

QUARRIERS

Report and Financial Statements

31 March 2004

Deloitte & Touche LLP
Glasgow



QUARRIERS

REPORT AND FINANCIAL STATEMENTS 2004

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QUARRIERS

REPORT AND FINANCIAL STATEMENTS 2004

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr Robin W Wilson	(Chairman)
Mr Michael K Abram	
Mr David S Alexander	
Dr Rona S Beattie	
Mrs Elizabeth M Bomphray	(appointed, 15 March 2004)
Mrs Murielle K Boyd	(resigned, 8 September 2003)
Ms Susan Bird	
Mr Graeme M Davidson	
Mr James W Dinsmore	
Mr William Harkness	
Mrs Mary F Leishman	(appointed, 8 September 2003)
Mr Bernard Lodge	(resigned, 31 March 2004)
Mr David J C MacRobert	
Dr Ian C Matson	
Mr Donald McQuade	(resigned, 8 September 2003)
Mrs Christine Thom	
Mr Robert Walker	
Mr Frederick D Wardle	

SENIOR MANAGERS

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

SECRETARY

Mr Fraser W MacDonald

REGISTERED OFFICE

Quarriers
Quarriers Village
Bridge of Weir
Renfrewshire PA11 3SX

BANKERS

Bank of Scotland
Main Street
Bridge of Weir
Renfrewshire PA11 3ED

INVESTMENT MANAGERS

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

INDEPENDENT AUDITORS

Deloitte & Touche LLP
Glasgow

SOLICITORS

Brechin Tindal Oatts
48 St Vincent Street
Glasgow G2 5HS

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

QUARRIERS

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of Quarriers for the year ended 31 March 2004.

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

SHARE CAPITAL

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

PRINCIPAL ACTIVITY

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

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

REVIEW OF BUSINESS AND FUTURE PROSPECTS

The organisation has had an active year and continues to grow with increased incoming resources of £31,006,812 (2003 - £25,581,109). The expansion in projects funded by Supporting People monies together with generic growth in projects has resulted in an increase in fees receivable for the year to £24,268,144 (2003 - £18,381,450). Grant income was £5,122,691 (2003 - £5,513,813). This small decrease is due to grant income being replaced by other income streams. The surplus for the year and movement of funds to specific reserves largely accounts for the net movement in funds of £1,526,681 (2003 - £878,337) and the increase in reserves.

The net movement in funds includes unrealised gains of £359,542 (2003 - losses of £782,663) on investments caused by the general upturn in the world's stock markets.

Net incoming resources before transfers to reserves was £1,039,666 (2003 - £1,720,600). This is attributable to the increasing number of services and a reduction in the number of project losses assisted by restructuring funding.

Negotiations are ongoing to establish sustainable fee rates for all our services. This continues to be a difficult process with local authorities seeking efficiency savings year on year. The movement of funding streams during the year to the 'Supporting People' regime has assisted us to renegotiate services and meet increasing costs. All costs continue to be tightly controlled.

In the course of the year a significant investment has been made in our fundraising department and activities in order to sustain our voluntary income in the future. Costs associated with donor recruitment have been fully expensed in the current year and the donor base continues to grow. Voluntary income (donations, gifts and legacies) of £1,095,841 this year (2003 - £1,398,583) ensured costs associated with operations were fully met and sufficient funds were available for the transfer of £516,813 (2003 - £200,000) to designated reserves. During the year Quarriers grew from new services across all operations.

Our services for children's respite continue to expand, with Quarriers being requested to open its first service in England near Bath. In addition our existing Glasgow young people projects have expanded and further outreach services have been developed. Our services for Young People who are homeless have continued to expand with new projects coming into operation in Stirling and South Ayrshire.

Seafield School, situated in Ardrossan, has been subject to further development with a new residential facility for children in Largs. An upgrade to classrooms and existing residential premises is also underway.

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

QUARRIERS

DIRECTORS' REPORT (CONTINUED)

REVIEW OF BUSINESS AND FUTURE PROSPECTS (CONTINUED)

In addition we have rehoused residents from our Cranhill project in a new house in Robroyston, Glasgow.

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

The next phase of re-housing individuals, currently living in Quarriers Village, to upgraded registered properties in the Village is underway with the refurbishment of cottage 29. We are continuing to work in partnership with local authorities to ensure that the individuals we continue to support within Quarriers Village are offered the highest quality of housing and support.

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

Quarriers continues to expand very rapidly in both children and adult sectors -- fee income has increased by 32% this year and by over 100% during the last five years. The charity will continue to meet the needs of the people it supports and will expand its services by providing new and improved services whilst at the same time ensuring that its charitable resources are applied in the best and most efficient manner.

