

Registered company number: SC213445

Registered charity number: SC030764

**Report of the Trustees and
Financial Statements for the Year Ended 31 March 2012**

for

**Highland BlindCraft
(A Company Limited by Guarantee)**



Highland BlindCraft
(A Company Limited by Guarantee)

Contents of the Financial Statements
for the Year Ended 31 March 2012

	Page
Charity Information	1
Report of the Trustees	2
Independent Auditors' Report	7
Statement of Financial Activities (Incorporating an Income and Expenditure Account)	9
Statement of Total Recognised Gains and Losses	10
Balance Sheet	11
Notes to the Financial Statements	12
Income and Expenditure Account	18

Highland BlindCraft
(A Company Limited by Guarantee)

Charity Information

TRUSTEES:	M L Jack E M Oswald R I Rowantree T J Cullingham P Corbett P A McCann
COMPANY SECRETARY:	M L Jack
REGISTERED OFFICE:	39 Ardconnel Street Inverness IV2 3EX
REGISTERED COMPANY NUMBER:	SC213445
REGISTERED CHARITY NUMBER:	SC030764
ACCOUNTANTS:	MacKenzie Kerr Chartered Accountants and Business Advisers Redwood 19 Culduithel Road Inverness IV2 4AA
AUDITORS:	Ernst & Young LLP Barony House Stoneyfield Business Park Stoneyfield Inverness IV2 7PA
BANKERS:	Royal Bank of Scotland plc Inverness Chief Office 29 Harbour Road Inverness IV1 1NU
SOLICITORS:	South Forrest 8 Ardross Terrace Inverness IV3 5NW

**Highland BlindCraft
(A Company Limited by Guarantee)**

**Report of the Trustees
for the Year Ended 31 March 2012**

The trustees, who are also the directors of the charitable company for the purposes of the Companies Act 2006, present their report with the financial statements of the charity for the year ended 31 March 2012.

GOVERNING DOCUMENT

The organisation is a charitable company, limited by guarantee, incorporated and registered as a charity on 4 December 2000. The charity was established under a Memorandum of Association, which established the powers of the charity, and is governed under its Articles of Association. The charity, along with Highland and Islands Society for Blind People (formerly Highland Society for Blind People) and Sight Action (formerly Visual Impairment Services Highland), took over the activities of former charity Highland Society for the Blind on 1 April 2002. Highland and Islands Society for Blind People became the sole member of Highland BlindCraft and Sight Action with effect from 1 April 2010. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.

APPOINTMENT, INDUCTION AND TRAINING OF NEW TRUSTEES

The charity is always looking to recruit new trustees with the relevant attributes and experience to enhance the range of skills on the Board of trustees. New trustees are recruited by existing trustees, and also through adverts in our newsletters and on our website. We have a pack for interested parties, containing an application form, which requests details of relevant skills and previous experience. The pack also contains information such as the structure, aims and responsibilities of the charity, and the role and responsibilities of trustees.

ORGANISATION

The management structure comprises the six trustees and secretary detailed on page one, who are supported by the Executive Manager, Mrs Denise Clark, the Factory Manager, Peter McLean, plus the Finance Administrator of Sight Action, Mrs Sandra Ross, in the day-to-day running of the charity.

RISK MANAGEMENT

The trustees have examined the risks which the charity faces, and procedures are in place to mitigate any risks identified.

Many of the charity's employees are part of The Highland Council Pension Fund and, in accordance with the agreement signed on 8 August 2003, between The Highland Council and Highland BlindCraft, the Adminstrating Authority, The Highland Council, has undertaken to indemnify Highland BlindCraft against liability in respect of risk exposure arising from termination of the agreement.

OBJECTIVES AND ACTIVITIES

The objectives of the charity are to promote the well-being of blind and partially sighted persons, as well as people with other disabilities, resident in the Highlands and Islands of Scotland, and to provide suitable training and employment for such persons who are of working age. The charity's role is to provide training and employment of those individuals within its factory.

ACHIEVEMENTS AND PERFORMANCE REVIEW

The charity, Highland and Islands Society for Blind People and Sight Action have operated since 1 April 2002, when the activities were taken over from former charity Highland Society for the Blind. The charity's role is to provide training and employment for blind or partially sighted individuals, as well as people with other disabilities, within its factory in Ardconnel Street, Inverness.

The charity continues to be committed to improving the training and employment of staff at its factory, along with Momentum Scotland, the current WorkChoice contractor. The charity currently employs nineteen supported and four non-supported staff and, through an ongoing programme of training and assessment, gives all staff the opportunity of job improvement and enhancement, improved job skills and satisfaction.

