

QUARRIERS

Report and Financial Statements

31 March 2003

**Deloitte & Touche
Glasgow**



REPORT AND FINANCIAL STATEMENTS 2003**CONTENTS****Page**

Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	5
Independent auditors' report	6
Statement of financial activities	7
Income and expenditure account	8
Combined statement of total recognised gains and losses and reconciliation of movements in capital and reserves	9
Balance sheet	10
Cash flow statement	11
Notes to the cash flow statement	12
Notes to the accounts	14

REPORT AND FINANCIAL STATEMENTS 2003**OFFICERS AND PROFESSIONAL ADVISERS****DIRECTORS**

Mr Robin W Wilson	(Chairman)
Mr Michael K Abram	
Mr David S Alexander	
Dr Rona S Beattie	
Mrs Murielle K Boyd	
Mr Douglas R Corner	(resigned 9 September 2002)
Ms Susan Bird	(appointed 9 September 2002)
Mr Graeme M Davidson	
Mr James W Dinsmore	
Mr William Harkness	
Mr Bernard Lodge	
Mr David J C MacRobert	
Dr Ian C Matson	
Mr Donald McQuade	
Mrs Christine Thom	
Mr Robert Walker	
Mr Frederick D Wardle	

SENIOR MANAGERS

Mr Philip Robinson	Chief Executive
Mrs Jane McCartney	Director of Human Resources
Mr Laurie Gardner	Director of Fundraising
Mr Martin Cawley	Service Director
Mr Kevin Scullion	Service Director
Mr Hugh Walker	Director of Finance and Corporate Services

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

AUDITORS

Deloitte & Touche
Chartered Accountants
Glasgow

SOLICITORS

Brechin Tindal Oatts
48 St Vincent Street
Glasgow G2 5HS

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

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of Quarriers for the year ended 31 March 2003.

The company is a charity (Scottish Charities Registration number SC001960) constituted as a company limited by guarantee, with memorandum and articles of association as its governing document.

SHARE CAPITAL

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

PRINCIPAL ACTIVITY

The principal activity of Quarriers during the year continued to be to care for children, young people, families and those with a disability.

This involved services for children and their families, providing accommodation and support for the young homeless, services for persons with epilepsy and those with learning difficulties, and providing respite care for people with a disability.

REVIEW OF BUSINESS AND FUTURE PROSPECTS

The organisation has had an active year and continues to grow with increased incoming resources of £25,581,109 (2002 - £20,552,492). The expansion in projects funded by supporting people monies together with generic growth in projects has resulted in an increase in fees receivable for the year of £18,381,450 (2002 - £14,907,754). Grant income has also increased to £5,513,813 (2002 - £4,401,484) mostly due to new projects and start up grants. The surplus for the year and movement of funds to specific reserves largely accounts for the net movement in funds of £878,337 (2002 - £1,323,327) and the increase in reserves. We have also transferred a number of specific provisions amounting to £507,185 relating to prior years from current liabilities to specific reserves in line with a change in accounting policy which complies with the statement of recommended practice for charities.

The net movement in funds would have been greater but for the unrealised loss of £782,663 on investments caused by the general downturn in the world's stock markets.

Net operating income before transfers to reserves was £1,720,600 (2002 - £1,387,640). This is partly attributable to the increasing number of services and maintaining a lower level of vacancies throughout our existing services.

Negotiations are ongoing to establish sustainable fee rates for all our services. Overall costs are tightly controlled. This year a significant investment has been made in our fundraising department and activities in order to sustain our voluntary income in the future

Voluntary income (donations, gifts and legacies) of £1,398,583 this year (2002 - £1,032,548) ensured costs associated with operations were fully met and sufficient funds were available for the transfer of £200,000 (2002 - £303,000) to designated reserves. Voluntary income fluctuates significantly between years; a large bequest this year has helped us meet our targeted income.

During the year Quarriers grew from new services across all operations.

Our services for young adults who are homeless have developed and substantially grown during the year. New services have been developed in, South and North Ayrshire, Glasgow, East Renfrewshire and Oban. In addition our existing Glasgow young people projects have expanded and further outreach services have been expanded.

We have also taken the lead role within the development of new carer centres in Dumbarton, Clydebank, Glasgow and Inverclyde.

New services for adults with disability were opened in Glasgow, Renfrew, North and South Lanarkshire and West Dumbartonshire. These services support individuals in group living environments and in individual tenancies.

DIRECTORS' REPORT (continued)**REVIEW OF BUSINESS AND FUTURE PROSPECTS (continued)**

A new adult respite service was completed in Govan and is now fully operational offering support to individuals who had previously attended Council led services in Glasgow.

