

HARMENY EDUCATION TRUST LIMITED
(Limited by guarantee)

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2005

Registration No. SCO162021
Registered Charity Number SCO24256



HARMENY EDUCATION TRUST LIMITED

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HARMENY EDUCATION TRUST LIMITED

DIRECTORS	Gavin Reed Alison Davies OBE Kerr Cowan Scott Rae Ivan Middleton
CHIEF EXECUTIVE	Peter Doran
COMPANY SECRETARY	Isabelle Guillot D'Hauterives
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 (Incorporating the Trustees' Annual Report)

The directors submit their report together with financial statements for the year ended 31 March 2005. 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.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Harmeny Education Trust Limited is a company limited by guarantee and not having a share capital. The governing documents are the company's memorandum and articles of association.

The directors of the company are chosen for appointment with reference to their experience and their ability to contribute to the charity's work. The Board of Directors meets regularly and has appointed sub-committees covering all aspects of the company's operation. The day to day running of the company is managed by the Chief Executive and a team of senior managers.

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

Gavin Reed
Alison Davies O.B.E.
Kerr Cowan
Scott Rae
Ivan Middleton

Save The Children Fund has a right to appoint a director. An induction pack is provided for new Board members.

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

The directors recognise the outstanding services and achievements of Patrick Webb O.B.E. who retired as Chief Executive in March after twelve years in the post during which time Harmeny has become a major force in the field of SEBD. Patrick worked with a committed team of managers including Peter Doran who now takes over as Chief Executive. Peter has been with us since 1996 and has been a significant contributor to the success of Harmeny over that period.

OBJECTIVES AND ACTIVITIES

The company was incorporated on 6th December 1995 and is a registered Scottish charity. The assets and liabilities of its predecessor organisation, Harmeny School, were transferred to the company on 21st December 1995.

Harmeny is currently one of seven grant-aided schools in Scotland. Operating 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 principal activity of the company is to advance the education in Scotland of children with special educational needs specifically children who have social, emotional and behavioural difficulties.

There are five constituent functions within the company:-

- Harmeny School
- Harmeny Outdoors
- Early Intervention Project
- Learning and Development
- Research and Information Dissemination

Harmeny School

The school offers residential and day education alongside social work and social care services to 31 children and their families/carers drawn from all over Scotland. The school aims to provide positive educational and emotional experiences with a view to promoting opportunities for children to return to mainstream education and community living.

Harmeny Outdoors

Harmeny Outdoors provides, through outdoor experience and education, opportunities for disadvantaged groups and individuals to develop social and interpersonal skills whilst learning about the environment.

Early Intervention Project

In conjunction with West Lothian Council this project aims to identify children and their families who have needs which, if not addressed at an early stage, could lead to an inability to be sustained in mainstream education and community living. The project will work alongside community based education and social work services to provide intensive skilled support to children and families which otherwise would not be available.

Learning and Development

Harmeny Learning and Development aims to offer training to workers and students in the field of social, emotional and behavioural difficulties so as to increase the skills and knowledge base in this area.

Research and Information Dissemination

This project aims to contribute to the development of appropriate responses to social, emotional and behavioural problems in communities by collating and disseminating research and information in this area to professionals and policy makers throughout Scotland.

ACHIEVEMENTS AND PERFORMANCE

Harmeny School

- Currently provides education, care and social work services to 31 children.
- Currently achieves a yearly average of over 50% returns to mainstream education and community living.
- Has been commended for its overall performance in a government sponsored Best Value Review of similar services in Scotland.
- Has been commended by the regulatory authority, The Care Commission, for high performance against national standards.

Harmony Outdoors

- Delivers a weekly outdoor education lesson to every class at Harmony School.
- Delivers individual programmes for Harmony pupils at times of specific need.
- Provides a recreational activity programme for Harmony children outwith school hours.
- Has worked with a number of local community groups, delivering personal and social education through outdoor activities and sharing good practice.
- Has developed the grounds of Harmony School enhancing the educational and recreational facilities for Harmony pupils and community groups.
- Received positive reports about the additional contribution it makes to Harmony School by both HMIE and Care Commission. Holds a current AALA (Adventurous Activities Licensing Authority) licence.

Early Intervention Project

- Has begun working with West Lothian Council on this joint initiative.
- Will be evaluated in a pilot phase by independent research.
- Has begun to share experience, knowledge and skills with staff in mainstream education.

