

Company Registration No. SC 14361
Charity No. SC001960
Registered in Scotland

QUARRIERS

Report and Financial Statements

31 March 2010

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QUARRIERS

REPORT AND FINANCIAL STATEMENTS 2010

CONTENTS

Page

Officers and professional advisers	1
Quarriers sub-committees	4
Directors' report	5
Directors' responsibilities statement	13
Independent auditors' report	14
Statement of financial activities (including the income and expenditure account)	16
Reconciliation of net expenditure for the year for the purposes of the Companies Act 2006	17
Combined statement of total recognised gains and losses and reconciliation of movements in capital and reserves	17
Balance sheet	18
Cash flow statement	19
Reconciliation of net cash flow to movement in net debt	19
Notes to the cash flow statement	20
Notes to the financial statements	22

QUARRIERS

REPORT AND FINANCIAL STATEMENTS 2010

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS (BOARD OF TRUSTEES)

Mr Roger C Mills	Chairman
Professor Rona S Beattie	(up to 25 August 2009)
Mr Leslie G Campbell	
Ms Joanne H Dallachy	(up to 25 August 2009)
Ms Ann Dougan	(from 3 August 2009)
Ms Keren E Edwards	(up to 1 June 2009)
Mr William Harkness	
Professor Raymond L Jones	
Mr David J C MacRobert	
Dr Ian C Matson	
Mr David Philip	(from 1 June 2009)
Mr Robert Ross	
Mr William Scott	
Professor Angus Skinner	
Mr Frederick D Wardle	(up to 25 August 2009)
Mr Kenneth Winter	(up to 8 July 2010)

EXECUTIVE DIRECTORS*

Dr Philip Robinson	Chief Executive (up to 3 May 2010)
Mr Paul Moore	Chief Executive (from 3 May 2010)
Ms Karen Croan	Director of Human Resources
Ms Glynis Elgey	Service Director
Mr Laurie Gardner	Director of Fundraising
Mrs Helen Hunter	Service Director
Mr Hugh Walker	Director of Finance and Corporate Services
Mr Gerry Wells	Service Director

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

SECRETARY

Mr Hugh W Walker

REGISTERED OFFICE

Quarriers
Quarriers Village
Bridge of Weir
Renfrewshire PA11 3SX

INDEPENDENT AUDITORS

Deloitte LLP
Glasgow

QUARRIERS

REPORT AND FINANCIAL STATEMENTS 2010

OFFICERS AND PROFESSIONAL ADVISERS (CONTINUED)

INVESTMENT MANAGERS

Speirs & Jeffrey
Stockbrokers
36 Renfield Street
Glasgow
G2 1NA

SOLICITORS

Brechin Tindal Oatts
48 St Vincent Street
Glasgow
G2 5HS

Harper McLeod (up to 31 March 2009)
The Ca'd'oro
45 Gordon Street
Glasgow G1 3PE

Brodies (from 1 April 2009)
2 Blythswood Square
Glasgow
G2 4AD

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

PENSION SCHEME ADMINISTRATORS AND CONSULTANTS

Xafinity Consulting Limited (up to 31 March 2010)
8th Floor
110 Fenchurch Street
London EC3M 5JT

Punter Southall (from 1 April 2010)
Charlotte House
2 South Charlotte Street
Edinburgh
EH2 4AW

PUBLIC AFFAIRS AND MEDIA ADVISORS

Webber Shandwick
9 Lynedoch Crescent
Glasgow
G3 6EQ

QUARRIERS

REPORT AND FINANCIAL STATEMENTS 2010

OFFICERS AND PROFESSIONAL ADVISERS (CONTINUED)

BANKERS

Bank of Scotland
PO Box No10
2nd floor
38 St Andrew Square
Edinburgh
EH2 2YR

Barclays Commercial Bank
Aurora
1st Floor
120 Bothwell Street
Glasgow
G2 7JT

QUARRIERS

REPORT AND FINANCIAL STATEMENTS 2010

QUARRIERS SUB-COMMITTEES

The directors review the day-to-day business of the charity through the Audit Committee and the Finance and General Purposes Committee, which then report at the full meeting of the Board of Trustees, which meets six times per annum.

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

Audit Committee

The Audit Committee meets three times per year and 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, health and safety and quality. The Audit Committee reviews the annual financial statements before submission to the Board of Trustees.

Members

Mr Leslie Campbell (Chair)
Mr Roger Mills
Mr Robert Ross
Mr William Scott

Finance & General Purposes Committee

The Finance and General Purposes Committee meets four times per year and 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.

Members

Mr William Harkness (Chair)
Mr Roger Mills
Mr Kenneth Winter (up to 8 July 2010)

QUARRIERS

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of Quarriers for the year ended 31 March 2010.

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 SC001960) limited by guarantee and does not have a share capital. It was incorporated on 30 October 1926.

Recruitment and appointment to Board of Trustees

The statutory directors of the company are also charity trustees for the purposes of charity law and are known as members of the Board of Trustees. New trustees are appointed by the Board; 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 Board of Trustees, 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 Board of Trustees 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 Board of Trustees. 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 (note 10, page 29, Directors' emoluments).

Trustees' induction and training

All Trustees should be familiar with the practical work of the charity and are encouraged to visit projects, and see the varied work Quarriers undertakes. 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 Board of Trustee 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. A new Trustees' manual has now been adopted and is issued to all Trustees.

Organisational Structure

Quarriers' Board of Trustees 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' Board of Trustees 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 sixteen directors during the year from a variety of professional backgrounds relevant to the working of the charity. Quarriers has been fortunate in appointing two new members to the Board of Trustees whilst four have retired; it is believed that a Board of Trustees of twelve provides a streamlined decision making body.

The Company Secretary and Executive Directors also attend the Board of Trustee meetings 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 Board of Trustees has set up two key committees; each committee and its chair has clear written terms of reference approved by the Board of Trustees. Each committee reports to the Board of Trustees. All recommendations are considered and approved by the Board of Trustees; the committees must meet regularly enough to implement the work of the Board of Trustees and to carry out Quarriers' business. The committees' structure, terms of reference and authorities are reviewed periodically. Further details of each committee are provided on page 4.

QUARRIERS

DIRECTORS' REPORT (CONTINUED)

STRUCTURE, GOVERNANCE AND MANAGEMENT (CONTINUED)

The Chief Executive tendered his resignation after 18 years dedicated and successful service with Quarriers and retired in May 2010. After a selection process a new Chief Executive was appointed from 3 May 2010.

Risk Management

On an annual basis the Board of Trustees 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. Principal risks and uncertainties are commented on further in the 'Review of business and future prospects' on pages 10 and 11.

The Audit Committee is responsible for reviewing the mechanism for the management of risk and makes recommendations to the Board of Trustees. The Chief Executive reports on the management of risk to the Board of Trustees. An internal audit programme which is agreed by the Audit Committee is carried out by Head Office staff and an external audit firm Cheetham & Co.

