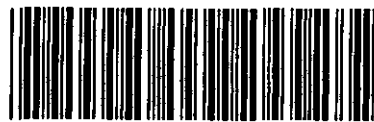


QUARRIERS

Report and Financial Statements

31 March 2007

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QUARRIERS

REPORT AND FINANCIAL STATEMENTS 2007

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QUARRIERS

REPORT AND FINANCIAL STATEMENTS 2007

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr Robert Walker	Chairman
Mr David S Alexander	
Professor Rona S Beattie	
Ms Susan Bird	(retired 21 November 2006)
Mrs Elizabeth M Bomphray	
Mr Leslie G Campbell	(appointed 11 September 2006)
Ms Joanne H Dallachy	(appointed 11 September 2006)
Mr James W Dinsmore	
Professor Mike Donnelly	
Ms Sheena M Duncan	(appointed 11 September 2006)
Ms Keren E Edwards	(appointed 4 December 2006)
Mr William Harkness	
Mr John W Howie	(appointed 11 September 2006)
Professor Raymond L Jones	(appointed 11 September 2006)
Mrs Mary F Leishman	(retired 16 May 2006)
Mr David J C MacRobert	
Dr Ian C Matson	
Mr Roger C Mills	(appointed 11 September 2006)
Mr Frederick D Wardle	
Mr Kenneth Winter	(appointed 6 June 2006)

EXECUTIVE DIRECTORS*

Dr Philip Robinson	Chief Executive
Mr Martin Cawley	Service Director
Ms Karen Croan	Director of Human Resources
Ms Glynis Elgey	Service Director (appointed 1 February 2007)
Mr Laurie Gardner	Director of Fundraising
Mr Kevin Scullion	Service Director (resigned 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

INDEPENDENT AUDITORS

Deloitte & Touche LLP
Glasgow

QUARRIERS

REPORT AND FINANCIAL STATEMENTS 2007

OFFICERS AND PROFESSIONAL ADVISERS (CONTINUED)

INVESTMENT MANAGERS

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

SOLICITORS

Brechin Tindal Oatts
48 St Vincent Street
Glasgow
G2 5HS

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

Bannatyne, Kirkwood, France & Company
16 Royal Exchange Square
Glasgow
G1 3AC

PENSION SCHEME ADMINISTRATORS AND CONSULTANTS

Xafinity Consulting Limited
8th Floor
110 Fenchurch Street
London EC3M 5J

PUBLIC AFFAIRS & MEDIA ADVISORS

The Business
9/10 St Andrew Square
Edinburgh
EH4 2AF

QUARRIERS

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of Quarriers for the year ended 31 March 2007

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing Documents

William Quarrier first opened a night refuge in Glasgow in 1871. The company was established under a memorandum of association which set out the object and charitable powers of the company and is governed by the memorandum and 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 SCO01960) limited by guarantee and does not have a share capital. It was incorporated on 30 October 1926.

Recruitment and appointment to Council of Management

The statutory 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 following appointment 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-elected at the meeting. Due to the wide ranging nature of the charity's work, the Council of Management seeks to ensure that the needs of the people it supports 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 bodies, to identify and appoint individuals who can use their experience to assist the charity. More traditional business skills are also well represented on the Council. As authorised by the governing documents, indemnity insurance has continued to be purchased during the year for directors and officers to protect them from loss.

Trustees' induction and training

All Trustees should be 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. Quarriers provides a training programme which 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 their 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, overseeing the direction and control of the organisation and ensuring it receives appropriate information and advice to carry out its statutory and corporate responsibilities. Quarriers' Council of management is also responsible for monitoring and minimising the risks whilst taking legal responsibilities arising from its control, regularly reviewing the plans and commitments of the organisation. Quarriers had twenty directors during the year from a variety of professional backgrounds relevant to the working of the charity. Quarriers has been fortunate in appointing eight new members to the Council of Management from a wide and varied background. This increase in Council membership is a substantial and positive development for the organisation.

The Company Secretary and Executive also attend the Council of Management but have no voting rights. 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. 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 subcommittees, each subcommittee and its convenor has clear written terms of reference approved by Council. Each subcommittee reports quarterly to the Council of Management. All recommendations are considered and approved by the Council of Management, the subcommittees must meet regularly enough to implement the work of the Council of Management and to carry out Quarriers business. The subcommittee'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 includes 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 Council of Management.

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

Audit Subcommittee – Mr William Harkness (Chair), Ms Susan Bird (resigned 21 November 2006), Mr Leslie Campbell, Ms Sheena Duncan and Mr John Howie.

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.

Finance & General Purposes Subcommittee – Mr James Dinsmore (Chair), Mr William Harkness, Mr Roger Mills, Mr Robert Walker and Mr Kenneth Winter.

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.

Fundraising Subcommittee – Mrs Elizabeth Bomphray (Chair), Mrs Joanne Dallachy, Ms Keren Edwards, Mr John Howie and Mr David MacRobert.

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

Heritage Subcommittee – Mr James Dinsmore (Chair), Mr David MacRobert, Dr Ian Matson, Mr Frederick Wardle and Mr Kenneth Winter.

Maintains an overview of the heritage assets within Quarriers encompassing intellectual property, records and museum artefacts and the estate.

Human Resources Subcommittee – Professor Rona Beattie (Chair), Ms Keren Edwards, Mr John Howie, Professor Raymond Jones and Mrs Mary Leishman (resigned 16 May 2006).

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 and Policy Subcommittee – Mr Roger Mills (Chair), Professor Rona Beattie, Professor Mike Donnelly and Professor Raymond Jones.

