

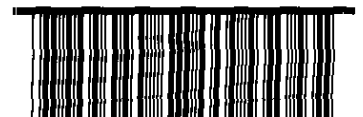
QUALITY SCOTLAND FOUNDATION EDUCATIONAL TRUST LIMITED

(Registered Number: 139244)

DIRECTORS' REPORT AND ACCOUNTS

30 SEPTEMBER 2000

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QUALITY SCOTLAND FOUNDATION EDUCATIONAL TRUST LIMITED
REPORT OF THE DIRECTORS
30 SEPTEMBER 2000

DIRECTORS AND THEIR INTERESTS

The directors during the year ended 30 September 2000 were as follows:

Mr. Andrew Cubie (Chairman)
 Mr. David B Justice MBE (Chief Executive)
 Mr. Roger Brook (Resigned 1 December 1999)
 Mr. Allan Burns
 Mr. John Davis (Resigned 16 November 1999)
 Mr. Gordon Dawson (Resigned 24 August 2000)
 Mr. Alan Devereux CBE DL
 Mr. Edward B Frizzell
 Mr. Jeremy Greville-Williams (Resigned 15 October 1999)
 Mr. Graeme Hardie (Resigned 28 April 2000)
 Mr. Michael Jones (Resigned 21 February 2000)
 Mr. David Lockwood
 Professor Frank Pignatelli (Resigned 1 November 1999)
 Mr. Doug Riley (Resigned 22 October 1999)
 Mr. Iain Robertson
 Mr. Lloyd Toles
 Professor John Ward CBE

The 3 new directors were Mr. Graham Moore joined 21/1/00
 Ms. Jane Scott joined 14/6/00
 Dr. John Walker joined 18/7/00


All of the directors are members of the company.

The President, who is not a director, is Lord MacFarlane of Bearsden.

AUDITORS

Ernst & young have indicated their willingness to continue in office and a resolution regarding their re-appointment will be proposed at the Annual General Meeting.

By order of the Board



 Secretary

Registered Office:

13 Abercromby Place
 EDINBURGH
 EH3 6LB.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
30 SEPTEMBER 2000**

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 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, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
QUALITY SCOTLAND FOUNDATION EDUCATIONAL TRUST LIMITED**

30 SEPTEMBER 2000

We have audited the financial statements on pages 5 to 9, which have been prepared under the historical cost convention and the accounting policies set out on page 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

BASIS OF OPINION

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 affairs of the company as at 30 September 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Registered Auditor
EDINBURGH

12 February 2001

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2000**

	Notes	2000 £	1999 £
TURNOVER		38,241	38,910
Operating charges:			
Staff costs	2	(35,110)	(38,885)
Other external charges		<u>(1,117)</u>	<u>(225)</u>
OPERATING PROFIT		2,014	(200)
Interest receivable		<u>41</u>	<u>262</u>
PROFIT ON ORDINARY ACTIVITIES		2,055	62
RETAINED PROFIT BROUGHT FORWARD		<u>43,438</u>	<u>43,376</u>
RETAINED PROFIT CARRIED FORWARD		<u>45,493</u>	<u>43,438</u>

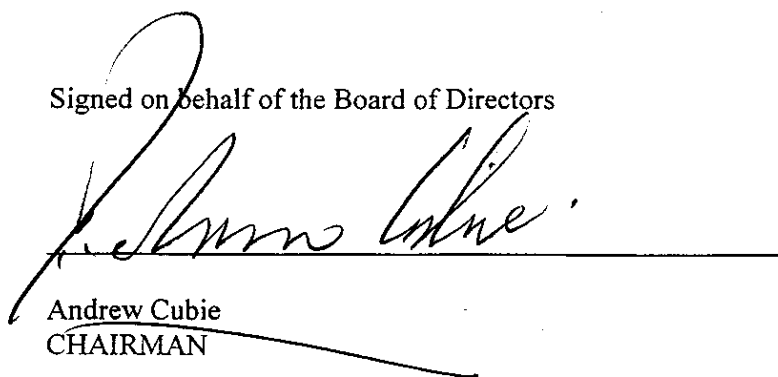
There were no recognised gains and losses for 2000 and 1999 other than those included in the profit and loss account.

