

---

## **Capability Scotland**

### **Trustees' Report and Accounts 2011**

Company number SC036524  
Scottish Charity SC011330

FRIDAY



\*S00A39Q0\*

SCT

16/12/2011

#3

COMPANIES HOUSE

---

## **Trustees' Annual Report for the year ended 31 March 2011**

### **Reference and Administration Information**

**Charity number** SC011330  
**Company number** SC036524  
**Registered Office** 11 Ellersly Road  
Edinburgh  
EH12 6HY

#### **Auditors**

Henderson Loggie, 34 Melville Street, Edinburgh, EH3 7HA

#### **Bankers**

The Royal Bank of Scotland, 36 St Andrew Square, Edinburgh, EH2 2YB

#### **Solicitors**

Brodies LLP Solicitors, 2 Blythswood Square, Glasgow, G2 4AD

Shepherd and Wedderburn LLP, 1 Exchange Crescent, Conference Square  
Edinburgh, EH3 8UL

Maclay Murray & Spens LLP, 15 Lauriston Place, Edinburgh, EH3 9EP

### **Committee Members and Officials**

#### **Patron**

His Royal Highness The Duke of Edinburgh K.G.,K.T.,GBE

#### **President**

Mr G D Holmes CB FRSE FICFor

#### **Vice President**

The Right Honourable The Lord Hardie (Appointed 6 October 2010)

#### **Honorary Life Members**

Miss J M Errington MBE MSAOT  
Mr A A Graham CA  
Mr K E Guest FRCSE

---

## **Main Board of Trustees**

**Chair** Mr R E F Fox MA

**Vice Chair** Mr R Hogan

Ms K Joyce

Dr A Waller

Mrs M Meiklejohn

Mr A D J Dickson

Ms S Duffield

Mr P Edwardson

Ms L Stephenson

Mr D Currie (Resigned 16 April 2011)

Mr J d'Aguilar

Mr M Rice (Resigned 23 June 2010)

Mr J Willens (Resigned 19 April 2010)

None of the above had any interest in any group company at any time in the year.

For the purposes of the Companies Act 2006 the Trustees of the charity are the directors of the company.

## **Officials**

**Chief Executive** Alan D J Dickson

**Chief Operating Officer and Company Secretary**

George Finnigan

**Director of External Affairs**

Richard Hamer

**Director of Services**

Mark Bevan (Appointed 16 February 2011)

Mr. Dickson and Mr. Finnigan are Company Nominated Trustees of the Capability Scotland Final Salary Pension Scheme.

---

## Structure, Governance and Management

- **Governing document**

Capability Scotland is a company limited by guarantee, governed by its Memorandum and Articles of Association dated 5 June 1961 and altered by special resolutions passed on 8 October 1997, 11 October 2006 and 8 October 2008.

It is registered as a charity with the Office of the Scottish Charity Regulator and recognised as a charity by the Inland Revenue. The membership of Capability Scotland shall not exceed 300 and the power to admit new members is exercisable only by the Main Board.

As set out in the governing document the main objectives for which the organisation was established were to “promote, initiate, plan or assist schemes or activities directed towards the well being of persons suffering from cerebral palsy and allied conditions”.

There are currently 82 members who are required to contribute an amount not exceeding £1 in the event of the charity winding up.

- **Appointment of Trustees**

As set out in the Articles of Association, the Chair of the Main Board is nominated by members of the Main Board. The Main Board consists of not less than 5 members. One third of the membership of the Main Board will retire from office each year but are eligible for reappointment at the Annual General Meeting. The Main Board has the power to co-opt additional members of the Main Board.

The members are circulated with invitations to nominate Trustees prior to the Annual General Meeting advising them of the retiring Trustees and requesting nominations for the Annual General Meeting.

- **Trustees' Induction and Training**

New Trustees are appointed to fill Main Board vacancies and are recruited on the basis that their skills and expertise will be utilised in the furtherance of the charity's objectives. The new Trustees undergo an induction period to advise them of their legal obligations under Charity and Company law, the contents of the Memorandum and Articles of Association, the Committee and decision making process, the Business Plan and recent financial performance of the charity. During this induction period they meet key employees and other Main Board members. Trustees, supported by the charity officials, maintain and develop their skills and knowledge on an ongoing basis.

- **Organisation**

The Main Board administers the charity on behalf of its members. The Main Board meets not less than 4 times in each calendar year and there are subsidiary committees covering Finance and Remuneration which meet as required. The Main Board will establish new committees as and when appropriate to provide advice and assistance to the Main Board and the Chief

---

Executive. The Chief Executive is appointed by the Main Board to manage the day to day operation of the charity.

To facilitate effective operation, the Chief Executive has delegated authority, within terms of delegation approved by the Main Board, for operational matters including finance, employment, service delivery, fundraising, campaigning and development.

- **Related Parties**

The charity has a wholly owned subsidiary, Capability Scotland Trading Ltd., which sells bought goods, with the income generated being made available to the charity for the furtherance of its charitable objectives. The charity's subsidiary Trading Company did not trade during the year.

- **Risk Management**

The Main Board has reviewed the Register of Risks, looking into specific risk areas and sought assurance that awareness of risk is embedded in our planning and operations. The Main Board has received reports and is satisfied that systems are in place to mitigate our exposure to the major risks.

## **Achievements and Performance**

We continued to provide a wide and varied range of services to around 1000 disabled people. In the year the number of children and adults supported through our services and projects were in line with the previous year. Of particular satisfaction is the increase in the number of adult clients supported to move into independent living. We also continue to help disabled people into employment and in the year supported over 200 individuals to enjoy meaningful employment. We continue to provide services in 29 out of 32 Local Authority areas in Scotland.

We are inspected by Scottish Care and Social Work Improvement Scotland (SCSWIS) and in the year we had 26 inspections resulting in 5 requirements and 19 recommendations. Twelve services increased their grades on the previous year in the category of Care and Support, two of those services also increased their grade in the category of Management and Leadership and one service increased their grade in the category of Environmental. The Trustees were pleased to note the decrease in the number of requirements and recommendations compared with the previous year. We also continue to ensure that systems are in place to close out actions in line with agreed timescales. The Trustees have also noted the favorable comments included in the inspection reports, in particular SCSWIS are using our Oakfield service as an example of good practice.

We continue to develop our Training and Consultancy Services, responding to changes in the economic climate and the demand for different services. We experienced a high level of interest in our User Access Consultation service, carrying out 16 audits over the course of the year for 8 different organisations. We also provided disability equality training to over 900 delegates from 13 different organisations and provided specific consultancy services to 6 organisations. In addition, we hosted 5 involvement events for organisations wishing to consult with disabled people about practice development.

The Advice Service handled over 2,300 enquiries on a wide range of disability issues. The Advice Service introduced a remote reporting service to disabled people in Lothian and Borders who have been victims of hate crime and don't feel comfortable about dealing with the police directly. We are now looking to roll this service out nationally.

Capability Scotland continued to drive the disability equality agenda. We campaigned on a number of major issues that affect the everyday lives of disabled people, winning legislative change and a national award for our campaign regarding access to entertainment venues. We engaged in the development of government policy, contributing to 24 consultations and calls for evidence on a wide range of issues including benefits, housing and wheelchair provision. We increased the number of visits to Capability Scotland's website by 14% and maintained our external newsletter subscriber levels.

During the 2010/11 year we have continued our drive towards a fully qualified workforce through our four, full time, SVQ Assessors. These staff help ensure that we meet our target for SVQ, levels 2, 3, and 4, qualified personnel in line with the Scottish Government's National Strategy for the Development of the Social Service Workforce in Scotland and to meet the registration requirements required by SSSC. The annual "External Verification" process, required by the awarding body, SQA, highlights that the quality of our assessments is high. In the 2010/11 year, 71 staff completed SVQ at levels 2 and 3 and four at level 4. As of the end of March 2011, 100 staff were in the process of completing SVQ at levels 2, 3 and 4.

In 2010/11 training was delivered using our two new, internal trainers. This has allowed us to be much more responsive and flexible in the delivery of targeted training to meet the needs of staff and those that we support. This investment has delivered over 2000 staff training days during this period.

In our continuing goal of improving organisational effectiveness we have fully implemented a Quality Management System. All policies and procedures are available to staff on the intranet. In the year we carried out 46 internal audits with the data collected allowing us to improve our performance. The external verification of our Quality Management System, accredited to ISO 9001:2008 standard by the external certification body the British Standards Institute, was maintained with two surveillance visits carried out during the year. This demonstrates the organisation's commitment to quality and ensures the users of our services are fully involved in the planning and delivery of their Service.

