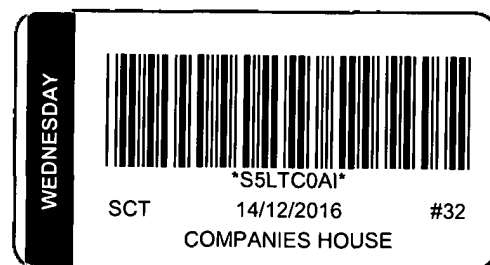


Trustees' Report and Accounts 2016

Capability
Scotland

here for disabled people



Capability Scotland

Trustees' Report and Accounts 2016

Charity number SC036524

Scottish Charity SC011330

Trustees' Report and Accounts for the year ended 31 March 2016

Objectives and Activities

Our vision is that - Capability Scotland is here for disabled people and strives to be a major ally in supporting disabled people to have full equality of opportunity and participation as citizens.

Our aim is to deliver specialist high quality services that meet the needs of every individual customer and to support them through the transitions in life to realise their aspirations and be supported to achieve their full potential.

To achieve our aims and objectives we continue to provide a wide and varied range of direct services, in the year providing support to around 1,000 disabled people. We provide direct services to disabled people through the provision of residential care homes, housing support services, care in people's own homes, day opportunities in buildings and in the community and the operation of two day and residential schools. We help disabled people into employment and are a sub-contractor to the Department of Work and Pensions' Work Choice employment programme.

Our policy and campaigns work ensures we help to deliver improvements in the areas that disabled people tell us most impact their lives. We campaign on the issues that affect the people we support, consulting with our customers to identify the key issues they wish us to campaign on.

Strategic Report

In 2015/16 we continued to implement our 2012 – 2017 Strategic Plan which has three key directions:

- Appropriate and economically viable services
- Growth through focus on intensity and complexity
- Exert effective influence around core activity

The implementation of the Strategic Plan is key to ensuring we can deliver on our aims and objectives while securing the future of the organisation. The five strategic objectives we are working to are:

- Develop our capacity to respond to Self Directed Support
- Modernise and develop our Services
- Develop a sustainable Education Service
- Invest in our future
- Position ourselves to maximise impact

The Trustees receive information and feedback to measure success in meeting the charity's aims and objectives. These include service quality indicators, customer feedback, external feedback including Care Inspectorate reports and financial monitoring reports. The Trustees regularly review progress on the implementation of the Strategic Plan. The Trustees are pleased to report that the implementation of our 2012 - 2017 Strategic Plan is contributing to the current success of the organisation as well as being critical in securing its long term viability.

The Main Board receives feedback directly from those we support through our Customer Advisory Group. Its work with the Main Board, putting forward and responding to issues that affect the wider customer group, provides the Trustees with invaluable insight into the impact our services have on the people we support. The Have Your Say Group, a representative body of those who use our services, meets regularly and provides a mechanism to ensure that the Trustees and senior management hear the voice of our customers and that we hear this first hand.

The Trustees acknowledge the amount and speed of change that the organisation is going through, driven by the need to modernise and develop our services in a very challenging financial environment. Resources, over and above those generated from our normal activities, have been used to ensure that our plans are implemented in an effective manner. The Trustees expect that our change programme will continue through to the end of our 2017 Strategic Plan and beyond.

The Trustees recognise the contribution made by our dedicated volunteers. We acknowledge the tremendous amount of time and expertise that volunteers make to raising funds through their participation in events and other activities and to all those who work in our shops. We also have a large number of people who help out in our services and their contribution is greatly appreciated.

Achievements and Performance

We continue to provide a wide and varied range of direct services, in the year providing support to around 1,000 disabled people. Included in note 2 to the accounts is a breakdown of the income received for the services we provide. The number of children and adults supported through our services and projects was broadly in line with the previous year.

As part of our modernisation and service development work the proceeds from the sale of a property in Broughty Ferry have been reinvested in a leased property in the City Quay area of Dundee. This investment has provided a state of the art facility and a bespoke environment in the heart of the city where we already see our customers experiencing greater social integration. It has a suite of multi-purpose rooms which is allowing our customers to experience a wide range of creative and stimulating activities and experiences. The location of the new facility is also key to bringing new levels of community engagement for all our customers in the Dundee area including volunteering, lifelong learning, sport and leisure.

In April 2016, after an exhaustive search across the city of Edinburgh we completed the purchase of new facilities on the Heriot-Watt University Research Park. We plan to further invest to create a truly state of the art facility for our current and future customers. We are delighted to be part of the Heriot-Watt Research Park and the partnership opportunities this provides. We have also agreed lease terms for a new service base in the east of Edinburgh; the Trustees have allocated funds for development to ensure it is fully accessible and meets the needs of our current and future customers.

In line with our aims we are committed to delivering quality services and meeting the expectations of those who use our services. We are regulated by the Care Inspectorate and in the year we had 21 inspections, with 20 services being inspected. Of these 20 services, 14 achieved grades of 5 or more. We are particularly pleased to report that during the year our Upper Springland Studio service received the maximum grade available, with grades of 6 awarded across all categories.

There has never been a more important time to ensure that our customers and disabled people throughout Scotland have their voices heard by policy makers. During the year we engaged in the development of government policy on a wide range of issues through consultation responses, evidence submission, contribution to

national government working groups and wider network memberships. We submitted a detailed response to the Scottish Government's draft Disability Delivery Plan which states how the Scottish Government intends to deliver on their commitments under the United Nations Convention on the Rights of People with Disabilities.

We have influenced the creation of statutory guidance for the Children and Young People (Scotland) Act 2014 and continue to develop practical guidance that supports responsible authorities in ensuring that disabled children and young people are effectively involved in decisions that affect their lives. We co-ordinated a national review of inclusive play in Scotland and sit on the Scottish Government's Play Strategy Implementation Group, working to reduce the barriers Scottish disabled children and young people face in realising their right to play as enshrined within the United Nations Convention on the Rights of the Child.

