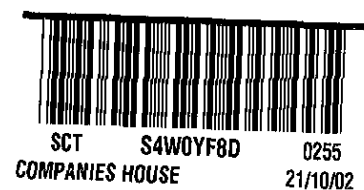


PHAB (SCOTLAND) LIMITED
(A Company Limited by Guarantee)

REPORT and FINANCIAL STATEMENTS

For the year to 31 March 2002



PHAB (SCOTLAND) LIMITED
(A Company Limited by Guarantee)

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PHAB (SCOTLAND) LIMITED
(A Company Limited by Guarantee)

Directors

Jean Dunlop (Chairperson)
John Cunningham (Treasurer)
Fiona Hird
Lori Smith
Gordon Mungall (resigned 3 September 2001)
Bob Forsyth (resigned 1 April 2001)
John Dye (resigned 1 April 2001)
Michael Hall
James Stevenson (resigned 5 November 2001)
Juliette Begg (appointed 27 October 2001)
Jean Halligan (appointed 27 October 2001)
Jim McSharry (appointed 27 October 2001)
Ronnie Wilkes (appointed 1 April 2001)

Company Secretary

Fiona Hird

Registered Office

Norton Park
57 Albion Road
Edinburgh
EH7 5QY

Bankers

Bank of Scotland
52 Shandwick Place
Edinburgh
EH2 4SB

Solicitors

Warden Bruce & Co WS
Scotiabank House
South Charlotte Street
Edinburgh
EH2 4EB

Auditors

Chiene & Tait, CA
Registered Auditors
61 Dublin Street
Edinburgh
EH3 6NL

PHAB (SCOTLAND) LIMITED
(A Company Limited by Guarantee)

REPORT of the DIRECTORS

The Directors present their report and financial statements for the year to 31 March 2002.

Constitution

Phab (Scotland) Limited is a company limited by guarantee established in October 1991 and has no share capital. It is recognised by the Inland Revenue as a Scottish Charity.

Principal activity

The principal activity of the company is to empower people who have disabilities to actively engage in the social, leisure, educational and vocational activities of their choice.

Review of activities and future developments

Most voluntary sector companies have to cope with a constant wave of change and for the Board of Phab Scotland this has been challenging and frustrating. There have been new government priorities, changes in legislation and increased competition for funding which all impact on the services provided. A concern in 2002 has been the cut in government funding for training. Training in governance, policy and practice, strategic and financial planning are vital to the work of the Board of Directors. This cut has impacted on Phab significantly and the progressive training programme provided for staff, Board members and volunteers is not sustainable without this support.

The IYPP project funded by the National Lottery Charities Board came to the end of its three-year funding and it is reassuring to know that all the work done throughout the UK will be continued and supported by other local agencies.

Phab has a dedicated innovative staff team who do extremely well to maintain current services and develop new opportunities against a backdrop of dwindling resources. We are grateful to our existing and new funders who recognise the valuable contribution that is made by Phab Scotland. We also appreciate the goodwill of our Board members and volunteers who have played an important role in Phab's development. We continue to plan for the future, while building on the achievements of the last year.

Risk management

The Directors have examined the major strategic, business and operational risks which the company faces and confirm that systems have been established to enable regular reports to be produced so that the necessary steps can be taken to lessen these risks.

Reserves policy

It is the policy of the directors to maintain unrestricted funds, which are the free reserves of the charity, at a level which equates to approximately three months unrestricted expenditure.

The nature and purpose of the company's restricted funds are set out in note 1 to the financial statements.

Investment policy

The directors consider that where surplus funds are available, they should be held in a suitable high interest bearing bank account.

Directors

The Directors are as stated on page 1.

PHAB (SCOTLAND) LIMITED
(A Company Limited by Guarantee)

REPORT of the DIRECTORS (Contd)

Statement of Directors' responsibilities

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 surplus or deficit of the company for that period. In preparing those financial statements, the Directors are required to:

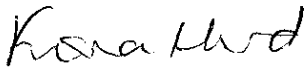
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Messrs Chiene & Tait CA are auditors to the company and the Directors will recommend their reappointment at the Annual General Meeting.

BY ORDER OF THE BOARD



FIONA HIRD
Company Secretary

Norton Park
57 Albion Road
Edinburgh
EH7 5QY

17th October 2002



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PHAB (SCOTLAND) LIMITED
(A Company Limited by Guarantee)**

We have audited the financial statements of Phab (Scotland) Limited for the year ended 31 March 2002 set out on pages 5 to 11. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

The Directors' (who also act as Trustees of Phab (Scotland) Limited for the purposes of charitable activities) responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 to you if, in our opinion, the charity 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 charity is not disclosed.