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

QUARRIERS

DIRECTORS' REPORT (continued)

SUB COMMITTEES (continued)

Services Subcommittee – Mr David Alexander (Chair), Ms Susan Bird (resigned 21 November 2006), Mr Leslie Campbell, Mrs Joanne Dallachy, Ms Sheena Duncan, Professor Raymond Jones, Mrs Mary Leishman (resigned 16 May 2006) 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.

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 the transfer of ideas and practice between Scotland, Russia and Nepal utilising Quarriers' experience and learning from the impact of services in deprived areas.

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.

The services provided include services for children and their families, accommodation and support for the young homeless, services for people with epilepsy and those with learning difficulties, advisory and carers services and 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 objectives and activities for the year are focussed on eight thematic areas of care and support. Quarriers provides 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 by 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 within their own tenancies who suffer from the effects of traumatic head injuries as well as offering support and advice through outreach work.

Children with a Disability

Quarriers supports children with physical and learning difficulties within registered homes and provides respite care in registered homes and foster placements as well as outreach 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 is to re-integrate the children into mainstream education. Quarriers also provides positive support and accommodation for children in care, working closely with families and others to assist them to develop the necessary emotional and practical skills for life.

Carers Support

Quarriers organises and supports carers centres to provide information, advice and emotional and practical support for carers of all ages.

QUARRIERS

DIRECTORS' REPORT (continued)

OBJECTS AND PRINCIPAL ACTIVITIES (continued)

Youth Homelessness

Quarriers provides various models of support to young people who would otherwise be homeless. This service is provided through individual tenancies and within group residencies. The service includes befriending and provides 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. It also provides flexible childcare to support parents into training and employment.

Other Areas of Work

Quarriers continues to work in partnership with overseas non governmental organisations ('NGOs') by offering, as appropriate, advice, assistance and expertise.

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

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.

To develop Quarriers' people, financial and infrastructure capacity and capabilities.

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 for new services and is frequently asked to expand existing services.

Epilepsy

This unique assessment service admitted 100 (78 2006) patients during the year and supplied 2,558 (2,220 2006) days of inpatient care whilst seeing 231 (207 2006) 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 when a suitable site becomes available for this purpose. 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 and Physical Disabilities

The service includes care and support to adults with learning difficulties in varying aspects of their lives. This year Quarriers assisted 332 (320 2006) people in their own homes whilst also supplying 7,290 (6,999 2006) days of adult respite care and 11 (15 2006) adult fostering placements. All the people who Quarriers currently support, 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. A total of 26 (23 2006) adults were involved in Sommervilles training during the year with 14 (6 2006) successfully completing SQA qualifications.

Adults with Acquired Brain Injuries

Quarriers has worked with 124 (90 2006) people in the community and at home whilst directly supporting another 14 (14 2006) in their own homes.

QUARRIERS

DIRECTORS' REPORT (continued)

ACHIEVEMENT AND PERFORMANCE (continued)

Children with a Disability

Quarriers' children's services continue to grow. Quarriers provides full time care for 41 (43 2006) young people. Quarriers also supplied 8,600 (8,500 2006) days of respite care. One of Quarriers' respite services has recently completed an extension to the existing facilities to provide additional day space for the children while another property for children was upgraded to provide a sensory bathroom. Quarriers has increased its services in the South of England by completing the total refurbishment of a house for the support of children. Quarriers also supports children in the process of transition to adult services. All children have achievable plans in place. A further 33 (30 2006) children utilise Quarriers' family based short break services.

Education and Residential Care

Quarriers supports the education of children with social and behavioural difficulties with the aim of returning them to mainstream schooling. In 2007, 13 (10 2006) pupils transferred back to mainstream education, including 2 who transferred to college. Quarriers Seafield is an independent school and inspected by HMIE who, in the most recent report, praised Seafield school's educational attainment. Quarriers has increased the number of day pupils at Seafield to 38 (36 2006) and supplies residential places to 28 (32 2006) young people. A safe and supportive environment is provided in which they can learn to address emotional and behavioural issues. Of fifty young people who benefited from this support 76% moved on to planned and positive alternatives. Other educational support services continue to be in great demand. Quarriers has worked with a further 20 (36 2006) pupils in education support attached to other schools, who have successfully returned to mainstream education.

Carers Support

The input and support from Quarriers Carers Centres is vital to anyone looking after a relative, partner or friend who couldn't manage without their help. 959 (1,283 2006) carers have benefited directly from the information, advice and support from these services, enabling them to continue in their caring role as long as possible. It was always our intention to transfer Carers Centres to local Management over an agreed timescale. In the last year this has been successfully accomplished in relation to the West Dunbartonshire Carers Centre. Quarriers also continues to work where carers will influence the planning and delivery of services and makes representation on behalf of carers to a wider social policy audience.

Youth Homelessness

Quarriers has supplied 46,535 (41,457 2006) days and nights of care to young homeless people. The aim of these services is not only to provide a bed but to ensure young people have secured a level of stability in their lives and permanency away from homelessness, with Quarriers' support. It is Quarriers' view that this can be evidenced by at least 78% of residents leaving the service without being considered homeless. In addition Quarriers have supplied housing support to 56 (36 2006) young people of varying needs in their own tenancies, 70% of these young people are still in their tenancies six months after their move or the start of their involvement with Quarriers.

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. This year Quarriers has supported 266 (300 2006) families and young people. A further 160 (132 2006) children are supported as part of flexible childcare at home services.

