

**CLARITY – EMPLOYMENT FOR BLIND PEOPLE**  
**(A registered charity and company limited by guarantee)**

**STRATEGIC REPORT, REPORT OF THE COUNCIL  
AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2018**

**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 2018**

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## **CLARITY - EMPLOYMENT FOR BLIND PEOPLE**

### **REFERENCE AND ADMINISTRATIVE DETAILS**

#### **FOR THE YEAR ENDED 31 MARCH 2018**

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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**

A Balduini

H L F Fairhurst (appointed 14 August 2017;  
resigned 18 September 2018)

D W Grace (appointed 14 August 2017)

C H Jackson (appointed 14 August 2017)

J M Mellor

E L Peacock (resigned 22 May 2018)

J K Sharman

A B Sonksen

#### **Council Chairman**

J K Sharman

#### **Key Management Personnel:**

##### **Chief Executive**

J G Robinson (resigned 18 June 2018)

N P Lewis (appointed 18 June 2018)

##### **Secretary**

M Moothathamby

##### **Operations Manager**

H Louise

##### **Head of Commercial**

C Marcus-Dew

#### **Headquarters and registered office**

Unit 7 Highams Park Industrial Estate  
Jubilee Avenue  
London, E4 9JD

#### **Company Registration Number**

00116713 (England and Wales)

#### **Charity Registration Number**

210794 (England and Wales)

#### **Charity Registration Number**

SC042291 (Scotland)

#### **Bankers**

Barclays Bank plc  
1 Churchill Place  
London E14 5HP

#### **Statutory Auditor**

Wilkins Kennedy Audit Services  
Statutory Auditor  
Bridge House  
London Bridge  
London SE1 9QR

#### **Investment Managers**

The Charities Property Fund  
Savills Investment Management  
33 Margaret Street  
London W1G 0JD

**CLARITY - EMPLOYMENT FOR BLIND PEOPLE**

**NOTICE OF ANNUAL GENERAL MEETING**

**FOR THE YEAR ENDED 31 MARCH 2018**

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**NOTICE IS HEREBY GIVEN** that the 107th Annual General Meeting of the members of the above Charitable Company will be held at the headquarters of the Charitable Company at Unit 7 Highams Park on 27 November 2018 at 6.30pm for the following purposes:

1. To approve the minutes of the previous Annual General Meeting held on 29 November 2017 (Resolution No. 1).
2. To approve and adopt the Council's report and annual accounts for the year ended 31 March 2018 and to receive the auditors' report (Resolution No. 2).
3. To re-elect the following members of the Council who retire by rotation and, being eligible, will be proposed for re-election (Resolution No. 3).
  - A Balduini
  - A Sonksen
4. To re-appoint Wilkins Kennedy Audit Services as auditors (Resolution No. 5).
5. To transact any other ordinary business of the Charitable Company.

By Order of the Council



**J M Mellor - Council Member, Acting Chair**

## **CLARITY – EMPLOYMENT FOR BLIND PEOPLE**

### **STRATEGIC REPORT AND ANNUAL REPORT OF THE COUNCIL**

#### **FOR THE YEAR ENDED 31 MARCH 2018**

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The Council Members of Clarity – Employment for Blind People present their Annual Report together with the audited financial statements for the year ended 31 March 2018 which comply with the Charities Act 2011, the Companies Act 2006 and Accounting and Reporting by Charities: Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK (FRS 102) (effective 1 January 2015) and Bulletin 1.

The Annual Report also contains a directors' report as required by company law.

#### **OBJECTIVES AND ACTIVITIES FOR THE PUBLIC BENEFIT**

In shaping our objectives for the year and planning our activities, the Council members are mindful of the Charity's obligations to provide Public Benefit, and have given due consideration to the Charity Commission's published guidance on the Public Benefit requirement under the Charities Act 2011.

The objectives of the Charitable Company are the provision of employment, training, pensions, grants and other financial and welfare assistance to visually impaired and disabled people. To achieve this objective, the Charitable Company employs visually impaired and disabled people in a 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.

### **STRATEGIC REPORT**

#### **ACHIEVEMENTS AND PERFORMANCE**

Our activities as a charity and social enterprise have continued to focus on two main areas;

- creating and maintaining meaningful and rewarding employment for all our disabled and other employees, as well as creating new opportunities for others to join the organisation
- marketing and selling the soap and soap related products which we manufacture.

Our long-term financial strategy remains for us to break even or achieve a surplus each year to maintain and build our reserves. This year, we were not able to do this and instead had to utilise reserves brought forward. The reasons for this and our plans to return to a surplus position are discussed further in the review of our financial performance.

#### **Our People**

Our people continue to be key to the ongoing success of the organisation and to meeting our underlying charitable purpose. This year our employees have remained focused on the successful and efficient production of existing products and also worked hard to develop and launch a new range of exciting products for the retail sector. We are proud to have a workforce which is so committed and loyal to the CLARITY organisation.

Over the course of the year we generated around 11,900 days of employment for people who are visually impaired or otherwise disabled which was a small increase on the previous year. An additional 15 disabled people were recruited in London on short term contracts, 14 under Work Choice and one from Groundwork London ACE programme. 13 people left the organisation, of which only two left for further employment.

In the Lake District we moved our production from the premises above our retail outlet to a separate, larger unit in Workington. This will allow us to employ up to four additional people and draw from a larger pool of candidates as the new location has much better transport links.

## **CLARITY – EMPLOYMENT FOR BLIND PEOPLE**

### **STRATEGIC REPORT AND ANNUAL REPORT OF THE COUNCIL**

#### **FOR THE YEAR ENDED 31 MARCH 2018**

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We continue to have difficulties recruiting through Work Choice due to the Government announcing the closure of the programme. This issue has particularly affected our work in the Lake District as the local Work Choice arrangements require people to move on after six months of employment and leavers have been difficult to replace.

However, we have continued to work with the Supported Business Alliance and the Department of Work and Pensions on what will happen when Work Choice ends in March 2019. Progress has been made in identifying how our staff will continue to be supported and the Government has made a commitment for at least a 2-year transition period. During this time we need to investigate other employment schemes to supplement support for staff, especially those that allow us to employ additional staff.