Highland BlindCraft
(A Company Limited by Guarantee)

Report of the Trustees
for the Year Ended 31 March 2012

ACHIEVEMENTS AND PERFORMANCE REVIEW (CONTINUED)

The charity manufactures a wide range of standard size and bespoke beds, divans, mattresses and headboards. It also markets a variety of bedroom and occasional furniture in quality pine, and a fireside chair range. We are confident that we provide high quality products to our customers at competitive prices. Significant emphasis is placed on quality, which is considered to be vital in maintaining and developing our customer base, in order to secure the long-term future of the factory and the jobs it provides to people with a disability.

Personal Improvement plans are carried out every three months for each employee, which has facilitated improvements in job skills, IT training and literacy.

Rt. Hon. Danny Alexander MP officially opened the new showroom, within the factory building at 39 Ardconnel Street, Inverness, on Friday 28 October 2011. The increased size of the showroom has enabled our product range to be enhanced, by displaying a range of children's beds and promoting further factored goods. Relocating the showroom has also resulted in a much better profile, being more visible, containing several windows, and no garden obstructing the entrance.

We were grateful to receive a new delivery van, funded through The Highland Cross, which was officially handed over on 23 November 2011. The van was gifted with The Highland BlindCraft logo on both sides, to help further publicise the charity and raise awareness.

From 1 April 2012, the post of Executive Manager changed, with Mrs Denise Clark, the former Executive Manager of the charity, Highland and Islands Society for Blind People and Sight Action, remaining as Executive Manager of Highland BlindCraft, and Murray Cochrane being appointed as Executive Manager of Sight Action. Both posts are also responsible for, and ultimately accountable to, Highland Society for Blind People.

FINANCIAL REVIEW

This has been yet another challenging year for the factory, with the recession still affecting the retail market, and the continued slump in the housing market still having a significant negative impact on the furniture market.

Sales from own manufacturing fell from £369,833 to £355,383, a fall of over 4%, and sales of factored goods were also lower at £78,589 compared to last year's £88,853, a fall of nearly 12%. In addition, material purchases for own manufacture increased from £160,869 to £166,398, a rise of over 3%, following significant rises in main manufacturing component costs. Total wages, salaries and pension costs also increased from £244,441 to £364,268, however, it is important to note that accounting for the charity's pension fund each year requires an adjustment to be made to pension costs expenditure (apportioned between each expenditure category) and, this year, pension costs were required to be increased by a total of £20,000, a significant difference from last year when they had to be reduced by £114,000. This adjustment effectively corrects pension contributions actually made by the charity to incorporate other factors affecting the movement in the fund during the year, such as stock market movements, future assumptions made by the actuary etc. Without this adjustment, total wages, salaries and pension costs would have been slightly lower at £344,268 compared to £358,441 last year. Each of these factors resulted in an increase in the deficit before contributions from £72,999 to £183,405, with this year also including supplementary funding of £30,000 (2011 - £Nil) received from Highland and Islands Society for Blind People. In addition, the renovation of the new showroom cost a total of £65,199, which was funded by a donation of £30,000 from Highland and Islands Society for Blind People and a further £20,000 gratefully received from the R S MacDonald Trust. Other notable items this year include the new van, donated through The Highland Cross, which had a value of £29,842, with first year depreciation of £7,461 and, with the end of the WorkStep Consortium, no income was received when, last year, net income was £15,813. The overall deficit for the year, after other income, including contributions from funding bodies and indirect costs, but excluding the surplus from the now ended WorkStep Consortium of £Nil (2011 - £6,109), was £31,108 compared to last year's surplus of £74,608.

**Highland BlindCraft
(A Company Limited by Guarantee)**

**Report of the Trustees
for the Year Ended 31 March 2012**

FINANCIAL REVIEW (CONTINUED)

In summary, the Statement of Financial Activities shows total incoming resources of £752,579 (2011 - £777,467) and total resources expended of £783,687 (2011 - £696,750), resulting in a deficit for the year of £31,108 (2011 - £80,717 surplus), although these figures, as mentioned above, have been significantly affected by the adjustment made to pension costs expenditure and, excluding the adjustment made to both years, the deficit would have been £11,108 compared to £33,283 last year.

Continued compliance with the Financial Reporting Standard for Smaller Entities, in respect of retirement benefits, has created an actuarial loss of £706,000 for the year compared to a gain of £202,000 last year, which is, unfortunately, something the charity has no control over.