During the year The Fred Martin central office was moved to a new purpose built facility in Anniesland.

The final phase of re-housing individuals in upgraded properties in Quarriers Village and in individual tenancies in Paisley was completed by the end of the year. We are continuing to work in partnership with local authorities to ensure that the individuals we continue to support within Quarriers village are offered the highest quality of housing and support.

Quarriers continues to work in partnership with a charity in Taganka, Moscow, providing support to children and families. Quarriers has also set up links and partnership with a charity SASTHI in Nepal working with single parents and young people providing shelters and intervention support.

Quarriers has also been working in partnership with a variety of organisations throughout Europe on a research project concerning adult literacy.

Quarriers continues to expand very rapidly in both children and adult sectors - income has increased by 22% this year and by 60% over 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.

RESULTS AND TRANSFERS TO RESERVES

The surplus after transfers to reserves for the year amounted to £339,144 (2002 - £201,970 surplus). The directors recommend that this surplus be transferred to general reserves.

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 then transferred to reserves in order to provide future funds for the charity.

FIXED ASSETS

Movements in tangible fixed assets are as set out in note 11 to the accounts.

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 purpose are leased with a view to maximising rental income.

MARKET VALUE OF LAND AND BUILDINGS

The market value of the land and buildings is significantly higher than the book value in these financial statements. If the land and buildings were sold at the sums indicated in the valuation, 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 12.

The investments are held in accordance with the powers of the directors as laid out in the memorandum and articles of association.

DIRECTORS AND THEIR INTERESTS

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

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

DIRECTORS' REPORT (continued)**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:

Children, Families & Young People Subcommittee – Mr David Alexander (Convenor), Ms Susan Bird, Mr Graeme Davidson and Mr Bernard Lodge.

Finance & General Purposes Subcommittee – Mr James Dinsmore (Convenor), Mr William Harkness, Mr Robert Walker and Mr Robin Wilson.

Fundraising Subcommittee – Mr Michael Abram (Convenor), Mr David MacRobert, Mrs Christine Thom and Mr Fred Wardle.

Services for People with a Disability Subcommittee – Mr Robert Walker (Convenor), Mrs Kay Boyd, Mr Donald McQuade, Dr Ian Matson and Mrs Christine Thom.

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

Audit Subcommittee – Mr William Harkness (Convenor), Ms Susan Bird and Mr Robin Wilson.

Human Resources Subcommittee – Dr Rona Beattie (Convenor), Mr Graeme Davidson and Mr Robert Walker.

RISK MANAGEMENT

The Council of Management is in the process of reviewing the major risks to which the charity is exposed and the systems that have been established to mitigate risks. External risks have been addressed in the strategic plan which allows for the diversification and development of activities to mitigate risks. 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.

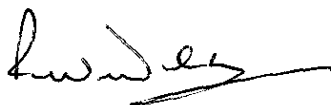
DISABLED EMPLOYEES

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 11 (2002 - 19).

EMPLOYEE INVOLVEMENT

Facilities for the provision of information to employees and for consultation on matters of concern are available through the Human Resources Department. Copies of the Annual Report are made available from the Registered Office.

Approved by the Board of Directors
and signed by order of the Board



Director

16TH JUNE 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. 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 the system of internal control, 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 2003 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 notes thereto and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the 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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the 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 transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

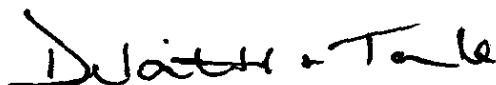
Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 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 of the state of the company's affairs as at 31 March 2003 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants and Registered Auditors
Glasgow

