

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 2016

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 2016

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CLARITY - EMPLOYMENT FOR BLIND PEOPLE

REFERENCE AND ADMINISTRATIVE DETAILS

FOR THE YEAR ENDED 31 MARCH 2016

Founded 1854

Registered in accordance with the National Assistance Act 1948

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

A company limited by guarantee

Council Members

J K Sharman
R S Wilson
J M Mellor
A Balduini
E L Peacock
P T Garland (resigned 18 August 2015)
A B Sonksen (appointed 15 August 2016)

Council Chairman

J K Sharman

Key Management Personnel:

Chief Executive

J G Robinson

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 LLP
Statutory Auditor
Chartered Accountants
Bridge House
London Bridge
London
SE1 9QR

CLARITY - EMPLOYMENT FOR BLIND PEOPLE

NOTICE OF ANNUAL GENERAL MEETING

FOR THE YEAR ENDED 31 MARCH 2016

NOTICE IS HEREBY GIVEN that the 104th 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 14 November 2016 at 6.30pm for the following purposes:

1. To approve the minutes of the previous Annual General Meeting held on 7 December 2015 (Resolution No. 1).
2. To approve and adopt the Council's report and annual accounts for the year ended 31 March 2016 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).
 - John Sharman
 - Judith Mellor
4. To re-elect the following members of the Council who joined within the last 12 months (Resolution No. 4).
 - Anja Batista Sonksen
5. To re-appoint Wilkins Kennedy LLP as auditors (Resolution No. 5).
6. To transact any other ordinary business of the Charitable Company.

By Order of the Council

J K Sharman - Council Chairman

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

STRATEGIC REPORT AND ANNUAL REPORT OF THE COUNCIL

FOR THE YEAR ENDED 31 MARCH 2016

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 2016 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 and Republic of Ireland (FRS 102) (effective 1 January 2015).

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 blind and disabled people. To achieve this objective, the Charitable Company employs blind 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

CLARITY Commercial

Contract sales were 12% up on the previous year and budgeted figures. The organisation uses this area of the business to generate economies of scale, prove capability and provide the volume of production required to fully utilise its disabled staff. However, margins are low and the company is over reliant on one large customer.

CLARITY Employment & Training

An additional 36 disabled people (39 in 2014/15) were recruited in London on short term contracts under Work Choice, using the Intermediate Labour Model (ILM) initiative developed with Seetec. Thirty-six employees left the organisation with a rate of progression to further employment of 66% (47% 2014/15).

The organisation continued to drive forward the Supported Business Alliance in discussions with the Department of Work and Pensions regarding the role of organisations such as CLARITY in future specialist disability employment provision.

Fundraising activities for the training and development of CLARITY's visually impaired staff were carried out as normal by The Greater London Fund for the Blind for which the charity is extremely grateful.

CLARITY Products

Sales across all customer segments fell by 4% in the network, which is a relatively good achievement given the difficulty of acquiring new customers through the standard business model. The CLARITY office in Scotland increased sales by 3.5%, the 9th successive year of growth. The National Sales Office, based in Portsmouth, absorbed the London sales area at the start of the year and is in a good position to build on sales in this area going forward.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

STRATEGIC REPORT AND ANNUAL REPORT OF THE COUNCIL

FOR THE YEAR ENDED 31 MARCH 2016

The Soap Co (National)

September 2015 saw the launch of The Soap Co. national range which was overseen by Social Enterprise Project Managers supported by a social media team. Positioning itself in the ethical luxury market, The Soap Co.'s first year focused upon establishing the brand by prioritising sales and marketing activity on target market segments, in particular, independent retailers and corporate companies which had signed up to the Buy Social Corporate Challenge.

The Soap Co. is currently stocked in over 15 independent retailers and is supplied to several corporates including PwC, Crown Estates and BWB. PR and marketing efforts have resulted in The Soap Co. being featured in various leading national print and online publications including The Times, Monocle and Emerald Street and on 200 London Black Cabs in partnership with Verifone Media.