At the balance sheet date, the charity had a net deficit in funds totalling £1,000,711 (2011 - £263,603), which included the net pension liability of £1,040,000 (2011 - £314,000). This also included funds of £36,148 (2011 - £25,808) of a restricted nature. Under the terms of an agreement with The Highland Council dated 8 August 2003, The Highland Council has agreed to indemnify Highland BlindCraft against any pension scheme liability exposure arising from any termination of the agreement. Prior to each financial year, Highland and Islands Society for Blind People agrees the budget for Highland BlindCraft, and the financial supplementation which may be required, dependent upon cash flow requirements, to ensure the viability of Highland BlindCraft. This would specifically exclude any liabilities arising from the pension scheme or other events, where it is expected that the trustees of Highland BlindCraft should have taken the necessary action which might be required to mitigate any exposure to risk.

As mentioned above, Highland and Islands Society for Blind People also provides financial support, when it is required. This year, Highland and Islands Society for Blind People provided supplementary funding to the charity of £30,000 (2011 - £Nil).

INVESTMENT POLICY

The trustees have authority to invest the monies of the charity not immediately required for its purposes as they see fit.

RESERVES POLICY

The trustees have examined the requirement for free reserves, which are those unrestricted funds not invested in fixed assets, designated for specific purposes or otherwise committed. The trustees consider that, given the nature of our work, this should be adequate working capital for the next three months. Unrestricted funds are not expected to be maintained at this level throughout the year to come, however, should financial assistance be required, this will be available from Highland and Islands Society for Blind People.

PLANS FOR FUTURE PERIODS

The upgrading of the factory, and a redeveloped showroom, demonstrates the commitment Highland and Islands Society for Blind People has to supported employment. Whilst accepting the value of open-employment, work experience within a supported environment will continue to be necessary for some people for either a short or longer term period.

The WorkChoice program is now in operation, with all of the people participating in the program receiving financial protection of £4,800 per annum for the five-year contract, which started in October 2010. As part of this program, both IT and literacy training have been introduced to the factory and, more recently, both deaf awareness and numeracy training have been included, with the aim of helping people move into open-employment. Currently, work trails for employees to enter into open-employment are taking place and, when successful, this creates an opportunity for another person to enter a supported employment environment.

After an extensive comparative shop exercise, new products and fabrics have been introduced into the showroom to encourage further sales, and a detailed analysis of customer profiles is taking place to help ensure marketing is more focussed.

**Highland BlindCraft
(A Company Limited by Guarantee)**

**Report of the Trustees
for the Year Ended 31 March 2012**

TRUSTEES

The trustees during the year under review were:

M L Jack
E M Oswald
R I Rowantree
T J Cullingham (appointed 5 December 2011)
P Corbett (appointed 6 February 2012)
P A McCann (appointed 30 July 2012)
D W Paterson (resigned 28 November 2011)
F T Spittal (resigned 20 February 2012)
E M Cochrane (appointed 3 October 2011 and resigned 14 May 2012)

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees, who are also the directors of Highland BlindCraft for the purposes of company law, are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing those financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charity SORP;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records which disclose with reasonable accuracy, at any time, the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Highland BlindCraft
(A Company Limited by Guarantee)

Report of the Trustees
for the Year Ended 31 March 2012

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

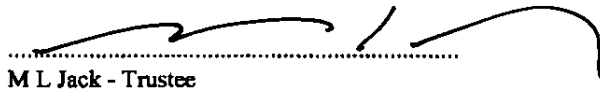
So far as the trustees are aware, there is no relevant information (as defined by Section 418 of the Companies Act 2006) of which the charitable company's auditors are unaware, and each trustee has taken all the steps that they ought to have taken as a trustee in order to make them aware of any audit information and to establish that the charitable company's auditors are aware of that information.

AUDITORS

The auditors, Ernst & Young LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:


.....
M L Jack - Trustee

Date: 14/11/12.....

**Independent Auditors' Report to the Trustees and Members of
Highland BlindCraft
(A Company Limited by Guarantee)**

We have audited the financial statements of Highland BlindCraft for the year ended 31 March 2012 which comprise the Statement of Financial Activities (Incorporating an Income and Expenditure Account), Balance Sheet and related notes 1 to 13. 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 solely to the company's trustees and members, as a body, in accordance with our appointment under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the trustees and members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's trustees and members 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 5, 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 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 Report of the Trustees and financial statements 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 charitable company's affairs as at 31 March 2012 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

**Independent Auditors' Report to the Trustees and Members of
Highland BlindCraft
(A Company Limited by Guarantee)**

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Trustees 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 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 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 of the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Trustees' Annual Report.

