

**Charity Registration No. SC009534**

**Company Registration No. SC163812 (Scotland)**

**DOVETAIL ENTERPRISES (1993) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2017**



# DOVETAIL ENTERPRISES (1993) LIMITED

## LEGAL AND ADMINISTRATIVE INFORMATION

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<b>Trustees</b>	Mr K. Laing (Executive Chairman)	
	Mr J Patrick	
	Bailie Mrs H. Wright	
	Mr S Ferrier	
	Mr J Pickett	
	Mr K Dailly	
	Mr DG Rae	(Appointed 22 November 2016)
	Councillor C Brown	(Appointed 22 May 2017)
	Councillor A Rendall	(Appointed 22 May 2017)
<b>Secretary</b>	Councillor L Short	(Appointed 22 May 2017)
	Councillor G R McIrvine	(Appointed 22 May 2017)
<b>Charity number</b>	SC009534	
<b>Company number</b>	SC163812	
<b>Registered office</b>	Dunsinane Industrial Estate	
	Dundee	
	DD2 3QN	
<b>Auditors</b>	Bird Simpson & Co	
	144 Nethergate	
	Dundee	
	DD1 4EB	
<b>Bankers</b>	The Royal Bank of Scotland	
	3 High Street	
	Dundee	
	DD1 9LY	

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# **DOVETAIL ENTERPRISES (1993) LIMITED**

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# **DOVETAIL ENTERPRISES (1993) LIMITED**

## **TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT)**

### **FOR THE YEAR ENDED 31 MARCH 2017**

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The Trustees present their report and accounts for the year ended 31 March 2017.

The accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), charity's Memorandum and Articles of Association, the Companies Act 2006 and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015)"

#### **Objectives and activities**

The charity's principal object is the provision of training and employment for blind, visually impaired and other disabled persons. The charity aims to achieve this by providing a working environment suitable for such persons and to secure a regular flow of work from customers to provide ongoing employment and there has been no change in these aims during the year.

The Trustees have paid due regard to guidance issued by the Office of the Scottish Charity Regulator in deciding what activities the charity should undertake.

The charity has continued to provide employment for the workforce during the year with an average of 34.26 (2016 - 36.02) approved disabled workers during the year.

#### **Achievements and performance**

During the year, the charity has developed a five year strategic plan with four key objectives to:

- Stabilise the company and return it to profit;
- Maximise the supported employment and training opportunities provided;
- Continue to deliver high quality products and services; and
- Increase our contribution within society.

Significant effort has been made to develop a robust three year financial plan and an associated sales plan. The financial plan, commencing in 2017/18, identifies opportunities to significantly grow sales over the next three years, which together with a planned improvement in margins, would see the losses being reduced within the first two years and the company returning to a modest profit in year three.

Work has been undertaken in conjunction with the Scottish Manufacturing Advisory Service (SMAS) to review the door manufacturing line and to redesign this process through the introduction of lean manufacturing principles. In addition, an investment plan has been prepared and incorporated within the financial plan, which would enable efficiency and productivity gains to be realised. Once completed, this investment and process redesign would enable significant growth in door manufacturing capacity.

Performance in the current year has remained disappointing as a consequence of low sales volumes and poor margins with a further deficit prior to pension scheme adjustments. A management restructuring has been undertaken with the introduction of a new commercial manager to help drive the planned improvements in sales and margins.

During the year the charity has continued to receive strong support from both Dundee City Council and SMAS, which has been invaluable in helping drive improvements within the organisation. Dovetail were shortlisted in the 2016 Courier Business Awards for Manufacturing Business of the Year.

#### **Financial review**

The charity seeks to operate within its budgeted deficit so as to avoid a deficit after local and central government funding, excluding any adjustments to the defined benefit scheme pension liability. This has not been achieved for the period 2016/17, however during that year the company initiated a significant restructuring and reorganisation initiative, which it continues to implement, with a view to operating within the budgeted deficit going forward.

# DOVETAIL ENTERPRISES (1993) LIMITED

## TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT) FOR THE YEAR ENDED 31 MARCH 2017

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It is the policy of the charity that unrestricted funds which have not been designated for a specific use should be maintained at a level equivalent to between three and six month's expenditure. The Trustees consider that reserves at this level will ensure that, in the event of a significant drop in funding, they will be able to continue the charity's current activities while consideration is given to ways in which additional funds may be raised. Due to the ongoing trading position, it has not been possible to maintain this level of reserves throughout the year.

