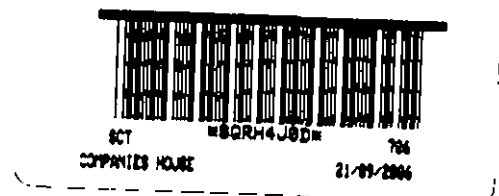


Company Registration No. SC 14361  
Charity No. SCO 01960  
Registered in Scotland

## QUARRIERS

### Report and Financial Statements

31 March 2006



# **QUARRIERS**

## **REPORT AND FINANCIAL STATEMENTS 2006**

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# **QUARRIERS**

## **REPORT AND FINANCIAL STATEMENTS 2006**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

Mr Robert Walker	
Mr Michael K Abram	(retired 5 September 2005)
Mr David S Alexander	
Dr Rona S Beattie	
Mrs Elizabeth M Bomphray	
Ms Susan Bird	
Mr Graeme M Davidson	(retired 6 March 2006)
Mr James W Dinsmore	
Professor Mike Donnelly	(appointed 6 June 2005)
Mr William Harkness	
Mrs Mary F Leishman	(resigned 16 May 2006)
Mr David J C MacRobert	
Dr Ian C Matson	
Mr Frederick D Wardle	
Mr Kenneth Winter	(appointed 6 June 2006)

#### **EXECUTIVE**

Mr Philip Robinson	Chief Executive
Mr Martin Cawley	Service Director
Ms Karen Croan	Director of Human Resources
Mr Laurie Gardner	Director of Fundraising
Mr Kevin Scullion	Service Director (retired 8 May 2006)
Mr Hugh Walker	Director of Finance and Corporate Services
Mr David Williams	Service Director

These directors, although designated as directors, are not statutory directors.

#### **SECRETARY**

Mr Fraser W MacDonald

#### **REGISTERED OFFICE**

Quarriers  
Quarriers Village  
Bridge of Weir  
Renfrewshire PA11 3SX

#### **BANKERS**

Bank of Scotland  
Main Street  
Bridge of Weir  
Renfrewshire PA11 3ED

#### **INVESTMENT MANAGERS**

Adam & Company  
Investment Management Limited  
22 Charlotte Square  
Edinburgh EH2 4DF

#### **INDEPENDENT AUDITORS**

Deloitte & Touche LLP  
Glasgow

#### **SOLICITORS**

Brechin Tindal Oatts  
48 St Vincent Street  
Glasgow G2 5HS

Harper McLeod  
The Ca'd'oro  
45 Gordon Street  
Glasgow G1 3PE

# **QUARRIERS**

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements of Quarriers for the year ended 31 March 2006.

### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

#### **Governing Document**

William Quarrier first opened a night refuge in Glasgow in 1871. The company was established under a memorandum of association which established the object and charitable powers of the company and is governed under its articles of association. In the event of the company being wound up each director and member of the company undertakes to contribute such amount as may be required (not exceeding £1) to the company's assets.

Quarriers is a charitable company (Scottish Charities Registration number SC001960) limited by guarantee and not having a share capital. It was incorporated on 30 October 1926.

#### **Recruitment and appointment to Council of Management**

The directors of the company are also charity trustees for the purposes of charity law and under the company's articles of association are known as members of the Council of Management. New trustees are appointed by Council; they retire at the first Annual General Meeting and may seek re-election at this time. Under the requirement of the memorandum and articles of association, one third of the remaining Council of Management members, who are subject to retirement by rotation, retire each year at the Annual General Meeting and may be re-appointed at the meeting unless the vacancy is filled or a resolution not to fill the vacancy or reappoint the member is passed. Due to the wide ranging nature of the charity's work the Council of Management seeks to ensure that the needs of the people we support are appropriately reflected through the diversity of the trustee body. To enhance the potential pool of trustees the charity's aim is through invitation, selective advertising and networks with social work and health, to identify and appoint individuals who can use their experience to assist the charity. More traditional business skills are also well represented on the management committee. As authorised by the governing documents, indemnity insurance has been purchased during the year for directors and officers to protect them from loss.

#### **Trustees' induction and training**

Most trustees are familiar with the practical work of the charity and are encouraged to visit projects and experience and see the varied work Quarriers undertakes. All Council members are sent all policies and standards which Quarriers has developed. New members receive a detailed briefing by the Chief Executive together with an induction pack which includes legal, financial and strategic information. This introduces the trustees to the organisation, its staff and services, the people Quarriers supports and the role of a Council member. All trustees are encouraged to attend training in both governance and specific areas of interest and relevance to the role within the charity. Feedback from the Trustees in respect of this induction process has been positive.

#### **Organisational Structure**

Quarriers' Council of Management is responsible for guarding the mission, objectives and values of the organisation, the direction and control of the organisation and ensuring it receives appropriate information and advice to carry out its statutory and corporate responsibilities, the risks and legal responsibilities arising from its control, regularly reviewing the plans and commitments of the organisation and thus ensuring there is an appropriate balance of expertise and experience on the Council. Quarriers had fourteen directors during the year from a variety of professional backgrounds relevant to the working of the charity.

The Company Secretary and Executive also sit on the Council of Management but have no voting rights. Quarriers has a scheme of delegation in place and day to day responsibility of the services rests with the Chief Executive along with the three regional Service Directors, Finance & Corporate Services Director, Human Resources Director and Fundraising Director. All these posts are Executive non-voting staff posts. The Chief Executive is responsible for ensuring the charity delivers the services specified and that key performance indicators and the strategic plan are met. The Council of Management has set up a number of key committees; each committee and its convenor has clear written terms of reference and levels of delegated authority approved by Council. Each committee must report quarterly to the Council of Management. All decisions are approved by the Council of Management; the committees must meet regularly enough to implement the work of the Council of Management and to carry out Quarriers business. The committee's structure, terms of reference and authority are reviewed periodically.

# QUARRIERS

## DIRECTORS' REPORT (continued)

### STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

#### Risk Management

On an annual basis the Council of Management reviews the major risks to which the charity may be exposed and the systems which have been established to mitigate risks. A risk register has been prepared and external risks which are identified have been addressed in the strategic plan which allows for diversification and development of activities to mitigate risk. Internal risks are minimised by the implementation of procedures for authorisation of all transactions and projects and to ensure consistent quality of delivery for all operational aspects of the charitable company.

The Audit Committee is responsible for reviewing the mechanism for the management of risk and makes recommendations to the Council of Management. The Chief Executive reports on the management of risk to the Council of Management. An internal audit programme which is agreed by the Audit Committee is carried out by Head Office staff.

#### SUB-COMMITTEES

The directors review the day-to-day business of the charity by involvement in subcommittees, which then report at the full meeting of the board.

The main subcommittees which have operated during the year and the directors who sat on them are as follows:

*Services Subcommittee* – Mr David Alexander (Chair), Ms Susan Bird, Mr Graeme Davidson, Mrs Mary Leishman and Dr Ian Matson.

Monitors the performance of the charity's activities and outcomes against strategic priorities, performance targets, internal standards, external benchmarks and the action taken to respond to and learn from recommendations for improvement. The committee's main remit is to monitor the services provided by the charity.

*Finance & General Purposes Subcommittee* – Mr James Dinsmore (Chair), Mr William Harkness and Mr Robert Walker.

Maintains an overview of the strategies, policies and operations of the charity, to secure effective management of Quarriers financial information, technology and real estate resources.

*Audit Subcommittee* – Mr William Harkness (Chair), Ms Susan Bird and Mr Graeme Davidson.

Reviews the system of internal controls, reviews the management of risk within Quarriers, monitors the relationship with the external auditors and takes an overview of the work plan of internal audit. The Audit Subcommittee reviews the annual financial statements before submission to the Council of Management.

*Fundraising Subcommittee* – Mr Michael Abram (Chair - retired 5 September 2005), Mr David MacRobert, Mrs Elizabeth Bomphray (Appointed Chair - 5 September 2005) and Professor Mike Donnelly.

Maintains an overview of the fundraising and communications activities and strategies of Quarriers and reviews the outcomes against agreed targets and sets the appropriate actions for recommendation to Council of Management.

