

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

QUARRIERS

Annual Report and Financial Statements

For the year ended 31 March 2017

FRIDAY



S6G0RE0G

SCT

29/09/2017

#671

COMPANIES HOUSE

QUARRIERS

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

CONTENTS

Page

Officers and professional advisers	1
Quarriers' sub-committees	3
Trustees' report	4
Strategic report	6
Directors' responsibilities statement	11
Independent auditor's report	12
Statement of financial activities	14
Balance sheet	15
Cash flow statement and notes to the cash flow statement	16
Notes to the financial statements	17

QUARRIERS

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS (TRUSTEES)

Mr Thomas Scholes	Chair
Mrs Sheila Gillies	Vice Chair
Ms Linda Bailey	(from 22 August 2016)
Ms Marjorie Calder	(from 22 August 2016)
Ms Patricia Cunningham	
Ms Ann Dougan	(up to 13 June 2016)
Mr Graham Findlay	
Mr Alan Frizzell	(from 22 August 2016)
Mrs Trish Godman	
Professor Michael Greaves	
Mr Andrew Kubski	(from 13 June 2016)
Mr Murray Lees	(from 22 August 2016 to 29 March 2017)
Mr Donald McRae	
Mr Nick Pascazio	(from 12 June 2017)
Mr George Peacock	(from 13 June 2016)
Mr David Watt	
Mrs Alison Welsh	(up to 28 September 2016)

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

Miss Hazel Cummings	(up to 01 January 2017)
Mr Christopher Harwood	(from 01 January 2017)

REGISTERED OFFICE

Quarriers
Quarriers Village
Bridge of Weir
Renfrewshire PA11 3SX

INDEPENDENT AUDITOR

French Duncan LLP
133 Finnieston Street
Glasgow
G3 8HB

**QUARRIERS
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

OFFICERS AND PROFESSIONAL ADVISERS (CONTINUED)

INVESTMENT MANAGERS

Brewin Dolphin
48 St Vincent Street
Glasgow
G2 5TS

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 2017

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	
Mr Alan Frizzell	(from 22 November 2016)
Mr Donald McRae	

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 Graham Findlay	Chair
Mrs Trish Godman	(up to 08 November 2016)
Mr Andrew Kubski	(from 08 November 2016)
Mr Donald McRae	
Mr George Peacock	(from 08 November 2016)
Mr Thomas Scholes	

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)
Ms Linda Bailey	(from 12 June 2017)
Mrs Trish Godman	
Professor Michael Greaves	
Mr Murray Lees	(from 22 August 2016 to 29 March 2017)

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 2017. 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 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 is 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

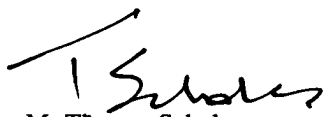
Each of the persons who is a director at the date of approval of this report confirms that:

- (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.

A resolution to reappoint 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

28 August 2017

QUARRIERS

STRATEGIC REPORT

MISSION AND VISION

During the year we completed the new Quarriers strategy 2017-20 which sets out the mission of transforming lives and enabling the people we support to realise their true potential. Our vision is for the people we support to have greater independence and inclusion in their communities and to be active citizens who are in charge of their health and wellbeing. We aim to do this by becoming Scotland's leading charity for delivering community-based health and social care solutions.

SCOTTISH CHILD ABUSE INQUIRY

Quarriers has chosen to play a full and active part in the Scottish Child Abuse Inquiry, which has now begun in Edinburgh.

We applied for, and were granted, Core Participant status from the start because we feel strongly that care agencies should contribute fully and effectively in an open and transparent manner to help the Inquiry achieve its aims. At the heart of our position is the belief that all survivors have the right to be heard and that Scotland should learn the lessons of its past, however painful, to ensure that all children are treated with love and compassion and have the best start in life. We condemn the actions of the individuals who perpetrated these crimes as their behaviour was the very opposite of our values.

We repeat our full and unequivocal apology to survivors of abuse at Quarriers.

ACHIEVEMENTS AND PERFORMANCE

Quarriers has achieved a great deal in 2016/17. In the past year, our services have provided direct and indirect support to 4612 people, whether they access bespoke at-home care, supported living services, drop-in sessions, respite or support in the community. Our work has received awards including Fundraising Campaign of the Year at the Charity Champions 2016, Excellence in Marketing and Communications at The Bee's Knees (run by Greenock Chamber of Commerce) and Best Expert-led Poster for Prospective Study at the International League Against Epilepsy Annual Conference 2016, as well as being finalists at the Health Investor Awards, Health Service Journal Awards, Laing Buisson Awards and Social Care Alliance Self-Management Awards, and attaining the Investors in People Gold Award.

Our work has also been recognised with extremely positive inspection reports, including 17 Quarriers' services scoring 5s (Very Good) in all areas in Care Inspectorate results.