Learning and Development

- Has provided over 30 staff the opportunity to achieve Level 3 vocational qualifications.
- Has provided four staff to date to achieve Level 4 vocational qualifications.
- Has provided fifteen staff with the opportunity of achieving Post Qualification awards.
- Has achieved assessment centre status with Scottish Qualifications Agency to provide SVQ awards to Level 3 and is currently seeking approval to provide Level 4 awards and HNC qualifications.
- Has provided training to twelve social work students.
- Is offering training to a range of external agencies and organisations.

Research and Information Dissemination

- As a follow up to the first issue of the newsletter 'BY Lines' which looked at children and the Antisocial Behaviour Act, a second issue focused on behaviour in the classroom. This was widely distributed to behaviour support staff in schools, and it is planned that the topic will be revisited in the coming year with the emphasis being on practical initiatives which may be used by teachers and other school-based professionals in their day-to-day interactions with children.
- To support the task of information dissemination, a new contacts database is being developed for the school which will enable information to be more effectively collected, managed and targeted.

Fundraising

A fundraising exercise (Pathfinder II) commenced last year and significant elements of the work have now been completed. The reconstruction of Eason Cottage, to bring it up to the same high standards as other residences in the Harmony grounds, was completed in May 2005. Alterations to Caroline Cottage to convert it to a family centre and a facility to be developed for an "Early Intervention Project" are due to be completed by late August. The school is also developing an outdoors project.

The Pathfinder II Project is nearing completion. During the year significant funds have been raised from a variety of sources, including:-

Scottish Executive	-	£100,000	-	for development of Eason Cottage
The Percy Bilton Charity	-	£ 5,000	-	for development of Caroline Cottage

These grants are included as voluntary income and other incoming resources as disclosed in the statement of financial activities.

In addition, many people and organisations have volunteered assistance including J P Morgan and "Friends of Harmony School Association" whose members and associates devote many hours each year to fundraising and other activities on behalf of Harmony Education Trust Limited.

Fundraising continues and, as at 31st March 2005, the balance of funding still required to complete all projects within Pathfinder II, stood at approximately £140,000.

FINANCIAL REVIEW

The unrestricted fund shows a deficit for the year of £24,180 and the directors recommend that this deficit be 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 £1,077,469 for the year to 31st March 2006, are confident that the balance of income required to meet costs will be met from Local Authority fees.

The directors have reviewed the reserves of the charity. The pattern of receipt of Scottish Executive maintenance grant changed with effect from 1st April 2004. This has been taken into account by the directors who assess the need for minimum short term reserves at £250,000. The current level of unrestricted funds as at 31st March 2005 is £307,874. The Scottish Executive maintenance grant will continue to be paid until 31st March 2008 but what the position will be thereafter is not known. The directors consider it prudent to aim in the longer term for reserves equivalent to three months expenditure. This level of reserves would allow the charity to take appropriate steps to re-organise Harmeny's activities to meet any change in circumstances.

PLANS FOR FUTURE PERIODS

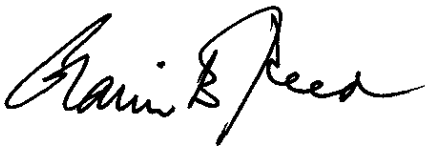
Immediate plans include the development of an "Early Intervention Project", funded through a partnership agreement with West Lothian Council and our Learning and Development Programme, funded by a grant of £45,000 from the Voluntary Sector Development Fund.

The Harmeny Outdoors Project is forging ahead and most of the capital costs will have been met by the end of this year leaving us with a very attractive facility for the children here at Harmeny but also for children from other schools and community groups.

There are no plans for further major capital projects after the completion of Pathfinder II but fundraising will continue in order to support other initiatives.

AUDITORS

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



Gavin Reed
Chairman

Date:

11th July 2005

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 9 to 18 which have been prepared under the historical cost convention and the accounting policies set out on page 12 and 13.