Capability Scotland is a founding member of the Disability Agenda Scotland (DAS) alliance in partnership with Action on Hearing Loss, Enable, RNIB, SAMH and Sense Scotland. DAS aims to influence policy and legislation to benefit disabled people, provide a forum for decision makers and influencers to obtain advice and information and promote better understanding of the diverse experiences, needs and aspirations of disabled people across Scotland through focussing on issues of shared interest. The current DAS agenda has identified issues relating to welfare reform, employment and justice as central to its lobbying and policy work and as part of this two successful Hustings events were held for the Westminster and Holyrood elections.

As strategic partners to the Scottish Government on housing and disability, Capability Scotland and Glasgow Centre for Inclusive Living joined with Disabled People's Organisations and housing partners to advise the Scottish Government on how best to meet the housing needs of Scotland's disabled population. One of our main areas of focus is addressing how best to increase the supply of wheelchair accessible housing.

Our long term relationship with the RS Macdonald Charitable Trust has enabled us to develop an evidence base on access to therapy for adults with cerebral palsy living in Scotland. With our partner Bobath Scotland, we will work on the recommendations resulting from this research to ensure that adults with cerebral palsy are aware of and have access to therapy that meets their individual needs.

The Trustees are pleased with the performance of our fundraised activities which, despite a very challenging financial environment, saw our targets for raising funds exceeded. Our charity of the year partnership with Standard Life, along with Scope,

Capability Scotland Trustees' Report and Accounts 2016

a charity registered in England and Wales, has proven to be very beneficial to all parties. The Trustees would like to thank all the Standard Life employees who have supported our work through their participations in events, their generous financial contributions and their support in kind including the website development consultancy. We are also delighted to be the charity partner of Virgin Media, again along with Scope. Virgin Media has supported Stanmore House School and has also significantly contributed to the development of our new website and our digital presence.

During the year our Shops Working Group has continued to focus on the challenging trading environment facing our shops. Our Shops Strategy was approved during the year which has seen the closure of four underperforming shops as we focus on improving financial performance to raise funds to support our aims and objectives.

Capability Scotland is a Living Wage employer and we are delighted that during 2015/16 we have been able to pay all our staff a minimum of £7.85 per hour. In the year we undertook a formal Job Evaluation process involving 775 employees. This has been done in full partnership with the recognised trades unions, Unison and Unite. The Advisory, Conciliation and Arbitration Service (ACAS) oversaw the design and build of a bespoke Job Evaluation scheme in their capacity as independent consultants and advisors and are providing ongoing support as we move to implement a new Pay and Grading structure following completion of the Job Evaluation process.

Financial Review

The Trustees are pleased to note that the financial position reported in the year is in line with our expectations. For many years the economic environment has been extremely challenging and the Trustees remain focussed on ensuring that the organisation remains financially sustainable in the long term. Through the implementation of our Property Strategy we are providing additional funds to deliver our Strategic Plan, addressing key issues now which will secure the long term financial viability and development of the organisation. The results reported for the year include further proceeds from the sale of property. This has resulted in a gain on disposal of £1.3m being recognised in the year.

Total income for the year was £25,364,000. This is £2.6m less than the previous year. Included in total income is £1.3m being the gain on disposal of property, which is £2.0m less than 2014/15. Voluntary income from donations and legacies is 25% higher than the previous year, income from trading increased by 5.9% with

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grants and fees for services being 3.9% lower than those for 2014/15.

Fundraising income in this year was £1.1m, an increase of £220,000 over the previous year with legacies being £179,000 higher than 2014/15. Income from donations and gifts at £705,000 is £41,000 higher than the previous year. The costs associated with raising funds reduced by £108,000 over the previous year. The Trustees also consider fundraising over the longer period and donations and gifts are 10% higher than the five year average while legacy income at £409,000 is 14% lower than the five year average. The level of volatility associated with legacies has been recognised by the Trustees previously and along with the extremely challenging economy our financial planning takes this performance and risk into account.

The Trustees are extremely grateful to the many individual supporters who remember Capability Scotland in their wills along with all those who provide financial support on an ongoing basis. We also acknowledge the tremendous amount of time and expertise that our dedicated volunteers contribute to generating donations. Our volunteers ensure that a sustainable level of fundraised 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. As previously reported, a number 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 ongoing leases. As noted above the Trustees continue to take action to address the financial performance of our charity shops and 2015/16 saw the closure of 4 shops with 14 shops trading at the year end date. Shops' income increased by £66,000 compared to the previous year, due to the recognition of £91,000 of donated stock at the year end as income in line with the new SORP and FRS102. Excluding this accounting adjustment income from sales reduced by £25,000 compared to the previous year. Costs associated with the operation of shops reduced by £21,000.

Income from Charitable Activities was £872,000 lower than those generated in 2014/15. This income at £21,681,000 is analysed by funding source and activity in Note 2 to the Accounts.

Total expenditure reduced by 2.9% with costs reducing by £739,000 over the previous year. Of this total employment costs reduced by £174,000 compared to 2014/15. Expenditure on Charitable Activities reduced by £610,000 compared to the previous year. Included in expenditure are support costs of £1,555,000, a reduction of £24,000 compared to 2014/15.

The final salary pension scheme valuation, which shows a positive position of £3.3m, has not been recognised as an asset because the scheme is now closed. The Trustees have plans in place to ensure this liability is managed while securing members' benefits. This includes a £1.2m commitment made to the scheme, and included in the 2014/15 expenditure, payable to the scheme on 30 June 2016.