In the last year, 78% of Quarriers Adult Services scored Good and above, 83% of Quarriers Children, Family and Young Person Services scored Good and above, with an overall percentage of 80% of all Quarriers services scoring Good and above.

The Quarriers operating model is dependent on public sector expenditure and, despite continued austerity measures we have seen a marked improvement in financial performance across the majority of our services. This has been achieved by focussing on building sustainable services which align with our mission and vision and are appropriately funded. This strategy has resulted in the closure of those services which have suffered funding cuts such as our Chavey Down Children's Respite service in East Renfrewshire and our Steps and Stages childcare service in North Ayrshire. During the year, the Board also agreed to withdraw and close our services in England due to a lack of financial viability. The majority of these services provide residential care to children with physical disabilities and have seen significant cuts in local authority funding, in particular a shift from "block" contracts to "spot purchased" places.

As a consequence of this more robust approach to financial management, the Board was pleased to implement the Scottish Living Wage of £8.25 per hour across all staffing groups and remains committed to the Scottish Government's strategic objective of £9.00 per hour by 2020.

It was pleasing to note another successful year for our Fundraising team which exceeded its income target of £2.6m. This money allows us to increase the breadth and depth of our service offering as evidenced by the following metrics: -

	2017 No.	2016 No.	Movement	Comment
Adult Disability				
No. of people supported in their own homes and residential care homes	330	346	(4%)	
No. of days of adult respite care provided	7,451	7,780	(4%)	
No. of adult family placements	27	14	93%	New placement service in 2017

QUARRIERS

STRATEGIC REPORT

	2017 No.	2016 No.	Movement	Comment
Children & Families				
No. of young people with a disability supported in residential services	10	9	11%	
No. of days of residential respite care provided for children with disabilities	4,605	5,312	(13%)	Closure of Chavey Down service in November 2016
No. of children with a disability utilised family-based short break services	18	25	(28%)	
No. of children supported by family support services	502	687	(27%)	Closure of North Ayrshire family support service in March 2016
No. of children supported by flexible childcare at home services	175	155	13%	
No. of young people with complex needs and behaviours supported in residential services	7	7	-	
No. of child fostering placements supported	8	4	100%	Expansion of fostering service
No. of adult carers directly benefited	2,094	1,604	31%	New Aberdeenshire Adult Carers service
No. of young carers directly benefited	312	187	67%	New Aberdeenshire Young Carers service
No. of adults supported by drug and alcohol service	539	525	3%	
Epilepsy Services				
No. of patients admitted to Scottish Epilepsy Centre	133	123	8%	
No. of outpatients treated at Scottish Epilepsy Centre	151	182	(17%)	
No. of people supported in small care homes and supported living services	77	83	(7%)	Registered care home vacancies
No. of contacts by Epilepsy Fieldwork services in North East	17,934	16,982	6%	New Big Lottery grant funding
Young Adults				
No. of nights supported accommodation provided	31,249	32,859	(5%)	
No. of young people supported in their own tenancies	63	64	(2%)	

FINANCIAL REVIEW

Results for the year

Total income increased by £0.5m to £42.2m (2016: £41.7m) due to the receipt of additional local authority funding which contributed towards Scottish Living Wage (SLW) compliance across all Adult Care at Home and Housing Support services. In addition, the Business Development team was successful in winning a new Adult Placement service called Person Supported Services. Donations and legacy income decreased by £0.2m to £1.9m (2016: £2.1m) due to reductions in both individual giving and legacy receipts.

Total expenditure reduced by £0.9m to £40.7m (2016: £41.6m). Within this figure, expenditure relating to donations and legacies decreased by £0.6m to £0.8m (2016: £1.4m) achieved largely because of lower recruitment costs for face to face donors. Expenditure on charitable activities reduced by £0.2m to £39.5m (2016: £39.7m).

QUARRIERS

STRATEGIC REPORT

Following a change of Investment Manager in late 2016, it is pleasing to note a net gain on investments of £0.9m (2016: £0.9m loss). Despite an actuarial loss on the defined benefit pension scheme of £4.6m (2016: gain of £7.5m) resulting in a net negative movement of funds for the year of £2.2m (2016: £6.8m positive movement), the Board is satisfied that the underlying net income of £2.4m represents a solid platform on which to build.

Going concern

Having considered forecast results including reasonably possible downside sensitivities, together with banking facilities available to the charity, the directors are satisfied 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 bank term loans of £1.1m (2016: £0.3m) and bank revolving credit of £Nil (2016: £1.0m). 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 maintains an Ethical Investment Policy which prohibits direct investment in businesses where the main activities include tobacco, aerospace or defence industries; an additional constraint prohibits 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 £0.3m of investments at cost were disposed of and £0.8m of additions were made. This contributed to an overall 29% increase in market value to £5.7m (2016: £4.4m).