RESULTS AND TRANSFERS TO RESERVES

The surplus after transfers to reserves for the year amounted to £187,990 (2003 - £339,144). The directors recommend that this surplus be transferred to general reserves.

Funds are applied for the specific purpose for which they are received. If funds are received for general purposes then they are applied where there is the greatest need and any surpluses are then transferred to reserves in order to provide future funds for the charity.

FIXED ASSETS

Movements in tangible fixed assets are as set out in note 10 to the accounts.

Assets are held primarily for use by charitable services or for use by the support services. Land and buildings which are not used at the present time by the charity for their charitable purpose are leased with a view to maximising rental income.

MARKET VALUE OF LAND AND BUILDINGS

In the opinion of the directors, the market value of the land and buildings is significantly higher than the book value in these financial statements. If the land and buildings were sold at the sums indicated in the valuation, no liability to tax would arise due to the company's charitable status.

INVESTMENTS

Investments are recorded at market value in the balance sheet. The movement in investments is as set out in note 11.

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

DIRECTORS AND THEIR INTERESTS

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

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

QUARRIERS

DIRECTORS' REPORT (CONTINUED)

SUB-COMMITTEES

The directors review the day-to-day business of the charity by involvement in subcommittees, which then report at the full meeting of the board.

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

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

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

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

Services for People with a Disability Subcommittee – Mr Robert Walker (Convenor), Mrs Kay Boyd (resigned 8th September 2003), Mr Donald McQuade (resigned 8th September 2003), Dr Ian Matson and Mrs Christine Thom.

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

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

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

RISK MANAGEMENT

On an annual basis, the Council of Management reviews the major risks to which the charity is exposed and the systems that have been established to mitigate risks. A risk register has been prepared and external risks, which are identified, have been addressed in the strategic plan which allows for the diversification and development of activities to mitigate risks. Internal risks are minimised by the implementation of procedures for authorisation of all transactions and projects and to ensure consistent quality of delivery for all operational aspects of the charitable company. An internal audit programme, which is agreed by the audit committee, is carried out by head office staff.

DISABLED EMPLOYEES

It is the policy of Quarriers to employ disabled persons whenever possible, and to meet the legal requirements concerning the employment of disabled people. The average number of disabled employees employed during the year was 15 (2003 - 11).

EMPLOYEE INVOLVEMENT

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

DIRECTORS' REPORT (CONTINUED)

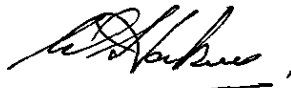
AUDITORS

On 1 August 2003, Deloitte & Touche, the company's auditors, transferred their business to Deloitte & Touche LLP, a limited liability partnership under the Limited Liability Partnerships Act 2000. The directors' consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26 (5) of the Companies Act 1985. A resolution to reappoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

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



Mr Robin W Wilson



Mr William Harkness

DATE

14/6/04

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will *continue in business*.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QUARRIERS

We have audited the financial statements of Quarriers for the year ended 31 March 2004 which comprise the statement of financial activities, the income and expenditure account, the combined statement of total recognised gains and losses and reconciliation of movements in capital and reserves, the balance sheet, the cash flow statement including notes thereto and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

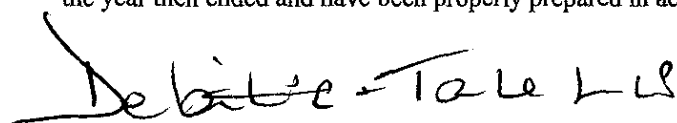
Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2004 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Glasgow