The Soap Co. won two awards this year – the D&AD Pencil for Design and Inclusive Packaging Design and the Blue Patch New Business Awards 2016 – and has been shortlisted in the SEUK 2016 Awards.

The Soap Co (Keswick)

Sales from the retail outlet and workshop in Keswick were buoyant in the financial year and ended more than 30% up on the previous year. The business model remains challenging due to the regional restrictions of the Work Choice contract, which means that no service fees can be generated in the area for disabled employees. In terms of wages for disabled people the company contributed more than £55,000 over the year. In addition, eight people were employed via a third party on 6 month placements, six of whom went on to find further employment.

The planned expansion into larger production premises to enable the organisation to grow its capacity did not happen as the identified premises were severely affected by the Keswick floods in December. Damage to the main road through the Lake District caused by the floods, also restricted visitor numbers to the area for several months.

FINANCIAL REVIEW

The Council members regard the financial position and level of activity of the Charity at 31 March 2016 as satisfactory.

Net expenditure from operations amounted to £579,582 (2015: £485,847). The Charity's net assets stood at £4,599,956 (2015: £4,639,985) at the year end.

Other Income

Legacy income was received to the amount of £40,703 (2015: £88,277). The Charitable Company has a residual interest in a bank deposit totalling £81,000 subject to a life interest in respect of the income therefrom.

Key performance indicators

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

Employees

The average number of full time and part time employees employed by the Charitable Company throughout the year was 102 (2015:100) of whom 80 (2015: 80) were blind and disabled.

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STRATEGIC REPORT AND ANNUAL REPORT OF THE COUNCIL
FOR THE YEAR ENDED 31 MARCH 2016

Pensioners

During the year the Trustees of the GWB 1972 Pension Scheme, a funded defined benefit pension plan sponsored by the Charitable Company, took the decision to give all deferred pensioners over the age of 55 details of the options available to them under new Government legislation i.e. either to take early retirement pensions or to transfer values to external schemes (the Flexible Early Retirement Offer). All applicable members were given free independent external investment advice. The costs of this exercise, paid for by the Pension Scheme, were significant at £83,000, all in respect of professional fees.

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 maintain income to finance the operation of the factory. The Council estimate that reserves amounting to 6 months of expenditure are required which is approximately £1.5 million. 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 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 2016 are £3,714,287 (2015: £1,827,794). The Council are currently holding this level of general funds in order to fund the implementation of the Charitable Company's 2 year strategic plan.

Designated funds consist of plant and machinery with a net book value of £491,669, held for the purpose of providing employment in the Charitable Company's factory. These amounts can only be realised by disposing of the tangible assets concerned. Designated funds of £2,387,191 at 31 March 2015 consisted of plant and machinery with a net book value of £550,834 and investments with a market value of £1,836,357. Following a review of the reserves policy, the Council no longer consider it appropriate to include investments within designated funds and therefore have transferred the investments to general funds, as shown in note 13 to the financial statements. Designated funds at 31 March 2016 of £491,669 (2015: £2,387,191) along with a pensions reserve of £394,000 (2015: £425,000) give total unrestricted funds of £4,599,956 at the end of the reporting period (2015: £4,639,985).

Going Concern

The financial statements have been prepared on a going concern basis as the Council members believe that no material uncertainties exist. The Council members have considered the level of funds held and the expected level of income and expenditure is sufficient with the level of resources for the Charitable Company to be able to continue as a going concern.

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 2016

Investment policies and returns

The Charitable Company continues to invest in property.

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. Units in the fund have also increased by 8% 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.

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
- Potential of reduced funding and cash flow
- Reduction in demand for products

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

PLANS FOR FUTURE PERIODS

CLARITY Commercial

A new Head of Commercial was employed in Q1 of 2016-17 as part of an ambitious growth strategy. The plan is to phase out low margin contract fulfilment work and replace this with more diversified sources of revenue from sales segments where value is placed on the social cause behind the origin of the products.