### **Plans for the future**

The Trustees have agreed new strategic directions and a new Business plan for 2010 to 2015 has been prepared. The three key strategic directions are:

- Ensure economically viable services
- Growth through intensity and complexity
- Exert effective influence around core activity

---

The Business Plan has identified ten objectives to support our strategic directions:

- Align income, staffing and expenditure to service delivery and objectives
- Fully involve those who use our services and use their experiences in service development
- Advise, engage and advocate on behalf of those who use our services
- Be part of the NHS commissioning framework
- Enhance service delivery through closer working with local authorities
- Develop partnerships to meet the changing needs of disabled people
- Maximise current and develop new sources of voluntary income
- Create plan focusing on intensity and complexity
- Retain ISO 9001: 2008 accreditation
- Increase commercial knowledge and behaviours

The Trustees receive regular updates and review progress on the Business Plan objectives making the necessary corrections to the plan as required.

## **Financial Review**

The Trustees are pleased to report a return to a small surplus being achieved in the year following two years of deficits being made. In last year's report we highlighted the main factors influencing our financial performance; no inflationary increases to meet the increasing cost of service provision; funding cuts imposed by Local Authority purchasers; unsustainable pay practices and terms and conditions of employment; and the continuing economic conditions. The Trustees stated their commitment to tackling these issues during 2010/11 to ensure the financial viability of the organisation.

The Trustees are now in a position to report that we have taken significant and in some cases drastic action to address our financial position. In realising that cuts in funding were inevitable the difficult decision was taken to close services that were not in a position to cover their costs. This resulted in the closure of services with a loss of income of £1.3m. In making this decision the Trustees ensured that the users of these services were supported by another provider and that where possible staff were transferred under TUPE regulations to the new support provider. However, it was inevitable that not all staff could be accommodated in this way and regrettably staff redundancies were made during the year.

There were further reductions in staff numbers during the year as the Trustees ensured that our service establishments were as efficient as possible while still being in a position to provide quality person centered services. We are pleased to say that with the support and co-operation of the five Trade Unions recognised by the organisation no compulsory redundancies were made during the year.

During the year the organisation was able to agree and implement changes to our staff terms and conditions of employment. It was clear that given the changing environment in which we operate, terms and conditions previously offered were not sustainable. The changes were done through a negotiated agreement with the five recognised Trade Unions. The outcome of these changes, which were implemented

---

mid-year, are seen in the financial results reported for the year 2010/11. Similarly, in terms of service delivery efficiencies and other cost saving initiatives, these changes were spread over the year with the full year benefits still to be seen. The full impact of these changes will be evident in 2011/12. The impact on 2010/11 shows that income from grants and fees for services provided fell by £856,000, a reduction of 3.4% and that our total staff costs reduced by £3,680,000, a reduction of 15.3%. The Trustees are confident that the actions that had to be taken in 2010/11 will make the organisation financially secure and ready for the very difficult period ahead.

Looking ahead the Trustees have prepared financial forecasts which assume no less challenging times for the foreseeable future. We are concerned that local authorities will use a variety of strategies to reduce the money available to provide services to disabled people. We already have evidence and have been subject to imposed cuts in funding, tendering of services and reduction and withdrawal of services as a means to reduce available funding. We are now aware that the personalisation of social care is being used as a means to reduce expenditure on care and support for disabled people. While we are putting plans in place as we move towards Self Directed Support and Personalisation we will also speak up for those disabled people disadvantaged by this change and campaign vigorously against those funders who abuse this welcome change in policy.

To ensure the organisation remains viable and can withstand the difficult period ahead further action has been necessary to reduce costs. At the 31 March 2011 future benefit accrual under the final salary pension scheme ended. This was necessary to cap the liability accruing and to ensure the organisation can meet the high level of costs necessary to support past accrual of benefits. On the 4th of April 2011 the St Jude's Laundry operation was transferred to a social enterprise firm based in Edinburgh. The Trustees are pleased to note that all staff employed in the laundry, including the supported workers, transferred with the business. In 2011/12 we will be vigilant in ensuring that we operate support services within funding available and that efficiencies within our operations are sought and delivered.

Total incoming resources for the year were £28,150,000. This is a decrease of 3.5% over the previous year. Voluntary income is 28% lower than the previous year, income from trading increased by 9.0% with grants and fees for services being 3.4% lower than those for 2009/10.

Income from donations and gifts at £610,000 was £229,000 lower than 2009/10. Legacy income was £210,000 lower than the previous year. Looking at voluntary income over a longer period, donations and gifts are 21% below the five year average while legacy income at £520,000 is also 21% below the five year average. The Trustees acknowledge the reduction in voluntary income compared to the previous year. Given the extremely challenging economy this performance is not unexpected and the Trustees, while putting plans in place to address this area, have recognised that previous levels of voluntary income cannot be assumed in the future. The Trustees recognise the volatility in legacy income from year to year and after very strong years in 2008/09 and 2009/10 we recognise that such levels of income may not be sustainable in the long term. While our financial projections reflect this position, the Trustees wish to invest in this area to maximize voluntary income.



---

The Trustees also acknowledge the tremendous amount of time and expertise that our dedicated Volunteers contribute to generating voluntary sources of income. Our Volunteers ensure that a sustainable level of voluntary income is received through their work in our shops, collection cans and participation in events.

The organisation continues to operate shops which generate income from donated goods. In the year, income increased by £116,000. Of this £185,000 is due to funding received from the Future Jobs Fund. There was £26,000 of this last year resulting in sales reducing year on year by £43,000. These sales are from 19 shops trading for the full year, the same as in 2009/10. In the year, costs reduced by £7,000, a reduction of 0.5%. This resulted in the charity shops reporting a loss of £30,000 for the year, an improvement on 2009/10 of £123,000. As previously reported, the majority of our high street shops were inherited in 2000 from Scope, a charity registered in England and Wales. For the majority of these shops we are committed to long term leases. The Trustees remain concerned about the financial performance of the charity shops and are putting in place strategies to improve financial performance in these very challenging times. The economic environment has clearly negatively affected the quality and volume of donations to charity shops. Market conditions have also meant that early surrender of leases through negotiation with landlords has not been possible. Given this position, the Trustees recognise that trading will remain difficult for the foreseeable future.

Income from grants and fees was £856,000, (3.4%) lower than those generated in 2009/10. Of this £1.3m was due to service closures offset by growth in existing areas of provision. This income at £24,427,000 is analysed by funding source and activity in Note 2 to the Accounts.

Total charitable expenditure reduced by 11.8% with costs reducing by £3,388,000 over the previous year. Employment costs reduced by £3,680,000 compared to 2009/10. Included in charitable expenditure are support costs of £1,542,000. This has reduced by £93,000 compared to 2009/10. The Trustees recognise the need to retain sufficient infrastructure to provide quality services, improve operational efficiency and to position the organisation for the future as their key challenge. The FRS 17 adjustment to the Final Salary Pension Scheme has contributed to the reduction in charitable expenditure by £659,000. This is considered to be an exceptional item and is due to the decision to close future accrual of benefit from 31 March 2011.

Expenditure on campaigns, advice provision, information and influencing reduced by 26% compared to 2009/10. In the Trustees opinion this remains a very important part of the charity's work particularly given the coalition government's position on changes to the welfare system and the negative impact that this is having and will continue to have on disabled people. However, given the financial position of the organisation and the market in which we operate, the Trustees acknowledge the challenges of balancing this work with making sufficient funds available to do so in a meaningful way.

---

## **Reserves Policy**

The Trustees recognise the need to hold reserves in order to provide the necessary working capital to carry out our activities and to provide protection against adverse financial circumstances in the future. Our policy is to move towards the sum of net current assets attributable to unrestricted funds (note 10(d)) being equivalent to three months expenditure.

At 31 March 2011 net current assets totalled £1.9m, which is significantly below the target level of £7.0m. The Trustees recognise that this will not be achieved within the next twelve month period but will look to increase reserves towards target on an annual basis. At 31 March 2011 free unrestricted funds were in surplus by £307,000, expressed as current assets less current liabilities (note 10d). As outlined in the Financial Review the Trustees are taking action to improve the financial position of the organisation and improve the free reserves position in line with our stated policy.

## **Designated Funds**

At the year end date the Trustees undertook a thorough review of funds previously designated and considered areas where funds are required to be designated for future expenditure. The Trustees have designated £50,000 for the investment in an electronic point of sales system for our shops, a further £47,000 has been designated to continue our investment in PhonicStick research and £52,000 designated to support our Work Choice contract. The Trustees can confirm that plans are in place to spend the balance of the remaining previously Designated Funds.