Ernst & Young LLP
Eunice McAdam (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Inverness

Date: 26 November 2012

Ernst & Young LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Highland BlindCraft
(A Company Limited by Guarantee)

Statement of Financial Activities (Incorporating an Income and Expenditure Account)
for the Year Ended 31 March 2012

		Restricted funds	Unrestricted funds	Total funds 2012	Total funds 2011
	Note	£	£	£	£
Incoming resources					
Incoming resources from generated funds:					
Voluntary income:					
Donation from HISBP	12	30,000	-	30,000	-
Other donations		49,842	1,623	51,465	196
Department for Works and Pensions and local authority contributions		-	152,297	152,297	147,607
Investment income:					
Bank interest received		-	18	18	32
Incoming resources from charitable activities:					
Total sales		-	433,972	433,972	458,686
Donation from HISBP	12	-	30,000	30,000	-
Sundry income		-	54,827	54,827	61,152
WorkStep Consortium income		-	-	-	109,794
Total incoming resources		79,842	672,737	752,579	777,467
Resources expended					
Charitable activities	3	10,902	767,960	778,862	692,184
Governance costs	4	-	4,825	4,825	4,566
Total resources expended		10,902	772,785	783,687	696,750
Net incoming/(outgoing) resources.		68,940	(100,048)	(31,108)	80,717
Net income/(expenditure) before transfers.					
Gross transfers between funds	10	(58,600)	58,600	-	-
Net movement in funds		10,340	(41,448)	(31,108)	80,717
Total funds brought forward		25,808	(289,411)	(263,603)	(546,320)
Actuarial gain/(loss)	9	-	(706,000)	(706,000)	202,000
Total funds carried forward		36,148	(1,036,859)	(1,000,711)	(263,603)

Highland BlindCraft
(A Company Limited by Guarantee)

Statement of Total Recognised Gains and Losses
for the year ended 31 March 2012

	Note	31.3.12 £	31.3.11 £
Surplus/(Deficit) for the year		(31,108)	80,717
Actuarial gain/(loss)	9	<u>(706,000)</u>	<u>202,000</u>
Total recognised gains/(losses) relating to the year		<u>(737,108)</u>	<u>282,717</u>

Highland BlindCraft (Registered company number: SC213445)
(A Company Limited by Guarantee)

Balance Sheet
31 March 2012

		31.3.12		31.3.11	
	Note	£	£	£	£
FIXED ASSETS:					
Tangible assets	6		41,493		35,831
CURRENT ASSETS:					
Stock		76,879		67,640	
Debtors: Amounts falling due within one year	7	27,887		32,269	
Cash at bank and in hand		<u>27,416</u>		<u>19,462</u>	
		132,182		119,371	
CREDITORS: Amounts falling due within one year	8	<u>134,386</u>		<u>104,805</u>	
NET CURRENT ASSETS/(LIABILITIES):			<u>(2,204)</u>		<u>14,566</u>
NET ASSETS EXCLUDING PENSION ASSET/(LIABILITY)			39,289		50,397
NET PENSION ASSET/(LIABILITY)	9		(1,040,000)		(314,000)
NET ASSETS/(LIABILITIES) INCLUDING PENSION ASSET/(LIABILITY)			<u>(1,000,711)</u>		<u>(263,603)</u>
FUNDS:					
Restricted funds	10		36,148		25,808
Unrestricted funds excluding pension asset/(liability)		3,141		24,589	
Pension asset/(liability)		<u>(1,040,000)</u>		<u>(314,000)</u>	
Unrestricted funds including pension asset/(liability)	10		<u>(1,036,859)</u>		<u>(289,411)</u>
			<u>(1,000,711)</u>		<u>(263,603)</u>

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008) (FRSSE).

ON BEHALF OF THE BOARD:


M L Jack - Trustee


E M Oswald - Trustee

Approved by the Board on 14/11/12

**Highland BlindCraft
(A Company Limited by Guarantee)**

**Notes to the Financial Statements
for the Year Ended 31 March 2012**

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008) (FRSSE). The financial statements have been prepared in accordance with the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2005) issued in March 2005.

Fundamental accounting policy - going concern

The charity is dependent on continued income from its funders, which provides funding to cover the core activities of the charity. The current funding level has been agreed to 31 March 2013. It is the intention of the management to continue working with funding providers to secure an overall funding package to enable the charity to maintain its services at the current level.