CLARITY Employment & Training

The delivery of good quality supported employment provision will be a priority in the year as the organisation positions itself to be able to adapt to whatever follows the Work Choice programme. The intention is to explore other options in terms of programmes and sources of employment related service fees.

The anticipated Education Transition project with a local special visual impairment school started early in 2016-17, backed by funding from the GLFB.

CLARITY Products

The CLARITY Sales Growth Strategy remains in place and is supported by the DSO Sales Consultant and the Marketing & Communications team in London. A priority is to grow the CLARITY brand sales in the Greater London region which traditionally has been a low sales area. Various new initiatives are being piloted to overcome the deficiencies of the current telesales model in acquiring new customers.

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FOR THE YEAR ENDED 31 MARCH 2016

The Soap Co (National)

Next year, sales and marketing activity will continue to focus on consumers with the launch of new products including fragrances and improved eco formulations developed by in-house green chemists.

With regard to B2B sales, corporates will continue to be targeted, firstly, through their supply chains working with facility management companies and distributors, and secondly, through corporate gifting working with in-house CSR officials.

The Soap Co.'s strategy to approach national retail and the hospitality sector will be further explored and refined next year. The Soap Co. will continue to be managed by CLARITY's Head of Commercial and Social Enterprise Project Managers.

A new Sales Administrator role will be created and structured as a weekly job share between two individuals participating in the Work Choice programme.

The Soap Co (Keswick)

Sales growth needs to continue at the same rate in 2016-17 but this will put severe strain on the production facilities and Keswick. Additional premises remain a priority, as does continuing to develop other sources of revenue other than in-shop sales.

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 are considered to be the Chief Executive, the Company Secretary, the Operations Manager and the Head of Commercial. 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.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

STRATEGIC REPORT AND ANNUAL REPORT OF THE COUNCIL

FOR THE YEAR ENDED 31 MARCH 2016

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.

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 14 November 2016, including, in their capacity as company directors, approving the Directors' and Strategic Reports contained therein, and signed on its behalf by:


J K Sherman - Council Chairman

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 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charitable Company and the Charitable Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Council Members and auditor

As explained more fully in the Statement of Accounting and Reporting Responsibilities set out on page 10, 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Charitable Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council Members, and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Strategic Report and Annual Report of the Council to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 2016 and of its incoming resources and application of resources, including its income and expenditure, 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.

Opinion on other matter prescribed by the Companies Act 2006

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

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF CLARITY – EMPLOYMENT FOR BLIND PEOPLE

Matters on which we are required to report by exception

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

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

Wilkins Kennedy LLP

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

12/12/16

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 MARCH 2016

Incorporating income and expenditure account			
	Notes	2016	2015
		£	As restated £
Income from:			
Charitable activities		2,384,471	2,420,093
Investments		82,490	103,135
Voluntary sources		139,672	196,083
Total income	2	2,606,633	2,719,311
Expenditure on:			
Charitable activities:			
- distribution costs		1,374,826	1,265,460
- factory costs		1,682,889	1,834,129
- welfare		112,500	87,043
- sheltered housing costs		-	2,674
- sales area purchase		16,000	15,852
Total expenditure	3	3,186,215	3,205,158
Net expenditure from operations		(579,582)	(485,847)
Pension expense	4	(83,000)	-
Net expenditure before gains	5	(662,582)	(485,847)
Revaluation gain on fixed asset investments	8	129,122	185,867
Remeasurement gain on current asset investments	9	365,431	-
Net expenditure		(168,029)	(299,980)
Other recognised gains:			
Remeasurement gain on defined benefit pension scheme	15	128,000	141,000
Net movement in funds		(40,029)	(158,980)
Total funds brought forward		4,639,985	4,798,965
Total funds carried forward		£4,599,956	£4,639,985

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 16 to 29 form part of the financial statements.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