The Trustees have assessed the major risks to which the charity is exposed, and are satisfied that systems are in place to mitigate exposure to the major risks.

### Structure, governance and management

The charity is a company limited by guarantee with the liability of members limited to £1. All references to the entity as a charity also relate to the entity's corporate status as a company.

The Trustees, who are also the directors for the purpose of company law, and who served during the year were:

Mr K. Laing (Executive Chairman)

Mr DJ Cameron

(Resigned 26 April 2016)

Mr J Patrick

Baillie Mrs H. Wright

Councillor M Asif

(Resigned 22 May 2017)

Councillor R Band

(Resigned 22 May 2017)

Baillie W Sawers

(Resigned 22 May 2017)

Mr S Ferrier

Mr J Pickett

Mr K Dailly

Lord Provost R Duncan

(Appointed 26 April 2016 and resigned 22 May 2017)

Ms S Locherty

(Appointed 26 April 2016 and resigned 22 November 2016)

Mr DG Rae

(Appointed 22 November 2016)

Councillor C Brown

(Appointed 22 May 2017)

The Articles of Association provide for Dundee City Council to nominate four directors and for Angus Council and Perth & Kinross Council to nominate one director each. Individuals with relevant skills are sought to serve as directors to augment the Board. Any managing director from time to time appointed is ex-officio a member of the board and an employee representative also serves on the Board. Induction training for new appointments has been on an informal basis, however, advice is taken on matters of a technical nature as and when required from the charity's professional advisers.

None of the Trustees has any beneficial interest in the company. All of the Trustees are members of the company and guarantee to contribute £1 in the event of a winding up.

The charity is supported in its activities by Dovetail Enterprises Charitable Trust (Scottish Charity number SC 033002), a charity which has provided donations to assist the company.

### Auditor

In accordance with the company's articles, a resolution proposing that Bird Simpson & Co be reappointed as auditor of the company will be put at a General Meeting.

The Trustees' report was approved by the Board of Trustees.

 member of Blackadders LLP  
Blackadders LLP

Secretary

Dated: 19 December 2017

# **DOVETAIL ENTERPRISES (1993) LIMITED**

## **STATEMENT OF TRUSTEES' RESPONSIBILITIES**

**FOR THE YEAR ENDED 31 MARCH 2017**

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The Trustees, who are also the directors of Dovetail Enterprises (1993) Limited for the purpose of company law, are responsible for preparing the Trustees' Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare accounts for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

In preparing these accounts, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

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

# **DOVETAIL ENTERPRISES (1993) LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF DOVETAIL ENTERPRISES (1993) LIMITED**

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We have audited the financial statements of Dovetail Enterprises (1993) Limited for the year ended 31 March 2017 set out on pages 6 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

This report is made solely to the charity's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an 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 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 described in the statement of Trustees' responsibilities, the Trustees, who are also the directors of Dovetail Enterprises (1993) Limited for the purposes of company law, are responsible for preparing the Trustees' Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the accounts give a true and fair view.

The Trustees have elected for the accounts to be audited in accordance with the Charities & Trustee Investment (Scotland) Act 2005 rather than the Companies Act 2006. Accordingly we have been appointed as auditors under section 44(1)(c) of the Charities & Trustee Investment (Scotland) Act 2005 and report in accordance with that Act.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are prepared in accordance with the Companies Act 2006. We also report to you if, in our opinion, the information given in the Trustees' Report is not consistent with those accounts, the charity has not kept adequate accounting records, if the charity's accounts are not in agreement with the accounting records and returns, or if we have not received all the information and explanations we require for our audit.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Scope of the audit of the accounts**

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts 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 accounts. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited accounts 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.

# DOVETAIL ENTERPRISES (1993) LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF DOVETAIL ENTERPRISES (1993) LIMITED

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#### Opinion on accounts.

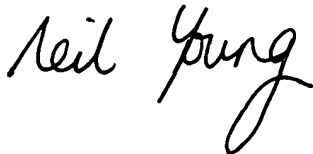
In our opinion the accounts:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2017 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the accounts have been prepared in accordance with the Companies Act 2006., the Charities & Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

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

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

- the accounts are not in agreement with the accounting records and returns; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the accounts are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