## **Employees**

We have an Equal Opportunities policy and procedures to ensure that no job applicant, employee on a paid or voluntary basis receives less favourable treatment than others on the grounds of disability, HIV status, race, nationality, religion, sex, age, marital status, sexuality or responsibility for dependants. This covers recruitment, training, career development and promotion. All employees have access to the same opportunities.

The organisation continues to meet the requirements of the "Positive about disabled people" symbol awarded by the Employment Service in recognition that mechanisms are in place to positively encourage recruitment and retention and development of disabled employees.

In order to meet the requirements of the Regulation of Care (Scotland) Act 2001, Scottish Care and Social Work Improvement Scotland and the Scottish Social Services Council, we are continuing to support our care and support staff to enable them to become SVQ (Scottish Vocational Qualification) qualified.

---

## **Staff Information and Involvement**

Staff are issued with an in-house magazine every 4 months. This includes information on developments affecting the organisation and its staff. Staff are informed of current developments via the organisation's intranet. Staff induction programmes and manager training include information on financial and economic factors affecting our work. We have several fora which involve staff representation. These include the Joint Negotiating Consultative Committee and Health and Safety Committee where staff are involved in the development of policies and procedures and consulted with on any restructuring of service provision. Staff are also actively encouraged to raise any issues of concern with senior management through our Improvement Request System.

## **Health and Safety**

Our commitment to a positive health and safety culture continues. Our Health and Safety policies and procedures have continually been reviewed and added to, to ensure a safe working environment for service users and staff and to meet the requirements of current legislation.

## **Statement of Trustees' Responsibilities**

Law applicable to incorporated charities in Scotland requires the Main Board to prepare a Trustees' Report and Accounts for each financial year which give a true and fair view of the state of affairs of the charity and of the group at the end of the year and of its financial activities including its income and expenditure during the year then ended. In preparing those financial statements, the Main Board are required to:

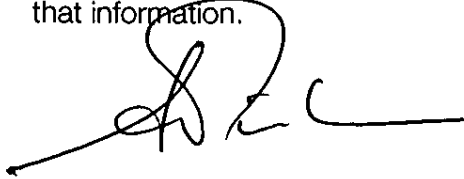
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the charity and the group will continue in operation.

In determining how amounts are presented within items in the statement of financial activities and balance sheet, the Trustees must have regard to the substance of the reported transactions or arrangement, in accordance with generally accepted accounting principles or practice.

The Main Board are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and which enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

---

At the time of approving this report, the Trustees are aware of no relevant audit information of which the company's auditors are unaware and have taken all steps that they ought to have taken as a Trustee in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.



By order of the Main Board  
A D J Dickson  
Trustee of the Main Board and Chief Executive

22 June 2011

Registered Office: Capability Scotland, 11 Ellersly Road, Edinburgh, EH12 6HY  
Telephone 0131 337 9876  
Fax 0131 346 7864  
E-mail [capability@capability-scotland.org.uk](mailto:capability@capability-scotland.org.uk)

Capability Scotland is a company limited by guarantee, registered in Scotland, number SC036524. It is registered with the Office of the Scottish Charity Regulator as a Scottish Charity, number SC011330.

---

## **Independent Auditor's Report to the Members and Trustees of Capability Scotland**

We have audited the financial statements of Capability Scotland for the year ended 31 March 2011 which comprise the group and charitable company Statements of Financial Activities, the group and charitable company Balance Sheets, the group 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).

This report is made exclusively to the members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006, and to the charity's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of trustees and auditor**

As explained more fully in the Statement of Trustees' Responsibilities set out on page 11, the trustees (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.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

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 (APB'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 group's and the parent charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements. 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 group's and the parent charitable company's affairs as at 31 March 2011 and of the group's and the parent charitable company's 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 Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

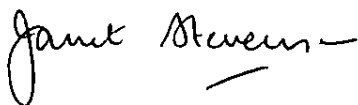
## **Opinion on other matter prescribed by the Companies Act 2006**

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

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

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

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



**Janet Stevenson**

Senior Statutory Auditor

For and on behalf of Henderson Loggie, Statutory Auditors

Henderson Loggie is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006  
Edinburgh

22 June 2011

## Group and Company Statement of Financial Activities (incorporating an Income and Expenditure Account)

For the year ended 31 March 2011

		2011			2010
		Unrestricted Funds	Restricted	Total	Total
	Notes	Ordinary	Funds	Funds	Funds
		£'000	£'000	£'000	£'000
<b>INCOMING RESOURCES</b>					
<b>Incoming resources from generated funds:</b>					
<b>Voluntary Income:</b>					
Donations and Gifts		477	0	133	839
Legacies		445	0	75	730
<b>Activities for generating funds:</b>					
Commercial Trading Operations		1,403	0	0	1,287
Investment income	4	21	0	0	109
<b>Incoming resources from Charitable Activities:</b>					
Grants and fees receivable	2	12,407	0	12,020	25,283
Sale of goods and services		831	0	79	817
<b>Other incoming resources</b>		184	0	75	96
<hr/>					
Total incoming resources		15,768	0	12,382	28,150
<hr/>					
<b>RESOURCES EXPENDED</b>					
<b>Costs of generating funds:</b>					
Fundraising	3	400	0	0	512
Commercial Trading Operations	3	1,433	0	0	1,439
<hr/>					
		1,833	0	0	1,833
<hr/>					
<b>Charitable Expenditure:</b>					
Operations	3	12,851	96	12,691	25,638
Campaigning, Policy, Information and Influencing	3	270	0	0	383
FRS 17 Adjustment	3	(599)	0	(60)	0
<b>Governance costs</b>	3	96	0	0	133
<hr/>					
		12,618	96	12,631	25,345
<hr/>					
Total resources expended		14,451	96	12,631	27,178
<hr/>					

		Notes				
<b>Net Incoming/(Outgoing) Resources before Transfers</b>						
		<b>1,317</b>	<b>(96)</b>	<b>(249)</b>	<b>972</b>	<b>(1,560)</b>
<b>Gross Transfers between funds:</b>						
Creation of designated funds	3	<b>(197)</b>	<b>197</b>	<b>0</b>	<b>0</b>	<b>0</b>
Amortisation of capital funds		<b>201</b>	<b>(201)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total Gross Transfers between funds		<b>4</b>	<b>(4)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Incoming/(Outgoing) Resources before revaluations and investment asset disposals</b>						
		<b>1,321</b>	<b>(100)</b>	<b>(249)</b>	<b>972</b>	<b>(1,560)</b>
<b>Gains on revaluation and disposal of investment assets</b>						
Realised/unrealised	6	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(87)</b>
Actuarial (loss)/gain	13	<b>(188)</b>	<b>0</b>	<b>0</b>	<b>(188)</b>	<b>373</b>
<b>Net movement in funds</b>		<b>1,133</b>	<b>(100)</b>	<b>(249)</b>	<b>784</b>	<b>(1,274)</b>
Fund balances brought forward at 1 April 2010		<b>(331)</b>	<b>7,896</b>	<b>1,903</b>	<b>9,468</b>	<b>10,742</b>
Fund balances carried forward at 31 March 2011		<b>802</b>	<b>7,796</b>	<b>1,654</b>	<b>10,252</b>	<b>9,468</b>

All of the above results are derived from continuing activities.

All gains and losses recognised in the year are included above. The surplus for the year for Companies Act purposes comprising the Net Incoming/(Outgoing) Resources for the year and realised (losses) on investments was £971,952 (2010 Deficit £1,647,076).

The subsidiary company was dormant in the current and previous years so the statement of financial activities above represents that of the group and the company.

The auditor's report to the Trustees and Members of Capability Scotland is on pages 13 and 14.

The notes on pages 22 to 44 form part of these Accounts.



