

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 2017

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 2017

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CLARITY - EMPLOYMENT FOR BLIND PEOPLE

REFERENCE AND ADMINISTRATIVE DETAILS

FOR THE YEAR ENDED 31 MARCH 2017

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 (resigned 14 November 2016)
J M Mellor
A Balduini
E L Peacock
A B Sonksen (appointed 15 August 2016)
L Fairhurst (appointed 14 August 2017)
D Grace (appointed 14 August 2017)
C Jackson (appointed 14 August 2017)

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 2017

NOTICE IS HEREBY GIVEN that the 106th 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 29 November 2017 at 6.30pm for the following purposes:

1. To approve the minutes of the previous Annual General Meeting held on 14 November 2016 (Resolution No. 1).
2. To approve and adopt the Council's report and annual accounts for the year ended 31 March 2017 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).
 - E L Peacock
4. To re-elect the following members of the Council who joined within the last 12 months (Resolution No. 4).
 - L Fairhurst
 - D Grace
 - C Jackson
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 2017

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 2017 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

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 financial strategy remains for us to break even or achieve a surplus each year to help maintain and build our reserves. This year, due to a number of difficult challenges, we were not able to do this and instead had to utilise reserves brought forward. This is 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, manufacture and launch into the market a range of exciting and successful new products. We are proud to have a workforce which is so committed and loyal to the CLARITY organisation.

During the course of the year we generated around 11,700 days of employment for people who are blind or otherwise disabled. An additional 21 disabled people were recruited in London on short term contracts under Work Choice. This is a reduction compared with the prior year but something we are working hard to increase again in future. At the same time 21 people left the organisation, but disappointingly only 6 left for further employment. This reflects the difficulties we had in recruiting, through Work Choice, the most appropriate people for the current Intermediate Labour Market model.

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STRATEGIC REPORT AND ANNUAL REPORT OF THE COUNCIL

FOR THE YEAR ENDED 31 MARCH 2017

With Work Choice due to end by the end of 2018, substantial time has also been spent working with the Supported Business Alliance to develop post Work Choice programmes which better utilise our potential to provide specialist employment services for disabled people. This will include enabling a national programme to allow expansion outside London. There has been significant engagement from the Department of Work and Pensions (DWP) which is a positive sign and something we believe will help create opportunities for us to take on more disabled employees in future.

There was a successful launch of the Education Transition project with a local special visual impairment school during the summer/autumn of 2016-17. This was backed by funding from The Greater London Fund for the Blind (GLFB). The purpose of this program was to raise the expectations of employment for children within specialist education provision. Although this is not core to our current mission, it is fundamental to the improvement of employment rates for young disabled people and therefore it is something we will consider doing on a larger scale in the future.

The GLFB also 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 Inc. The Soap Co. (National)
- CLARITY Products
- The Soap Co. (Keswick)

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

CLARITY Commercial inc. The Soap Co. (National)

Contract (“white label”) sales, where we manufacture on behalf of others, performed strongly. These sales were 37% up on the previous year and 78% up on our originally budgeted revenues. We successfully serviced all our major customers in this area, despite our main marketing and business development efforts being focused on our more profitable and strategically important own brand manufacturing.

The rest of the Commercial part of the business is relatively new for CLARITY and is mainly focused on B2B and retail sales. We established this area of the business in 2015 and it has grown significantly since then. We have seen consistent sales growth from 2015-16 to 2016-17, with revenues approaching £20k per month by the end of the financial year. We expect this to continue to grow in the future.

With new market segments and formalised offerings for big B2B and more than 40 retailer sites, the current product set was well utilised. We also progressed significant investment in new product development to enable further growth in these high-margin markets. Our new customer base also created a need for accreditation to ISO9001 (due for completion in December 2017), registration of trademarks and formalisation of regulatory documentation, particularly for the large distributors through which most of our corporate customers are serviced.

