

HARMENY EDUCATION TRUST LIMITED
(by guarantee)

**FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 1997**

Registered number SCO 162021

Registered Charity number SCO 24256

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DIRECTORS

Gavin Reed
Alison Davies OBE
Kerr Cowan

PRINCIPAL

Patrick Webb

COMPANY SECRETARY

Rosemary Fitch

AUDITORS

The McCabe Partnership
Chartered Accountants
56 Palmerston Place
Edinburgh
EH12 5AY

BANKERS

The Royal Bank of Scotland plc
540a Lanark Road
Edinburgh
EH14 5DE

REGISTERED OFFICE

Harmeny School
Mansfield Road
Balerno
Midlothian

DIRECTORS' REPORT

The directors submit their report together with financial statements for the period 6 December 1995 (Date of Incorporation) to 31 March 1997.

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 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 maintaining 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.

BUSINESS REVIEW

The principal activity of the company is to advance the education of children in Scotland with special educational needs on a residential and day basis.

The company was incorporated on 6 December 1995 and the assets and liabilities of its predecessor organisation Harmeny School were transferred to the company on 21 December 1995 together with the responsibilities for members of staff.

The General Fund for the period shows a surplus of £12,608 and the directors of the company recommend that it is transferred to reserves. The directors are pleased with the results for the period and are confident that the school can maintain the current level of fees in the coming year.

The school's present classroom block requires to be replaced, and the opportunity is being taken not only to replace the classroom facilities but to extend them and also to incorporate other features which are recognised as necessary in the education and care of children who are placed at Harmeny. It is also important to us to be recognised as a national resource. The cost of the development is likely to exceed £2,500,00 and it is hoped to start work on the building later this year. The project has been given the blessing of the Scottish Office who have agreed to make a contribution of £1,200,000 towards the cost.

STATUS

Harmeny Education Trust Limited is a company limited by guarantee and not having a share capital.

DIRECTORS

The directors of the company, none of whom have a beneficial interest in the company are:

Gavin Reed	(appointed 6 December 1995)
Alison Davies OBE	(appointed 6 December 1995)
Kerr Cowan	(appointed 6 December 1995)
Harriet Dempster	(appointed 30 June 1996 - resigned 23 January 1997)

FIXED ASSETS

Details of movements on fixed assets are shown in note 7.

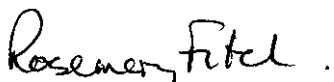
The directors are of the opinion that the market value of company's heritable properties is higher than the net book value transferred from the Save the Children Fund.

AUDITORS

On 1 May, 1997, BDO Stoy Hayward, Edinburgh became The McCabe Partnership. A resolution to appoint The McCabe Partnership will be put to the members at the Annual General Meeting.

By order of the board

Rosemary Fitch
Secretary



Date: 19 June 1997

AUDITORS' REPORT

To the members of Harmeny Education Trust Limited (by guarantee)

We have audited the financial statements on pages 4 to 10 which have been prepared on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

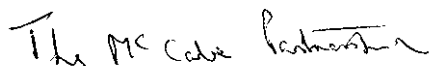
Basis of opinion

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 financial statements. It includes an assessment of the significant estimates and judgments 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, 1997 and of its surplus for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



The McCabe Partnership
56 Palmerston Place
Edinburgh
Chartered Accountants
Registered Auditors

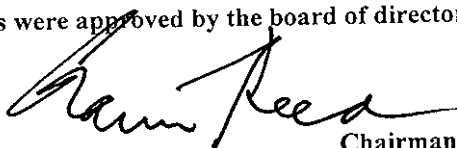
19 June 1997

BALANCE SHEET
 as at 31 March 1997

	Notes	1997 £
FIXED ASSETS		
Tangible assets	7	<u>184,070</u>
CURRENT ASSETS		
Debtors	8	56,344
Cash at bank and in hand		118,896
		<u>175,240</u>
CREDITORS: amounts falling due within one year	9	(110,279)
		<u>64,961</u>
NET CURRENT ASSETS		
		<u>110,279</u>
NET ASSETS	12	<u><u>249,031</u></u>
FUNDS		
Unrestricted - Revenue Fund	11	57,902
Reserves - Capital Development Fund	11	90,427
Restricted - Children's Fund	11	15,712
Restricted - New Building Capital Fund	11	49,256
Restricted - Other Capital Fund	11	35,734
		<u>249,031</u>

The financial statements on pages were approved by the board of directors on 19 June 1997.