## Group Balance Sheet

As at 31 March 2011

	Notes	2011 £'000	2010 £'000
<b>FIXED ASSETS</b>			
Tangible Assets	6	8,318	8,809
<b>CURRENT ASSETS</b>			
Stock		9	38
Debtors	7	2,955	2,551
Cash at bank and in hand		1,228	908
		4,192	3,497
<b>Creditors:</b>			
Amounts falling due within one year	8	(2,231)	(2,125)
<b>NET CURRENT ASSETS</b>		<b>1,961</b>	<b>1,372</b>
<b>TOTAL ASSETS Less CURRENT LIABILITIES</b>		<b>10,279</b>	<b>10,181</b>
<b>Creditors:</b>			
Amounts falling due after more than one year	9	(27)	(83)
<b>NET ASSETS Before Pension Liability</b>		<b>10,252</b>	<b>10,098</b>
Defined benefit pension scheme (liability)		0	(630)
<b>NET ASSETS Including Pension (liability)</b>		<b>10,252</b>	<b>9,468</b>

---

**CAPITAL AND RESERVES****Notes**

Unrestricted funds:

Ordinary		<b>802</b>	299
Pension Reserve	13	<b>0</b>	(630)
Designated	10	<b>7,796</b>	7,896

---

Restricted funds	10	<b>8,598</b>	7,565
		<b>1,654</b>	1,903

---

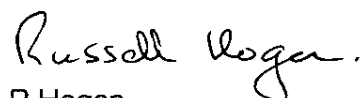
		<b>10,252</b>	9,468
--	--	---------------	-------

---

The Accounts were approved by the Main Board on 22nd June 2011 and signed on their behalf by:



REF Fox  
Member of the Main Board



R Hogan  
Member of the Main Board

The auditor's report to the Trustees and Members of Capability Scotland is on pages 13 and 14.

The notes on pages 22 to 44 form part of these Accounts.

Company number SCO36524

## Balance Sheet

As at 31 March 2011

	Notes	2011 £'000	2010 £'000
<b>FIXED ASSETS</b>			
Tangible Assets	6	8,318	8,809
<b>CURRENT ASSETS</b>			
Stock		9	39
Debtors	7	2,961	2,557
Cash at bank and in hand		1,201	880
		<b>4,171</b>	<b>3,476</b>
<b>Creditors:</b>			
Amounts falling due within one year	8	(2,231)	(2,125)
<b>NET CURRENT ASSETS</b>		<b>1,940</b>	<b>1,351</b>
<b>TOTAL ASSETS Less CURRENT LIABILITIES</b>		<b>10,258</b>	<b>10,160</b>
<b>Creditors:</b>			
Amounts falling due after more than one year	9	(27)	(83)
<b>NET ASSETS Before Pension Liability</b>		<b>10,231</b>	<b>10,077</b>
Defined pension scheme (liability)		0	(630)
<b>NET ASSETS Including Pension (liability)</b>		<b>10,231</b>	<b>9,447</b>

---

**CAPITAL AND RESERVES****Notes**

Unrestricted funds:

Ordinary		<b>782</b>	279
Pension Reserve	13	<b>0</b>	(630)
Designated	10	<b>7,796</b>	7,896

---

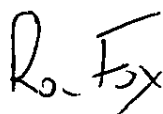
		<b>8,578</b>	7,545
Restricted funds		<b>1,653</b>	1,902

---

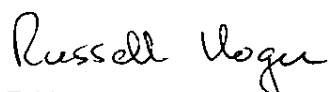
		<b>10,231</b>	9,447
--	--	---------------	-------

---

The Accounts were approved by the Main Board on the 22nd June 2011 and signed on their behalf by:



REF Fox  
Member of the Main Board



R Hogan  
Member of the Main Board

The auditor's report to the Trustees and Members of Capability Scotland is on pages 13 and 14.

The notes on pages 22 to 44 form part of these Accounts.

Company Number SCO36524

## Group Cash Flow Statement

For the year ended 31 March 2011

	2011		2010	
	£'000	£'000	£'000	£'000
<b>Net cash inflow/(outflow) from operating activities (Note 11(a))</b>		<b>520</b>		<b>(360)</b>
<b>Returns on investments and servicing of finance</b>				
Interest received (note 4)	<b>21</b>		17	
Investment income received (note 4)	<b>0</b>		92	
Hire purchase interest paid (note 2)	<b>(7)</b>		(14)	
		<b>14</b>		<b>95</b>
<b>Investing activities and capital expenditure</b>				
Payments to acquire tangible fixed assets	<b>(78)</b>		(13)	
Receipts from sales of tangible fixed assets	<b>5</b>		201	
Receipts from sales of investments	<b>0</b>		1,600	
		<b>(73)</b>		<b>1,788</b>
<b>Net cash inflow before financing</b>		<b>461</b>		<b>1,523</b>
<b>Financing</b>				
Hire purchase finance (redeemed)	<b>(141)</b>		(194)	
Loan repaid	<b>0</b>		(53)	
		<b>(141)</b>		<b>(247)</b>
<b>Increase in cash</b>		<b>320</b>		<b>1,276</b>

The auditor's report to the Trustees and Members of Capability Scotland is on pages 13 and 14.

---

## NOTES TO THE ACCOUNTS

For the year ended 31 March 2011

### ACCOUNTING POLICIES

#### Status of the Company

Capability Scotland is a company limited by guarantee of its members and does not have a share capital. Each member has undertaken to contribute an amount not exceeding one pound towards any deficit arising in the event of the company being wound up.

#### Basis of accounting

The accounts have been prepared under the historical cost basis of accounting modified to include investments at market value, the revaluation of certain land and buildings, and in accordance with applicable accounting standards. The accounts are set out so as to comply with the Statement of Recommended Practice for Charity Accounts (SORP 2005) approved by the Accounting Standards Board in March 2005. Accordingly the arrangement and headings have been adapted as provided for in the Companies Act 2006.

The charity's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Trustees' Annual Report.

As detailed in the Financial Review, the charity has responded to cuts in funding and continues to monitor the position carefully to ensure it has adequate financial resources to be placed to manage its business risks sufficiently despite the current uncertain economic outlook.

The Trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future and consider that the going concern basis of accounting in preparing the financial statements is appropriate.

#### Basis of Consolidation

The accounts of the subsidiary company, Capability Scotland Trading Ltd, are consolidated in the group accounts.

#### Funds

Funds are classified as either restricted funds or unrestricted funds, defined as follows:

**Restricted funds** are funds subject to specific trusts, which may be declared by the donor or with their authority (e.g. by the restrictive wording of an appeal). Some are restricted income funds expendable at the discretion of the Main Board in furtherance of a particular activity, such as central and local government grants and fees for a specific school or service, and funds raised for particular client groups or activities.

---

**Unrestricted funds** are expendable at the discretion of the Main Board in furtherance of the objects of Capability Scotland. If part of the unrestricted funds is earmarked at the discretion of the Main Board for a particular project, it is designated as a separate fund. This designation has an administrative purpose only, and does not legally restrict the Main Board's discretion to apply the fund.

## **Statement of Financial Activities**

This statement, produced to comply with the SORP 2005, is effectively an Income and Expenditure Account in different format, incorporating information on movements in capital resources to form a single statement of all movements between opening and closing fund balances. Incoming resources includes not only incoming revenue but also receipts of capital such as Government capital grants and gains from the sale of land and buildings and gains and losses on investments, both realised and unrealised.

### **Incoming resources Legacies**

A legacy is regarded as receivable if it is clear that at the accounting date the administrators of the estate had indicated the level of payment to be made.

### **Grants and fees receivable from statutory sources**

Grants and fees receivable include government grants and receipts under other funding arrangements from central and local government and their agencies which are of a revenue nature. This includes income recognised as earned (as the related services are provided) under contract or where entitlement to grant funding is subject to specific performance conditions. Grant income included in this category provides funding to support activities and is recognised where there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability.

### **Investment Income**

Investment income is credited to the Statement of Financial Activities on the basis of actual dividends and interest received during the year.

### **Donated Services and Gifts in Kind**

Donated services and facilities are included at the value to the charity where this can be quantified. No amounts are included in the financial statements for services donated by volunteers.

Gifts in kind are not recognised in the financial statements. Gifts donated for resale are included as income when they are sold at the price at which they were sold.

### **Local associations**

Local associations affiliated to Capability Scotland are autonomous bodies. Any income received from local associations is included in incoming resources from donations and gifts.

---

## **Resources expended**

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of the resources.

Fundraising costs are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities.

Governance costs are the costs associated with the governance arrangements of the Charity which relate to the general running of the Charity as opposed to those costs associated with fundraising or charitable activity.

Support costs, which include the Head Office functions such as general management, payroll administration, budgeting and accounting, information technology and human resources are allocated across the categories of charitable expenditure, governance costs and the costs of generating funds.

The basis of the cost allocation has been explained in note 3 to the accounts.

Irrecoverable VAT is charged as a cost to the Statement of Financial Activities.

## **Internal transfers**

Where services have been made available by one activity to another an appropriate internal charge has been recorded in the accounts.