To support this accelerated growth, the organisational structure in this part of the business was reviewed, leading to clear sub-teams of sales, marketing and new market/product development. This brought an associated cost uplift due to expanding the permanent staff team, but will enable an acceleration of the sales and brand recognition within the corporate, retail and distributor market segments and improve continuity.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

STRATEGIC REPORT AND ANNUAL REPORT OF THE COUNCIL

FOR THE YEAR ENDED 31 MARCH 2017

CLARITY Products

The original CLARITY Products business is the more established and traditional part of our business and remains both core to the organisation and also key to our financial position. Trading conditions have become more difficult and were particularly challenging for the year under review, as the markets in which we operate evolve and we transition to new methods of customer acquisition. In responding to these changes there has, however, been significant progress in our face-to-face marketing initiatives and the successful piloting of a subscription sales model.

Despite our efforts, and reflecting the above challenges, sales across all customer segments fell by 3.5% across the network as a whole. This was mainly caused by an 8% drop in independent distributor sales and a 4.8% decline in National Sales Office (Scotland). This decrease ended a very successful and unbroken run of 10 years of positive growth from this office. The decrease was partially offset by a 17% rise in sales from the National Sales Office (England), based in Portsmouth.

Despite the obstacles to direct employment through Work Choice outside London, the Portsmouth office successfully worked with around a dozen disabled people on a short-term basis, with 70% going on to further employment. This was a notable highlight for us in helping to make a long-term difference to these people.

The Soap Co (Keswick)

Trading from our retail outlet and workshop in Keswick remained consistent in 2016/17 compared to the previous financial year. This is a particularly good achievement considering the extent to which production demands for National Soap Co products made in the Keswick workshop and sold elsewhere continued to grow. Of further note, good progress was also made during the year with commercial sales. An additional 80 accommodation providers were brought on board as new customers during the year. We expect further benefits from this to accrue in future years.

We have a strong team of committed employees in Keswick and the facility is a valuable production site for the organisation as a whole. Recruitment remained difficult as the indirect referral route through the local Work Choice Prime Provider was subject to changes in personnel and policy. It is also restrictive in terms of contract length. Although, the employment experience we create is universally positive for the people involved and is in line with our charitable objectives, there are ongoing commercial challenges with the current model. As discussed further below we are looking to make various changes going forward to help strengthen the position.

FINANCIAL REVIEW

The Council members regard the financial position and level of activity of the Charity at 31 March 2017 as satisfactory.

Net expenditure from operations amounted to £500,414 (2016: £579,582). The Charity's net assets, excluding the defined benefit pension scheme asset or liability recognised on the balance sheet, stood at £3,832,288 (2016: £4,205,956) at the year end.

Other Income

Legacy income was received to the amount of £5,000 (2016: £40,703). 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.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

STRATEGIC REPORT AND ANNUAL REPORT OF THE COUNCIL

FOR THE YEAR ENDED 31 MARCH 2017

Key performance indicators

The Charitable Company has few financial indicators as its main purpose is to provide employment for blind and/or otherwise disabled 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 109 (2016:102) of whom 83 (2016: 80) were blind and/or otherwise disabled.

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. 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 2017 are £3,383,314 (2016: £3,714,287). 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 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 at 31 March 2017 of £448,974 (2016: £491,669) along with a pensions reserve deficit of £220,000 (2016: surplus of £394,000) give total unrestricted funds of £3,612,288 at the end of the reporting period (2016: £4,599,956).

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.

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FOR THE YEAR ENDED 31 MARCH 2017

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% which has been achieved. Units in the fund have also increased by 1% 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 some of the cash held has been invested in units with the Charities Aid Foundation.

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

Our People

A key ongoing priority for us is to continue looking after the welfare of our existing employees and to ensure we create new and secure employment opportunities for other disabled people. 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.

CLARITY Commercial inc, The Soap Co. (National)

Profitably growing this part of the business will continue to be a key area of focus, both in the retail and corporate sectors.

From a retail perspective, our aim is to address both the luxury and mass-market segments with The Soap Co. and CLARITYECO+ (new B2B and B2C brands) respectively. We will do this via an increased presence in national and international retail supply chains.

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FOR THE YEAR ENDED 31 MARCH 2017

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 in any way 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). This will be allied to applications for relevant awards, including Blue Patch, Social Enterprise UK, Sustainable Cities, PWC Social Enterprise Club and FM, all of which we believe can further strengthen the market awareness of our brand.