BALANCE SHEET

AS AT 31 MARCH 2016

	Notes	2016 £	2015 £
Fixed Assets			
Intangible assets	6	10,200	15,298
Tangible assets	7	491,669	1,850,834
Investments	8	1,707,107	1,836,357
Investment in subsidiaries	8	100	100
		<u>2,209,076</u>	<u>3,702,589</u>
Current assets			
Investments	9	1,676,571	-
Stocks	10	505,347	494,000
Debtors	11	303,810	398,988
Cash at bank and in hand		44,599	147,120
		<u>2,530,327</u>	<u>1,040,108</u>
Creditors: Amounts falling due within one year	12	<u>(533,447)</u>	<u>(527,712)</u>
Net current assets		<u>1,996,880</u>	<u>512,396</u>
Total assets less current liabilities		<u>4,205,956</u>	<u>4,214,985</u>
Defined benefit pension scheme asset	15	394,000	425,000
Net assets		<u>£4,599,956</u>	<u>£4,639,985</u>
Funds			
Designated funds	13	491,669	2,387,191
General funds	13	3,714,287	1,827,794
		<u>4,205,956</u>	<u>4,214,985</u>
Unrestricted funds excluding pension reserve			
Pension reserve	13	394,000	425,000
Total unrestricted funds		<u>£4,599,956</u>	<u>£4,639,985</u>

The financial statements were approved by the Council on 14 November 2016 and signed on their behalf:


J K Sherman - Council Chairman

J M Mellor – Council Member

The notes on pages 16 to 29 form part of these financial statements.

Registered number: 00116713



CLARITY – EMPLOYMENT FOR BLIND PEOPLE

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2016

Reconciliation of net expenditure to net cash flow from operations	2016 £	2015 As restated £
Net expenditure from operations	(579,582)	(485,847)
Depreciation charge	74,275	78,671
Amortisation of goodwill	5,098	5,098
Dividends received	(82,382)	(103,056)
Interest received	(108)	(79)
(Increase)/decrease in stocks	(11,347)	13,800
Decrease/(increase) in debtors	95,178	(63,767)
Increase in creditors	5,735	26,792
Pension expense	76,000	66,000
Cash used in operations	£(417,133)	£(462,388)

CASH FLOW STATEMENT	£	£
Cash used in operations	(417,133)	(462,388)
Dividends received	82,382	103,056
Interest received	108	79
Net cash used in operating activities	(334,643)	(359,253)
Cash flows from investing activities		
Purchase of tangible fixed assets	(26,250)	(14,066)
Sale of investments	258,372	253,547
Net cash provided by investing activities	232,122	239,481
Change in cash and cash equivalents in the year	(102,521)	(119,772)
Cash and cash equivalents at the beginning of the year	147,120	266,892
Cash and cash equivalents at the end of the year	£44,599	£147,120

The notes on pages 16 to 29 form part of these financial statements.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

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 and Republic of Ireland (FRS 102) (effective 1 January 2015)', Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' 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

FOR THE YEAR ENDED 31 MARCH 2016

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.

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

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 2013 has been used by the actuary in valuing the pension asset at 31 March 2016. 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

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, with the exception of a one off pension expense in respect of the flexible early retirement review of the scheme, which is shown separately in the Statement of Financial Activities. 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.

1.18 First time adoption of FRS 102

These financial statements are the first financial statements of Clarity: Employment for Blind People prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the Charities SORP 2015 (SORP 2015). The financial statements of Clarity: Employment for Blind People for the year ended 31 March 2015 were prepared in accordance with previous Generally Accepted Accounting Practice ('UK GAAP') and SORP 2005.

In preparing these accounts, the Council Members have considered whether in applying the accounting policies required by FRS 102 and the SORP 2015 a restatement of comparative items was needed.