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 page 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

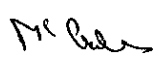
We conducted our audit in accordance with United Kingdom Auditing Standards issue by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 2005 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


McCABES
Chartered Accountants and
Registered Auditor

Date: 11 July 2005

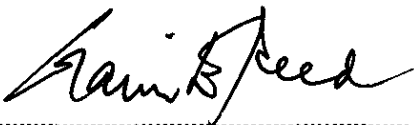
HARMENY EDUCATION TRUST LIMITED

BALANCE SHEET as at 31 March 2005

	Note	2005 £	2004 £
FIXED ASSETS			
Tangible assets	7	2,741,151	2,645,630
Investments	8	2	2
		<u>2,741,153</u>	<u>2,645,632</u>
CURRENT ASSETS			
Debtors	9	128,472	164,871
Cash at bank and in hand		<u>799,500</u>	<u>409,329</u>
		927,972	574,200
Creditors: amounts falling due within one year	10	<u>316,961</u>	<u>165,063</u>
TOTAL CURRENT ASSETS LESS CURRENT LIABILITIES		611,011	409,137
NET ASSETS	13	<u>3,352,164</u>	<u>3,054,769</u>
FUNDS			
Unrestricted - General Fund	12	144,082	168,296
- Designated Capital Development Fund	12	163,792	163,792
Restricted	12	3,005,889	2,684,280
Endowment	12	<u>38,401</u>	<u>38,401</u>
		3,352,164	3,054,769

The notes on pages 12 - 18 form part of these financial statements.

The financial statements on pages 9 - 18 were approved by the board of directors on *4th July* 2005.


Gavin Reed Chairman

HARMENY EDUCATION TRUST LIMITED

STATEMENT OF FINANCIAL ACTIVITIES

(INCLUDING INCOME AND EXPENDITURE ACCOUNT) for the year to 31 March 2005

	Unrestricted Funds	Restricted Funds	Permanent Endowment Fund	Total 2005	Total 2004
Notes	£	£	£	£	£
Incoming Resources					
Incoming Resources from generated funds					
Voluntary Income		338,792		338,792	231,328
Scottish Executive Maintenance Grant	1,026,163			1,026,163	982,253
Voluntary Sector Dev. Fund		45,000		45,000	-
Investment Income	15,144	8,237		23,381	12,187
Incoming Resources from charitable activities					
Local Authority fees	2,073,856			2,073,856	1,801,225
Other income	29,541			29,541	-
Total Incoming Resources	3,144,704	392,029		3,536,733	3,026,993
Resources Expended					
Costs of generating funds					
Costs of generating Voluntary Income	7,062	13,484		20,546	14,025
Charitable activities	3,137,914	56,970		3,194,884	2,846,406
Governance costs	23,908	-		23,908	27,988
Total Resources Expended	3,168,884	70,454		3,239,338	2,888,419
Net Incoming/(Outgoing) Resources before transfers	(24,180)	321,575	-	297,395	138,574
Transfers between funds	(34)	34	-	-	-
Reconciliation of funds					
Total funds brought forward	332,088	2,684,280	38,401	3,054,769	2,916,195
Total funds carried forward	307,874	3,005,889	38,401	3,335,164	3,054,769

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.
- The notes on pages 12 - 18 form part of these financial statements.

HARMENY EDUCATION TRUST LIMITED

CASHFLOW STATEMENT for the year to 31 March 2005

	2005 £	2004 £
Net Inflow from Operating Activities		
Net incoming resources	297,395	138,574
(Increase)/decrease in Debtors	36,399	66,514
Increase/(decrease) in Creditors	151,898	(37,887)
Depreciation	125,495	133,265
(Gain)/loss on sale of fixed assets	(408)	(4,448)
	<u>610,779</u>	<u>296,018</u>
Capital Expenditure		
Payments to acquire fixed assets	(222,108)	(135,576)
Proceeds from sale of fixed assets	1,500	10,800
	<u>(220,608)</u>	<u>(124,776)</u>
Increase/(decrease) in cash during year	<u>390,171</u>	<u>171,242</u>

Analysis of changes in net cash resources

	2004 £	Cashflow £	2005 £
Current Accounts	(60,002)	31,290	(28,712)
Deposit Accounts	468,531	358,881	827,412
Cash Balance	800	-	800
	<u>409,329</u>	<u>390,171</u>	<u>799,500</u>

The notes on pages 12 – 18 form part of these financial statements.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year to 31 March 2005

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 SCO24256.

The financial statements cover the year to 31 March 2005.

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 and the Statement of Recommended Practice issued in March 2005.

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 restricted fund.

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 Scottish 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 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 2005

Unrestricted funds

Unrestricted funds comprise the charitable activities of the Trust together with 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.

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.

