

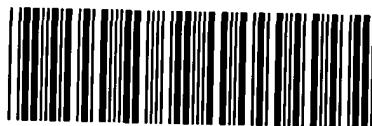
Company Registration No. SC014361
Charity No. SC001960
Registered in Scotland

QUARRIERS

Annual Report and Financial Statements

For the year ended 31 March 2016

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QUARRIERS

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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QUARRIERS

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS (TRUSTEES)

| | |
|------------------------|--|
| Mr Thomas Scholes | Chair (from 01 June 2015) Vice Chair (up to 01 June 2015) |
| Mrs Trish Godman | Chair (up to 01 June 2015) |
| Mr David Adams | (up to 17 August 2015) |
| Ms Patricia Cunningham | |
| Ms Ann Dougan | (up to 13 June 2016) |
| Mr Graham Findlay | |
| Mrs Sheila Gillies | Vice Chair (from 01 June 2015) |
| Mr Michael Greaves | |
| Mr Andrew Kubski | (from 13 June 2016) |
| Mrs Margaret McManus | (up to 11 January 2016) |
| Mr Donald McRae | |
| Mr George Peacock | (from 13 June 2016) |
| Mr David Watt | |
| Mrs Alison Welsh | |

EXECUTIVE DIRECTORS (KEY MANAGEMENT PERSONNEL)*

| | |
|----------------------|---|
| Mrs Alice Harper | Chief Executive |
| Mr Andrew Williamson | Service Director and Deputy Chief Executive |
| Mr Barry Ashcroft | Director of IT and Information Management |
| Ms Karen Croan | Director of Human Resources (up to 27 May 2016) |
| Mr Niall MacPherson | Director of Finance and Corporate Services |

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

COMPANY SECRETARY

| | |
|------------------------|------------------------|
| Ms Hazel Cummings | (from 17 August 2015) |
| Mr Christopher Harwood | (up to 17 August 2015) |

REGISTERED OFFICE

Quarriers
Quarriers Village
Bridge of Weir
Renfrewshire PA11 3SX

INDEPENDENT AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2DB

**QUARRIERS
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

OFFICERS AND PROFESSIONAL ADVISERS (CONTINUED)

INVESTMENT MANAGERS

Brewin Dolphin (from 27 January 2016)
48 St Vincent Street
Glasgow
G2 5TS

Speirs & Jeffrey (up to 27 January 2016)
Stockbrokers
36 Renfield Street
Glasgow
G2 1NA

SOLICITORS

Brechin Tindal Oatts
48 St Vincent Street
Glasgow
G2 5HS

Brodies LLP Solicitors
110 Queen Street
Glasgow
G1 3BX

DWF LLP
110 Queen Street
Glasgow
G1 3HD

PENSION SCHEME ADMINISTRATORS AND CONSULTANTS

Thomson Dickson Consulting Ltd
45 West Nile Street
Glasgow
G1 2PT

Punter Southall
7 Castle Street
Edinburgh
EH2 3AH

BANKERS

Bank of Scotland
Level 3
110 St Vincent Street
Glasgow
G2 5ER

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

QUARRIERS

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

QUARRIERS SUB-COMMITTEES

The directors review the day-to-day business of the charity through the Audit Committee, the Finance & General Purposes Committee and the Service 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 effectiveness of internal controls, risk management systems and takes an overview of the work plans of internal audit and health and safety. In addition, it monitors the relationship with the external auditor and reviews the annual financial statements before submission to the Board of Trustees.

Members

| | |
|------------------------|--------------------|
| Mr David Watt | Chair |
| Ms Patricia Cunningham | (from 12 May 2015) |
| Mr Donald McRae | (from 12 May 2015) |

Finance & General Purposes Committee

The Finance & 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 Donald McRae | Chair (from 01 June 2015) |
| Mr Thomas Scholes | Chair (up to 01 June 2015) |
| Mr David Adams | (up to 17 August 2015) |
| Mr Graham Findlay | |
| Mrs Trish Godman | |

Services Committee

The Services Committee meets six times per year and reviews inspection and operational reports to monitor the quality of services. The performance of the business development unit is also considered.

Members

| | |
|----------------------|-------------------------|
| Mrs Sheila Gillies | (Chair) |
| Mrs Trish Godman | |
| Mr Michael Greaves | |
| Mrs Margaret McManus | (up to 11 January 2016) |

QUARRIERS

TRUSTEES' REPORT

The trustees, who are also directors of the company, present their annual report (including the Strategic Report) on the affairs of the charity, together with the audited financial statements and auditor's report for the year ended 31 March 2016. The following items have been disclosed in the Strategic Report – use of financial instruments, policy for those with a disability, action on employee participation and future developments.

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.

Quarriers is a charitable company (Scottish Charities Registration Number SC001960) limited by guarantee and does not have a share capital. It is a public benefit entity. It was incorporated on 30 October 1926. The company 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.

Organisational Structure

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. The terms directors and trustees are used interchangeably throughout this report. Quarriers' Board of Trustees is responsible for guarding the mission, objectives and values of the organisation, overseeing its direction and control and ensuring it receives appropriate information and advice to carry out its statutory and corporate responsibilities. It is also responsible for regularly reviewing the organisation's future plans and commitments and reviewing and mitigating any associated risks. The Board of Trustees meets a minimum of six times per year.

Day to day management of the organisation is delegated to the Chief Executive and Executive Directors.

The Board of Trustees operates three committees: the Audit Committee, the Finance & General Purposes Committee and the Services Committee, all of which have clear terms of reference, and meet regularly throughout the year to govern the work of the Executive Directors. Composition and terms of reference of these committees are shown on page 3.

The charitable company has three subsidiaries whose results are not consolidated. Further details of the performance are given in note 19.

Trustees' recruitment, induction and training

Trustees are recruited following best practice guidelines as set out in the National Council of Voluntary Organisations (NCVO): *The Good Trustee Guide* and regulators requirements relating to '*fit and proper assessment*'. 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 Trustees member. All Trustees are encouraged to attend training in both governance and specific areas of interest and relevance to their role within the charity.

Directors

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

QUARRIERS

TRUSTEES' REPORT (CONTINUED)

AUDITOR

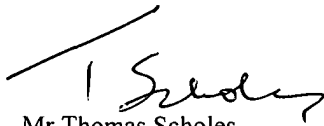
Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditor is 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 auditor is aware of that information.

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

In order to follow best practice the directors decided that it was appropriate to tender the Quarriers audit for the year commencing 1st April 2016. Given their longstanding tenure as auditors Deloitte LLP did not participate in this process. Following this competitive process a resolution to appoint French Duncan LLP as the company's auditor 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 Thomas Scholes

22 August 2016

QUARRIERS

STRATEGIC REPORT

MISSION AND OBJECTIVES

Quarriers' mission is to help vulnerable people to enjoy their lives by enabling them to achieve their full potential.

Our objectives are to provide practical support and care for children, young people, adults and families at any stage of their lives. We challenge inequality of opportunity and choice to bring about positive change in people's lives. We promote the relief of disability, poverty, illness and suffering and the advancement of education. We do this through the provision of residential care services, specialist epilepsy services, support for those with learning difficulties, provision of respite care, carer services and support for the young homeless.