## **Hire purchase commitments**

Assets obtained under hire purchase contracts are recorded in the Balance Sheet as tangible fixed assets and are depreciated in accordance with the policy on depreciation. Future instalments, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element and the capital element. The finance element is charged to the Statement of Financial Activities evenly over the period of each contract at the rate applicable at the date of commencement of the contract. A final charge or credit is made at the end of the contract to account for variations in the rate of interest through the contract period. The capital element reduced the outstanding obligation for future instalments.

## **Leases**

All leases are accounted for as operating leases. The rentals are charged to the Statement of Financial Activities on a straight line basis over the life of the lease.

## **Dilapidations**

Where leases require the reinstatement of buildings in line with a surveyors' report, the cost of dilapidations are expended in the year incurred.



---

## **Fixed assets and depreciation**

Material purchases of fixed assets are capitalised. Smaller amounts may be capitalised at the discretion of the Main Board, subject to a minimum value of £1,000.

Fixed assets are included in the balance sheet at cost, or valuation in certain cases.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life as follows:

Leasehold improvements – Equal instalments up to the end of the period over which funding for the improvements will be received.

Other Buildings – 50 years

Improvements to buildings – equal instalments over the remaining life of the original asset.

Plant and machinery – 5 years

Furniture and fittings 5 – 20 years

Vans and minibuses – 6 to 10 years

Motor cars – 4 years

Investments are included in the balance sheet at market value. Gains and losses are recognised in the Statement of Financial Activities in the year in which they arise.

## **Buildings purchased or improved using unrestricted funds**

In certain cases, where a building has been built or improved using unrestricted funds in hand at the time (i.e. there is no intention to recover the cost subsequently through its use) the Main Board creates a designated fund reflecting the book value of the asset, which is then reduced over the useful economic life of the asset in line with its depreciation.

## **Stocks**

Stocks of materials and consumables are stated at the lower of cost and net realisable value in the ordinary course of operating.

## **Exceptional items**

Items are treated as exceptional items where by virtue of their size or nature they need to be disclosed separately in order to give a true and fair view.

---

## 1. STAFF NUMBERS AND COSTS

### The aggregate remuneration and associated costs of Capability Scotland's employees were:

	2011 £'000	Restated 2010 £'000
Wages and salaries	17,830	20,216
Social Security costs	1,419	1,644
Pensions costs – defined benefits	634	499
Pensions costs – defined contributions	470	524
FRS17 Adjustment	(659)	0
Agency Fees	709	1,200
	<hr/>	
	20,403	24,083
Benefits in kind (as defined for personal taxation purposes)	3	3
	<hr/>	
	20,406	24,086
	<hr/>	
<b>Trustee Emoluments and Related Parties</b>		
Remuneration	118	118
Expenses	9	8
Pension Augmentation	108	0
	<hr/>	
	235	126
	<hr/>	

No Trustees received remuneration or expenses in the year, with the exception of Mr Dickson who received remuneration and expenses in his capacity as Chief Executive. In the year the Trustees agreed to augment Mr. Dickson's pension benefits by £108,000.

A Trustee is related to a partner in the charity's legal advisors, Shepherd and Wedderburn. In the year Shepherd and Wedderburn raised invoices totalling £12,420 (2010 £3,528) on the charity and at the end of the year £11,250 was owed to them. One of the Trustees, employed by the University of Dundee, was awarded a £23,675 grant in the year for research (2010 £8,000).

External Agencies are used to provide staff in Services where vacancies are not filled and, in some circumstances to cover for staff absences. The Charity contracts with a number of Agencies to ensure that staff are available to provide services to our clients.

---

Employees receiving salaries, plus benefits in kind, of more than £60,000 were in the following bands:

	<b>2011</b>	Restated 2010
£110,001 – £120,000	<b>1</b>	1
£80,001 – £90,000	<b>1</b>	1
£70,001 – £80,000	<b>1</b>	1
£60,001 – £70,000	<b>1</b>	1

Retirement benefits accrued under a defined benefit scheme for one of the trustees included in staff members above during the year. Benefit accrual under the scheme ended on 31 March 2011.

Retirement benefits accrued under a defined contribution scheme for two of the employees included in staff members above. The contributions paid in 2011 were £16,704 (2010, one member – £9,772).

The contributions payable to the defined contribution pension scheme at the year end were £50,578.

**The average number of employees of  
Capability Scotland during the year was:**

<b>2011</b>	2010
<b>Number</b>	Number
<b>1,146</b>	1,229

---

---

## 2. NET INCOMING/(OUTGOING) RESOURCES

<b>a) Net Incoming/(Outgoing) resources is stated after charging:</b>	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Auditor's remuneration – audit	<b>26</b>	26
– other	<b>2</b>	5
Depreciation of tangible fixed assets (note 6)	<b>472</b>	525
Rental charges under operating leases	<b>733</b>	706
Bank and Loan interest	<b>2</b>	4
Hire purchase interest	<b>7</b>	14

### **The surplus/(deficit) is stated after charging:**

(Loss) on sale of tangible fixed assets	<b>(92)</b>	(89)
---	-------------	------

---

### **b) Grants and fees receivable by funding source is made up as follows:**

Local Authorities	<b>20,033</b>	20,644
Scottish Government	<b>3,044</b>	3,041
The Employment Service and LECs	<b>918</b>	1,164
Benefits Agency	<b>354</b>	353
Health Boards	<b>44</b>	44
Department of Transport	<b>34</b>	36
Big Lottery Fund	<b>0</b>	1

---

Total	<b>24,427</b>	25,283
-------	---------------	--------

---

### **c) Grants and Fees Receivable by activity is made up as follows:**

Schools	<b>6,782</b>	6,780
Other Children's Services	<b>631</b>	1,142
Adult Day Services	<b>3,740</b>	3,591
Adult Residential Services	<b>8,319</b>	8,310
Community Living Services	<b>3,444</b>	4,064
Employment Services	<b>1,238</b>	1,140
Other Services and Activities	<b>273</b>	256

---

<b>24,427</b>	25,283
---------------	--------

---

### 3. RESOURCES EXPENDED

	Direct Activities £'000	Support Costs £'000	2011 Total £'000	2010 Total £'000
<b>a) Total Resources Expended</b>				
<b>Costs of Generating Funds</b>				
Fundraising	388	12	400	512
Commercial Trading Operations	1,356	77	1,433	1,439
	<b>1,744</b>	<b>89</b>	<b>1,833</b>	<b>1,951</b>
<b>Charitable Expenditure</b>				
Operations:				
Schools	6,113	368	6,481	7,301
Other Children's Services	773	46	819	1,336
Adult Day Services	3,535	212	3,747	4,057
Adult Residential Services	8,057	484	8,541	8,724
Community Living Services	3,485	209	3,694	4,491
Employment Services	1,742	110	1,852	1,839
Other Services	504	0	504	506
Total Operations	24,209	1,429	25,638	28,254
Campaigning, Policy, Information and Influencing	246	24	270	383
FRS 17 Adjustment	(659)	0	(659)	0
<b>Governance Costs</b>	96	0	96	133
	<b>23,892</b>	<b>1,453</b>	<b>25,345</b>	<b>28,770</b>
Total per the Statement of Financial Activities	<b>25,636</b>	<b>1,542</b>	<b>27,178</b>	<b>30,721</b>

#### b) Costs of Generating Funds

The charity employs dedicated staff, based at Head Office, to undertake fundraising activities to generate voluntary income. Activities include arranging events or supporting events arranged by other bodies on behalf of the charity, submitting funding applications to trusts and corporate bodies and representing the organisation when meeting with such bodies and maintaining our database of committed givers. Our fundraisers also manage our legacy initiatives, direct mailing campaigns and collection boxes.

The charity has 19 shops, located throughout Scotland, which generate voluntary income by selling donated goods.

---

**c) Support Costs**

Support Costs of £1,542,000 (2010 £1,635,000) are included in the above. Included in Support Costs are head office functions including general management, finance, payroll administration, human resources and information technology. Support costs have been allocated to Costs of Generating Funds and Campaigning, Policy, Information and Influencing on an estimated usage basis. Support Costs allocated to Operations is on the same basis as direct expenditure incurred in undertaking an activity.

**d) Governance Costs**

Governance costs are made up of the external audit fee, costs associated with production of the annual accounts and AGM, company secretarial costs and a proportion of management costs based on an estimate of time spent.

