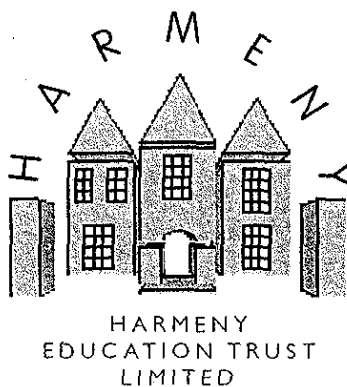




HARMENY EDUCATION TRUST LIMITED
(Limited by guarantee)

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003**

**Registration No. SCO162021
Registered Charity Number SCO24256**



HARMENY EDUCATION TRUST LIMITED

DIRECTORS

Gavin Reed
Alison Davies OBE
Kerr Cowan
Scott Rae
Ivan Middleton

CHIEF EXECUTIVE

Patrick Webb

COMPANY SECRETARY

Rosemary Fitch

AUDITORS

McCabes
Chartered Accountants
56 Palmerston Place
Edinburgh
EH12 5AY

SOLICITORS

Morton Fraser
30/31 Queen Street
EDINBURGH
EH2 1JX

BANKERS

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

REGISTERED OFFICE

Harmeny School
Mansfield Road
Balerno
Midlothian
EH14 7JY

HARMENY EDUCATION TRUST LIMITED

DIRECTORS' REPORT

The directors submit their report together with financial statements for the year ended 31 March 2003. The Financial Statements comply with current statutory requirements, the memorandum and articles of association and with the Statement of Recommended Practice.

Law applicable in Scotland 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 year. 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, the Law Reform (Misc Provisions) (Scotland) Act 1990 and Charities Accounts (Scotland) Regulations 1992. 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.

STATUS

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

BUSINESS REVIEW

The principal activity of the company is to advance the education in Scotland of children 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.

The school is currently one of seven Grant Aided Special Schools in Scotland. Income comes from a block maintenance grant from the Scottish Executive with the balance of costs being charged out in fees to Local Authorities.

The company has embarked on a new fundraising exercise (Pathfinder II) to finance alterations and improvements to buildings, to capitalise on the educational benefits to be obtained from our extensive grounds and to fund an information and research dissemination project. A capital grant has already been received from Scottish Executive.

The earlier project, Pathfinder I closed this year with the receipt of £14,052 being the final tranches of capital funding from the Lottery Funds.

The general fund for the year shows a surplus of £48,725 and the directors recommend that this surplus is transferred to reserves. The directors are satisfied with the results of the year and, having been given assurances that the Scottish Executive block maintenance grant will be available at £984,373 for the year to 31st March 2004, are confident that the balance of income required to meet costs, will be met from Local Authority fees.

A wholly owned subsidiary, Harmeny Services Limited was created in November 1998 to conduct any school business, other than education, that is considered appropriate. The subsidiary company is currently dormant.

HARMENY EDUCATION TRUST LIMITED

DIRECTORS' REPORT (continued)

Reserves

The Directors have reviewed the reserves of the charity.

The current level of unrestricted reserves is low as under existing arrangements with Scottish Executive, Harmeny is not allowed to retain annual surpluses on educational provision. Surpluses arising from services other than educational provision, are retained.

It is considered that a reasonable level of reserves, would be six months expenditure of resources, approximately £1.2 million. This level of reserve would allow the charity to take appropriate steps to reorganise Harmeny's activities in the event of a major downturn in fees or withdrawal or reduction of grant while maintaining essential skilled staff at a level sufficient to maintain operations.

The current reserves, while undoubtedly low at present are considered adequate if grant continues at its present level. Grant has been agreed for the year 2003/2004 and will continue to be paid, at a level to be negotiated, up to 31 March 2008.

The Directors are exploring ways of bringing Harmeny reserves into line with our target level in the event that grant funding is either significantly reduced or ultimately withdrawn.

Risk Management

The major risks to which the charity is exposed, as identified by the directors, have been reviewed and systems established to mitigate those risks.

Volunteers

Harmeny is grateful to the volunteers in the "Friends of Harmeny Association" who devote many hours each year to fund raising and other activities on behalf of Harmeny.

DIRECTORS

The directors are chosen for appointment with reference to their experience in the charity's line of work. The directors, none of whom has a beneficial interest in the company are:

Gavin Reed
Alison Davies OBE
Kerr Cowan
Scott Rae
Ivan Middleton

AUDITORS

A resolution to re-appoint McCabes will be put to the members at the Annual General Meeting.