DATE 1st June 2004

QUARRIERS

STATEMENT OF FINANCIAL ACTIVITIES Year ended 31 March 2004

	Unrestricted Funds £	Designated Funds £	Restricted Funds £	Total Endowment Funds £	Total 31 March 2004 £	Total 31 March 2003 £
Incoming Resources						
Donations and gifts	441,367	-	73,611	-	514,978	462,038
Legacies receivable	580,863	-	-	-	580,863	936,545
Grants receivable	168,101	-	4,350,433	-	4,518,534	4,750,468
Community fund grants receivable	-	-	115,137	-	115,137	300,944
Social Inclusion Partnership grants receivable	-	-	489,020	-	489,020	462,401
Fees receivable	5,533,034	-	18,735,110	-	24,268,144	18,381,450
Investment income	96,775	-	162	-	96,937	95,647
Rents receivable	151,147	-	3,359	-	154,506	145,716
Net gain on disposal of tangible fixed assets	269,555	-	(862)	-	268,693	45,900
Total incoming resources	7,240,842	-	23,765,970	-	31,006,812	25,581,109
Resources Expended						
<i>Direct charitable expenditure</i>						
Children, young people and family services	3,700,157	-	4,944,512	-	8,644,669	6,952,934
Disability services	794,211	-	14,687,616	-	15,481,827	12,972,079
Support costs	-	-	3,135,123	-	3,135,123	1,417,358
Social Inclusion Partnership projects	-	-	489,020	-	489,020	462,401
	4,494,368	-	23,256,271	-	27,750,639	21,804,772
<i>Other Expenditure</i>						
Fundraising and publicity	671,122	-	-	-	671,122	747,016
Administration	815,810	-	-	-	815,810	660,310
Expenditure on properties	729,575	-	-	-	729,575	648,411
	2,216,507	-	-	-	2,216,507	2,055,737
Total resources expended	6,710,875	-	23,256,271	-	29,967,146	23,860,509
Net incoming resources before transfers	529,967	-	509,699	-	1,039,666	1,720,600
Transfers from unrestricted funds:	(3,915,327)	516,813	3,398,514	-	-	-
Transfers from restricted funds:	3,453,024	-	(3,453,024)	-	-	-
Net incoming resources	67,664	516,813	455,189	-	1,039,666	1,720,600
Gains and losses on investment assets						
Realised	120,326	-	-	7,147	127,473	(59,600)
Unrealised	353,933	-	-	5,609	359,542	(782,663)
	474,259	-	-	12,756	487,015	(842,263)
Net movements in funds	541,923	516,813	455,189	12,756	1,526,681	878,337
Brought forward 1 April 2003	2,565,712	503,000	3,221,024	101,925	6,391,661	5,513,324
Balances at 31 March 2004	3,107,635	1,019,813	3,676,213	114,681	7,918,342	6,391,661

QUARRIERS

INCOME AND EXPENDITURE ACCOUNT Year ended 31 March 2004

		2004 £	2003 £
INCOME - continuing operations	2	29,545,341	24,144,917
Cost of services		(28,842,771)	(22,964,498)
GROSS SURPLUS		702,570	1,180,419
Administrative expenses		(1,091,392)	(870,316)
OPERATING (DEFICIT)/SURPLUS - continuing operations	3	(388,822)	310,103
Net gain/(loss) on sale of fixed assets in continuing operations	4	268,693	(13,700)
		(120,129)	296,403
Income from donations, legacies and bequests		1,095,841	1,340,545
Interest receivable and investment income	7	96,937	95,647
Interest payable and similar charges	8	(32,983)	(11,995)
		1,039,666	1,720,600
Relating to designated funds, restricted funds and funds for special purposes		(851,676)	(1,381,456)
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		187,990	339,144
Tax on surplus on ordinary activities	9	-	-
RETAINED SURPLUS FOR THE YEAR		187,990	339,144

QUARRIERS

COMBINED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES AND RECONCILIATION OF MOVEMENTS IN CAPITAL AND RESERVES Year ended 31 March 2004

	Unrestricted Funds £	Designated Funds £	Restricted Funds £	Total Endowment Funds £	Total 2004 £	Total 2003 £
Surplus of income over expenditure	187,990	516,813	455,189	7,147	1,167,139	1,661,000
Unrealised gains/(losses) on investments	353,933	-	-	5,609	359,542	(782,663)
Total recognised gains and losses relating to the year and net addition to capital and reserves	541,923	516,813	455,189	12,756	1,526,681	878,337
Opening capital and reserves	2,565,712	503,000	3,221,024	101,925	6,391,661	5,513,324
Closing capital and reserves	3,107,635	1,019,813	3,676,213	114,681	7,918,342	6,391,661

QUARRIERS

BALANCE SHEET

31 March 2004

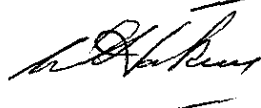
	Note	2004 £	2003 £
FIXED ASSETS			
Tangible assets	10	5,175,006	4,821,537
Investments	11	2,294,948	1,696,226
		<u>7,469,954</u>	<u>6,517,763</u>
CURRENT ASSETS			
Stocks	12	3,870	20,092
Debtors	13	4,707,906	3,154,592
Cash at bank and in hand		1,538,924	701,317
		<u>6,250,700</u>	<u>3,876,001</u>
CREDITORS: amounts falling due within one year	14	<u>(4,095,510)</u>	<u>(2,257,597)</u>
NET CURRENT ASSETS		<u>2,155,190</u>	<u>1,618,404</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		9,625,144	8,136,167
CREDITORS: amounts falling due after more than one year	16	(116,444)	(121,421)
PROVISIONS FOR LIABILITIES AND CHARGES	17	<u>(1,590,358)</u>	<u>(1,623,085)</u>
NET ASSETS		<u>7,918,342</u>	<u>6,391,661</u>
CAPITAL AND RESERVES	18		
General reserves			
- Income and expenditure account	19	3,181,224	3,231,712
- Revaluation reserve	19	(73,589)	(666,000)
- Designated reserves	19	1,019,813	503,000
		<u>4,127,448</u>	<u>3,068,712</u>
Funds for special purposes	19	114,681	101,925
Restricted funds	19	3,676,213	3,221,024
		<u>7,918,342</u>	<u>6,391,661</u>
TOTAL CAPITAL AND RESERVES		<u>7,918,342</u>	<u>6,391,661</u>

These financial statements were approved by the Board of Directors on 14 June 2004.