**e) Designation of Funds**

During the year the following funds were designated; Shops Electronic Point of Sale system £50,000, Phonicstic Research £47,000 and £52,000 to support the Work Choice programme. In addition there were additional funds designated of £48,000 to absorb the future depreciation on fixed assets.

**4. INVESTMENT INCOME**

	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Bank and other interest	<b>21</b>	17
Investment income	<b>0</b>	92
	<hr/>	<hr/>
	<b>21</b>	109
	<hr/>	<hr/>

**5. LEGACIES****a) Legacies notified**

Legacies notified but not yet received by 31 March 2011 amounted to £25,000 (2010 £7,100).

**b) Legacies Received**

Legacies greater than £50,000 received in the year were as follows:

	<b>£</b>
Mrs Audrey J Anderson	52,079
Mr Patrick Kellacher	75,015
Mrs Williamina McKay	52,730
Miss Annie B Nimmo	52,047
Mrs Jean Pillans	50,000

**6. FIXED ASSETS**  
**a) Tangible Assets**

**Group and Capability Scotland**

<b>Cost or Valuation</b>	<b>Improvements</b>		<b>Plant &amp; Machinery</b>	<b>Motor Vehicles</b>	<b>Furniture &amp; Fittings</b>	<b>Total</b>
	<b>Land &amp; Buildings</b>	<b>to Short Leaseholds</b>				
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At beginning of year	9,937	109	410	1,598	1,617	13,671
Transfer	105	0	0	0	(105)	0
Additions	24	0	35	19	0	78
Disposals	0	0	(429)	(184)	(9)	(622)
At end of year	10,066	109	16	1,433	1,503	13,127
<b>Depreciation</b>						
At beginning of year	1,950	64	361	1,122	1,365	4,862
Transfer	6	0	0	0	(6)	0
Provided for the year	204	5	20	174	69	472
On disposals	0	0	(365)	(151)	(9)	(525)
At end of year	2,160	69	16	1,145	1,419	4,809
<b>Net book value</b>						
At 31 March 2011	7,906	40	0	288	84	8,318
At 1 April 2010	7,987	45	49	476	252	8,809

The company has granted to the Trustees of the Capability Scotland Pension Scheme, as security, the Head Office, Westerlea building, which is included in Lands & Buildings above.

The purposes for which tangible fixed assets were held at 31 March 2011 were as follows:

	<b>Improvements</b>		<b>Motor Vehicles</b>	<b>Furniture &amp; Fittings</b>	<b>Total</b>
	<b>Land &amp; Buildings</b>	<b>to Short Leaseholds</b>			
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Direct charitable purposes: operations	6,839	18	258	27	7,142
Support functions	1,042	0	9	57	1,108
Fundraising	25	0	0	0	25
Retail shops	0	22	21	0	43
	7,906	40	288	84	8,318

## **b) Contingent Liability**

In certain circumstances grants received for refurbishment works on School buildings may become repayable. The total of such grants is £1,218,000 (2010 £1,153,000).

## **c) Assets held under hire purchase contracts**

The net book value of motor vehicles includes amounts of £260,000 (2010 £415,000) in respect of assets held under hire purchase contracts. The depreciation charge for the year on these assets was £144,000 (2010 £149,000).

## **d) UK Listed Investments**

	<b>2011</b>	<b>2010</b>
	<b>Group &amp; Capability</b>	<b>Scotland</b>
	<b>£'000</b>	<b>£'000</b>
Valuation at 1 April 2010	<b>0</b>	1,687
Disposals in year	<b>0</b>	(1,600)
Plus Realised (Losses)	<b>0</b>	(87)
Valuation at 31 March 2011	<b>0</b>	0

## **e) Subsidiary Undertakings:**

	<b>Percentage of</b>	<b>Number of £1</b>
	<b>Capital Held</b>	<b>Ordinary Shares</b>
Capability Scotland Trading Limited	100%	100%

Capability Scotland Trading Limited, a company incorporated in Scotland, is a wholly owned subsidiary and sells bought goods, predominantly christmas cards.

In the year Capability Scotland Trading Limited did not trade. This has been consolidated into the Group SOFA on a line by line basis. Funds of £1,845 (2010 £1,845) are included in the Group Balance Sheet and considered to be Restricted.

## **7. DEBTORS**

	<b>2011</b>		<b>2010</b>
	<b>Group</b>	<b>Capability</b>	<b>Group</b>
	<b>£'000</b>	<b>Scotland</b>	<b>£'000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade debtors	<b>4</b>	<b>4</b>	50
Fees and grants due	<b>2,604</b>	<b>2,604</b>	2,212
Other debtors	<b>72</b>	<b>78</b>	53
Prepayments and accrued income	<b>275</b>	<b>275</b>	236
	<b>2,955</b>	<b>2,961</b>	2,551
			2,557



**8. CREDITORS:****Amounts falling due within one year**

	<b>2011</b>		Restated	Restated
	<b>Capability</b>			
	<b>Group</b>	<b>Scotland</b>	<b>Group</b>	<b>Scotland</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade creditors	625	625	823	823
Social security costs and other taxes	379	379	476	476
Other creditors and provisions	1,159	1,159	674	674
	<b>2,163</b>	<b>2,163</b>	1,973	1,973
Current instalments due on hire purchase	68	68	152	152
	<b>2,231</b>	<b>2,231</b>	2,125	2,125

The Royal Bank of Scotland have a first ranking bond and floating charge over the assets of the organisation, excluding the Westerlea property which has been given as security to the Trustees of the Pension Scheme. In addition to the security granted to the Trustees of the Pension Scheme described in note 6, they have a second ranking bond and floating charge over the remaining assets of the organisation.

**9. CREDITORS:****Amounts falling due after one year**

	<b>2011</b>	<b>2010</b>
	<b>Group &amp; Capability</b>	<b>Scotland</b>
	<b>£'000</b>	<b>£'000</b>
Hire purchase instalments	27	83

Amounts due under hire purchase contracts are secured on certain motor vehicles.

## 10. FUNDS

### a) Group Statement of Funds

	Balance 31 Mar 2010 £'000	Incoming Resources £'000	Outgoing Resources £'000	Transfers £'000	Gains and (Losses) £'000	Balance 31 Mar 2011 £'000
<b>Restricted Funds</b>	1,903	12,382	(12,631)	0	0	1,654
<b>Unrestricted Funds</b>						
<b>Designated</b>						
Capital Reserve	7,577	0	0	(154)	0	7,423
Other Funds	319	0	(96)	150	0	373
	7,896	0	(96)	(4)	0	7,796
Ordinary	299	15,609	(15,110)	4	0	802
Pension Reserve	(630)	159	659	0	(188)	0
	(331)	15,768	(14,451)	4	(188)	802
<b>TOTAL UNRESTRICTED</b>	7,565	15,768	(14,547)	0	(188)	8,598
<b>TOTAL FUNDS</b>	<b>9,468</b>	<b>28,150</b>	<b>(27,178)</b>	<b>0</b>	<b>(188)</b>	<b>10,252</b>

### b) Restricted Funds

Restricted funds as at 31 March 2011 comprise the following:

	Group £'000	2011 Capability Scotland £'000	Group £'000	2010 Capability Scotland £'000
Operating income earmarked for expenditure	825	825	985	985
Other restricted funds	829	828	918	917
	<b>1,654</b>	<b>1,653</b>	1,903	1,902

Operating income earmarked for expenditure represents income received for specific services and projects. Other restricted funds are made up of 58 individual funds and represent income received from funders with a specific use identified.

During the year a detailed review of restricted funds was undertaken and following advice £238,000 were considered to be unrestricted and subsequently reclassified in the statement above.

### **c) Designated Funds**

Designated funds comprise £7,423,000 of capital reserve which reflects the book value of certain buildings and is reduced over the life of the asset in line with its depreciation, £111,000 for development of education services, £8,000 for the development of other services, £98,000 for certain pension liabilities, £54,000 for Phonicstic research, £50,000 for the purchase of an Electronic Point of Sale system for the Shops and £52,000 for supporting the Work Choice programme.