Gavin Reed
Chairman



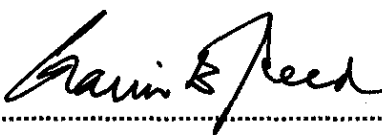
Date: 11th July 2003

HARMENY EDUCATION TRUST LIMITED

BALANCE SHEET as at 31 March 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Tangible assets	7	2,649,671	2,542,146
Investments	8	2	2
		<u>2,649,673</u>	<u>2,542,148</u>
CURRENT ASSETS			
Debtors	9	231,385	103,282
Cash at bank and in hand		<u>238,087</u>	<u>330,560</u>
		469,472	433,842
Creditors: amounts falling due within one year	10	<u>202,950</u>	<u>168,290</u>
TOTAL CURRENT ASSETS LESS CURRENT LIABILITIES		266,522	265,552
NET ASSETS	13	<u>2,916,195</u>	<u>2,807,700</u>
FUNDS			
Unrestricted – General Fund	12	93,391	44,666
- Designated Capital Development Fund	12	221,530	209,223
Restricted - New Capital Development Fund	12	2,560,806	2,485,245
- Other Funds	12	<u>40,468</u>	<u>68,566</u>
		2,916,195	2,807,700

The financial statements on pages 2 - 15 were approved by the board of directors on

Gavin Reed  Chairman
Edinburgh 11/7/2003

HARMENY EDUCATION TRUST LIMITED

STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME AND EXPENDITURE ACCOUNT) for the year to 31 March 2003

	Notes	Unrestricted Funds		Restricted Funds		Total 2003 £	Total 2002 £
		General Fund £	Designated Capital Development Fund £	New Building Capital Fund £	Other Funds £		
Incoming Resources							
Local Authority fees		1,837,920				1,837,920	1,634,660
Scottish Executive maintenance grant		901,998				901,998	768,446
Scottish Executive - other grants				102,045		102,045	72,000
Other grants				14,052	23,750	37,802	27,500
Bank interest			11,667			11,667	11,406
Donations			640	3,550	13,684	17,874	6,130
Other income		853	-			853	3,012
Total Incoming Resources		2,740,771	12,307	119,647	37,434	2,910,159	2,523,154
Cost of generating funds							-
Charitable Expenditure							
Direct expenditure		2,507,023	-	62,061	47,557	2,616,641	2,243,550
Administration		185,023	-	-	-	185,023	167,874
Total Charitable Expenditure	3	2,692,046	-	62,061	47,557	2,801,664	2,411,424
Total Resources Expended		2,692,046	-	62,061	47,557	2,801,664	2,411,424
Net Incoming/(Outgoing) Resources before Transfers		48,725	12,307	57,586	(10,123)	108,495	111,730
Transfers between funds		-	-	17,975	(17,975)	-	-
Movement in total funds for the year		48,725	12,307	75,561	(28,098)	108,495	111,730
Fund Balance brought forward		44,666	209,223	2,485,245	68,566	2,807,700	2,695,970
Fund Balances carried forward at 31 March 2003	12/13	93,391	221,530	2,560,806	40,468	2,916,195	2,807,700

NOTES:

- All of the above results derive from continuing activities.
- All gains and losses recognised in the year are included in the Statement of Financial Activities.

HARMENY EDUCATION TRUST LIMITED

ANALYSIS OF OTHER FUNDS

	2002	Grants	Donations	Direct Expenditure	Transfers	2003
	£	£	£	£	£	£
Looked after Children Fund	27,500	23,750	-	33,275	17,975	-
Permanent Endowment Fund	41,066	-	-	2,665	-	38,401
"Behave Yourself" Project	-	-	13,684	11,617	-	2,067
	<u>68,566</u>	<u>23,750</u>	<u>13,684</u>	<u>47,557</u>	<u>17,975</u>	<u>40,468</u>

The transfer of funds referred to above involved the purchase of capital items directly related to the "Looked After Children Fund" project.