OBJECTS AND PRINCIPAL ACTIVITIES

Quarriers is a Scottish based charity. The charity'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 people's 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 previously focussed on eight thematic areas of care and support. During the year these were reviewed and streamlined to four sub brands to enable a more focussed approach to the services. Quarriers provides services in the following areas:

Adult Disability

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. This also extends to supporting individuals within their own tenancies who suffer from the effects of traumatic head injuries as well as offering support and advice through outreach work. Quarriers also provides support through adult respite services as well as training for work programmes and supports carers' centres to provide information, advice and emotional and practical support for carers of all ages.

Children and Families

Quarriers supports children with physical and learning difficulties within registered homes, provides respite care in registered homes, foster placements as well as outreach and holiday programmes. Quarriers also provides support for families facing poverty, family breakdown, exclusion and disadvantage. In addition Quarriers operates family centres which offer parents personal support, practical advice, improved parenting skills, adult education and home visiting as well as flexible childcare to support parents into training and employment.

Epilepsy

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

QUARRIERS

DIRECTORS' REPORT (CONTINUED)

OBJECTS AND PRINCIPAL ACTIVITIES (CONTINUED)

Young Adults

Quarriers provides various models of support to young people in this area aimed at supporting young people who have experienced trauma, loss, separation and lack of family and community supports. They may also have consequently experienced homelessness and the associated challenges this presents.

The main service is youth housing 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. Quarriers also provide a youth justice service to work with young people that have committed an offence to develop life skills and access employment opportunities thereby preventing re-offending and creating a positive future. Quarriers values the opinions of young people and include the young people in developing policies and procedures within the organisation.

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 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 Children's Fund 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.

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

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

To deliver Quarriers' services to the maximum number of people able to benefit from them.

To influence social policy and practice at national and local levels, thereby benefiting those who cannot be supported directly by Quarriers.

To provide cost effective services of the highest quality and maximum positive impact.

ACHIEVEMENT AND PERFORMANCE

Quarriers' unique selling point lies in the rich diversity of its services unequalled by any other charity in Scotland. The quality of these services is paramount to Quarriers and can be evidenced from the feedback of the individuals supported and their families as well as the continued demand for Quarriers' services.

Adult Disability

Through personal and individualised support Quarriers assists those with a range of complex support needs towards achieving their aspirations and ambitions, however challenging these may be. Services are provided to those with learning disabilities, acquired brain injury, autism and complex physical disabilities. Whilst mainly supporting people in their own homes, support is also delivered within small residential care homes, in family settings and through residential short breaks.

This year Quarriers assisted 369 (362 – 2009) people in their own homes and a range of community care projects whilst also supplying 7,907 (7,885 – 2009) days of adult respite care and 13 (11 – 2009) adult fostering placements. Quarriers has developed a new service in Swindon and recently been successful in setting up a new respite service in West Dunbartonshire.

As well as working with the individuals Quarriers also offers a number of services to help support carers looking after a relative, partner or friend. During the year Quarriers was forced to withdraw from the carers centre in Oban due to a lack of funding, however, Quarriers was successful in a tender to develop the Moray Carers Support Centre which opened in May 2009. 863 (705 – 2009) adult carers and 52 (82 – 2009) young 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. Quarriers 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.

QUARRIERS

DIRECTORS' REPORT (CONTINUED)

ACHIEVEMENT AND PERFORMANCE (continued)

Children and Families

Quarriers offers a wide array of services to children and families including residential childcare, respite and short breaks, family support services and an independent registered school.

This year Quarriers supported 33 (41 – 2009) young people with a disability and supplied 10,932 (10,086 – 2009) days of respite care; in addition to this a further 75 (51 – 2009) children utilise Quarriers' family based short break services. Family support 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. 324 (245 – 2009) families and young people have been supported through the year with a further 96 (92 – 2009) children supported as part of a flexible childcare at home services. Quarriers has also recently expanded these services in East Dunbartonshire.

Quarriers also supports up to 45 children and young people as day pupils or residential pupils at Seafield School, an independent school registered with the Registrar of Independent Schools in Scotland, and with the Care Commission and Her Majesty's Inspectorate of Education ('HMIE'). Seafield also runs a children's unit where young people live in a community based small group care home and travel to Seafield School each day.

Seafield accommodates 24 (24 – 2009) day pupils and 21 (28 – 2009) residential pupils at any one time and continues to score highly in both Care Commission and HMIE inspections. The primary focus at Seafield is on the individual to ensure their outcomes are achieved and their skills and talents are developed. 20% (20% - 2009) of pupils who attended Seafield (and were not school leavers) were supported back to mainstream education and partnership working with the young people, their families and local authorities is at the core of our approach.

Epilepsy

Quarriers has the only epilepsy assessment centre in Scotland. Based in Quarriers Village, Inverclyde, this is registered with the Care Commission as an independent hospital. This service focuses on correct diagnosis and in supporting people with difficult to manage epilepsy to control their condition as much as possible. This year it admitted 87 (75 – 2009) patients during the year supplying 2,781 (2,421 – 2009) days of inpatient care and treating 181 (131 – 2009) outpatients. Development of the new Scottish Epilepsy Assessment Centre (as referred to on page 11) is progressing with the site now handed over to the appointed demolition company and significant sums now pledged to the appeal. Construction work is scheduled to commence early 2011.

Quarriers also delivers outreach services to people needing support with the everyday issues that epilepsy presents in their lives. Additionally small care homes and supported living services support others with complex epilepsies on a continuous basis. Quarriers supported 89 (97 – 2009) people with epilepsy in specialist long stay supported accommodation projects

Young Adults

The majority of services in this area are aimed at housing, both provision and support. Quarriers has supplied 47,021 (45,804 – 2009) days and nights of care to young homeless people. In addition 97 (71 – 2009) young people have been supported in their own tenancies enabling them to sustain these tenancies; 70% of these young people are still in their tenancies six months after their move or the start of their involvement with Quarriers.

A youth justice service provides support and advice for up to 20 young people who persistently offend, whilst the inclusion group works with young people to incorporate their views into Quarriers' policies and standards and influence national policy.

QUARRIERS

DIRECTORS' REPORT (CONTINUED)

ACHIEVEMENT AND PERFORMANCE (CONTINUED)

Quarriers' Policy and Influencing

The principal aim of the policy function is to represent the interests of the people we support to policy-makers. The breadth and diversity of Quarriers' work presents particular challenges in respect of influencing and informing social policy, so a strategic and focused approach, which concentrates on several clearly defined areas, has been adopted, to make best use of resources. Over the past year, Quarriers has continued to inform and influence policy-makers directly and to facilitate the engagement of people we support in the policy agenda, in a broad range of areas.

Responses were made to 22 consultations (25 - 2009), covering a variety of different issues and meetings were arranged with 22 politicians and government officials, including visits to projects and people we support.

This year also saw the launch of the **Condemned** campaign, to raise the 4 issues most important to young people experiencing homelessness:

- Condition and location of housing
- Having to move from supported accommodation into a tenancy with no furniture
- Benefits barriers
- Rural housing

The Condemned campaign was launched in June 2009 at the Q2 Conference for young people, and was followed by the development of a Charter, to set out the aspirations and ideals to help young people overcome some of their challenges.