The notes on pages 7 to 9 form part of these accounts.

BALANCE SHEET
AS AT 30 SEPTEMBER 2000

	Notes	2000 £	1999 £
FIXED ASSETS			
Tangible assets	3	—	—
CURRENT ASSETS			
Debtors	4	37,000	37,000
Cash at bank and in hand		<u>14,835</u>	<u>8,239</u>
		51,835	45,239
CREDITORS - Amounts falling due within one year	5	<u>6,342</u>	<u>1,801</u>
NET CURRENT ASSETS		<u>45,493</u>	<u>43,438</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>45,493</u>	<u>43,438</u>
CAPITAL AND RESERVES			
Profit and Loss Account		<u>45,493</u>	<u>43,438</u>
TOTAL CAPITAL AND RESERVES		<u>45,493</u>	<u>43,438</u>

Signed on behalf of the Board of Directors



Andrew Cubie
 CHAIRMAN

Approved by the Board on January 2001

The note on pages 7 to 9 form part of these accounts.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2000**

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards and they include the results of the company's operations which are described in the Director's Report and all of which are continuing.

The company has not followed the format recommended by the Statement of Recommended Practice "Accounting by Charities" issued in October 1995 as the normal Companies Act format was deemed more appropriate.

The company has taken advantage of the exemption in Financial Reporting Standard No. 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

1.2 TURNOVER

Turnover represents the invoiced value of founders' and membership subscriptions, net of Value Added Tax.

1.3 SUBSCRIPTIONS

Subscriptions are accounted for on an accruals basis. The subscription year runs from 1 October to 30 September.

1.4 TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:-

Computer equipment	33 1/3% straight line
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NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2000

2. STAFF COSTS

	2000 £	1999 £
Wages and salaries	32,200	35,500
Social Security costs	<u>2,910</u>	<u>3,385</u>
	<u>35,110</u>	<u>38,885</u>
	No.	No.
Average number of employees	<u>2</u>	<u>2</u>

No directors recorded any emoluments in respect of services to the company.

3. TANGIBLE ASSETS

	Computer Equipment £
COST	
At 1 October 1999	2,182
Additions	<u>-</u>
At 30 September 2000	<u>2,182</u>
DEPRECIATION	
At 1 October 1999	2,182
Charge for year	<u>-</u>
At 30 September 2000	<u>2,182</u>
NET BOOK VALUE	
At 30 September 2000	<u>Nil</u>
At 30 September 1999	<u>Nil</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2000

4. DEBTORS

	2000 £	1999 £
Sundry debtors	<u>37,000</u>	<u>37,000</u>

5. CREDITORS - Amounts falling due within one year

	2000 £	1999 £
Sundry creditors	5,549	1,695
Other taxation and social security	<u>793</u>	<u>106</u>
	<u>6,342</u>	<u>1,801</u>

6. COMPANY STATUS

The company is limited by guarantee of its members and accordingly has no share capital.

7. ULTIMATE PARENT UNDERTAKING

The company shares a common Board of directors and management with Quality Scotland Foundation Limited, which is limited by guarantee. The relationship falls within the definition of "common control" contained in Financial Reporting Standard 2 "Subsidiary Undertakings" and Quality Scotland Limited is deemed to be the ultimate parent undertaking.

During the course of the year the company provided consultancy services totalling £37,000 (1999 £37,000) to Quality Scotland Foundation Limited. At the end of the year, a total of £37,000 (1999 £37,000) was owed to the company in respect of this transaction.

The company was due Quality Scotland Foundation Limited £5,549 (1999 £1,695) at the year end in respect of wages paid on behalf of the company and is included in sundry creditors (note 5).

A copy of the accounts of Quality Scotland Foundation Limited can be obtained from 13 Abercromby Place, Edinburgh.