ACHIEVEMENTS AND PERFORMANCE

Quarriers continues to deliver a diverse range of high quality services. Due to the nature of our operating model and reliance on local authority expenditure, we continue to feel the effect of the increasing public sector deficit which has impacted on social care and health budgets across the UK. This is reflected in the following metrics of which 10 out of 19 have either reduced or remained static:-

| | | 2016 | 2015 | |
|---------------------|---|--------|--------|----------|
| | | No. | No. | Movement |
| Adult Disability | No. of people supported in their own homes and residential care homes | 346 | 342 | 1% |
| | No. of days of adult respite care provided | 7,780 | 7,647 | 2% |
| | No. of adult family placements | 14 | 13 | 8% |
| Children & Families | No. of young people with a disability supported in residential services | 9 | 10 | -10% |
| | No. of days of residential respite care provided for children with disabilities | 5,312 | 5,577 | -5% |
| | No. of children with a disability utilised family-based short break services | 25 | 41 | -39% |
| | No. of children supported by family support services | 687 | 582 | 18% |
| | No. of children supported by flexible childcare at home services | 155 | 139 | 12% |
| | No. of young people with complex needs and behaviours supported in residential services | 7 | 4 | 75% |
| | No. of child fostering placements supported | 4 | 4 | - |
| | No. of adult carers directly benefited | 1,604 | 1,704 | -6% |
| | No. of young carers directly benefited | 187 | 214 | -13% |
| | No. of adults supported by drug and alcohol service | 525 | - | 100% |
| | No. of patients admitted to Scottish Epilepsy Centre | 123 | 130 | -5% |
| Epilepsy Services | No. of outpatients treated at Scottish Epilepsy Centre | 182 | 164 | 11% |
| | No. of people supported in small care homes and supported living services | 83 | 83 | - |
| | No. of contacts by Epilepsy Fieldwork services in North East | 16,982 | 15,476 | 10% |
| Young Adults | No. of nights supported accommodation provided | 32,859 | 41,762 | -21% |
| | No. of young people supported in their own tenancies | 64 | 78 | -18% |

QUARRIERS

STRATEGIC REPORT (CONTINUED)

ACHIEVEMENTS AND PERFORMANCE (CONTINUED)

Despite this, we have managed to win significant pieces of new business, mainly within Adult & Young Carer services in Aberdeenshire and, notably a new Drug & Alcohol Support service in Moray. These new services will provide recurring revenue streams for at least the next three years. In addition, we were successfully placed on seven local authority frameworks, two of which will allow access to new geographic areas. These successes have been offset by the loss of a Homelessness Support service in North Ayrshire following a competitive tender process.

Of particular note this year is the performance of the fundraising team which exceeded its £3.0m income target (restricted/unrestricted) by £0.4m. This is particularly encouraging in light of the competitive fundraising environment.

Compliance costs in the social care sector continue to increase, and consequently we remain committed to ensuring that Head Office support costs remain aligned to the needs of front-line services. During the year a number of Head Office posts became redundant following a restructuring. This included the post of Director of Human Resources & Organisational Development. Because of this increasing cost pressure, all new business opportunities are fully costed to ensure full cost recovery as far as is practical.

FINANCIAL REVIEW

Results for the year

Overall incoming resources decreased by £0.5m to £41.7m (2015: £42.2m) due to a reduction in income from Adult Disability and Young Adults services. Donations and legacies increased during the year, resulting in an increase of £0.6m to £2.1m (2015: £1.5m). In addition, there was a gain on sale of fixed assets of £0.3m attributable to the disposal of Seafield School.

Total resources expended remained broadly in line with prior year at £41.6m (2015: £41.7m). Within this figure, expenditure related to donations and legacies increased £0.3m to £1.4m (2015: £1.1m) and expenditure on charitable activities reduced £0.2m to £39.7m (2015: £39.9m). Both of these movements are linked to movements in the related income.

During the year, the Board agreed to change the Investment Manager and consequently, several under-performing investments were sold. This crystallised a net loss on sale of investments of £0.9m (2015: gain of £0.1m). This loss was offset by an actuarial gain on the defined benefit pension scheme of £7.5m (2015: loss of £5.8m), resulting in a net movement of funds for the year of £6.8m (2015: £5.2m negative movement).

Going concern

Having considered forecast results including reasonably possible downside 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.

Financial instruments and credit risk

The charity's principal financial assets are bank balances and investments. The charity's only significant financial liabilities are £1.3m (2015: £1.5m) 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.

Investments

Quarriers investments are held in a combination of investment funds comprising equities, fixed income securities and cash. Investment policy is reviewed annually and performance against target set is reviewed quarterly. The charity maintain an ethical Investment policy which prohibits direct investment in businesses where the main activities include tobacco, aerospace or defence industries; an additional constraint is in place prohibiting investment in companies where there is any sign concerning the use of child labour. The portfolio continues to be managed on a total return basis with the objective of at least maintaining its value in real terms while meeting the requirement for increased income. During the year £1.9m of investments at cost were disposed of and £1.9m of additions were made. This contributed to an overall 12% decrease in market value to £4.4m (2015: £5.0m).

QUARRIERS

STRATEGIC REPORT (CONTINUED)

Pensions

The deficit on the defined benefit pension scheme, calculated in accordance with FRS102, decreased in the year under review to £6.4m, representing an improvement of £7.2m (53%) on the prior year. The major factors contributing to this improvement were an increased discount rate, revised mortality assumptions and the resolution of a long-standing “equalisation” issue. This issue meant that a provision within the books of the Quarriers pension scheme has been subject to a material reduction, which in turn has allowed more favourable assumptions in respect of the FRS 102 pension deficit to be adopted. During the year, the Board commenced a process of consultation to close the defined benefit pension scheme to future accrual.

Reserves

Unrestricted funds have increased by £6.8m (2015: £6.2m decrease), the majority of which is due to the improvement of the defined benefit pension scheme deficit noted above. Restricted funds remain static at £3.4m (2015: £3.4m).

It is the policy of Quarriers to retain an amount equivalent to 12 weeks’ operational expenditure in unrestricted reserves. The total unrestricted reserves at 31 March 2016 amounting to £14.0m represents approximately 18 weeks (2015: 9 weeks) at the current level of annual expenditure of £41.6m. This improvement is due to the reduction in the defined benefit pension scheme deficit. Having reviewed the level of unrestricted reserves in this context, the directors believe them to be sufficient to meet future requirements.

In setting the reserves policy the directors have established as designated reserves, monies that are committed in respect of planned expenditure or liabilities that are likely to crystallise. Restricted funds comprise funds that are subject to specific conditions imposed by the donor on how these funds can be spent.

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 98 (2015: 110).

Employee involvement

Facilities for the provision of information to employees and for consultation on matters of concern are available through the Human Resources Department. A total of 80 staff (2015: 100) have been involved in developing internal standards during the year. Additionally the organisation has implemented its Health and Well Being Strategy, progressed Healthy Working Lives accreditation, committed to the See Me campaign and engages on a regular basis as part of its recognition agreement with Unison.

PLANS FOR FUTURE PERIODS

The next 12 months will see the implementation of the Scottish Government’s “Fair Work” guidance which includes their commitment to deliver the Living Wage of £8.25 per hour to all adult social care workers by 1st October 2016. This represents a significant uplift from current rates and we will continue to work with Coalition of Care & Support Providers in Scotland (CCPS) and local authorities to agree an appropriate funding package.

In the context of increasing compliance costs, the Quarriers Board will implement a new Strategic Plan in 2017 which will focus on the continued delivery of high-quality services at financially viable prices. A key component of this new strategy will be Project Evolution, an organisational-wide management information system which will improve the way in which services are managed and delivered. The scheduled completion date is December 2017.

KEY MANAGEMENT REMUNERATION

It is the policy of Quarriers to ensure that Executive Directors are fairly rewarded for their contribution to organisational objectives. The remuneration of Executive Directors comprises annual salary, car allowance and employer pension contribution. Annual salaries are regularly benchmarked against industry averages.