27th June 2003

STATEMENT OF FINANCIAL ACTIVITIES

Year ended 31 March 2003

	Note	Unrestricted Funds £	Designated Funds £	Restricted Funds £	Endowment Funds £	Total 2003 £	Restated Total 2002 £
Incoming Resources							
Donations and gifts		328,741	-	133,297	-	462,038	322,541
Legacies receivable		936,545	-	-	-	936,545	710,007
Grants receivable		104,459	-	4,646,009	-	4,750,468	4,092,076
National Lottery grants receivable		-	-	300,944	-	300,944	309,408
SIP grants receivable		-	-	462,401	-	462,401	-
Fees receivable		5,116,331	-	13,265,119	-	18,381,450	14,907,754
Investment income	8	94,287	-	230	1,130	95,647	89,067
Rents receivable		136,067	-	9,649	-	145,716	128,628
Net gain on disposal of tangible fixed assets	5	45,900	-	-	-	45,900	(6,989)
Total incoming resources		6,762,330	-	18,817,649	1,130	25,581,109	20,552,492
Resources Expended							
<i>Direct charitable expenditure</i>							
Children, young people and family services		3,540,554	-	3,412,380	-	6,952,934	5,583,378
Disability services		777,473	-	12,194,606	-	12,972,079	11,174,506
Support costs		-	-	1,417,358	-	1,417,358	888,310
SIP projects		-	-	462,401	-	462,401	-
		4,318,027	-	17,486,745	-	21,804,772	17,646,194
<i>Other Expenditure</i>							
Costs of generating funds		747,016	-	-	-	747,016	348,848
Administration		660,310	-	-	-	660,310	737,767
Property		648,411	-	-	-	648,411	432,043
		2,055,737	-	-	-	2,055,737	1,518,658
Total resources expended		6,373,764	-	17,486,745	-	23,860,509	19,164,852
Net incoming resources before transfers		388,566	-	1,330,904	1,130	1,720,600	1,387,640
Transfers from unrestricted funds		(1,930,572)	200,000	1,730,572	-	-	-
Transfers from restricted funds		1,940,750	-	(1,940,750)	-	-	-
Net incoming resources		398,744	200,000	1,120,726	1,130	1,720,600	1,387,640
<i>Gains and losses on investment assets</i>							
Realised	5	(59,600)	-	-	-	(59,600)	(14,645)
Unrealised	20	(765,051)	-	-	(17,612)	(782,663)	(49,668)
		(824,651)	-	-	(17,612)	(842,263)	(64,313)
Net movements in funds		(425,907)	200,000	1,120,726	(16,482)	878,337	1,323,327
Fund balances brought forward as at 1 April 2002 (as restated)		2,991,619	303,000	2,100,298	118,407	5,513,324	4,189,997
Fund balances carried forward as at 31 March 2003		2,565,712	503,000	3,221,024	101,925	6,391,661	5,513,324

INCOME AND EXPENDITURE ACCOUNT
Year ended 31 March 2003

		2003 £	2002 £
Income from recurring activities		24,144,917	18,535,545
Other income		-	902,321
INCOME - continuing operations	2	24,144,917	19,437,866
Cost of services		(22,964,498)	(18,570,532)
GROSS SURPLUS		1,180,419	867,334
Administrative expenses		(870,316)	(576,295)
OPERATING SURPLUS - continuing operations	3	310,103	291,039
Net loss on sale of fixed assets in continuing operations	5	(13,700)	(21,635)
		296,403	269,404
Income from donations, legacies and bequests		1,340,545	1,032,548
Interest receivable and investment income	8	95,647	89,067
Interest payable	9	(11,995)	(18,024)
		1,720,600	1,372,995
Relating to designated funds, restricted funds and funds for special purposes		(1,381,456)	(1,171,025)
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		339,144	201,970
Tax on surplus on ordinary activities	10	-	-
RETAINED SURPLUS FOR THE YEAR		339,144	201,970

**COMBINED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES AND
RECONCILIATION OF MOVEMENTS IN CAPITAL AND RESERVES**
Year ended 31 March 2003

	Unrestricted Funds £	Designated Funds £	Restricted Funds £	Total Endowment Funds £	Totals 2003 £	Restated Totals 2002 £
Surplus of income over expenditure	339,144	200,000	1,120,726	1,130	2,168,185	1,372,995
Unrealised losses on investments	(765,051)	-	-	(17,612)	(782,663)	(49,668)
Total recognised gains and losses relating to the year and net addition to/(reduction in) capital and reserves	(425,907)	200,000	1,120,726	(16,482)	878,337	1,323,327
Opening capital and reserves (as restated)	2,991,619	303,000	2,100,298	118,407	5,513,324	4,189,997
Closing capital and reserves	2,565,712	503,000	3,221,024	101,925	6,391,661	5,513,324