**Neil S. Young (Senior Statutory Auditor)**  
for and on behalf of Bird Simpson & Co

19 December 2017

**Chartered Accountants**  
**Statutory Auditor**

144 Nethergate  
Dundee  
DD1 4EB

Bird Simpson & Co is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

# DOVETAIL ENTERPRISES (1993) LIMITED

## STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Unrestricted funds £	Unrestricted funds designated £	Total 2017 £	Total 2016 as restated £
<b>Income from:</b>					
Local and central government grants and miscellaneous donations.	3	362,430	85,853	448,283	372,292
Other trading activities	4	2,728,513	-	2,728,513	2,806,013
Investments	5	36,000	4,302	40,302	40,549
<b>Total income</b>		<b>3,126,943</b>	<b>90,155</b>	<b>3,217,098</b>	<b>3,218,854</b>
<b>Expenditure on:</b>					
Raising funds	6	1,525,106	-	1,525,106	1,597,141
Charitable activities	7	2,027,367	15,432	2,042,799	1,931,084
<b>Total resources expended</b>		<b>3,552,473</b>	<b>15,432</b>	<b>3,567,905</b>	<b>3,528,225</b>
Net (gains)/ losses on investments	11	-	(22,342)	(22,342)	6,787
<b>Net outgoing resources before transfers</b>		<b>(425,530)</b>	<b>97,065</b>	<b>(328,465)</b>	<b>(316,158)</b>
Gross transfers between funds		183,089	(183,089)	-	-
<b>Net outgoing resources</b>		<b>(242,441)</b>	<b>(86,024)</b>	<b>(328,465)</b>	<b>(316,158)</b>
<b>Other recognised gains and losses</b>					
Actuarial gain/(loss) on pension fund		-	(625,068)	(625,068)	621,972
<b>Net movement in funds</b>		<b>(242,441)</b>	<b>(711,092)</b>	<b>(953,533)</b>	<b>305,814</b>
Fund balances at 1 April 2016		222,084	(1,745,476)	(1,523,392)	(1,829,206)
<b>Fund balances at 31 March 2017</b>		<b>(20,357)</b>	<b>(2,456,568)</b>	<b>(2,476,925)</b>	<b>(1,523,392)</b>

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

# DOVETAIL ENTERPRISES (1993) LIMITED

## BALANCE SHEET

AS AT 31 MARCH 2017

		2017		2016 as restated	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	12		1,050,284		1,070,248
Investments	13		145,183		122,841
			<u>1,195,467</u>		<u>1,193,089</u>
<b>Current assets</b>					
Stocks	15	299,128		259,630	
Debtors	16	968,605		759,716	
Cash at bank and in hand		23,360		63,519	
		<u>1,291,093</u>		<u>1,082,865</u>	
<b>Creditors: amounts falling due within one year</b>	19		<u>(924,814)</u>		<u>(560,555)</u>
Net current assets			366,279		522,310
<b>Total assets less current liabilities</b>			<u>1,561,746</u>		<u>1,715,399</u>
<b>Creditors: amounts falling due after more than one year</b>	20		(920,004)		(928,281)
<b>Provisions for liabilities</b>	21		<u>(3,118,667)</u>		<u>(2,310,510)</u>
<b>Net liabilities</b>			<u><u>(2,476,925)</u></u>		<u><u>(1,523,392)</u></u>
<b>Income funds</b>					
<u>Unrestricted funds</u>					
Designated funds	23	(2,456,568)		(1,745,476)	
General unrestricted funds		<u>(20,357)</u>		<u>222,084</u>	
			<u><u>(2,476,925)</u></u>		<u><u>(1,523,392)</u></u>

# **DOVETAIL ENTERPRISES (1993) LIMITED**

## **BALANCE SHEET (CONTINUED)**

**AS AT 31 MARCH 2017**

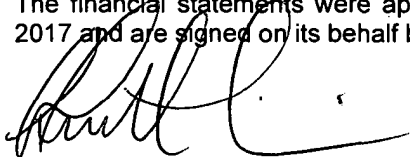
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The company is entitled to the exemption from the audit requirement contained in section 477 of the Companies Act 2006, for the year ended 31 March 2017, although an audit has been carried out under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. No member of the company has deposited a notice, pursuant to section 476, requiring an audit of these accounts under the requirements of the Companies Act 2006.