*Human Resources Subcommittee* – Dr Rona Beattie (Chair), Mr Graeme Davidson and Mrs Mary Leishman.

Maintains an overview of staff policies and procedures including recruitment, retention and training; in particular reviews the staff organisation initiatives and ensures co-ordination of the staff resources to meet the organisational requirement within the strategic plan.

*Quality Subcommittee* – Mr Graeme Davidson (Chair) and Dr Rona Beattie.

Advises on the systems strategy for policy, public education, influencing and campaigning and advising on the associated method and forms of communications. Monitors performance against strategic priorities including internal standards and benchmarks, and reports and recommendations.

Quarriers maintains close links with other charities and other welfare organisations in the United Kingdom and in Europe. Quarriers is a member of SCVO (Scottish Charities Voluntary Organisations) and CCPS (Community Care Providers Forum). Quarriers also works in partnership with Taganka in Moscow and SAATHI in Nepal; these relationships involve a movement of staff between Scotland, Russia and Nepal utilising Quarriers' experience and learning from the impact of these services in deprived areas.

# **QUARRIERS**

## **DIRECTORS' REPORT (continued)**

### **OBJECTS AND PRINCIPAL ACTIVITIES**

Quarriers is a Scottish based charity. The company's objects are to provide practical support and care for children, young people, adults and families at any stage of their lives. Quarriers challenges inequality of opportunity and choice to bring about positive change in peoples' lives.

These include services for children and their families, providing accommodation and support for the young homeless, services for people with epilepsy and those with learning difficulties, advisory and carers services and providing respite care for people with a disability.

Quarriers promotes the relief of disability, poverty, illness and suffering and the advancement of education, in particular by establishing, maintaining and conducting residential care and support services.

The main objects and activities for the year are focussed on eight thematic areas of care. Quarriers supplies services in all these areas.

#### **Epilepsy**

This includes The Scottish National Epilepsy Assessment Centre, a ten-bedded facility which works in conjunction with the NHS to provide assessments and diagnosis to people suffering from Epilepsy. The service also encompasses Scotland -wide outreach work.

#### **Adults with Learning or Physical Disabilities**

The mechanism in which this service is provided by Quarriers varies from supporting individuals in their own homes to supported living projects for adults with disabilities and group registered houses. Quarriers also provides support through adult respite services as well as training for work programmes.

#### **Adults with Acquired Brain Injuries**

Quarriers supports individuals suffering from head injuries within their own tenancies as well as offering support and advice through outreach work.

#### **Children with a Disability**

Quarriers supports children with physical or learning difficulties within registered homes and provides respite care including play and holiday programmes.

#### **Education and Residential Care**

Quarriers provides education for children with social, emotional and behavioural difficulties both within a school environment and in support units attached to schools, the principal aim of which is to re-integrate the children into main stream education.

#### **Carers Support**

Quarriers organises and supports carers centres to provide help, advice, support, or just a friend to listen to, for carers of all ages.

#### **Youth Homelessness**

Quarriers provides various models of support to young people who are homeless. This service is provided through individual tenancies and within group residencies. The service includes befriending and a place to live whilst learning the necessary skills and confidence that will enable the young person to move on to independent living.

#### **Family Support and Learning**

Quarriers provides support for families facing poverty, family breakdown, exclusion and disadvantage. Quarriers provides family centres which offer parents personal support, practical advice, improved parenting skills, adult education and home visiting.

#### **Other Areas of Work**

Quarriers continues to work in partnership with overseas NGO's by offering advice, assistance and expertise as appropriate, in which the organisation has significant expertise.

Quarriers actively works with local authorities, central government and interest groups to campaign and improve the life of the people it supports.

# **QUARRIERS**

## **DIRECTORS' REPORT (continued)**

### **OBJECTS AND PRINCIPAL ACTIVITIES (continued)**

**The strategies employed to assist these objectives include the following aims:**

To increase the positive impact of direct services and activities.

To influence social policy and practice at national and local levels. To deliver working practices at all levels of the organisation, develop Quarriers' people, financial and infrastructure capacity and capabilities.

To ensure and encourage effective management.

To increase the capacity of the organisation.

### **ACHIEVEMENT AND PERFORMANCE**

The impact of Quarriers' services can be seen both in terms of the quality of services, the numbers of satisfied individuals supported and the continued huge demand for services. Quarriers continues to win tenders and is frequently asked to expand existing services.

#### **Epilepsy**

This year Quarriers set up fieldwork services in Fife. The assessment service admitted 78 patients during the year and supplied 2220 days of inpatient care whilst seeing 207 as outpatients. Quarriers is seeking a new site for the national assessment service closer to the Southern General Hospital, in Glasgow and hopes to complete a purchase of land within twelve months. This will be the start of a major investment in Quarriers' Epilepsy services for Scotland. This service is both in demand and in need of expansion and renewal.

#### **Adults with Learning or Physical Disabilities**

The service includes care and support to adults with learning difficulties in varying aspects of their lives. This year Quarriers assisted 320 people in their own homes whilst also supplying 6,999 days of adult respite care and 15 adult fostering placements. All the people at Quarriers who are currently supported receive a person centred plan to ensure a focus on the person's needs as an individual. At Sommervilles restaurant Quarriers continues to provide training and supported employment and 6 people have completed this training successfully. A further 4 will complete shortly; a total of 23 were involved in Sommervilles training during the year.

#### **Adults with Acquired Brain Injuries**

Quarriers continues to grow successful head injuries support and advisory services and has this year set up new services in Glasgow. Quarriers has worked with 90 people in the community and at home whilst directly supporting another 14 in their own homes.

#### **Children with a Disability**

Quarriers' children's services continue to grow. Quarriers supports 43 young people at home whilst already having supplied 8,500 days of respite care. Two of Quarriers' respite services are in the process of being upgraded to supply even better facilities for the children. Quarriers has also increased its services in the south of England by acquiring a house for the support of children. Quarriers also supports children in the process of transition to adult services. 100% of children have achievable plans in place. A further 132 children are supported as part of pre-school children services. A further 30 children utilise Quarriers' short break services.

#### **Education and Residential Care**

Quarriers supports children with behavioural difficulties with the aim of returning them to mainstream education, whilst providing a safe environment and education. Quarriers is inspected by HMI who in the most recent visit praised Seafield school's educational attainment. Quarriers has increased the number of day pupils at Seafield to 36 and supply residential places to 32. This year 10 pupils have transferred back to mainstream education. Other educational support services continue to be in great demand. Quarriers has worked with a further 36 pupils in education support who have successfully returned to mainstream education.

# **QUARRIERS**

## **DIRECTORS' REPORT (continued)**

### **ACHIEVEMENT AND PERFORMANCE (continued)**

#### **Carers Support**

The input and support from Carers Centres is essential to many members of the public living at home. Quarriers' services through advice and support meet the needs of carers and have enabled 1,283 people to be supported and benefit directly from this source of care. One of the main aims of the carers' centres is to generate community and carer involvement in the service with the service being run and controlled fully by the local carers. This has been successfully achieved in Inverclyde and Dumbarton where carers will influence planning and delivery of services and make representation on behalf of carers to a wider social policy audience.

#### **Youth Homelessness**

Quarriers has supplied 41,457 days and nights of care to young homeless. The aim of these services is not only to provide a bed but to ensure young people have secured a level of permanency away from homelessness with Quarriers' support. It is Quarriers' view that this can be evidenced by at least 50% of residents leaving the service without being considered homeless.

#### **Family Support and Learning**

Quarriers' family support services continue to grow. The services aim to improve relationships, develop parenting skills and improve the health and educational outcomes of children. The services provide children with support to allow parents to access training and employment opportunities. Quarriers has produced a Practice guide on work with families and is co-hosting a national conference. Stirling University has recently completed a two year evaluation of one of Quarriers' family centres in Easterhouse; this was most positive. This year Quarriers has supported 400 families and young people.

#### **Quarriers Policy and Influencing**

Quarriers believes it can also benefit the people it supports by ensuring government policy represents and deals with the main problems in society. Quarriers has replied directly to over 30 consultations, met 9 MPs/MSPs and currently sits on various government and voluntary committees with the aim of ensuring government makes a true difference.