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. Going forward our focus will mainly be on increasing sales via the shop, as well as indirectly through the national brand. In particular, we have plans in place to increase visitor footfall, average order values and repeat sales rates (often via online). To help make sure that we carefully manage the strains this growth is likely to place on our local Keswick production facilities we intend to expand capacity through an additional production unit. It is likely that, to take advantage of local labour market conditions and lower rental costs, the additional premises will be located somewhere on the west coast of Cumbria.

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.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

STRATEGIC REPORT AND ANNUAL REPORT OF THE COUNCIL

FOR THE YEAR ENDED 31 MARCH 2017

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.

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 29 November 2017, including, in their capacity as company directors, approving the Directors' and Strategic Reports contained therein, and signed on its behalf by:

J K Sharman - 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 2017 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 11, 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 2017 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.

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

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 MARCH 2017

Incorporating income and expenditure account Unrestricted funds	Notes	2017	2016
		£	£
Income from:			
Charitable activities		2,392,859	2,384,471
Investments		85,074	82,490
Voluntary sources		96,303	139,672
Other income		196,250	-
Total income	2	2,770,486	2,606,633
Expenditure on:			
Charitable activities:			
- distribution costs		1,377,330	1,374,826
- factory costs		1,782,777	1,682,889
- welfare		110,793	112,500
- sales area purchase		-	16,000
Total expenditure	3	3,270,900	3,186,215
Net expenditure from operations		(500,414)	(579,582)
Pension expense		-	(83,000)
Net expenditure before gains	5	(500,414)	(662,582)
Revaluation gain on fixed asset investments	8	10,746	129,122
Remeasurement gain on current asset investments	9	-	365,431
Net expenditure		(489,668)	(168,029)
Other recognised gains and losses:			
Remeasurement (loss) / gain on defined benefit pension scheme	15	(498,000)	128,000
Net movement in funds		(987,668)	(40,029)
Total funds brought forward		4,599,956	4,639,985
Total funds carried forward		£3,612,288	£4,599,956

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 17 to 30 form part of the financial statements.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

BALANCE SHEET

AS AT 31 MARCH 2017

	Notes	2017 £	2016 £
Fixed Assets			
Intangible assets	6	5,102	10,200
Tangible assets	7	448,974	491,669
Investments	8	1,717,853	1,707,107
Investment in subsidiary	8	100	100
		<u>2,172,029</u>	<u>2,209,076</u>
Current assets			
Investments	9	-	1,676,571
Stocks	10	440,204	505,347
Debtors	11	388,402	303,810
Cash at bank and in hand		1,120,123	44,599
		<u>1,948,729</u>	<u>2,530,327</u>
Creditors: Amounts falling due within one year	12	<u>(288,470)</u>	<u>(533,447)</u>
Net current assets		<u>1,660,259</u>	<u>1,996,880</u>
Total assets less current Liabilities		<u>3,832,288</u>	<u>4,205,956</u>
Defined benefit pension scheme (liability) / asset	15	<u>(220,000)</u>	<u>394,000</u>
Net assets		<u>£3,612,288</u>	<u>£4,599,956</u>
Funds			
Designated funds	13	448,974	491,669
General funds	13	3,383,314	3,714,287
		<u>3,832,288</u>	<u>4,205,956</u>
Unrestricted funds excluding pension reserve		3,832,288	4,205,956
Pension reserve	13	<u>(220,000)</u>	<u>394,000</u>
Total unrestricted funds		<u>£3,612,288</u>	<u>£4,599,956</u>

The financial statements were approved by the Council on 29 November 2017 and signed on their behalf:

J K Sharman - Council Chairman

J M Mellor – Council Member

The notes on pages 17 to 30 form part of these financial statements.