QUARRIERS

DIRECTORS' REPORT (continued)

ACHIEVEMENT AND PERFORMANCE (continued)

Quarriers Policy and Influencing

Quarriers believes that everyone should have an equal chance in life, no matter what challenges confront them, so it is essential that policy makers understand the many obstacles faced by the people we support, which impact on aspiration and achievement. We have taken every opportunity to raise with our politicians, the issues that are important to us and that impact on our ability to make a positive difference in people's lives.

The Quarriers manifesto, which gives a comprehensive overview of our vision for positive care and support in Scotland, was recently launched at a briefing for MSPs in the Scottish Parliament and we plan to work with policy makers and politicians, to take forward our social policy agenda.

This year Quarriers has replied directly to over 21 (30 2006) consultations, met 10 (9 2006) MPs/MSPs, given oral evidence to 2 parliamentary committees, participated in 3 parliamentary cross party working groups and attended various government and voluntary committees with the aim of ensuring government makes a true difference.

Quarriers operates an inclusion agenda and various self advocacy groups for adults, including a group for young people which has sent two delegates to the Scottish Youth Parliament.

Effective Management

Quarriers' staff are the key to its success. Their development and training is essential both for their future and for the organisation's future. 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 6,112 (5,345 2006) staff training days and 120 (63 2006) staff have qualified with external qualifications or SVQ's. In addition to this, Quarriers is marketing a number of its training courses due to the demand from external organisations. Quarriers has again achieved the Investors in People award which covers a range of levels of achievement in learning and development and requires the organisation to meet continuing higher standards than before. The support and core services are essential. Quarriers' Quality & Policy, Fundraising, Finance, 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 Commission for Social Care Inspection in England. 55 (38 2006) inspections have been completed this year with 28 (40 2006) requirements and 113 (80 2006) recommendations, 88% of actions were completed and the remainder are being further discussed with the Care Commission. Quarriers also monitors concerns and complaints from users of our services. In 2007, 146 (148 2006) were received and 140 (148 2006) have been resolved satisfactorily, to date.

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 £39,003,000 (2006 £37,792,000). The expansion in projects has been through some successful tenders which together with generic growth in existing projects has resulted in an increase in fees receivable for the year to £31,361,000 (2006 £29,420,000). Total grant income for the year was £4,909,000 (2006 £6,151,000). The overall results for the year show a positive net movement in funds of £1,377,000 (2006 £1,247,000) across all reserve types.

The net movement in funds includes unrealised gains of £196,000 (2006 – £623,000) in investments and an FRS 17 pensions actuarial gain of £687,000 (2006 £323,000).

Net incoming resources before transfers to reserves was £385,000 (2006 £313,000).

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 considerable pressures on services to achieve the required 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 £1,866,000 (2006 £1,613,000) was received during the year, after the costs of generating funds (see note 4 to the financial statements) of £1,046,000 (2006 £1,196,000). This contribution was used by Quarriers to support a variety of charitable activities including capital projects and equipment for services.

During the year Quarriers sold Mount Zion Church in Quarriers village. Quarriers had no current or longer term use for the building. In order to safeguard the external structure in the future, a sale was completed which will develop private housing within the building. The proceeds of the sale have been allocated to the future planned upgrade of Sommerville Weir Hall.

Quarriers' services for adults with learning difficulties have been enhanced by the continued redevelopment and upgrading of existing houses. The refurbishment of Cottage 16 in Quarriers Village was completed in the year as a supported living project and further work on deregistered flats is in progress. 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 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 completed the refurbishment of a new children's home in Wiltshire during the year which offers a high quality service for children with learning difficulties and challenging behaviour. In addition, two new services for looked after children in Wiltshire will commence shortly.

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 refurbishment of three classrooms including a new science room and information technology room. This investment has enabled an increase in the number of day places and continues to emphasise the importance of the curriculum. Quarriers also commenced the building of a multi purpose recreation facility at the school. Quarriers' services for young people who are homeless, where support is provided to young people in their own tenancies, have continued to expand in Glasgow. Services for adults with disabilities continue to grow with the expansion to existing services.

Quarriers has continued to expand although at a slower rate than in the last few years – fee income has increased by 1.9% (2006 10%) this year and by over 100% 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

Total funds have increased by £1,377,000 (2006 £1,247,000) General and designated funds have increased by £1,494,000 (2006 £831,000), £687,000 of which is accounted for by the reduction in the actuarially assessed pension deficit 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

In setting a reserves policy the directors have established as designated reserves, reserves that are committed in respect of planned expenditure or liabilities that are believed likely to crystallise The directors believe that £6,430,000 (2006 £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 was paid from designated reserves this year, 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 a period of ten years, 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 £1,355,000 bank revolving credit facility 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 people supported 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

PEOPLE WITH DISABILITIES

It is the policy of Quarriers to employ people with disabilities whenever possible, and to meet the legal requirements concerning the employment of people with disabilities The average number of people with disabilities employed during the year was 16 (2006 13)

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 considered by the Executive and a written response made to each staff member.

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 11 September 2006, Mr Robert Walker, Mr William Harkness and Dr Ian Matson retired by rotation and were re-elected, Mr Kenneth Winter's appointment was confirmed on this date.

At the forthcoming Annual General Meeting of the company, Mr Leslie G Campbell, Ms Joanne H Dallachy, Ms Sheena M Duncan, Ms Keren Edwards, Mr John W Howie, Professor Raymond L Jones and Mr Roger C Mills, having been appointed as Directors since the last Annual General Meeting retire in accordance with the Articles of Association and offer themselves for re-election. Mr James Dinsmore, Professor Rona Beattie, Mr David Alexander and Professor Mike Donnelly will retire by rotation and are eligible to offer themselves for re-election. Mr James Dinsmore will not seek re-election at this time.