QUARRIERS

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS

The Board of Trustees reviews on an annual basis the major risks to which the charity may be exposed and the systems which have been established to mitigate risks. The key components of Quarriers' risk management include:

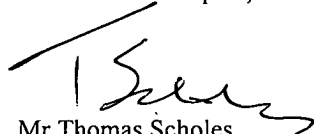
- A formal risk register which quantifies the likelihood and impact of business risks and the consequential actions required to mitigate those risks;
- A documented framework of delegated authority with procedures for reporting decisions;
- An approved annual budget against which progress is reported on a regular basis, including monthly financial reporting of actual results compared with budgets and forecasts; and
- Clear policies on whistleblowing, health and safety and complaints to ensure compliance with statutory regulations.

The key risks identified by the Directors are as follows:

| Risk | Mitigation |
|---|---|
| Failure to protect vulnerable groups appropriately leading to breach of contract with local authorities | Mandatory training implemented; Code of Conduct and enhanced Disclosure checks implemented. |
| Failure of staff to adhere to internal or external standards and quality assurance mechanisms not working appropriately | Mandatory training, Whistleblowing policy and Disciplinary procedures in place supplemented by regular internal audits to ensure compliance. |
| Significant negative media coverage resulting in damage to reputation | Active management of media channels; media protocols in place; media training for senior staff. |
| Loss of sensitive data | Data Protection Officer appointed; mandatory training; password controls in place augmented by Data Protection audit and IT Security Penetration testing. |
| Failure to adequately ensure the health, safety and welfare of employees and those Quarriers supports. | Mandatory training; safer recruitment procedures adopted and preventative maintenance programme in place. |

The controls and mitigating actions against each risk are designed to ensure that the Directors are satisfied that there are no risks that pose a significant threat to the organisation.

The Trustee's Report, including the Strategic Report, was approved by the Board and signed on its behalf by:



Mr Thomas Scholes

Chair of Trustees

22 August 2016

QUARRIERS

DIRECTORS' RESPONSIBILITIES STATEMENT

The trustees (who are also directors of Quarriers for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the trustees 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 surplus or deficit of the charitable company for that period. In preparing these financial statements, the trustees are required to:

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

The trustees 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 AUDITOR'S REPORT TO THE MEMBERS AND DIRECTORS OF QUARRIERS

We have audited the financial statements of Quarriers for the year ended 31 March 2016 which comprise the statement of financial activities (including the income and expenditure account), the balance sheet, the cash flow statement including the notes thereto and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the charitable company's members and the trustees those matters we are required to state to them in an auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the trustees (who are also the directors of the charity for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

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

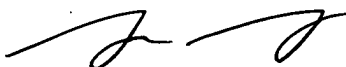
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- the charitable company has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



James Boyle CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Edinburgh, United Kingdom

22 AUGUST 2016

Deloitte LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006 and consequently to act as the auditor of a registered charity.

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) For the year ended 31 March 2016

| | Note | Unrestricted funds | | | Total 31 March 2016 £'000 | Total As restated 31 March 2015 £'000 |
|--|------|---------------------------|------------------------------|------------------------------|------------------------------------|---|
| | | General Funds £'000 | Designated Funds £'000 | Restricted Funds £'000 | | |
| Income from: | | | | | | |
| Donations and legacies | 3 | 1,907 | - | 182 | 2,089 | 1,479 |
| Charitable activities | 4 | 31,708 | - | 6,815 | 38,523 | 39,727 |
| Other trading activities | 5 | 258 | - | - | 258 | 477 |
| Investments | 6 | 617 | - | (96) | 521 | 503 |
| Gain on sale of fixed assets | | 321 | - | - | 321 | - |
| TOTAL INCOME | | 34,811 | - | 6,901 | 41,712 | 42,186 |
| Expenditure on: | | | | | | |
| Raising donations and legacies | 7 | 1,354 | - | - | 1,354 | 1,133 |
| Charitable activities | 8 | 32,758 | - | 6,910 | 39,668 | 39,852 |
| Other trading activities | 9 | 141 | - | - | 141 | 240 |
| Investment management costs | 10 | 414 | - | - | 414 | 430 |
| Loss on sale of fixed assets | | - | - | - | - | 5 |
| TOTAL EXPENDITURE | | 34,667 | - | 6,910 | 41,577 | 41,660 |
| Net income/(expenditure) before investment gains/(losses) | | 144 | - | (9) | 135 | 526 |
| Net (losses)/gains on investments | | (873) | - | - | (873) | 93 |
| NET (EXPENDITURE)/INCOME | | (729) | | (9) | (738) | 619 |
| Transfers between funds | 26 | 256 | (273) | 17 | - | - |
| Other recognised gains/(losses) | | | | | | |
| Actuarial gains/(losses) on defined benefit pension schemes | 27 | 7,517 | - | - | 7,517 | (5,772) |
| NET MOVEMENT IN FUNDS | | 7,044 | (273) | 8 | 6,779 | (5,153) |
| RECONCILIATION OF FUNDS | | | | | | |
| Total funds brought forward at 1 April as previously reported | | - | - | - | 10,399 | 15,561 |
| Prior year adjustment | 30 | - | - | - | 269 | 260 |
| Total funds brought forward as restated | | 1,792 | 5,469 | 3,407 | 10,668 | 15,821 |
| Net movement in funds for the year | | 7,044 | (273) | 8 | 6,779 | (5,153) |
| Total funds carried forward 31 March | | 8,836 | 5,196 | 3,415 | 17,447 | 10,668 |

There were no other recognised gains or losses other than those listed above in arriving at the net income for the year.
All income and expenditure derives from continuing activities.

See note 25 for comparative Statement of Financial Activities analysed by funds.

QUARRIERS

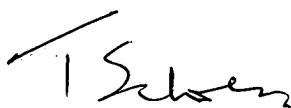
BALANCE SHEET As at 31 March 2016

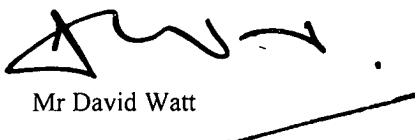
| | Note | 2016 £'000 | 2015 As restated £'000 |
|--|------|---------------|------------------------------|
| FIXED ASSETS | | | |
| Investment properties | 17 | 5,330 | 5,268 |
| Other tangible fixed assets | 17 | 12,872 | 13,648 |
| Intangible fixed assets | 18 | 467 | - |
| | | <hr/> | <hr/> |
| Investments | 19 | 18,669 | 18,916 |
| | | 4,449 | 4,986 |
| | | <hr/> | <hr/> |
| | | 23,118 | 23,902 |
| | | <hr/> | <hr/> |
| CURRENT ASSETS | | | |
| Debtors | 20 | 4,004 | 4,044 |
| Cash at bank and in hand | | 1,690 | 2,128 |
| | | <hr/> | <hr/> |
| | | 5,694 | 6,172 |
| CREDITORS: amounts falling due within one year | 21 | (4,751) | (4,926) |
| | | <hr/> | <hr/> |
| NET CURRENT ASSETS | | 943 | 1,246 |
| | | <hr/> | <hr/> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 24,061 | 25,148 |
| | | <hr/> | <hr/> |
| CREDITORS: amounts falling due after more than one year | 21 | (107) | (314) |
| Provisions for liabilities and charges | 22 | (130) | (616) |
| | | <hr/> | <hr/> |
| NET ASSETS EXCLUDING PENSION DEFICIT | | 23,824 | 24,218 |
| | | <hr/> | <hr/> |
| PENSION DEFICIT | 27 | (6,377) | (13,550) |
| | | <hr/> | <hr/> |
| NET ASSETS | | 17,447 | 10,668 |
| | | <hr/> | <hr/> |
| CAPITAL AND RESERVES | | | |
| Unrestricted funds | | | |
| - General reserve | 26 | 15,213 | 15,342 |
| - Pension scheme reserve | 26 | (6,377) | (13,550) |
| - Designated reserves | 26 | 5,196 | 5,469 |
| | | <hr/> | <hr/> |
| | | 14,032 | 7,261 |
| Restricted funds | 26 | 3,415 | 3,407 |
| | | <hr/> | <hr/> |
| TOTAL CAPITAL AND RESERVES | | 17,447 | 10,668 |
| | | <hr/> | <hr/> |

See note 30 for details of restatement.