Reconciliations to previous UK GAAP for the comparative figures are included on page 30.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE FINANCIAL STATEMENTS

2.	Income			2016	2015	
				£	£	
2.1	Charitable activities					
	Sales			1,894,309	1,897,855	
	Capitations			490,162	515,529	
	Sheltered housing income			-	6,709	
				<u>£2,384,471</u>	<u>£2,420,093</u>	
2.2	Investments					
	Dividends receivable			82,382	103,056	
	Interest income - bank			108	79	
				<u>£82,490</u>	<u>£103,135</u>	
2.3	Voluntary sources					
	Greater London Fund for the Blind			96,699	106,820	
	Legacies			40,703	88,277	
	Other donations			2,270	986	
				<u>£139,672</u>	<u>£196,083</u>	
	Total income			<u>£2,606,633</u>	<u>£2,719,311</u>	
3.	Expenditure	Staff costs	Other costs	Support Costs	Total 2016	Total 2015
		£	£	£	£	£
	Distribution costs	404,755	944,738	25,333	1,374,826	1,265,460
	Benefits to the blind and disabled					
	- factory costs	807,837	590,140	284,912	1,682,889	1,834,129
	- welfare	53,227	35,627	23,646	112,500	87,043
	- sheltered housing costs	-	-	-	-	2,674
	- sales area purchase	-	16,000	-	16,000	15,852
		<u>£1,265,819</u>	<u>£1,586,505</u>	<u>£333,891</u>	<u>£3,186,215</u>	<u>£3,205,158</u>

Support costs relate to overhead salaries, pension expenses and administration costs, including governance costs based on time expended. Staff costs totalling £170,395 (2015: £188,083) are included as part of support costs.

Included within support costs are governance costs of £17,850 (2015: £18,250) relating to audit and legal fees and management costs in respect of financial statements and trustees meetings.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE FINANCIAL STATEMENTS

4. Staff Costs	Note	2016 £	2015 £
Wages and salaries		1,257,007	1,221,338
Social security costs		73,094	73,838
Pension costs – defined contribution scheme		30,113	33,737
Pension costs – defined benefit scheme	15	76,000	66,000
		<u>£1,436,214</u>	<u>£1,394,913</u>

In addition to the above pension costs, the Trustees of the GWB 1972 Pension Scheme, a funded defined benefit pension plan sponsored by the Charitable Company, gave free independent external investment advice to all applicable members of the scheme in respect of the options available to them under the Flexible Early Retirement Offer. The costs of this exercise, paid for by the Pension Scheme, were £83,000, all in respect of professional fees.

The trustees received no remuneration or reimbursement of expenses during the year (2015: £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 (2015: one). Retirement benefits are accruing for the higher paid employee and total contributions were £3,739 (2015: £3,739).

The Charitable Company considers its key management personnel to be the Chief Executive Jeremy Robinson; the Company Secretary Manoradha Moothathamby; the Operations Manager Hayley Louise; and the Head of Commercial Camilla Marcus-Dew.

	2016 £	2015 £
Aggregate benefits of key management personnel	<u>161,877</u>	<u>156,142</u>

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

	2016	2015
Production/production services/training	66	70
Sales and distribution	32	26
Management and administration of the charity	4	4
	<u>102</u>	<u>100</u>

During the year the Charity employed an average of 80 blind and disabled people in the supported factory and in sales offices (2015: 80). At 31 March 2016, the number of blind and disabled employees was 83 (2015: 77).

5. Net expenditure	2016 £	2015 £
Net expenditure is stated after charging:		
Depreciation	74,275	78,671
Amortisation of goodwill	5,098	5,098
Auditors' remuneration – audit fees	10,850	11,250
Operating lease rentals		
- plant and machinery	6,383	5,355
- land and buildings	<u>124,500</u>	<u>113,850</u>

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE FINANCIAL STATEMENTS

6. Intangible fixed assets

Goodwill	2016
Cost	£
At 1 April 2015 and at 31 March 2016	25,494
Amortisation	
At 1 April 2015	10,196
Charge for the year	5,098
At 31 March 2016	15,294
Net Book Value	
At 31 March 2016	£10,200
At 1 April 2015	£15,298