The Greater London Fund for the Blind (GLFB) continued to carry out their fundraising activities on behalf of CLARITY for the employment, training and development of visually impaired staff. We remain particularly grateful to the GLFB for their ongoing support in this and other areas.

#### **Our Trading Activities**

This involves three main areas of business –

- CLARITY Commercial including The Soap Co. (National)
- CLARITY Products
- The Soap Co. Keswick

The key achievements of each area of the business are discussed below.

#### **CLARITY Commercial including The Soap Co. (National)**

The Commercial function is focused on developing new own brands to target new market segments. At the outset of the year we restructured resources to ensure we were structured for growth. This involved the creation of separate Sales, Marketing, Customer Services, and New Product Development (NPD) functions. There was a particular focus on NPD planning to support growth over the next 3 years with a new brand and new market segments in plan.

Building our brands is of utmost importance and we focused on reaching our target customers. We trialled volunteer days and team building events within CLARITY and spoke at external events, highlighting our inclusive and diverse workplace and unique brands. This included co-running an event with Ernst & Young to address the corporate gifting sector by sharing our story. We began new pro bono partnerships with public relations (PR) firm Suzanne Howe Communications for B2B and the Communication Store for the consumer market leading us to feature in articles in The Guardian and to have received offers of support from videographers and photographers. After Christmas we received strong PR coverage for The Soap Co including being featured on This Morning with Phil and Hollie, coverage in The Guardian, Vogue, The Observer and Harper's Bazaar. Towards the end of the period we received further PR coverage in Time Out, The Daily Mail, ES Magazine and dozens of placements of our products within B2B trade magazines reaching facilities, hotels and property publications. We won awards for our Environmental Impact and were shortlisted for awards for 'One-to-Watch' and 'Consumer Facing Social Enterprises'.

During the year there was a drive to address demand within large B2B accounts, which involved strengthening key distributor relationships through partners such as Jangro, Bunzl and Zenith, allowing us to more easily reach new business in the future through their current supply chains. We also filed trademarks across all CLARITY brands, formalising our brands' market positions. Major new customers included large corporates such as JnJ, Camden Market and the Cabinet Office and also restaurants such as Brindisa Tapas which has strong alignment with The Soap Co. brand and demographics.

## **CLARITY – EMPLOYMENT FOR BLIND PEOPLE**

### **STRATEGIC REPORT AND ANNUAL REPORT OF THE COUNCIL**

#### **FOR THE YEAR ENDED 31 MARCH 2018**

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In the run-up to Christmas, we launched The Soap Co.'s new Eco range, which has been in the pipeline for over 18 months. This resulted in new custom from Capgemini, Zurich, and Dobbies and over 300% sales growth online for The Soap Co. from Christmas 2016 to Christmas 2017. We also had initial meetings with major department stores and international hotel chains.

For the mass market, planning for national retail growth started well with initial meetings with three major national retailers for our newest prototype supermarket brand, BECO, comprising a foaming eco hand soap and soap bar. The first component sourcing decisions were made for the new brand coming to market in FY1819.

In addition to our own brands, Contract sales "white label" where we manufacture on behalf of others) demand continued to be strong, with several customers with high volume orders. This required careful management in production alongside the new brand volumes, hence there was an overall reduction in volume from FY1617 but only a minor impact to revenue. We serviced all our major contract customers, despite our main marketing and business development efforts being focused on our more profitable and strategically important own brand manufacturing.

#### **CLARITY Products**

The original CLARITY brand forms the more established and traditional part of our business and remains both core to the organisation and key to our financial position. Trading conditions have continued to be difficult for the year under review primarily due to difficulty in reaching new customers, particularly for our independent distributors. We continued to see a decline in independent distributor sales of 8%, and a static position for our National Sales Offices in Portsmouth and Scotland.

#### **The Soap Co. Keswick**

Sales of our Soap Co. Keswick brand grew 25% compared with the previous period, with increases seen across all channels: our retail outlet, on-line and B2B. This was achieved as a result of reviewing our sales strategy and focusing resources on the markets and products that have been most successful.

#### **FINANCIAL REVIEW**

Whilst Council members regard the financial position as disappointing, the level of activity of the Charity and excellent growth in targeted sales markets is extremely encouraging.

Net expenditure from operations amounted to £792,231 (2017: £500,414). This deficit is due to continued declining sales of Clarity products, an investment in growth in the commercial part of the business to replace the decline in traditional areas and a reduction in donations.

A deficit position was expected at this stage of the strategic plan but disappointingly results were worse than planned for in the period. This is mainly due to the build in new sales being slower than the original ambitious plans. However, strong sales growth has been achieved and futures plans include a revised trajectory based on this experience and the potential of alternative income streams from partnerships, grants and sponsorship; the revised financial plan shows a reducing deficit over the next few years.

The Charity's net assets, excluding the defined benefit pension scheme asset or liability recognised on the balance sheet, stood at £3,235,163 (2017: £3,832,288) at the year end.

## **CLARITY – EMPLOYMENT FOR BLIND PEOPLE**

### **STRATEGIC REPORT AND ANNUAL REPORT OF THE COUNCIL**

**FOR THE YEAR ENDED 31 MARCH 2018**

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#### **Key performance indicators**

The Charitable Company's main purpose is to provide employment for visually impaired and/or otherwise disabled people and is a non-profit making organisation. Therefore, its main performance indicator is the number of visually impaired and disabled people employed.

The average number of full time and part time employees employed by the Charitable Company throughout the year was 108 (2017:109) of whom 82 (2017: 83) were visually impaired and/or otherwise disabled.

Financial performance indicators are to monitor and explain actual performance against budget, both in aggregate and by area of the business. Capital expenditure and investment performance is also monitored against budget.

The returns required on investments are discussed below.

#### **Reserves policy**

The Charity needs some free reserves to enable it to meet its charitable obligations in the eventuality of an unexpected shortfall in income. The Charity Commission defines free reserves as unrestricted funds available to spend on the general purposes of the Charity, and, therefore, excludes those designated for particular purposes and those already utilised in purchasing tangible assets.