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

3rd September 2007



Mr William Harkness

3rd September 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 2007 which comprise the statement of financial activities (including 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 2007 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

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Glasgow

United Kingdom

30 September 2007

QUARRIERS

STATEMENT OF FINANCIAL ACTIVITIES (including income and expenditure account) Year ended 31 March 2007

		Unrestricted funds			Total	Total
	Note	General Funds £'000	Designated Funds £'000	Restricted Funds £'000	31 March 2007 £'000	31 March 2006 £'000
INCOMING RESOURCES						
Incoming resources from generated funds						
Voluntary income	2	1,733		133	1,866	1,613
Activities for generating funds	2	182		1	183	151
Investment income	2	358			358	319
Incoming resources from charitable activities	3	11,216		25,054	36,270	35,571
Other incoming resources						
Gain on sale of tangible fixed assets	9	326			326	138
Total incoming resources		<u>13,815</u>		<u>25,188</u>	<u>39,003</u>	<u>37,792</u>
RESOURCES EXPENDED						
Costs of generating funds						
Costs of generating voluntary income	4	1,046			1,046	1,196
Fundraising trading	4	110			110	146
Investment management costs	4	219			219	170
Costs of charitable activities	5	11,319		25,767	37,086	35,816
Governance costs	6	157			157	151
Total resources expended		<u>12,851</u>		<u>25,767</u>	<u>38,618</u>	<u>37,479</u>
Net incoming resources before transfers	8	964		(579)	385	313
TRANSFERS						
Transfers to restricted funds		(462)		462		
Gross transfers to designated funds		(244)	244			
Net incoming/(outgoing) resources		<u>258</u>	<u>244</u>	<u>(117)</u>	<u>385</u>	<u>313</u>
OTHER RECOGNISED GAINS AND LOSSES						
Gains and losses on investment assets						
Realised	9	109			109	(12)
Unrealised		196			196	623
		<u>305</u>			<u>305</u>	<u>611</u>
Actuarial gain on defined benefit pension scheme	25	687			687	323
Net movement in funds		<u>1,250</u>	<u>244</u>	<u>(117)</u>	<u>1,377</u>	<u>1,247</u>
RECONCILIATION OF FUNDS						
Total funds brought forward at 1 April 2006		<u>(1,538)</u>	<u>2,489</u>	<u>4,714</u>	<u>5,665</u>	<u>4,418</u>
Total funds carried forward at 31 March 2007		<u>(288)</u>	<u>2,733</u>	<u>4,597</u>	<u>7,042</u>	<u>5,665</u>

A reconciliation of the net income for the year for the purposes of the Companies Act 1985 is provided on page 15

QUARRIERS

RECONCILIATION OF NET INCOME FOR THE YEAR FOR THE PURPOSES OF THE COMPANIES ACT 1985

Year ended 31 March 2007

	2007 £'000	2006 £'000
Net incoming resources per the Statement of Financial Activities (page 14)	385	313
Realised gains and losses on investment assets per the Statement of Financial Activities (page 14)	109	(12)
Net income for the year for the purposes of the Companies Act 1985	494	301

All of the above reported net income arises from continuing activities

COMBINED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES AND RECONCILIATION OF MOVEMENTS IN CAPITAL AND RESERVES

	Unrestricted Funds £'000	Designated Funds £'000	Restricted Funds £'000	Total 2007 £'000	Total 2006 £'000
Net income/(expenditure) for the year for the purposes of the Companies Act 1985	367	244	(117)	494	301
Actuarial gain in respect of pension scheme under FRS 17 (note 25)	687			687	323
Unrealised gains on investments	196			196	623
Total recognised gains and losses relating to the year and net addition to capital and reserves	1,250	244	(117)	1,377	1,247
Opening capital and reserves	(1,538)	2,489	4,714	5,665	4,418
Closing capital and reserves	(288)	2,733	4,597	7,042	5,665

QUARRIERS

BALANCE SHEET 31 March 2007

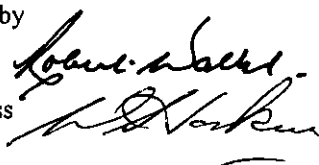
	Note	2007 £'000	2006 £'000
FIXED ASSETS			
Tangible assets	15	7,441	6,596
Investments	16	3,515	3,187
		<u>10,956</u>	<u>9,783</u>
CURRENT ASSETS			
Stocks	17	3	3
Debtors	18	4,349	4,489
Cash at bank and in hand		2,078	1,827
		<u>6,430</u>	<u>6,319</u>
CREDITORS: amounts falling due within one year	19	<u>(4,663)</u>	<u>(3,822)</u>
NET CURRENT ASSETS		<u>1,767</u>	<u>2,497</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		12,723	12,280
CREDITORS: amounts falling due after more than one year	21	<u>(37)</u>	<u>(37)</u>
NET ASSETS EXCLUDING PENSION DEFICIT		12,686	12,243
PENSION DEFICIT	25	<u>(5,644)</u>	<u>(6,578)</u>
NET ASSETS		<u>7,042</u>	<u>5,665</u>
CAPITAL AND RESERVES	22		
General reserves			
Income and expenditure account	23	(1,416)	(2,470)
Revaluation reserve	23	1,128	932
Designated reserves	23	2,733	2,489
		<u>2,445</u>	<u>951</u>
Restricted funds	23	4,597	4,714
TOTAL CAPITAL AND RESERVES		<u>7,042</u>	<u>5,665</u>