The financial statements of Quarriers, registered company number SC014361, were approved and authorised for issue by the Board of Trustees on 22 August 2016.

Signed on behalf of the Board of Trustees by


Mr Thomas Scholes


Mr David Watt

QUARRIERS

CASH FLOW STATEMENT

For the year ended 31 March 2016

| | Notes to the cash flow statement | 2016 £'000 | 2015 As restated £'000 |
|---|---|---------------|------------------------------|
| Net cash provided by operating activities | (i) | 175 | 569 |
| Cash flows from investing activities: | | | |
| Dividends, interest and rents from investments (note 6) | | 521 | 503 |
| Proceeds from the sale of fixed assets | | 848 | 10 |
| Purchase of fixed assets (notes 17 and 18) | | (1,743) | (1,950) |
| Proceeds from sale of investments | | 1,855 | 505 |
| Purchase of investments (note 19) | | (1,895) | (647) |
| Net cash used in investing activities | | (414) | (1,579) |
| Cash flows from financing activities: | | | |
| Repayments of borrowing (note 21) | | (199) | (193) |
| Net cash used in financing activities | | (199) | (193) |
| Net decrease in cash | | (438) | (1,203) |
| Cash at beginning of year | | 2,128 | 3,331 |
| Cash at end of year | | 1,690 | 2,128 |

Total cash and cash equivalents are shown in cash at bank and in hand.

NOTES TO THE CASH FLOW STATEMENT

(i) RECONCILIATION OF NET INCOME/(EXPENDITURE) TO NET CASH FLOW FROM OPERATING ACTIVITIES

| | 2016 £'000 | 2015 As restated £'000 |
|---|---------------|------------------------------|
| Net (expenditure)/income per Statement of Financial Activities | (738) | 619 |
| Adjustments for: | | |
| Depreciation charges (note 17) | 1,167 | 1,299 |
| Losses/(gains) on investments | 873 | (93) |
| Dividends, interest and rents from investments (note 6) | (521) | (503) |
| (Profit)/loss on the sale of fixed assets | (321) | 5 |
| Decrease/(increase) in debtors | 40 | (8) |
| (Decrease) in creditors | (669) | (661) |
| Pension – net interest on net defined benefit liability (note 27) | 433 | 333 |
| Pension – difference between service cost and contributions (note 27) | (89) | (422) |
| Net cash inflow from operating activities | 175 | 569 |

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2016

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities (SORP 2015)" applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), effective 1 January 2015; and the Companies Act 2006.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. The transition date was 1 April 2014. For more information see note 30.

The principal 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 fair value at the balance sheet date and investment properties which are held at fair value.

Basis of preparation

The charity's activities and principal risks are described in the strategic 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 2016 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. The principal activities, net assets and results of the subsidiary companies are detailed in note 19.

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, probable certainty of receipt and the amount can be quantified with reasonable accuracy. Receipt of a legacy is only considered probable when the amount can be measured reliably and notification has been received from the executor of their intention to make a distribution.

Income from charitable activities is recognised when earned.

Resources expended

Expenditure is recognised on an accruals basis as a liability is incurred. Expenditure includes any VAT which cannot be fully recovered, and is reported as part of the expenditure to which it relates.

Expenditure on charitable activities comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

All costs are allocated between the expenditure categories of the statement of financial activities on a basis designed to reflect the use of the resource. Costs relating to a particular activity are allocated directly; others are apportioned on an appropriate basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 March 2016

1. ACCOUNTING POLICIES (CONTINUED)

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

Tangible fixed assets (excluding investment properties) 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. All repairs and maintenance expenditure on fixed assets is charged to the statement of financial activities.

Intangible fixed assets

Intangible fixed assets are recognised where it is probable that there will be a future economic benefit and that this can be reliably measured. These assets are written off over their useful economic life on a straight line basis as follows:

| | |
|--------------------|------------|
| System development | - 10 years |
|--------------------|------------|

This is the period over which the charity expects to derive benefit from the asset. Assets are not amortised until the system becomes operational, subject to annual impairment.

Investment properties

In accordance with SORP 2015, investment properties held for their investment potential are recorded at fair value. Realised and unrealised gains and losses are included in the Statement of Financial Activities. No provision is made for depreciation of investment properties.

Open market valuations are performed by professional valuers at least every five years, subject to obtaining advice as to the possibility of any material movements between individual valuations. If it is considered that there may be a material movement, the investment properties are revalued at the balance sheet date. The directors also consider triggers for impairment review annually.

The valuations were prepared in accordance with the relevant accounting standards and the appraisal and valuation manual issued by the Royal Institution of Chartered Surveyors. Where a formal valuation was not performed in the period the directors have reviewed the carrying value of the property to assess whether this still represents the fair value as at the balance sheet date.

Investments

Investments are measured at fair value, with realised and unrealised gains and losses included in the Statement of Financial Activities. Unlisted investments held in the subsidiary companies are valued at cost as there is no reliable measure of fair value.

Leasing and hire purchase commitments

Operating lease rentals payable/(receivable) are charged/(credited) to the statement of financial activities in equal annual amounts over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 March 2016

1. ACCOUNTING POLICIES (CONTINUED)

Pensions

For the defined benefit scheme the amounts charged to the Statement of Financial Activities are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to the Statement of Financial Activities and included within direct costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in the Statement of Financial Activities.

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 the scheme actuary and further details are available in note 27 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 year 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 general 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.

Taxation

Quarriers is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. It is currently believed that there is no liability to UK corporation tax or capital gains tax. The charitable company does not receive an exemption on Value Added Tax and irrecoverable VAT is accounted for as part of resources expended and is reported as part of the expenditure to which it relates.

Financial instruments

The charity and group only have financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due. Cash at bank and cash in hand included cash and short term highly liquid investments. Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2016

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the charity's accounting policies, which are described in note 1, the trustees are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The charity operates both a defined benefit pension scheme providing benefits based on final pensionable earnings and a defined contribution scheme. The determination of any pension scheme surplus/deficit is based on assumptions determined with independent actuarial advice. The assumptions used include discount rate, inflation, pension increases, salary increases, the expected return on scheme assets and mortality assumptions. Refer to note 27 for details of post retirement benefits.

Investment properties were valued at fair value by Lambert Smith Hampton, Chartered Surveyors. In accordance with SORP 2015, investment properties held for their investment potential are recorded at fair value. Realised and unrealised gains and losses are included in the Statement of Financial Activities. No provision is made for depreciation of investment properties.

Open market valuations are performed by professional valuers at least every five years, subject to obtaining advice as to the possibility of any material movements between individual valuations. If it is considered that there may be a material movement, the investment properties are revalued at the balance sheet date. The Directors also consider triggers for impairment review annually.

The valuations were prepared in accordance with the relevant accounting standards and the appraisal and valuation manual issued by the Royal Institution of Chartered Surveyors. Where a formal valuation was not performed in the period the directors have reviewed the carrying value of the property to assess whether this still represents the fair value as at the balance sheet date.

3. INCOME FROM DONATIONS AND LEGACIES

| | 2016 | 2015 |
|-------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Individual giving | 1,262 | 1,142 |
| Community and corporate fundraising | 96 | 179 |
| Legacies | 656 | 89 |
| Training grants | 18 | - |
| Trusts and grant making bodies | 57 | 69 |
| | <u>2,089</u> | <u>1,479</u> |

In addition, grants awarded to restricted projects amounting to £825,000 (2015 - £617,000) were applied for by the fundraising department and are shown within incoming resources from charitable activities.