The charity has adopted the accounting requirements of Financial Reporting Standard 17 "Retirement Benefits" as incorporated into the Financial Reporting Standard for Smaller Entities. This has resulted in a pension liability of £1,040,000 in the balance sheet. This represents the charity's allocation of the deficit in The Highland Council Pension Fund at 31 March 2012. As a result, the charity has an overall deficit in unrestricted funds and net unrestricted liabilities of £1,036,859. This deficit represents a long term liability to pay additional pension contributions in the future based on actuarial estimates and calculations.

The financial statements have been prepared on a going concern basis despite the balance sheet of the charity showing a net liability position for unrestricted funds. In the event that the charity cannot meet its liabilities as they fall due, Highland and Islands Society for Blind People has agreed to provide financial assistance. Highland and Islands Society for Blind People has sufficient assets to cover the budgeted cash requirement in the twelve month period from the date of approval of these financial statements.

Tangible fixed assets

Tangible fixed assets are stated at cost, being purchase price, less depreciation.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Property improvements	- Not depreciated. See Tangible fixed assets note 6 for explanation.
Fixtures and fittings	- 20% on reducing balance
Workshop equipment	- 20% on reducing balance
Office equipment	- 20% on reducing balance
Motor vehicles	- 25% on reducing balance

Income and expenditure

All income and expenditure are included on an accruals basis. They have been directly attributed to the specific activities in the Statement of Financial Activities. Expenditure is recognised when there is a legal or constructive obligation to pay for expenditure.

Pensions

The charity participates in a group funded defined benefit pension scheme. The assets of the scheme are held separately from those of the charity in a separately administered fund. The fund is valued every three years by a professionally qualified independent actuary and is updated at each balance sheet date, the rates of contribution being determined by the actuary. The amounts charged to the income and expenditure account in respect of the defined benefit scheme are the current service costs and gains and losses on settlements and curtailments. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the Statement of Total Recognised Gains and Losses.

The pension scheme liabilities are measured using the projected unit method and discounted at an AA corporate bond rate. The pension scheme assets are valued at "current bid value". The pension scheme surplus or deficit is recognised in full on the face of the balance sheet.

Highland BlindCraft
(A Company Limited by Guarantee)

Notes to the Financial Statements
for the Year Ended 31 March 2012

1 ACCOUNTING POLICIES (continued)

Capital grants and donations

In accordance with the SORP, grants and donations received towards capital expenditure have been recognised as restricted funds income and a depreciation charge has been allocated against restricted funds expenditure to reduce the grant or donation over the estimated useful life of the asset concerned. Compliance with the SORP means that there is non-compliance with the FRSE, which requires the grant or donation to be treated as deferred income in the balance sheet.

Stocks

Stocks are valued at the lower of cost and net realisable value. In respect of finished goods, net realisable value is based on wholesale values.

Fund accounting

Restricted funds are to be used for particular restricted purposes within the objectives of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Unrestricted funds are those funds which can be used in accordance with the charitable objectives at the discretion of the trustees.

2 TRUSTEES' REMUNERATION AND EXPENSES

The trustees were not remunerated or reimbursed for expenses in the current or previous years.

	Charitable activities £	Governance costs £	Year ended 31.3.12 £	Year ended 31.3.11 £
3 RESOURCES EXPENDED				
Direct factory materials and factoring purchases	215,263	-	215,263	218,604
Direct factory wages, salaries and pension costs	160,601	-	160,601	114,965
Other departmental costs	36,052	-	36,052	28,696
Selling and distribution costs	203,887	-	203,887	117,787
Establishment and service charges	17,460	-	17,460	14,385
Administration	145,599	4,825	150,424	98,628
WorkStep Consortium expenditure	-	-	-	103,685
	<u>778,862</u>	<u>4,825</u>	<u>783,687</u>	<u>696,750</u>
4 GOVERNANCE COSTS				
Auditor's remuneration			2,750	2,275
Accountancy			<u>2,075</u>	<u>2,291</u>
			<u>4,825</u>	<u>4,566</u>

Highland BlindCraft
(A Company Limited by Guarantee)

Notes to the Financial Statements
for the Year Ended 31 March 2012

	Year ended 31.3.12 £	Year ended 31.3.11 £
5 STAFF COSTS		
Wages and salaries	289,276	298,320
Social security	<u>13,184</u>	<u>16,168</u>
	<u>302,460</u>	<u>314,488</u>
Pension costs	<u>61,808</u>	<u>(70,047)</u>
Average number of employees	<u>22</u>	<u>22</u>

No employees had remuneration in excess of £60,000 during the year (2011 - Nil).