Pensions

The deficit on the defined benefit pension scheme, calculated in accordance with FRS102, increased in the year under review to £11.0m, representing a deterioration of £4.6m (73%) on the prior year. The major factor contributing to this deterioration was the fall in corporate bond yields which are used to calculate the present value of the Scheme liabilities. On 31st August 2016 the Board agreed to close the defined benefit pension scheme to future accrual, with affected members being transferred to a defined contribution scheme.

Reserves

Unrestricted funds have reduced by £2.4m (2016: £6.8m increase) due to the improvement in net income offset by the deterioration in the defined benefit pension scheme noted above. Restricted funds have increased by £0.2m (2016: no change).

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 2017 amounting to £11.6m represents approximately 15 weeks (2016: 18 weeks) at the current level of annual expenditure of £40.7m. The reserves target has been met even with the increase 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. Quarriers is a Positive about Disability Employer and conducts annual interviews with employees who have a disability in order to assess their needs and provide them with support in the workplace. The average number of people employed with Disability Discrimination Act related conditions is 95 (2016: 98).

QUARRIERS

STRATEGIC REPORT

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 (2016: 80) 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.

Volunteers

Quarriers is committed to the involvement of volunteers across the organisation and works with over 300 volunteers. Volunteers add value to the organisation and make a real difference to the people we support. Volunteering within Quarriers continues to grow year on year and Quarriers is proud to have the Investing in Volunteers UK Quality Award.

Funds held as custodian

Quarriers holds funds on behalf of people we support who are unable to open bank accounts. These balances amount to £0.2m (2016: £0.2m) and are held in a separate bank account. These amounts are accounted for within cash at bank and creditors in the Balance Sheet.

PLANS FOR FUTURE PERIODS

The next 12 months will see a reduction in total income with the decision to close our services in England resulting in two properties being sold, one transferring back to the local authority and three transferring to new providers.

We anticipate an increase in compliance costs with the continued rise in Scottish Living Wage to £8.45 per hour and the introduction of the Apprenticeship Levy.

2017 will see the culmination of the Project Evolution implementation; the organisational-wide management information system which will transform the way in which our services are managed and delivered.

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.

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 the Scottish Child Abuse Inquiry and the following:

Risk	Mitigation
Failure of business IT infrastructure	Resilience built in through hardware and software layers; development of mirrored servers at alternative site; mobile air conditioning unit implemented in server room; UPS re-configured.
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.

QUARRIERS

STRATEGIC REPORT

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; Medication errors tool developed.
Failure of staff to adhere to internal or external standards and quality assurance mechanisms not working appropriately	Robust mandatory training, Whistleblowing policy and Disciplinary procedures in place supplemented by regular internal audits to ensure compliance.

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

28 August 2017

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 2017 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 29. 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 Financial Reporting Council'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 2017 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 and such reports have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Trustees' Annual Report.

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.



Antony J Sinclair CA (Senior Statutory Auditor)
for and on behalf of French Duncan LLP
Chartered Accountants and Statutory Auditors
133 Finnieston Street, Glasgow, G3 8HB

15/09/2017

French Duncan 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 2017

		Unrestricted funds			Total	Total
	Note	General Funds £'000	Designated Funds £'000	Restricted Funds £'000	31 March 2017 £'000	31 March 2016 £'000
Income from:						
Donations and legacies	3	1,735	-	120	1,855	2,089
Charitable activities	4	32,763	-	6,846	39,609	38,523
Other trading activities	5	184	-	-	184	258
Investments	6	518	-	-	518	521
Gain on sale of fixed assets		-	-	-	-	321
TOTAL INCOME		35,200	-	6,966	42,166	41,712
Expenditure on:						
Raising donations and legacies	7	792	-	-	792	1,354
Charitable activities	8	32,666	-	6,788	39,454	39,668
Other trading activities	9	88	-	-	88	141
Investment management costs	10	335	-	-	335	414
TOTAL EXPENDITURE		33,881	-	6,788	40,669	41,577
Net income before investment gains/(losses)		1,319	-	178	1,497	135
Net gains/(losses) on investments		899	-	-	899	(873)
NET INCOME/(EXPENDITURE)		2,218	-	178	2,396	(738)
Transfers between funds	25	229	(275)	46	-	-
Other recognised gains/(losses)						
Actuarial (losses)/gains on defined benefit pension schemes	26	(4,594)	-	-	(4,594)	7,517
NET MOVEMENT IN FUNDS		(2,147)	(275)	224	(2,198)	6,779
RECONCILIATION OF FUNDS						
Total funds brought forward at 1 April		8,836	5,196	3,415	17,447	10,668
Net movement in funds for the year		(2,147)	(275)	224	(2,198)	6,779
Total funds carried forward 31 March		6,689	4,921	3,639	15,249	17,447

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.