Reserves Policy

The Trustees 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 hold the sum of net current assets attributable to unrestricted funds (note 11(d)) being equivalent to three months' expenditure. At 31 March 2016 free unrestricted net current assets, expressed as current assets less current liabilities (note 11(d)), totalled £5.2m, which is at 85% of the target amount. This is an improved position which has been achieved through property disposals and the Trustees recognise that as we reinvest funds as part of our modernisation programme this position will be difficult to maintain over the next twelve month period. However, the disposal of property has had a very positive impact on the level of reserves available. The Trustees will continue to take action to improve the financial position of the organisation to maintain the free reserves position in line with our stated policy. At 31 March 2016 restricted funds totalled £1,205,000.

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 agreed to retain those funds previously designated and can confirm that plans are in place to spend all Designated Funds.

Plans for the Future

The Trustees have reviewed the Strategic Plan and have agreed that this meets the organisation's needs through to the end of 2017. As part of our ongoing work the Trustees have agreed that a comprehensive strategic review will take place in 2017 to determine if any changes are required.

Our future plans are focused around our five strategic objectives noted above. In many cases this will be implementing our strategies and plans and building on the work undertaken in the year. In particular 2016/17 will see further property investments, the modernisation of our Edinburgh based services, completion of our Job Evaluation scheme with a new pay and grading system for the majority of our staff, investment in our ICT infrastructure and systems to improve efficiency and effectiveness within all our areas of activity, de-risking of our final salary pension scheme and a focus on improving the financial performance within our shops.

We have secured new Scottish Government funding to develop our policy work with children, young people and their families throughout Scotland ensuring that those who receive support from us can influence the creation of policy that affects them.

Risk Management

The Trustees have 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. The Trustees recognise our main areas of risk are around the pressure on available public funds and the effect that this is having on our ability to continue to deliver high quality individualised services. Similarly, we acknowledge the risks associated with providing support to very vulnerable people and ensuring that our staff are fully trained and supported in this challenging role.

The Trustees have systems and controls in place to ensure that appropriate measures and actions are taken to manage and reduce the impact of the risks identified. The reduction in funding for services, particularly through no inflationary awards and Framework Agreements that see downward price pressure, are being mitigated through our modernisation programme, investment in ICT infrastructure and systems and our financial management controls, including budget management and financial reporting. As a provider of care and support services to vulnerable adults and children our procedural framework, supported by safer recruitment, training and supervision ensures we have the best practice safeguards in place. Our customer involvement processes, whistle blowing procedure and oversight by regulatory bodies and our Service Quality Committee, a sub committee of the Main Board, provide further assurance in this area.

Employees

We have an Equal Opportunities policy and procedures to ensure that no job applicant or 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, the Care Inspectorate and the Scottish Social Services Council, we are continuing to support our care and support staff to enable them to become SVQ qualified.

Staff Information and Involvement

Staff are informed of current developments via team meetings, the organisation's intranet and updates from the Chief Executive and other senior management staff. Staff induction programmes and manager training include information on policy changes, best practice and wider economic factors affecting our work. We have several fora which involve staff representation. These include the Joint Negotiating and Consultative Committee and the 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.

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 HMRC. 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 is established are 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 51 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 Strategic Plan and recent financial performance of the charity. During this induction period they meet key employees and other Main Board members. Trustees, supported by key management personnel, 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 four times in each calendar year and there are subsidiary committees covering Finance and Audit, Remuneration and Service Quality 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 Shops Working Group, a sub group of the Main Board, continues to focus on the strategic development and operational performance of our shops. The Chief Executive is appointed by the Main Board to manage the day to day operation of the charity.

The Trustees delegate authority for operational matters to the Chief Executive who is supported by an Executive Management Board consisting of four key management personnel. The Chief Executive has delegated authority from the Main Board, for operational matters including finance, employment, service delivery, fundraising, campaigning and development.

- **Key Management Personnel Remuneration**

The Remuneration Committee, a sub committee of the Main Board, is responsible for setting pay and remuneration for key management personnel. The Remuneration Committee commissioned an external consultant to carry out a Job Evaluation and benchmarking exercise for this group of key management personnel. The outcome of that process was accepted as an appropriate and suitable framework for setting pay for this group. One annual increase in salaries has been awarded since 2009.

- **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.

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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

Morton Fraser LLP Solicitors, Quartermile Two, 2 Lister Square,
Edinburgh, EH3 9GL

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

Committee Members and Officials

Patron

His Royal Highness The Duke of Edinburgh KG KT GBE

President

The Right Honourable The Lord Hardie

Honorary Life Members

Mr A A Graham CA
Mr G D Holmes CB FRSE FICFor
Mr J Sinclair

Capability Scotland Trustees' Report and Accounts 2016

Main Board of Trustees

Chair Mr D Currie

Mr A Cameron

Mr J Elder-Woodward

Mr J d'Aguilar

Mr P Edwardson

Mr C Gilmour

Professor A Waller

Mr M McCarron

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.

Senior Management Personnel

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 all operational matters.

Chief Executive

Dana O'Dwyer

Chief Operating Officer and Company Secretary

George Finnigan

Director of Services and Development

Charlie McMillan

Director of Human Resources

Linda Fowler

Director of Corporate & Customer Services

Helen Doctor

Mr. Finnigan is a Company Nominated Trustee of the Capability Scotland Final Salary Pension Scheme.

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.

Capability Scotland Trustees' Report and Accounts 2016

The Annual Report is signed by the Chair on behalf of the Main Board of Trustees. The Trustees also approve the Strategic Report, which is contained within the Annual Report, in their capacity as company directors.



By order of the Main Board
D Currie
Chair

30 June 2016

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

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 2016 which comprise the group and charitable company Statement of Financial Activities, the group and charitable company Balance Sheet, the Group Statement of Cash Flows 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 Trustees 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 company's members and 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 14, the trustees (who are also the directors of the company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that the financial statements give a true and fair view.

We have been appointed auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report to you in accordance with 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). These 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 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' report and Strategic Report 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 group's and the parent charitable company's affairs as at 31 March 2016 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 regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matters prescribed by the Companies Act 2006

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

Capability Scotland Trustees' Report and Accounts 2016

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) require 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 and 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.