Quarriers operates an inclusion agenda and within this has set up a youth parliament and various self advocacy groups for adults. Conferences have been run for both these groups.

#### **Effective Management**

Quarriers' staff are the key to its success. Their development and training is essential both for their future and for the organisation. Quarriers continues to meet the government objectives on training the workforce and is confident that its facilities and staff training both meet and exceed all requirements. Quarriers has completed 5,345 staff training days and 63 staff have qualified with external qualifications or SVQ's. Quarriers has achieved the Investors in People award. The support and core services are vital to the successful supply of work. Quarriers' Quality & Policy, Fundraising, Health & Safety, Human Resources, Corporate Services and Administration departments continue to raise the internal standards of the organisation.

Quarriers is inspected by the Care Commission in Scotland and the CSCI in England. 38 inspections have been completed this year with 120 requirements; 102 of the recommendations have been actioned. Quarriers also monitors concerns and complaints, 148 were received and 146 have been resolved satisfactorily to date with the remaining two currently being investigated.



# QUARRIERS

## DIRECTORS' REPORT (continued)

### FINANCIAL REVIEW

#### REVIEW OF BUSINESS AND FUTURE PROSPECTS

The organisation has had an active year and continues to grow with increased incoming resources of £37,792,000 (2005 - £35,387,000). The expansion in projects has been through successful tenders and generic growth in projects has resulted in an increase in fees receivable for the year to £29,420,000 (2005 - £27,410,000). Total grant income for the year was £6,151,000 (2005 - £4,911,000). The overall results for the year show a positive net movement in funds of £1,247,000 (2005 - £2,161,000) across all reserve types.

The net movement in funds includes unrealised gains of £623,000 (2005 - £307,000) on investments caused primarily by the general upturn in the world's stock markets and an FRS 17 pensions actuarial gain of £323,000 (2005 - £36,000).

Net incoming resources before transfers to reserves was £313,000 (2005 - £1,815,000). This is attributable to tight control of central costs together with economies of scale being achieved across a number of local authority areas and diligent control over project losses.

Negotiations are ongoing to establish sustainable fee rates for all Quarriers' services. This continues to be a difficult process with local authorities seeking efficiency savings year on year. Lack of inflationary increases in fees and cuts particularly with the 'Supporting People' regime have placed pressures on services to achieve a break-even outcome. All costs continue to be tightly controlled.

Quarriers has continued to invest significant sums in its fundraising department and activities in order to sustain voluntary income in the future. Costs associated with donor recruitment continue to be fully expensed in the year of expenditure and the donor base continues to grow. Voluntary income (see note 2 to the financial statements) of £1,613,000 (2005 - £1,720,000) during the year ensured costs associated with operations were fully met. During the year, Quarriers designated an additional £250,000 in special contributions to the company pension scheme to be paid in August 2006 and has increased the overall monthly contribution in line with the actuarial advice in order to meet future predicted deficits of the fund. During the year Quarriers developed new services across all areas of its operations.

Quarriers' services for adults with learning difficulties have been enhanced by the continued redevelopment and upgrading of existing houses. The refurbishment of Cottage 11 in Quarriers Village was completed in the year as a supported living project and further work on deregistered flats is in progress. Hawthorn Cottage, a house for adults with learning difficulties, was also refurbished. Quarriers works in partnership with local authorities to ensure that the individuals supported within Quarriers Village and throughout the country are offered the highest quality of housing and support. The development of Sommervilles restaurant, which is open to the public and is a training facility for some of the individuals Quarriers supports, received grant funding and continues to command some local support.

Quarriers continues to work in partnership with a charity in Taganka, Moscow, providing support to children and families. Quarriers is also working in partnership with a charity SAATHI in Nepal who work with single parents and street children providing shelters and various forms of intervention and support.

Quarriers has invested significantly in Seafield, a residential and day school for children with social, emotional and behavioural difficulties. The school provision has been enhanced this year by the completion of a new classroom block which has enabled an increase in the number of day places. Quarriers' services for young people who are homeless, where support is provided to young people in their own tenancies, have expanded in Glasgow. A new advisory service for children's rights in Falkirk also commenced this year. Services for adults with disabilities continue to grow.

Quarriers has expanded although at a slower rate than in the last few years - fee income has increased by 6% this year (2005 - 13%) and by over 83% during the last five years. The charity will continue to meet the needs of the people it supports and will expand its services by providing new and improved services whilst at the same time ensuring that its charitable resources are applied in the best and most efficient manner.

# **QUARRIERS**

## **DIRECTORS' REPORT (continued)**

### **RESULTS AND TRANSFER TO RESERVES**

The deficit for the year after transfers to designated and restricted funds amounted to £510,000 (2005 – surplus of £238,000). Funds are applied for the specific purpose for which they are received. If funds are received for general purposes then they are applied where there is the greatest need and any surpluses are transferred to reserves in order to provide future funds for the charity.

With the introduction of FRS17 the full effect of the pensions funding deficit is recorded in the accounts. The consequence of this deficit together with the allocated restricted reserves is to create a negative general reserve. Whilst the directors recognise the position that the liability exceeds the net assets of the charity, this should not be interpreted as creating a state of insolvency. In the opinion of the directors the market value of land and buildings is significantly higher than the book value; the position is that if the assets were realised this would lead to a net asset position. In setting a reserves policy the directors have established as restricted reserves, reserves that are committed in respect of planned expenditure or liabilities that are believed likely to crystallize. The directors believe that £6,319,000 held as current assets is sufficient for working capital needs and to meet budgeted future needs. In reviewing this, the cash flow needs of the future pension fund contributions have been taken into account. £250,000 additional pension contribution has been designated this year for payment in August 2006 and this is in line with the specific cash contributions of £500,000 over the last five years. These additional contributions together with regular increased monthly contributions are expected, over time, to reduce the pension deficit to nil.

### **FIXED ASSETS**

Movements in tangible fixed assets are as set out in note 15 to the financial statements.

Assets are held primarily for use by charitable services or for use by the support services. Land and buildings which are not used at the present time by the charity for their charitable purposes are leased with a view to maximising rental income.

### **MARKET VALUE OF LAND AND BUILDINGS**

In the opinion of the directors, the market value of the land and buildings is significantly higher than the book value in these financial statements. If land and buildings were sold at sums in excess of their book valuations, no liability to tax would arise due to the company's charitable status.

### **INVESTMENTS**

Investments are recorded at market value in the balance sheet. The movement in investments is as set out in note 16. The investments are held in accordance with the powers of the directors as laid out in the memorandum and articles of association.

### **FINANCIAL INSTRUMENTS AND CREDIT RISK**

The charity's principal financial assets are bank balances and investments. The charity's only significant financial liability is a £680,000 bank revolving credit facility. The charity increased this amount to £1,480,000 in June 2006 to assist the funding of a new property in Wiltshire. The charity's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The charity has no significant concentration of credit risk, with exposure spread over a large number of service users. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The investment portfolio is spread across a range of listed securities.

### **DISABLED EMPLOYEES**

It is the policy of Quarriers to employ disabled persons whenever possible, and to meet the legal requirements concerning the employment of disabled people. The average number of disabled employees employed during the year was 13 (2005 - 19).

# QUARRIERS

## DIRECTORS' REPORT (continued)

### EMPLOYEE INVOLVEMENT

Facilities for the provision of information to employees and for consultation on matters of concern are available through the Human Resources Department. 66 staff have been involved in the process of developing internal standards for Quarriers. Copies of the Annual Report are made available from the Registered Office. Quarriers operates a direct access system to the Executive through Staff Direct, a suggestion hotline; 100% of ideas have been answered.

### DIRECTORS AND THEIR INTERESTS

The directors who served during the year and to the date of this report are as shown on page 1. Directors are appointed by nomination and approval by the majority of existing directors.

On 15 September 2005, Mrs Elizabeth Bomphray, Ms Susan Bird, Mr Graeme M Davidson, Mrs Mary Leishman, Mr David J C MacRobert and Mr Frederick D Wardle retired by rotation and were re-elected.

At the next Annual General Meeting of the company, Mr Robert Walker, Mr William Harkness and Dr Ian Matson will retire by rotation and, being eligible, will offer themselves for re-election.