The Trustees' responsibilities for ensuring that the charity keeps accounting records which comply with section 386 of the Act and for preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its incoming resources and application of resources, including its income and expenditure, for the financial year in accordance with the requirements of sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to accounts, so far as applicable to the company.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the board of directors and authorised for issue on 19 December 2017 and are signed on its behalf by:



Mr K. Laing (Executive Chairman)  
Trustee

**Company Registration No. SC163812**

# DOVETAIL ENTERPRISES (1993) LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £	£	2016 £	£
<b>Cash flows from operating activities</b>					
Cash absorbed by operations	26		(87,842)		(113,119)
<b>Investing activities</b>					
Proceeds on disposal of tangible fixed assets		-		9,523	
Purchase of investments		-		(1,929)	
Proceeds on disposal of other investments		-		6,253	
Investment income received		40,302		40,549	
<b>Net cash generated from investing activities</b>			40,302		54,396
<b>Financing activities</b>					
Payment of obligations under finance leases		(8,277)		(18,427)	
<b>Net cash used in financing activities</b>			(8,277)		(18,427)
<b>Net decrease in cash and cash equivalents</b>			(55,817)		(77,150)
Cash and cash equivalents at beginning of year			63,519		140,669
<b>Cash and cash equivalents at end of year</b>			7,702		63,519
<b>Relating to:</b>					
Bank balances and short term deposits			23,360		63,519
Bank overdrafts			(15,658)		-

# DOVETAIL ENTERPRISES (1993) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2017

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#### 1 Accounting policies

##### Charity information

Dovetail Enterprises (1993) Limited is a private company limited by guarantee incorporated in Scotland. The registered office is Dunsinane Industrial Estate, Dundee, DD2 3QN.

##### 1.1 Accounting convention

The accounts have been prepared in accordance with the charity's [governing document], the Companies Act 2006 and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" (as amended for accounting periods commencing from 1 January 2016). The charity is a Public Benefit Entity as defined by FRS 102.

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

The accounts have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

##### 1.2 Going concern

The charity is dependent on local and central government grants in order to continue trading. The Trustees have a reasonable expectation that this support shall be forthcoming and consequently the going concern concept has been used in preparing these accounts.

In particular, the Trustees acknowledge that the actuarial deficit on the pension scheme has a substantial impact upon the charity's net assets at the year end and the Trustees have considered the effects that this will have on the company's future cash flow. The Trustees believe that the charity will be able to meet the costs of the future contributions into the pension scheme as advised by the actuaries, and hence the pension deficit does not affect the use of the going concern concept in these accounts.

##### 1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of their charitable objectives unless the funds have been designated for other purposes.

Restricted funds are subject to specific conditions by donors as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the accounts.

Endowment funds are subject to specific conditions by donors that the capital must be maintained by the charity.

##### 1.4 Incoming resources

Income is recognised when the charity is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received.

Cash donations are recognised on receipt. Other donations are recognised once the charity has been notified of the donation, unless performance conditions require deferral of the amount. Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Legacies are recognised on receipt or otherwise if the charity has been notified of an impending distribution, the amount is known, and receipt is expected. If the amount is not known, the legacy is treated as a contingent asset.

# DOVETAIL ENTERPRISES (1993) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

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### 1 Accounting policies

(Continued)

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

#### 1.5 Resources expended

Resources expended are included on an accruals basis.

#### 1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings	20% straight line
Plant and machinery	20% straight line
Fixtures, fittings & equipment	25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in net income/(expenditure) for the year.

#### 1.7 Fixed asset investments

Fixed asset investments are initially measured at transaction price excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in net income/(expenditure) for the year. Transaction costs are expensed as incurred.

#### 1.8 Impairment of fixed assets

At each reporting end date, the charity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

#### 1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. Items held for distribution at no or nominal consideration are measured the lower of replacement cost and cost.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

#### 1.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

# DOVETAIL ENTERPRISES (1993) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

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### 1 Accounting policies

(Continued)

#### 1.11 Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **Basic financial liabilities**

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

##### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the charity's contractual obligations expire or are discharged or cancelled.

#### 1.12 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the charity is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 1.13 Retirement benefits

The charity is an admitted body of the Dundee City Council Superannuation Scheme which provides benefits based on final pensionable pay as detailed at note 22 to the financial statements. The pension costs are assessed in accordance with actuarial advice and based on the most recent actuarial valuation of the scheme.

# DOVETAIL ENTERPRISES (1993) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

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### 1 Accounting policies

(Continued)

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in income/(expenditure) for the year.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other recognised gains and losses in the period in which they occur and are not reclassified to income/(expenditure) in subsequent periods.

The defined net benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

#### 1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to net income/(expenditure) for the year so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### 1.15 Taxation

The income of the charity is exempt from charge to tax in accordance with the provision of the Income and Corporation Taxes Act 1988.