James Davidson (Senior Statutory Auditor)

for and on behalf of Henderson Loggie Statutory Auditors

(Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006)

34 Melville Street
Edinburgh
EH3 7HA

30 June 2016

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

For the year ended
31 March 2016

	Notes	2016			2015		
		Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Income From:							
Donations and Legacies	5	822	292	1,114	606	289	895
Charitable Activities	2	12,113	9,568	21,681	11,874	10,679	22,553
<i>Other trading activities:</i>							
Commercial Trading Operations		1,182	0	1,182	1,116	0	1,116
Investments	4	22	0	22	26	0	26
Other Activities		27	0	27	39	0	39
Gain on Property Disposals		1,338	0	1,338	3,289	0	3,289
Total		15,504	9,860	25,364	16,950	10,968	27,918
Expenditure on:							
Raising Funds	3	345	0	345	453	0	453
Commercial Trading Operations	3	1,363	0	1,363	1,384	0	1,384
Charitable Activities	3	13,031	9,886	22,917	11,890	11,637	23,527
Total		14,739	9,886	24,625	13,727	11,637	25,364
Net Income/(Expenditure)		765	(26)	739	3,223	(669)	2,554
Transfers between funds	11	0	0	0	80	(80)	0
		765	(26)	739	3,303	(749)	2,554
Other recognised gains/(losses)							
Actuarial (losses) on defined benefit pension schemes	3	(308)	0	(308)	(1,560)	0	(1,560)
Net movement in funds		457	(26)	431	1,743	(749)	994
Reconciliation of funds:							
Funds brought forward at 1 April 2015		11,337	1,231	12,568	9,594	1,980	11,574
Funds carried forward at 31 March 2016		11,794	1,205	12,999	11,337	1,231	12,568

All of the results on page 19 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 Income for the year and realised gains on investments was £739,000 (2015 £2,554,000).

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 16 to 18.

The notes on pages 26 to 51 form part of these Accounts.

Capability Scotland Trustees' Report and Accounts 2016

Group Balance Sheet

As at 31 March 2016

	Notes	2016		2015	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible Assets	6		6,707		6,394
CURRENT ASSETS					
Stock	8	91		0	
Debtors	7	7,763		7,327	
Cash at bank and in hand		3,112		2,774	
		10,966		10,101	
Liabilities:					
Creditors: amounts falling due within one year	9	(4,565)		(3,799)	
NET CURRENT ASSETS			6,401		6,302
TOTAL ASSETS Less CURRENT LIABILITIES			13,108		12,696
Liabilities:					
Creditors: amounts falling due after more than one year	10		(109)		(128)
TOTAL NET ASSETS			12,999		12,568

Capability Scotland Trustees' Report and Accounts 2016

		2016		2015	
	Notes	£'000	£'000	£'000	£'000
THE FUNDS OF THE CHARITY					
Unrestricted funds	11		11,794		11,337
Restricted funds	11		1,205		1,231
TOTAL CHARITY FUNDS			12,999		12,568

The Accounts were approved by the Main Board on the 30 June 2016 and signed on their behalf by:



D. Currie
Member of the Main Board

The auditor's report to the Trustees and Members of Capability Scotland is on pages 16 to 18.

The notes on pages 26 to 51 form part of these Accounts.

Company number SC036524

Capability Scotland Trustees' Report and Accounts 2016

Balance Sheet

As at 31 March 2016

	Notes	2016		2015	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible Assets	6		6,707		6,394
CURRENT ASSETS					
Stock	8	91		0	
Debtors	7	7,769		7,333	
Cash at bank and in hand		3,085		2,747	
		10,945		10,080	
Liabilities:					
Creditors: amounts falling due within one year	9	(4,565)		(3,799)	
NET CURRENT ASSETS			6,380		6,281
TOTAL ASSETS Less CURRENT LIABILITIES			13,087		12,675
Liabilities:					
Creditors: amounts falling due after more than one year	10		(109)		(128)
TOTAL NET ASSETS			12,978		12,547

Capability Scotland Trustees' Report and Accounts 2016

		2016		2015	
	Notes	£'000	£'000	£'000	£'000
THE FUNDS OF THE CHARITY					
Unrestricted funds			11,775		11,318
Restricted funds	11		1,203		1,229
TOTAL CHARITY FUNDS			12,978		12,547

The Accounts were approved by the Main Board on the 30 June 2016 and signed on their behalf by:



D. Currie
Member of the Main Board

The auditor's report to the Trustees and Members of Capability Scotland is on pages 16 to 18.

The notes on pages 26 to 51 form part of these Accounts.

Company number SC036524

Statement of cash flows

For the year ended 31 March 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities:	12	528	(1,237)
Net cash provided by (used in) operating activities			
Cash flows from investing activities:			
Dividends, interest and rents from investments		22	26
Proceeds from the sale of property, plant and equipment		506	634
Purchase of property, plant and equipment		(698)	(511)
Net cash provided by (used in) investing activities		(170)	149
Cash flows from financing activities:			
Repayments of borrowing		(20)	6
Net cash provided by (used in) financing activities		(20)	6
Change in cash and cash equivalents in the reporting period		338	(1,082)
Cash and cash equivalents at the beginning of the reporting period		2,774	3,856
Cash and cash equivalents at the end of the accounting period	12	3,112	2,774

The auditor's report to the Trustees and Members of Capability Scotland is on pages 16 to 18.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

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. The registered office is Westerlea, 11 Ellersly Road, Edinburgh, EH12 6HY.

Basis of accounting

The financial statements have been prepared to fully comply with the 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) – (Charities SORP (FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. Accordingly the arrangement and headings have been adapted as provided for in the Companies Act 2006. 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.

Capability Scotland meets the definition of a public benefit entity under FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements to the nearest £1,000.