HARMENY EDUCATION TRUST LIMITED

CASHFLOW STATEMENT for the year to 31 March 2003

	2003 £	2002 £
Net Cash inflow from Operating activities (See note below)	99,541	227,526
Returns on investments		
Bank Interest	11,667	11,406
	<u>111,208</u>	<u>238,932</u>
Capital Expenditure		
Payments to acquire fixed assets	(218,583)	(91,837)
Proceeds from sales of tangible fixed assets	14,902	-
	<u>(203,681)</u>	<u>(91,837)</u>
Increase/(decrease) in cash within year	<u>(92,473)</u>	<u>147,095</u>

Note: Reconciliation of net incoming resources to net cash flow from operating activities

Net incoming resources	108,495	111,730
Bank interest	(11,667)	(11,406)
(Increase)/decrease in Debtors	(128,103)	11,668
Increase/(decrease) in Creditors	34,660	11,567
Depreciation	111,058	103,967
Gain on sale of fixed assets	(14,902)	-
	<u>99,541</u>	<u>227,526</u>

Analysis of changes in net cash resources:

	2002 £	Cashflow £	2003 £
Current Account	(41,141)	38,858	(2,283)
Deposit Account	370,901	(131,331)	239,570
Cash Balance	800	-	800
	<u>330,560</u>	<u>(92,473)</u>	<u>238,087</u>

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year to 31 March 2003

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 year to 31 March 2003.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards The Charities Accounts (Scotland) Regulations 1992 and Accounting and Reporting by Charities: Statement of Recommended Practice issued in October 2000.

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.

Local Authority fees

This represents amounts receivable against the school's net costs for the period and relative to the school's academic year.

Depreciation

Depreciation is provided at 2% on a straight line basis on all new property. Depreciation of all other assets is provided on the straight line method at the rate of 25% per annum

Expenditure

All expenditure is included on an accruals basis and is recognised when there is a legal or constructive obligation to pay for the expenditure. Harmeny Education Trust Limited is not registered for VAT and accordingly expenditure is shown gross of irrecoverable VAT.

Pension Schemes

The Charity contributes to the Teachers' Superannuation Scheme at rates set by the Scheme Actuary and advised to the Board by the Scheme Administrator. The Charity also contributes to a defined contribution scheme for non-teaching staff.

Tangible Fixed Assets

On incorporation, Harmeny Education Trust Limited was gifted the land and existing property at Harmeny on condition that should the assets cease to be used for the purposes of Special Needs Education, the property would revert to The Save the Children Fund. The main building and the Lodge are listed and are inalienable. The original cost of the asset is not available and only costs incurred by the predecessor organisation, Harmeny School, were capitalised on incorporation.

The users of the accounts are principally the Directors, Local Authorities, The Scottish Executive and donors. The directors consider that the cost of carrying out a professional valuation to include these assets at a value to be incorporated meaningfully in the accounts would not be justified.

Since incorporation all additions and improvements to land and buildings have been included at cost. Other tangible assets costing more than £500 are capitalised.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2003

Restricted funds

Restricted funds are to be used for specified purposes 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 fund

Designated fund is unrestricted and earmarked by the directors for particular purposes.

Donations

Donations are recognised on a cash basis.

3. ANALYSIS OF TOTAL CHARITABLE EXPENDITURE

	Staff Costs	Other	Depreciation	Consumables	Total 2003 £	Total 2002 £
	£	£	£	£		
Direct charitable expenditure	2,013,184	374,762	111,058	117,637	2,616,641	2,243,550
Administration	144,818	40,205	-	-	185,023	167,874
	<u>2,158,002</u>	<u>414,967</u>	<u>111,058</u>	<u>117,637</u>	<u>2,801,664</u>	<u>2,411,424</u>

4. STAFF COSTS

	Total 2003 £	Total 2002 £
Wages and salaries	1,921,837	1,629,422
Social security costs	137,471	119,714
Pension costs	98,694	81,010
	<u>2,158,002</u>	<u>1,830,146</u>

One employee received remuneration between £60,000 and £69,999 (2002 - one in range £70,000 to £79,999). The average weekly number of persons (including part-time employees) employed by the company during the year, analysed by category, was as follows:

	Total 2003 Number	Total 2002 Number
Teaching staff	26	23
Care staff	74	60
Domestic staff	11	10
Administrative staff	8	7
Estate	3	3
	<u>122</u>	<u>103</u>
Number of staff in Pension Schemes	49	51

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2003

Members of the teaching staff participate in the Scottish Office Teachers' Superannuation Scheme. This is a multi-employer defined benefit scheme and the liabilities of the Scheme have been valued by a "prospective benefits" valuation method. At the last Actuarial Review, for the period 1 April 1991 to 31 March 1996, the Government Actuary adopted an interest rate of 8.5% and assumed future price increases of just under 5% a year and earning increases of a little below 6.5%. It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers.