Quarriers held a cross-party discussion event at the Scottish Parliament to review the progress towards the recommendations of 'Missed Out, Missing Out', a research report published last year that investigated the provision of services available to adults with learning disabilities living in the family home.

In addition, we held a parliamentary reception as part of Epilepsy Week activities, and invited several MSPs to visit our epilepsy services.

Following our highly successful 'Going Nowhere' campaign, we also continue to monitor progress on the Wheelchair and Seating Services Action Plan, to ensure a fair deal for people who use wheelchairs.

Quarriers is committed to continuing to inform and influence the social and public policy agenda, and to ensure that the right of the people we support to have their voices heard is respected and promoted.

Effective Management

Quarriers' staff are the key to its success and our ongoing plans for their education and development demonstrates our commitment to a skilled workforce and consequently a better service for the people we support. Quarriers continues to meet the government objectives on registration and education of the voluntary sector workforce and is confident that its facilities and staff training both meet and exceed all requirements and ensure a quality service. Quarriers has completed 4,258 (5,051 - 2009) staff training days and 78 S/NVQs, 30 HNC social care and a further 18 SVQ awards in learning and development/assessing or verifying (total 95 - 2009). We are developing an e-learning strategy to make training more efficient and accessible to all; in addition to this, Quarriers is marketing a number of its training courses due to the demand from external organisations and the relevance and quality of the training we provide. We are also marketing SVQs and looking at providing HNC and other registerable management qualifications both internally and externally. Quarriers has again achieved the Investors in People award which recognises our commitment to staff learning and development and continuing high standards in a range of key people management activities. The support and core services of the following departments are essential to the success of Quarriers and are a valued resource within the organisation: Quarriers' Quality & Policy, Fundraising, Finance, Health & Safety, Human Resources, Corporate Services and Administration departments, which work hard in support of their colleagues and continue to raise the internal standards of the organisation.

Quarriers is inspected by the Care Commission and HMIE in Scotland and Ofsted in England. 73 (42 - 2009) inspections have been completed this year with 36 (26 - 2009) requirements and 75 (49 - 2009) recommendations; 100% of actions from the prior year were completed. Quarriers also monitors concerns and complaints from users of our services. In the year to 31 March 2010, 96 (117 - 2009) were received and all 96 (113 - 2009) have been resolved satisfactorily.

QUARRIERS

DIRECTORS' REPORT (CONTINUED)

FINANCIAL REVIEW

REVIEW OF BUSINESS AND FUTURE PROSPECTS

The organisation has had an active year although overall incoming resources have decreased by 1% at £42,927,000 (2009 - £43,306,000). This decrease in incoming resources is mainly as a result of a fall in investment and voluntary income. Local authority efficiency savings reducing the funding of projects and the loss of some services is offset by the gain of others. This gain in income from charitable activities has been mostly through generic growth in existing projects and tenders won both this year and the impact of a full year's activity on tenders won last year. This has resulted in an overall increase in fees receivable for the year to £35,927,000 (2009 - £35,420,000). Total grant income for the year was £5,162,000 (2009 - £5,522,000), reflective of reduced funding available from grant making bodies.

Net outgoing resources was £635,000 (2009 - £453,000 outgoing resources). This is attributable to losses in some existing projects as a consequence of the cuts to funding by Government whilst we are required to deliver consistent levels of service. The savings achieved through the salary review process and the agreed changes to terms and conditions have greatly assisted in maintaining a competitive cost base.

The overall results for the year show a negative net movement in funds of £6,710,000 (2009 - £14,000) across all reserve types. The net movement in funds includes unrealised gains of £1,368,000 (2009 - £963,000 losses) in investments and an FRS 17 pensions actuarial loss of £7,096,000 (2009 - £1,609,000 gain). This large pension deficit (FRS17 movement) has impacted significantly on the overall results.

Negotiations are ongoing to establish sustainable fee rates and balanced contracts for all Quarriers' services. This continues to be a difficult process with local authorities seeking efficiency savings year on year, cuts in services and a tendency for contracting to be difficult. The difficult and recessionary economic climate has further led to some local authorities not only seeking year on year efficiency savings but seeking cuts in services and not paying an inflationary increase to fees. The move by some local authorities to a culture of procurement through large tendering exercises has led Quarriers to lose some projects and gain others. In addition to this there is a planned development to a Self Directed Support model of service delivery within Supported Living projects. This puts additional pressures on service delivery due to the uncertain demand for services. However, this has resulted in Quarriers looking closely at underlying costs in order to remain competitive. The changes have also led to a substantial upheaval and disturbance to the people we support and staff. All costs continue to be monitored and tightly controlled.

The economic forecasts for next year do not appear to offer any respite from the harsh decisions that are necessary to sustain Quarriers' activities within a tightening fiscal local authority environment. The Board of Trustees have considered the risks and agreed a stringent cost control regime that is aimed at securing existing services and jobs whilst identifying strategic opportunities for growth in line with Quarriers' strategic plan.

Quarriers has continued to invest significant sums in its fundraising department and activities in order to sustain voluntary income in the future. Voluntary income (see note 2 to the financial statements) of £1,253,000 (2009 - £1,479,000) was received during the year, the fall being attributable to a further drop in legacies and trust grants. The costs of generating funds (see note 4 to the financial statements) amounted to £1,065,000 (2009 - £1,080,000). The decrease reflects the reduced spend on donor recruitment as the income is spread across a number of years therefore income can be maintained with a lower cost. The resulting contribution was used by Quarriers to support a variety of charitable activities including capital projects and equipment for services. The Board of Trustees has considered and approved a significant investment in donor recruitment in the coming year realising the future benefit to be gained from this.

Quarriers' services for adults with learning difficulties have been enhanced by the continued redevelopment and upgrading of existing houses. The move of an existing group home service to newly built individual tenancies utilising the supported living model was completed in the year. 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.

QUARRIERS

DIRECTORS' REPORT (CONTINUED)

REVIEW OF BUSINESS AND FUTURE PROSPECTS (CONTINUED)

Quarriers' appeal for the planned Scottish Epilepsy Assessment Centre near to the Southern General Hospital in Glasgow has generated pledges for a significant portion of the funds required to commence the building phase of the project. The directors are confident the appeal target will be achieved and a new build commenced in 2011. The appeal for funds continues and to date has £2.2m in pledges (see note 2 to the financial statements).