### 2 Critical accounting estimates and judgements

In the application of the charity's accounting policies, the Trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

# DOVETAIL ENTERPRISES (1993) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2017

#### 3 Local and central government grants and miscellaneous donations.

	Unrestricted funds	Endowment funds designated	Total 2017	Total 2016
	£	£	£	£
Donations and gifts	-	85,853	85,853	600
Grants from local authorities and DWP	362,430	-	362,430	371,692
	<u>362,430</u>	<u>85,853</u>	<u>448,283</u>	<u>372,292</u>
<b>For the year ended 31 March 2016</b>	<u>371,692</u>	<u>600</u>		<u>372,292</u>

Grants receivable for core activities comprise Local Authority £144,000 (2016 - £154,187) and Department of Work and Pensions (paid through the Shaw Trust) £218,430 (2016 - £217,505).

#### 4 Other trading activities

	2017	2016
	£	£
Trading activity income: other	<u>2,728,513</u>	<u>2,806,013</u>

#### 5 Investments

	Unrestricted funds	Unrestricted funds designated	Total 2017	Total 2016
	£	£	£	£
Rental income	36,000	-	36,000	36,000
Income from listed investments	-	4,299	4,299	4,346
Interest receivable	-	3	3	203
	<u>36,000</u>	<u>4,302</u>	<u>40,302</u>	<u>40,549</u>
<b>For the year ended 31 March 2016</b>	<u>36,000</u>	<u>4,549</u>		<u>40,549</u>

#### 6 Raising funds

	2017	2016
	£	£
<u>Trading costs</u>		
Other trading activities	1,525,106	1,597,141

# DOVETAIL ENTERPRISES (1993) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

### 6 Raising funds

(Continued)

	1,525,106	1,597,141
<b>For the year ended 31 March 2016</b>		
Trading costs		1,597,141

### 7 Charitable activities

	Trading costs	Canteen subsidy and other charitable expenditure	Total	Total 2016
	£	£	£	£
Staff costs	1,543,535	-	1,543,535	1,472,055
Depreciation and impairment	19,964	-	19,964	13,888
Establishment & services	171,165	15,432	186,597	164,192
Marketing & distribution	120,804	-	120,804	156,433
Administration costs	149,375	-	149,375	107,148
	2,004,843	15,432	2,020,275	1,913,716
Share of support costs (see note 8)	13,424	-	13,424	9,868
Share of governance costs (see note 8)	9,100	-	9,100	7,500
	2,027,367	15,432	2,042,799	1,931,084
<b>Analysis by fund</b>				
Unrestricted funds	2,027,367	-	2,027,367	
Unrestricted funds - designated	-	15,432	15,432	
	2,027,367	15,432	2,042,799	
<b>For the year ended 31 March 2016</b>				
Unrestricted funds	1,918,794	-		1,918,794
Unrestricted funds - designated	-	12,290		12,290
	1,918,794	12,290		1,931,084

# DOVETAIL ENTERPRISES (1993) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

### 8 Support costs

	Support costs £	Governance costs £	2017 £	2016 £	Basis of allocation
Accountancy costs	550	-	550	520	Direct
Legal and professional	8,000	-	8,000	7,957	Direct
Pension administration costs	4,874	-	4,874	1,391	Direct
Audit fees	-	9,100	9,100	7,500	Governance
	<u>13,424</u>	<u>9,100</u>	<u>22,524</u>	<u>17,368</u>	
Analysed between Charitable activities	<u>13,424</u>	<u>9,100</u>	<u>22,524</u>	<u>17,368</u>	

Governance costs includes payments to the auditors of £9,100 (2016- £7,500) for audit fees.

### 9 Trustees

None of the Trustees (or any persons connected with them) received any remuneration during the year in their role as Trustees. However, the following Trustees received a salary as part of their employment contract: K Laing (executive chairman) - £45,450 (2016 - £2,283). S Ferrier (employee nominated director) - £19,674 (2016 - £18,673). In addition pension costs of: K Laing £7,727 (2016 - £Nil) and S Ferrier £3,345 (2016 - £3,174) were incurred.

### 10 Employees

#### Number of employees

The average monthly number employees during the year was:

	2017 Number	2016 Number
Shopfloor	49	40
Management & administration	15	18
	<u>64</u>	<u>58</u>

#### Employment costs

	2017 £	2016 £
Wages and salaries	1,130,949	1,111,059
Social security costs	89,514	58,878
Other pension costs	323,072	302,118
	<u>1,543,535</u>	<u>1,472,055</u>

There were no employees whose annual remuneration was £60,000 or more.