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 March 2016

4. INCOME FROM CHARITABLE ACTIVITIES

| | Local authority fees £'000 | Grants £'000 | Other funding £'000 | Total 2016 £'000 | Total As restated 2015 £'000 |
|-----------------------|-------------------------------------|-----------------|---------------------------|------------------------|---------------------------------------|
| Adult disability | 19,000 | 425 | 91 | 19,516 | 20,117 |
| Children and families | 3,848 | 3,479 | 126 | 7,453 | 7,226 |
| Epilepsy | 5,874 | 178 | 152 | 6,204 | 6,072 |
| Young adults | 4,360 | 884 | 106 | 5,350 | 6,312 |
| | <u>33,082</u> | <u>4,966</u> | <u>475</u> | <u>38,523</u> | <u>39,727</u> |

Of the £4,966,000 (2015 - £4,661,000) grants recognised during the year, £4,268,000 (2015 - £4,197,000) 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:

| | | 2016 £ | 2015 £ |
|--|--------------------------------------|-----------|-----------|
| Bank of Scotland Foundation (Large Grants) | Learning & Development Initiative | 48,520 | - |
| Big Lottery Fund (2014 Communities) | Street Dance and Sports Group | - | 1,987 |
| Big Lottery Fund (Awards for All) | Mavisbank | 9,933 | - |
| Big Lottery Fund (Celebrate) | Commonwealth Games Inclusion Team | - | 9,950 |
| Big Lottery Fund (Investing in Communities) | Quarriers Early Years Family Support | 105,707 | 104,077 |
| Big Lottery Fund (Reaching Communities) | Coaching for Life | - | 71,860 |
| Big Lottery Fund (Young Start) | Work it Out | 6,159 | 24,637 |
| Cheshire West & Chester Council (Young People Programme) | Young People's Support Service | 20,130 | - |
| Comic Relief | Counselling Service | - | 16,900 |
| Community Food and Health (Scotland) | Quarriers Healthy Lifestyles Club | - | 1,800 |
| European Commission Lifelong Learning Programme | Way 2 Work (Leonardo 2012) | - | 11,130 |
| European Commission Lifelong Learning Programme | Way 2 Work (Leonardo 2013) | 49,606 | - |
| Glasgow City Council Integrated Grant Funding | Family Support Service | 106,753 | 110,992 |
| Glasgow City Council Integrated Grant Funding | Quarriers Literacy Project | 61,800 | 61,000 |
| Glasgow City Council Integrated Grant Funding | Opt In South West Education Support | 127,922 | 126,726 |
| Glasgow City Council (Sense over Sectarianism) | Learning & Development Initiative | 4,300 | - |
| Life Changes Trust (Befriending and Peer Support) | Dementia Befriending Service | 14,949 | - |
| Lloyds TSB Foundation for Scotland (Drugs Initiative) | Moray Young Carers | 80,339 | - |
| Lloyds TSB Foundation for Scotland (Drugs Initiative) | Moray Recovery Hub | 24,562 | - |
| NHS Grampian Carer Information Strategy | Go4IT Moray | - | 32,638 |
| Robertson Trust | Sexual Exploitation Counsellor | - | 15,000 |
| Scottish Government Autism Development Fund | Family Support services | - | 7,664 |
| Scottish Government Digital Challenge Fund | Go4IT | 4,268 | - |
| Scottish Government Housing Voluntary Grants Scheme | Youth Inclusion | 33,057 | 31,517 |
| Scottish Government Self Directed Support Innovation | Linn Park | 54,597 | - |
| Scottish Government Section 13b Health Grants | Scottish Epilepsy Centre | 5,000 | - |
| Scottish Government Technology Enabled Care | Adult Services | 60,000 | - |
| Scottish Government Third Sector Early Intervention Fund | Children & Families Inclusion | 44,308 | - |
| Scottish Government Third Sector Early Intervention Fund | Quarriers Youth Inclusion | - | 37,102 |
| Scottish Government Third Sector Early Intervention Fund | Quarriers Early Years Family Support | - | 24,081 |
| Scottish Government Third Sector Early Intervention Fund | Opt-In Early Years | 103,262 | 103,262 |
| Scottish Government Short Breaks Fund (Better Breaks) | Activity Playscheme | 21,190 | - |
| Scottish Government Short Breaks Fund (Creative Breaks) | Dementia Adventures | 11,876 | - |
| Scottish Government Short Breaks Fund (Creative Breaks) | Time to Live – Moray | 9,037 | - |
| Scottish Government Short Breaks Fund | Moray Breaks | - | 26,933 |
| Scottish Government Short Breaks Fund | Chavey Chill Out | - | 7,912 |
| See Me (Scottish Government and Comic Relief) | See Me Early Years (Ruchazie) | 19,999 | - |
| Silverhill Trust | Falkirk Children's Rights | 12,260 | - |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 March 2016

5. INCOME FROM OTHER TRADING ACTIVITIES

| | 2016 £'000 | 2015 £'000 |
|-------------------------------------|---------------|---------------|
| Major fundraising events | 152 | 343 |
| Conferences, courses and venue hire | 106 | 134 |
| | <u>258</u> | <u>477</u> |

6. INCOME FROM INVESTMENTS

| | 2016 £'000 | 2015 £'000 |
|------------------------|---------------|---------------|
| Dividends | 172 | 150 |
| Bank interest | 5 | 1 |
| Property rental income | 344 | 352 |
| | <u>521</u> | <u>503</u> |

7. EXPENDITURE ON RAISING DONATIONS AND LEGACIES

| | 2016 £'000 | 2015 £'000 |
|-------------------------------------|---------------|---------------|
| Individual giving | 1,120 | 888 |
| Community and corporate fundraising | 87 | 81 |
| Legacies | 8 | 2 |
| Trusts and grant making bodies | 24 | 38 |
| Awareness raising | 115 | 124 |
| | <u>1,354</u> | <u>1,133</u> |

£620,000 (2015 - £357,000) of individual giving expenditure relates to upfront payments for donor recruitment. The related income will be received over many years in the future.

8. EXPENDITURE ON CHARITABLE ACTIVITIES

| | 2016 Direct costs £'000 | 2016 Support costs £'000 | 2016 Total £'000 | 2015 As restated Direct costs £'000 | 2015 As restated Support costs £'000 | 2015 As restated Total £'000 |
|-----------------------|----------------------------------|-----------------------------------|------------------------|---|--|---------------------------------------|
| Adult disability | 20,040 | 1,058 | 21,098 | 19,786 | 1,007 | 20,793 |
| Children and families | 6,878 | 318 | 7,196 | 7,112 | 357 | 7,469 |
| Epilepsy | 5,817 | 259 | 6,076 | 5,623 | 238 | 5,861 |
| Young adults | 5,073 | 225 | 5,298 | 5,484 | 245 | 5,729 |
| | <u>37,808</u> | <u>1,860</u> | <u>39,668</u> | <u>38,005</u> | <u>1,847</u> | <u>39,852</u> |

The activities underlying the costs above are described in the Strategic Report.

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

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 March 2016

8. EXPENDITURE ON CHARITABLE ACTIVITIES (CONTINUED)

SUPPORT COSTS

| | 2016 | 2015 |
|-------------------------------|--------------|----------------------|
| | £'000 | As restated £'000 |
| Finance | 410 | 429 |
| Governance | 178 | 173 |
| Human resources | 501 | 480 |
| Information technology | 168 | 173 |
| Management and administration | 146 | 166 |
| Communications | 114 | 123 |
| Grant applications | 127 | 85 |
| Property | 216 | 218 |
| | <u>1,860</u> | <u>1,847</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.

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.