It is the policy of the Charitable Company to maintain unrestricted funds, at a level to fund the expenditure of the business for a six-month period, which is approximately £1.5 million. This would provide sufficient funds to cover governance costs as well as welfare payments. Designated reserves, representing tangible fixed assets, 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 2018 are £2,813,131 (2017: £3,383,314). The Council are currently holding this level of general funds in order to fund the implementation of the Charitable Company's strategic plan.

Designated funds consist of plant and machinery held for the purpose of manufacture and hence providing employment in the Charitable Company's factory. These amounts can only be realised by disposing of the tangible assets concerned. Designated funds at 31 March 2018 of £422,032 (2017: £448,974) along with a pensions reserve surplus of £57,000 (2017: deficit of £220,000) give total unrestricted funds of £3,292,163 at the end of the reporting period (2017: £3,612,288).

#### **Going Concern**

The financial statements have been prepared on a going concern basis as, after considering the level of funds held and the expected level of income and expenditure, the Council members have reasonable assurance that the Charitable Company has the resources to continue in operational existence for at least the next twelve months.

#### **Financial Instruments**

The Charitable Company's financial instruments at the balance sheet date comprised cash and liquid resources. The main purpose of these financial instruments is to support the Charitable Company's operations. The Charitable Company has various other financial instruments including trade debtors and trade creditors that arise directly from its operations.

It is, and has been throughout the period under review, the Charitable Company's policy that no trading in financial instruments shall be undertaken.



## **CLARITY – EMPLOYMENT FOR BLIND PEOPLE**

### **STRATEGIC REPORT AND ANNUAL REPORT OF THE COUNCIL**

**FOR THE YEAR ENDED 31 MARCH 2018**

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#### **Investment policies and returns**

The Charitable Company continues to invest in property, through the Charities Property Fund. The aim of this investment is to obtain an income return of 6%. An actual return of 4.4% has been achieved. However, units in the fund have increased by 6.5% in capital value.

The Council consider their investment in 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.

Subsequent to the year end, the Council Members have reviewed their investments and cash position and agreed to drawdown funds from the Charities Property Fund to meet operational needs.

#### **Fundraising activities**

The Charitable Company does not employ any professional fundraisers to fundraise on its behalf but all staff members and any volunteers involved in fundraising activities are trained in accordance with recognised standards so as to ensure that the public, including vulnerable people, are protected from unreasonable or intrusive approaches. The Charitable Company has not received any complaints about its fundraising activities.

#### **Principal risks and uncertainties**

The Council Members have a duty to identify and review the risks to which the Charitable Company is exposed and to ensure appropriate controls are in place to provide reasonable assurance against fraud and error.

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.

The financial risks to which the Charitable Company is exposed relate primarily to:

- Change in government and legislation of supported employment
- Potential of reduced funding and cash flow
- Continued reduction in demand for some products
- Capacity to increase production for growth.

The principal risks and uncertainties that the Charitable Company faces are mitigated by the risk management process that the Charitable Company has in place.

## **CLARITY – EMPLOYMENT FOR BLIND PEOPLE**

### **STRATEGIC REPORT AND ANNUAL REPORT OF THE COUNCIL**

**FOR THE YEAR ENDED 31 MARCH 2018**

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#### **PLANS FOR FUTURE PERIODS**

##### **Our People**

A key ongoing priority for us is to continue looking after the welfare of our existing employees and to create new and secure employment opportunities for other people with disabilities. As part of doing this we want to develop innovative employment offerings which will be attractive to the DWP and Job Centre plus in the post Work Choice environment. To effectively deliver such offerings, there needs to be significant improvements in terms of monitoring systems, upskilling of personnel and programme management. If we can achieve this, we will be in a strong position to increase the value of employment provision contracts from diversified sources.

During 2018/19 we will be strengthening the management team to ensure we have the skills, capability and capacity to return the charity to growth for the future to enable us to meet our mission of employment for visually impaired and other disabled people.

##### **CLARITY Commercial including The Soap Co. (National)**

Continued profitable growth in this part of the business is a key area of focus, both in the retail and corporate sectors. We continue to focus on both the luxury and mass-market segments; we will do this via an increased presence in national retail supply chains.

For the retail sector we are developing a new range of soap products under the brand name of BECO, launched in the summer of 2018. The purpose of this is to diversify our product range and target a new and larger market to drive growth as well as promote the aims of our organisation by extending our reach to more customers.

To help manage our expected growth in the corporate sector, our focus will also be on the careful management of our cost base. We believe this will enable us to successfully increase our competitiveness without reducing the social value created.

Product development and sourcing will remain key focus areas, together with production, stock control and customer service. This will help meet our commitment to make available the right product lines, at the right specification, at the right time for our growing customer base. With a strengthened offering, the aim will also be to build our brand further through a pro-bono PR company, a stronger online presence and representation at key industry events for disability, social enterprise, cosmetics, Corporate Social Responsibility (CSR) and Facility Management (FM).

##### **CLARITY Products**

We are equally committed to ensuring profitable growth in the CLARITY Products business. In this, our traditional area of business, we have to continue to adapt to a changing market and develop different ways of building growth. There are exciting plans to develop the business further, with new initiatives likely to include specialist sales units, cross selling of products and developing a workable, centralised online offering. There is also potential to leverage wider sales opportunities in different sectors using our pre-existing and experienced network of sales staff.

##### **The Soap Co. Keswick**

The Soap Co. Keswick plays an important part in the overall success of the organisation, both in furthering our charitable aims through the employment of people with disabilities and through the production and sale of products. The production unit manufactures stock for all three brands and the increased production capacity at the new unit in Workington is fundamental to all three in delivering the increased sales required by our growth plan. Going forward our focus will continue to be on increasing sales via the shop, as well as to local businesses in the Keswick area.