7. Tangible fixed assets

	Leasehold Building £	Freehold Building £	Plant and machinery £	Total £
Cost/valuation				
At 1 April 2015	506,203	1,300,000	298,072	2,104,275
Additions	3,608	-	11,502	15,110
Disposals	-	-	(42,867)	(42,867)
Transferred to current assets	-	(1,300,000)	-	(1,300,000)
At 31 March 2016	509,811	-	266,707	776,518
Depreciation				
At 1 April 2015	50,133	-	203,308	253,441
Charge for the year	50,534	-	23,741	74,275
Disposals and deletions	-	-	(42,867)	(42,867)
At 31 March 2016	100,667	-	184,182	284,849
Net book value				
At 31 March 2016	£409,144	£ -	£82,525	£491,669
At 31 March 2015	£456,070	£1,300,000	£94,764	£1,850,834

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE FINANCIAL STATEMENTS

8. Fixed asset investments		Property Fund
		£
Listed investments		
Market value at 1 April 2015		1,836,357
Disposals		(258,372)
Revaluations		129,122
Market value at 31 March 2016		1,707,107
Historical cost at 31 March 2016		1,690,918
Unrealised gains at 31 March 2016		£16,189
Unrealised losses at 31 March 2015		£(114,204)
Historical cost at 31 March 2015		£1,950,561
Investment in subsidiaries	2016	2015
	£	£
Shares in wholly owned subsidiary undertakings at cost:		
The Soap Co. (Keswick) C.I.C.	100	100
	£100	£100

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 2016 its net assets stood at £nil (2015: £nil).

9. Current asset investments	2016	2015
	£	£
At 1 April 2015	-	-
Transfer from tangible assets	1,300,000	-
Additions	11,140	-
Remeasurement to expected selling price	365,431	-
At 31 March 2016	£1,676,571	£-

Current asset investments represent the charity's freehold property which was in the process of being sold at the year end.

The freehold property was previously valued by Winkworth estate agents on 8 August 2014 at £1,300,000 and this valuation was incorporated into the financial statements for the year ended 31 March 2015. Original cost of the freehold property was £30,669.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE FINANCIAL STATEMENTS

10. Stocks

	2016 £	2015 £
Raw materials and consumables	201,209	186,000
Finished goods	304,138	308,000
	<u>£505,347</u>	<u>£494,000</u>

11. Debtors: amounts falling due within one year

	2016 £	2015 £
Trade debtors	221,790	236,618
Other debtors	69,392	151,103
Prepayments	12,628	11,267
	<u>£303,810</u>	<u>£398,988</u>

12. Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	168,465	158,912
Other creditors	74,262	89,204
Taxation and social security	64,963	46,742
Accruals	29,507	36,604
Interest free loan from the Employment Service	196,250	196,250
	<u>£533,447</u>	<u>£527,712</u>

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

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE 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.

Following a review of the Charitable Company's reserves policy, the Council no longer consider it appropriate to include investments within designated funds and therefore transferred investments of £1,836,357 to general funds.

	Balance 1 April 2015 £	Incoming resources £	Resources expended £	Transfers	Gains/ (losses) £	Balance 31 March 2016 £
Unrestricted funds						
General funds	1,827,794	2,606,633	(3,035,940)	1,821,247	494,553	3,714,287
Pension reserve	425,000	-	(159,000)	-	128,000	394,000
	<u>2,252,794</u>	<u>2,606,633</u>	<u>(3,194,940)</u>	<u>1,821,247</u>	<u>622,553</u>	<u>4,108,287</u>
Designated funds						
- Investments	1,836,357	-	-	(1,836,357)	-	-
- Tangible assets	550,834	-	(74,275)	15,110	-	491,669
	<u>£4,639,985</u>	<u>£2,606,633</u>	<u>£(3,269,215)</u>	<u>£ -</u>	<u>£622,553</u>	<u>£4,599,956</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	
	2016 £	2015 £	2016 £	2015 £
Expiring:				
Between one and five years	246,000	370,500	8,230	12,345
	<u>£246,000</u>	<u>£370,500</u>	<u>£8,230</u>	<u>£12,345</u>

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 2013 and no contributions are expected to be paid by the Charitable Company to the Scheme during the year ending on 31 March 2017.