No director has any interest in the company as it is limited by guarantee.

### AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that:

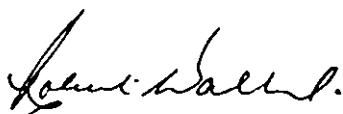
(1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

A resolution to reappoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



Mr Robert Walker

11 September 2006



Mr James Dinsmore

11 September 2006

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the financial statements for the company in accordance with United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the company and of the surplus or deficit of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QUARRIERS

We have audited the financial statements of Quarriers for the year ended 31 March 2006 which comprise the statement of financial activities, the income and expenditure account, the combined statement of total recognised gains and losses and reconciliation of movements in capital and reserves, the balance sheet, the cash flow statement including the notes thereto and the reconciliation of net cash flow to movement in net funds, and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you on the consistency of the directors' report with the financial statements, if the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and the other information contained within the annual report as described in the contents section for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 March 2006 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the directors' report is consistent with the financial statements.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Glasgow

United Kingdom

15th September 2006

# QUARRIERS

## STATEMENT OF FINANCIAL ACTIVITIES

Year ended 31 March 2006

		Unrestricted funds			Total	Restated
	Note	General Funds £'000	Designated Funds £'000	Restricted Funds £'000	31 March 2006 £'000	Total 31 March 2005 £'000
<b>INCOMING RESOURCES</b>						
<b>Incoming resources from generated funds:</b>						
Voluntary income	2	1,477	-	136	1,613	1,720
Activities for generating funds	2	151	-	-	151	161
Investment income	2	318	-	1	319	361
<b>Incoming resources from charitable activities</b>	3	10,805	-	24,766	35,571	32,321
<b>Other incoming resources:</b>						
Gain on sale of fixed assets	9	138	-	-	138	171
Fire insurance claim		-	-	-	-	653
<b>Total incoming resources</b>		<u>12,889</u>	<u>-</u>	<u>24,903</u>	<u>37,792</u>	<u>35,387</u>
<b>RESOURCES EXPENDED</b>						
<b>Costs of generating funds:</b>						
Costs of generating voluntary income	4	1,196	-	-	1,196	1,135
Fundraising trading	4	146	-	-	146	110
Investment management costs	4	170	-	-	170	196
<b>Costs of charitable activities</b>	5	11,052	-	24,764	35,816	31,989
<b>Governance costs</b>	6	<u>151</u>	<u>-</u>	<u>-</u>	<u>151</u>	<u>142</u>
<b>Total resources expended</b>		<u>12,715</u>	<u>-</u>	<u>24,764</u>	<u>37,479</u>	<u>33,572</u>
<b>Net incoming resources before transfers</b>		174	-	139	313	1,815
<b>TRANSFERS</b>						
Transfers to restricted funds		(349)	-	349	-	-
Gross transfers to designated funds		<u>(323)</u>	<u>395</u>	<u>(72)</u>	<u>-</u>	<u>-</u>
<b>Net incoming/(outgoing) resources</b>		<u>(498)</u>	<u>395</u>	<u>416</u>	<u>313</u>	<u>1,815</u>
<b>OTHER RECOGNISED GAINS AND LOSSES</b>						
<b>Gains and losses on investment assets</b>						
Realised	9	(12)	-	-	(12)	3
Unrealised		<u>623</u>	<u>-</u>	<u>-</u>	<u>623</u>	<u>307</u>
		<u>611</u>	<u>-</u>	<u>-</u>	<u>611</u>	<u>310</u>
<b>Actuarial gain on defined benefit pension scheme</b>	25	<u>323</u>	<u>-</u>	<u>-</u>	<u>323</u>	<u>36</u>
<b>Net movement in funds</b>		<u>436</u>	<u>395</u>	<u>416</u>	<u>1,247</u>	<u>2,161</u>
<b>RECONCILIATION OF FUNDS</b>						
<b>Total funds brought forward at 1 April 2005 (as restated)</b>		<u>(1,974)</u>	<u>2,094</u>	<u>4,298</u>	<u>4,418</u>	<u>2,257</u>
<b>Total funds carried forward at 31 March 2006</b>		<u>(1,538)</u>	<u>2,489</u>	<u>4,714</u>	<u>5,665</u>	<u>4,418</u>

The prior year balances have been restated due to the adoption of FRS 17 (see note 25) and reclassifications arising due to the adoption of SORP 2005.

## QUARRIERS

### INCOME AND EXPENDITURE ACCOUNT

Year ended 31 March 2006

	Note	2006 £'000	2005 restated £'000
<b>INCOME - continuing operations</b>	7	35,908	33,313
Operating expenditure		(37,293)	(33,284)
<b>(DEFICIT)/SURPLUS BEFORE VOLUNTARY INCOME</b>		(1,385)	29
Voluntary income	2	1,613	1,720
<b>OPERATING SURPLUS - continuing operations</b>	8	228	1,749
Net gain on sale of fixed assets in continuing operations	9	126	174
<b>Surplus before interest</b>		354	1,923
Interest receivable and investment income	12	133	183
Interest payable and similar charges	13	(186)	(288)
<b>Surplus after interest</b>		301	1,818
Relating to designated funds, restricted funds and funds for special purposes		(811)	(1,580)
<b>(DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(510)	238
Tax on (deficit)/surplus on ordinary activities	14	-	-
<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>		(510)	238

The prior year balances have been restated due to the adoption of FRS 17 (see note 25).

## QUARRIERS

### COMBINED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES AND RECONCILIATION OF MOVEMENTS IN CAPITAL AND RESERVES Year ended 31 March 2006

	Unrestricted Funds £'000	Designated Funds £'000	Restricted Funds £'000	Total 2006 £'000	Total 2005 restated £'000
Surplus/(deficit) of income over expenditure	(510)	395	416	301	1,818
Actuarial gain in respect of pension scheme under FRS 17 (note 25)	323	-	-	323	36
Unrealised gains/(losses) on investments	623	-	-	623	307
<b>Total recognised gains and losses relating to the year and net addition to capital and reserves</b>	<b>436</b>	<b>395</b>	<b>416</b>	<b>1,247</b>	<b>2,161</b>
Opening capital and reserves (as previously presented)	3,524	2,094	4,298	9,916	7,918
Adjustment to opening reserves for adoption of FRS 17 (note 25)	(5,498)	-	-	(5,498)	(5,661)
Opening capital and reserves (as restated)	(1,974)	2,094	4,298	4,418	2,257
<b>Closing capital and reserves</b>	<b>(1,538)</b>	<b>2,489</b>	<b>4,714</b>	<b>5,665</b>	<b>4,418</b>



# QUARRIERS

## BALANCE SHEET

31 March 2006

	Note	2006 £'000	2005 restated £'000
<b>FIXED ASSETS</b>			
Tangible assets	15	6,596	6,775
Investments	16	3,187	2,648
		<u>9,783</u>	<u>9,423</u>
<b>CURRENT ASSETS</b>			
Stocks	17	3	8
Debtors	18	4,489	4,155
Cash at bank and in hand		1,827	1,682
		<u>6,319</u>	<u>5,845</u>
<b>CREDITORS: amounts falling due within one year</b>	19	<u>(3,822)</u>	<u>(3,820)</u>
<b>NET CURRENT ASSETS</b>		<u>2,497</u>	<u>2,025</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		12,280	11,448
<b>CREDITORS: amounts falling due after more than one year</b>	21	<u>(37)</u>	<u>(95)</u>
<b>NET ASSETS EXCLUDING PENSION DEFICIT</b>		12,243	11,353
<b>PENSION DEFICIT</b>	25	<u>(6,578)</u>	<u>(6,935)</u>
<b>NET ASSETS</b>		<u>5,665</u>	<u>4,418</u>
<b>CAPITAL AND RESERVES</b>	22		
General reserves			
- Income and expenditure account	23	(2,470)	(2,201)
- Revaluation reserve	23	932	227
- Designated reserves	23	2,489	2,094
		<u>951</u>	<u>120</u>
Restricted funds	23	4,714	4,298
<b>TOTAL CAPITAL AND RESERVES</b>		<u>5,665</u>	<u>4,418</u>

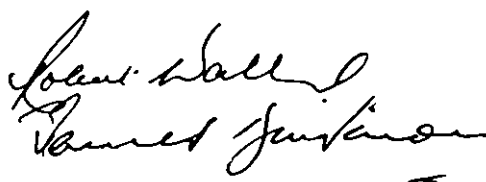
The prior year balances have been restated due to the adoption of FRS 17 (see note 25).