The main points which emerge from the valuation can be summarised as follows:

- The value of the notional fund was £4,370 million.
- The balance of the liability in the Scheme has increased since the 1991 valuation by about £90 million, to £230 million, mainly due to the high level of premature and – to a lesser extent – ill health retirements, although lower interest rates and lower than expected yields on notional investments were also significant factors.
- Scheme membership increased by around 2.5% over the valuation period (there were 64,389 members of the Scheme at 1 April 1996).
- The average teacher's salary increased by around 19% - this increase in average pay corresponds to annual increases of a little over 3.5% a year over the valuation period.
- The number of teachers retiring on premature and ill health grounds increased substantially over the valuation period: 5150 teachers retired prematurely, while 2011 teachers retired on ill-health grounds, compared with 3557 and 1388 respectively in the previous quinquennium.

The valuation to 31 March 2001 will be available later this year. It is estimated that the employers contribution may increase to 12.5% with effect from 1 October 2003.

It has been agreed that employers' contributions will increase from 7.15% to 7.4% with effect from 1 April 2003.

A number of non-teaching staff are members of the SCVO Staff Final Salary Scheme. As required by FRS17 the Directors report:-

Harmeny Education Trust Limited participates in The Pensions Trust SCVO Final Salary pension Scheme (the "Scheme"). The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The last formal valuation of the Scheme was performed at 30 September 1999 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £8.7 million.

During the accounting period Harmeny Education Trust Limited paid contributions at the rate of 11.0% until 31 March 2001 and 12.0 % thereafter. Member contributions varied between 3.5% and 5.0%.

It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers.

Due to the nature of the Scheme, the charge for the year represents the employer contribution payable.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2003

Financial assumptions

The financial assumptions underlying the valuation were as follows:

	%pa
• Investment return on future contributions	6.6
• Investment return on accumulated assets	5.1
• Inflation rate	2.5
• Rate of salary increases	4.5
• Rate of pension increases	2.5

The accumulated assets of the Scheme were assumed to earn the same return as if they had been invested in a portfolio comprising 100% UK equities for non-pensioner liabilities and 50% UK equities/50% index-linked gilts for pensioner liabilities.

The valuation revealed a shortfall of assets compared with the value of liabilities of some £1.7 million (equivalent to a past service funding level of 84%). The employer's ongoing future service contribution rate, after allowing for changes in benefits, was assessed as 9.9% of pensionable salaries. In view of the past service shortfall employers were required to contribute at the rate of 12.0% of pensionable salaries with effect from 1 April 2001. Member contributions rates were also increased from 1 April 2001, and now vary between 4.0% and 5.0%. Member contributions will be fixed at 5.0% from 1 April 2004.. On the basis of the valuation assumptions this pattern of contributions will be sufficient to eliminate the past service deficit by 30 September 2011.

The next valuation will be as at 30 September 2002 and the results will be available after June 2003.

Directors are not remunerated, nor are they reimbursed for expenses. During the year fees of £3,072 were paid to Morton Fraser for legal services supplied to the company. One of the directors, Mr Scott Rae is a partner in Morton Fraser.

5. **TAXATION**

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

6. **OPERATING SURPLUS/(DEFICIT)**

The operating deficit is stated after charging/crediting:

	Total 2003 £	Total 2002 £
Directors' emoluments	-	-
Trustee Indemnity Insurance Premium	1,680	787
Audit fee	4,350	3,993
Operating lease rentals - equipment	4,269	5,482
Gain / (Loss) on sale of assets	(14,902)	-

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2003

7. TANGIBLE FIXED ASSETS

	Heritable Property £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost or Valuation				
Cost or value brought forward	2,602,969	210,391	78,967	2,892,327
Additions	145,373	21,378	51,832	218,583
Disposals	-	-	(45,272)	(45,272)
At 31 March 2003	2,748,342	231,769	85,527	3,065,638
Depreciation				
Brought forward	129,310	158,124	62,747	350,181
Charge for period	54,081	35,740	21,237	111,058
Eliminated on disposals	-	-	(45,272)	(45,272)
At 31 March 2003	183,391	193,864	38,712	415,967
Net book value				
At 31 March 2002	2,473,659	52,267	16,220	2,542,146
At 31 March 2003	2,564,951	37,905	46,815	2,649,671

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 company owns the original main building and lodge house which are both listed. These properties were included in the gift of land and buildings by The Save The Children Fund when the company was incorporated in 1995. The "cost" value of the assets taken over at the date was recorded as £35,734 in the records of the previous organisation, Harmeny School, and this figure has been included as cost in the balance sheet and the value has been credited to Restricted Reserves. The original cost of the assets is not available and is not included in the balance sheet and the Directors consider that the cost of carrying out a professional valuation to include these assets meaningfully in the accounts would not be justified. Heritable Property is insured for £4,456,925 which is an estimate of replacement cost and which includes Value Added Tax.