QUARRIERS

BALANCE SHEET As at 31 March 2017

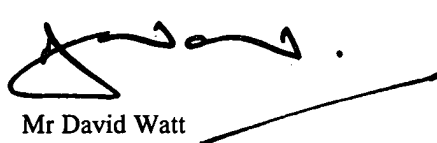
	Note	2017 £'000	2016 £'000
FIXED ASSETS			
Investment properties	17	5,418	5,330
Other tangible fixed assets	17	12,349	12,872
Intangible fixed assets	18	898	467
		<hr/>	<hr/>
		18,665	18,669
Investments	19	5,720	4,449
		<hr/>	<hr/>
		24,385	23,118
CURRENT ASSETS			
Debtors	20	4,189	4,004
Cash at bank and in hand		2,184	1,690
		<hr/>	<hr/>
		6,373	5,694
CREDITORS: amounts falling due within one year	21	(3,652)	(4,751)
		<hr/>	<hr/>
NET CURRENT ASSETS		2,721	943
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		27,106	24,061
CREDITORS: amounts falling due after more than one year	21	(835)	(107)
Provisions for liabilities and charges	22	-	(130)
		<hr/>	<hr/>
NET ASSETS EXCLUDING PENSION DEFICIT		26,271	23,824
PENSION DEFICIT	26	(11,022)	(6,377)
		<hr/>	<hr/>
NET ASSETS		15,249	17,447
		<hr/>	<hr/>
CAPITAL AND RESERVES			
		2017 £'000	2016 £'000
Unrestricted funds			
- General reserve	25	17,711	15,213
- Pension scheme reserve	25	(11,022)	(6,377)
- Designated reserves	25	4,921	5,196
		<hr/>	<hr/>
		11,610	14,032
Restricted funds	25	3,639	3,415
		<hr/>	<hr/>
TOTAL CAPITAL AND RESERVES		15,249	17,447
		<hr/>	<hr/>

The financial statements of Quarriers, registered company number SC014361, were approved and authorised for issue by the Board of Trustees on 28 August 2017.

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 2017

	Notes to the cash flow statement	2017 £'000	2016 £'000
Net cash provided by operating activities	(i)	1,722	175
Cash flows from investing activities:			
Dividends, interest and rents from investments (note 6)		518	521
Proceeds from the sale of fixed assets		-	848
Purchase of fixed assets (notes 17 and 18)		(1,099)	(1,743)
Proceeds from sale of investments		387	1,855
Purchase of investments (note 19)		(834)	(1,895)
Net cash used in investing activities		(1,028)	(414)
Cash flows from financing activities:			
Repayments of borrowing (note 21)		(200)	(199)
Net cash used in financing activities		(200)	(199)
Net increase/(decrease) in cash		494	(438)
Cash at beginning of year		1,690	2,128
Cash at end of year		2,184	1,690

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

	2017 £'000	2016 £'000
Net income/(expenditure) per Statement of Financial Activities	2,396	(738)
Adjustments for:		
Depreciation charges (note 17)	1,178	1,167
(Gains)/losses on investments	(899)	873
Dividends, interest and rents from investments (note 6)	(518)	(521)
(Profit)/loss on the sale of fixed assets	-	(321)
(Increase)/decrease in debtors	(185)	40
(Decrease) in creditors	(301)	(669)
Pension – net interest on net defined benefit liability (note 26)	223	433
Pension – difference between service cost and contributions (note 26)	(172)	(89)
Net cash inflow from operating activities	1,722	175

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

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 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 2017 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 2017

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.

The directors review the carrying value of investment properties at the balance sheet date. This involves an assessment of future rental income, lease expiry dates and benchmarking against the Nationwide House Price Index.

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 2017

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.

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 2017

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 26 for details of post retirement benefits.

A new integrated business system is in development, which is designed to realise efficiency savings across the organisation. The costs have been capitalised as an intangible fixed asset and will be amortised over the useful economic life of the system. The directors review the carrying value and useful economic life of intangible assets at the balance sheet date.

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. The directors review the carrying value of investment properties at the balance sheet date. This involves an assessment of future rental income, lease expiry dates and benchmarking against the Nationwide House Price Index.

3. INCOME FROM DONATIONS AND LEGACIES

	2017	2016
	£'000	£'000
Individual giving	1,204	1,262
Community and corporate fundraising	84	96
Legacies	459	656
Training grants	40	18
Trusts and grant making bodies	68	57
	1,855	2,089

In addition, grants awarded to restricted projects amounting to £892,000 (2016 - £825,000) were applied for by the fundraising department and are shown within incoming resources from charitable activities.