These financial statements were approved by the Board of Directors on 11 September 2006.

Signed on behalf of the Council of Management by

Mr Robert Walker

Mr James Dinsmore



## QUARRIERS

### CASH FLOW STATEMENT Year ended 31 March 2006

	Notes to the cash flow statement	2006 £'000	2005 £'000
Net cash inflow from operating activities	(i)	538	2,279
Returns on investments and servicing of finance	(ii)	95	140
Capital expenditure and financial investment	(ii)	(411)	(2,253)
Net cash outflow before financing		222	166
Financing	(ii)	(77)	(23)
Increase in cash	(iii)	145	143

### RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS Year ended 31 March 2006

	2006 £'000	2005 £'000
Increase in cash in the year	145	143
Cash outflow from decrease in debt and lease financing	77	23
Change in net funds resulting from cash flows	222	166
Movement in net funds in the year	222	166
Net funds at 1 April	922	756
Net funds at 31 March	1,144	922

The notes to the cash flow statement are included on pages 17 and 18.

## QUARRIERS

### NOTES TO THE CASH FLOW STATEMENT

Year ended 31 March 2006

#### (i) RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2006 £'000	2005 restated £'000
Operating surplus	228	1,749
Depreciation	801	781
Decrease/(increase) in stock	5	(4)
(Increase)/decrease in debtors	(334)	553
Increase/(decrease) in creditors	19	(277)
Difference between FRS 17 service cost and contributions	(181)	(523)
Net cash inflow from operating activities	538	2,279

#### (ii) GROSS CASH FLOWS

	2006 £'000	2005 £'000
<b>Returns on investment and servicing of finance</b>		
Interest received	64	112
Interest paid	(38)	(44)
Interest element of finance lease rental payments	(1)	(1)
Investment income	70	73
	95	140
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible fixed assets	(623)	(2,382)
Receipts from sales of tangible fixed assets	140	171
Payments to acquire investments	(562)	(153)
Receipts from sales of investments	634	111
	(411)	(2,253)
<b>Financing</b>		
Repayment of term loans	(69)	(15)
Repayment of capital element of finance lease rentals	(7)	(8)
	(76)	(23)

## QUARRIERS

### NOTES TO THE CASH FLOW STATEMENT (continued) Year ended 31 March 2006

#### (iii) ANALYSIS OF CHANGES IN NET FUNDS

	2005 £'000	Cash flows £'000	2006 £'000
Cash at bank and in hand	1,682	145	1,827
Debt due within one year	(695)	15	(680)
Debt due after more than one year	(55)	55	-
Finance leases	(10)	7	(3)
Net funds	<u>922</u>	<u>222</u>	<u>1,144</u>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

### 1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Statement of Recommended Practice, Accounting and Reporting by Charities (revised 2005) ('SORP 2005'), applicable United Kingdom accounting standards and the Companies Act 1985.

With the exception of the adoption of FRS 17 'Retirement Benefits', the impact of which is detailed in note 25, and the adoption of the revised SORP 2005, accounting policies have remained unchanged on the prior year. Prior year results have been restated for the adoption of FRS 17 and the prior year Statement of Financial Activities has been represented for the adoption of SORP 2005.

The particular accounting policies adopted are described below.

#### Accounting convention

The financial statements are prepared under the historical cost convention, with the exception of investments which are valued at market value at the balance sheet date.

#### Group accounts

The company does not prepare consolidated group accounts as it is entitled for the year ended 31 March 2006 to the exemption conferred by Section 229 of the Companies Act 1985, as the exclusion of the subsidiary companies is not considered by the directors to be material for the purpose of giving a true and fair view. Information is therefore presented for the individual company not its group.

#### Donations, legacies and other similar income

Donations, legacies and other similar income are recognised in the period in which they are received.

#### Deferred government grants

Government grants in respect of capital expenditure are matched to the related expenditure and written off to the income and expenditure account in the year in which the expenditure is charged. Grants of a revenue nature are credited to income in the period to which they relate.

#### Investments

Investments are recorded at market valuation. Realised gains and losses are included in the income and expenditure account. Unrealised gains and losses are included in the statement of total recognised gains and losses. Both realised and unrealised gains and losses are included in the Statement of Financial Activities.

#### Tangible fixed assets and depreciation

All tangible fixed assets are recorded at original cost and are written off over their useful economic lives on a straight line basis as follows:

Heritable properties	- 50 years
Motor vehicles	- 4 years
Plant & equipment	- 3 to 10 years
Fixtures & fittings	- 3 to 10 years

Land is not depreciated.

Tangible fixed assets are capitalised in the year of purchase and depreciated over their useful economic lives or, in the case of finance leased assets, over the term of the lease, if shorter. Expenditure which adapts buildings to a particular purpose is charged to the income and expenditure account.

#### Stocks

Stocks are stated at the lower of cost and net realisable value.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

### 1. ACCOUNTING POLICIES (continued)

#### Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the assets have passed to the company, are capitalised and depreciated over the term of the lease or contract. The interest element of the rental obligations is charged to the income and expenditure account over the period of the lease or contract and represents a constant proportion of the balance of capital repayments outstanding.

Operating lease rentals are charged to the income and expenditure account in equal annual amounts over the lease term.

#### Pensions

Amounts charged to operating surplus are the current service costs and any gains or losses on settlements and curtailments. They are included as part of staff costs. The interest cost and the expected return on assets are shown as finance costs in the income and expenditure account. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The defined benefit scheme is funded, with the assets of the scheme held separately from those in the company, in a separate trustee administered fund. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit pension liability is presented separately after other net assets on the balance sheet.

The contribution levels have been determined by qualified actuaries and further details are available in note 25 to the financial statements.

The company also operates a defined contribution stakeholder scheme. The assets of the scheme are held separately from those of the company. Contributions payable for the period are charged to the income and expenditure account in that period.

#### Deferred income

Deferred grant income relates to income which has been prepaid or received prior to the year end and will be repayable if the restrictions on the income's use are not met. These preconditions should be met in future accounting periods.

#### Statement of financial activities

Project funding surpluses are recorded within restricted reserves.

Transfers to designated funds occur where unrestricted funds have been allocated for certain specific purposes upon internal approval.

Other transfers between funds occur where restricted income has been insufficient to cover the associated expenditure and income is transferred from general funds to meet the shortfall.

# QUARRIERS

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

### 2. INCOMING RESOURCES FROM GENERATED FUNDS

	2006 £'000	2005 £'000
<b>VOLUNTARY INCOME</b>		
Individual giving	646	377
Community fundraising	93	96
Corporate donations	35	38
Legacies	486	986
Training grants	293	161
Trusts and grant making bodies	60	62
	<u>1,613</u>	<u>1,720</u>

Grants awarded to restricted projects of £240,000 (2005 - £273,000) were applied for by the fundraising department and are shown under incoming resources for charitable activities.

At 31 March 2006, Quarriers had been notified of expected legacies totalling £363,000 (2005 - £98,000) but the funds had not yet been received, so had not been recognised as income in line with the accounting policy.

#### ACTIVITIES FOR GENERATING FUNDS

Major fundraising events	139	156
Conferences and courses	12	5
	<u>151</u>	<u>161</u>

#### INVESTMENT INCOME

Dividends	71	70
Bank interest	63	112
Property rental income	185	179
	<u>319</u>	<u>361</u>

### 3. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	Local authority fees £'000	Grants £'000	Other funding £'000	Total 2006 £'000	Total 2005 £'000
Adults with learning disabilities	14,344	1,224	98	15,666	14,774
Acquired brain injury	1,444	59	15	1,518	1,463
Epilepsy	3,819	87	28	3,934	3,692
Carers	389	594	25	1,008	978
Youth homelessness	3,665	1,244	46	4,955	4,470
Children with a disability	1,367	967	16	2,350	2,198
Family support and learning	18	1,520	35	1,573	841
Education and residential care	4,096	456	15	4,567	3,905
	<u>29,142</u>	<u>6,151</u>	<u>278</u>	<u>35,571</u>	<u>32,321</u>

Grants of £354,000 (2005 - £443,000) were received from Glasgow Social Inclusion Partnership during the year. Grants of £17,000 (2005 - £150,000) were received from the Community Fund during the year.