9. EXPENDITURE ON OTHER TRADING ACTIVITIES

| | 2016 | 2015 |
|-------------------------------------|------------|------------|
| | £'000 | £'000 |
| Major fundraising events | 113 | 201 |
| Conferences, courses and venue hire | 28 | 39 |
| | <u>141</u> | <u>240</u> |

10. EXPENDITURE ON INVESTMENT MANAGEMENT COSTS

| | 2016 | 2015 |
|-----------------------------------|------------|----------------------|
| | £'000 | As restated £'000 |
| Investment manager's costs | 19 | 19 |
| Bank charges and interest payable | 64 | 61 |
| Property rental costs | 331 | 350 |
| | <u>414</u> | <u>430</u> |

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 March 2016

11. 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 Strategic Report. Quarriers is a charity operating principally in Scotland.

12. NET (EXPENDITURE)/INCOME FOR THE YEAR

| | 2016 £'000 | 2015 As restated £'000 |
|---|-------------------|------------------------------|
| Net (expenditure)/income is stated after charging: | | |
| Auditor's remuneration - fee for audit of statutory accounts (inclusive of VAT) | 40 | 35 |
| Depreciation of owned assets | 1,167 | 1,299 |
| Operating lease rentals - plant and machinery | 331 | 349 |
| - land and buildings | 948 | 1,000 |
| Directors' and officers' indemnity insurance | 11 | 11 |
| | <u> </u> | <u> </u> |

The auditor, Deloitte LLP, also received amounts of £7,920 (2015 - £7,920), inclusive of VAT, in respect of the audit of the Quarriers pension scheme.

13. ANALYSIS OF STAFF COSTS, TRUSTEES REMUNERATION AND EXPENSES, AND THE COST OF KEY MANAGEMENT PERSONNEL

| | 2016 No | 2015 No |
|---|-------------------|-------------------|
| The average monthly number of employees during the year was as follows: | | |
| Administration | 190 | 191 |
| Social care and other | 1,750 | 1,808 |
| | <u> </u> | <u> </u> |
| | 1,940 | 1,999 |
| | <u> </u> | <u> </u> |

| | | |
|--|-------------------|-------------------|
| Their aggregate remuneration comprised: | 2016 £'000 | 2015 £'000 |
| Wages and salaries | 27,537 | 27,280 |
| Social security costs | 1,922 | 1,882 |
| Pension costs | 970 | 810 |
| | <u> </u> | <u> </u> |
| | 30,429 | 29,972 |
| | <u> </u> | <u> </u> |
| Pension costs can be analysed as follows: | | |
| Defined benefit current service cost (see note 27) | 811 | 659 |
| Defined contribution pension costs (see note 27) | 159 | 151 |
| | <u> </u> | <u> </u> |
| | 970 | 810 |
| | <u> </u> | <u> </u> |

In addition to the above pension costs, an actuarial gain of £7,517,000 (2015 - loss of £5,772,000) and the net interest cost on the net defined pension liability of £433,000 (2015 - £333,000) have been included within the statement of financial activities.

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2016

13. ANALYSIS OF STAFF COSTS, TRUSTEES REMUNERATION AND EXPENSES, AND THE COST OF KEY MANAGEMENT PERSONNEL (CONTINUED)

The number of employees whose emoluments, excluding pension and employers national insurance contributions but including benefits in kind, were in excess of £60,000 was:

| | 2016 No. | 2015 No. |
|---------------------|-------------|-------------|
| £60,000 - £70,000 | 2 | 2 |
| £70,000 - £80,000 | 2 | 1 |
| £100,000 - £110,000 | 1 | 1 |

The key management personnel are listed on page 1. The total remuneration (including pension but excluding employer's national insurance contributions) of the key management personnel of the Charity for the year totalled £415,000 (2015: £355,000).

Trustees' Remuneration

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. £Nil was paid to directors in respect of travel expenses (2015 - £289).

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.

14. INTEREST RECEIVABLE AND INVESTMENT INCOME

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Income from listed investments (see note 6) | 172 | 150 |
| Bank interest receivable (see note 6) | 5 | 1 |
| | <u>177</u> | <u>151</u> |

15. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2016 £'000 | 2015 As restated £'000 |
|---|---------------|------------------------------|
| Net interest on net pension defined benefit liability | 433 | 333 |
| Bank loans and overdrafts (see note 10) | 64 | 61 |
| | <u>497</u> | <u>394</u> |

16. TAXATION

Quarriers has been granted charitable status by HM Revenue and Customs and as a result no liability to corporation tax arises to the extent that income or gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, are applied exclusively to charitable purposes. It is currently believed that there is no liability to UK corporation or capital gains tax.

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 March 2016

17. INVESTMENT PROPERTIES AND OTHER TANGIBLE FIXED ASSETS

| | Investment properties | Freehold land and buildings | Motor vehicles | Plant & equipment | Fixtures & fittings | Total Tangible Fixed Assets |
|---|--------------------------|-----------------------------------|-------------------|----------------------|------------------------|--------------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation | | | | | | |
| At 1 April 2015 as restated | 5,268 | 22,658 | 149 | 3,400 | 1,309 | 27,516 |
| Additions | 96 | 622 | - | 303 | 255 | 1,180 |
| Transfer | 264 | (288) | - | - | 24 | (264) |
| Disposals | - | (2,722) | (10) | (241) | (183) | (3,156) |
| Revaluation | (298) | - | - | - | - | - |
| At 31 March 2016 | 5,330 | 20,270 | 139 | 3,462 | 1,405 | 25,276 |
| Accumulated depreciation | | | | | | |
| At 1 April 2015 as restated | - | 9,839 | 138 | 2,710 | 1,181 | 13,868 |
| Charge for the year | - | 772 | 5 | 283 | 107 | 1,167 |
| Disposals | - | (2,229) | (8) | (237) | (157) | (2,631) |
| At 31 March 2016 | - | 8,382 | 135 | 2,756 | 1,131 | 12,404 |
| Net book value | | | | | | |
| At 31 March 2016 | 5,330 | 11,888 | 4 | 706 | 274 | 12,872 |
| At 31 March 2015 as restated | 5,268 | 12,819 | 11 | 690 | 128 | 13,648 |
| Net book value of assets used directly for charitable purposes | | | | | | |
| At 31 March 2016 | - | 11,146 | 3 | 625 | 240 | 12,014 |
| At 31 March 2015 as restated | - | 11,627 | 8 | 612 | 115 | 12,362 |

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

Investment properties were valued by John Kane BSc MRICS of Lambert Smith Hampton:

| Valuation date | Number of properties | Net book value £'000 |
|---|-------------------------|----------------------------|
| 31 March 2016 | 15 | 2,875 |
| Between 31 March 2014 and 30 October 2014 | 4 | 1,476 |
| 9 February 2012 | 4 | 979 |
| | 23 | 5,330 |

All investment properties are located in the United Kingdom. The Directors are satisfied that the investment properties which were not revalued in the period are held at fair value. This is based on an assessment of future rental income, lease expiry date and benchmarking against the Nationwide House Prices index.

Two investment properties are held under historic agreements that restrict the investment income and capital receipt attributable to Quarriers in the event of disposal. This represents £155,000 of the above carrying amount. Properties held as security for bank borrowing and pension scheme contingent assets amount to £3.47m.

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 March 2016

18. INTANGIBLE FIXED ASSETS

| | £'000 |
|---------------------------------|-------|
| Cost | |
| At 1 April 2015 | - |
| Additions | 467 |
| Disposals | - |
| | <hr/> |
| At 31 March 2016 | 467 |
| | <hr/> |
| Accumulated amortisation | |
| At 1 April 2015 | - |
| Provided during the year | - |
| Disposals | - |
| | <hr/> |
| At 31 March 2016 | - |
| | <hr/> |
| Net book value | |
| At 31 March 2016 | 467 |
| | <hr/> |
| At 31 March 2015 | - |
| | <hr/> |

Intangible fixed assets comprise the costs for development of a new integrated business system, which will realise efficiency savings through improved data management.

