
At 31 March 2010			
Depreciation			
At 1 April 2009	5,358	193,162	198,520
Charge for the year	99	44,727	44,826
Disposals	-	(62,055)	(62,055)
	<u>5,457</u>	<u>175,834</u>	<u>181,291</u>
At 31 March 2010			
Net book value			
At 31 March 2010	<u>£25,212</u>	<u>£165,728</u>	<u>£190,940</u>
At 31 March 2009	<u>£25,311</u>	<u>£200,217</u>	<u>£225,528</u>

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 2009	1,056,244	2,145,829	226,244	3,428,317
Disposals	-	-	(221,081)	(221,081)
Net investment gains unrealised	524,604	161,862	-	686,466
Market value at 31 March 2010	1,580,848	2,307,691	5,163	3,893,702
Historical cost at 31 March 2010	1,632,250	2,890,000	5,163	4,527,413
Unrealised losses at 31 March 2010	£(51,402)	£(582,309)	£-	£(633,711)
Unrealised losses at 31 March 2009	£(576,006)	£(744,171)	£-	£(1,320,177)
Historical cost at 31 March 2009	£1,632,250	£2,890,000	£226,244	£4,748,494
Market value of listed investments.				
Charities Aid Foundation	£1,580,848			

Investment in subsidiary

	2010 £	2009 £
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

	2010 £	2009 £
Turnover	930,000	938,000
Direct costs	(729,232)	(729,871)
Gross profit	200,768	208,129
Administrative expenses	(180,037)	(182,340)
Net profit	20,731	25,789
Gift aid payable	(20,731)	(25,789)
Retained in subsidiary	-	-
Retained profit brought forward	6,209	6,209
Retained profit carried forward	£6,209	£6,209

At 31 March 2010, the aggregate of the share capital and reserves of GWB Products Limited amounted to £6,210 (2009: £6,210).

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8	Stocks	Group		Charity	
		2010 £	2009 £	2010 £	2009 £
	Raw materials and consumables	217,464	172,464	217,464	172,464
	Finished goods	483,787	541,868	483,787	541,868
		<u>£701,251</u>	<u>£714,332</u>	<u>£701,251</u>	<u>£714,332</u>
9	Debtors	Group		Charity	
		2010 £	2009 £	2010 £	2009 £
	Trade debtors	255,628	237,836	255,628	237,836
	Other debtors	110,439	116,011	110,439	116,011
	Prepayments	8,780	2,522	8,780	-
	Gift aid receivable	-	-	20,731	25,789
		<u>£374,847</u>	<u>£356,369</u>	<u>£395,578</u>	<u>£379,636</u>
10.	Creditors: Amounts falling due within one year	Group		Charity	
		2010 £	2009 £	2010 £	2009 £
	Trade creditors	131,730	65,722	131,730	-
	Other creditors	59,506	48,070	59,506	48,070
	Tax and social security	46,517	44,462	46,517	44,462
	Accruals	126,750	104,937	126,750	24,937
	Amount due to subsidiary undertaking	-	-	26,941	183,235
	Interest free loan from the Employment Service	196,250	196,250	196,250	196,250
		<u>£560,753</u>	<u>£459,441</u>	<u>£587,694</u>	<u>£496,954</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 £3,893,702 (2009 £3,428,317). 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 2009 £	Incoming resources £	Outgoing Resources £	Gains or Losses £	Balance 31 March 2010 £
Group					
Designated funds					
- realised funds	4,748,494	-	(221,081)	-	4,527,413
- unrealised funds	(1,320,177)	-	-	686,466	(633,711)
General funds	853,086	3,500,334	(3,599,705)	-	753,715
Non charity funds	6,209	-	-	-	6,209
Unrestricted funds excluding pensions assets	4,287,612	3,500,334	(3,820,786)	686,466	4,653,626
Pensions reserve (note 13)	192,000	567,000	(211,000)	94,000	624,000
Total funds	£4,479,612	£4,067,334	£(4,031,786)	£780,466	£5,295,626
Charity					
Designated funds					
- realised funds	4,748,494	-	(221,081)	-	4,527,413
- unrealised funds	(1,320,177)	-	-	686,466	(633,711)
General funds	853,086	2,570,334	(2,669,705)	-	753,715
Unrestricted funds excluding pensions assets	4,281,403	2,570,334	(2,890,786)	686,466	4,647,417
Pensions reserve (note 13)	192,000	567,000	(211,000)	94,000	642,000
Total funds	£4,473,403	£3,137,334	£(3,101,786)	£780,466	£5,289,417

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 (2009 nil)

(ii) Operating leases

At 31st March 2010 the group and charity had annual commitments under non cancellable leases as follows

	2010		2009	
	Land and Buildings £	Plant and Machinery £	Land and Buildings £	Plant and Machinery £
Expiring				
Between two and five years	-	2,600	-	3,991
After five years	230,000	1,240	230,000	1,240
	<u>£230,000</u>	<u>£3,830</u>	<u>£230,000</u>	<u>£5,231</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 £57,226 (2009 £56,523) 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 contributed to the scheme at the recommended rate of 9.0% of pensionable salaries, which continued until 31 March 2010.