Registered number: 00116713

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

Reconciliation of net expenditure to net cash flow from operations	2017	2016
	£	£
Net expenditure from operations	(500,414)	(579,582)
Depreciation charge	68,973	74,275
Amortisation of goodwill	5,098	5,098
Dividends received	(83,771)	(82,382)
Interest received	(1,303)	(108)
Decrease/(increase) in stocks	65,143	(11,347)
(Increase)/decrease in debtors	(84,592)	95,178
(Decrease)/increase in creditors	(244,977)	5,735
Increase in pension provision	116,000	76,000
Cash used in operations	<u>£(659,843)</u>	<u>£(417,133)</u>

CASH FLOW STATEMENT	£	£
Cash used in operations	(659,843)	(417,133)
Dividends received	83,771	82,382
Interest received	1,303	108
Net cash used in operating activities	(574,769)	(334,643)
Cash flows from investing activities		
Purchase of tangible fixed assets	(26,278)	(26,250)
Sale of investments	1,676,571	258,372
Net cash provided by investing activities	1,650,293	232,122
Change in cash and cash equivalents in the year	1,075,524	(102,521)
Cash and cash equivalents at the beginning of the year	44,599	147,120
Cash and cash equivalents at the end of the year	<u>£1,120,123</u>	<u>£44,599</u>

The notes on pages 17 to 30 form part of these financial statements.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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 2017

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 2016 has been used by the actuary in valuing the pension asset at 31 March 2017. 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.

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			2017 £	2016 £	
2.1	Charitable activities					
	Sales			1,917,017	1,894,309	
	Capitations			475,842	490,162	
	Other income (note 19)			196,250	-	
				<u>£2,589,109</u>	<u>£2,384,471</u>	
2.2	Investments					
	Dividends receivable			83,771	82,382	
	Interest income - bank			1,303	108	
				<u>£85,074</u>	<u>£82,490</u>	
2.3	Voluntary sources					
	Greater London Fund for the Blind			89,370	96,699	
	Legacies			5,000	40,703	
	Other donations			1,933	2,270	
				<u>£96,303</u>	<u>£139,672</u>	
	Total income			<u>£2,770,486</u>	<u>£2,606,633</u>	
3.	Expenditure	Staff costs £	Other costs £	Support Costs £	Total 2017 £	Total 2016 £
	Distribution costs	475,701	851,231	50,398	1,377,330	1,374,826
	Benefits to the blind and disabled					
	- factory costs	827,885	678,012	276,880	1,782,777	1,682,889
	- welfare	58,251	30,629	21,913	110,793	112,500
	- sales area purchase	-	-	-	-	16,000
		<u>£1,361,837</u>	<u>£1,559,872</u>	<u>£349,191</u>	<u>£3,270,900</u>	<u>£3,186,215</u>

Support costs relate to overhead salaries, pension expenses and administration costs, including governance costs based on time expended. Staff costs totalling £191,567 (2016: £170,395), which include pension costs of £116,000 (2016: £76,000), are included as part of support costs.

Included within support costs are governance costs of £13,764 (2016: £11,659) relating to audit and legal fees.

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE FINANCIAL STATEMENTS

4. Staff Costs	Note	2017 £	2016 £
Wages and salaries		1,324,199	1,257,007
Social security costs		82,540	73,094
Pension costs – defined contribution scheme		30,665	30,113
Pension costs – defined benefit scheme	15	116,000	76,000
		<u>£1,553,404</u>	<u>£1,436,214</u>

The trustees received no remuneration or reimbursement of expenses during the year (2016: £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 (2016: one in the band £60,001 to £70,000). Retirement benefits are accruing for the higher paid employee and total contributions were £4,589 (2016: £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.

	2017 £	2016 £
Aggregate benefits of key management personnel	<u>234,180</u>	<u>179,434</u>

The average number of full time and part time employees during the year was as follows:	2017	2016
Production/production services/training	64	66
Sales and distribution	42	32
Management and administration of the charity	3	4
	<u>109</u>	<u>102</u>

During the year the Charity employed an average of 83 blind and disabled people in the supported factory and in sales offices (2016: 80). At 31 March 2017, the number of blind and disabled employees was 82 (2016: 83).