19. INVESTMENTS

| | 2016 £'000 | 2015 £'000 |
|---------------------------------|---------------|---------------|
| Cost | | |
| As at 1 April 2015 | 3,533 | 3,244 |
| Additions | 1,895 | 647 |
| Disposals | (1,943) | (358) |
| | <hr/> | <hr/> |
| As at 31 March 2016 | 3,485 | 3,533 |
| | <hr/> | <hr/> |
| Composed of: | | |
| Listed investments: | | |
| Listed on London Stock Exchange | 2,481 | 3,292 |
| Overseas investments | 1,002 | 239 |
| Unlisted investments | 2 | 2 |
| | <hr/> | <hr/> |
| As at 31 March 2016 | 3,485 | 3,533 |
| | <hr/> | <hr/> |

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2016

19. INVESTMENTS (CONTINUED)

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Market Value | | |
| As at 1 April | 4,986 | 4,708 |
| Additions | 1,895 | 647 |
| Disposals as at 1 April 2015 market value | (2,216) | (481) |
| | <hr/> 4,665 | <hr/> 4,874 |
| (Losses)/Gains in the year | (216) | 112 |
| | <hr/> 4,449 | <hr/> 4,986 |

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 March 2016 - £47 (31 March 2015 - £47) Result before tax for the year to 31 March 2016 - £Nil (31 March 2015 - £Nil) | Scotland |
| Gottar Limited | Design and build company. Net assets at 31 March 2016 - £938 (31 March 2015 - £938) Loss for the year to 31 March 2016 - £Nil (31 March 2015 - loss £627) | Scotland |
| Strathgryffe Limited | Property management company (for charitable purposes). Net assets at 31 March 2016- £10,462 (2015 - £9,552) Profit before tax for the year to 31 March 2016 - £910 (2015 - £910) | Scotland |

20. DEBTORS

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Trade debtors | 3,271 | 3,257 |
| Other debtors | 41 | 22 |
| Prepayments and accrued income | 692 | 763 |
| Amounts owed from subsidiary undertakings | - | 2 |
| | <hr/> 4,004 | <hr/> 4,044 |

No debtors are due after more than one year.

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2016

21. CREDITORS:

AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Bank term loan | 207 | 199 |
| Bank revolving credit | 1,000 | 1,000 |
| Trade creditors | 718 | 1,474 |
| Other taxes and social security costs | 530 | 494 |
| Other creditors | 644 | 540 |
| Deferred grant income (see note 23) | 349 | 271 |
| Accruals and other deferred income | 1,291 | 939 |
| Amounts owed to subsidiary undertakings | 12 | 9 |
| | <u>4,751</u> | <u>4,926</u> |

The bank revolving credit facility and term loan 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 £122,000 (2015 - £119,000).

AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2015 £'000 | 2015 £'000 |
|----------------|---------------|---------------|
| Bank term loan | 107 | 314 |
| | <u>107</u> | <u>314</u> |

22. PROVISIONS FOR LIABILITIES AND CHARGES

| | Local authority clawback £'000 | Other £'000 | Total £'000 |
|--------------------------|---|----------------|----------------|
| As at 1 April 2015 | 532 | 84 | 616 |
| Created during the year | 63 | - | 63 |
| Utilised during the year | (239) | - | (239) |
| Released during the year | (226) | (84) | (310) |
| As at 31 March 2016 | <u>130</u> | <u>-</u> | <u>130</u> |

The Local Authority clawback provision is for potential non-delivery of budgeted hours, as negotiations remain ongoing, it is not known if this provision will crystallise.

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2016

23. DEFERRED GRANT INCOME

| | £'000 |
|--------------------------|---------|
| As at 1 April 2015 | 271 |
| Received during the year | 4,340 |
| Released during the year | (4,262) |
| | <hr/> |
| As at 31 March 2016 | 349 |
| | <hr/> |

24. SHARE CAPITAL

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

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 March 2016

25. COMPARATIVE STATEMENT OF FINANCIAL ACTIVITIES

| | | Unrestricted funds | | | Total |
|---|------|--------------------|--------------|--------------|----------------|
| | | General | Designated | Restricted | 31 March |
| | Note | Funds | Funds | Funds | 2015 |
| | | £'000 | £'000 | £'000 | As restated |
| | | | | | £'000 |
| Income from: | | | | | |
| Donations and legacies | 3 | 1,144 | - | 335 | 1,479 |
| Charitable activities | 4 | 32,764 | - | 6,963 | 39,727 |
| Other trading activities | 5 | 477 | - | - | 477 |
| Investments | 6 | 501 | - | 2 | 503 |
| TOTAL INCOME | | 34,886 | - | 7,300 | 42,186 |
| Expenditure on: | | | | | |
| Raising donations and legacies | 7 | 1,133 | - | - | 1,133 |
| Charitable activities | 8 | 33,447 | - | 6,405 | 39,852 |
| Other trading activities | 9 | 240 | - | - | 240 |
| Investment management costs | 10 | 430 | - | - | 430 |
| Loss on sale of fixed assets | | 5 | - | - | 5 |
| TOTAL EXPENDITURE | | 35,255 | - | 6,405 | 41,660 |
| Net (expenditure)/income before investment gains | | (369) | - | 895 | 526 |
| Net gains on investments | | 93 | - | - | 93 |
| NET (EXPENDITURE)/INCOME | | (276) | - | 895 | 619 |
| Transfers between funds | 26 | 419 | (518) | 99 | - |
| Other recognised (losses)/gains | | | | | |
| Actuarial loss on defined benefit pension schemes | 27 | (5,772) | - | - | (5,772) |
| NET MOVEMENT IN FUNDS | | (5,629) | (518) | 994 | (5,153) |
| RECONCILIATION OF FUNDS | | | | | |
| Total funds brought forward at 1 April as previously reported | | 7,161 | 5,987 | 2,413 | 15,561 |
| Prior year adjustment | | 260 | - | - | 260 |
| Total funds brought forward as restated | | 7,421 | 5,987 | 2,413 | 15,821 |
| Net movement in funds for the year | | (5,629) | (518) | 994 | (5,153) |
| Total funds carried forward 31 March | | 1,792 | 5,469 | 3,407 | 10,668 |

See note 30 for details of restatement.

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 March 2016

26. RESERVES

| | As at 1 April 2015 As restated £'000 | Income £'000 | Expenditure £'000 | Losses on investment assets £'000 | Pension scheme movements £'000 | Transfers £'000 | As at 31 March 2016 £'000 |
|---------------------------------|---|-----------------|----------------------|--|---|--------------------|------------------------------------|
| General reserve | 15,342 | 34,811 | (34,667) | (873) | 344 | 256 | 15,213 |
| Pension scheme reserve | (13,550) | - | - | - | 7,173 | - | (6,377) |
| Designated funds | | | | | | | |
| Fixed assets fund | 5,469 | - | - | - | - | (273) | 5,196 |
| Total designated funds | 5,469 | - | - | - | - | (273) | 5,196 |
| Total unrestricted funds | 7,261 | 34,811 | (34,667) | (873) | 7,517 | (17) | 14,032 |
| Restricted funds | 3,407 | 6,901 | (6,910) | - | - | 17 | 3,415 |
| Total funds | 10,668 | 41,712 | (41,577) | (873) | 7,517 | - | 17,447 |

Designated funds represent unrestricted funds that have been allocated for certain specific purposes upon internal approval. These funds were created from grants or donations received for buildings and will be released gradually to offset depreciation. Transfers to/(from) designated funds occur where unrestricted funds 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 investments and cash. The balance of restricted funds at year end relates to small balances held in respect of a number of projects.

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.