## **CLARITY – EMPLOYMENT FOR BLIND PEOPLE**

### **STRATEGIC REPORT AND ANNUAL REPORT OF THE COUNCIL**

**FOR THE YEAR ENDED 31 MARCH 2018**

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#### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

CLARITY – Employment for Blind People ('the Charity') is a company limited by guarantee, registered number 00116713 and also a Registered Charity. The Charity is governed by its Memorandum and Articles of Association. The guarantee of individual members is limited to £1 in the event of the company being wound up.

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 subsidiaries.

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.

Key management personnel as at 31 March 2018 were considered to be the Chief Executive, the Secretary, the Operations Manager and the Head of Commercial. Subsequent to the year end, the Charitable Company has appointed a Head of Finance, Head of Manufacturing (which was previously the Operations Manager role) and Head of Business Assurance, who are also considered to be key management personnel. The remuneration of key management personnel is set by the Council Members, with the policy objective of providing appropriate incentives to encourage enhanced performance and of rewarding them fairly and responsibly for their individual contribution to the Charity's success.

#### **STATEMENT OF ACCOUNTING AND REPORTING RESPONSIBILITIES**

The Council Members (who are also the Directors of Clarity – Employment for Blind People for the purposes of company law) are responsible for preparing the Annual Report of the Council and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards).

Company law requires the Council Members to prepare financial statements for each financial year. Under that 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 Charitable Company and of the incoming resources and application of resources, including the income and expenditure, of the Charitable Company for that period. In preparing these financial statements, the Council Members are required to:

- select the most suitable accounting policies and then to apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Charitable Company will continue in business.

## **CLARITY – EMPLOYMENT FOR BLIND PEOPLE**

### **STRATEGIC REPORT AND ANNUAL REPORT OF THE COUNCIL**

**FOR THE YEAR ENDED 31 MARCH 2018**

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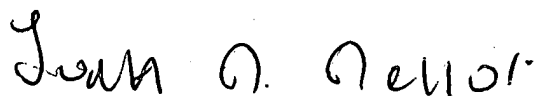
The Council Members are responsible for keeping adequate accounting records that are sufficient to show and explain the Charitable Company's transactions, disclose with reasonable accuracy at any time the financial position of the Charitable Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and the provisions of the Charity's constitution. 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.

#### **RELEVANT AUDIT INFORMATION**

So far as each of the Council Members, at the date of approval of this report is aware, there is no relevant audit information (information needed by the Charitable Company's auditor in connection with preparing the audit report) of which the Charitable Company's auditor is unaware. Each Council Member has taken all the steps that he or she should have taken as a Council Member in order to make himself or herself aware of the relevant audit information and to establish that the Charitable Company's auditor is aware of that information.

Approved by the Council on 27 November 2018, including, in their capacity as company directors, approving the Directors' and Strategic Reports contained therein, and signed on its behalf by:

J M Mellor - Council Member, Acting Chair



## **REPORT OF THE INDEPENDENT AUDITORS**

### **TO THE MEMBERS OF CLARITY – EMPLOYMENT FOR BLIND PEOPLE**

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#### **Opinion**

We have audited the financial statements of Clarity – Employment for Blind People (the 'Charitable Company') for the year ended 31 March 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Charitable Company's affairs as at 31 March 2018 and of its incoming resources and application of resources, for 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.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Council Members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Council Members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Charitable Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

The Council Members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## **REPORT OF THE INDEPENDENT AUDITORS**

### **TO THE MEMBERS OF CLARITY – EMPLOYMENT FOR BLIND PEOPLE**

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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Annual Report of the Council, which includes the directors' report and strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the Annual Report of the Council have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Charitable Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the Annual Report of the Council.

We have nothing to report in respect of the following matters in relation to which 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.

#### **Responsibilities of trustees**

As explained more fully in the Statement of Accounting and Reporting Responsibilities, the Council Members (who are also the directors of the Charitable Company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Council Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council Members are responsible for assessing the Charitable Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council Members either intend to liquidate the Charitable Company or to cease operations, or have no realistic alternative but to do so.

## REPORT OF THE INDEPENDENT AUDITORS

### TO THE MEMBERS OF CLARITY – EMPLOYMENT FOR BLIND PEOPLE

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#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Use of our report**

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 an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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.

*Wilkins Kennedy Audit Services*

M Wilkes (Senior Statutory Auditor)

For and on behalf of Wilkins Kennedy Audit Services

Statutory Auditor

Bridge House

London Bridge

London SE1 9QR

*27/11/18*

# CLARITY – EMPLOYMENT FOR BLIND PEOPLE

## STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 MARCH 2018

Incorporating income and expenditure account Unrestricted funds	Notes	2018 £	2017 £
<b>Income from:</b>			
Charitable activities		2,438,710	2,392,859
Investments		75,442	85,074
Voluntary sources		84,750	96,303
Other income		-	196,250
<b>Total income</b>	<b>2</b>	<b>2,598,902</b>	<b>2,770,486</b>
<b>Expenditure on:</b>			
Charitable activities:			
- distribution costs		1,492,952	1,377,330
- factory costs		1,770,114	1,782,777
- welfare		128,067	110,793
<b>Total expenditure</b>	<b>3</b>	<b>3,391,133</b>	<b>3,270,900</b>
<b>Net expenditure from operations</b>		<b>(792,231)</b>	<b>(500,414)</b>
Revaluation gain on fixed asset investments	<b>8</b>	112,106	10,746
<b>Net expenditure</b>		<b>(680,125)</b>	<b>(489,668)</b>
<b>Other recognised gains and losses:</b>			
Remeasurement gain / (loss) on defined benefit pension scheme	<b>15</b>	360,000	(498,000)
<b>Net movement in funds</b>		<b>(320,125)</b>	<b>(987,668)</b>
<b>Total funds brought forward</b>		<b>3,612,288</b>	<b>4,599,956</b>
<b>Total funds carried forward</b>		<b>£3,292,163</b>	<b>£3,612,288</b>

All income and expenditure has arisen from continuing activities.

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

The notes on pages 19 to 32 form part of the financial statements.