With effect from 31 March 2010, the scheme closed to future accrual of benefits. At this date, all active members ceased to accrue further pension benefits in the scheme, and their past service benefits ceased to be linked to future salary growth. This scheme change represents a 'curtailment' under FRS17, which requires that gains or losses arising as a result of curtailments be recognised immediately in the statement of financial activities covering that date. The curtailment gain arising as a result of the closure of the scheme to future accrual is £484,000.

The actuarial valuation described above has been updated at 31 March 2010 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.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Pension costs (continued)

The major assumptions used for the actuarial valuation were

	2010 %	2009 %	2008 %
Rate of increase in salaries	N/A	4.5	5.0
Discount rate	5.6	6.8	6.6
Inflation assumption	3.6	3.0	3.5

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

	2010 %	2010 £	2009 %	2009 £	2008 %	2008 £
Equities & Property		5,627,000		4,292,000		5,099,000
Gifts, Bonds and cash		3,629,000		2,795,000		3,647,000
Total fair value of assets	7.1	9,256,000	7.1	7,087,000	7.3	8,746,000
Present value of scheme liabilities		(8,614,000)		(6,895,000)		(7,160,000)
Surplus in the scheme – being the net pension asset		642,000		192,000		1,586,000
Total surplus in the scheme – being the net pension asset (note 11)		£642,000		£192,000		£1,586,000

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

	2010 £	2009 £
Current service cost (note 11)	211,000	201,000
	£211,000	£201,000

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

	2010 £	2009 £
Expected return on pension scheme assets	488,000	627,000
Interest on pension scheme liabilities	(460,000)	(468,000)
Net return	£28,000	£159,000

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Pension costs (continued)

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

	2010 £	2009 £
Actual return less expected return on pension scheme assets	2,087,000	(1,994,000)
Experience losses arising on the scheme liabilities	(67,000)	(14,000)
Changes in assumptions underlying the present value of the scheme liabilities	(1,926,000)	597,000
Movement in surplus during the year (note 11)	£94,000	£(1,411,000)

	2010 £	2009 £
Surplus at beginning of year	192,000	1,586,000
Movement in year		
Current service cost (note 11)	(211,000)	(201,000)
Contributions	55,000	59,000
Other finance income (note 2 3)	28,000	159,000
Actuarial gain/(loss) (note 11)	94,000	(1,411,000)
Curtailment gain on closure to future accrual of benefits	484,000	-
Surplus at end of year (note 11)	£642,000	£192,000

History of experience gains and losses

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Difference between the expected and actual return on scheme assets:					
Amount (£)	2,087	(1,994)	(972)	(271)	878
Percentage of scheme assets	23%	(28%)	(11%)	(3%)	10%
Experience (losses)/gains on scheme liabilities					
Amount (£)	(67)	(14)	(330)	82	452
Percentage of the present value of scheme liabilities	(1%)	0%	(5%)	1%	6%
Changes in assumption for present value of scheme liabilities					
Amount (£)	(1,926)	597	798	491	(643)
Percentage of the present value of scheme liabilities	(22%)	19%	11%	7%	(8%)
Total actuarial (loss)/gain recognised in the consolidated statement of financial activities					
Amount (£)	94	(1,411)	(504)	302	687
Percentage of the present value of scheme liabilities	1%	(20%)	(7%)	4%	9%

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. Analysis of consolidated net debt	At 1 April 2009 £	Cashflow £	At 31 March 2010 £
Cash at bank	22,507	31,132	53,639
Interest free loan	(196,250)	-	(196,250)
Total	£(173,743)	£31,132	£(142,611)

	2010 £	2009 £
Reconciliation of net cash flow to movement in net debt		
Increase/(decrease) in cash in the year	31,132	(9,517)
Net debt at 1 April	(173,743)	(164,226)
Net debt at 31 March	£(142,611)	£(173,743)

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 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	-	190,940	-	-	190,940
Investments	3,893,702	-	-	-	3,893,702
Net current assets	-	562,775	6,209	-	568,984
Defined benefit pensions asset	-	-	-	642,000	642,000
	£3,893,702	£753,715	£6,209	£642,000	£5,295,626