Quarriers has continued to expand this year but at a slower rate than the last few years – fee income has increased by 1.4% (2009 - 3.7%) this year though by over 22% during the last five years. This reflects some services started last year and impacting for the full year. In addition generic growth has assisted the increase; however this has been offset by the efficiency cuts demanded by local authorities. 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 TRANSFER TO RESERVES

Restricted funds have increased by £249,000 (2009 - decrease of £387,000). Total funds have fallen by £6,710,000 (2009 - £14,000 decrease). General and designated funds have decreased by £6,959,000 (2009 - £373,000 increase), £7,096,000 of which is accounted for by a current year loss in the actuarially assessed pension scheme deficit (2009 - gain of £1,609,000) and £1,021,000 (2009 - loss of £1,170,000) realised and unrealised gains on investments. 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, monies that are committed in respect of planned expenditure or liabilities that are believed likely to crystallise. The directors have reviewed the level of unrestricted reserves and believe them to be sufficient to meet future requirements. The directors believe that £5,249,000 (2009 - £4,826,000) held as current assets is sufficient for working capital needs and to meet budgeted future needs. In reviewing this, the cash flow needs of future pension fund contributions have been taken into account. Quarriers has in place with the Quarriers Pension Scheme a contingent asset agreement secured on Quarriers tangible fixed assets to the value of £2,650,000. This has enabled Quarriers' monthly pension contributions, which are expected to reduce the pension deficit to nil in the future, to be scheduled over a longer period. This position will be reviewed at the triennial valuation of the Pension Scheme in November 2010 when further consideration will be made of the contributions and security required to meet the deficit of the Scheme.

GOING CONCERN

Having considered forecast results including possible sensitivities, together with banking facilities available to the charity, the directors are confident that the charity has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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.

FINANCIAL INSTRUMENTS AND CREDIT RISK

The charity's principal financial assets are bank balances and investments. The charity's only significant financial liabilities are £2,400,000 (2009 - £2,600,000) of bank revolving credit and term loans. 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.

QUARRIERS

DIRECTORS' REPORT (CONTINUED)

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.

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 employed with Disability Discrimination Act related conditions is in excess of 50 (2009 - 15).

EMPLOYEE INVOLVEMENT

Facilities for the provision of information to employees and for consultation on matters of concern are available through the Human Resources Department. 47 staff have been involved in the process of developing internal standards for Quarriers during the year. 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; 18 ideas were submitted, 100% of ideas have been considered by the Executive and a written response made to each staff member and 72% were agreed and progressed.

DIRECTORS AND THEIR INTERESTS

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

On 3 August 2009, Mr William Scott and Mr David Philip retired and were re-elected in accordance with the Articles of Association as they had been appointed as directors after the previous Annual General Meeting. Professor Rona S Beattie, Mr Leslie Campbell, Ms Joanne H Dallachy, Professor Angus Skinner and Mr Kenneth Winter, retired by rotation and were re-elected.

At the forthcoming Annual General Meeting of the company, Ms Ann Dougan, having been appointed as a director since the last Annual General Meeting will retire in accordance with the Articles of Association and offer herself for re-election. Mr Roger Mills, Professor Raymond L Jones, Mr Robert Ross and Mr William Harkness will retire by rotation and are eligible to offer themselves for re-election.

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

AUDITORS

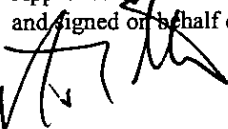
Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

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



Mr Roger C Mills

2 August 2010



Mr Leslie G Campbell

2 August 2010

QUARRIERS

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors (who are also trustees of Quarriers for the purposes of charity law) are responsible for preparing the Directors' 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 company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS AND DIRECTORS OF QUARRIERS

We have audited the financial statements of Quarriers for the year ended 31 March 2010 which comprise the statement of financial activities (including the income and expenditure account), the statement of net expenditure for the year for the purposes of the Companies Act 2006, 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 debt, and the related notes 1 to 26. 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 Chapter 3 of Part 16 of the Companies Act 2006 and to the charity's directors, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and the directors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members as a body, and the charitable company's directors, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' (who are also the trustees of the charity for the purposes of charity law) responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Directors' Responsibilities Statement.

We have been appointed auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report to you in accordance with those Acts. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the charitable company has not kept adequate and proper accounting records, if the charity's financial statements are not in agreement with those accounting records, if we have not received all the information and explanations we require for our audit, or if certain disclosures of directors' remuneration specified by law are not made.

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

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS AND DIRECTORS OF QUARRIERS (CONTINUED)

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the charitable company's affairs as at 31 March 2010 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006; and
- the information given in the Directors' Report is consistent with the financial statements.



James Boyle CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006
Glasgow, United Kingdom

2 August 2010

Notes: An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

QUARRIERS

STATEMENT OF FINANCIAL ACTIVITIES (including the income and expenditure account) Year ended 31 March 2010

Unrestricted funds						
		General Funds £'000	Designated Funds £'000	Restricted Funds £'000	Total 31 March 2010 £'000	Total 31 March 2009 £'000
	Note					
INCOMING RESOURCES						
Incoming resources from generated funds:						
Voluntary income	2	1,097	-	156	1,253	1,479
Activities for generating funds	2	224	-	-	224	221
Investment income	2	360	-	1	361	663
Incoming resources from charitable activities	3	10,438	-	30,651	41,089	40,942
Other incoming resources:						
Gain on sale of tangible fixed assets	9	-	-	-	-	1
Total incoming resources		12,119	-	30,808	42,927	43,306
RESOURCES EXPENDED						
Costs of generating funds:						
Costs of generating voluntary income	4	1,065	-	-	1,065	1,080
Fundraising trading	4	166	-	-	166	155
Investment management costs	4	270	-	-	270	566
Costs of charitable activities	5	10,864	-	31,025	41,889	41,786
Governance costs	6	172	-	-	172	172
Total resources expended		12,537	-	31,025	43,562	43,759
Net outgoing resources before transfers	8	(418)	-	(217)	(635)	(453)
TRANSFERS						
Transfers to restricted funds	22	(466)	-	466	-	-
Transfers from designated funds	22	126	(126)	-	-	-
Net (outgoing)/incoming resources		(758)	(126)	249	(635)	(453)
OTHER RECOGNISED GAINS AND LOSSES						
Gains and losses on investment assets:						
Realised	9	(347)	-	-	(347)	(207)
Unrealised		1,368	-	-	1,368	(963)
		1,021	-	-	1,021	(1,170)
Actuarial (loss)/gain on defined benefit pension scheme	24	(7,096)	-	-	(7,096)	1,609
Net movement in funds		(6,833)	(126)	249	(6,710)	(14)
RECONCILIATION OF FUNDS						
Total funds brought forward at 1 April 2009		(1,297)	3,310	4,886	6,899	6,913
Total funds carried forward at 31 March 2010		(8,130)	3,184	5,135	189	6,899

A reconciliation of the net expenditure for the year for the purposes of the Companies Act 2006 is provided on page 17.