The results of the latest funding valuation at 1 April 2013 have been adjusted to the balance sheet date taking account of inflation experience over the period since 1 April 2013, 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:

Main financial assumptions	31 March 2016	31 March 2015	31 March 2014
	% pa	% pa	% pa
RPI Inflation	2.80	2.85	3.30
CPI Inflation	1.70	1.85	2.40
Pension increases			
- Pre April 1997	0.00	0.00	0.00
- Post April 1997	2.80	2.80	3.20
- Post April 2005	2.10	2.10	2.10
Discount rate for Scheme liabilities	3.40	3.45	4.25
 Main demographic assumptions	 31 March 2016	 31 March 2015	 31 March 2014
Mortality	SAPS S1 “Heavy” tables with an age rating of 6 years, projected using the CMI 2012 model, allowing for long term future improvements of 1.5% pa		
Life expectancy for male currently aged 65	16.3 years	16.2 years	16.1 years
Life expectancy for female currently aged 65	19.5 years	19.4 years	19.3 years
Life expectancy at 65 for male currently aged 45	18.4 years	18.3 years	18.2 years
Life expectancy at 65 for female currently aged 45	21.8 years	21.7 years	21.6 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	50% of members are assumed to be married	50% 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 2016		31 March 2015		31 March 2014	
	£'000	%	£'000	%	£'000	%
Gifts, Bonds and Cash	2,670	28%	3,583	34%	2,989	31%
Diversified Growth Fund	6,838	72%	6,957	66%	6,799	69%
Total	<u>9,508</u>	<u>100%</u>	<u>10,540</u>	<u>100%</u>	<u>9,788</u>	<u>100%</u>

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 2016	31 March 2015	31 March 2014
	£'000	£'000	£'000
Fair value of assets	9,508	10,540	9,788
Present value of funded defined benefit obligations	<u>(9,114)</u>	<u>(10,115)</u>	<u>(9,438)</u>
Funded status	394	425	350
Unrecognised asset	<u>-</u>	<u>-</u>	<u>-</u>
Asset/(liability) recognised on the balance sheet	<u>394</u>	<u>425</u>	<u>350</u>
Present value of unfunded defined benefit obligations	<u>-</u>	<u>-</u>	<u>-</u>

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 2016 £'000	Year ending 31 March 2015 £'000	Year ending 31 March 2014 £'000
Operating cost:			
Current service cost	-	-	-
Administrative expenses	170	79	170
Past service cost	-	-	-
Curtailment cost	-	-	-
Settlement cost	-	-	-
Financing cost:			
Interest on net defined benefit liability/(asset)	<u>(11)</u>	<u>(13)</u>	<u>(51)</u>
Pension expense recognised in profit and loss	<u>159</u>	<u>66</u>	<u>119</u>

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 2016 £'000	Year ending 31 March 2015 £'000	Year ending 31 March 2014 £'000
Assets gains/(losses) arising during the year	(502)	768	(279)
Liability gains/(losses) arising during the year	630	(627)	(538)
Change in the effect of the asset ceiling	-	-	-
Total amount recognised in OCI	<u>128</u>	<u>141</u>	<u>(817)</u>

Changes to the present value of the defined benefit obligation during the year	Year ending 31 March 2016 £'000	Year ending 31 March 2015 £'000	Year ending 31 March 2014 £'000
Opening defined benefit obligation (DBO)	10,115	9,438	8,891
Current service cost	-	-	-
Interest expense on DBO	337	394	370
Contributions by members	-	-	-
Actuarial (gains)/losses on liabilities	(630)	627	538
Net benefits paid out	(708)	(344)	(361)
Past service cost	-	-	-
Curtailment cost	-	-	-
Net increase in liabilities from disposals/acquisitions	-	-	-
Settlements	-	-	-
Closing defined benefit obligation	<u>9,114</u>	<u>10,115</u>	<u>9,438</u>