During the year, the charity recharged Highland and Islands Society for Blind People £12,845 (2011 - £12,436) for the administrative services of two employees of Highland BlindCraft.

During the year, the charity recharged Sight Action £28,584 (2011 - £26,672) for the administrative services of two employees of Highland BlindCraft.

During the year, the charity was recharged £12,426 (2011 - £14,055) by Sight Action for the administrative services of an employee (2011 - two employees) of Sight Action, along with £Nil (2011 - £1,374) for the administrative service of an employee of Sight Action in respect of the WorkStep Consortium work in Highland BlindCraft.

Highland BlindCraft
(A Company Limited by Guarantee)

Notes to the Financial Statements
for the Year Ended 31 March 2012

6 TANGIBLE FIXED ASSETS

	Property improve. £	Fixtures and fittings £	Workshop equipment £	Office equipment £	Motor vehicles £	Totals £
COST:						
At 1 April 2011	-	803	153,069	15,601	-	169,473
Additions	58,411	-	-	868	29,842	89,121
Disposals	-	-	(88,080)	-	-	(88,080)
Impairments	(58,411)	-	-	-	-	(58,411)
At 31 March 2012	-	803	64,989	16,469	29,842	112,103
DEPRECIATION:						
At 1 April 2011	-	593	121,595	11,454	-	133,642
Charge for year	-	42	3,733	1,003	7,461	12,239
Eliminated on disposal	-	-	(75,271)	-	-	(75,271)
At 31 March 2012	-	635	50,057	12,457	7,461	70,610
NET BOOK VALUE:						
At 31 March 2012	-	168	14,932	4,012	22,381	41,493
At 31 March 2011	-	210	31,474	4,147	-	35,831

Property improvements comprise renovation costs of the new showroom at 39 Ardconnel Street, Inverness, a property owned by Highland and Islands Society for Blind People. The improvements are not considered to have a future resale value to the charity, therefore, it has been considered appropriate to write off the cost of the work in full.

	31.3.12 £	31.3.11 £
7 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade debtors	9,212	20,217
Other debtors	18,675	12,052
	<u>27,887</u>	<u>32,269</u>
8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Value added tax	10,510	10,935
Trade creditors	32,577	22,879
Other creditors	22,263	58,120
Social security and other taxes	4,204	4,895
Superannuation	5,019	5,118
Due to Highland and Islands Society for Blind People	59,806	1,845
Due to Sight Action	7	1,013
	<u>134,386</u>	<u>104,805</u>

Highland BlindCraft
(A Company Limited by Guarantee)

Notes to the Financial Statements
for the Year Ended 31 March 2012

9 PENSION SCHEME

The charity, having taken over the pension scheme from Highland Society for the Blind, participates in The Highland Council Pension Fund, which is a defined benefits scheme where benefits are based on final pensionable pay. The assets of the scheme are held separately from those of the charity, with contributions credited to the Exchequer and the balance in the account deemed to be invested in a portfolio of Government securities.

The contributions to the scheme are determined in accordance with the advice of an independent qualified actuary. The most recent completed actuarial valuation was at 31 March 2011 using the projected unit method. The valuation used for the FRSSSE disclosures has been based upon the most recent actuarial valuation, updated to take account of the requirements of the FRSSSE in order to assess the liability of the scheme at 31 March 2012. The assumptions that have the most significant effects on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries and pensions. It was assumed that the investment returns would be 6.7% per year for equities, 3.3% for gilts, 4.6% for bonds, 4.7% for property and 3.0% for cash, that salary increases would average 4.8% per year and that present and future pensions would increase at the rate of 2.5% per year.

The pension charge for the year was £53,000 (2011 - £54,000). This included £Nil (2011 - £Nil) in respect of past service costs. The past service gain for the year ended 31 March 2011 of £135,000 represented the effect of the alteration of the method used for calculating pensions in payment for public sector pension schemes to 31 March 2010, with calculations being linked for the first time that year to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI).

	31.3.12 £(000)	31.3.11 £(000)
Value of scheme assets and liabilities:		
Market value of assets	1,523	1,352
Present value of scheme liabilities	<u>(2,563)</u>	<u>(1,666)</u>
Net pension scheme asset/(liability)	<u>(1,040)</u>	<u>(314)</u>
Movement in year:		
Opening pension scheme surplus/(deficit)	(314)	(630)
Current service cost	(53)	(54)
Employer contributions	42	44
Past service gain	-	135
Other finance income	(9)	(11)
Settlements/Curtailments	-	-
Actuarial gain/(loss)	<u>(706)</u>	<u>202</u>
Closing pension scheme surplus/(deficit)	<u>(1,040)</u>	<u>(314)</u>