QUARRIERS

RECONCILIATION OF NET EXPENDITURE FOR THE YEAR FOR THE PURPOSES OF THE COMPANIES ACT 2006

Year ended 31 March 2010

	2010 £'000	2009 £'000
Net outgoing resources per the Statement of Financial Activities (page 16)	(635)	(453)
Realised gains and losses on investment assets per the Statement of Financial Activities (page 16)	(347)	(207)
Net expenditure for the year for the purposes of the Companies Act 2006	<u>(982)</u>	<u>(660)</u>

All of the above reported net expenditure 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 2010 £'000	Total 2009 £'000
Net (expenditure)/income for the year for the purposes of the Companies Act 2006	(1,105)	(126)	249	(982)	(660)
Actuarial (loss)/gain in respect of pension scheme under FRS 17 (note 24)	(7,096)	-	-	(7,096)	1,609
Unrealised gains/(losses) on investments	<u>1,368</u>	<u>-</u>	<u>-</u>	<u>1,368</u>	<u>(963)</u>
Total recognised gains and losses relating to the year and net movement in capital and reserves	(6,833)	(126)	249	(6,710)	(14)
Opening capital and reserves	<u>(1,297)</u>	<u>3,310</u>	<u>4,886</u>	<u>6,899</u>	<u>6,913</u>
Closing capital and reserves	<u>(8,130)</u>	<u>3,184</u>	<u>5,135</u>	<u>189</u>	<u>6,899</u>

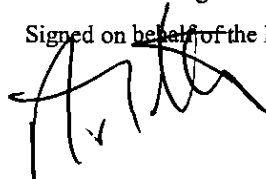
QUARRIERS

BALANCE SHEET 31 March 2010

	Note	2010 £'000	2009 £'000
FIXED ASSETS			
Tangible assets	15	9,273	9,880
Investments	16	3,356	2,343
		<u>12,629</u>	<u>12,223</u>
CURRENT ASSETS			
Debtors	17	3,876	3,859
Cash at bank and in hand		1,373	967
		<u>5,249</u>	<u>4,826</u>
CREDITORS: amounts falling due within one year	18	<u>(5,711)</u>	<u>(5,535)</u>
NET CURRENT LIABILITIES		<u>(462)</u>	<u>(709)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		12,167	11,514
CREDITORS: amounts falling due after more than one year	20	<u>-</u>	<u>(37)</u>
NET ASSETS EXCLUDING PENSION DEFICIT		12,167	11,477
PENSION DEFICIT	24	<u>(11,978)</u>	<u>(4,578)</u>
NET ASSETS		<u>189</u>	<u>6,899</u>
CAPITAL AND RESERVES	21		
Unrestricted funds			
- General reserve	22	2,968	3,770
- Pension scheme reserve	22	(11,978)	(4,578)
- Revaluation reserve	22	880	(489)
- Designated reserves	22	3,184	3,310
		<u>(4,946)</u>	<u>2,013</u>
Restricted funds	22	5,135	4,886
TOTAL CAPITAL AND RESERVES		<u>189</u>	<u>6,899</u>

The financial statements of Quarriers, registered company number SC 14361, were approved by the Board of Trustees on 2 August 2010.

Signed on behalf of the Board of Trustees by



Mr Roger C Mills



Mr Leslie G Campbell

QUARRIERS

CASH FLOW STATEMENT Year ended 31 March 2010

	Notes to the cash flow statement	2010 £'000	2009 £'000
Net cash inflow from operating activities	(i)	1,207	1,448
Returns on investments and servicing of finance	(ii)	57	19
Capital expenditure and financial investment	(ii)	(658)	(2,092)
Net cash outflow before financing		606	(625)
Financing	(ii)	(200)	800
Increase in cash	(iii)	406	175

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT Year ended 31 March 2010

	2010 £'000	2009 £'000
Increase in cash in the year	406	175
Decrease/(increase) in debt financing	200	(800)
Change in net funds resulting from cash flows and movement in net debt in the year	606	(625)
Opening net debt	(1,633)	(1,008)
Closing net debt	(1,027)	(1,633)

The notes to the cash flow statement are included on pages 20 and 21.

QUARRIERS

NOTES TO THE CASH FLOW STATEMENT

Year ended 31 March 2010

(i) **RECONCILIATION OF NET INCOMING RESOURCES TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2010 £'000	2009 £'000
Net outgoing resources per Statement of Financial Activities	(635)	(453)
Gain on sale of tangible fixed assets	-	(1)
Interest receivable and investment income (note 12)	(96)	(147)
Interest payable and similar charges (note 13)	777	455
Depreciation	1,273	1,222
(Increase)/decrease in debtors	(17)	1,123
Increase/(decrease) in creditors	339	(278)
Difference between FRS 17 service cost and contributions	(434)	(473)
	<hr/>	<hr/>
Net cash inflow from operating activities	1,207	1,448
	<hr/>	<hr/>

(ii) **GROSS CASH FLOWS**

	2010 £'000	2009 £'000
Returns on investment and servicing of finance		
Interest received	6	45
Interest paid	(39)	(128)
Investment income	90	102
	<hr/>	<hr/>
	57	19
	<hr/>	<hr/>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(667)	(1,705)
Receipts from sales of tangible fixed assets	-	3
Payments to acquire investments	(445)	(1,165)
Receipts from sales of investments	454	775
	<hr/>	<hr/>
	(658)	(2,092)
	<hr/>	<hr/>
Financing		
Revolving credit facility (repayment)/advance	(200)	800
	<hr/>	<hr/>

QUARRIERS

NOTES TO THE CASH FLOW STATEMENT (CONTINUED) Year ended 31 March 2010

(iii) ANALYSIS OF CHANGES IN NET DEBT

	2009 £'000	Cash flows £'000	2010 £'000
Cash at bank and in hand	967	406	1,373
Bank revolving credit and term loan	(2,600)	200	(2,400)
Net debt	<u>(1,633)</u>	<u>606</u>	<u>(1,027)</u>

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2010

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 2006.

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.

Basis of preparation

The charity's activities and principal risks are described in the directors' report. Having considered forecast results including reasonably possible sensitivities, together with banking facilities available to the charity, the directors have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Group financial statements

The company does not prepare consolidated group financial statements as it is entitled for the year ended 31 March 2010 to the exemption conferred by Section 405 of the Companies Act 2006, 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 recognised as income when there is legal entitlement, certainty of receipt and the amount can be quantified with reasonable accuracy.

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.

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:

Buildings	- 20 to 50 years
Building improvements	- up to 10 years
Motor vehicles	- 3 to 4 years
Plant & equipment	- 3 to 10 years
Fixtures & fittings	- 3 to 10 years

Land is not depreciated.

Assets in the course of construction are not depreciated until brought into use.

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.

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **Year ended 31 March 2010**

1. ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are recorded at market valuation. Realised gains and losses are included in determining net income for the purposes of the Companies Act 2006. Unrealised gains and losses are included in the statement of total recognised gains and losses and recorded in an investment revaluation reserve. Both realised and unrealised gains and losses are included in the Statement of Financial Activities.

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 payable/(receivable) are charged/(credited) 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 24 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

Certain project funding surpluses are recorded within restricted reserves or designated reserves depending on the nature of the related funding.