Signed on behalf of the Council of Management by



Mr Robin W Wilson



Mr William Harkness

QUARRIERS

CASH FLOW STATEMENT

Year ended 31 March 2004

	Notes to the cash flow statement	2004 £	2003 £
Net cash (outflow)/inflow from operating activities	1	(115,478)	157,817
Returns on investments and servicing of finance	2	184,280	22,922
Capital expenditure and financial investment	2	(984,045)	(1,738,843)
Net cash outflow before financing		(915,243)	(1,558,104)
Financing	2	1,752,850	1,307,394
Increase/(decrease) in cash		837,607	(250,710)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

Year ended 31 March 2004

	2004 £	2003 £
Increase/(decrease) in cash in the year	837,607	(250,710)
Cash outflow from decrease in debt and lease financing	(649,863)	34,281
Change in net funds resulting from cash flows	187,744	(216,429)
New finance leases	(20,992)	-
Movement in net funds in the year	166,752	(216,429)
Net funds at 1 April	589,859	806,288
Net funds at 31 March	756,611	589,859

The notes to the cash flow statement are included on pages 13 and 14.

QUARRIERS

NOTES TO THE CASH FLOW STATEMENT

Year ended 31 March 2004

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

	2004 £	2003 £
Operating (deficit)/surplus	(388,822)	310,103
Depreciation	681,082	464,391
Decrease in stock	16,222	(289)
Increase in debtors	(1,553,314)	(1,039,854)
Increase in creditors	1,162,081	460,843
Decrease in provision for pension costs	(32,727)	(37,377)
Net cash (outflow)/inflow from operating activities	<u>(115,478)</u>	<u>157,817</u>

2. GROSS CASH FLOWS

	2004 £	2003 £
Returns on investment and servicing of finance		
Interest received	36,047	33,922
Interest paid	(27,364)	(9,137)
Interest element of finance lease rental payments	(5,619)	(2,858)
Realised gain/(loss) on disposal of investments	120,326	(59,600)
Dividends received	60,890	60,595
	<u>184,280</u>	<u>22,922</u>
Capital expenditure and financial investment		
Payments to acquire fixed assets	(1,057,826)	(1,385,675)
Receipts from sales of fixed assets	192,634	45,900
Payments to acquire investments	(668,586)	(786,340)
Receipts from sales of investments	549,733	387,272
	<u>(984,045)</u>	<u>(1,738,843)</u>
Financing		
Loan advance	680,000	1,340,545
Income from donations, legacies and bequests	1,095,841	(14,454)
Repayment of term loans	(14,454)	(19,827)
Repayment of capital element of finance lease rentals	(15,683)	1,130
Income from funds for special purposes	7,146	-
	<u>1,752,850</u>	<u>1,307,394</u>

QUARRIERS

NOTES TO THE CASH FLOW STATEMENT (continued)

Year ended 31 March 2004

3. ANALYSIS OF CHANGES IN NET FUNDS

	2003 £	Cash flows £	Other non cash changes £	2004 £
Short term cash deposits	553,045	909,212	-	1,462,257
Other cash at bank and in hand	148,272	(71,605)	-	76,667
<i>Total cash at bank and in hand</i>	<i>701,317</i>	<i>837,607</i>	<i>-</i>	<i>1,538,924</i>
Debt due within one year	(14,454)	(680,000)	-	(694,454)
Debt due after more than one year	(83,902)	14,454	-	(69,448)
Finance leases	(13,102)	15,683	(20,992)	(18,411)
Net funds	589,859	187,744	(20,992)	756,611

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention, with the exception of investments which are valued at market value at the balance sheet date.

Group accounts

The company does not prepare consolidated group accounts as it is entitled for the year ended 31 March 2004 to the exemption conferred by Section 229 of the Companies Act 1985, as the exclusion of the subsidiary companies is not considered by the directors to be material for the purpose of giving a true and fair view.

Donations, legacies and other similar income

Donations, legacies and other similar income are recognised in the period in which they are received.

Deferred government grants

Government grants in respect of capital expenditure are matched to the related expenditure and written off to the income and expenditure account in the year in which the expenditure is charged. Grants of a revenue nature are credited to income in the period to which they relate.