10 FUNDS

	31.3.12		31.3.11	
	Restricted funds	Unrestricted funds	Restricted funds	Unrestricted funds
	£	£	£	£
Balance brought forward	25,808	(289,411)	32,260	(578,580)
Movement in resources:				
Income	79,842	672,737	-	777,467
Expenditure	(10,902)	(772,785)	(6,452)	(690,298)
Transfers between funds	(58,600)	58,600	-	-
Actuarial gain/(loss)	-	(706,000)	-	202,000
Balance carried forward	<u>36,148</u>	<u>(1,036,859)</u>	<u>25,808</u>	<u>(289,411)</u>

Highland BlindCraft
(A Company Limited by Guarantee)

Notes to the Financial Statements
for the Year Ended 31 March 2012

10 FUNDS (continued)

Restricted funds comprise capital grants and donations received. Depreciation is being charged to this fund to reduce the capital grants and donations over the estimated useful life of the assets concerned.

Transfers between funds of £58,600 comprise the balance of capital grants received of £8,600 towards Workshop equipment disposed of during the year, along with donations received of £30,000 from Highland and Islands Society for Blind People and £20,000 from the R S MacDonald Trust towards the new showroom, which was written off in full during the year (see note 6).

11 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Restricted funds £	Unrestricted funds £
Tangible fixed assets	36,148	5,345
Current assets	-	132,182
Current liabilities	-	(134,386)
Pension asset/(liability)	-	(1,040,000)
	<u>36,148</u>	<u>(1,036,859)</u>

12 RELATED PARTY DISCLOSURE

During the year, the charity recharged Highland and Islands Society for Blind People £12,845 (2011 - £12,436) for the administrative services of two employees of Highland BlindCraft.

During the year, the charity recharged Sight Action £28,584 (2011 - £26,672) for the administrative services of two employees of Highland BlindCraft.

During the year, the charity was recharged £12,426 (2011 - £14,055) by Sight Action for the administrative services of an employee (2011 - two employees) of Sight Action, along with £Nil (2011 - £1,374) for the administrative service of an employee of Sight Action in respect of the WorkStep Consortium work in Highland BlindCraft.

During the year, the charity received supplementary funding of £30,000 (2011 - £Nil) from Highland and Islands Society for Blind People, along with a further £30,000 (2011 - £Nil) towards the renovation costs of the new showroom.

At 31 March 2012, the charity owed Highland and Islands Society for Blind People £59,806 (2011 - £1,845), which is included in creditors falling due within one year.

At 31 March 2012, the charity owed Sight Action £7 (2011 - £1,013), which is included in creditors falling due within one year.

13 CONTROL

The charity is considered to be under the control of the trustees of Highland and Islands Society for Blind People. Highland and Islands Society for Blind People is the sole member of the charity.

Highland BlindCraft
(A Company Limited by Guarantee)

Summarised Factory Income and Expenditure Account
for the Year Ended 31 March 2012

	Page	Year ended 31.3.12		Year ended 31.3.11	
		£	£	£	£
Own manufacturing:	19				
Sales			355,383		369,833
Direct costs:					
Materials		166,398		160,869	
Wages and salaries, and pension costs		<u>160,601</u>		<u>114,965</u>	
		326,999		275,834	
Other departmental costs		<u>36,052</u>		<u>28,696</u>	
		363,051		304,530	
General overheads	20	<u>371,771</u>		<u>230,800</u>	
		(734,822)		(535,330)	
Total own manufacturing costs			(379,439)		(165,497)
Sundry income	20		<u>166,310</u>		<u>61,380</u>
Surplus/(Deficit) on own manufacturing			(213,129)		(104,117)
Factoring:					
Sales		78,589		88,853	
Purchases		<u>48,865</u>		<u>57,735</u>	
Surplus/(Deficit) on factoring			<u>29,724</u>		<u>31,118</u>
Surplus/(Deficit) before contributions			(183,405)		(72,999)
Average number of disabled workers		<u>19</u>		<u>18</u>	
Average cost per disabled worker		<u>9,653</u>		<u>4,056</u>	
Contributions from Department for Works and Pensions and local authorities:					
Department for Works and Pensions		92,956		87,439	
The Highland Council		58,309		56,096	
Western Isles Council		<u>1,032</u>		<u>4,072</u>	
		152,297		147,607	
		(31,108)		74,608	
WorkStep Consortium surplus/(deficit)	21		-		<u>6,109</u>
Surplus/(Deficit) for the year			<u>(31,108)</u>		<u>80,717</u>