These financial statements were approved by the Board of Directors on 3rd September 2007

Signed on behalf of the Council of Management by

Mr Robert Walker

Mr William Harkness



QUARRIERS

CASH FLOW STATEMENT

Year ended 31 March 2007

	Notes to the cash flow statement	2007 £'000	2006 £'000
Net cash inflow from operating activities	(i)	929	538
Returns on investments and servicing of finance	(ii)	108	95
Capital expenditure and financial investment	(ii)	(1,458)	(411)
Net cash outflow before financing		(421)	222
Financing	(ii)	672	(77)
Increase in cash	(iii)	251	145

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

Year ended 31 March 2007

	2007 £'000	2006 £'000
Increase in cash in the year	251	145
Cash outflow from decrease in debt and lease financing	(672)	77
Change in net funds resulting from cash flows	(421)	222
Movement in net funds in the year	(421)	222
Net funds at 1 April 2006	1,144	922
Net funds at 31 March 2007	723	1,144

The notes to the cash flow statement are included on pages 18 and 19

QUARRIERS

NOTES TO THE CASH FLOW STATEMENT

Year ended 31 March 2007

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

	2007 £'000	2006 £'000
Net incoming resources per Statement of Financial Activities	385	313
Gain on sale of tangible fixed assets	(326)	(138)
Interest receivable and investment income (note 12)	(212)	(133)
Interest payable and similar charges (note 13)	71	186
Depreciation	916	801
Decrease in stock		5
Decrease/(increase) in debtors	140	(334)
Increase in creditors	169	19
Difference between FRS 17 service cost and contributions	(214)	(181)
Net cash inflow from operating activities	<u>929</u>	<u>538</u>

(ii) GROSS CASH FLOWS

	2007 £'000	2006 £'000
Returns on investment and servicing of finance		
Interest received	85	64
Interest paid	(70)	(38)
Interest element of finance lease rental payments	(1)	(1)
Investment income	94	70
	<u>108</u>	<u>95</u>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(1,768)	(623)
Receipts from sales of tangible fixed assets	333	140
Payments to acquire investments	(592)	(562)
Receipts from sales of investments	569	634
	<u>(1,458)</u>	<u>(411)</u>
Financing		
Loan advance	675	
Repayment of term loans		(69)
Repayment of capital element of finance lease rentals	(3)	(8)
	<u>672</u>	<u>(77)</u>

NOTES TO THE CASH FLOW STATEMENT (continued)
Year ended 31 March 2007

(iii) ANALYSIS OF CHANGES IN NET FUNDS

	2006	Cash	2007
	£'000	flows	£'000
		£'000	
Cash at bank and in hand	1,827	251	2,078
Debt due within one year	(680)	(675)	(1,355)
Finance leases	(3)	3	
Net funds	<u>1,144</u>	<u>(421)</u>	<u>723</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

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

Accounting policies have remained unchanged on the prior year. 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 2007 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 and other similar income are recognised in the period in which they are received.

Legacies are only recognised as income when there is legal entitlement, certainty of receipt and the amount can be quantified with reasonable accuracy, therefore legacies are also generally recognised in the period in which they are received.

Grants

Grants of both a revenue and capital nature, including government grants, are credited to the statement of financial activities in the period to which they relate. Grants are deferred and recorded within deferred grant income where the grant conditions state that the funding relates to a future period. Such grants will be repayable if the restrictions on the income's use are not met. These preconditions should be met in future accounting periods.

Investments

Investments are recorded at market valuation. Realised gains and losses are included in determining net income for the purposes of the Companies Act 1985. 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 statement of financial activities.

Stocks

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

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 statement of financial activities 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 statement of financial activities in equal annual amounts over the lease term.

Pensions

Amounts charged to the income and expenditure account 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 treated as finance costs. 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 our scheme actuary 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 by the insurance company under the stakeholder contract. Contributions payable for the period are charged to the statement of financial activities in that period.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2007

2. INCOMING RESOURCES FROM GENERATED FUNDS

	2007	2006
	£'000	£'000
VOLUNTARY INCOME		
Individual giving	765	646
Community fundraising	60	93
Corporate donations	26	35
Legacies	668	486
Training grants	129	293
Trusts and grant making bodies	193	60
Appeal planning	25	
	<u>1,866</u>	<u>1,613</u>

Grants awarded to restricted projects of £426,000 (2006 £240,000) were applied for by the fundraising department and are shown under incoming resources for charitable activities

At 31 March 2007, Quarriers had been notified of potential legacies receivable totalling £240,000 (2006 £363,000) but the funds had not yet been received, so had not been recognised as income in line with the related accounting policy

ACTIVITIES FOR GENERATING FUNDS

Major fundraising events	166	139
Conferences and courses	16	12
Quarriers book	1	
	<u>183</u>	<u>151</u>

INVESTMENT INCOME

Dividends	94	71
Bank interest	85	63
Property rental income	179	185
	<u>358</u>	<u>319</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2007

3. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	Local authority fees £'000	Grants £'000	Other funding £'000	Total 2007 £'000	Total 2006 £'000
Adults with learning disabilities	14,402	1,162	94	15,658	15,666
Acquired brain injury	1,920	91	1	2,012	1,518
Epilepsy	3,923	149	30	4,102	3,934
Carers	391	548	16	955	1,008
Youth homelessness	4,412	443	43	4,898	4,955
Children with a disability	1,389	994	9	2,392	2,350
Family support and learning	184	831	26	1,041	1,573
Education and residential care	4,513	691	8	5,212	4,567
	<u>31,134</u>	<u>4,909</u>	<u>227</u>	<u>36,270</u>	<u>35,571</u>

Grants of £292,000 (2006 £354,000) were received from Glasgow Social Inclusion Partnership during the year. Grants of £9,000 (2006 £17,000) were received from the Big Lottery Fund during the year and these grants are treated as restricted funds.