Endowment fund

The endowment fund represents the book value of property and other assets acquired by Harmeny Education Trust Limited on the date of incorporation in December 1995.

Donations

Donations are recognised on a cash basis.

Governance Costs

These are the costs associated with the governance arrangements of the charity which relate to the general running of the charity as opposed to those costs associated with fundraising or charitable activity. The costs include external audit, legal advice for trustees and costs associated with constitutional and statutory requirements. Included within this category are any costs associated with the strategic as opposed to day to day management of the charity's activities.

Support Costs

Support costs are those costs that, whilst necessary to deliver an activity, do not themselves produce or constitute the output of the charitable activity. Support costs include the central office functions such as general management, payroll administration, budgeting and accounting, information technology, human resources and financing.

3. ANALYSIS OF RESOURCES EXPENDED

	Activities Undertaken Directly	Support Costs	Total 2005	Total 2004
	£	£	£	£
Cost of generating voluntary income	20,546	-	20,546	14,025
Charitable Activities	3,132,006	62,878	3,194,884	2,846,406
Governance Costs	23,908	-	23,908	27,988
	<u>3,176,460</u>	<u>62,878</u>	<u>3,239,338</u>	<u>2,888,419</u>

4. STAFF COSTS

	Total 2005	Total 2004
	£	£
Wages and salaries	2,233,556	2,033,315
Social security costs	188,599	150,159
Pension costs	144,749	110,838
	<u>2,566,904</u>	<u>2,294,312</u>

One employee received remuneration between £70,000 and £79,999 (2004 - one in range £60,000 to £69,999).

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

	Total 2005 Number	Total 2004 Number
Teaching staff	26	25
Care staff	74	72
Domestic staff	11	13
Administrative staff	8	8
Estate	4	3
	123	121
Number of staff in Pension Schemes	54	54

PENSIONS

Teaching Staff

Past and present employees are covered by the provisions of the Scottish Teachers Pension Scheme (STSS) which is a defined benefit scheme and is an unfunded, contributory and voluntary membership scheme. The School recognises the expected cost of providing pensions on a systematic and rational basis over the period which it benefits from employee's services by payment to STSS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the STSS.

The STSS is an unfunded multi employer defined benefit scheme. Harmeny School is unable to identify its share of the underlying assets and liabilities. For 2004-05, normal contributions of £27,704 were payable to STSS at rate of 7.92% (2003-04 £24,316 at rate of 7.40%).

Non-Teaching Staff

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 2002 by a professionally qualified actuary, using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £12.8 million.

During the accounting period Harmeny School paid contributions at the rate of 12.0%. Member contributions were 6.0%.

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 profit and loss account charge for the period under both SSAP24 and FRS17 represents the employer contribution payable.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2005

Financial assumptions

The financial assumptions underlying the valuation were as follows:

	%pa
• Investment return on future contributions	6.6
• Investment return on accumulated assets	7.2
• 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 25% UK equities/75% index-linked gilts for pensioner liabilities.

The valuation revealed a shortfall of assets compared with the value of liabilities of £2.2 million (equivalent to a past service funding level of 85%).

The ongoing future service joint contribution rate (i.e. employer and employee contributions) was assessed as 15.9% of pensionable salaries.

In view of the past service shortfall it was agreed that employers would continue to pay contributions at the rate of 12.0% of pensionable salaries and that member contributions would be increased to 6.0% with effect from 1 April 2004.

New employers joining the Scheme pay contributions at the ongoing employer future service contribution rate. This rate applies from the date the employer joins the Scheme to the date of the second actuarial valuation of the Scheme following the date of joining.

New employers also pay an additional age loading if the average age of their members is higher than the average age of the Scheme membership. This loading applies from the date the employer joins the Scheme to the date of the second actuarial valuation of the Scheme following the date of joining, or such earlier date as agreed between the SCVO Pensions Committee and the Scheme Actuary.

A small number of employers have closed the Scheme to new entrants and are required to pay an additional contribution loading to reflect the higher costs of a closed arrangement. This loading is based on actuarial advice and is subject to change from time to time. The loading is currently 3.5%.

On the basis of the valuation assumptions this pattern of contributions will be sufficient to eliminate the past service deficit by 30 September 2012. The next valuation will be as at 30 September 2005.