# CLARITY – EMPLOYMENT FOR BLIND PEOPLE

## BALANCE SHEET

AS AT 31 MARCH 2018

	Notes	2018 £	2017 £
<b>Fixed Assets</b>			
Intangible assets	6	-	5,102
Tangible assets	7	422,032	448,974
Investments	8	2,329,959	1,717,853
Investment in subsidiary	8	100	100
		<u>2,752,091</u>	<u>2,172,029</u>
<b>Current assets</b>			
Investments	9	-	-
Stocks	10	452,579	440,204
Debtors	11	377,675	388,402
Cash at bank and in hand		54,065	1,120,123
		<u>884,319</u>	<u>1,948,729</u>
<b>Creditors: Amounts falling due within one year</b>	12	<u>(401,247)</u>	<u>(288,470)</u>
<b>Net current assets</b>		<u>483,072</u>	<u>1,660,259</u>
<b>Total assets less current Liabilities</b>		<u>3,235,163</u>	<u>3,832,288</u>
Defined benefit pension scheme asset / (liability)	15	57,000	(220,000)
<b>Net assets</b>		<u><b>£3,292,163</b></u>	<u><b>£3,612,288</b></u>
<b>Funds</b>			
Designated funds	13	422,032	448,974
General funds	13	2,813,131	3,383,314
		<u>3,235,163</u>	<u>3,832,288</u>
Unrestricted funds excluding pension reserve			
Pension reserve	13	57,000	(220,000)
<b>Total unrestricted funds</b>		<u><b>£3,292,163</b></u>	<u><b>£3,612,288</b></u>

The financial statements were approved by the Council on 27 November 2018 and signed on their behalf:



J M Mellor – Council Member, Acting Chair

The notes on pages 19 to 32 form part of these financial statements.

Registered number: 00116713

# CLARITY – EMPLOYMENT FOR BLIND PEOPLE

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

Reconciliation of net expenditure to net cash flow from operations	2018	2017
	£	£
Net expenditure from operations	(792,231)	(500,414)
Depreciation charge	73,119	68,973
Amortisation of goodwill	5,102	5,098
Dividends received	(75,382)	(83,771)
Interest received	(60)	(1,303)
(Increase)/decrease in stocks	(12,375)	65,143
Decrease/(increase) in debtors	10,727	(84,592)
Increase/(decrease) in creditors	112,777	(244,977)
Increase in pension provision	83,000	116,000
<b>Cash used in operations</b>	<b>£(595,323)</b>	<b>£(659,843)</b>

CASH FLOW STATEMENT	£	£
<b>Cash used in operations</b>	<b>(595,323)</b>	<b>(659,843)</b>
Dividends received	75,382	83,771
Interest received	60	1,303
<b>Net cash used in operating activities</b>	<b>(519,881)</b>	<b>(574,769)</b>
<b>Cash flows from investing activities</b>		
Purchase of investments	(800,000)	-
Purchase of tangible fixed assets	(46,177)	(26,278)
Sale of investments	300,000	1,676,571
<b>Net cash provided by investing activities</b>	<b>(546,177)</b>	<b>1,650,293</b>
Change in cash and cash equivalents in the year	(1,066,058)	1,075,524
Cash and cash equivalents at the beginning of the year	1,120,123	44,599
<b>Cash and cash equivalents at the end of the year</b>	<b>£54,065</b>	<b>£1,120,123</b>

The notes on pages 19 to 32 form part of these financial statements.

## CLARITY – EMPLOYMENT FOR BLIND PEOPLE

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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#### 1. Accounting policies

##### 1.1 Company status

The Charity is a registered Charitable Company limited by guarantee in the United Kingdom. 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 of Association, is limited to £1 while a person is a Council member and for up to one year after ceasing to be a member. The address of the registered office is given in the reference and administrative details on page 3. The nature of the Charitable Company's operations and principal activities is to provide employment, training, pensions, grants and other financial and welfare assistance to blind and disabled people.

##### 1.2 Accounting convention

The Charitable Company constitutes a public benefit entity as defined by FRS 102. The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements have been prepared in accordance with the Charities SORP (FRS 102) 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK (FRS 102) (effective 1 January 2015)', Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and the Companies Act 2006'. The financial statements are prepared in sterling which is the functional currency of the Charitable Company.

##### 1.3 Going concern

Having reviewed the funding facilities available to the Charitable Company together with the expected ongoing trading conditions and the projected future cash flows, the Council has a reasonable expectation that the Charitable Company has adequate resources to continue its activities for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the financial statements.

##### 1.4 Consolidation

The financial statements contain information about Clarity – Employment for Blind People as an individual company only. The company has not prepared consolidated accounts on the grounds that its subsidiary undertaking had no income or expenditure during the year and as such its inclusion is not material for the purpose of giving a true and fair view. Accordingly, the company has taken advantage of the exemptions available under Section 398 of the Companies Act 2006 not to prepare group accounts.

##### 1.5 Income

Income is included in the Statement of Financial Activities when the Charitable Company is entitled to the income, the amount can be quantified with reasonable accuracy and the economic benefit to the Charitable Company is considered probable. The following specific policies are applied to particular categories of income:

Income from voluntary sources including donations and legacies is recognised on a receivable basis when the Council consider that such recognition is prudent and practicable and conditions for receipt have been met.

Income from charitable activities includes sales from 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.

Income from investments is included when receivable.

## CLARITY – EMPLOYMENT FOR BLIND PEOPLE

### NOTES TO THE FINANCIAL STATEMENTS

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#### 1. Accounting policies (continued)

##### 1.6 Expenditure

Expenditure is accrued as soon as a liability is considered probable and is classified under headings that aggregate all costs related to the category. Costs which cannot be directly attributed to particular headings are 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.

Expenditure on charitable activities comprises those costs incurred by the Charitable Company in the delivery of its activities and services for its beneficiaries.

Governance costs, included within support costs, represent audit and legal fees and management costs in respect of financial statements and trustees meetings.

##### 1.7 Intangible fixed assets

Goodwill arising on the acquisition of subsidiary undertakings, representing the excess of the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, commencing from the beginning of the financial year following acquisition. The Council Members have estimated the useful economic life to be 5 years. Goodwill is subject to an annual impairment review and provision is made for any impairment in the Statement of Financial Activities. The goodwill has been totally written off as at 31 March 2018.