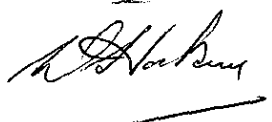
BALANCE SHEET
31 March 2003

	Note	2003 £	Restated 2002 £
FIXED ASSETS			
Tangible assets	11	4,821,537	3,900,253
Investments	12	1,696,226	2,139,421
		<u>6,517,763</u>	<u>6,039,674</u>
CURRENT ASSETS			
Stocks	13	20,092	19,803
Debtors	14	3,154,592	2,114,738
Cash at bank and in hand		701,317	952,027
		<u>3,876,001</u>	<u>3,086,568</u>
CREDITORS: amounts falling due within one year	15	(2,257,597)	(1,793,422)
NET CURRENT ASSETS		<u>1,618,404</u>	<u>1,293,146</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		8,136,167	7,332,820
CREDITORS: amounts falling due after more than one year	17	(121,421)	(159,034)
PROVISIONS FOR LIABILITIES AND CHARGES	18	(1,623,085)	(1,660,462)
		<u>6,391,661</u>	<u>5,513,324</u>
CAPITAL AND RESERVES	19		
General reserves			
- Income and expenditure account	20	3,231,712	3,017,907
- Revaluation reserve	20	(666,000)	(26,288)
- Designated reserves	20	503,000	303,000
		<u>3,068,712</u>	<u>3,294,619</u>
Funds for special purposes	20	101,925	118,407
Restricted funds	20	3,221,024	2,100,298
		<u>6,391,661</u>	<u>5,513,324</u>

These financial statements were approved by the Board of Directors on 16TH JUNE 2003.

Signed on behalf of the Council of Management by

 Director

 Director

CASH FLOW STATEMENT
Year ended 31 March 2003

	Notes to the cash flow statement	2003 £	2002 £
Net cash inflow/(outflow) from operating activities	1	157,817	(278,131)
Returns on investments and servicing of finance	2	22,922	69,778
Capital expenditure and financial investment	2	(1,738,843)	(1,081,164)
Net cash outflow before financing		(1,558,104)	(1,289,517)
Financing	2	1,307,394	994,969
Decrease in cash		<u>(250,710)</u>	<u>(294,548)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
Year ended 31 March 2003

	2003 £	2002 £
Decrease in cash in the year	(250,710)	(294,548)
Cash outflow from decrease in debt and lease financing	34,281	38,844
Change in net funds resulting from cash flows	(216,429)	(255,704)
New finance leases	-	(29,795)
Movement in net funds in the year	(216,429)	(285,499)
Net funds at 1 April	806,288	1,091,787
Net funds at 31 March	<u>589,859</u>	<u>806,288</u>

The notes to the cash flow statement are included on pages 12 and 13.

NOTES TO THE CASH FLOW STATEMENT

Year ended 31 March 2003

1. RECONCILIATION OF OPERATING SURPLUS TO NET
CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2003 £	2002 £
Operating surplus	310,103	291,039
Depreciation	464,391	375,000
Increase in stock	(289)	(1,489)
Increase in debtors	(1,039,854)	(763,447)
Increase/(decrease) in creditors	460,843	(186,072)
(Decrease)/increase in provision for pension costs	(37,377)	6,838
Net cash inflow/(outflow) from operating activities	<u>157,817</u>	<u>(278,131)</u>

2. GROSS CASH FLOWS

	2003 £	2002 £
Returns on investment and servicing of finance		
Interest received	33,922	34,284
Interest paid	(9,137)	(11,522)
Interest element of finance lease rental payments	(2,858)	(6,502)
Realised loss on disposal of investments	(59,600)	-
Dividends received	60,595	53,518
	<u>22,922</u>	<u>69,778</u>
Capital expenditure and financial investment		
Payments to acquire fixed assets	(1,385,675)	(1,258,837)
Receipts from sales of fixed assets	45,900	2,150
Payments to acquire investments	(786,340)	(453,283)
Receipts from sales of investments	387,272	628,806
	<u>(1,738,843)</u>	<u>(1,081,164)</u>
Financing		
Income from donations, legacies and bequests	1,340,545	1,032,548
Repayment of term loans	(14,454)	(3,173)
Repayment of capital element of finance lease rentals	(19,827)	(35,671)
Income from funds for special purposes	1,130	1,265
	<u>1,307,394</u>	<u>994,969</u>

NOTES TO THE CASH FLOW STATEMENT (continued)
Year ended 31 March 2003

3. ANALYSIS OF CHANGES IN NET FUNDS

	2002 £	Cash flows £	Other non cash changes £	2003 £
Short term cash deposits	686,642	(133,597)	-	553,045
Other cash at bank and in hand	265,385	(117,113)	-	148,272
Total cash at bank and in hand	952,027	(250,710)	-	701,317
Debt due within one year	(3,200)	-	(11,254)	(14,454)
Debt due after more than one year	(109,610)	14,454	11,254	(83,902)
Finance leases	(32,929)	19,827	-	(13,102)
Net funds	806,288	(216,429)	-	589,859

NOTES TO THE ACCOUNTS
Year ended 31 March 2003**1. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2000) issued in October 2000, applicable accounting standards and the Companies Act 1985. 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 2003 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.

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.