Reconciliation with previous Generally Accepted Accounting Practice

In preparing the accounts and applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 for the first time the Trustees have considered if any restatement of comparative items was required. The Trustees can confirm that no restatement is required.

Capability Scotland Trustees' Report and Accounts 2016

The new accounting policies have resulted in the following changes in the reported financial position and performance:

- £129,165 of legacies recognised as income in the current year financial results
- £13,331 of holiday pay costs recognised in the current year financial results
- £91,209 of donated stock recognised in the current year financial results, and included as Commercial Trading Operations income

Going concern

The charity's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Trustee's 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 fully comply with the Charities SORP (FRS 102), 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.

Income

Legacies

A legacy is regarded as receivable if it is clear that at the accounting date that it is probable it will be received and 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. Where grants and fees have been received but are in relation to services not yet provided, or the grant conditions state that the funding relates to a future period, the income is deferred and included in Other Creditors and Provisions.

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. Donated goods sold under the Gift Aid scheme earn a commission of 1% which is recognised when goods are sold.

Stock

Stock represents donated goods for sale in our charity shops. Stock is valued at their net realisable value and has been recognised as income in the financial statements. Due to the information required to value stock at the previous year end date not being readily available a restatement of the comparative figures for this change in accounting policy has not been made.

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.

Expenditure

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.

Costs to Raise Funds 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.

Redundancy and termination payments are recognised in the financial statements when there is a legal or constructive obligation and it is probable that a payment will be made.

Internal transfers

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

Debtors

Trade and other debtors are recognised at the settlement amount due. Should any amounts become doubtful a suitable provision is made. Prepayments are valued at the amount prepaid net of any known deductions that are available.

Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are recognised at their full settlement amount.

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.

Fixed assets and depreciation

Material purchases of fixed assets, normally over £10,000, are capitalised. Smaller amounts may be capitalised at the discretion of the Main Board.

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 to 20 years

Vans and minibuses – 6 years

Motor cars – 4 years

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.

Dilapidations

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

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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

1. STAFF NUMBERS AND COSTS

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

	2016 £'000	2015 £'000
Wages and salaries	15,746	16,109
Redundancy payments	215	246
Social Security costs	1,109	1,161
Pensions costs – defined benefits	308	1,558
Pensions costs – defined contributions	504	441
Pension Adjustment	(308)	(1,560)
Agency Fees	955	750
	18,529	18,705
Benefits in kind (as defined for personal taxation purposes)	5	3
	18,534	18,708

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

2016 Number	2015 Number
1,017	1,058

Included in the above costs are £215,000 of Redundancy Costs (2015 £246,000) paid to staff at termination of employment. While the organisation takes every step to avoid redundancy the nature of our funding makes such decisions necessary. Redundancy costs are recognised when known. All redundancy costs had been paid at the year end date.

The remuneration and benefits paid to key management personnel totals £410,000 (2015 £410,000). In addition pension contributions of £28,000 (2015 £28,000) were paid to a defined contributions pension scheme.

Capability Scotland Trustees' Report and Accounts 2016

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:

	2016	2015
£60,001 - £70,000	1	1
£70,001 - £80,000	3	3
£80,001 - £90,000	1	1
£100,001 - £110,000	1	1

Retirement benefits accrued under a defined contribution scheme for five of the employees included in staff members above. The contributions paid in 2016 were £28,000 (2015 £28,000). Retirement benefits accrued under a defined benefit scheme for one employee (2015 one) of the employees included in staff numbers above.

b) Trustees' Remuneration and Related Parties

No Trustees received remuneration in the year. Expenses of £132 (2015 £288) were paid to Trustees in the year in respect of Travel Expenses. Trustee indemnity insurance is provided as part of the overall insurance policy for the organisation.

A Trustee is the Chairperson of the Glasgow Centre for Inclusive Living. In the year a £23,000 (2015 £31,000) grant was paid to the Centre as part of a joint project for the Scottish Government. Balance outstanding to be paid over at the year end £11,500 (2015 £31,000).

c) Defined Contributions Pension Scheme

The contributions payable to the defined contribution pension schemes at the year end was £58,000 (2015 £58,000).

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

2. NET INCOME

a) Net Income is stated after charging:

	2016 £'000	2015 £'000
Auditor's remuneration – audit	25	26
– audit of Pension Scheme	3	3
– other	5	3
Depreciation of tangible fixed assets (note 6)	364	374
Rental charges under operating leases	816	766
Rental Income under operating leases	27	39
Hire purchase interest	8	7

The surplus is stated after charging:

Gain on sale of tangible fixed assets	1,343	3,331
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b) Income for Charitable Activities by funding source is made up as follows:

Local Authorities	17,059	17,640
Scottish Government	3,118	3,168
Employment Programmes	748	871
Benefits Agency	401	356
Health Boards	43	51
Department of Transport	40	52
Other	272	415
Total	21,681	22,553

Included in Scottish Government income above are grants as follows: Supporting children and young people with additional support needs £2,975,000 (2015 £2,980,000), assist employees in achieving required qualification criteria £23,000 (2015 £25,000) and carrying out research to assist in formulating government policy regarding disability matters £121,000 (2015 £163,000).