# DOVETAIL ENTERPRISES (1993) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

### 11 Net (gains)/losses on investments

	2017	2016
	£	£
Revaluation of investments	(22,342)	7,686
(Gain)/loss on sale of investments	-	(899)
	<u>(22,342)</u>	<u>6,787</u>

### 12 Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£	£
<b>Cost or valuation</b>				
At 1 April 2016	1,000,000	341,082	23,010	1,364,092
At 31 March 2017	1,000,000	341,082	23,010	1,364,092
<b>Depreciation and impairment</b>				
At 1 April 2016	-	276,844	17,000	293,844
Depreciation charged in the year	-	16,959	3,005	19,964
At 31 March 2017	-	293,803	20,005	313,808
<b>Carrying amount</b>				
At 31 March 2017	1,000,000	47,279	3,005	1,050,284
At 31 March 2016	1,000,000	64,238	6,010	1,070,248

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts. The depreciation charge in respect of such assets amounted to £10,997 (2016 - £7,331) for the year.

	2017	2016
	£	£
Plant and machinery	<u>36,657</u>	<u>47,654</u>

# DOVETAIL ENTERPRISES (1993) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2017

#### 12 Tangible fixed assets

(Continued)

The charity owns the title to the building at Dunsinane Industrial Estate. This property was not previously included in the balance sheet but the trustees now believe that it should given title is held by the charity. This has been incorporated by way of prior year adjustment - see note 27.

Land and buildings with a carrying amount of £1,000,000 were revalued at 12 September 2017 by J & E Shepherd, Chartered Surveyors, independent valuers not connected with the charity on the basis of market value. The valuation conforms to FRS102 fair value valuation and was based on recent market transactions on arm's length terms for similar properties. It is felt by the trustees that the value of the building in 2016 would not have been materially different.

The building is the subject to contractual and security arrangements whereby sale proceeds must be remitted to third parties, namely the Secretary of State of Education and Employment and Dundee City Council, so as to reflect (a) the public funding that was provided by those third parties in building the premises and (b) loan funding subsequently provided to the charity by Dundee City Council (the outstanding balance of which is set out in note 20).

#### 13 Fixed asset investments

	Listed investments £
<b>Cost or valuation</b>	
At 31 March 2017	122,841
Valuation changes	22,342
	<hr/>
At 31 March 2017	145,183
	<hr/>
<b>Carrying amount</b>	
At 31 March 2017	145,183
	<hr/>
At 31 March 2016	122,841
	<hr/>

#### Fixed asset investments revalued

Investments are valued at market value - based on listed stock exchange prices. The historic cost was £112,121 (2016 - £112,121).

#### 14 Financial instruments

	2017 £	2016 £
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	822,537	746,368
Equity instruments measured at fair value	145,183	122,841
	<hr/>	<hr/>
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	1,812,932	1,450,572
	<hr/>	<hr/>

# DOVETAIL ENTERPRISES (1993) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

<b>15 Stocks</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Raw materials and consumables	125,476	89,683
Work in progress	125,139	115,723
Finished goods and goods for resale	48,513	54,224
	<u>299,128</u>	<u>259,630</u>
<b>16 Debtors</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	792,021	699,236
Other debtors	30,516	47,132
Prepayments and accrued income	146,068	13,348
	<u>968,605</u>	<u>759,716</u>
<b>17 Loans and overdrafts</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Term loans	100,000	100,000
Bank overdrafts	15,658	-
	<u>115,658</u>	<u>100,000</u>
Payable within one year	<u>115,658</u>	<u>100,000</u>

The Term loan is not secured. This loan has been advanced by Dundee City Council, a member of the company. The loan is interest-free and repayable on demand. However, the Council have agreed not to seek repayment in the next 12 months.

The Bank overdraft is unsecured and is repayable on demand.

# DOVETAIL ENTERPRISES (1993) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

### 18 Hire purchase commitments

Future minimum lease payments due under hire purchase contracts:

	2017 £	2016 £
Within one year	(9,642)	(9,642)
Within two and five years	(23,351)	(32,993)
	(32,993)	(42,635)
Less: future finance charges	4,712	6,077
	(28,281)	(36,558)

The company has purchased a machine by way of HP agreement over 5 years at an effective interest rate of 3.3%

### 19 Creditors: amounts falling due within one year

	Notes	2017 £	2016 £
Bank overdrafts	17	15,658	-
Obligations under finance leases		8,277	8,277
Other borrowings		100,000	100,000
Other taxation and social security		31,886	38,264
Trade creditors		730,479	347,129
Accruals and deferred income		38,514	66,885
		924,814	560,555

### 20 Creditors: amounts falling due after more than one year

	Notes	2017 £	2016 £
Obligations under finance leases		20,004	28,281
Other creditors		900,000	900,000
		920,004	928,281

The other creditors represent the sale proceeds which would be due to be remitted to the Secretary of State for Education and Employment and Dundee City Council upon a sale of the building for a consideration equal to the valuation referred to at note 12 (£1,000,000), having regard to (i) the contractual and security arrangements with those parties in respect of the building referred to at note 12 and (ii) a proportion of the sums due to Dundee City Council (£100,000) being provided for separately under note 19.