Stocks

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

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

Land is not depreciated.

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.

NOTES TO THE ACCOUNTS
Year ended 31 March 2003**1. ACCOUNTING POLICIES (continued)****Pensions**

The company operates a defined benefit pension scheme, which requires contributions to be made to a separately administered fund. Contributions to the fund are charged to the income and expenditure account so as to spread the cost of pensions over the employees' average working lives within the company. The regular pension cost is attributed to individual years using the projected unit credit method. Variations in pension costs, which are identified as a result of actuarial valuation, are amortised over the average expected remaining service lives of those in the scheme. Differences between the amounts funded and the amounts charged to the income and expenditure account are treated either as provisions or prepayments in the balance sheet.

Support and administration costs

Central costs incurred at head office in Quarriers Village relate to the management and administration costs of the organisation. Where practical and appropriate, the expenses of general management and support services are apportioned to projects on the basis of time spent by staff.

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

The company's policy for accounting for project funding surpluses has been changed during the year (see note 4 for details of the impact of this change). Previously such surplus funding was recorded as deferred income. The new policy adopted is to record surplus funding within restricted reserves. The directors believe that the new accounting policy is more appropriate having considered generally accepted accounting practice and the statement of recommended practice for charities.

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.

2. 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 activity, a charity, caring for children, young people and families, and those with a disability, operating principally in Scotland.

The majority of grants received were from Local Authorities, Health Boards or the Community Fund.

Non-recurring income of £Nil (2002 - £902,321) was received during the year.

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

3. OPERATING SURPLUS - CONTINUING OPERATIONS

	2003 £	2002 £
Operating surplus is stated after charging the following items:		
Auditors' remuneration - audit services	14,703	14,711
Depreciation of owned assets	451,117	344,042
Depreciation of assets held under finance leases and hire purchase contracts	13,274	30,958
Operating lease rentals - plant and machinery	355,350	130,091
- land and buildings	654,477	545,334
Directors' and officers' indemnity insurance	8,374	7,219
	<u> </u>	<u> </u>

4. RESTATEMENT OF COMPARATIVES

As detailed in note 1, the company's policy for accounting for project funding surpluses has been changed during the year. Accordingly, the prior year balance sheet figures have been amended as follows:

	Accruals and deferred income £	Restricted funds £
As previously reported at 31 March 2002	1,109,921	1,593,113
Restatement (effective on 31 March 2001)	(507,185)	507,185
	<u> </u>	<u> </u>
At 31 March 2002 restated	602,736	2,100,298
	<u> </u>	<u> </u>

As the restatement is effective on 31 March 2001, there is no impact on the income and expenditure account or statement of financial activities for the year ended 31 March 2002.

5. NET LOSS ON SALE OF FIXED ASSETS IN CONTINUING OPERATIONS

	2003 £	2002 £
Gain on disposal of heritable properties	44,422	-
Gain/(loss) on disposal of other tangible fixed assets	1,478	(6,990)
Loss on disposal of investments	(59,600)	(14,645)
	<u> </u>	<u> </u>
	(13,700)	(21,635)
	<u> </u>	<u> </u>

6. 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. Travelling expenses totalling £1,332 (2002 - £1,242) were paid to one director during the year.

Indemnity insurance has been purchased during the year to protect the charity from loss arising from neglect or faults of its directors, employees or agents.

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

7. STAFF COSTS

	2003 £	2002 £
Wages and salaries	15,840,131	13,090,804
Social security costs	1,078,395	928,329
Pension costs	592,171	444,243
	<u>17,510,697</u>	<u>14,463,376</u>

Pension costs can be analysed as follows:

	£	£
Quarriers pension scheme income and expenditure account charge (see note 18)	566,328	424,532
Other pension scheme costs	25,843	19,711
	<u>592,171</u>	<u>444,243</u>

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

	No	No
Administration	104	88
Social care, domestic and other	1,206	941
	<u>1,310</u>	<u>1,029</u>

During the year, one employee had emoluments (excluding pension contributions) within the band of £60,000 to £64,999. That employee also has a defined benefit pension accruing. There were no other employees with emoluments exceeding £50,000 during the year.