5. Net expenditure	2017 £	2016 £
Net expenditure is stated after charging:		
Depreciation	68,973	74,275
Amortisation of goodwill	5,098	5,098
Auditors' remuneration – audit fees	11,500	10,850
Operating lease rentals		
- plant and machinery	4,339	6,383
- land and buildings	124,500	124,500
	<u>124,500</u>	<u>124,500</u>

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE FINANCIAL STATEMENTS

6. Intangible fixed assets

Goodwill	2017
Cost	£
At 1 April 2016 and at 31 March 2017	25,494
Amortisation	
At 1 April 2016	15,294
Charge for the year	5,098
At 31 March 2017	20,392
Net Book Value	
At 31 March 2017	£5,102
At 1 April 2016	£10,200

7. Tangible fixed assets

	Leasehold Building £	Plant and machinery £	Total £
Cost/valuation			
At 1 April 2016	509,811	266,707	776,518
Additions	-	26,278	26,278
Disposals	-	(60,410)	(60,410)
At 31 March 2017	509,811	232,575	742,386
Depreciation			
At 1 April 2016	100,667	184,182	284,849
Charge for the year	50,981	17,992	68,973
Disposals and deletions	-	(60,410)	(60,410)
At 31 March 2017	151,648	141,764	293,412
Net book value			
At 31 March 2017	£358,163	£90,811	£448,974
At 31 March 2016	£409,144	£82,525	£491,669

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE FINANCIAL STATEMENTS

8. Fixed asset investments	Property Fund
	£
Listed investments	
Market value at 1 April 2016	1,707,107
Revaluations	10,746
Market value at 31 March 2017	1,717,853
Historical cost at 31 March 2017	1,690,918
Unrealised gains at 31 March 2017	£26,935
Unrealised gains at 31 March 2016	£16,189
Historical cost at 31 March 2016	£1,690,918

Investment in subsidiaries	2017	2016
	£	£
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 2017 its net assets stood at £nil (2016: £nil).

9. Current asset investments	2017	2016
	£	£
At 1 April 2016	1,676,571	-
Transfer from tangible assets	-	1,300,000
Additions	-	11,140
Remeasurement to expected selling price	-	365,431
Disposals	(1,676,571)	-
At 31 March 2017	£-	£1,676,571

Current asset investments represent the Charitable Company's freehold property which was sold during the year.

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

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE FINANCIAL STATEMENTS

10. Stocks

	2017 £	2016 £
Raw materials and consumables	202,263	201,209
Finished goods	237,941	304,138
	<u>£440,204</u>	<u>£505,347</u>

11. Debtors: amounts falling due within one year

	2017 £	2016 £
Trade debtors	273,138	221,790
Other debtors	76,945	69,392
Prepayments	38,319	12,628
	<u>£388,402</u>	<u>£303,810</u>

12. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	59,190	168,465
Other creditors	147,012	74,262
Taxation and social security	42,175	64,963
Accruals	40,093	29,507
Interest free loan from the Employment Service (note 19)	-	196,250
	<u>£288,470</u>	<u>£533,447</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 2016 £	Income £	Expenditure £	Transfers	Gains/ (losses) £	Balance 31 March 2017 £
Unrestricted funds						
General funds	3,714,287	2,770,486	(3,085,927)	(26,278)	10,746	3,383,314
Pension reserve	394,000	-	(116,000)	-	(498,000)	(220,000)
	<u>4,108,287</u>	<u>2,770,486</u>	<u>(3,201,927)</u>	<u>(26,278)</u>	<u>(487,254)</u>	<u>3,163,314</u>
Designated funds						
- Tangible assets	491,669	-	(68,973)	26,278	-	448,974
	<u>£4,599,956</u>	<u>£2,770,486</u>	<u>£(3,270,900)</u>	<u>£ -</u>	<u>£(487,254)</u>	<u>£3,612,288</u>