27. EMPLOYEE RETIREMENT BENEFITS

Defined contribution scheme

Employer contributions of £115,000 (2015 - £107,000) have been made in the year to a defined contribution auto-enrolment scheme. Contributions of £44,000 have also been made in the year to a defined contribution stakeholder scheme (2015 - £44,000). Pension costs are allocated to activities in proportion to the related staffing costs incurred and are wholly charged to unrestricted funds.

Defined benefit scheme

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 £900,000 (2015 - £1,081,000). Contributions amounting to £86,000 (2015 - £78,000) were payable to the fund at 31 March 2016. No additional contributions were paid in respect of ill health retirement.

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 triennial valuation to 1 November 2013 was formalised on 11 August 2014. The recommended contribution levels necessary to meet future liabilities of the scheme are 6% of pensionable salary for members and 18.1% 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 10 years. The estimated amounts of contributions expected to be paid to the scheme during the year ended 31 March 2017 is £910,000.

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 March 2016

27. EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

Actuarial valuation

The figures below have been based on the actuarial valuation as at 1 November 2013, updated to 31 March 2016. The main actuarial assumptions used at the balance sheet date were as follows:

| | 2016 % | 2015 % |
|---|-----------------------|-----------------------|
| Rate of inflation (RPI) | 2.90 | 2.90 |
| Salary increase rate (CPI) | 1.90 | 1.90 |
| Increases for pensions in payment - fixed 3% | 3.00 | 3.00 |
| - RPI maximum 5% per annum | 2.85 | 2.85 |
| - RPI maximum 2.5% per annum | 2.10 | 2.10 |
| Liability discount rate | 3.60 | 3.30 |
| | 2016 Years | 2015 Years |
| Mortality assumptions - life expectancy on retirement | | |
| Pensioners – male | 21.90 | 21.80 |
| Pensioners – female | 24.50 | 24.40 |
| Non-pensioners - male | 23.80 | 23.70 |
| Non-pensioners - female | 26.30 | 26.20 |

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:

| | 2016 £'000 | 2015 £'000 |
|-------------------------------------|---------------|---------------|
| Equities | 26,257 | 26,883 |
| Bonds | 16,692 | 16,367 |
| Cash | 159 | 190 |
| Total fair value of assets | 43,108 | 43,440 |
| Present value of scheme liabilities | (49,485) | (56,990) |
| Deficit in the scheme | (6,377) | (13,550) |

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2016

27. EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

Amounts recognised in the Statement of Financial Activities in respect of the defined benefit scheme are as follows:

| | 2016 £'000 | 2015 £'000 |
|---|----------------|---------------|
| Current service cost | 576 | 478 |
| Service cost – scheme administrative cost | 235 | 181 |
| Net interest on the net defined benefit liability | 433 | 333 |
| | <u>1,244</u> | <u>992</u> |
| Net cost recognised within net (expenditure)/income for the year | | |
| Actuarial (gains)/losses | (7,517) | 5,772 |
| | <u>(6,273)</u> | <u>6,764</u> |
| Total cost relating to defined benefit scheme recognised in the Statement of Financial Activities | | |

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

| | 2016 £'000 | 2015 £'000 |
|----------------------------------|---------------|---------------|
| Assets at 1 April | 43,440 | 38,871 |
| Actual return on plan assets | (945) | 3,506 |
| Interest income on scheme assets | 1,424 | 1,700 |
| Employer contributions | 900 | 1,081 |
| Employee contributions | 184 | 208 |
| Scheme administrative cost | (235) | (181) |
| Benefits paid | (1,660) | (1,745) |
| | <u>43,108</u> | <u>43,440</u> |
| Assets at 31 March | | |

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

| | 2016 £'000 | 2015 £'000 |
|-------------------------|---------------|---------------|
| Liabilities at 1 April | 56,990 | 46,738 |
| Current service cost | 576 | 478 |
| Interest cost | 1,857 | 2,033 |
| Employee contributions | 184 | 208 |
| Actuarial (gain)/loss | (8,462) | 9,278 |
| Benefits paid | (1,660) | (1,745) |
| | <u>49,485</u> | <u>56,990</u> |
| Liabilities at 31 March | | |

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2016

27. EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

The impact of the pension deficit on unrestricted funds at 31 March 2016 is as follows:

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Unrestricted funds excluding pension deficit | 20,409 | 20,811 |
| Pension deficit | (6,377) | (13,550) |
| Unrestricted funds including pension deficit | <u>14,032</u> | <u>7,261</u> |

28. FINANCIAL COMMITMENTS

Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases:

| | 2016 Land & buildings £'000 | 2016 Other £'000 | 2015 Land & buildings £'000 | 2015 Other £'000 |
|----------------------------|--------------------------------------|------------------------|--------------------------------------|------------------------|
| Within one year | 167 | 231 | 204 | 267 |
| Between two and five years | 111 | 264 | 134 | 397 |
| After five years | - | - | - | - |
| | <u>278</u> | <u>495</u> | <u>338</u> | <u>664</u> |

Secured assets

During the year ended 31 March 2010, 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 £2.65m. During the year ended 31 March 2014 it was agreed to increase this to £4.23m.

29. SUBSIDIARY COMPANY TRANSACTIONS

During the year the company made purchases of a total value of £12,000 (2015 - £667,000) from Gottar Limited, a subsidiary company, and made sales to Gottar Limited of a total value of £5,000 (2015 - £5,000).

At 31 March 2016, the company owed £2,000 to Gottar Limited (2015 - £2,000 was owed from Gottar).

During the year the company made purchases of a total value of £19,000 (2015 - £19,000) from Strathgryffe Limited, a subsidiary company, and made sales to Strathgryffe Limited of a total value of £18,000 (2015 - £18,000).

At 31 March 2016, the company owed £10,000 (2015 - £9,000) to Strathgryffe Limited.

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2016

30. EXPLANATION OF TRANSITION TO FRS 102

This is the first year that the company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 March 2015 and the date of transition to FRS 102 was therefore 1 April 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

Reconciliation of group funds and balances

| | Notes | At 1 April 2014 £'000 | At 31 March 2015 As restated £'000 |
|--|-------|-----------------------------|--|
| Fund balances as previously reported | | 15,561 | 10,399 |
| Adjustment for property reclassification | (i) | 260 | 269 |
| Fund balances as restated | | <u>15,821</u> | <u>10,668</u> |

Reconciliation of net income for the year ended 31 March 2015

| | Notes | £'000 |
|--|-------|------------|
| Net income under previous UK GAAP | | 1,074 |
| Adjustments for: | | |
| Governance costs | (ii) | - |
| Pension scheme | (iii) | (410) |
| Depreciation on property reclassification | (iv) | 9 |
| Unrealised loss on investments | (v) | (54) |
| Net income per Statement of Financial Activities under FRS 102 | | <u>619</u> |

- i) Property reclassification – the definition of investment properties under FRS 102 means that three properties previously included within freehold land and buildings have been reclassified as investment properties. These properties are now shown at fair value. The impact of the restatement is to increase the net book value of fixed assets by £260,000 at 1 April 2014 and £269,000 at 31 March 2015.
- ii) Governance costs - these have been reclassified from a separate heading in the Statement of Financial Activities to part of expenditure on charitable activities (support costs). The impact of the restatement is to increase expenditure on charitable activities by £173,000 for the year to 31 March 2015.
- iii) Pension scheme – replacement of net income of £77,000 with net interest on net defined benefit liability of £333,000. The impact is to increase expenditure on charitable activities by £410,000 for the year to 31 March 2015.
- iv) Depreciation on property reclassification – depreciation of £9,000 for the year to 31 March 2015 has been reversed for the three properties reclassified as investment properties under FRS 102.
- v) Unrealised loss on investments – under previous UK GAAP, the £54,000 unrealised loss on investments for the year to 31 March 2015 was included within other recognised gains and losses. Under FRS 102, both realised and unrealised gains/ (losses) on investments are included within net income/ (expenditure) in the Statement of Financial Activities.