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

2. NET INCOME (continued)

**c) Income for Charitable Activities
by activity is made up as follows:**

	2016	2015
	£'000	£'000
Schools	5,413	5,569
Other Children's Services	662	520
Adult Day Services	2,798	3,225
Adult Residential Services	7,854	7,848
Community Living Services	3,589	3,810
Employment Services	746	859
Other Services and Activities	619	722
	21,681	22,553

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

3. EXPENDITURE

	Direct Activities £'000	Support Costs £'000	2016 Total £'000	2015 Total £'000
a) Expenditure:				
Raising funds	332	13	345	453
Commercial Trading Operations	1,287	76	1,363	1,384
Charitable Activities				
Schools	4,996	354	5,350	5,668
Other Children's Services	787	55	842	771
Adult Day Services	3,041	214	3,255	3,555
Adult Residential Services	7,121	504	7,625	8,261
Community Living Services	3,945	275	4,220	3,975
Employment Services	631	52	683	597
Other Services	985	3	988	1,927
Campaigning, Policy, Information and Influencing	253	9	262	333
Pension Adjustment	(308)	0	(308)	(1,560)
Total Charitable activities	21,451	1,466	22,917	23,527
Total per the Statement of Financial Activities	23,070	1,555	24,625	25,364

b) Raising funds

The charity employs dedicated staff, supported by volunteers, to undertake fundraising activities to generate donations and legacies. 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.

c) Commercial Trading Activities

The charity began the year with 18 shops, reducing to 14 by the end of the year, located throughout Scotland, which generate income by selling donated goods. Our staff are supported by volunteers who ensure that our shops can operate throughout the year to generate income.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

3. EXPENDITURE (continued)

d) Support Costs

Support Costs of £1,555,000 (2015 £1,579,000) 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 expenditure on raising 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.

Governance costs of £79,000 (2015 £82,000) have been included in Support Costs.

4. INVESTMENT INCOME

Bank and other interest

2016 £'000	2015 £'000
22	26

5. DONATIONS AND LEGACIES

Donations Received
Legacies

2016 £'000	2015 £'000
705	664
409	231
1,114	895

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

6. FIXED ASSETS

a) Tangible Assets

	Group and Capability Scotland					
	Land & Buildings	Improvements to Short Leaseholds	Plant & Machinery	Motor Vehicles	Furniture & Fittings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
At beginning of year	8,105	275	16	1,192	1,592	11,180
Additions	0	428	0	55	215	698
Disposals	0	(28)	0	(116)	(89)	(233)
At end of year	8,105	675	16	1,131	1,718	11,645
Depreciation						
At beginning of year	2,425	116	16	842	1,387	4,786
Provided for the year	162	10	0	129	63	364
On disposals	0	(9)	0	(114)	(89)	(212)
At end of year	2,587	117	16	857	1,361	4,938
Net book value						
At 31 March 2016	5,518	558	0	274	357	6,707
At 01 April 2015	5,680	159	0	350	205	6,394

The company has granted to the Trustees of the Capability Scotland Pension Scheme, as security, the Upper Springland site which is included in Land & Buildings above.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

6. FIXED ASSETS (continued)

The purposes for which tangible fixed assets were held at 31 March 2016 were as follows:

	Land & Buildings £'000	Improvements to Short Leaseholds £'000	Vehicles £'000	Furniture & Fittings £'000	Total £'000
Charitable activities	5,518	428	218	307	6,471
Support functions	0	130	36	50	216
Retail shops	0	0	20	0	20
	5,518	558	274	357	6,707

b) Contingent Asset

In respect of a property that has been sold should certain performance targets met in the ten year period following the date of entry on the property, being 30 June 2016, further sums will be receivable.

c) Contingent Liability

In certain circumstances grants received for refurbishment works on School buildings may become repayable. The total of such grants is £306,000 (2015 £315,000).

d) Assets held under hire purchase contracts

The net book value of vehicles includes amounts of £204,000 (2015 £213,000) in respect of assets held under hire purchase contracts. The depreciation charge for the year on these assets was £60,000 (2015 £43,000).

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

6. FIXED ASSETS (continued)

e) Subsidiary Undertakings:	Percentage of Capital Held	Number of £1 Ordinary Shares
Capability Scotland Trading Limited	100%	100%

Capability Scotland Trading Limited, a company incorporated in Scotland, Company Number SC038207, 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 £2,000 (2015 £2,000) are included in the Group Balance Sheet and considered to be Restricted.

7. DEBTORS

	Group £'000	2016 Capability Scotland £'000	Group £'000	2015 Capability Scotland £'000
Fees and grants due	1,915	1,915	2,535	2,535
Other debtors	48	54	27	33
Prepayments and accrued income	539	539	357	357
Property sales	5,261	5,261	4,408	4,408
	7,763	7,769	7,327	7,333

8. STOCK

	Group £'000	2016 Capability Scotland £'000	Group £'000	2016 Capability Scotland £'000
Stock of donated goods for resale	91	91	0	0

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

9. LIABILITIES

Creditors: amounts falling due within one year

	Group £'000	2016 Capability Scotland £'000	Group £'000	2015 Capability Scotland £'000
Trade creditors	748	748	756	756
Social security costs and other taxes	275	275	293	293
Accruals and deferred income	1,464	1,464	1,382	1,382
Other creditors and provisions	2,016	2,016	1,304	1,304
	4,503	4,503	3,735	3,735
Current instalments due on hire purchase	62	62	64	64
	4,565	4,565	3,799	3,799

The purchaser of Westerlea has been given the Westerlea property as security to the extent of the deposit paid on a first ranking basis. In addition to the standard security granted to the Trustees of the Pension Scheme disclosed in Note 6, they have a second ranking standard security over the Westerlea property and a bond and floating charge over the remaining assets of the organisation. The purchaser of Westerlea also has the balance (if any) of the standard security over the Westerlea property for any amounts owed to them above their first ranking amount.

10. LIABILITIES

Creditors: amounts falling due after one year

	2016 Group & Capability £'000	2015 Scotland £'000
Hire purchase instalments	109	128

All amounts are due within five years.