	Balance 1 April 2015 £	Income £	Expenditure £	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	
	2017 £	2016 £	2017 £	2016 £
Expiring:				
Between one and five years	125,000	246,000	6,812	8,230
	<u>£125,000</u>	<u>£246,000</u>	<u>£6,812</u>	<u>£8,230</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 2016 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 2016 have been adjusted to the balance sheet date taking account of inflation experience over the period since 1 April 2016, 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 2017 % pa	31 March 2016 % pa	31 March 2015 % pa
RPI Inflation	3.10	2.80	2.85
CPI Inflation	2.00	1.70	1.85
Pension increases			
- Pre April 1997	0.00	0.00	0.00
- Post April 1997	3.00	2.80	2.80
- Post April 2005	2.20	2.10	2.10
Discount rate for Scheme liabilities	2.50	3.40	3.45
Main demographic assumptions	31 March 2017	31 March 2016	31 March 2015
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	16.1 years	16.3 years	16.2 years
Life expectancy for female currently aged 65	19.3 years	19.5 years	19.4 years
Life expectancy at 65 for male currently aged 45	18.1 years	18.4 years	18.3 years
Life expectancy at 65 for female currently aged 45	21.5 years	21.8 years	21.7 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	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 2017		31 March 2016		31 March 2015	
	£'000	%	£'000	%	£'000	%
Gifts, Bonds, Swaps and Cash	2,116	23%	2,670	28%	3,583	34%
Diversified Growth Fund	7,230	77%	6,838	72%	6,957	66%
Total	9,346	100%	9,508	100%	10,540	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 2017	31 March 2016	31 March 2015
	£'000	£'000	£'000
Fair value of assets	9,346	9,508	10,540
Present value of funded defined benefit obligations	(9,566)	(9,114)	(10,115)
Funded status	(220)	394	425
Asset/(liability) recognised on the balance sheet	(220)	394	425
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 2017	Year ending 31 March 2016	Year ending 31 March 2015
	£'000	£'000	£'000
Operating cost:			
Administration expenses	127	170	79
Financing cost:			
Interest on net defined benefit liability/(asset)	(11)	(11)	(13)
Pension expense recognised in profit and loss	116	159	66

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 2017 £'000	Year ending 31 March 2016 £'000	Year ending 31 March 2015 £'000
Assets gains/(losses) arising during the year	72	(502)	768
Liability gains/(losses) arising during the year	(570)	630	(627)
Total amount recognised in OCI	<u>(498)</u>	<u>128</u>	<u>141</u>
Changes to the present value of the defined benefit obligation during the year	Year ending 31 March 2017 £'000	Year ending 31 March 2016 £'000	Year ending 31 March 2015 £'000
Opening defined benefit obligation (DBO)	9,114	10,115	9,438
Interest expense on DBO	303	337	394
Actuarial (gains)/losses on liabilities	570	(630)	627
Net benefits paid out	(421)	(708)	(344)
Closing defined benefit obligation	<u>9,566</u>	<u>9,114</u>	<u>10,115</u>
Changes to the fair value of Scheme assets during the year	Year ending 31 March 2017 £'000	Year ending 31 March 2016 £'000	Year ending 31 March 2015 £'000
Opening fair value of Scheme assets	9,508	10,540	9,788
Interest income on Scheme assets	314	348	407
Gain/(loss) on Scheme assets	72	(502)	768
Net benefits paid out	(421)	(708)	(344)
Administration cost incurred	(127)	(170)	(79)
Closing fair value of Scheme assets	<u>9,346</u>	<u>9,508</u>	<u>10,540</u>
Actual return on Scheme assets	Year ending 31 March 2017 £'000	Year ending 31 March 2016 £'000	Year ending 31 March 2015 £'000
Interest income on Scheme assets	314	348	407
Actuarial gain/(loss) on Scheme assets	72	(502)	768
Actual return on Scheme assets	<u>386</u>	<u>(154)</u>	<u>1,175</u>

CLARITY – EMPLOYMENT FOR BLIND PEOPLE

NOTES TO THE FINANCIAL STATEMENTS

16. Related party transactions

During the year the Charitable Company received income of £89,370 (2016: £96,699) from Greater London Fund for the Blind, a charity of which J K Sharman was a trustee until 6 December 2016. At 31 March 2017, £14,725 of this amount was outstanding (2016: £36,263).

17. Transactions in Scotland

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

	£
Turnover	180,545
Cost of sales	(35,597)
Distribution costs	(41,068)
Sales office costs	(89,463)
	<hr/>
	£14,417
	<hr/>

18. Ultimate Controlling Party

The group 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.