4. COSTS OF GENERATING FUNDS

	2007 £'000	2006 £'000
COSTS OF GENERATING VOLUNTARY INCOME		
Individual giving	660	735
Community fundraising	49	74
Corporate donations	42	59
Legacies	42	53
Appeal planning	50	116
Trusts and grant making bodies	34	30
Awareness raising	169	129
	<u>1,046</u>	<u>1,196</u>

£365,000 (2006 £514,000) 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	92	134
Conferences and courses	10	12
Quarriers book	8	
	<u>110</u>	<u>146</u>

INVESTMENT MANAGEMENT COSTS

Investment manager's costs	22	20
Bank charges and interest payable	71	39
Property rental costs	126	111
	<u>219</u>	<u>170</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2007

5. COSTS OF CHARITABLE ACTIVITIES

	2007 Direct costs £'000	2007 Support costs £'000	2007 Total £'000	2006 Direct costs £'000	2006 Support costs £'000	2006 Total £'000
Adults with learning disabilities	15,667	758	16,425	15,599	829	16,428
Acquired brain injury	1,938	101	2,039	1,437	82	1,519
Epilepsy	3,881	165	4,046	3,569	172	3,741
Carers	977	26	1,003	1,127	33	1,160
Youth homelessness	4,793	195	4,988	4,663	217	4,880
Children with a disability	2,294	106	2,400	2,207	107	2,314
Family support and learning	1,525	62	1,587	1,170	55	1,225
Education and residential care	4,399	199	4,598	4,330	219	4,549
	<u>35,474</u>	<u>1,612</u>	<u>37,086</u>	<u>34,102</u>	<u>1,714</u>	<u>35,816</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

SUPPORT COSTS

2007	2007 Allocated to the cost of charitable activities £'000	2007 Allocated to costs of generating voluntary income £'000	2007 Allocated to governance costs £'000	2007 Total £'000
Finance	450		76	526
Human resources	493		6	499
Information technology	57			57
Management and administration	357			357
Communications	64	64		128
Grant applications	68	34		102
Property	156	10		166
FRS 17 net pension finance income	(33)			(33)
	<u>1,612</u>	<u>108</u>	<u>82</u>	<u>1,802</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2007

5. COSTS OF CHARITABLE ACTIVITIES (continued)

SUPPORT COSTS	2006	2006	2006	2006
	Allocated to the cost of charitable activities	Allocated to costs of generating voluntary income	Allocated to governance costs	Total
2006	£'000	£'000	£'000	£'000
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>

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 income or cost has been allocated across charitable activities on the basis of salary costs in relation to each category

6. GOVERNANCE COSTS

	2007	2006
	£'000	£'000
Internal audit	30	30
External audit	27	26
Apportionment of Executives' costs (based on time spent)	48	44
Company secretariat	16	16
Annual accounts and committee papers	36	35
	<u>157</u>	<u>151</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. INCOMING RESOURCES

Incoming resources include funding received and amounts derived from the provision of services which fall within the company's ordinary activities, and are stated net of VAT

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

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2007

8. NET INCOMING RESOURCES

	2007 £'000	2006 £'000
'Net incoming resources' is stated after charging the following items:		
Auditors' remuneration audit services	27	26
Auditors' remuneration tax advisory services	9	
Auditors' remuneration audit of Quarriers pension scheme	6	6
Depreciation of owned assets	912	797
Depreciation of assets held under finance leases and hire purchase contracts	4	4
Operating lease rentals plant and machinery	408	361
land and buildings	840	735
Directors' and officers' indemnity insurance	6	6
	<u> </u>	<u> </u>

9. GAIN ON SALE OF FIXED ASSETS

	2007 £'000	2006 £'000
Gain on disposal of heritable properties	323	137
Gain on disposal of other tangible fixed assets	3	1
Gain/(loss) on disposal of investments	109	(12)
	<u> </u>	<u> </u>
	<u>435</u>	<u>126</u>

10 DIRECTORS' EMOLUMENTS

None of the statutory 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 (2006 £1,000) were paid to one director during the year.

Indemnity insurance has continued to be 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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2007

11. STAFF COSTS

	2007 £'000	2006 £'000
Wages and salaries	25,644	24,416
Social security costs	2,112	1,985
Pension costs	1,512	1,473
	<u>29,268</u>	<u>27,874</u>

Pension costs can be analysed as follows

FRS 17 current service cost (see note 25)	1,444	1,240
Defined contribution pension costs (see note 25)	101	86
	<u>1,545</u>	<u>1,326</u>

In addition to the above pension costs, an actuarial gain of £687,000 (2006 £323,000) has been credited to the statement of total recognised gains and losses and FRS 17 net finance income of £33,000 (2006 – net finance cost of £147,000) has been included within the statement of financial activities.

	No	No
The average weekly number of employees during the year was as follows		
Administration	152	140
Social care, domestic and other	1,614	1,577
	<u>1,766</u>	<u>1,717</u>

During the year, one employee had emoluments (excluding pension contributions) within the band £80,000 to £84,999 (2006 one). This employee has a defined benefit pension accruing. Two employees had emoluments (excluding pension contributions) within the band £60,000 to £64,999 (2006 – no others exceeding £60,000).