Investments

Investments are recorded at market valuation. Realised gains and losses are included in the income and expenditure account. Unrealised gains and losses are included in the statement of total recognised gains and losses. Both realised and unrealised gains and losses are included in the Statement of Financial Activities.

Stocks

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

Tangible fixed assets and depreciation

All tangible fixed assets are recorded at original cost and are written off over their useful economic lives on a straight line basis as follows:

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

Land is not depreciated.

Tangible fixed assets are capitalised in the year of purchase and depreciated over their useful economic lives or, in the case of finance leased assets, over the term of the lease, if shorter. Expenditure which adapts buildings to a particular purpose is charged to the income and expenditure account.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the assets have passed to the company, are capitalised and depreciated over the term of the lease or contract. The interest element of the rental obligations is charged to the income and expenditure account over the period of the lease or contract and represents a constant proportion of the balance of capital repayments outstanding.

Operating lease rentals are charged to the income and expenditure account in equal annual amounts over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

1. ACCOUNTING POLICIES (continued)

Pensions

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

Support and administration costs

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

Deferred income

Deferred grant income relates to income which has been prepaid or received prior to the year end and will be repayable if the restrictions on the income's use are not met. These preconditions should be met in future accounting periods.

Statement of financial activities

Project funding surpluses are recorded within restricted reserves.

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

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

2. INCOME: continuing operations

Income represents funding received and amounts derived from the provision of services which fall within the company's ordinary activities, stated net of VAT.

Income is attributable to the company's principal activity, a charity, caring for children, young people and families, and those with a disability, operating principally in Scotland.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

3. OPERATING (DEFICIT)/SURPLUS - CONTINUING OPERATIONS

	2004 £	2003 £
Operating (deficit)/surplus is stated after charging the following items:		
Auditors' remuneration - audit services	18,213	14,703
Depreciation of owned assets	676,096	451,117
Depreciation of assets held under finance leases and hire purchase contracts	4,986	13,274
Operating lease rentals - plant and machinery	549,919	355,350
- land and buildings	747,650	654,477
Directors' and officers' indemnity insurance	9,975	8,374
	<u>268,693</u>	<u>(13,700)</u>

4. NET GAIN/(LOSS) ON SALE OF FIXED ASSETS IN CONTINUING OPERATIONS

	2004 £	2003 £
Gain on disposal of heritable properties	149,229	44,422
(Loss)/gain on disposal of other tangible fixed assets	(862)	1,478
Gain/(loss) on disposal of investments	120,326	(59,600)
	<u>268,693</u>	<u>(13,700)</u>

5. DIRECTORS' EMOLUMENTS

None of the directors of the company received any fees or emoluments in respect of their duties as directors during the current or preceding year. Travel expenses totalling £1,041 (2003 - £1,332) were paid to one director during the year.

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

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

6. STAFF COSTS

	2004 £	2003 £
Wages and salaries	19,581,370	15,840,131
Social security costs	1,504,927	1,078,395
Pension costs	921,274	592,171
	<u>22,007,571</u>	<u>17,510,697</u>

Pension costs can be analysed as follows:

	£	£
Quarriers pension scheme income and expenditure account charge (see note 17)	872,024	566,328
Other pension scheme costs (see note 21)	49,250	25,843
	<u>921,274</u>	<u>592,171</u>

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

	No	No
Administration	114	104
Social care, domestic and other	1,413	1,206
	<u>1,527</u>	<u>1,310</u>

During the year, one employee had emoluments (excluding pension contributions) within the band of £50,000 to £54,999 and one employee had emoluments (excluding pension contributions) within the band £70,000 to £74,999. Both employees have a defined benefit pension accruing. There were no other employees with emoluments exceeding £50,000 during the year.

7. INTEREST RECEIVABLE AND INVESTMENT INCOME

	2004 £	2003 £
Income from listed investments	60,890	61,725
Bank interest receivable	36,047	33,922
	<u>96,937</u>	<u>95,647</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £	2003 £
Bank loans and overdrafts	27,364	9,137
Finance charges payable under finance leases and hire purchase contracts	5,619	2,858
	<u>32,983</u>	<u>11,995</u>