8. INTEREST RECEIVABLE AND INVESTMENT INCOME

	2003 £	2002 £
Income from listed investments	61,725	54,783
Bank interest receivable	33,922	34,284
	<u>95,647</u>	<u>89,067</u>

9. INTEREST PAYABLE

	2003 £	2002 £
Bank loans and overdrafts	9,137	11,522
Finance charges payable under finance leases and hire purchase contracts	2,858	6,502
	<u>11,995</u>	<u>18,024</u>

NOTES TO THE ACCOUNTS Year ended 31 March 2003

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

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

11. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Motor vehicles £	Plant & equipment £	Fixtures & fittings £	Total £
Cost					
At 1 April 2002	4,358,923	170,287	646,681	310,963	5,486,854
Additions	890,941	36,233	325,884	132,617	1,385,675
Disposals	-	(3,250)	-	-	(3,250)
At 31 March 2003	<u>5,249,864</u>	<u>203,270</u>	<u>972,565</u>	<u>443,580</u>	<u>6,869,279</u>
Accumulated depreciation					
At 1 April 2002	807,329	116,302	437,076	225,894	1,586,601
Charge for the year	212,900	28,473	155,110	67,908	464,391
Disposals	-	(3,250)	-	-	(3,250)
At 31 March 2003	<u>1,020,229</u>	<u>141,525</u>	<u>592,186</u>	<u>293,802</u>	<u>2,047,742</u>
Net book value					
At 31 March 2003	<u>4,229,635</u>	<u>61,745</u>	<u>380,379</u>	<u>149,778</u>	<u>4,821,537</u>
At 31 March 2002	<u>3,551,594</u>	<u>53,985</u>	<u>209,605</u>	<u>85,069</u>	<u>3,900,253</u>
Net book value of assets used directly for charitable purposes	<u>3,758,300</u>	<u>45,200</u>	<u>303,443</u>	<u>119,282</u>	<u>4,226,226</u>

The net book value of assets includes £26,978 (2002 - £51,901) in respect of assets held under finance leases and hire purchase contracts, the depreciation charge on which is disclosed in note 3.

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.

NOTES TO THE ACCOUNTS Year ended 31 March 2003

12. INVESTMENTS

	2003 £	2002 £
Cost		
As at 1 April 2002	2,167,582	2,375,911
Additions	786,340	453,283
Disposals	(572,212)	(661,612)
	<u>2,381,710</u>	<u>2,167,582</u>
As at 31 March 2003		
Composed of:		
Listed investments:		
Listed on London Stock exchange	2,262,926	2,111,797
Other	54,039	54,040
	<u>2,316,965</u>	<u>2,165,837</u>
Unlisted investments	1,745	1,745
	<u>2,381,710</u>	<u>2,167,582</u>
As at 31 March 2003		
Market Value		
As at 1 April 2002	2,139,421	2,379,257
Additions	786,340	453,283
Disposals at 1 April 2002 market value	(446,872)	(643,451)
	<u>2,478,889</u>	<u>2,189,089</u>
Unrealised losses in year	(782,663)	(49,668)
	<u>1,696,226</u>	<u>2,139,421</u>
As at 31 March 2003		

Subsidiary undertakings

Both Quarrier's Activities Limited and Gottar Limited 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	Sale of goods to supporters of Quarriers. Net Assets at 31 December 2002 - £722 (2001 - £730) Loss for the year to 31 December 2002 - £8 (2001 - £399)	U.K.
Gottar Limited	Design and build company. Net Assets at 28 February 2003 - £800 (2002 - Net Assets £226) Profit for the year to 28 February 2003 - £718 (2002 - £nil)	U.K.

The company does not prepare consolidated group accounts as it is entitled for the year ended 31 March 2003 to the exemption conferred by Section 229 of the Companies Act 1985, as the exclusion of the subsidiary companies is not material for the purpose of giving a true and fair view.

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

13. STOCKS

	2003 £	2002 £
General stocks	20,092	19,803

14. DEBTORS

	2003 £	2002 £
Trade debtors	2,490,481	1,793,787
Other debtors	153,706	107,033
Amounts owed by subsidiary undertakings	56,399	12,698
Prepayments and accrued income	454,006	201,220
	<u>3,154,592</u>	<u>2,114,738</u>

No debtors are due after more than one year.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	Restated 2002 £
Bank loans (see note 17)	14,454	3,200
Obligations under finance leases and hire purchase contracts (see note 17)	12,083	20,005
Trade creditors	228,027	96,881
Other taxes and social security costs	383,050	264,056
Other creditors	512,816	373,498
Deferred grant income (see note 16)	160,274	433,046
Accruals and other deferred income	946,893	602,736
	<u>2,257,597</u>	<u>1,793,422</u>

The bank overdraft facility is secured by a letter of pledge over the investments owned by Quarriers and a fixed security over two buildings.