12. INTEREST RECEIVABLE AND INVESTMENT INCOME

	2007 £'000	2006 £'000
FRS 17 net pension finance income (see note 25)	33	
Income from listed investments	94	70
Bank interest receivable	85	63
	<u>212</u>	<u>133</u>

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2007

13. INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £'000	2006 £'000
FRS 17 net pension finance cost (see note 25)		147
Bank loans and overdrafts	70	38
Finance leases and hire purchase interest	1	1
	<u>71</u>	<u>186</u>

14. TAXATION

Quarriers has been granted charitable status by the Inland Revenue and as a result no liability to corporation tax arises on its charitable activities

15. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Motor vehicles £'000	Plant & equipment £'000	Fixtures & fittings £'000	Total £'000
Cost					
At 1 April 2006	8,531	264	1,227	626	10,648
Additions	1,371	33	204	160	1,768
Disposals	(9)	(56)			(65)
At 31 March 2007	<u>9,893</u>	<u>241</u>	<u>1,431</u>	<u>786</u>	<u>12,351</u>
Accumulated depreciation					
At 1 April 2006	2,324	200	1,006	522	4,052
Charge for the year	673	27	134	82	916
Disposals	(2)	(56)			(58)
At 31 March 2007	<u>2,995</u>	<u>171</u>	<u>1,140</u>	<u>604</u>	<u>4,910</u>
Net book value					
At 31 March 2007	<u>6,898</u>	<u>70</u>	<u>291</u>	<u>182</u>	<u>7,441</u>
At 31 March 2006	<u>6,207</u>	<u>64</u>	<u>221</u>	<u>104</u>	<u>6,596</u>
Net book value of assets used directly for charitable purposes					
At 31 March 2007	<u>6,494</u>	<u>70</u>	<u>155</u>	<u>180</u>	<u>6,899</u>
At 31 March 2006	<u>5,684</u>	<u>64</u>	<u>149</u>	<u>102</u>	<u>5,999</u>

The net book value of assets includes £2,000 (2006 £7,000) 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 2007

16. INVESTMENTS

	2007 £'000	2006 £'000
Cost		
As at 1 April 2006	2,255	2,339
Additions	592	562
Disposals	(460)	(646)
	<u>2,387</u>	<u>2,255</u>
As at 31 March 2007		
Composed of		
Listed investments		
Listed on London Stock exchange	2,006	1,775
Overseas investments	379	478
Unlisted investments	2	2
	<u>2,387</u>	<u>2,255</u>
As at 31 March 2007		
Market Value		
As at 1 April 2006	3,187	2,648
Additions	592	562
Disposals at 1 April 2006 market value	(606)	(583)
	<u>3,173</u>	<u>2,627</u>
Gains in year	342	560
	<u>3,515</u>	<u>3,187</u>
As at 31 March 2007		

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 2006 £Nil (2005 £Nil) Result before tax for the year to 31 December 2006 £Nil (2005 – £Nil)	Scotland
Gottar Limited	Design and build company Net Liabilities at 28 February 2007 £9,000 (2006 – Net Liabilities £8,000) Loss before tax for the year to 28 February 2007 £1,000 (2006 loss £1,000)	Scotland
Strathgryffe Limited	Property management company Net Assets at 31 March 2007 £2,000 (2006 – £1,000) Profit before tax for the year to 31 March 2007 £1,000 (2006 £1,000)	Scotland

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2007

17 STOCKS

	2007 £'000	2006 £'000
General stocks	3	3

18. DEBTORS

	2007 £'000	2006 £'000
Trade debtors	3,962	4,092
Other debtors	16	9
Amounts owed by subsidiary undertakings	1	2
Prepayments and accrued income	370	386
	<u>4,349</u>	<u>4,489</u>

No debtors are due after more than one year.

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £'000	2006 £'000
Bank revolving credit facility	1,355	680
Obligations under finance leases and hire purchase contracts		3
Trade creditors	618	377
Other taxes and social security costs	791	803
Other creditors	565	814
Deferred grant income (see note 20)	232	116
Accruals and other deferred income	1,101	1,029
Amounts owed to subsidiary undertakings	1	
	<u>4,663</u>	<u>3,822</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).

Amounts payable under finance leases and hire purchase contracts were secured over the specific fixed assets to which they related.

20 DEFERRED GRANT INCOME

	£'000
As at 1 April 2006	116
Received during the year	5,291
Released during the year	<u>(5,175)</u>
As at 31 March 2007	<u>232</u>

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2007

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

	2007 £'000	2006 £'000
Other creditors	37	37

22. SHARE CAPITAL

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

23. RESERVES

	As at 1 April 2006 £'000	Income £'000	Expenditure £'000	Investment gains/ (losses) £'000	Actuarial gain in respect of pension scheme £'000	Transfers £'000	As at 31 March 2007 £'000
General reserve	(2,470)	13,815	(12,851)	109	687	(706)	(1,416)
Revaluation reserve	932			196			1,128
Designated funds							
Fixed assets fund	1,870					160	2,030
Pension scheme fund	250					(250)	
Revolving credit facility fund	219					79	298
Other funds	150					255	405
Total designated funds	2,489					244	2,733
Total unrestricted funds	951	13,815	(12,851)	305	687	(462)	2,445
Restricted funds	4,714	25,188	(25,767)			462	4,597
Total funds	5,665	39,003	(38,618)	305	687		7,042

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. Balances in restricted funds are held as tangible fixed assets and cash

24. CAPITAL COMMITMENTS

	2007 £'000	2006 £'000
Contracted for, but not provided		662

The prior year commitment represented the purchase price for a Wiltshire property that Quarriers purchased in June 2006

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

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. Regular company contributions paid in the year were £1,421,000 (2006 £1,440,000). An additional contribution of £250,000 was paid into the pension scheme in August 2006 as a contribution towards the scheme deficit. Contributions amounting to £135,000 (2006 £119,000) were payable to the fund at 31 March 2007.