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

Basis of audit 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 trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity'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 charity's affairs as at 31 March 2002 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chiene & Tait CA

**CHIENE & TAIT CA
Registered Auditors
61 Dublin Street
Edinburgh EH3 6NL**

17 October 2002

PHAB (SCOTLAND) LIMITED
(A Company Limited by Guarantee)

STATEMENT OF FINANCIAL ACTIVITIES
(Incorporating Income and Expenditure Account)

For the year ended 31 March 2002

	Notes	Restricted Funds £	Un- restricted Funds £	Total 2002 £	Total 2001 £
Incoming resources	2				
Donations, legacies & similar income		-	21,029	21,029	2,138
Activities in furtherance of charity's objects:					
Scottish Office Grants		31,611	-	31,611	26,039
Other Grants		222,312	-	222,312	203,780
Training activities		10,771	-	10,771	16,481
Activities for generating funds		1,251	-	1,251	13,010
Investment income:					
Interest received		1,126	471	1,597	1,765
Other incoming resources:					
Insurance claim		-	2,605	2,605	9,460
Total incoming resources		267,071	24,105	291,176	272,673
Resources expended					
Charitable expenditure					
Cost of activities in furtherance of charity's objects:					
Staff		148,070	9,375	157,445	190,288
Other		52,761	12,712	65,473	76,332
Management and administration:					
Staff		7,819	-	7,819	8,120
Other		9,005	9,748	18,753	14,792
Cost of generating funds		412	116	528	7,310
Total resources expended		218,067	31,951	250,018	296,842
Net incoming resources/(resources expended)		49,004	(7,846)	41,158	(24,169)
Fund balances brought forward at 1 April 2001		12,139	15,605	27,744	51,913
Fund balances carried forward at 31 March 2002		61,143	7,759	68,902	27,744

The notes on pages 7 to 11 form part of these financial statements.

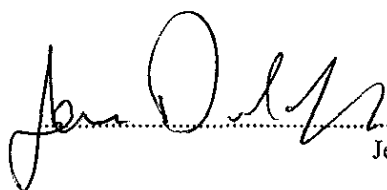
PHAB (SCOTLAND) LIMITED
(A Company Limited by Guarantee)

BALANCE SHEET

As at 31 March 2002

	Note	£	2002 £	£	2001 £
Fixed assets					
Tangible assets	5		11,559		4,746
Current assets					
Debtors	6	11,897		21,051	
Cash at bank and in hand		61,326		96,599	
			73,223		117,650
Creditors: amounts falling due within one year	7	15,880		94,652	
Net current assets			57,343		22,998
Net assets			68,902		27,744
Financed by:					
Restricted funds	9		61,143		12,139
Unrestricted funds:					
Designated funds	10		1,875		35,161
General funds	10		5,884		(19,556)
			68,902		27,744

The financial statements were approved by the Directors on 17 October 2002 and signed on its behalf by:


.....
Jean Dunlop

Director

The notes on pages 7 to 11 form part of these financial statements.

PHAB (SCOTLAND) LIMITED
(A Company Limited by Guarantee)

NOTES to the FINANCIAL STATEMENTS

For the year ended 31 March 2002

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and the Companies Act 1985, the Statement of Recommended Practice - Accounting and Reporting by Charities and with the company's Memorandum and Articles of Association.

Donations, legacies and similar income

Donations are recognised in the Statement of Financial Activities in the year which they are received.

Grants receivable

Revenue Grants, including those relating to Phab (Scotland) Limited projects, are recognised in the Statement of Financial Activities in the year to which they relate. Until 1 April 2001, grants to fund the purchase of fixed assets were deducted from the cost of the relevant asset. To comply with the Statement of Recommended Practice - Accounting and Reporting by Charities, grants in respect of capital expenditure are now credited to a restricted fund. The relevant assets are depreciated over their expected useful lives and an amount equal to the depreciation is released against the restricted reserve. The prior year figures have been restated accordingly.