4. INCOME FROM CHARITABLE ACTIVITIES

	Local authority fees	Grants	Other funding	Total 2017	Total 2016
	£'000	£'000	£'000	£'000	£'000
Adult disability	19,847	253	161	20,261	19,516
Children and families	4,126	3,687	103	7,916	7,453
Epilepsy	6,059	251	161	6,471	6,204
Young adults	3,534	1,374	53	4,961	5,350
	33,566	5,565	478	39,609	38,523

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

4. INCOME FROM CHARITABLE ACTIVITIES (CONTINUED)

Of the £5,565,000 (2016 - £4,966,000) grants recognised during the year, £4,279,000 (2016 - £4,268,000) 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:

		2017	2016
		£	£
Bank of Scotland Foundation (Large Grants)	Learning & Development Initiative	49,698	48,520
BBC Children in Need	Opt-in Early Year	27,801	-
Big Lottery Fund (Investing in Communities)	Quarriers Early Years Family Support	107,821	105,707
Big Lottery Fund (Investing in Communities)	Epilepsy Fieldwork	150,012	-
Big Lottery Fund (Investing in Communities)	Coaching for Life	66,160	-
Comic Relief	Peri-natal Mental Health	20,847	-
Glasgow City Council Integrated Grant Funding	Family Support Service	105,801	106,753
Glasgow City Council Integrated Grant Funding	Quarriers Literacy Project	57,500	61,800
Glasgow City Council Integrated Grant Funding	Opt In South West Education Support	128,529	127,922
Hollywood Trust	Support Staff and Refurbishment	16,500	-
Inspiring Scotland	Mentoring	16,111	-
Life Changes Trust (Befriending and Peer Support)	Dementia Befriending Service	29,936	14,949
Lloyds TSB Foundation for Scotland (Drugs Initiative)	Arrows	80,339	-
Lloyds TSB Foundation for Scotland (Drugs Initiative)	Moray Young Carers	24,562	24,562
NHS Scotland (Test of Change)	Quarriers TEC project	5,658	-
Scottish Government Children and Families Intervention Fund	Children and Families Inclusion	36,000	-
Scottish Government Digital Challenge Fund	Go4IT	4,268	4,268
Scottish Government Self Directed Support Innovation	Linn Park	48,092	54,597
Scottish Government Short Breaks Fund (Creative Breaks)	Time to Live – Aberdeenshire/Moray	27,479	9,037
Scottish Government Short Breaks Fund	Fun Club (Campsie View)	12,698	-
Scottish Government Short Breaks Fund	Adventure Breaks	20,588	-
Scottish Government Short Breaks Fund	Stay and Play	15,019	-
Scottish Government Technology Enabled Care	Adult Services	185,000	60,000
Scottish Power Energy Peoples Trust	Energy Efficiency Advisor	30,062	-
Spifox	Ruchazie Centre Garden Improvements	12,998	-
Big Lottery Fund (Awards for All)	Mavisbank	-	9,933
Big Lottery Fund (Young Start)	Work it Out	-	6,159
Cheshire West & Chester Council (Young People Programme)	Young People's Support Service	-	20,130
European Commission Lifelong Learning Programme	Way 2 Work (Leonardo 2013)	-	49,606
Glasgow City Council (Sense over Sectarianism)	Learning & Development Initiative	-	4,300
Scottish Government Housing Voluntary Grants Scheme	Youth Inclusion	-	33,057
Scottish Government Section 13b Health Grants	Scottish Epilepsy Centre	-	5,000
Scottish Government Short Breaks Fund (Better Breaks)	Activity Playscheme	-	21,190
Scottish Government Short Breaks Fund (Creative Breaks)	Dementia Adventures	-	11,876
Scottish Government Third Sector Early Intervention Fund	Children & Families Inclusion	-	44,308
Scottish Government Third Sector Early Intervention Fund	Opt-In Early Years	-	103,262
See Me (Scottish Government and Comic Relief)	See Me Early Years (Ruchazie)	-	19,999
Silverhill Trust	Falkirk Children's Rights	-	12,260

5. INCOME FROM OTHER TRADING ACTIVITIES

	2017	2016
	£'000	£'000
Major fundraising events	106	152
Conferences, courses and venue hire	78	106
	<u>184</u>	<u>258</u>

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

6. INCOME FROM INVESTMENTS

	2017 £'000	2016 £'000
Dividends	155	172
Bank interest	2	5
Property rental income	361	344
	<u>518</u>	<u>521</u>

7. EXPENDITURE ON RAISING DONATIONS AND LEGACIES

	2017 £'000	2016 £'000
Individual giving	615	1,120
Community and corporate fundraising	58	87
Legacies	5	8
Trusts and grant making bodies	24	24
Awareness raising	90	115
	<u>792</u>	<u>1,354</u>