# QUARRIERS

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

### 4. COSTS OF GENERATING FUNDS

	2006 £'000	2005 £'000
<b>COSTS OF GENERATING VOLUNTARY INCOME</b>		
Individual giving	735	668
Community fundraising	74	76
Corporate donations	59	71
Legacies	53	34
Appeal planning	116	152
Trusts and grant making bodies	30	24
Awareness raising	129	110
	<u>1,196</u>	<u>1,135</u>

£514,000 (2005 - £491,000) of individual giving expenditure relates to upfront payments for donor recruitment. The related income will be received over many years in the future.

Corporate fundraising is in the developmental stages and relationships are being fostered.

#### FUNDRAISING TRADING

Major fundraising events	134	109
Conferences and courses	12	1
	<u>146</u>	<u>110</u>

#### INVESTMENT MANAGEMENT COSTS

Investment manager's costs	20	16
Bank charges	39	45
Property rental costs	111	135
	<u>170</u>	<u>196</u>

### 5. COSTS OF CHARITABLE ACTIVITIES

	2006 Direct costs £'000	2006 Support costs £'000	2006 Total £'000	2005 Direct costs £'000	2005 Support costs £'000	2005 Total £'000
Adults with learning disabilities	15,599	829	16,428	14,249	831	15,080
Acquired brain injury	1,437	82	1,519	1,426	90	1,516
Epilepsy	3,569	172	3,741	3,237	175	3,412
Carers	1,127	33	1,160	971	34	1,005
Youth homelessness	4,663	217	4,880	3,945	204	4,149
Children with a disability	2,207	107	2,314	1,923	107	2,030
Family support and learning	1,170	55	1,225	909	42	951
Education and residential care	4,330	219	4,549	3,644	202	3,846
	<u>34,102</u>	<u>1,714</u>	<u>35,816</u>	<u>30,304</u>	<u>1,685</u>	<u>31,989</u>

The activities underlying the costs above are described in the Directors' Report.

Where necessary, costs have been allocated between activity categories on the basis of time spent.



**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2006**

**5. COSTS OF CHARITABLE ACTIVITIES (continued)**

**SUPPORT COSTS**

	2006 Allocated to the cost of charitable activities £'000	2006 Allocated to costs of generating voluntary income £'000	2006 Allocated to governance costs £'000	2006 Total £'000
<b>2006</b>				
Finance	444	-	72	516
Human resources	518	-	6	524
Information technology	45	-	-	45
Management and administration	285	-	-	285
Communications	63	63	-	126
Grant applications	63	-	-	63
Property	149	16	-	165
FRS 17 net pension finance cost	147	-	-	147
	<u>1,714</u>	<u>79</u>	<u>78</u>	<u>1,871</u>

	2005 Allocated to the cost of charitable activities £'000	2005 Allocated to costs of generating voluntary income £'000	2005 Allocated to governance costs £'000	2005 Total £'000
<b>2005</b>				
Finance	451	-	72	523
Human resources	418	-	5	423
Information technology	32	-	-	32
Management and administration	264	-	-	264
Communications	45	45	-	90
Grant applications	49	-	-	49
Property	183	-	-	183
FRS 17 net pension finance cost	243	-	-	243
	<u>1,685</u>	<u>45</u>	<u>77</u>	<u>1,807</u>

Support costs have been allocated to activities on the following basis:

Property costs - allocated on the basis of use of resources.

Other support costs - allocated on the basis of time spent by the departments supporting the various activities.

Information technology and communications costs are allocated where appropriate directly to projects. Those elements used by support departments and the elements not otherwise directly allocated are included in support costs.

The FRS 17 net pension finance cost has been allocated across charitable activities on the basis of salary costs in relation to each category.

# QUARRIERS

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

### 6. GOVERNANCE COSTS

	2006 £'000	2005 £'000
Internal audit	30	30
External audit	26	22
Apportionment of Executives' costs (based on time spent)	44	36
Company secretariat	16	14
Annual accounts and committee papers	35	40
	<u>151</u>	<u>142</u>

Governance costs relate to the general running of the charity and include the operations of the Council of Management and addressing constitutional, audit and other statutory matters.

### 7. INCOME - CONTINUING OPERATIONS

Income represents funding received and amounts derived from the provision of services which fall within the company's ordinary activities, stated net of VAT.

Income is attributable to the company's principal activities as described in the Directors' Report. Quarriers is a charity operating principally in Scotland.

### 8. OPERATING SURPLUS - CONTINUING OPERATIONS

	2006 £'000	2005 £'000
<b>Operating surplus is stated after charging the following items:</b>		
Auditors' remuneration - audit services	26	22
Depreciation of owned assets	797	777
Depreciation of assets held under finance leases and hire purchase contracts	4	4
Operating lease rentals - plant and machinery	361	445
- land and buildings	735	665
Directors' and officers' indemnity insurance	6	6
	<u>        </u>	<u>        </u>

### 9. NET GAIN ON SALE OF FIXED ASSETS IN CONTINUING OPERATIONS

	2006 £'000	2005 £'000
Gain on disposal of heritable properties	137	171
Gain on disposal of other tangible fixed assets	1	-
(Loss)/gain on disposal of investments	(12)	3
	<u>126</u>	<u>174</u>

# QUARRIERS

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

### 10. DIRECTORS' EMOLUMENTS

None of the directors of the company received any fees or emoluments in respect of their duties as directors during the current or preceding year. Travel expenses totalling £1,000 (2005 - £1,000) were paid to one director during the year.

Indemnity insurance has been purchased during the year to protect directors and officers from loss arising from neglect or error in the course of carrying out their activities for Quarriers.

### 11. STAFF COSTS

	2006 £'000	2005 restated £'000
Wages and salaries	24,416	22,069
Social security costs	1,985	1,756
Pension costs	1,473	1,387
	<u>27,874</u>	<u>25,212</u>

Pension costs can be analysed as follows:

FRS 17 current service cost (see note 25)	1,240	1,069
FRS 17 net finance cost (see note 25)	147	243
Defined contribution pension costs (see note 25)	86	75
	<u>1,473</u>	<u>1,387</u>

In addition to the above pension costs recorded in the income and expenditure account, an actuarial gain of £323,000 (2005 - £36,000) has been credited to the statement of total recognised gains and losses.

The average weekly number of employees during the year was as follows:

	No	No
Administration	140	132
Social care, domestic and other	1,577	1,488
	<u>1,717</u>	<u>1,620</u>

During the year, one employee had emoluments (excluding pension contributions) within the band £80,000 to £84,999. This employee has a defined benefit pension accruing. There were no other employees with emoluments (excluding pension contributions) exceeding £60,000 during the year.

### 12. INTEREST RECEIVABLE AND INVESTMENT INCOME

	2006 £'000	2005 £'000
Income from listed investments	70	71
Bank interest receivable	63	112
	<u>133</u>	<u>183</u>

# QUARRIERS

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

### 13. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £'000	2005 £'000
FRS 17 net pension finance cost (see note 25)	147	243
Bank loans and overdrafts	38	44
Finance leases and hire purchase interest	1	1
	<u>186</u>	<u>288</u>

### 14. TAX ON (DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES

Quarriers has been granted charitable status by the Inland Revenue and as a result no liability to taxation arises.