The company's contribution continues in line with actuarial valuation recommendations at the increased rate of 18.4%. No additional contributions were paid in respect of ill health retirement.

Contributions of £30,000 have also been made in the year to a defined contribution stakeholder scheme (2006 £25,000) and £71,000 to a scheme for teachers (2006 £61,000). 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 £115,000 (2006 £117,000) to a life assurance company, for life cover, for staff during the year.

Actuarial valuation

The contributions to the defined benefit 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

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2007

25. PENSION COSTS (continued)

FRS 17 (continued)

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

	2007 %	2006 %	2005 %
Rate of inflation	3.2	3.0	2.9
Salary increase rate	4.0	4.0	4.0
LPI increases for post April 1997 pensions in payment	3.0	2.8	2.7
Revaluation of deferred pensions	3.2	3.0	2.9
Liability discount rate	5.5	5.0	5.5
Mortality assumptions	Years	Years	Years
Life expectancy on retirement			
Non pensioners	19.5	18.6	14.6
Pensioners	18.6	17.8	14.6

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

	2007 £'000	2007 Rate of return	2006 £'000	2006 Rate of return	2005 £'000	2005 Rate of return
Equities	14,381	7.5%	13,924	7.5%	12,238	7.5%
Bonds	9,530	5.0%	7,764	5.0%	3,886	5.0%
Cash	56	5.25%	50	5.0%	380	5.0%
Total fair value of assets	23,967		21,738		16,504	
Present value of scheme liabilities	(29,611)		(28,316)		(23,439)	
Deficit in the scheme	(5,644)		(6,578)		(6,935)	

Analysis of the amount charged to operating costs under FRS 17

	2007 £'000	2006 £'000
Current service cost	1,444	1,240

Analysis of the amount credited/(charged) to net finance income/(cost) under FRS 17

	2007 £'000	2006 £'000
Expected return on pension scheme assets	1,473	1,163
Interest on pension scheme liabilities	(1,440)	(1,310)
Net finance income/(cost)	33	(147)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2007

25. PENSION COSTS (continued)

FRS 17 (continued)

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

	2007	2006
	£'000	£'000
Actual return less expected return on pension scheme assets	(410)	3,128
Experience gains and losses arising on the scheme liabilities	44	
Changes in assumptions underlying the present value of the scheme liabilities	1,053	(2,805)
	<u>687</u>	<u>323</u>
Actuarial gain recognised in STRGL	<u>687</u>	<u>323</u>

History of experience gains and losses

	2007	2006	2005	2004	2003
Difference between the expected and actual return on scheme assets:					
Amount (£'000)	(410)	3,128	921	1,073	(3,900)
Percentage of scheme assets	(2%)	14%	6%	8%	(36%)
Experience gains and losses on scheme liabilities:					
Amount (£'000)	44		(738)		
Percentage of the present value of scheme liabilities	0%	0%	(3%)	0%	0%
Total actuarial gain/(loss) recognised in the statement of total recognised gains and losses:					
Amount (£'000)	687	323	36	(76)	(4,396)
Percentage of the present value of scheme liabilities	2%	1%	0%	(0%)	(25%)

Analysis of the movement in the scheme deficit during the year

	2007	2006
	£'000	£'000
Opening deficit in the scheme	(6,578)	(6,935)
Current service cost	(1,444)	(1,240)
Contributions	1,658	1,421
Net finance income/(cost)	33	(147)
Actuarial gain	687	323
	<u>(5,644)</u>	<u>(6,578)</u>
Closing deficit in the scheme	<u>(5,644)</u>	<u>(6,578)</u>

The impact of the FRS 17 pension deficit on general reserves at 31 March 2007 is as follows

	2007	2006
	£'000	£'000
General reserves excluding pension deficit	8,089	7,529
FRS 17 pension deficit	(5,644)	(6,578)
	<u>2,445</u>	<u>951</u>
General reserves including pension deficit	<u>2,445</u>	<u>951</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2007

26 FINANCIAL COMMITMENTS

Operating leases

Annual obligations under operating leases which expire

	2007	2007	2006	2006
	Land &	Other	Land &	Other
	buildings	£'000	buildings	£'000
	£'000		£'000	
Within one year	302	88	241	48
Between two and five years	181	210	92	349
In more than five years	296		301	
	<u>779</u>	<u>298</u>	<u>634</u>	<u>397</u>

27. SUBSIDIARY COMPANY TRANSACTIONS

During the year the company made purchases of a total value of £5,000 (2006 £5,000) from Gottar Limited, a subsidiary company, and made sales to Gottar Limited of a total value of £5,000 (2006 £5,000)

At 31 March 2007, the company was owed £8,000 by Gottar Limited (2006 £8,000), stated net of provisions for doubtful debts of £8,000 (2006 £8,000)

During the year the company made purchases of a total value of £19,000 (2006 £19,000) from Strathgryffe Limited, a subsidiary company, and made sales to Strathgryffe Limited of a total value of £18,000 (2006 £18,000)

At 31 March 2007, the company owed £1,000 (2006 £1,000) to Strathgryffe Limited

At 31 March 2007, the balance owed to the company by Quarrier's Activities Limited, a subsidiary company, was £1,000 (2006 £1,000)