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

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

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 March 2010

2. INCOMING RESOURCES FROM GENERATED FUNDS

	2010 £'000	2009 £'000
VOLUNTARY INCOME		
Individual giving	810	830
Community fundraising	101	55
Corporate donations	10	19
Legacies	171	353
Training grants	76	71
Trusts and grant making bodies	75	151
Appeal planning	10	-
	<u>1,253</u>	<u>1,479</u>

In addition, grants awarded to restricted projects amounting to £181,000 (2009 - £541,000) were applied for by the fundraising department and are shown within incoming resources from charitable activities.

At 31 March 2010, Quarriers had been notified of potential legacies receivable totalling £Nil (2009 - £14,000) which had not yet been recognised as income in line with the related accounting policy.

At 31 March 2010, Quarriers had been notified of potential funding grants in respect of the National Epilepsy Centre appeal, not yet recognised as income, totalling £2,000,000 contingent on additional work being carried out on the service model and £200,000 contingent on the total balance of funds required to complete the Centre being raised (2009 - £Nil).

ACTIVITIES FOR GENERATING FUNDS

Major fundraising events	151	185
Conferences and courses	49	36
Gardening contract	24	-
	<u>224</u>	<u>221</u>

INVESTMENT INCOME

Dividends	90	102
Bank interest	6	45
Property rental income	265	516
	<u>361</u>	<u>663</u>

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 March 2010

3. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	Local authority fees £'000	Grants £'000	Other funding £'000	Total 2010 £'000	Total 2009 £'000
Adult disability	19,673	1,022	15	20,710	19,883
Children and families	5,967	3,285	125	9,377	10,386
Epilepsy	4,772	90	27	4,889	4,813
Young adults	5,261	765	87	6,113	5,860
	<u>35,673</u>	<u>5,162</u>	<u>254</u>	<u>41,089</u>	<u>40,942</u>

As detailed in the Directors' Report, the main objectives and activities for the year previously focussed on eight thematic areas of care and support. During the year these were reviewed and streamlined to four sub brands. Prior year comparatives above have been represented accordingly.

Of the £5,162,000 (2009 - £5,522,000) grants released during the year, £4,928,000 (2009 - £4,600,000) related to grant income from Local Authorities and the Scottish Government.

The following grants were received during the current year and the prior year and treated as restricted funds:

Big Lottery Fund Grant People's Millions - Seafield School £Nil (2009 - £85,000)
 Big Lottery Fund Grant Young Peoples Fund -VIP Group £43,000 (2009 - £59,000)
 Comic Relief Young Carers Programme managed by Princess Royal Trust for Carers £10,000 (2009 - £21,000)
 Fairer Scotland Fund (Greater Pollok & Newlands/Auldburn) - Greater Pollok Educational Inclusion Project
 £140,000 (2009 - £140,000)
 Fairer Scotland Fund (CE West) - Quarriers Homelife Phase 2 £70,000 (2009 - £70,000)
 TACIS - Taganka £Nil (2009 - £133,000)
 Baily Thomas Charitable Fund - Break-a-way £Nil (2009 - £10,000)
 Big Lottery Fund Grant Investing in Ideas - Forth Valley Acquired Brain Injury Service £9,000 (2009 - £Nil)

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 March 2010

4. COSTS OF GENERATING FUNDS

	2010 £'000	2009 £'000
COSTS OF GENERATING VOLUNTARY INCOME		
Individual giving	524	683
Community fundraising	61	30
Corporate donations	7	21
Legacies	20	41
Trusts and grant making bodies	45	36
Appeal planning	262	139
Awareness raising	146	130
	<u>1,065</u>	<u>1,080</u>

£179,000 (2009 - £294,000) of individual giving expenditure relates to upfront payments for donor recruitment. The related income will be received over many years in the future.

FUNDRAISING TRADING

Major fundraising events	115	107
Conferences and courses	51	48
	<u>166</u>	<u>155</u>

INVESTMENT MANAGEMENT COSTS

Investment manager's costs	12	15
Bank charges and interest payable	39	129
Property rental costs	219	422
	<u>270</u>	<u>566</u>

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 March 2010

5. COSTS OF CHARITABLE ACTIVITIES

	2010 Direct costs £'000	2010 Support costs £'000	2010 Total £'000	2009 Direct costs £'000	2009 Support costs £'000	2009 Total £'000
Adult disability	20,065	1,240	21,305	19,577	1,022	20,599
Children and families	9,282	513	9,795	10,173	475	10,648
Epilepsy	4,448	243	4,691	4,496	212	4,708
Young adults	5,801	297	6,098	5,585	246	5,831
	<u>39,596</u>	<u>2,293</u>	<u>41,889</u>	<u>39,831</u>	<u>1,955</u>	<u>41,786</u>

The activities underlying the costs above are described in the Directors' Report. As detailed in the Directors' Report, the main objectives and activities for the year previously focussed on eight thematic areas of care and support. During the year these were reviewed and streamlined to four sub brands. Prior year comparatives above have been represented accordingly.

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

SUPPORT COSTS

2010	2010 Allocated to the cost of charitable activities £'000	2010 Allocated to costs of generating voluntary income £'000	2010 Allocated to governance costs £'000	2010 Total £'000
Finance	460	-	82	542
Human resources	446	-	6	452
Information technology	133	-	-	133
Management and administration	176	-	-	176
Communications	68	58	-	126
Grant applications	47	23	-	70
Property	225	14	-	239
FRS 17 net pension finance cost	738	-	-	738
	<u>2,293</u>	<u>95</u>	<u>88</u>	<u>2,476</u>

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 March 2010

5. COSTS OF CHARITABLE ACTIVITIES (CONTINUED)

2009	2009 Allocated to the cost of charitable activities £'000	2009 Allocated to costs of generating voluntary income £'000	2009 Allocated to governance costs £'000	2009 Total £'000
Finance	509	-	85	594
Human resources	457	-	7	464
Information technology	125	-	-	125
Management and administration	170	-	-	170
Communications	67	55	-	122
Grant applications	93	36	-	129
Property	207	12	-	219
FRS 17 net pension finance cost	327	-	-	327
	<u>1,955</u>	<u>103</u>	<u>92</u>	<u>2,150</u>

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

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

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

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

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

6. GOVERNANCE COSTS

	2010 £'000	2009 £'000
Internal audit	37	37
External audit (inclusive of VAT)	31	29
Apportionment of Executives' costs (based on time spent)	49	46
Company secretariat	11	16
Annual accounts and committee papers	44	44
	<u>172</u>	<u>172</u>

Governance costs relate to the general running of the charity and include the operations of the Board of Trustees 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 (CONTINUED)

Year ended 31 March 2010

8. NET OUTGOING RESOURCES

	2010 £'000	2009 £'000
'Net outgoing resources' is stated after charging the following items:		
Auditors' remuneration - audit services (inclusive of VAT)	31	29
Depreciation of owned assets	1,273	1,222
Operating lease rentals - plant and machinery	409	424
- land and buildings	950	889
Directors' and officers' indemnity insurance	13	6

The auditors, Deloitte LLP, also received amounts of £8,000 (2009 - £7,000), inclusive of VAT, in respect of the audit of the Quarriers pension scheme, which were settled by the pension scheme.