### 15. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Motor vehicles £'000	Plant & equipment £'000	Fixtures & fittings £'000	Total £'000
<b>Cost</b>					
At 1 April 2005	8,042	218	1,327	653	10,240
Additions	493	57	26	46	622
Disposals	(4)	(11)	(126)	(73)	(214)
At 31 March 2006	<u>8,531</u>	<u>264</u>	<u>1,227</u>	<u>626</u>	<u>10,648</u>
<b>Accumulated depreciation</b>					
At 1 April 2005	1,796	182	981	506	3,465
Charge for the year	532	29	151	89	801
Disposals	(4)	(11)	(126)	(73)	(214)
At 31 March 2006	<u>2,324</u>	<u>200</u>	<u>1,006</u>	<u>522</u>	<u>4,052</u>
<b>Net book value</b>					
At 31 March 2006	<u>6,207</u>	<u>64</u>	<u>221</u>	<u>104</u>	<u>6,596</u>
At 31 March 2005	<u>6,246</u>	<u>36</u>	<u>346</u>	<u>147</u>	<u>6,775</u>
Net book value of assets used directly for charitable purposes	<u>5,684</u>	<u>64</u>	<u>149</u>	<u>102</u>	<u>5,999</u>

The net book value of assets includes £7,000 (2005 - £11,000) in respect of assets held under finance leases and hire purchase contracts, the depreciation charge on which is disclosed in note 8.

In the opinion of the directors, the market value of the land and buildings is significantly higher than the book value in these financial statements.

# QUARRIERS

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

### 16. INVESTMENTS

	2006 £'000	2005 £'000
<b>Cost</b>		
As at 1 April 2005	2,339	2,375
Additions	562	153
Disposals	(646)	(189)
	<hr/>	<hr/>
As at 31 March 2006	2,255	2,339
	<hr/>	<hr/>
<b>Composed of:</b>		
Listed investments:		
Listed on London Stock exchange	2,253	2,337
Unlisted investments	2	2
	<hr/>	<hr/>
As at 31 March 2006	2,255	2,339
	<hr/>	<hr/>
<b>Market Value</b>		
As at 1 April 2005	2,648	2,295
Additions	562	153
Disposals at 1 April 2005 market value	(583)	(107)
	<hr/>	<hr/>
	2,627	2,341
Gains in year	560	307
	<hr/>	<hr/>
As at 31 March 2006	3,187	2,648
	<hr/>	<hr/>

#### Subsidiary undertakings

All subsidiary undertakings are limited by guarantee and therefore Quarriers has no holding in the companies. The companies are subsidiary undertakings by virtue of Quarriers' right to exercise dominant influence. The principal activities of the subsidiary undertakings are set out below:

<u>Company</u>	<u>Principal activity, net assets and results</u>	<u>Country of incorporation</u>
Quarrier's Activities Limited	Dormant during the year. Net Assets at 31 December 2005 - £Nil (2004 - £Nil) Result before tax for the year to 31 December 2005 - £Nil (2004 - £Nil)	Scotland
Gottar Limited	Design and build company. Net Liabilities at 28 February 2006 - £8,000 (2005 - Net Liabilities £6,000) Loss before tax for the year to 28 February 2006 - £1,000 (2005 - loss £1,000)	Scotland
Strathgryffe Limited	Property management company. Net Assets at 31 March 2006 - £1,000 (2005 - Net Assets £Nil) Profit before tax for the year to 31 March 2006 - £1,000 (14 months to 31 March 2005 - £Nil)	Scotland

# QUARRIERS

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

### 17. STOCKS

	2006 £'000	2005 £'000
General stocks	3	8

### 18. DEBTORS

	2006 £'000	2005 £'000
Trade debtors	4,092	3,530
Other debtors	9	452
Amounts owed by subsidiary undertakings	2	2
Prepayments and accrued income	386	171
	<u>4,489</u>	<u>4,155</u>

No debtors are due after more than one year.

### 19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £'000	2005 £'000
Bank loans and overdrafts (see note 21)	680	694
Obligations under finance leases and hire purchase contracts (see note 21)	3	7
Trade creditors	377	264
Other taxes and social security costs	803	547
Other creditors	814	721
Deferred grant income (see note 20)	116	280
Accruals and other deferred income	1,029	1,307
	<u>3,822</u>	<u>3,820</u>

The bank revolving credit facility is secured by a fixed security over three buildings. The bank overdraft facility is secured by a Letter of Comfort from Adam & Company Investment Management Limited and a standard security over Laing Shrewsbury House (Head Office).

The bank loans and amounts payable under finance leases and hire purchase contracts are secured over the specific fixed assets to which they relate.

### 20. DEFERRED GRANT INCOME

	£'000
As at 1 April 2005	280
Received during the year	5,664
Released during the year	<u>(5,828)</u>
As at 31 March 2006	<u>116</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2006**

**21. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>2006 £'000</b>	<b>2005 £'000</b>
Bank loans	-	55
Obligations under finance leases and hire purchase contracts	-	3
Other creditors	37	37
	<u>37</u>	<u>95</u>
<b>Analysis of loan repayments</b>		
<b>Bank term loans</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
Amounts repayable by instalments:		
Within one year or on demand	-	14
Between one and two years	-	14
Between two and five years	-	41
	<u>-</u>	<u>69</u>
Included in creditors: amounts falling due within one year	-	(14)
	<u>-</u>	<u>55</u>
Revolving credit facility – repayable within one year or on demand	680	680
Details of loans not wholly repayable within five years are as follows:		
	<b>2006 £'000</b>	<b>2005 £'000</b>
10% secured loan repayable in 240 monthly instalments commencing 7th March 1997	-	69
	<u>-</u>	<u>69</u>
<b>Obligations under finance leases and hire purchase contracts</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
Amounts payable by instalments:		
Within one year	3	8
Between one and two years	-	3
	<u>3</u>	<u>11</u>
Less: finance charges allocated to future periods	-	(1)
	<u>3</u>	<u>10</u>
Within 'Creditors: amounts falling due within one year' (note 19)	(3)	(7)
Within 'Creditors: amounts falling due after more than one year'	-	3

The bank loans and amounts payable under finance leases and hire purchase contracts are secured over the specific fixed assets to which they relate.

## QUARRIERS

### NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2006

#### 22. SHARE CAPITAL

The company is limited by guarantee and therefore has no share capital.

#### 23. RESERVES

	As at 1 April 2005 (as restated) £'000	Income £'000	Expenditure £'000	Investment gains/ (losses) £'000	Actuarial gain in respect of pension scheme £'000	Transfers £'000	As at 31 March 2006 £'000
General reserve	(2,201)	12,889	(12,715)	(12)	323	(754)	(2,470)
Revaluation reserve	227	-	-	623	-	82	932
<b>Designated funds</b>							
Fixed assets fund	1,949	-	-	-	-	(79)	1,870
Pension scheme fund	-	-	-	-	-	250	250
Revolving credit facility fund	140	-	-	-	-	79	219
Other funds	5	-	-	-	-	145	150
<b>Total designated funds</b>	<b>2,094</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>395</b>	<b>2,489</b>
<b>Total unrestricted funds</b>	<b>120</b>	<b>12,889</b>	<b>(12,715)</b>	<b>611</b>	<b>323</b>	<b>(277)</b>	<b>951</b>
<b>Restricted funds</b>	<b>4,298</b>	<b>24,903</b>	<b>(24,764)</b>	<b>-</b>	<b>-</b>	<b>277</b>	<b>4,714</b>
<b>Total funds</b>	<b>4,418</b>	<b>37,792</b>	<b>(37,479)</b>	<b>611</b>	<b>323</b>	<b>-</b>	<b>5,665</b>

Designated funds represent unrestricted funds that have been allocated for certain specific purposes upon internal approval.

Restricted funds have arisen because the income received has to be spent in a defined manner, otherwise it becomes repayable. Balances in restricted funds are held as tangible fixed assets and cash.



## QUARRIERS

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

#### 24. CAPITAL COMMITMENTS

	2006 £'000	2005 £'000
Contracted for, but not provided	662	80

The commitment represents the purchase price for the Wiltshire property Quarriers purchased in June 2006.

#### 25. PENSION COSTS

The company operates a defined benefit pension scheme, the Quarriers Pension Scheme. The assets of the scheme are held separately from those of the company in a trustee-administered fund. Company contributions paid in the year were £1,440,000 (2005 - £1,592,000). Regular company contributions of £1,190,000 (2005 - £1,092,000) were paid and an additional special contribution of £250,000 has been designated in recognition of the scheme deficit (2005 - an additional £500,000 was paid during the year). This additional contribution of £250,000 was paid into the pension scheme in August 2006 as a contribution towards the scheme deficit. Contributions amounting to £119,000 (2005 - £100,000) were payable to the fund at 31 March 2006.