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

9. TAX ON SURPLUS ON ORDINARY ACTIVITIES

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

10. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Motor vehicles £	Plant & equipment £	Fixtures & fittings £	Total £
Cost					
At 1 April 2003	5,249,864	203,270	972,565	443,580	6,869,279
Additions	772,817	29,347	143,679	132,975	1,078,818
Disposals	(61,298)	(20,725)	(4,036)	(1,500)	(87,559)
At 31 March 2004	<u>5,961,383</u>	<u>211,892</u>	<u>1,112,208</u>	<u>575,055</u>	<u>7,860,538</u>
Accumulated depreciation					
At 1 April 2003	1,020,229	141,525	592,186	293,802	2,047,742
Charge for the year	370,120	29,857	180,213	100,892	681,082
Disposals	(20,712)	(17,044)	(4,036)	(1,500)	(43,292)
At 31 March 2004	<u>1,369,637</u>	<u>154,338</u>	<u>768,363</u>	<u>393,194</u>	<u>2,685,532</u>
Net book value					
At 31 March 2004	<u>4,591,746</u>	<u>57,554</u>	<u>343,845</u>	<u>181,861</u>	<u>5,175,006</u>
At 31 March 2003	<u>4,229,635</u>	<u>61,745</u>	<u>380,379</u>	<u>149,778</u>	<u>4,821,537</u>
Net book value of assets used directly for charitable purposes	<u>4,124,262</u>	<u>48,925</u>	<u>266,690</u>	<u>166,227</u>	<u>4,946,410</u>

The net book value of assets includes £19,322 (2003 - £26,978) in respect of assets held under finance leases and hire purchase contracts, the depreciation charge on which is disclosed in note 3.

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

11. INVESTMENTS

	2004 £	2003 £
Cost		
As at 1 April 2003	2,381,710	2,167,582
Additions	668,586	786,340
Disposals	(675,031)	(572,212)
	<u>2,375,265</u>	<u>2,381,710</u>
As at 31 March 2004	<u>2,375,265</u>	<u>2,381,710</u>
Composed of:		
Listed investments:		
Listed on London Stock exchange	2,319,481	2,262,926
Other	54,039	54,039
	<u>2,373,520</u>	<u>2,316,965</u>
Unlisted investments	1,745	1,745
	<u>2,375,265</u>	<u>2,381,710</u>
As at 31 March 2004	<u>2,375,265</u>	<u>2,381,710</u>
Market Value		
As at 1 April 2003	1,696,226	2,139,421
Additions	668,586	786,340
Disposals at 1 April 2003 market value	(429,407)	(446,872)
	<u>1,935,405</u>	<u>2,478,889</u>
Unrealised gains/(losses) in year	359,543	(782,663)
	<u>2,294,948</u>	<u>1,696,226</u>
As at 31 March 2004	<u>2,294,948</u>	<u>1,696,226</u>

Subsidiary undertakings

Both Quarrier's Activities Limited and Gottar Limited are limited by guarantee and therefore Quarriers has no holding in the companies. The companies are subsidiary undertakings by virtue of Quarriers' right to exercise dominant influence. The principal activities of the subsidiary undertakings are set out below :-

<u>Company</u>	<u>Principal activity, net assets and results</u>	<u>Country of incorporation</u>
Quarrier's Activities Limited	Sale of goods to supporters of Quarriers. Net Assets at 31 December 2003 - £63 (2002 - £722) Loss before tax for the year to 31 December 2003 - £659 (2002 - loss of £8)	Scotland
Gottar Limited	Design and build company. Net Liabilities at 29 February 2004 - £4,865 (2003 - Net Assets £800) Loss before tax for the year to 29 February 2004 - £5,803 (2003 - profit £718)	Scotland

The company does not prepare consolidated group accounts as it is entitled for the year ended 31 March 2004 to the exemption conferred by Section 229 of the Companies Act 1985, as the exclusion of the subsidiary companies is not material for the purpose of giving a true and fair view.

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2004

12. STOCKS

	2004 £	2003 £
General stocks	<u>3,870</u>	<u>20,092</u>

13. DEBTORS

	2004 £	2003 £
Trade debtors	4,211,069	2,490,481
Other debtors	93,316	153,706
Amounts owed by subsidiary undertakings	8,872	56,399
Prepayments and accrued income	<u>394,649</u>	<u>454,006</u>
	<u>4,707,906</u>	<u>3,154,592</u>

No debtors are due after more than one year.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Bank loans and overdrafts (see note 16)	694,454	14,454
Obligations under finance leases and hire purchase contracts (see note 16)	7,915	12,083
Trade creditors	159,057	228,027
Other taxes and social security costs	471,091	383,050
Other creditors	1,619,322	512,816
Deferred grant income (see note 15)	181,984	160,274
Accruals and other deferred income	<u>961,687</u>	<u>946,893</u>
	<u>4,095,510</u>	<u>2,257,597</u>

The bank revolving credit facility is secured by a fixed security over three buildings. The bank overdraft facility is secured by a Letter of Comfort from Adam & Company Investment Management Limited and a standard security over Laing Shrewsbury House (Head Office).