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.

CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £ NIL (2002 - £38,105)

Amounts authorised but not contracted for £NIL (2002 - £NIL)

8. INVESTMENTS

	Total 2003 £	Total 2002 £
Investment in subsidiary company, Harmeny Services Limited	2	2

Harmeny Services Limited is a company registered in Scotland for the purpose of conducting school business, other than education, as considered appropriate. The company is dormant.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2003

9. DEBTORS	Total 2003 £	Total 2002 £
Fees	12,280	72,230
Scottish Executive maintenance grant	89,562	15,561
Scottish Executive Capital Grant	92,940	-
Sundry	36,603	15,491
	231,385	103,282

10. CREDITORS: amounts falling due within one year	Total 2003 £	Total 2002 £
Other taxes and social security	40,493	41,705
Trade creditors	103,760	67,666
Other creditors	101	21,290
Accruals	45,882	26,088
Amount due to Pension Funds	12,712	11,539
Amounts due to subsidiary company	2	2
	202,950	168,290

11. OBLIGATIONS UNDER OPERATING LEASES	Total 2003 £	Total 2002 £
The company had annual commitments under non-cancellable equipment leases as set out below.		
Operating leases which expire: In the second to fifth years	4,269	4,271

12. MOVEMENT IN FUNDS	Unrestricted		Restricted		Total
	General Fund £	Capital Development Fund £	New Building Capital Fund £	Other Funds £	£
Balance of funds brought forward	44,666	209,223	2,485,245	68,566	2,807,700
Net (outgoing)/incoming resources before transfers	48,725	12,307	57,586	(10,123)	108,495
Transfers	-	-	17,975	(17,975)	-
Balance at 31 March 2003	93,391	221,530	2,560,806	40,468	2,916,195

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2003

13. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	General Fund	Capital Development Fund	New Building Capital Fund	Other Funds	Total
	£	£	£	£	£
Fixed Assets	-	41,771	2,560,806	38,401	2,649,673
Current Assets	93,391	179,759	-	2,067	266,522
	<u>93,391</u>	<u>221,530</u>	<u>2,560,806</u>	<u>40,648</u>	<u>2,916,195</u>

HARMENY EDUCATION TRUST LIMITED

APPENDIX

Analysis of "Other" Costs (per General Fund – Note 3)

	2003 £	2002 £
Consumables		
Food	57,263	53,889
Kitchen supplies	613	421
Resources	23,549	21,711
- Care	21,945	10,817
- Education	8,156	6,866
- Outdoor Education	6,111	5,018
- Management		
	117,637	98,722
	£	£
Other operating charges		
Laundry and cleaning	6,645	6,603
Insurance	21,251	14,651
Council tax	4,697	3,818
Heat and light	43,531	44,842
Motor and vehicle costs and travel	16,778	16,106
Maintenance	207,623	186,613
Operating Leases	4,269	5,482
Printing, postage and stationery	9,607	8,943
Miscellaneous costs	9,348	4,284
Telephone	18,789	14,248
Audit	4,350	3,993
Legal Fees	3,190	1,110
Other professional fees	6,083	1,020
Fire/security	6,121	4,057
Chemist/medical	4,758	3,716
Training/resources etc.	32,906	24,615
Recruitment	16,681	23,427
Public relations	7,727	6,328
(Profit)/Loss on sale of vehicle	(14,902)	-
Children's expenditure	5,515	4,733
	414,967	378,589
NB – Administration		
	£	£
Operating Leases	4,269	5,482
Printing postage and stationary	9,607	8,943
Telephone	18,789	14,248
Audit	4,350	3,993
Legal fees	3,190	1,110
	40,205	33,776

HARMENY EDUCATION TRUST LIMITED

INDEPENDENT AUDITORS' REPORT

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

We have audited the financial statements on pages 2 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

This report is made solely to the charity'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 charity's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on pages 3 and 4, the company's directors who are also the trustees for the purpose of charity law, are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

It is our responsibility 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 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 the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We are not required to consider whether the statement in the Directors Annual Report concerning the major risks to which the charity is exposed covers all existing risks and controls, or to form an opinion on the effectiveness of the charity's risk management and control procedures.

We read the directors' report and consider the implications for our report if we become aware of any apparent mis-statements in it.

BASIS OF OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issue 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 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 mis-statement, 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 charity's state of affairs as at 31 March 2003 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 Companies Act 1985.

56 Palmerston Place
Edinburgh
EH12 5AY

Date: 11 July 2003


McCABES
Chartered Accountants and
Registered Auditor