£332,000 (2016 - £620,000) 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

	2017 Direct costs £'000	2017 Support costs £'000	2017 Total £'000	2016 Direct costs £'000	2016 Support costs £'000	2016 Total £'000
Adult disability	19,699	1,054	20,753	20,040	1,058	21,098
Children and families	7,207	320	7,527	6,878	318	7,196
Epilepsy	6,068	264	6,332	5,817	259	6,076
Young adults	4,642	200	4,842	5,073	225	5,298
	<u>37,616</u>	<u>1,838</u>	<u>39,454</u>	<u>37,808</u>	<u>1,860</u>	<u>39,668</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 2017

8. EXPENDITURE ON CHARITABLE ACTIVITIES (CONTINUED)

SUPPORT COSTS

	2017 £'000	2016 £'000
Finance	415	410
Governance	176	178
Human resources	431	501
Information technology	163	168
Management and administration	186	146
Communications	88	114
Grant applications	133	127
Property	246	216
	<u>1,838</u>	<u>1,860</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

	2017 £'000	2016 £'000
Major fundraising events	75	113
Conferences, courses and venue hire	13	28
	<u>88</u>	<u>141</u>

10. EXPENDITURE ON INVESTMENT MANAGEMENT COSTS

	2017 £'000	2016 £'000
Investment manager's costs	28	19
Bank charges and interest payable	42	64
Property rental costs	265	331
	<u>335</u>	<u>414</u>

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.

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

12. NET INCOME/(EXPENDITURE) FOR THE YEAR

	2017 £'000	2016 £'000
Net income/(expenditure) is stated after charging:		
Auditor's remuneration - fee for audit of statutory accounts (inclusive of VAT)	26	40
Depreciation of owned assets	1,178	1,167
Operating lease rentals - plant and machinery	314	331
- land and buildings	927	948
Directors' and officers' indemnity insurance	12	11

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

	2017 No	2016 No
The average monthly number of employees during the year was as follows:		
Administration	159	190
Social care and other	1,601	1,750
	<u>1,760</u>	<u>1,940</u>

Their aggregate remuneration comprised:

	2017 £'000	2016 £'000
Wages and salaries	27,039	27,537
Social security costs	1,960	1,922
Pension costs	821	970
	<u>29,820</u>	<u>30,429</u>
Pension costs can be analysed as follows:		
Defined benefit current service cost (see note 26)	432	811
Defined contribution pension costs (see note 26)	389	159
	<u>821</u>	<u>970</u>

In addition to the above pension costs, an actuarial loss of £4,594,000 (2016 - gain of £7,517,000) and the net interest cost on the net defined pension liability of £223,000 (2016 - £433,000) have been included within the statement of financial activities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

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:

	2017 No.	2016 No.
£60,000 - £70,000	1	2
£70,000 - £80,000	2	2
£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 £372,000 (2016: £415,000).

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 (2016 - £Nil).

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

	2017 £'000	2016 £'000
Income from listed investments (see note 6)	155	172
Bank interest receivable (see note 6)	2	5
	<u>157</u>	<u>177</u>

15. INTEREST PAYABLE AND SIMILAR CHARGES

	2017 £'000	2016 £'000
Net interest on net pension defined benefit liability	223	433
Bank loans and overdrafts (see note 10)	42	64
	<u>265</u>	<u>497</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 2017

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 2016	5,330	20,270	139	3,462	1,405	25,276
Additions	13	489	-	116	50	655
Transfer	-	-	-	-	-	-
Disposals	-	-	-	(13)	(6)	(19)
Revaluation	75	-	-	-	-	-
At 31 March 2017	5,418	20,759	139	3,565	1,449	25,912
Accumulated depreciation						
At 1 April 2016	-	8,382	135	2,756	1,131	12,404
Charge for the year	-	746	2	299	131	1,178
Disposals	-	-	-	(13)	(6)	(19)
At 31 March 2017	-	9,128	137	3,042	1,256	13,563
Net book value						
At 31 March 2017	5,418	11,631	2	523	193	12,349
At 31 March 2016	5,330	11,888	4	706	274	12,872
Net book value of assets used directly for charitable purposes						
At 31 March 2017	-	10,872	1	467	166	11,506
At 31 March 2016	-	11,146	3	625	240	12,014

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	Historic cost £'000
31 March 2016	15	2,875	685
Between 31 March 2014 and 30 October 2014	6	1,553	968
9 February 2012	4	990	209
	25	5,418	1,862

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.

One investment property is held under an historic agreement that restricts the capital receipt attributable to Quarriers in the event of disposal. This represents £80,000 of the above carrying amount. Properties held as security for bank borrowing and pension scheme contingent assets amount to £3.48m.