Funds

Unrestricted funds represent the general funds which the Directors are free to use in accordance with the charity's charitable objectives. Restricted funds are those where the donor has imposed a restriction on the use of the fund. The nature and purpose of each fund are set out below:

- (a) The Edinburgh Inclusion Project Fund reflects the restricted funds and finances of the Inclusion project funded by a revenue grant from the City of Edinburgh Council in 2001/02.
- (b) The Isolated Young People's Project Fund reflects the restricted funds and finances of the IT project funded by the National Lottery Charities Board.
- (c) The Out and About and Health Yourself Funds reflect the restricted funds and finances of the Action Research Projects funded by the Edinburgh Youth Social Inclusion Partnership.
- (d) The South Edinburgh Fund reflects the restricted finances of the South Edinburgh Inclusion Project funded by the South Edinburgh Social Inclusion Partnership
- (e) The Administration Fund represents the funds restricted to meet the Headquarters costs of the company.

The Ewing Bequest is an unrestricted fund and designated fund and contains an endowment provided by a legacy from the estate of the late Miss Catherine Ewing of East Lothian. There are three other unrestricted, designated funds, the Eliza Munro Fund, the Tracey Clapperton Fund and the Development fund. The Development Fund is to be used to fund the strategic development of the company. The general fund is the free and unrestricted fund of the company.

Depreciation

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost, less estimated residual value of each asset over its expected useful life as follows:

Office equipment – 25% straight line

Computer equipment – 33% straight line

Pensions

All employees are given the opportunity to join a pension scheme operated by the Pensions Trust. The company makes related contributions to the scheme. Such contributions are linked to salary and are recognised in the Statement of Financial Activities in the year that they are paid.

Value added tax

The organisation is not registered for Value Added Tax (VAT) consequently all VAT on incurred costs is included in the attributable expenditure.

PHAB (SCOTLAND) LIMITED
(A Company Limited by Guarantee)

NOTES to the FINANCIAL STATEMENTS (Contd.)

For the year ended 31 March 2002

1. Accounting policies (Contd.)

Cash flow statement

The company is a small company as defined by Section 247 of the Companies Act 1985 and is entitled to exemption from preparation of a cash flow statement as required under FRS1. Consequently a cash flow statement has not been prepared.

Operating leases

Rentals payable under operating leases are charged to the Statement of Financial Activities as incurred over the term of the lease.

2. Income

Income includes grants from trusts and others, and income from other sources, which were received during the year. Those over £100 received in the year included:

	2002	2001
	£	£
National Lottery Charities Board	122,599	82,696
City of Edinburgh Council - Revenue Grant	36,185	-
Social Inclusion Partnership - South Edinburgh Project	29,671	-
Scottish Executive - HQ Grant	24,931	24,205
Edinburgh Youth Social Inclusion Partnership – Health Your Self Project	18,809	3,164
W McCulloch	8,396	-
Edinburgh Youth Social Inclusion Partnership – Out and About Project	5,692	4,740
Scottish Youth Parliament	4,274	-
City of Edinburgh Council – Secondment	4,358	-
Scottish Executive - IT Grant	4,000	-
City of Edinburgh Council – Play Scheme	3,040	-
Scottish Executive - Training Grant	2,680	1,834
Pilton Partnership	2,825	-
John Menzies	1,000	-
John Watson Trust	1,000	-
City of Edinburgh Council – October Scheme	685	-
Ernst & Young	650	-
Mr & Mrs Gibbs	360	1,462
City of Edinburgh Council - Transitional Funding	-	100,000
Children in Need	-	16,125
Bank of Scotland	-	1,000
Clydesdale Bank	-	500
JBB Europe	-	250
Music Live	-	1,215
Scottish Arts Council	-	1,000
Tay Charitable Trust	-	500

PHAB (SCOTLAND) LIMITED
(A Company Limited by Guarantee)

NOTES to the FINANCIAL STATEMENTS (Contd.)

For the year ended 31 March 2002

3. Net incoming resources/(resources expended)	2002	2001
	£	£
This is stated after charging:		
Board of Directors costs	1,682	2,275
Audit fees (as auditor)	1,120	1,080
	<u>2,802</u>	<u>3,355</u>

The Directors receive no remuneration for their services. Directors are however eligible to receive reimbursement of travel and subsistence costs. During the year such claims amounted to £1,682 (2001: £2,275).