##### 1.8 Tangible fixed assets

Tangible fixed assets 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)
Leasehold building	Over the term of the lease

##### 1.9 Fixed asset investments

Investments are stated at market value, except for the investments in subsidiary companies, which are stated at cost. The market value of listed investments is taken to be the net asset value (NAV) price ruling at the balance sheet date. Any loss or gain on revaluation is taken to the Statement of Financial Activities.

##### 1.10 Current asset investments

Investments represent charity assets which are on the open market for resale and are valued at the cash or other consideration expected to be paid or received and are not discounted.

##### 1.11 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.

##### 1.12 Debtors and creditors

Short term debtors and creditors are measured at transaction price, less any impairment.

## CLARITY – EMPLOYMENT FOR BLIND PEOPLE

### NOTES TO THE FINANCIAL STATEMENTS

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#### 1. Accounting policies (continued)

##### 1.13 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.

##### 1.14 Funds accounting

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

Designated funds represent funds invested in tangible fixed assets. The designated fund balance has been represented to ensure that the fund balance accurately reflects the designation policy adopted by the Council Members.

##### 1.15 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.

##### 1.16 Judgements and key sources of estimation uncertainty

Accounting estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Charitable Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

###### *Useful economic lives of tangible assets*

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 7 for the carrying amount of the property, plant and equipment, and note 1.8 for the useful economic lives for each class of assets.

###### *Defined benefit pension scheme*

The present value of the defined benefit pension scheme asset depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net costs (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 15, will impact the carrying amount of the pension asset. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 1 April 2017 has been used by the actuary in valuing the pension asset at 31 March 2018. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension asset.

###### *Bad debt provision*

The value of trade debtors is sensitive to the recoverability in full of any invoices issued to each customer. Once the debt becomes overdue it is chased and periodically reviewed to ensure it is recoverable in full. If a provision is deemed necessary this is included on an annual basis.

## CLARITY – EMPLOYMENT FOR BLIND PEOPLE

### NOTES TO THE FINANCIAL STATEMENTS

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#### 1. Accounting policies (continued)

##### 1.17 Pension costs

###### **Defined benefit scheme**

The amounts charged in the Statement of Financial Activities are the administration expenses and interest on net defined benefit liability. They are included as part of support costs. Actuarial gains and losses are recognised immediately in other recognised gains and losses.

Pension scheme assets are measured at fair value and funded defined benefit obligations are measured at present value. 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.

The Charitable Company also contributes to the NEST workplace pension scheme.

# CLARITY – EMPLOYMENT FOR BLIND PEOPLE

## NOTES TO THE FINANCIAL STATEMENTS

2.	Income			2018 £	2017 £	
2.1	Charitable activities					
	Sales			1,980,873	1,917,017	
	Capitations			457,837	475,842	
	Other income			-	196,250	
				<u>£2,438,710</u>	<u>£2,589,109</u>	
2.2	Investments					
	Dividends receivable			75,382	83,771	
	Interest income - bank			60	1,303	
				<u>£75,442</u>	<u>£85,074</u>	
2.3	Voluntary sources					
	Greater London Fund for the Blind			70,593	89,370	
	Legacies			6,008	5,000	
	Other donations			8,149	1,933	
				<u>£84,750</u>	<u>£96,303</u>	
	Total income			<u>£2,598,902</u>	<u>£2,770,486</u>	
3.	Expenditure	Staff costs £	Other costs £	Support Costs £	Total 2018 £	Total 2017 £
	Distribution costs	631,949	822,823	38,180	1,492,952	1,377,330
	Benefits to the blind and disabled					
	- factory costs	844,179	656,448	269,487	1,770,114	1,782,777
	- welfare	61,577	40,697	25,793	128,067	110,793
		<u>£1,537,705</u>	<u>£1,519,968</u>	<u>£333,460</u>	<u>£3,391,133</u>	<u>£3,270,900</u>

Support costs relate to overhead salaries, pension expenses and administration costs, including governance costs based on time expended. Staff costs totalling £148,675 (2017: £191,567), which include pension costs of £83,000 (2017: £116,000), are included as part of support costs.

Included within support costs are governance costs of £12,000 (2017: £13,764) relating to audit.

## CLARITY – EMPLOYMENT FOR BLIND PEOPLE

### NOTES TO THE FINANCIAL STATEMENTS

4. Staff Costs	Note	2018 £	2017 £
Wages and salaries		1,467,185	1,324,199
Social security costs		94,536	82,540
Pension costs – defined contribution scheme		41,659	30,665
Pension costs – defined benefit scheme	15	83,000	116,000
		<u>£1,686,380</u>	<u>£1,553,404</u>

The trustees received no remuneration or reimbursement of expenses during the year (2017: £nil). There was one employee whose emoluments exceeded £60,000 during the year and whose emoluments fell in the band £70,001 to £80,000 (2017: one in the band £60,001 to £70,000). Retirement benefits are accruing for the higher paid employee and total contributions were £4,339 (2017: £4,589).

The Charitable Company considers its key management personnel as at 31 March 2018 to be the Chief Executive, the Company Secretary, the Operations Manager and the Head of Commercial.

	2018 £	2017 £
Aggregate benefits of key management personnel	<u>256,391</u>	<u>234,180</u>

The average number of full time and part time employees during the year was as follows:

	2018	2017
Production/production services/training	64	64
Sales and distribution	41	42
Management and administration of the charity	3	3
	<u>108</u>	<u>109</u>

During the year the Charity employed an average of 82 blind and disabled people in the supported factory and in sales offices (2017: 83). At 31 March 2018, the number of blind and disabled employees was 82 (2017: 82).