9. (LOSSES)/GAINS ON SALE OF FIXED ASSETS

	2010 £'000	2009 £'000
Gain on disposal of tangible fixed assets	-	1
Loss on disposal of investments	(347)	(207)
	<u>(347)</u>	<u>(206)</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 £1,769 (2009 - £106) were paid to two directors (2009 - one) during the year.

Indemnity insurance has continued to be purchased during the year to protect directors and officers from loss arising from breach of duty, trust, neglect, error, misstatement, omission, or any other act committed by any director or officer solely in the course of their activities for Quarriers.

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 March 2010

11. STAFF COSTS

	2010 £'000	2009 £'000
Wages and salaries	29,789	29,445
Social security costs	2,392	2,407
Pension costs	1,287	1,296
	<u>33,468</u>	<u>33,148</u>
Pension costs can be analysed as follows:		
FRS 17 current service cost (see note 24)	1,175	1,185
Defined contribution pension costs (see note 24)	112	111
	<u>1,287</u>	<u>1,296</u>

In addition to the above pension costs, an actuarial loss of £7,096,000 (2009 - gain of £1,609,000) has been recorded in the statement of total recognised gains and losses and the statement of financial activities and a FRS 17 net finance cost of £738,000 (2009 - net finance cost of £327,000) has been included within the statement of financial activities.

	No	No
The average weekly number of employees during the year was as follows:		
Administration	164	164
Social care, domestic and other	1,840	1,830
	<u>2,004</u>	<u>1,994</u>

During the year, one employee had emoluments (excluding pension contributions) within the band £95,000 to £99,999 (2009 - one employee in the band £95,000 - £99,999). This employee has a defined benefit pension accruing. Two employees had emoluments (excluding pension contributions) within the band £60,000 to £64,999 (2009 - three).

12. INTEREST RECEIVABLE AND INVESTMENT INCOME

	2010 £'000	2009 £'000
Income from listed investments	90	102
Bank interest receivable	6	45
	<u>96</u>	<u>147</u>

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 March 2010

13. INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £'000	2009 £'000
FRS 17 net pension finance cost (see note 24)	738	327
Bank loans and overdrafts	39	128
	<u>777</u>	<u>455</u>

14. TAXATION

Quarriers has been granted charitable status by HM Revenue and Customs 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 2009	13,872	188	1,866	962	16,888
Additions	516	3	120	28	667
Disposals	(1)	-	-	-	(1)
At 31 March 2010	<u>14,387</u>	<u>191</u>	<u>1,986</u>	<u>990</u>	<u>17,554</u>
Accumulated depreciation					
At 1 April 2009	4,666	159	1,413	770	7,008
Charge for the year	895	16	259	103	1,273
Disposals	-	-	-	-	-
At 31 March 2010	<u>5,561</u>	<u>175</u>	<u>1,672</u>	<u>873</u>	<u>8,281</u>
Net book value					
At 31 March 2010	<u>8,826</u>	<u>16</u>	<u>314</u>	<u>117</u>	<u>9,273</u>
At 31 March 2009	<u>9,206</u>	<u>29</u>	<u>453</u>	<u>192</u>	<u>9,880</u>
Net book value of assets used directly for charitable purposes					
At 31 March 2010	<u>7,942</u>	<u>16</u>	<u>274</u>	<u>96</u>	<u>8,328</u>
At 31 March 2009	<u>8,410</u>	<u>29</u>	<u>383</u>	<u>169</u>	<u>8,991</u>

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.

The net book value of assets includes £103,000 (2009 - £16,000) in respect of property assets currently being used for rental purposes. These properties are temporarily surplus to functional requirements.

The net book value of assets includes £534,000 (2009 - £393,000) in respect of property assets in the course of construction.

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 March 2010

16. INVESTMENTS

	2010 £'000	2009 £'000
Cost		
As at 1 April 2009	2,832	2,646
Additions	445	1,165
Disposals	(800)	(980)
As at 31 March 2010	<u>2,477</u>	<u>2,832</u>
Composed of:		
Listed investments:		
Listed on London Stock Exchange	2,373	2,728
Overseas investments	102	102
Unlisted investments	2	2
As at 31 March 2010	<u>2,477</u>	<u>2,832</u>
Market Value		
As at 1 April 2009	2,343	3,120
Additions	445	1,165
Disposals at 1 April 2009 market value	(361)	(947)
Gains/(losses) in year	<u>2,427</u>	<u>3,338</u>
As at 31 March 2010	<u>929</u>	<u>(995)</u>
	<u>3,356</u>	<u>2,343</u>

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 2009 - £47 (2008 - £47) Result before tax for the year to 31 December 2009 - £Nil (2008 - £Nil)	Scotland
Gottar Limited	Design and build company. Net liabilities at 29 February 2010 - £2,000 (2009 - Net liabilities £12,000) Profit before tax for the year to 29 February 2010 - £9,000 (2009 - loss £1,000)	Scotland
Strathgryffe Limited	Property management company. Net assets at 31 March 2010 - £5,000 (2009 - £4,000) Profit before tax for the year to 31 March 2010 - £1,000 (2009 - £1,000)	Scotland

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 March 2010

17. DEBTORS

	2010 £'000	2009 £'000
Trade debtors	3,322	3,494
Other debtors	15	15
Amounts owed by subsidiary undertakings	-	11
Prepayments and accrued income	539	339
	<u>3,876</u>	<u>3,859</u>

No debtors are due after more than one year.

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £'000	2009 £'000
Bank revolving credit and term loan	2,400	2,600
Trade creditors	770	484
Other taxes and social security costs	685	727
Other creditors	373	381
Deferred grant income (see note 19)	265	324
Accruals and other deferred income	1,212	1,015
Amounts owed to subsidiary undertakings	6	4
	<u>5,711</u>	<u>5,535</u>

The bank revolving credit and term loan facilities are secured by fixed securities over various properties. An additional bank overdraft facility is secured by a standard security over Laing Shrewsbury House (Head Office).

Included within other creditors are pension contributions payable amounting to £170,000 (2009 - £178,000).

19. DEFERRED GRANT INCOME

	£'000
As at 1 April 2009	324
Received during the year	4,180
Released during the year	<u>(4,239)</u>
As at 31 March 2010	<u>265</u>

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 March 2010

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

	2010 £'000	2009 £'000
Other creditors	-	37

21. SHARE CAPITAL

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

22. RESERVES

	As at 1 April 2009 £'000	Income £'000	Expenditure £'000	Investment gains/(losses) £'000	Pension scheme movements £'000	Transfers £'000	As at 31 March 2010 £'000
General reserve	3,770	12,119	(12,537)	(347)	304	(340)	2,968
Pension scheme reserve	(4,578)	-	-	-	(7,400)	-	(11,978)
Revaluation reserve	(489)	-	-	1,368	-	-	880
Designated funds							
Fixed assets fund	1,721	-	-	-	-	(166)	1,555
Revolving credit facility fund	456	-	-	-	-	79	535
Other funds	1,133	-	-	-	-	(39)	1,094
Total designated funds	3,310	-	-	-	-	(126)	3,184
Total unrestricted funds	2,013	12,119	(12,537)	1,021	(7,096)	(466)	(4,946)
Restricted funds	4,886	30,808	(31,025)	-	-	466	5,135
Total funds	6,899	42,927	(43,562)	1,021	(7,096)	-	189

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.