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

16. DEFERRED GRANT INCOME

	£
As at 1 April 2002	433,046
Received during the year	5,458,861
Released during the year	<u>(5,731,633)</u>
As at 31 March 2003	<u>160,274</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

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

	2003 £	2002 £
Bank loans	83,902	109,610
Obligations under finance leases and hire purchase contracts	1,019	12,924
Other creditors	36,500	36,500
	<u>121,421</u>	<u>159,034</u>

Analysis of loan repayments

	2003 £	2002 £
Bank term loans		
Amounts repayable by instalments:		
Within one year or on demand	14,454	3,200
Between one and two years	14,454	3,200
Between two and five years	43,362	9,600
After more than five years	26,086	96,810
	<u>98,356</u>	<u>112,810</u>
Included in creditors: amounts falling due within one year	(14,454)	(3,200)
	<u>83,902</u>	<u>109,610</u>

Details of loans not wholly repayable within five years are as follows:

	2003 £	2002 £
10% secured loan repayable in 240 monthly instalments commencing 7th March 1997	<u>98,356</u>	<u>112,810</u>

Obligations under finance leases and hire purchase contracts

	2003 £	2002 £
Amounts payable by instalments:		
Within one year	16,851	22,744
Between one and two years	1,035	13,712
Between two and five years	-	1,035
	<u>17,886</u>	<u>37,491</u>
Less: finance charges allocated to future periods	(4,784)	(7,525)
	<u>13,102</u>	<u>32,929</u>

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

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

18. PROVISIONS FOR LIABILITIES AND CHARGES

	2003 £	2002 £
Pension costs		
As at 1 April 2002	1,660,462	1,653,624
Income and expenditure account charge (see note 7)	566,328	424,532
Paid during year (see note 22)	(603,705)	(417,694)
As at 31 March 2003	<u>1,623,085</u>	<u>1,660,462</u>

19. SHARE CAPITAL

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

20. RESERVES

Statement of funds	As at 1 April 2002 (as restated) £	Income £	Expenditure £	Investment gains/ (losses) £	Transfers £	As at 31 March 2003 £
General reserve	3,017,907	6,762,330	(6,373,764)	(59,600)	(115,161)	3,231,712
Revaluation reserve	(26,288)	-	-	(765,051)	125,339	(666,000)
Designated funds						
Fixed assets fund	303,000	-	-	-	-	303,000
Pension scheme fund	-	-	-	-	200,000	200,000
Total designated funds	<u>303,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>503,000</u>
Total unrestricted funds	<u>3,294,619</u>	<u>6,762,330</u>	<u>(6,373,764)</u>	<u>(824,651)</u>	<u>210,178</u>	<u>3,068,712</u>
Restricted funds						
Funds for special purposes	118,407	1,130	-	(17,612)	-	101,925
Funds for various purposes	2,100,298	18,817,649	(17,486,745)	-	(210,178)	3,221,024
Total restricted funds	<u>2,218,705</u>	<u>18,818,779</u>	<u>(17,486,745)</u>	<u>(17,612)</u>	<u>(210,178)</u>	<u>3,322,949</u>
Total funds	<u>5,513,324</u>	<u>25,581,109</u>	<u>(23,860,509)</u>	<u>(842,263)</u>	<u>-</u>	<u>6,391,661</u>

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

Funds for special purposes are permanent endowment funds, whereby the income from the funds can only be spent in the manner determined by the donor.

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.

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

21. CAPITAL COMMITMENTS

	2003 £	2002 £
Contracted for, but not provided	<u>540,000</u>	<u>57,000</u>

22. PENSION COSTS

The company operates a defined benefit pension scheme. The assets of the scheme are held separately from those of the group in a trustee-administered fund. Company contributions paid in the year were £603,705 (2002 - £417,694). Contributions amounting to £67,597 (2002 - £40,795) were payable to the fund at 31 March 2002.

The company currently accounts for pensions under SSAP 24. Under the transitional arrangements for FRS17, the company is required to provide additional disclosures relating to its pension scheme. These are provided below and relate to the second year of the transitional provisions. They provide information which will be necessary for full implementation of FRS17 in 2005.

SSAP 24

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 2001. The assumptions which had the most significant effect on the results of the valuation were those relating to investment return (6.2% for current assets and 6.7% for future investments), salary growth (4.7%) and pensions growth (3%).

The actuarial valuation showed that the market value of the scheme's assets at 1 November 2001 was £12,757,514 and that the actuarial value of those assets represented 89% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The existing recommended normal contribution levels necessary to meet future liabilities of the scheme are 6% of pensionable salary for members and 10% of pensionable salary for the employer.