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

15. DEFERRED GRANT INCOME

	£
As at 1 April 2003	160,274
Received during the year	6,012,102
Released during the year	<u>(5,990,392)</u>
As at 31 March 2004	<u>181,984</u>

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2004

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

	2004 £	2003 £
Bank loans	69,448	83,902
Obligations under finance leases and hire purchase contracts	10,496	1,019
Other creditors	36,500	36,500
	<u>116,444</u>	<u>121,421</u>

Analysis of loan repayments

	2004 £	2003 £
Bank term loans		
Amounts repayable by instalments:		
Within one year or on demand	14,454	14,454
Between one and two years	14,454	14,454
Between two and five years	43,362	43,362
After more than five years	11,632	26,086
	<u>83,902</u>	<u>98,356</u>
Included in creditors: amounts falling due within one year	(14,454)	(14,454)
	<u>69,448</u>	<u>83,902</u>
Revolving credit facility – repayable within one year or on demand	<u>680,000</u>	<u>-</u>

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

	2004 £	2003 £
10% secured loan repayable in 240 monthly instalments commencing 7th March 1997	<u>83,902</u>	<u>98,356</u>

	2004 £	2003 £
Obligations under finance leases and hire purchase contracts		
Amounts payable by instalments:		
Within one year	8,865	16,851
Between one and two years	7,692	1,035
Between two and five years	3,846	-
	<u>20,403</u>	<u>17,886</u>
Less: finance charges allocated to future periods	(1,992)	(4,784)
	<u>18,411</u>	<u>13,102</u>

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

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2004

17. PROVISIONS FOR LIABILITIES AND CHARGES

	2004 £	2003 £
Pension costs		
As at 1 April 2003	1,623,085	1,660,462
Income and expenditure account charge (see note 6)	872,024	566,328
Paid during year (see note 21)	(904,751)	(603,705)
As at 31 March 2004	<u>1,590,358</u>	<u>1,623,085</u>

18. SHARE CAPITAL

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

19. RESERVES

	As at 1 April 2003 £	Income £	Expenditure £	Investment gains/ (losses) £	Transfers £	As at 31 March 2004 £
General reserve	3,231,712	7,240,842	(6,710,875)	120,326	(700,781)	3,181,224
Revaluation reserve	(666,000)	-	-	353,933	238,478	(73,589)
Designated funds						
Fixed assets fund	303,000	-	-	-	454,601	757,601
Pension scheme fund	200,000	-	-	-	-	200,000
Revolving credit facility fund	-	-	-	-	62,212	62,212
Total designated funds	<u>503,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>516,813</u>	<u>1,019,813</u>
Total unrestricted funds	<u>3,068,712</u>	<u>7,240,842</u>	<u>(6,710,875)</u>	<u>474,259</u>	<u>54,510</u>	<u>4,127,448</u>
Restricted funds						
Funds for special purposes	101,925	-	-	12,756	-	114,681
Funds for various purposes	3,221,024	23,765,970	(23,256,271)	-	(54,510)	3,676,213
Total restricted funds	<u>3,322,949</u>	<u>23,765,970</u>	<u>(23,256,271)</u>	<u>12,756</u>	<u>(54,510)</u>	<u>3,790,894</u>
Total funds	<u>6,391,661</u>	<u>31,006,812</u>	<u>(29,967,146)</u>	<u>487,015</u>	<u>-</u>	<u>7,918,342</u>

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

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

Restricted funds have arisen because the income received has to be spent in a defined manner, otherwise it becomes repayable. Balances in restricted funds are held as tangible fixed assets and cash.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

20. CAPITAL COMMITMENTS

	2004 £	2003 £
Contracted for, but not provided	<u>424,175</u>	<u>540,000</u>

21. PENSION COSTS

The company operates a defined benefit pension scheme. The assets of the scheme are held separately from those of the group in a trustee-administered fund. Company contributions paid in the year were £904,751 (2003 - £603,705). Contributions amounting to £66,885 (2003 - £67,597) were payable to the fund at 31 March 2004. Contributions have also been made in the year to a stakeholder scheme (£5,931) and to a scheme for teachers employed at Seafield School (£36,347). Additional contributions of £6,972 were also made to the Quarriers scheme.

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

SSAP 24

The contributions to the scheme are determined with the advice of a qualified independent actuary on the basis of triennial valuations using the projected unit funding method. The latest finalised formal valuation was effective as at 1 November 2001. The assumptions which had the most significant effect on the results of the valuation were those relating to investment return (6.4% for current assets and 7.0% for future investments), salary growth (5.0%) and pensions growth (3%).