### **d) Analysis of Group Net Assets Between Funds**

	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fixed Assets	8,318	0	8,318
Current Assets	2,538	1,654	4,192
Current Liabilities	(2,231)	0	(2,231)
Long Term Liabilities	(27)	0	(27)
	<hr/>	<hr/>	<hr/>
	8,598	1,654	10,252
	<hr/>	<hr/>	<hr/>

## 11. NOTES TO THE CASH FLOW STATEMENT

	2011 £'000	2010 £'000
<b>(a) Reconciliation of net incoming/(outgoing) resources to net cash inflow/(outflow) from operating activities</b>		
Net Incoming/(Outgoing) Resources before transfers	972	(1,560)
<b>Adjustment for items not involving cash flow</b>		
Depreciation charges	472	525
Pension Fund adjustment	(818)	(68)
Loss on sale of tangible fixed assets	93	89
	<u>(253)</u>	<u>546</u>
<b>Adjustment for items not regarded as operating activities for cash flow statement</b>		
Interest received	(21)	(17)
Investment income	0	(92)
Hire purchase interest	7	14
	<u>(14)</u>	<u>(95)</u>
Decrease/(Increase) in stocks	29	(4)
(Increase)/Decrease in Debtors	(404)	898
Decrease/(Increase) in creditors	190	(145)
	<u>(185)</u>	<u>749</u>
<b>Net cash inflow/(outflow) from operating activities</b>	<b>520</b>	<b>(360)</b>

**(b) Reconciliation of net cash inflow to movement in net funds**

	2011	2010
	£'000	£'000
Increase in cash in the year	320	1,276
Redemption of hire purchase contracts	140	193
Loans written off by conversion to grants	0	53
	<b>140</b>	<b>246</b>
Net funds at start of year	<b>460</b> <b>673</b>	1,522 (849)
Net funds at end of year	<b>1,133</b>	<b>673</b>
Net funds comprise:		
Cash at bank and in hand	<b>1,228</b>	908
Hire purchase contracts	<b>(95)</b>	(235)
	<b>1,133</b>	<b>673</b>

**12. COMMITMENTS**

**(a) Capital commitments**

	2011	Restated 2010
	£'000	£'000
Capital	<b>336</b>	0
Other	<b>50</b>	0
	<b>386</b>	<b>0</b>

Included in the above is a commitment to provide an interest free loan of £50,000, repayable over 35 months from May 2011 to the new operator of St. Judes Laundry.

**(b) Operating lease commitments**

	2011	2010
	£'000	£'000
Annual lease rentals on land and buildings:		
Expiring within one year	<b>52</b>	34
Expiring between one and five years	<b>166</b>	124
Expiring after 5 years	<b>421</b>	441
	<b>639</b>	<b>599</b>

### 13. PENSION SCHEMES

(a) The Scheme is a defined benefit scheme and the information provided below is based on a valuation carried out as at 31 March 2011. Benefit accrual under the Scheme ceased with effect from 31 March 2011. The associated curtailment gain is recognised in the Defined Benefit Cost.

Assumptions	As at 31 March 2011 % p.a.	As at 31 March 2010 % p.a.
Discount rate	5.50	5.50
RPI Inflation *	3.50	3.80
CPI Inflation *	3.00	n/a
Pensionable Salary Growth	n/a	4.10
Deferred Pension Revaluation *	3.60	3.80
LPI Pension Increases *	3.50	3.80

\* RPI is assumed to be the appropriate inflationary measure for both deferred pension revaluation and LPI pension increases under the Scheme.

Demographic Assumption	31 March 2011	31 March 2010
Base Mortality Table**	S1PMA for Males S1PFA for Females	120% PNMA00 for Males 120% PNFA00 for Females

Mortality Improvements\*\* The CMI's 2010 model with a 1% p.a. long term rate of improvement Medium cohort projection 1% p.a. minimum improvement

Dependency Ratio	Age range	M	F	
	<64	85%	80%	85% for Males 75% for Females
	65-69	85%	75%	
	70-74	80%	60%	
	75+	70%	35%	
Age difference (M – F)		3 years		3 years
Commutation of Pension***		Yes		Yes
Withdrawals		No		No
Retirement		Males 62 Females 60		Males 62 Females 60

\*\* The S1PMA and S1PFA mortality tables projected using the Continuous Mortality Investigation 2010 model, subject to a long term rate of improvement of 1% p.a., produce the following expectations of life at age 65 (note that improvements in mortality are assumed to continue in the future);

Age 65 in year	Male Future Lifetime (Years)	Female Future Lifetime (Years)
2011	22.1	24.2
2031	23.5	25.8
2051	25.1	27.3

\*\*\* Commutation is assumed at all future times to take place on the current prevailing terms.

---

## Assets

At 31 March 2011, the Scheme's assets were invested in insurance policies with companies belonging to the AEGON UK Group and funds held with the St Jame's Place Partnership. An analysis of the underlying assets, together with the assumed rate of return (ROR) for each class of investment, is shown below.

	31 March 2011		31 March 2010	
	Asset Value £'000	Assumed ROR	Asset Value £'000	Assumed ROR
Equities	7,787	8.2% p.a.	7,249	8.4% p.a.
Corporate Bonds	8,357	5.5% p.a.	8,225	5.5% p.a.
Gilts	1,778	4.4% p.a.	1,705	4.5% p.a.
Cash / Other	90	0.5% p.a.	0	0.5% p.a.
Insured Pensioners	186	5.5% p.a.	186	5.5% p.a.
	<hr/>		<hr/>	
Total	18,198		17,365	
	<hr/>		<hr/>	

No allowance has been made for any current assets or liabilities except for outstanding contributions of £90,000 due in respect of the Scheme year ending 31 March 2011.

The value of Additional Voluntary Contribution policies is not included in the above asset valuations.

The Scheme investments do not comprise any financial instruments issued by the Charity.

---

**Defined Benefit Cost**

	<b>Year ending 31 March 2011 £'000</b>	<b>Year ending 31 March 2010 £'000</b>
<b>Operating Costs</b>		
Current service cost *	297	242
Less employee contributions	57	73
	<hr/>	<hr/>
Current service cost to employer	240	169
Past service cost **	108	0
Adjustment to restrict recognition of scheme assets	(108)	0
Gains/losses on settlements or curtailments ***	(198)	0
	<hr/>	<hr/>
	42	169
	<hr/>	<hr/>
<b>Finance Income (Cost)</b>		
Interest cost	(976)	(980)
Expected Return on Assets	1,135	897
	<hr/>	<hr/>
Net Finance Income (Cost)	159	(83)
	<hr/>	<hr/>
<b>Recognised Gains and Losses</b>		
Difference between actual and assumed return on assets	55	3,048
Actuarial Gains and Losses	433	(2,675)
Adjustment to restrict recognition of scheme assets	(676)	0
	<hr/>	<hr/>
	(188)	373
	<hr/>	<hr/>

\* The Current Service Cost is the cost of benefits accruing during the year and is financed by contributions from the Charity and active members of the Scheme. It includes administration expenses charged by Aegon Trustee Solutions. All other Scheme expenses; levies due to the Pensions Regulator and Pensions Protection Fund and the cost of insuring death in service benefits for active members are assumed to be paid by the Charity in addition.

\*\* Cost arising from a benefit augmentation.

\*\*\* Curtailment gain arising from cessation of benefit accrual under the Scheme.

---



## History of amounts recognised in the Statement of Recognised Gains and Losses

	<b>31 March Amount 2011 £'000</b>	<b>Percent</b>	<b>31 March Amount 2010 £'000</b>	<b>Percent</b>
a) Difference between actual and assumed return on assets	55	0.3% of the value of assets at 31 March 2011	3,048	18% of the value of assets at 31 March 2010
b) Actuarial gains and losses	433	2.5% of the liabilities at 31 March 2011	(2,675)	15% of the liabilities at 31 March 2010

## Liability Breakdown

	<b>As at 31 March 2011 £'000</b>	<b>As at 31 March 2010 £'000</b>
Active members *	4,374	5,427
Deferred members	5,065	5,320
Uninsured pensioners	8,005	7,062
Insured pensioners	186	186
Adjustment to restrict recognition of pension scheme asset	568	0
	<hr/>	<hr/>
Total liabilities	18,198	17,995
	<hr/>	<hr/>

Liability as at 31 March 2011 is in respect of those members for whom benefit accrual under the Scheme ceased with effect from that date.