# DOVETAIL ENTERPRISES (1993) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

21 Provisions for liabilities	Notes	2017 £	2016 £
Retirement benefit obligations	22	3,118,667	2,310,510
		<u>3,118,667</u>	<u>2,310,510</u>

## 22 Retirement benefit schemes

### Defined benefit schemes

Financial planning and accounting for the costs of pensions presents a difficult challenge. The amounts involved are large, the timescale is long, the estimation process is complex and involves many areas of uncertainty that are the subject of assumptions.

In accounting for pensions, The Employee Benefits section of FRS102 is based on the principle that an organisation should account for retirement benefits at the point which it commits to paying them, even if the actual payment will be made years into the future. This requirement results in very large future liabilities being recognised in the annual accounts.

Dundee City Council administers the Tayside Pension Fund, a pension scheme providing defined benefits based on final pensionable salary. Dovetail Enterprises is an admitted body of this scheme. The assets of the scheme are held separately from those of the company being invested in a fixed fund. Contributions to the scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees working lives with the company.

From 1st April 2009 the contributions of the employees have been based on a five-tier system ranging between 5.5% to 12% dependent upon their salary level. The employer's contribution has been set at 17%.

A fresh valuation for the scheme was carried out at 31st March 2014 and updated on an approximate basis to 31st March 2017 by qualified independent actuaries. The principal assumptions used by the actuaries were as follows:

### Key assumptions

	2017 %	2016 %
Discount rate	2.6	3.5
Expected rate of increase of pensions in payment	2.6	2.2
Expected rate of salary increases	3.6	4.0
CPI increases	2.6	2.2
	<u>2.6</u>	<u>2.2</u>

# DOVETAIL ENTERPRISES (1993) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

### 22 Retirement benefit schemes

(Continued)

#### *Mortality assumptions*

The assumed life expectations on retirement at age 65 are:

	2017 Years	2016 Years
Retiring today		
- Males	21.4	21.3
- Females	23.5	23.3
Retiring in 20 years		
- Males	23.7	23.5
- Females	25.8	25.6

Amounts recognised in the profit and loss account:

	2017 £	2016 £
Current service cost	261,585	302,118
Net interest on defined benefit liability/(asset)	78,067	81,602
Other costs and income	4,874	1,391
Total costs	344,526	385,111

Amounts taken to other comprehensive income:

	2017 £	2016 £
Actual return on scheme assets	(2,711,600)	115,748
Less: calculated interest element	414,175	383,757
Return on scheme assets excluding interest income	(2,297,425)	499,505
Actuarial changes related to obligations	2,922,493	(1,121,477)

The amounts included in the balance sheet arising from the charity's obligations in respect of defined benefit plans are as follows:

	2017 £	2016 £
Present value of defined benefit obligations	17,451,594	14,347,891
Fair value of plan assets	(14,332,927)	(12,037,381)
Deficit in scheme	3,118,667	2,310,510

# DOVETAIL ENTERPRISES (1993) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

### 22 Retirement benefit schemes

(Continued)

Movements in the present value of defined benefit obligations:

	2017 £
Liabilities at 1 April 2016	14,347,891
Current service cost	261,585
Benefits paid	(622,557)
Contributions from scheme members	49,940
Actuarial gains and losses	2,922,493
Interest cost	492,242
	<hr/>
At 31 March 2017	17,451,594 <hr/>

The defined benefit obligations arise from plans funded as follows:

	2017 £
Wholly unfunded obligations	(195,761)
Wholly or partly funded obligations	(17,255,833)
	<hr/>
	17,451,594 <hr/>

Movements in the fair value of plan assets:

	2017 £
Fair value of assets at 1 April 2016	12,037,381
Interest income	414,175
Return on plan assets (excluding amounts included in net interest)	2,297,425
Benefits paid	(622,557)
Contributions by the employer	161,437
Contributions by scheme members	49,940
Other	(4,874)
	<hr/>
At 31 March 2017	14,332,927 <hr/>