Transactions with trustees

Directors are not remunerated, nor are they reimbursed for expenses. During the year fees of £5,533 (2004 £1,125) 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. Fees of £ 4,230 (2004 £5,170) were paid to Whitelaw Wells for accounting services. One of the directors, Mr Kerr Cowan, is a consultant with Whitelaw Wells.

5. TAXATION

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

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2005

6. OPERATING SURPLUS/(DEFICIT)

The operating deficit is stated after charging/crediting:

	Total 2005 £	Total 2004 £
Directors' emoluments	-	-
Trustee Indemnity Insurance Premium	1,680	1,680
Audit fee	5,017	4,446
Operating lease rentals - equipment	4,585	5,583
Gain / (Loss) on sale of assets	407	4,448
Depreciation	125,495	133,265

7. TANGIBLE FIXED ASSETS

	Assets Under Construction £	Heritable Property £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost or Valuation					
Cost or value brought forward	40,256	2,708,086	311,338	111,015	3,170,695
Additions	177,163	-	44,945	-	222,108
Disposals	-	-	(4,370)	-	(4,370)
At 31 March 2005	217,419	2,708,086	351,913	111,015	3,388,433
Depreciation					
Brought forward	-	237,552	232,714	54,799	525,065
Charge for period	-	54,161	43,580	27,754	125,495
Eliminated on disposals	-	-	(3,278)	-	(3,278)
At 31 March 2005	-	291,713	273,016	82,553	647,282
Net book value					
At 31 March 2004	40,256	2,470,534	78,624	56,216	2,645,630
At 31 March 2005	217,419	2,416,373	78,897	28,462	2,741,151

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 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 the Endowment Fund. 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 £5,206,366, 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 Save the Children Fund may require consideration to be paid in exchange for their consent to the disposals.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2005

CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £366,000 (2004 - £NIL)

Amounts authorised but not contracted for amounted to £25,000 (2004 - £NIL)

8.	INVESTMENTS	Total 2005 £	Total 2004 £
	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.

9.	DEBTORS	Total 2005 £	Total 2004 £
	Fees	17,953	34,020
	Scottish Executive maintenance grant	-	98,438
	Other Debtors	1,519	657
	Prepayments and accrued income	109,000	31,756
		128,472	164,871

10.	CREDITORS: amounts falling due within one year	Total 2005 £	Total 2004 £
	Other taxes and social security	53,926	49,987
	Trade creditors	88,705	52,547
	Other creditors	2,364	4,284
	Accruals & deferred income	152,873	47,063
	Amount due to pension funds	19,091	11,180
	Amounts due to subsidiary company	2	2
		316,961	165,063

11.	OBLIGATIONS UNDER OPERATING LEASES	Total 2005 £	Total 2004 £
	The company had annual commitments under non-cancellable equipment leases as set out below.		
	Operating leases which expire: In the second to fifth years	4,585	5,583

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2005

12. MOVEMENT IN UNRESTRICTED FUNDS

	Unrestricted		Total
	General Fund	Capital Development Fund	
	£	£	£
Balance of funds brought forward	168,296	163,792	332,088
Net (outgoing)/incoming resources before transfers	(24,180)	-	(24,180)
Transfers	(34)	-	(34)
Balance at 31 March 2005	<u>144,082</u>	<u>163,792</u>	<u>307,874</u>

ANALYSIS OF RESTRICTED FUNDS

	New Building Capital Fund	Learning & Development Fund	Coach Fund	Behave Yourself Fund	Total
	£	£	£	£	£
Balance of funds brought forward	2,678,064	-	6,250	(34)	2,684,280
Net (outgoing)/incoming resources before transfers	282,825	45,000	(6,250)	-	321,575
Transfers	-	-	-	34	34
Balance at 31 March 2005	<u>2,960,889</u>	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>3,005,889</u>

- Note: 1. The Learning & Development grant of £45,000 will be used to finance a training programme for staff at Harmeny and students from outside organisations.
2. The Coach Fund identifies the book value of a minibus donated to Harmeny in 2002 by Sunshine Coaches.

13. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds	Restricted Funds	Permanent Endowment Funds	Total
	£	£	£	£
Fixed Assets	12,242	2,690,510	38,401	2,741,153
Current Assets	<u>295,632</u>	<u>315,379</u>	<u>-</u>	<u>611,011</u>
	<u>307,874</u>	<u>3,005,889</u>	<u>38,401</u>	<u>3,352,164</u>