5. Net expenditure	2018 £	2017 £
Net expenditure is stated after charging:		
Depreciation	73,119	68,973
Amortisation of goodwill	5,102	5,098
Auditors' remuneration – audit fees	12,000	11,500
Operating lease rentals		
- plant and machinery	5,306	4,339
- land and buildings	124,500	124,500
	<u></u>	<u></u>



# CLARITY – EMPLOYMENT FOR BLIND PEOPLE

## NOTES TO THE FINANCIAL STATEMENTS

### 6. Intangible fixed assets

	<b>2018</b>
<b>Goodwill</b>	<b>£</b>
<b>Cost</b>	
At 1 April 2017 and at 31 March 2018	25,494
<b>Amortisation</b>	
At 1 April 2017	20,392
Charge for the year	5,102
<b>At 31 March 2018</b>	<b>25,494</b>
<b>Net Book Value</b>	
At 31 March 2018	£-
At 1 April 2017	£5,102

### 7. Tangible fixed assets

	<b>Leasehold Building £</b>	<b>Plant and machinery £</b>	<b>Total £</b>
<b>Cost/valuation</b>			
At 1 April 2017	509,811	232,575	742,386
Additions	-	46,177	46,177
Disposals	-	(81,897)	(81,897)
<b>At 31 March 2018</b>	<b>509,811</b>	<b>196,855</b>	<b>706,666</b>
<b>Depreciation</b>			
At 1 April 2017	151,648	141,764	293,412
Charge for the year	50,981	22,138	73,119
Disposals and deletions	-	(81,897)	(81,897)
<b>At 31 March 2018</b>	<b>202,629</b>	<b>82,005</b>	<b>284,634</b>
<b>Net book value</b>			
At 31 March 2018	<b>£307,182</b>	<b>£114,850</b>	<b>£422,032</b>
At 31 March 2017	£358,163	£90,811	£448,974

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE FINANCIAL STATEMENTS

8.	Fixed asset investments	Property Fund £	Portfolio Investment £	Total £
	<b>Listed investments</b>			
	Market value at 1 April 2017	1,717,853	-	1,717,853
	Investments during the year	-	800,000	800,000
	Disposals during the year	-	(300,000)	(300,000)
	Revaluation	113,186	(1,080)	112,106
	<b>Market value at 31 March 2018</b>	<b>1,831,039</b>	<b>498,920</b>	<b>2,329,959</b>
	Historical cost at 31 March 2018	1,690,918	500,000	2,190,918
	<b>Unrealised gains at 31 March 2018</b>	<b>£140,121</b>	<b>£(1,080)</b>	<b>£139,041</b>
	Unrealised gains at 31 March 2017	£26,935	-	£26,935
	Historical cost at 31 March 2017	£1,690,918	-	£1,690,918
	<b>Investment in subsidiaries</b>		<b>2018 £</b>	<b>2017 £</b>
	Shares in wholly owned subsidiary undertakings at cost:			
	The Soap Co. (Keswick) C.I.C.		100	100
			<b>£100</b>	<b>£100</b>
	The investment of £100 ordinary shares comprises a 100% subsidiary undertaking, The Soap Co. (Keswick) C.I.C., registered number 05572606 (England & Wales). The subsidiary undertaking does not trade, there has been no income or expenditure during the year and at 31 March 2018 its net assets stood at £nil (2017: £nil).			
9.	<b>Current asset investments</b>		<b>2018 £</b>	<b>2017 £</b>
	At 1 April 2017		-	1,676,571
	Disposals		-	(1,676,571)
	<b>At 31 March 2018</b>		<b>£-</b>	<b>£-</b>

# CLARITY – EMPLOYMENT FOR BLIND PEOPLE

## NOTES TO THE FINANCIAL STATEMENTS

### 10. Stocks

	2018 £	2017 £
Raw materials and consumables	238,981	202,263
Finished goods	213,598	237,941
	<u>£452,579</u>	<u>£440,204</u>

### 11. Debtors: amounts falling due within one year

	2018 £	2017 £
Trade debtors	246,592	273,138
Other debtors	118,283	76,945
Prepayments	12,800	38,319
	<u>£377,675</u>	<u>£388,402</u>

### 12. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	222,130	59,190
Other creditors	87,036	147,012
Taxation and social security	54,581	42,175
Accruals	37,500	40,093
	<u>£401,247</u>	<u>£288,470</u>

# CLARITY – EMPLOYMENT FOR BLIND PEOPLE

## NOTES TO THE FINANCIAL STATEMENTS

### 13. Movement in funds

#### Unrestricted funds

General funds represent free reserves, arising from operations that are held to cover normal fluctuations in working capital. Pension reserve represents the fair value of scheme assets, less the present value of funded defined benefit obligations. Designated funds consist of plant and machinery held for the purpose of producing liquid and soap products in the Charitable Company's factory.

	Balance 1 April 2017 £	Income £	Expenditure £	Transfers	Gains/ (losses) £	Balance 31 March 2018 £
Unrestricted funds						
General funds	3,383,314	2,598,902	(3,235,014)	(46,177)	112,106	2,813,131
Pension reserve	(220,000)	-	(83,000)	-	360,000	57,000
	<u>3,163,314</u>	<u>2,598,902</u>	<u>(3,318,014)</u>	<u>(46,177)</u>	<u>472,106</u>	<u>2,870,131</u>
Designated funds						
- Tangible assets	448,974	-	(73,119)	46,177	-	422,032
	<u>£3,612,288</u>	<u>£2,598,902</u>	<u>£(3,391,133)</u>	<u>£ -</u>	<u>£472,106</u>	<u>£3,292,163</u>

### 14. Financial commitments

#### Operating leases

The total of future minimum lease payments under non-cancellable operating leases for each of the following periods are:

	Land and Buildings		Plant and Machinery	
	2018 £	2017 £	2018 £	2017 £
Expiring:				
Between one and five years	548,500	125,000	4,573	6,812
	<u>£548,500</u>	<u>£125,000</u>	<u>£4,573</u>	<u>£6,812</u>
<b>Capital Commitments</b>				
Plant and machinery	-	-	19,032	-

## CLARITY – EMPLOYMENT FOR BLIND PEOPLE

### NOTES TO THE FINANCIAL STATEMENTS

#### 15. Pension Costs

Clarity – Employment for Blind People (“the Charitable Company”) sponsors a funded defined benefit pension plan, the GWB 1972 Pension Scheme (“the Scheme”).