4. Staffing costs	2002	2001
	£	£
Salaries	145,802	176,057
Employers NIC	12,446	15,570
Pension	7,016	6,781
	<u>165,264</u>	<u>198,408</u>
Allocated thus:		
Direct charitable expenditure	157,445	190,288
Management and administration	7,819	8,120
	<u>165,264</u>	<u>198,408</u>
	No.	No.
Average staff numbers:		
Those employed for 20 hours or more per week	6	9
Those employed for less than 20 hours per week	9	4
	<u>15</u>	<u>13</u>

The are no employees who earn more than £50,000 per annum

5 Tangible fixed assets

	Office equipment	Computer equipment	Motor vehicle	Total
	£	£	£	
Cost				
As at 31 March 2001	4,002	6,850	28,527	39,379
Additions	-	13,734	-	13,734
Disposals	-	-	-	-
As at 31 March 2002	<u>4,002</u>	<u>20,584</u>	<u>28,527</u>	<u>53,113</u>
Depreciation				
As at 31 March 2001	3,823	2,283	28,527	34,633
Charge for year	60	6,861	-	6,921
At 31 March 2002	<u>3,883</u>	<u>9,144</u>	<u>28,527</u>	<u>41,554</u>
Net book value				
As at 31 March 2002	<u>119</u>	<u>11,440</u>	<u>-</u>	<u>11,559</u>
As at 31 March 2001	<u>179</u>	<u>4,567</u>	<u>-</u>	<u>4,746</u>

PHAB (SCOTLAND) LIMITED
(A Company Limited by Guarantee)

NOTES to the FINANCIAL STATEMENTS (Contd.)

For the year ended 31 March 2002

6. Debtors	2002	2001
	£	£
Accrued income	6,353	12,474
Sundry debtors	4,300	7,127
Prepayments	1,244	1,450
	<u>11,897</u>	<u>21,151</u>

7. Creditors: amounts falling due within one year	2002	2001
Trade creditors	9,094	6,285
Accruals	6,223	5,869
Other creditors	563	82,498
	<u>15,880</u>	<u>94,652</u>

8. Leasing commitments	2002	2001
	£	£

The company is committed to making the following annual payments under non-cancellable operating leases:

Expiring within one to two years		1,523
Expiring within five to ten years	4,194	4,194
	<u>4,194</u>	<u>5,717</u>

9. Restricted funds	As at 31 March 2001 £	Income £	Expenditure £	Transfer From Unrestricted Funds £	As at 31 March 2002 £
Edinburgh Inclusion Project Fund	-	61,562	(61,562)	-	-
Isolated Young People's Project Fund	12,139	123,726	(77,751)	-	58,114
Out and About Fund	-	5,692	(5,692)	-	-
South Edinburgh Project	-	29,671	(26,642)	-	3,029
Health Yourself Fund	-	18,809	(18,809)	-	-
Administration Fund	-	27,611	(27,611)	-	-
	<u>12,139</u>	<u>267,071</u>	<u>(218,067)</u>	<u>-</u>	<u>61,143</u>

The closing balances include the equivalent of funds that have been spent on fixed assets, the costs of which are reflected within note 5 of the financial statements. These assets are being depreciated over their expected useful lives and the depreciation is being charged to relevant funds.

PHAB (SCOTLAND) LIMITED
(A Company Limited by Guarantee)

NOTES to the FINANCIAL STATEMENTS (Contd.)

For the year ended 31 March 2002

	Designated Funds				Total Un-restricted Funds
	General Fund	Development Fund	Ewing Bequest Fund	Munro/Clapperton Fund	
	£	£	£	£	£
10. Unrestricted funds					
Balance at 1 April 2001	(19,556)	10,000	23,286	1,875	15,605
Net expenditure for the year	(7,846)	-	-	-	(7,846)
Transfer to General Funds	33,286	(10,000)	(23,286)	-	-
	-----	-----	-----	-----	-----
Balance at 31 March 2002	5,884	-	-	1,875	7,759
	=====	=====	=====	=====	=====

	Tangible Fixed Assets	Net Current Assets	Total
	£	£	£
11. Analysis of net assets between funds			
Restricted:			
Isolated Young People's Project Fund	8,410	49,704	58,114
South Edinburgh Project	3,029	-	3,029
Unrestricted:			
Designated Funds	-	1,875	1,875
General Funds	120	5,764	5,884
	-----	-----	-----
	11,559	57,343	68,902
	=====	=====	=====

12. Going concern

The future operation of the company is dependent on the receipt of grants from outside sources in order that liabilities can be met as they fall due. The Directors are not aware of any circumstances which indicate that grant support will not continue for the foreseeable future. Accordingly the financial statements have been prepared on the going concern basis.