From 1 April 2005 the company's contribution rate increased in line with actuarial valuation recommendations to 18.4% from 15%. No additional contributions were paid in respect of ill health retirement.

Contributions of £25,000 have also been made in the year to a defined contribution stakeholder scheme (2005 - £16,000) and £61,000 to a scheme for teachers (2005 - £59,000). The scheme for teachers is a multi-employer defined benefit scheme, for which Quarriers has no liability other than monthly employer's contributions, therefore it is accounted for as a defined contribution scheme.

Quarriers also paid £117,000 (2005 - £118,000) to a life assurance company for staff life cover during the year.

##### Actuarial valuation

The contributions to the scheme are determined with the advice of a qualified independent actuary on the basis of triennial valuations using the projected unit funding method. The latest finalised formal valuation was effective as at 1 November 2004. The assumptions which had the most significant effect on the results of the valuation were those relating to investment return (6.75%), salary growth (4.0%) and pensions growth (2.5%).

The actuarial valuation showed that the market value of the scheme's assets at 1 November 2004 was £15,027,000 and that the actuarial value of those assets represented 72% of the benefits that had accrued to members, after allowing for expected future increases in earnings. On 1 October 2004 the company voluntarily increased the employer's contribution rate from 10% to 15%. The existing recommended normal contribution levels necessary to meet future liabilities of the scheme are 6% of pensionable salary for members and 18.4% of pensionable salary for the employer. From 1 April 2005, the company increased the employer's contribution rate to 18.4%.

##### FRS 17

In previous years, the company has adopted the transitional provisions of FRS 17 "Retirement Benefits". However, for the year ended 31 March 2006 the company is required to adopt FRS 17 in full. This change in accounting policy requires the incorporation of the scheme deficit with effect from 1 April 2005 and accordingly the prior year comparatives have been restated. The impact of adopting FRS 17 in full on the 2005 comparative information is as follows:

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2006**

**25. PENSION COSTS (continued)**

**FRS 17 (continued)**

	<b>Pension deficit £000's</b>	<b>Surplus for the year £000's</b>	<b>General reserves £000's</b>	<b>Total reserves £000's</b>
31 March 2005 as previously reported	(1,437)	108	5,618	9,916
Reversal of SSAP 24 accounting	1,437	1,442	1,437	1,437
Adoption of FRS 17 at 1 April 2004	(7,251)	-	(7,251)	(7,251)
FRS 17 movement for 2005	316	(1,312)	316	316
	<u>(6,935)</u>	<u>238</u>	<u>120</u>	<u>4,418</u>
31 March 2005 as restated	(6,935)	238	120	4,418

The figures below have been based on an actuarial valuation as at 1 November 2004, updated to the current year-end. The FRS does not allow for the surplus or deficit to be spread over the period when recovery would normally take place, but instead requires the total assessed surplus or deficit to be declared in full at the balance sheet date.

The deficit declared under FRS 17 is consistent with the position already being recognised by the company in its contributions, which reflect the current minimum funding requirement position. Following the full actuarial valuation at 1 November 2004, employer contributions have been agreed at the rate of 18.4% of pensionable pay plus the cost of insuring death-in-service benefits, from 1 April 2005. Active members pay on average at the rate of 6% of pensionable pay.

The main financial assumptions used at the balance sheet date were as follows:

	<b>2006 %</b>	<b>2005 %</b>	<b>2004 %</b>
Rate of inflation	3.0	2.9	2.9
Salary increase rate	4.0	4.0	4.2
LPI increases for post April 1997 pensions in payment	2.8	2.7	2.7
Revaluation of deferred pensions	3.0	2.9	2.9
Liability discount rate	5.0	5.5	5.6

The fair value of the assets in the scheme, the present value of the liabilities in the scheme, and the expected rate of return at each balance sheet date were:

	<b>2006 £'000</b>	<b>2006 Rate of return</b>	<b>2005 £'000</b>	<b>2005 Rate of return</b>	<b>2004 £'000</b>	<b>2004 Rate of return</b>
Equities	13,924	7.5%	12,238	7.5%	11,172	7.0%
Bonds	7,765	5.0%	3,886	5.0%	1,608	5.0%
Cash	50	5.0%	380	5.0%	688	5.0%
	<u>21,738</u>		<u>16,504</u>		<u>13,468</u>	
Total fair value of assets	21,738		16,504		13,468	
Present value of scheme liabilities	(28,316)		(23,439)		(20,719)	
	<u>(6,578)</u>		<u>(6,935)</u>		<u>(7,251)</u>	
Deficit in the scheme	(6,578)		(6,935)		(7,251)	

# QUARRIERS

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

### 25. PENSION COSTS (continued)

#### FRS 17 (continued)

Analysis of the amount charged to operating surplus under FRS 17:

	2006 £'000	2005 £'000
Current service cost	1,240	1,069

Analysis of the amount charged to net finance cost under FRS 17:

	2006 £'000	2005 £'000
Expected return on pension scheme assets	1,163	936
Interest on pension scheme liabilities	(1,310)	(1,179)
Net finance cost	(147)	(243)

Analysis of the actuarial gain recognised in the statement of total recognised gains and losses ('STRGL'):

	2006 £'000	2005 £'000
Actual return less expected return on pension scheme assets	3,128	921
Experience gains and losses arising on the scheme liabilities	-	(738)
Changes in assumptions underlying the present value of the scheme liabilities	(2,805)	(147)
Actuarial gain recognised in STRGL	323	36

History of experience gains and losses:

	2006	2005	2004
<b>Difference between the expected and actual return on scheme assets:</b>			
Amount (£'000)	3,128	921	1,073
Percentage of scheme assets	14%	6%	8%
<b>Experience gains and losses on scheme liabilities:</b>			
Amount (£'000)	-	(738)	-
Percentage of the present value of scheme liabilities	0%	(3%)	0%
<b>Total actuarial gain/(loss) recognised in the statement of total recognised gains and losses:</b>			
Amount (£'000)	323	36	(76)
Percentage of the present value of scheme liabilities	1%	0%	(0%)

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 March 2006**

**25. PENSION COSTS (continued)**

**FRS 17 (continued)**

Analysis of the movement in the scheme deficit during the year:

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Opening deficit in the scheme	(6,935)	(7,251)
Current service cost	(1,240)	(1,069)
Contributions	1,421	1,592
Net interest cost	(147)	(243)
Actuarial gain	323	36
	<u>(6,578)</u>	<u>(6,935)</u>
Closing deficit in the scheme		

The impact of the FRS 17 pension deficit on general reserves at 31 March 2006 is as follows:

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
General reserves excluding pension deficit	7,529	7,055
FRS 17 pension deficit	(6,578)	(6,935)
	<u>951</u>	<u>120</u>
General reserves including pension deficit		

## QUARRIERS

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2006

#### 26. FINANCIAL COMMITMENTS

##### Operating leases

Annual obligations under operating leases which expire:

	2006 Land & buildings £'000	2006 Other £'000	2005 Land & buildings £'000	2005 Other £'000
Within one year	241	48	239	32
Between two and five years	92	349	72	303
In more than five years	301	-	294	-
	<u>634</u>	<u>397</u>	<u>605</u>	<u>335</u>

#### 27. SUBSIDIARY COMPANY TRANSACTIONS

During the year the company made purchases of a total value of £5,000 (2005 - £16,000) from Gottar Limited, a subsidiary company, and made sales to Gottar Limited of a total value of £5,000 (2005 - £5,000).

At 31 March 2006, the company was owed £8,000 by Gottar Limited (2005 - £8,000).

During the year the company made purchases of a total value of £19,000 (2005 - £10,000) from Strathgryffe Limited, a subsidiary company, and made sales to Strathgryffe Limited of a total value of £18,000 (2005 - £9,000).

At 31 March 2006, the company owed £1,000 (2005 - £Nil) to Strathgryffe Limited.

At 31 March 2006, the balance owed to the company by Quarrier's Activities Limited, a subsidiary company, was £1,000 (2005 - £1,000) stated net of provisions for doubtful debts.