Changes to the fair value of Scheme assets during the year	Year ending 31 March 2016 £'000	Year ending 31 March 2015 £'000	Year ending 31 March 2014 £'000
Opening fair value of Scheme assets	10,540	9,788	10,177
Interest income on Scheme assets	348	407	421
Gain/(loss) on Scheme assets	(502)	768	(279)
Contributions by the Charitable Company	-	-	-
Contributions by Scheme participants	-	-	-
Net benefits paid out	(708)	(344)	(361)
Administration costs incurred	(170)	(79)	(170)
Net increase in assets from disposals/acquisitions	-	-	-
Settlements	-	-	-
Closing fair value of Scheme assets	<u>9,508</u>	<u>10,540</u>	<u>9,788</u>

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE FINANCIAL STATEMENTS

15. Pension Costs (continued)

Actual return on Scheme assets	Year ending 31 March 2016 £'000	Year ending 31 March 2015 £'000	Year ending 31 March 2014 £'000
Interest income on Scheme assets	348	407	421
Gain/(loss) on Scheme assets	(502)	768	(279)
Actual return on Scheme assets	<u>(154)</u>	<u>1,175</u>	<u>142</u>

16. Events after the balance sheet date

The Charitable Company's freehold building was sold in May 2016 for £1,676,571, net of expenses.

17. Related party transactions

During the year the Charitable Company received income of £96,699 (2015: £106,820) from Greater London Fund for the Blind, a charity of which J K Sharman is also a trustee. At 31 March 2016, £36,263 of this amount was outstanding (2015: £22,750).

18. Transactions in Scotland

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

	£
Turnover	188,512
Cost of sales	(24,692)
Distribution costs	(42,464)
Sales office costs	(92,534)
	<u>£28,822</u>

19. Ultimate Controlling Party

The group is considered to have no one ultimate controlling party.

20. Contingent Liabilities

At 31 March 2016, a contingent liability existed in respect of dilapidations at the Charitable Company's previously leased premises. The amount payable is unknown but is estimated to be between £60,000 and £70,000. The timing of any possible outflow is uncertain and is dependent upon contact being made by the owners of the premises.

21. Prior year adjustment

Under previous UK GAAP the Charitable Company recognised an expected return on defined benefit pension plan assets in income/expenditure. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in income/expenditure. There has been no change in the deferred benefit asset at either 1 April 2014 or 31 March 2015. The effect of the change has been to increase net expenditure before gains by £183,000 and to decrease other recognised gains and losses in the Statement of Financial Activities by the same amount.

A reconciliation of the effect of the transition to FRS 102 on net expenditure for the comparative period reported under previous UK GAAP is given on page 30.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

RECONCILIATION OF INCOME AND EXPENDITURE

FOR THE YEAR ENDED 31 MARCH 2015

	UK GAAP £	Effect of Transition to FRS102 £	FRS102 £
Income from:			
Charitable activities	2,420,093	-	2,420,093
Investments	299,135	(196,000)	103,135
Voluntary sources	196,083	-	196,083
Total income	2,915,311	(196,000)	2,719,311
Expenditure on:			
Charitable activities:			
- distribution costs	1,243,460	22,000	1,265,460
- factory costs	1,850,879	(16,750)	1,834,129
- welfare	87,043	-	87,043
- sheltered housing costs	2,674	-	2,674
- sales area purchase	15,852	-	15,852
Governance costs	18,250	(18,250)	-
Total expenditure	3,218,158	(13,000)	3,205,158
Net expenditure before gains	(302,847)	(183,000)	(485,847)
Revaluation gains on fixed asset investments	185,867	-	185,867
Net expenditure	(116,980)	(183,000)	(299,980)
Other recognised (losses)/gains:			
Remeasurement (losses)/ gains on defined benefit pension scheme	(42,000)	183,000	141,000
Net movement in funds	£(158,980)	£ -	£(158,980)