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

18. INTANGIBLE FIXED ASSETS

	£'000
Cost	
At 1 April 2016	467
Additions	431
Disposals	-
	<hr/>
At 31 March 2017	898
	<hr/>
Accumulated amortisation	
At 1 April 2016	-
Provided during the year	-
Disposals	-
	<hr/>
At 31 March 2017	-
	<hr/>
Net book value	
At 31 March 2017	898
	<hr/> <hr/>
At 31 March 2016	467
	<hr/> <hr/>

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

19. INVESTMENTS

	2017 £'000	2016 £'000
Cost		
As at 1 April 2016	3,485	3,533
Additions	834	1,895
Disposals	(281)	(1,943)
	<hr/>	<hr/>
As at 31 March 2017	4,038	3,485
	<hr/> <hr/>	<hr/> <hr/>
Composed of:		
Listed investments:		
Listed on London Stock Exchange	2,755	2,481
Overseas investments	1,281	1,002
Unlisted investments	2	2
	<hr/>	<hr/>
As at 31 March 2017	4,038	3,485
	<hr/> <hr/>	<hr/> <hr/>

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 March 2017

19. INVESTMENTS (CONTINUED)

	2017 £'000	2016 £'000
Market Value		
As at 1 April	4,449	4,986
Additions	834	1,895
Disposals as at 1 April 2016 market value	(358)	(2,216)
	<hr/> 4,925	<hr/> 4,665
Gains/(Losses) in the year	795	(216)
	<hr/> 5,720	<hr/> 4,449

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 2017 - £47 (31 March 2016 - £47) Result before tax for the year to 31 March 2017 - £Nil (31 March 2016 - £Nil)	Scotland
Company Registration No. SC099906		
Gottar Limited	Design and build company. Net assets at 31 March 2017 - £94 (31 March 2016 - £938) Loss for the year to 31 March 2017 - £844 (31 March 2016 - loss £Nil)	Scotland
Company Registration No. SC115261		
Strathgryffe Limited	Property management company (for charitable purposes). Net assets at 31 March 2017- £10,891 (2016 - £10,462) Profit before tax for the year to 31 March 2017 - £429 (2016 - £910)	Scotland
Company Registration No. SC263231		
OSCR Charity No. SC035170		

20. DEBTORS

	2017 £'000	2016 £'000
Trade debtors	3,571	3,271
Other debtors	34	41
Prepayments and accrued income	584	692
	<hr/> 4,189	<hr/> 4,004

No debtors are due after more than one year.

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 March 2017

21. CREDITORS:

AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
Bank term loans	279	207
Bank revolving credit	-	1,000
Trade creditors	547	718
Other taxes and social security costs	505	530
Other creditors	687	644
Deferred grant income (see note 23)	580	349
Accruals and other deferred income	1,042	1,291
Amounts owed to subsidiary undertakings	12	12
	<u>3,652</u>	<u>4,751</u>

AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2017 £'000	2016 £'000
Bank term loans due for repayment:-		
Between one and two years	194	107
Between two and five years	623	-
After five years	18	-
	<u>835</u>	<u>107</u>

The term loans 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). The term loan is at a fixed interest rate of 3.33% per annum (2016 – fixed interest rate of 3.93% per annum).

Included within other creditors are pension contributions payable amounting to £99,000 (2016 - £122,000).

22. PROVISIONS FOR LIABILITIES AND CHARGES

	Local authority clawback £'000
As at 1 April 2016	130
Created during the year	-
Utilised during the year	-
Released during the year	(130)
As at 31 March 2017	<u>-</u>

The Local Authority clawback provision was for potential non-delivery of budgeted hours. Following further analysis and negotiations this provision is no longer deemed necessary.

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 March 2017

23. DEFERRED GRANT INCOME

	£'000
As at 1 April 2016	349
Received during the year	4,792
Released during the year	(4,561)
	<hr/>
As at 31 March 2017	580
	<hr/>

Deferred grant income consists of grants received in the current financial year for services to be performed in future financial periods.

24. SHARE CAPITAL

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

25. RESERVES

	As at 1 April 2016 £'000	Income £'000	Expenditure £'000	Gains on investment assets £'000	Pension scheme movements £'000	Transfers £'000	As at 31 March 2017 £'000
General reserve	15,213	35,200	(33,881)	899	51	229	17,711
Pension scheme reserve	(6,377)	-	-	-	(4,645)	-	(11,022)
Designated funds							
Fixed assets fund	5,196	-	-	-	-	(275)	4,921
Total unrestricted funds	<hr/> 14,032	<hr/> 35,200	<hr/> (33,881)	<hr/> 899	<hr/> (4,594)	<hr/> (46)	<hr/> 11,610
Restricted funds	<hr/> 3,415	<hr/> 6,966	<hr/> (6,788)	<hr/> -	<hr/> -	<hr/> 46	<hr/> 3,639
Total funds	<hr/> <hr/> 17,447	<hr/> <hr/> 42,166	<hr/> <hr/> (40,669)	<hr/> <hr/> 899	<hr/> <hr/> (4,594)	<hr/> <hr/> -	<hr/> <hr/> 15,249

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.