23. CAPITAL COMMITMENTS

	2010 £'000	2009 £'000
Contracted for, but not provided	129	262

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 March 2010

24. PENSION COSTS

The company operates a defined benefit pension scheme, the Quarriers Pension Scheme, providing retirement benefits based on final salary upon retirement. The assets of the scheme are held separately from those of the company in a trustee-administered fund. Company contributions paid in the year were £1,465,000 (2009 - £1,552,000) plus death-in-service insurance premiums of £144,000 (2009 - £106,000). Contributions amounting to £109,000 (2009 - £114,000) were payable to the fund at 31 March 2010. No additional contributions were paid in respect of ill health retirement.

Contributions of £49,000 have also been made in the year to a defined contribution stakeholder scheme (2009 - £42,000) and £63,000 to a scheme for teachers (2009 - £69,000). 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.

Actuarial valuation and contribution levels

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 2007. The existing recommended contribution levels necessary to meet future liabilities of the scheme are 6% of pensionable salary for members and 15.1% of pensionable salary for the employer, plus the cost of insuring death-in-service benefits. Under the funding schedule agreed with the scheme trustees, Quarriers aims to eliminate the current deficit over the next 17 years. The estimated amounts of contributions expected to be paid to the scheme during the year ended 31 March 2011 is £1.5 million.

FRS 17

The figures below have been based on the actuarial valuation as at 1 November 2007, updated to 31 March 2010. 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 main actuarial assumptions used at the balance sheet date were as follows:

	2010 %	2009 %
Rate of inflation	3.5	2.7
Salary increase rate	3.5	4.0
Increases for pensions in payment - pre April 1997	3.0	3.0
- April 1997 to April 2005	3.5	2.7
- post April 2005	2.5	2.5
Revaluation of deferred pensions	3.5	2.7
Liability discount rate	5.5	6.7
Expected return on scheme assets	5.7	4.8
	2010	2009
	Years	Years
Mortality assumptions - life expectancy on retirement		
Pensioners - male	21.5	21.4
Pensioners - female	23.8	23.7
Non-pensioners - male	22.6	22.5
Non-pensioners - female	24.8	24.8

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 March 2010

24. PENSION COSTS (continued)

FRS 17 (continued)

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:

	2010 £'000	2010 Rate of return	2009 £'000	2009 Rate of return
Equities	13,777	7.40%	8,674	6.75%
Bonds	11,613	5.00%	10,056	5.20%
Cash	2,776	0.50%	5,095	0.50%
Total fair value of assets	28,166		23,825	
Present value of scheme liabilities	(40,144)		(28,403)	
Deficit in the scheme	(11,978)		(4,578)	

During the prior year the pension scheme changed investment managers, and as a consequence some investments were sold. This temporary increase in cash was reflected at the prior year end and is being re-invested over a phased period in line with the agreed investment strategy.

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

	2010 £'000	2009 £'000
Current service cost	1,175	1,185

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

	2010 £'000	2009 £'000
Expected return on pension scheme assets	1,144	1,601
Interest on pension scheme liabilities	(1,882)	(1,928)
Net finance cost	(738)	(327)

Amounts of actuarial gains/(losses) recognised in the statement of total recognised gains and losses ('STRGL'):

	2010 £'000	2009 £'000
Amount recognised during the year	(7,096)	1,609
Cumulative amount recognised	(5,541)	1,555

The actual return on scheme assets was a gain of £4,351,000 (2009 – loss of £1,227,000).

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 March 2010

24. PENSION COSTS (continued)

FRS 17 (continued)

Movements in the present value of scheme assets were as follows:

	2010 £'000	2009 £'000
Assets at start of year	23,825	24,077
Expected return on assets	1,144	1,601
Actuarial gain/(loss)	3,207	(2,828)
Employer contributions	1,465	1,552
Employee contributions	431	463
Benefits paid	(1,906)	(1,040)
Assets at end of year	<u>28,166</u>	<u>23,825</u>

Movements in the present value of defined benefit obligations were as follows:

	2010 £'000	2009 £'000
Liabilities at start of year	28,403	30,410
Current service cost	1,175	1,185
Interest cost	1,882	1,928
Employee contributions	431	463
Actuarial (gain)/loss	10,303	(4,437)
Death in service insurance premiums	(144)	(106)
Benefits paid	(1,906)	(1,040)
Liabilities at end of year	<u>40,144</u>	<u>28,403</u>

Five year history:

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Scheme assets	28,166	23,825	24,077	23,967	21,738
Scheme liabilities	(40,144)	(28,403)	(30,410)	(29,611)	(28,316)
Deficit in the scheme	<u>(11,978)</u>	<u>(4,578)</u>	<u>(6,333)</u>	<u>(5,644)</u>	<u>(6,578)</u>
Experience adjustments on scheme assets	3,207	(2,828)	(2,388)	(410)	3,128
Experience adjustments on scheme liabilities	(824)	(594)	(108)	44	-

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 March 2010

24. PENSION COSTS (continued)

FRS 17 (continued)

The impact of the FRS 17 pension deficit on unrestricted funds at 31 March 2010 is as follows:

	2010 £'000	2009 £'000
Unrestricted funds excluding pension deficit	7,032	6,591
FRS 17 pension deficit	(11,978)	(4,578)
Unrestricted funds including pension deficit	<u>(4,946)</u>	<u>2,013</u>

25. FINANCIAL COMMITMENTS

Operating leases

Annual obligations under operating leases which expire:

	2010 Land & buildings £'000	2010 Other £'000	2009 Land & buildings £'000	2009 Other £'000
Within one year	469	23	428	24
Between two and five years	51	330	132	361
In more than five years	334	2	346	1
	<u>854</u>	<u>355</u>	<u>906</u>	<u>386</u>

Secured assets

During the year ended 31 March 2009, Quarriers agreed with the Quarriers Pension Scheme a contingent asset agreement whereby the scheme holds security over Quarriers tangible fixed assets to the value of £2,650,000.

26. SUBSIDIARY COMPANY TRANSACTIONS

During the year the company made purchases of a total value of £16,000 (2009 - £5,000) from Gottar Limited, a subsidiary company, and made sales to Gottar Limited of a total value of £5,000 (2009 - £5,000).

At 31 March 2010, the company owed £1,000 to Gottar Limited (2009 - Gottar owed Quarriers £10,000).

During the year the company made purchases of a total value of £19,000 (2009 - £19,000) from Strathgryffe Limited, a subsidiary company, and made sales to Strathgryffe Limited of a total value of £18,000 (2009 - £18,000).

At 31 March 2010, the company owed £5,000 (2009 - £4,000) to Strathgryffe Limited.