Highland BlindCraft
(A Company Limited by Guarantee)

Factory Own Manufacturing Department Income and Expenditure Account
for the Year Ended 31 March 2012

		Year ended 31.3.12		Year ended 31.3.11	
	Page	£	£	£	£
Sales:					
Bedding		350,085		364,950	
Upholstery		<u>5,298</u>		<u>4,883</u>	
			355,383		369,833
Direct costs:					
Materials - bedding		163,502		156,791	
Materials - upholstery		2,896		4,078	
Wages and salaries - bedding		137,540		140,572	
Pension costs - bedding		<u>23,061</u>		<u>(25,607)</u>	
Total direct costs		<u>326,999</u>		<u>275,834</u>	
Other departmental costs:					
Supervision wages and salaries		16,852		17,641	
Supervision pension costs		3,776		(4,078)	
Consumables		1,360		2,029	
Repairs and maintenance of plant and equipment		5,477		4,981	
Research and development		1,595		254	
Depreciation - workshop equipment		3,733		7,869	
(Gain)/Loss on disposal of workshop equipment		<u>3,259</u>		<u>-</u>	
Total other departmental costs		<u>36,052</u>		<u>28,696</u>	
Total direct and other departmental costs			<u>(363,051)</u>		<u>(304,530)</u>
Surplus/(Deficit) before charging general overheads			(7,668)		65,303
General overheads	20		<u>(371,771)</u>		<u>(230,800)</u>
			(379,439)		(165,497)
Sundry income	20		<u>166,310</u>		<u>61,380</u>
Total surplus/(deficit) by department			<u>(213,129)</u>		<u>(104,117)</u>
Average number of disabled workers			<u>19</u>		<u>18</u>
Average cost per disabled worker (excluding results on factoring) i.e., total loss divided by average number of disabled workers			<u>11,217</u>		<u>5,784</u>

Highland BlindCraft
(A Company Limited by Guarantee)

General Overheads and Sundry Income
for the Year Ended 31 March 2012

	Year ended 31.3.12		Year ended 31.3.11	
	£	£	£	£
General overheads				
Selling and distribution:				
Wages and salaries	58,918		57,327	
Pension costs	10,975		(11,663)	
Own transport costs	16,918		20,324	
Carriage out	3,848		2,762	
Advertising	36,666		43,866	
Credit card charges	3,902		5,171	
New showroom non-capital costs	6,788		-	
Impairment of property improvements	58,411		-	
Depreciation - motor vehicles	7,461		-	
		203,887		117,787
Establishment and service charges:				
Repairs and maintenance of premises	5,231		2,424	
Heat, light and cleaning	10,489		10,377	
Rates and water	1,740		1,584	
		17,460		14,385
Administration:				
Wages and salaries	89,150		84,034	
Pension costs	23,996		(24,945)	
Pensions to retired workers	1,060		2,080	
Recharge of employees from Sight Action	12,426		14,055	
Treasurer's fees	601		772	
Auditor's remuneration	2,750		2,275	
Accountancy	2,075		2,291	
Legal and professional	2,578		1,430	
Insurance	4,608		4,377	
Printing and stationery	4,079		5,827	
Postage and telephone	3,510		3,755	
Travelling	102		146	
Fees and subscriptions	425		524	
Sundry expenses	1,624		893	
Bank charges	395		24	
Depreciation - fixtures and fittings	42		53	
Depreciation - office equipment	1,003		1,037	
		150,424		98,628
Total general overheads		371,771		230,800
Sundry income:				
Donations from HISBP	60,000		-	
Other donations	51,465		196	
Carriage	12,587		12,340	
Bank interest received	18		32	
WorkStep contract	-		9,704	
Recharge of employees to HISBP	12,845		12,436	
Recharge of employees to Sight Action	28,584		26,672	
Other income	811		-	
Total sundry income		166,310		61,380

Highland BlindCraft
(A Company Limited by Guarantee)

WorkStep Consortium Income and Expenditure Account
for the Year Ended 31 March 2012

	Year ended 31.3.12		Year ended 31.3.11	
	£	£	£	£
Income		-		109,794
Expenditure:				
Employers' payments	-		87,509	
Wages and salaries	-		14,914	
Pension costs	-		(3,754)	
Recharge of employees from Sight Action	-		1,374	
Travel and subsistence	-		747	
Rent	-		2,283	
Telephone	-		582	
Post, stationery and advertising	-		30	
		-		(103,685)
WorkStep Consortium surplus/(deficit) for the year		-		<u>6,109</u>