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

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

11. FUNDS

a) Group Statement of Funds

	Balance 31 Mar 2015 £'000	Incoming Resources £'000	Outgoing Resources £'000	Transfers £'000	Gains and (Losses) £'000	Balance 31 Mar 2016 £'000
Restricted Funds	1,231	9,860	(9,886)	0	0	1,205
Unrestricted Funds						
Designated						
Capital Reserve	5,100	0	0	279	0	5,379
Other Funds	1,541	0	(452)	(428)	0	661
	6,641	0	(452)	(149)	0	6,040
Ordinary	4,696	15,196	(14,287)	149	0	5,754
Pension Reserve	0	308	0	0	(308)	0
	4,696	15,504	(14,287)	149	(308)	5,754
Total Unrestricted	11,337	15,504	(14,739)	0	(308)	11,794
TOTAL FUNDS	12,568	25,364	(24,625)	0	(308)	12,999

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

11. FUNDS (continued)

b) Restricted Funds

Restricted funds as at 31 March 2016 comprise the following:

	Group £'000	2016 Capability Scotland £'000	Group £'000	2015 Capability Scotland £'000
Operating income earmarked for expenditure	901	901	890	890
Other restricted funds	304	302	341	339
	1,205	1,203	1,231	1,229

Operating income earmarked for expenditure represents income received for specific services and projects. Other restricted funds are made up of 51 individual funds and represent income received from funders with a specific use identified.

c) Designated Funds

Designated funds comprise £5,379,000 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 and £661,000 for future development.

d) Analysis of Group Net Assets Between Funds

	Unrestricted £'000	Restricted £'000	Total £'000
Fixed Assets	6,707	0	6,707
Current Assets	9,761	1,205	10,966
Current Liabilities	(4,565)	0	(4,565)
Long Term Liabilities	(109)	0	(109)
	11,794	1,205	12,999

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

12. NOTES TO THE CASH FLOW STATEMENT

Reconciliation of net income to net cash flow from operating activities

	2016 £'000	2015 £'000
Net income for the reporting period as per statement of financial activities	739	2,554
Adjustments for:		
Depreciation charges	364	373
Pension Fund adjustment	(308)	(1,560)
Dividends, interest and rents from investments	(22)	(26)
(Profit) on the sale of fixed assets	(1,343)	(3,330)
(Increase) in stocks	(91)	0
Decrease/(increase) in debtors	417	(465)
Increase in creditors	772	1,217
Net Cash provided by (used in) operating activities	528	(1,237)
Analysis of cash and cash equivalents		
Cash in hand	1,306	1,262
Notice Deposits (less than 3 months)	1,806	1,512
Total cash and cash equivalents	3,112	2,774

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

13. CONTRACTED COMMITMENTS

a) Capital commitments

Capital

2016 £'000	2015 £'000
1,175	0
1,175	0
2016 £'000	2015 £'000
625	626
970	1,036
32	79
1,627	1,741

(b) Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

Expiring within one year

Expiring between one and five years

Expiring after 5 years

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

14. PENSION SCHEMES

a) Capability Scotland contributes on behalf of teaching staff to the Scottish Public Pensions Agency (SPPA), a multi employer final salary scheme. Contributions during the year were £53,000 (2015 £59,000). The scheme is treated as a defined contribution scheme given that the charity is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reliable basis. The amount charged to the Statement of Financial Activities represents the contributions payable to the scheme in respect of the accounting year.

b) The charity operates a defined benefit plan in the UK. This is a separate trustee administered fund holding the pension plan assets to meet long term pension liabilities. For the purposes of FRS102 the preliminary results of the actuarial valuation as at 31 March 2015 has been updated to 31 March 2016 by a qualified actuary, independent of the plan's sponsoring employer. The major assumptions used by the actuary are shown below.

The last completed actuarial valuation was at 31 March 2012. The actuarial valuation showed a deficit of £3,700,000. The charity has agreed with the trustees that it will aim to eliminate the deficit over a period of 9 years from 1 December 2014 to 30 November 2023 by the payment of monthly contributions of £25,000 in respect of the deficit. The charity will separately meet all plan expenses and professional fees, including any levies due to the Pensions Regulator and the Pension Protection Fund.

PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT ASSET (LIABILITY)

	31 March 2016 (£'000s)	31 March 2015 (£'000s)	31 March 2014 (£'000s)
Fair value of plan assets	24,296	24,913	22,491
Present value of defined benefit obligation	21,043	23,454	20,553
Surplus (deficit) in plan	3,253	1,459	1,938
Unrecognised surplus	3,253	1,459	1,938
Defined benefit asset (liability) to be recognised	-	-	-
Deferred tax	-	-	-
Net defined benefit asset (liability) to be recognised	-	-	-

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

14. PENSION SCHEMES (continued)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period Ending 31 March 2016 (£'000s)	Period Ending 31 March 2015 (£'000s)
Defined benefit obligation at start of period	23,454	20,553
Current service cost	-	-
Expenses	-	-
Interest expense	714	865
Contributions by plan participants	-	-
Actuarial losses (gains)	(2,248)	2,903
Benefits paid & expenses	(877)	(867)
Liabilities acquired in a business combination	-	-
Liabilities extinguished on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Defined benefit obligation at end of period	21,043	23,454

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

14. PENSION SCHEMES (continued)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS

	Period Ending 31 March 2016 (£'000s)	Period Ending 31 March 2015 (£'000s)
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Fair value of plan assets at start of period	24,913	22,491
Interest income	764	956
Actuarial gains (losses)	(812)	1,973
Contributions by the charity	308	360
Contributions by plan participants	-	-
Benefits paid & expenses	(877)	(867)
Assets acquired in a business combination	-	-
Assets distributed on settlements	-	-
<hr/>		
Fair value of plan assets at end of period	24,296	24,913

The actual return on the plan assets over the period ended 31 March 2016 was (£48,000).