The level of benefits provided by the Scheme depends on a member’s length of service and their salary at their date of leaving the Scheme. The Scheme closed to future accrual on 31 March 2010.

The last funding valuation of the Scheme was carried out by a qualified actuary as at 1 April 2017 and no contributions are expected to be paid by the Charitable Company to the Scheme during the year ending on 31 March 2018.

The results of the latest funding valuation at 1 April 2017 have been adjusted to the balance sheet date taking account of inflation experience over the period since 1 April 2017, changes in market conditions and differences in the financial and demographic assumptions. The present value of the defined benefit obligation was measured using the Projected Unit Credit Method.

The principal assumptions used to calculate the liabilities under FRS102 are set out below:

<b>Main financial assumptions</b>	<b>31 March 2018 % pa</b>	<b>31 March 2017 % pa</b>
RPI Inflation	3.10	3.10
CPI Inflation	2.00	2.00
Pension increases		
- Pre April 1997	0.00	0.00
- Post April 1997	3.00	3.00
- Post April 2005	2.20	2.20
Discount rate for Scheme liabilities	2.65	2.50
 <b>Main demographic assumptions</b>	 <b>31 March 2018</b>	 <b>31 March 2017</b>
Mortality	SAPS S1 “Heavy” tables with an age rating of 6 years, projected using the CMI 2014 model, allowing for long term future improvements of 1.5% pa	
Life expectancy for male currently aged 65	15.3 years	16.1 years
Life expectancy for female currently aged 65	18.2 years	19.3 years
Life expectancy at 65 for male currently aged 45	17.0 years	18.1 years
Life expectancy at 65 for female currently aged 45	20.0 years	21.5 years
Cash commutation	On average members take 90% of the maximum cash sum available at retirement	
Proportion married	25% of members are assumed to be married	25% of members are assumed to be married

# CLARITY – EMPLOYMENT FOR BLIND PEOPLE

## NOTES TO THE FINANCIAL STATEMENTS

### 15. Pension Costs (continued)

#### Scheme asset allocation

	31 March 2018		31 March 2017	
	£'000	%	£'000	%
Gifts, Bonds, Swaps and Cash	2,183	24%	2,116	23%
Diversified Growth Fund	6,756	76%	7,230	77%
Total	8,939	100%	9,346	100%

None of the Scheme assets are invested in the Charitable Company's financial instruments or in property occupied by, or other assets used by, the Charitable Company.

#### Reconciliation of funded status to balance sheet

	31 March 2018	31 March 2017
	£'000	£'000
Fair value of assets	8,939	9,346
Present value of funded defined benefit obligations	(8,882)	(9,566)
Funded status	57	(220)
Asset/(liability) recognised on the balance sheet	57	(220)
Present value of unfunded defined benefit obligations	-	-

When determining the asset recognised on the balance sheet, it has been assumed that the Charitable Company would be able to recover any surplus through a refund from the Scheme in the future.

#### Amounts recognised in income statement

	Year ending 31 March 2018 £'000	Year ending 31 March 2017 £'000
Operating cost:		
Administration expenses	76	127
Financing cost:		
Interest on net defined benefit liability/(asset)	7	(11)
Pension expense recognised in profit and loss	83	116

# CLARITY – EMPLOYMENT FOR BLIND PEOPLE

## NOTES TO THE FINANCIAL STATEMENTS

### 15. Pension Costs (continued)

Amounts recognised in Other Comprehensive Income (OCI)	Year ending 31 March 2018 £'000	Year ending 31 March 2017 £'000
Asset (losses)/gains arising during the year	(235)	72
Liability gains/(losses) arising during the year	595	(570)
Total amount recognised in OCI	<u>360</u>	<u>(498)</u>
 Changes to the present value of the defined benefit obligation during the year	 Year ending 31 March 2018 £'000	 Year ending 31 March 2017 £'000
Opening defined benefit obligation (DBO)	9,566	9,114
Interest expense on DBO	235	303
Actuarial (gains)/losses on liabilities	(595)	570
Net benefits paid out	(324)	(421)
Closing defined benefit obligation	<u>8,882</u>	<u>9,566</u>
 Changes to the fair value of Scheme assets during the year	 Year ending 31 March 2018 £'000	 Year ending 31 March 2017 £'000
Opening fair value of Scheme assets	9,346	9,508
Interest income on Scheme assets	228	314
(Loss)/gain on Scheme assets	(235)	72
Net benefits paid out	(324)	(421)
Administration cost incurred	(76)	(127)
Closing fair value of Scheme assets	<u>8,939</u>	<u>9,346</u>
 Actual return on Scheme assets	 Year ending 31 March 2018 £'000	 Year ending 31 March 2017 £'000
Interest income on Scheme assets	228	314
Actuarial (loss)/gain on Scheme assets	(235)	72
Actual return on Scheme assets	<u>(7)</u>	<u>386</u>

## CLARITY – EMPLOYMENT FOR BLIND PEOPLE

### NOTES TO THE FINANCIAL STATEMENTS

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#### 16. Related party transactions

During the year the Charitable Company received income of £70,593 (2017: £89,370) from Greater London Fund for the Blind, a charity of which J K Sharman was a trustee until 6 December 2017. At 31 March 2018, £20,000 of this amount was outstanding (2017: £14,725).

#### 17. Transactions in Scotland

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

	£
Turnover	189,555
Cost of sales	(36,232)
Distribution costs	(41,052)
Sales office costs	(87,429)
	<hr/>
	<b>£24,842</b>
	<hr/>

#### 18. Ultimate Controlling Party

The Charitable Company is considered to have no one ultimate controlling party.

#### 19. Contingent Liabilities

The Charitable Company received a permanent loan of £196,250 in 1982 which is conditional on the continuous provision of supported employment. The Charitable Company has no intention of ceasing the provision of supported employment and has therefore written back the loan to income during the year. The Charitable Company considers it appropriate to disclose the loan as a contingent liability in the financial statements.