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

22. PENSION COSTS (continued)

FRS 17

The figures below have been based on an actuarial valuation as at 1 November 2001, 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 current period of continued poor equity market returns has contributed to an increased deficit being declared although this 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 2001, employer contributions have been agreed at the rate of 10% of pensionable pay plus the cost of insuring death-in-service benefits. 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:

	2003 %	2002 %
Rate of inflation	2.50	2.75
Salary increase rate	3.75	4.25
LPI increases for post April 1997 pensions in payment	2.25	2.50
Revaluation of deferred pensions	2.50	2.75
Liability discount rate	5.50	6.00

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:

	2003 £'000	2003 Rate of return	2002 £'000	2002 Rate of return
Equities	8,495	6.5%	11,405	7.0%
Bonds	1,980	4.5%	1,852	5.0%
Cash	474	4.5%	359	5.0%
Total fair value of assets	10,949		13,616	
Present value of scheme liabilities	(17,783)		(15,884)	
Deficit in the scheme	(6,834)		(2,268)	

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

22. PENSION COSTS (continued)

FRS 17 (continued)

Analysis of the amount that would have been charged to operating surplus under FRS 17:

	2003 £'000
Current service cost	793

Analysis of the amount that would have been charged to other finance income under FRS 17:

	2003 £'000
Expected return on pension scheme assets	919
Interest on pension scheme liabilities	(966)
Net return	(47)

Analysis of the actuarial loss that would have been recognised in the statement of total recognised gains and losses ('STRGL'):

	2003 £'000
Actual return less expected return on pension scheme assets	(3,900)
Experience gains and losses arising on the scheme liabilities	-
Changes in assumptions underlying the present value of the scheme liabilities	(496)
Actuarial loss recognised in STRGL	(4,396)

History of experience gains and losses:

	2003
Difference between the expected and actual return on scheme assets:	
Amount (£'000)	(3,900)
Percentage of scheme assets	(36%)
Experience gains and losses on scheme liabilities:	
Amount (£'000)	-
Percentage of the present value of scheme liabilities	0%
Total actuarial loss recognised in the statement of total recognised gains and losses:	
Amount (£'000)	(4,396)
Percentage of the present value of scheme liabilities	(25%)

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

22. PENSION COSTS (continued)

FRS 17 (continued)

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

	£'000
Opening deficit in the scheme	(2,268)
Current service cost	(793)
Contributions	671
Past service cost	-
Other finance income	(47)
Actuarial loss	(4,396)
Closing deficit in the scheme	<u>(6,834)</u>

If the company had to reflect the FRS 17 pension deficit through its reserves at 31 March 2003 then the net general reserves figure would have been stated as shown below:

	2003 £'000	2002 £'000
General reserves at 31 March 2003	3,069	3,295
Add back: SSAP 24 pension liability	<u>1,623</u>	<u>1,660</u>
General reserves excluding pension liability	4,692	4,955
FRS 17 pension deficit	<u>(6,834)</u>	<u>(2,268)</u>
General reserves including FRS 17 pension deficit	<u>(2,142)</u>	<u>2,687</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

23. FINANCIAL COMMITMENTS

Operating leases

	Land & buildings £	Other £
Annual obligations under operating leases which expire:		
Within one year	275,759	73,463
Between two and five years	24,500	179,409
In more than five years	349,143	-
	<u>649,402</u>	<u>252,872</u>

24. DIRECTORS' INTERESTS

Due to the nature of the company's activities, in the normal course of business it is inevitable that transactions will take place with companies and other organisations in which a director may have an interest. All such transactions are negotiated and entered into on an arms length basis, are in accordance with the normal project rules, and are reviewed by the company's Finance and General Purpose sub-committee. Transactions with companies or organisations in which a director had an interest are set out below.

Director	Organisation	Transaction	Amount
Mr Douglas Corner	Adam & Company plc (subsidiary of Adam & Company Group plc)	Investment management fee paid to Adam & Company Investment Management Ltd (subsidiary of Adam & Company Group plc)	£10,399

The total value of this transaction represents 0.01% of the company's expenditure in the year to 31 March 2003.

25. SUBSIDIARY COMPANY TRANSACTIONS

During the year the company purchased tangible fixed assets of a total value of £236,745 (2002 - £818,543) from Gottar Limited, a subsidiary company.

At 31 March 2003, the company was owed £53,547 by Gottar Limited (2002 - £12,516).

During the year the company charged a management fee of £Nil (2002 - £1,175) to Quarriers Activities Limited, a subsidiary company.

At 31 March 2003, the balance owed to the company by Quarriers Activities Limited was £10,590 (2002 - £7,920) stated net of a provision for doubtful debts of £7,738 (2002 - £7,738).