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

14. PENSION SCHEMES (continued)

ASSUMPTIONS

	31 March 2016 %p.a.	31 March 2015 %p.a.	31 March 2014 %p.a.
Discount Rate	3.40	3.10	4.30
Inflation (RPI)	2.90	2.95	3.30
Inflation (CPI)	2.10	2.15	2.50
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less with a minimum of 3% p.a.	3.00	3.00	3.00
Allowance for pension in payment increases of RPI or 5% p.a. if less	2.85	2.85	3.20
Allowance for pension in payment increases of CPI or 3% p.a. if less	1.90	1.95	2.10
Allowance for commutation of pension for cash at retirement	100% of Post A Day	100% of Post A Day	100% of Post A Day

The mortality assumptions adopted at 31 March 2016 imply the following life expectancies:

	Life Expectancy at age 60 Years
Male retiring in 2016	26.4
Female retiring in 2016	28.8
Male retiring in 2036	27.8
Female retiring in 2036	30.4

The best estimate of contributions to be paid by the charity to the plan for the period commencing 1 April 2016 is £300,000. All plan expenses, professional fees or levies due to the Pensions Regulator and the Pension Protection Fund, are to be met separately by the charity.

Thank you for your help and support

We want to give special acknowledgement to all those who gave a legacy to Capability Scotland or who donated to us in memory of a loved one. Gifts of this kind are extremely valuable to us.

We extend our gratitude to all those who responded to our appeals or made a regular donation. There are too many committed givers to Capability Scotland to name each one individually but their loyal and generous support is very important to us.

We would also like to give special thanks to everyone who participated in an event or fundraising challenge and all those who hold one of our collection boxes or give up their time to collect them. Thank you!

If you would like to know more about the many ways you can support Capability Scotland contact our fundraising team on 0131 347 1029.

Individuals

Mr Simon Brennan
Ms Helen Brown
Mr W P Brown
Mr Richard Burns
Mr David Dobie
Mr Chris Dryden
Miss T Duffy
The Right Honourable Lord Hardie QC
Mr Robert Ion
Ms Geraldine McCartney
Mr and Mrs McIntosh
Mr Colin McKellar
Mr Scott Millar
Mr and Mrs Raeburn
Mrs Myra Watt

Organisations

Blackrock International
Canongate Books
City Blinds Ltd
Clydesdale Bank
Dalzell Steelworkers Welfare Committee
Hope Park and Martyrs Church,
St Andrews
J Smart & Co. (Contractors) plc
Peter Vardy Foundation
Portobello United Reformed Church
Rotary Club of Gryffe Valley
Sainsbury's Supermarkets Ltd
Scottish Enterprise Glasgow
Sky
Standard Life
The Kitchin Restaurant Limited
The Royal Bank of Scotland
The Sportsman's Charity

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

14. PENSION SCHEMES (continued)

DEFINED BENEFIT COSTS RECOGNISED IN PROFIT OR LOSS

	Period Ending 31 March 2016 (£'000s)	Period Ending 31 March 2015 (£'000s)
Current service cost	-	-
Expenses	-	-
Net interest cost*	-	-
Losses (gains) on business combinations	-	-
Losses (gains) on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Defined benefit costs recognised in profit and loss account	-	-

*If the net interest cost had not been restricted due to the surplus not being recognisable, the net interest cost would have been (£91,000) and (£50,000) for the periods ended 31 March 2015 and 31 March 2016 respectively.

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Period Ending 31 March 2016 (£'000s)	Period Ending 31 March 2015 (£'000s)
Return on plan assets (excluding amounts included in net interest cost) - gain (loss)	(812)	1,973
Experience gains and losses arising on the plan liabilities - gain (loss)	1,178	195
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities - gain (loss)	1,070	(3,098)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	(1,744)	570
Total amount recognised in other comprehensive income - gain (loss)	(308)	(360)

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

14. PENSION SCHEMES (continued)

ASSETS

	31 March 2016 (£'000s)	31 March 2015 (£'000s)	31 March 2014 (£'000s)
UK Equities	-	-	-
Overseas Equities	4,984	5,098	4,642
Corporate Bonds	7,265	7,291	7,422
Government Bonds	1,287	1,695	2,281
Diversified Growth Funds	8,053	8,582	8,018
Property	2,251	2,120	-
Cash	75	18	5
Insured Pensioners	381	109	123
Total assets	24,296	24,913	22,491

None of the fair values of the assets shown above include any direct investments in the charity's own financial instruments or any property occupied by, or other assets used by, the charity.

Capability Scotland Trustees' Report and Accounts 2016

TK Maxx
Virgin Media
William Grant & Sons Limited
William Wilson Ltd

Trusts

A M Pilkington Charitable Trust
Aberbrothock Skea Trust
The Alchemy Foundation
The Andrew & Mary Elizabeth Little
Charitable Trust
Awards for All
The Baily Thomas Charitable Fund
The Barrack Charitable Trust
The Brownlie Charitable Trust
Colonel T R Broughton's Charitable Trust
The Cruden Foundation Limited
Davis Rubens Charitable Trust
Food for Thought Education Fund
Glasgow Airport Flightpath Fund
The Hinshelwood Gibson Trust
The Jimmie Cairncross Charitable Trust
The John Primrose Trust
The JTH Charitable Trust
The Leng Charitable Trust
Lord Armitstead's Dundee Trust
The Martin Connell Charitable Trust
The Merchants House of Glasgow
Miss I F Harvey's Charitable Trust
Miss P M Ireland Charitable Trust
Miss R E Duncan's Charitable Trust
Mrs A A Clutterbuck's Charitable Trust
The Mrs Margaret H McInnes Trust
The New Maclay, Murray & Spens
Charitable Trust
The Northwood Charitable Trust
The Opportunity Holiday Trust

PF Charitable Trust
The R S Macdonald Charitable Trust
The Royal Caledonian Charities Trust
Sir J D Pollock's 1936 Trust
Sir Matthew Goodwin's Charitable Trust
The Souter Charitable Trust
The St Katharine's Fund
Stichting Teuntje Anna (TA Fund)
The Thomas Sivewright Catto
Charitable Settlement
Templeton Goodwill Trust
The W A Cargill Fund

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