# DOVETAIL ENTERPRISES (1993) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

### 22 Retirement benefit schemes

(Continued)

The fair value of plan assets at the reporting period end was as follows:

	2017 £	2016 £
Equity instruments	10,318,371	8,252,176
Debt instruments	2,363,902	2,184,438
Property	1,414,131	1,468,664
Cash	236,523	132,103
	<u>14,332,927</u>	<u>12,037,381</u>

### 23 Designated funds

The income funds of the charity include the following designated funds which have been set aside out of unrestricted funds by the trustees for specific purposes:

	Balance at 1 April 2016 £	Incoming resources £	Movement in funds Resources expended £	Transfers £	Investments gains/losses £	Balance at 31 March 2017 £
General Charity Fund	527,920	90,155	(15,432)	-	22,342	624,985
Pension Reserve	(2,310,510)	-	(625,068)	(183,089)	-	(3,118,667)
Bad Debt Reserve	37,114	-	-	-	-	37,114
	<u>(1,745,476)</u>	<u>90,155</u>	<u>(640,500)</u>	<u>(183,089)</u>	<u>22,342</u>	<u>(2,456,568)</u>

The Trustees have set up a bad debt reserve fund to try and limit the effect of any significant bad debts on the unrestricted trading fund. The pension reserve records the deficit identified by the Actuarial review; by keeping this separate it enables the charity's trading performance to be seen. The general charity fund contains the charitable funds the charity has accumulated over the years.

### 24 Analysis of net assets between funds

	Unrestricted funds £	Designated funds £	Total £
Fund balances at 31 March 2017 are represented by:			
Tangible assets	1,050,284	-	1,050,284
Investments		145,183	145,183
Current assets/(liabilities)	(150,637)	516,916	366,279
Long term liabilities	(920,004)		(913,004)
Provisions	-	(3,118,667)	(3,118,667)
	<u>(20,357)</u>	<u>(2,456,568)</u>	<u>(2,469,925)</u>

# DOVETAIL ENTERPRISES (1993) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

### 25 Related party transactions

#### Transactions with related parties

During the year the charity entered into the following transactions with related parties:

Grant funding is received from the unitary authorities as disclosed in Note 3. The authorities have the power to appoint a board director and are also members of the company. Dundee City Council have also provided loan funding as shown in Note 17.

Dundee City Council are also entitled to a share of the proceeds of any disposal of the charity's property as disclosed in Note 20.

K Dailly (appointed charity trustee 23 February 2016), a trustee of the charity, is a member of Blackadders LLP. The firm provides legal and company secretarial services to the charity. In the year to 31st March, 2017 fees of £8,000 (£2016 - £7,957) were charged to the charity by the firm.

26 Cash generated from operations	2017 £	2016 £
(Deficit)/surplus for the year	(328,465)	(316,158)
Adjustments for:		
Investment income recognised in profit or loss	(40,302)	(40,549)
Gain on disposal of investments	-	(899)
Fair value gains and losses on investments	(22,342)	7,686
Depreciation and impairment of tangible fixed assets	19,964	13,888
Non-cash defined benefit charge to profit	183,089	216,564
Movements in working capital:		
(Increase) in stocks	(39,498)	(23,677)
(Increase) in debtors	(208,889)	(133,752)
Increase in creditors	348,601	149,878
<b>Cash absorbed by operations</b>	<b>(87,842)</b>	<b>(127,019)</b>

# DOVETAIL ENTERPRISES (1993) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

### 27 Prior period adjustment

#### Changes to the balance sheet

	At 31 March 2016		
	As previously reported	Adjustment	As restated
	£	£	£
<b>Fixed assets</b>			
Tangible assets	86,990	983,258	1,070,248
<b>Current assets</b>			
Debtors due within one year	745,816	13,900	759,716
<b>Creditors due after one year</b>			
Other creditors	-	(900,000)	(900,000)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net assets</b>	<u>(1,620,550)</u>	<u>97,158</u>	<u>(1,523,392)</u>
<b>Capital funds</b>			
Income funds designated	(2,367,448)	-	(2,367,448)
Unrestricted funds	746,898	97,158	844,056
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total equity</b>	<u>(1,620,550)</u>	<u>97,158</u>	<u>(1,523,392)</u>

#### Changes to the income and expenditure account

	Period ended 31 March 2016		
	As previously reported	Adjustment	As restated
	£	£	£
Charitable activities	1,936,935	(5,851)	1,931,084
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net movement in funds</b>	<u>299,963</u>	<u>5,851</u>	<u>305,814</u>