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 March 2017

26. EMPLOYEE RETIREMENT BENEFITS

Defined contribution scheme

Employer contributions have been made in the year to the following defined contribution schemes:

	2017 £'000	2016 £'000
Auto-enrolment scheme	127	115
Stakeholder scheme	43	44
Quarriers defined contribution scheme	219	-
	<u>389</u>	<u>159</u>

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, which was closed to future accrual on 31 August 2016. Active members of the scheme at that date retained a salary link on their deferred pension and cash benefits. 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 £604,000 (2016 - £900,000). Contributions amounting to £31,000 (2016 - £86,000) were payable to the fund at 31 March 2017. 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. Under the funding schedule agreed with the scheme trustees, Quarriers aims to eliminate the current deficit over the next 9 years. The estimated amounts of contributions expected to be paid to the scheme during the year ended 31 March 2018 is £375,000.

Actuarial valuation

The figures below have been based on the actuarial valuation as at 1 November 2013, updated to 31 March 2017. The main actuarial assumptions used at the balance sheet date were as follows:

	2017 %	2016 %
Rate of inflation (RPI)	3.10	2.90
Salary increase rate (CPI)	2.10	1.90
Increases for pensions in payment - RPI maximum 5% per annum	3.10	2.85
- RPI maximum 2.5% per annum	2.10	2.10
Liability discount rate	2.50	3.60

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 March 2017

26. EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

	2017 Years	2016 Years
Mortality assumptions - life expectancy on retirement		
Pensioners – male	20.20	20.10
Pensioners – female	22.80	22.70
Non-pensioners - male	22.00	21.90
Non-pensioners - female	24.60	24.50

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

	2017 £'000	2016 £'000
Equities	26,175	26,257
Bonds	20,010	16,692
Cash	1,040	159
Total fair value of assets	47,225	43,108
Present value of scheme liabilities	(58,247)	(49,485)
Deficit in the scheme	(11,022)	(6,377)

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

	2017 £'000	2016 £'000
Current service cost	237	576
Service cost – scheme administrative cost	195	235
Net interest on the net defined benefit liability	223	433
Net cost recognised within net income/(expenditure) for the year	655	1,244
Actuarial losses/(gains)	4,594	(7,517)
Total cost relating to defined benefit scheme recognised in the Statement of Financial Activities	5,249	(6,273)

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 March 2017

26. EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

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

	2017 £'000	2016 £'000
Assets at 1 April	43,108	43,440
Actual return on plan assets	4,733	(945)
Interest income on scheme assets	1,517	1,424
Employer contributions	604	900
Employee contributions	76	184
Scheme administrative cost	(195)	(235)
Benefits paid	(2,618)	(1,660)
	<hr/>	<hr/>
Assets at 31 March	47,225	43,108
	<hr/>	<hr/>

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

	2017 £'000	2016 £'000
Liabilities at 1 April	49,485	56,990
Current service cost	237	576
Interest cost	1,740	1,857
Employee contributions	76	184
Actuarial loss/(gain)	9,327	(8,462)
Benefits paid	(2,618)	(1,660)
	<hr/>	<hr/>
Liabilities at 31 March	58,247	49,485
	<hr/>	<hr/>

The impact of the pension deficit on unrestricted funds at 31 March 2017 is as follows:

	2017 £'000	2016 £'000
Unrestricted funds excluding pension deficit	22,632	20,409
Pension deficit	(11,022)	(6,377)
	<hr/>	<hr/>
Unrestricted funds including pension deficit	11,610	14,032
	<hr/>	<hr/>

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 March 2017

27. FINANCIAL COMMITMENTS

Operating lease commitments

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

	2017 Land & buildings £'000	2017 Other £'000	2016 Land & buildings £'000	2016 Other £'000
Within one year	139	197	167	231
Between two and five years	74	266	111	264
After five years	-	-	-	-
	<u>213</u>	<u>463</u>	<u>278</u>	<u>495</u>

Secured assets

Quarriers has agreed with the Quarriers Pension Scheme a contingent asset agreement whereby the scheme holds security over Quarriers tangible fixed assets to the value of £4.23m at 31 March 2017 (2016 - £4.23m).

28. SUBSIDIARY COMPANY TRANSACTIONS

During the year the company made purchases of a total value of £5,000 (2016 - £12,000) from Gottar Limited, a subsidiary company, and made sales to Gottar Limited of a total value of £5,000 (2016 - £5,000).

At 31 March 2017, the company owed £2,000 to Gottar Limited (2016 - £2,000).

During the year the company made purchases of a total value of £19,000 (2016 - £19,000) from Strathgryffe Limited, a subsidiary company, and made sales to Strathgryffe Limited of a total value of £18,000 (2016 - £18,000).

At 31 March 2017, the company owed £11,000 (2016 - £10,000) to Strathgryffe Limited.

29. RELATED PARTY TRANSACTIONS

There were no related party transactions in the year to 31 March 2017 (2016 - none).