Gavin Reed



Chairman

STATEMENT OF FINANCIAL ACTIVITIES
for the period 6 December 1995 to 31 March 1997

	Notes	Unrestricted Funds		Restricted Funds			Total Funds 1997 £
		General Fund Income £	Designated Capital Development Fund £	Childrens' Fund £	New Building Capital Fund £	Other Capital Fund £	
Incoming Resources							
Local authority fees		875,386	-	-	-	-	875,386
Scottish Office maintenance grant		681,637	-	-	-	-	681,637
Scottish Office capital grants		-	-	-	49,256	32,642	81,898
Budget relief Grant		-	-	-	-	5,004	5,004
Children in Need Grant		-	-	5,000	-	-	5,000
Bank interest		-	8,022	457	-	-	8,479
Donations		-	650	828	-	-	1,478
Other income		-	1,160	960	-	-	2,120
Total Incoming Resources		1,557,023	9,832	7,245	49,256	37,646	1,661,002
Resources Expended							
Direct charitable expenditure	3	1,458,675	-	9,216	-	1,912	1,469,803
Administration	3	79,344	-	-	-	-	79,344
Publicity and fundraising	3	6,396	-	-	-	-	6,396
Total Resources Expended		1,544,415	0	9,216	0	1,912	1,555,543
Net Incoming/(Outgoing) Resources before Transfers		12,608	9,832	(1,971)	49,256	35,734	105,459
Transfers between funds		-	-	-	-	-	-
Net Incoming/(Outgoing) Resources for the Year		12,608	9,832	(1,971)	49,256	35,734	105,459
Transfer from predecessor organisation	13	45,294	80,595	17,683	-	-	143,572
Fund Balances carried forward at 31 March 1997	11/12	57,902	90,427	15,712	49,256	35,734	249,031

INCOME AND EXPENDITURE ACCOUNT
for the period from 6 December 1995 to 31 March 1997

	Note	Unrestricted Funds £	Restricted Funds £	Total 1997 £
Income				
Local authority fees	2	875,386	-	875,386
Scottish Office maintenance grant	2	681,637	-	681,637
Other income		9,832	7,245	17,077
Total Income		<u>1,566,855</u>	<u>7,245</u>	<u>1,574,100</u>
Expenditure				
Direct charitable expenditure		1,458,675	9,216	1,467,891
Administration		79,344	-	79,344
Publicity		6,396	-	6,396
Total Expenditure		<u>1,544,415</u>	<u>9,216</u>	<u>1,553,631</u>
Retained surplus for the financial period		<u>22,440</u>	<u>(1,971)</u>	<u>20,469</u>

* A detailed analysis of incoming and outgoing resources, providing full information on the movements during the year on all the funds, is contained in the Statment of Financial Activities on page 5. In particular, all movements on capital funds, which are not included above, are disclosed therein.

* All income arose from continuing operations.

NOTES TO THE FINANCIAL STATEMENTS
for the period from 6 December to 31 March 1997

1 STATUS OF COMPANY

The company is limited by guarantee and does not have a share capital. The liability of each member is limited to £1. The company is a registered charity, number SC24256.

The financial statements cover the period from 6 December, 1995 (date of incorporation) to 31 March, 1997. On 21 December, 1995 the net assets of the company's predecessor organisation, Harmeny School, were transferred to the company, as further explained at note 13.

2 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards and the Statement of Recommended Practice on accounting by charities.

Accounting convention

The financial statements are prepared under the historical cost convention.

Grants receivable

Grants receivable are recognised as incoming resources when the conditions for their receipt have been satisfied. Grants received for specific purposes are accounted for as restricted funds. Any grants restricted to future accounting periods are deferred, and recognised in the periods to which they relate. Grants for capital projects are credited to a separate capital restricted fund, which is not included in the income and expenditure account.

Depreciation

Depreciation will be provided at 2% on a straight line basis on all new property. The property acquired from Save the Children Fund and included in these accounts at £39,456 represents land and buildings and the directors consider that no depreciation is appropriate. Depreciation of all other assets is provided on the straight line method at the rate of 25% per annum.

Local Authority fees

This represents amounts receivable against the school's net costs for the period.

Pension costs

Pension contributions are charged to the income and expenditure account in the year in which they become payable.

Restricted funds

Restricted funds are to be used specified purposes as laid down, implicitly or explicitly by the donor. Expenditure which meets these criteria is identified to the fund.

Unrestricted funds

Unrestricted funds comprise donations and other incoming resources received or generated for charitable purposes.

Designated funds

Designated funds are unrestricted funds earmarked by the directors for particular purposes.

NOTES TO THE FINANCIAL STATEMENTS (contd.)
for the period 6 Decemeber 1995 to 31 March 1997

3 ANALYSIS OF TOTAL RESOURCES EXPENDED

	Staff costs £	Other £	Depreciation £	Consumables £	Total 1997 £
Direct charitable expenditure	1,025,172	337,023	13,230	94,378	1,469,803
Administration	67,275	11,289	780		79,344
Publicity and fundraising	-	6,396	-	-	6,396
	<u>1,092,447</u>	<u>354,708</u>	<u>14,010</u>	<u>94,378</u>	<u>1,555,543</u>

4 STAFF COSTS

	1997 £
Wages and salaries	1,009,894
Social security costs	73,738
Pension costs	<u>8,815</u>
	<u>1,092,447</u>

The average weekly number of persons (including part-time employees) employed by the company during the period, analysed by category, was as follows:

	No.
Teaching staff	19
Care staff	35
Domestic staff	9
Administrative staff	5
Estate	2
Psychiatry	<u>1</u>
	<u>71</u>

Members of the teaching staff participate in the Scottish Office Teachers' Superannuation Scheme. A number of the non-teaching staff were members of The Save the Children Fund Final Salary Scheme. With effect from 1 April, 1996 these members of staff transferred to the SCVO Staff Final Salary Scheme. The pension costs shown above represent contributions payable by the company.