## Surplus/(Deficit)

	<b>As at 31 March 2011 £'000</b>	<b>As at 31 March 2010 £'000</b>
Value of Assets	18,198	17,365
Total Liabilities	(18,198)	(17,995)
	<hr/>	<hr/>
	0	(630)
	<hr/>	<hr/>

## Changes in the Present Value of the Obligation and in the Fair Value of the Assets

		<b>As at 31 March 2011 £'000</b>	<b>As at 31 March 2010 £'000</b>
Present Value of Obligation at beginning of year		17,995	15,066
Interest Cost		976	980
Current Service Cost	Employer	240	169
	Member	57	73
Total		297	242
Past Service Cost per actuarial valuation		108	0
Adjustment to restrict recognition of scheme assets		(108)	0
(Gains) on settlements or curtailments		(198)	0
Benefits Paid		(1,115)	(968)
Actuarial (Gain) / Loss per actuarial valuation		(433)	2,675
Adjustment to restrict recognition of scheme assets		676	0
Present Value of Obligation at end of year		18,198	17,995
		<b>As at 31 March 2011 £'000</b>	<b>As at 31 March 2010 £'000</b>
Fair value of Scheme Assets at beginning of year		17,365	13,995
Expected Return on Scheme Assets		1,135	897
Charity Contributions		701	320
Employee Contributions		57	73
Benefits Paid		(1,115)	(968)
Actuarial Gain on Scheme Assets		55	3,048
		18,198	17,365

---

### Cashflows

The cashflows valued are the assumed pension commencement lump sum and expected pension benefits (including spouses' benefits, where applicable) payable from the Scheme at Normal Retirement Date, or earlier assumed retirement date, together with the benefits which could be payable on death before retirement. Recent practice by the Trustees of the Scheme has been to pay pensions directly from the Scheme assets.

Capability Scotland has agreed to pay additional contributions of £200,000 per annum to the scheme for 21 years. This will be reviewed at the next actuarial valuation.

### Sensitivity of the Principal Assumptions

The FRS17 results are sensitive to changes in financial conditions and the assumptions adopted. The impact on the balance sheet position of a plus/minus 1% change in the discount rate and a plus/minus 2% change in the value of the Scheme's assets are illustrated in the table below. This information is only intended to provide a broad indication of the sensitivity of the results. The combination of discount rate and asset value changes are not intended to be necessarily economically plausible; equally likely or represent extreme situations. The table also illustrates the impact of adopting CPI as the relevant inflationary measure for the future revaluation of deferred benefits under the Scheme. For this purpose, CPI-linked revaluation is assumed to be 3.2% p.a. Based on RPI as the appropriate measure.

	<b>Discount Rate</b>			<b>CPI-linked revaluation</b>
	<b>Unchanged 5% p.a. £'000</b>	<b>1% decrease 4.5% p.a. £'000</b>	<b>1% increase 6.5% p.a. £'000</b>	<b>£'000</b>
<b>Asset Value unchanged</b>	568	(1,958)	2,589	968
<b>20% decrease in Asset Value</b>	(3,034)	(5,561)	(1,013)	(2,635)
<b>20% increase in Asset Value</b>	4,171	1,644	6,192	4,570

### Benefit Structure

The benefits which I have valued are based on the provisions in the Scheme's Rules. A summary of the benefits is given below. It is not a definitive listing – benefits will ultimately be provided in accordance with the rules. The valuation results as at 31 March 2011 allow for the cessation of benefit accrual under the scheme with effect from that date. No allowance has been made for the payment of discretionary benefits or discretionary increases to benefits. No allowance has been made for the possible requirement to equalise GMP's accrued between 17 May 1990 and 5 April 1997.

### Normal Retiring age

Males 65  
Females 65

### Pension Accrual Rate

1/60th of Final Pensionable Salary multiplied by Pensionable Service

---

### **Death After Retirement Pension**

Male members – 50% of members pension

Female members – GMP accrued in respect of service between 6 April 1988 and 16 May 1990 plus 50% of members pension from 16 May 1990.

### **Escalation Rates**

Pre 6 April 1997: 0% p.a. on the pension in excess of the Guaranteed Minimum Pension (GMP)

0% p.a. on the GMP accrued before 6 April 1988.

3% p.a. or RPI if less on the GMP accrued after 5 April 1988.

Post 5 April 1997: 5% p.a. or RPI if less.

### **Deferred Pension Revaluation**

Members entitled to a deferred pension will receive inflation linked increases on their benefit, in excess of GMP, between leaving and retirement subject to a 3% underpin.

## Thank you for your help and support

We'd like to give special acknowledgement to the 123 people who participated in events this year, especially those who took the trouble to organise their own event and raised a total of £24,500! We'd like to thank all those who made donations in memory of a loved one, or to mark a special occasion; and everyone who responded to our Direct Mail appeals or gave regularly through Home Money Boxes, direct debit, Standing orders or Payroll Giving. There are too many of you to list individually but thank you all for your support. Special thanks too to everyone who took part in or supported the Bowmore Ben Nevis Challenge 2011 and made it such a success. If you would like to find out more about the many different ways you can support us please visit [www.capabilityscotland.org.uk](http://www.capabilityscotland.org.uk)

### Companies

Adiamo  
Aitken & Niven  
Aviagen Limited  
Black Horse Limited  
Ferrier Pumps  
Harry's Bar  
Institute of Marine  
Engineering, Science  
& Technology  
Jacksons Bikes  
J Smart & Co  
(Contractors) plc  
John Whyte & Son

Hobbs Ltd  
Keytec Industries  
Kinloss Thrift Shop  
Lloyds TSB  
Commercial Finance  
Marsh Ltd  
Martin Currie Foundation  
Morrison Bowmore Distillers  
Orocco Pier  
People's Postcode Trust  
Peter Hosie Carpets  
Scottish Enterprise  
Scottish Motor  
Auction Group  
Slaters  
St Andrews Sporting Club  
St James Place Wealth  
Management  
Tesco Charity Trust  
The Barcode Warehouse  
The Pavier's Society  
Thom Micro Systems  
Thomas Tunnock Ltd  
Veitchi (Scotland) Limited  
William Grant & Sons Limited  
XOS Group UK

### Individuals

Mr Richard Burns  
Mr John Cameron  
Mrs Carolyn Casebow  
Mr Richard De'ath  
Mr & Mrs D Hatherly  
Mr David Innes  
Mr & Mrs B Macpherson  
Mr Jack McGowan Smyth  
Mr & Mrs Robert McIntosh  
Mr Angus McKee  
Mr Colin McKellar  
Mrs Denise Merson  
Mr & Mrs James Sim  
Mr John Smart  
Dr Charles Waterston  
Mr Bill Wright

### Legacies

Mrs Audrey J Anderson  
Mrs Jean Clarkson  
Miss Hilda S Grant  
Mr E Kellock  
Mr Alexander Kelman  
Miss Mary D Kratter  
Mr Thomas Lamb  
Mrs K M Lowton  
Mrs Williamina MacKay  
Miss Patricia McCurdy  
Miss J L McKinnell  
Merchants of Balnacraig  
Trust  
Miss Annie B Nimmo  
Miss May A Pullar  
Mrs Isobel Rowbottom  
Miss Margaret R Squair

### Trusts and Foundations

The Harold Merton  
Adams Trust  
The Sylvia Aitken  
Charitable Trust  
The James and Grace  
Anderson Charitable Trust  
Awards for All  
Robert Barr's Charitable  
Trust  
Miss Marion Broughton's  
Charitable Trust  
The W A Cargill Fund  
The Martin Connell  
Charitable Trust  
The Cruden Foundation  
Limited  
Miss R E Duncan's  
Charitable Trust  
Forteviot Charitable Trust  
The Hugh Fraser Foundation  
The Gamma Trust  
Greggs Foundation  
The Susan H Guy  
Charitable Trust

---

Miss I F Harvey's  
Charitable Trust  
Miss E C Hendry  
Charitable Trust  
Miss Agnes H Hunter's Trust  
The I.B.B. Trust  
Miss P M Ireland  
Charitable Trust  
The JTH Charitable Trust  
The R J Larg Family  
Charitable Trust  
Mrs M A Lascelles'  
Charitable Trust  
The Hon Mrs Kathleen  
Laurence Charitable Trust  
The R S Macdonald  
Charitable Trust  
Mrs K M F Maxwell-Stuart's  
Charitable Trust  
Mrs Williamina McLaren's  
Trust Fund  
Alexander Moncur Trust  
Netherton Charitable Trust  
The New Macclay Murray &  
Spens Charitable Trust  
The Northwood  
Charitable Trust  
People's Postcode Trust  
A M Pilkington  
Charitable Trust  
The Helen A Reid  
Charitable Trust  
The Robertson Trust  
The Rozelle Trust  
The Russell Trust  
David Solomon's  
Charitable Trust  
The Souter Charitable Trust  
The St. Katharine's Fund  
The W M Sword  
Charitable Trust  
The TA Fund  
Talleg Ltd  
The George & Effie Taylor  
Charitable Trust  
Templeton Goodwill Trust  
The Sir Jules Thorn  
Charitable Trust

---