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

21. PENSION COSTS (continued)

FRS 17

The figures below have been based on an actuarial valuation as at 1 November 2001, updated to the current year-end. The FRS does not allow for the surplus or deficit to be spread over the period when recovery would normally take place, but instead requires the total assessed surplus or deficit to be declared in full at the balance sheet date.

The deficit declared under FRS 17 is consistent with the position already being recognised by the company in its contributions, which reflect the current minimum funding requirement position. Following the full actuarial valuation at 1 November 2001, employer contributions have been agreed at the rate of 10% of pensionable pay plus the cost of insuring death-in-service benefits. Active members pay on average at the rate of 6% of pensionable pay.

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

	2004 %	2003 %	2002 %
Rate of inflation	2.9	2.5	2.75
Salary increase rate	4.2	3.75	4.25
LPI increases for post April 1997 pensions in payment	2.7	2.25	2.5
Revaluation of deferred pensions	2.9	2.5	2.75
Liability discount rate	5.6	5.5	6.0

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:

	2004 £'000	2004 Rate of return	2003 £'000	2003 Rate of return	2002 £'000	2002 Rate of return
Equities	11,172	7.0%	8,495	6.5%	11,405	7.0%
Bonds	1,608	5.0%	1,980	4.5%	1,852	5.0%
Cash	688	5.0%	474	4.5%	359	5.0%
Total fair value of assets	13,468		10,949		13,616	
Present value of scheme liabilities	(20,719)		(17,783)		(15,884)	
Deficit in the scheme	(7,251)		(6,834)		(2,268)	

QUARRIERS

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

21. PENSION COSTS (continued)

FRS 17 (continued)

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

	2004 £'000	2003 £'000
Current service cost	954	793
Past service cost	102	-
	<u>1,056</u>	<u>793</u>

Analysis of the amount that would have been charged to net interest cost under FRS 17:

	2004 £'000	2003 £'000
Expected return on pension scheme assets	686	919
Interest on pension scheme liabilities	(997)	(966)
Net interest cost	<u>(311)</u>	<u>(47)</u>

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

	2004 £'000	2003 £'000
Actual return less expected return on pension scheme assets	1,073	(3,900)
Changes in assumptions underlying the present value of the scheme liabilities	(1,149)	(496)
Actuarial loss recognised in STRGL	<u>(76)</u>	<u>(4,396)</u>

History of experience gains and losses:

	2004	2003
Difference between the expected and actual return on scheme assets:		
Amount (£'000)	1,073	(3,900)
Percentage of scheme assets	8%	(36%)
Experience gains and losses on scheme liabilities:		
Amount (£'000)	-	-
Percentage of the present value of scheme liabilities	0%	0%
Total actuarial loss recognised in the statement of total recognised gains and losses:		
Amount (£'000)	(76)	(4,396)
Percentage of the present value of scheme liabilities	(0%)	(25%)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

21. PENSION COSTS (continued)

FRS 17 (continued)

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

	£'000
Opening deficit in the scheme	(6,834)
Current service cost	(954)
Contributions	1,026
Past service cost	(102)
Other net interest cost	(311)
Actuarial loss	(76)
	<hr/>
Closing deficit in the scheme	(7,251)
	<hr/>

If the company had to reflect the FRS 17 pension deficit through its reserves at 31 March 2004 then the net general reserves figure would have been stated as shown below:

	2004	2003	2002
	£'000	£'000	£'000
General reserves at 31 March 2004	4,127	3,069	3,295
Add back: SSAP 24 pension liability	1,590	1,623	1,660
	<hr/>	<hr/>	<hr/>
General reserves excluding pension liability	5,717	4,692	4,955
FRS 17 pension deficit	(7,251)	(6,834)	(2,268)
	<hr/>	<hr/>	<hr/>
General reserves including FRS 17 pension deficit	(1,534)	(2,142)	2,687
	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

22. FINANCIAL COMMITMENTS

Operating leases

Annual obligations under operating leases which expire:

	2004	2004	2003	2003
	Land &	Other	Land &	Other
	Buildings		buildings	
	£	£	£	£
Within one year	258,776	78,216	275,759	73,463
Between two and five years	54,796	252,704	24,500	179,409
In more than five years	350,091	-	349,143	-
	<u>663,663</u>	<u>330,920</u>	<u>649,402</u>	<u>252,872</u>

23. SUBSIDIARY COMPANY TRANSACTIONS

During the year the company purchased tangible fixed assets of a total value of £158,278 (2003 - £236,745) from Gottar Limited, a subsidiary company.

At 31 March 2004, the company was owed £14,505 by Gottar Limited (2003 - £53,547).

At 31 March 2004, the balance owed to the company by Quarrier's Activities Limited, a subsidiary company, was £2,105 (2003 - £10,590) stated net of a provision for doubtful debts of £7,738 (2003 - £7,738).