5 TAXATION

The company, being a charity, is exempt from tax under Section 505 Income and Corporation Taxes Act 1988.

6 OPERATING SURPLUS

This is attributable wholly to the activity of running a school and is stated after charging:

	1997 £
Directors' emoluments	-
Audit fee	3,000
Operating lease rentals - equipment	<u>3,157</u>

NOTES TO THE FINANCIAL STATEMENTS (contd.)
for the period 6 December 1995 to 31 March 1997

7 TANGIBLE FIXED ASSETS

	Heritable Property £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost or Valuation				
Transfer value	39,456	-	-	39,456
Additions	115,224	25,445	17,955	158,624
At 31 March 1997	<u>154,680</u>	<u>25,445</u>	<u>17,955</u>	<u>198,080</u>
Depreciation				
Charge for period	1,304	7,096	5,610	14,010
At 31 March 1997	<u>1,304</u>	<u>7,096</u>	<u>5,610</u>	<u>14,010</u>
Net book value At 31 March 1997	<u><u>153,376</u></u>	<u><u>18,349</u></u>	<u><u>12,345</u></u>	<u><u>184,070</u></u>

The Save the Children Fund, which previously controlled Harmeny School, has been granted a Standard Security over the whole of the heritable property transferred to the company on 21 December, 1995.

The proceeds from heritable property if sold can only be applied to further the objectives of the school. Otherwise the Save the Children Fund may require consideration to be paid in exchange for their consent to the disposals.

The company has received a capital grant which is to be spent on building a new education block. As at 31 March, 1997 the only contracts which had been entered into were for the appointment of architects.

8 DEBTORS

	1997 £
Scottish Office maintenance grant	<u>56,344</u>

9 CREDITORS: amounts falling due within one year

	1997 £
Other taxes and social security	17,666
Trade creditors	73,682
Other creditors	10,061
Accruals	<u>8,870</u>
	<u><u>110,279</u></u>

NOTES TO THE FINANCIAL STATEMENTS (contd.)
for the period 6 December to 31 March 1997

10 OBLIGATIONS UNDER OPERATING LEASES

The company had annual commitments under non-cancellable equipment leases as set out below:

	1997 £
Operating leases which expire: In the second to fifth years	<u>4,152</u>

11 MOVEMENT IN RESERVES

	Unrestricted Revenue Fund Income £	Designated Capital Development Fund £	Restricted Childrens' Fund £	New Building Capital Fund £	Other Capital Fund £	Total £
Balance of funds transferred	45,294	80,595	17,683	-	-	143,572
Incoming resources	1,557,023	9,832	7,245	49,256	37,646	1,661,002
Expenditure, Gains, Losses, Transfers	(1,544,415)	-	(9,216)	-	(1,912)	(1,555,543)
Balance at 31 March 1997	<u>57,902</u>	<u>90,427</u>	<u>15,712</u>	<u>49,256</u>	<u>35,734</u>	<u>249,031</u>

12 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Revenue Fund £	Designated Capital Development Fund £	Restricted Childrens' Fund £	New Building Capital Fund £	Other Capital Fund £	Total £
Tangible Fixed Assets	99,080	-	-	49,256	35,734	184,070
Net Current Assets	(41,178)	90,427	15,712	-	-	64,961
	<u>57,902</u>	<u>90,427</u>	<u>15,712</u>	<u>49,256</u>	<u>35,734</u>	<u>249,031</u>

13 TRANSFER FROM PREDECESSOR ORGANISATION

Included as incoming resources in the Statement of Financial Activities are amounts transferred from the company's predecessor organisation, Harmeny School. The amounts transferred represent the balances on these funds at 21 December 1995.

HARMENY EDUCATION TRUST LIMITED

ANALYSIS OF COSTS (per General Fund) for the period 6 December 1995 to 31 March 1997

Consumables	£
Food	48,331
Kitchen supplies	2,441
Resources - Activities/care	11,880
- Activities/education	23,639
Principal - Outdoor education	3,650
- Management resources	4,437
	94,378
Other operating charges	
Laundry and cleaning	3,732
Insurance	15,982
Council tax	3,622
Heat and light	32,799
Motor vehicle costs	14,465
Maintenance	211,915
Printing, postage and stationery	8,144
Miscellaneous costs	6,752
Telephone	6,056
Audit	5,457
Professional fees	4,956
Fire/Security	2,421
Chemist/Medical	3,025
Training	14,345
Recruitment	9,125
Publicity	6,396
Profit on sale of vehicle	(3,700)
Childrens Fund Expenditure	9,216
	354,708