

HARMENY EDUCATION TRUST LIMITED

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SC162021

HARMENY EDUCATION TRUST LIMITED

DIRECTORS

Alison Davies OBE
Kerr Cowan
Ivan Middleton
Scott Rae
Gavin Reed (retired 5th December 2005)

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 2006. The Financial Statements comply with current statutory requirements, the memorandum and articles of association and with the Statement of Recommended Practice 2005

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 to apply them consistently;
- make judgements and estimates that are reasonable and prudent,
- follow applicable accounting standards and the Charities SORP 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 operation

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 error, fraud and other irregularities.

The directors confirm that they have given the auditors all relevant information they need in connection with preparing their audit report.

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 the principle 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. An induction pack is provided for new Board members.

Save The Children Fund has a right to appoint a director.

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

Alison Davies O.B.E.
Kerr Cowan
Ivan Middleton
Scott Rae
Gavin Reed (retired 5th December 2005)

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 Gavin Reed, who retired as Chairman in December 2005 after ten years with Harmeny. During this period, Gavin spearheaded the transformation of Harmeny into a major force in the field of SEBD and in particular guided us through two very successful fundraising programmes which raised in total approximately £4m which allowed us to transform the facilities at Harmeny

Our new Chair is Alison Davies O.B.E. Alison has been a director since 1995 and has chaired our Professional Practice Sub Committee since its inception.

Alison was formerly a Director with Save the Children Fund and has considerable experience of the Charity Sector as well as a long association with Harmeny.

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 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 four constituent functions within the company -

- Harmeny School
- Harmeny Outdoors
- Early Intervention Project
- Learning and Development

Harmeny School

The school offers residential and day education alongside social work and social care services to around 33 children each year and to 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 community 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. We plan to extend activities to take advantage of the additional facilities now available.

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 works alongside community based education and social work services to provide intensive skilled support to children and families which otherwise would not be available. The aim for the coming year is to extend the service to more children and families and to consider offering this service to other Local Authorities.

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.

REVIEW OF ACHIEVEMENTS AND PERFORMANCE

Harmeny School

- Currently provides education, care and social work services to around 33 children each year.
- Currently achieves a yearly average of 50% returns to community 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.

Harmeny Outdoors

- Delivers a weekly outdoor education lesson to every class at Harmeny School.
- Delivers individual programmes for Harmeny pupils at times of specific need.
- Provides a recreational activity programme for Harmeny 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 Harmeny School enhancing the educational and recreational facilities for Harmeny pupils and community groups
- Received positive reports about the additional contribution it makes to Harmeny School by both HMIE and Care Commission. Holds a current AALA (Adventurous Activities Licensing Authority) licence
- Expansion of the service to offer training in use of the outdoors to teachers and other professionals is planned for 2006/2007.

Early Intervention Project

- Works with West Lothian Council on this joint initiative.
- Is being evaluated by independent research.
- Has begun to share experience, knowledge and skills with staff in community education

Learning and Development

- Has provided 9 staff the opportunity to achieve Level 3 vocational qualifications in 2005/2006.
- Has provided 4 staff to date to achieve Level 4 vocational qualifications in 2005/2006.
- Has provided 2 staff with the opportunity of achieving Post Qualification awards in 2005/2006.
- Has achieved assessment centre status with Scottish Qualifications Agency to provide SVQ awards to Level 3 and Level 4 awards and HNC qualifications.
- Provides training to twelve social work students annually
- Is offering training to a range of external agencies and organisations

Fundraising Performance

A fundraising exercise (Pathfinder II) commenced in 2003 and most of the work has now been completed. The reconstruction of Eason Cottage, to bring it up to the same high standards as other residences in the Harmeny 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" were completed last August.

The Pathfinder II Project is now complete

'Harmeny Outdoors', which has been part of the Pathfinder Project, will however require indefinite funding in the years ahead, partly to pay for further development of the site and the provision of equipment and to fund salaries of staff engaged in the project. Fundraising will also continue in order to cover costs not met by either the Scottish Executive Maintenance Grant or Local Authority fees.

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

Many people and organisations have volunteered assistance including "Friends of Harmeny School Association" whose members and associates devote many hours each year to fundraising and other activities on behalf of Harmeny Education Trust Limited.

FINANCIAL REVIEW

The unrestricted fund shows a surplus for the year of £183,456 and the directors recommend that this surplus 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 £1,109,470 for the year to 31st March 2007, 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. Further, maintenance grant has been capped at increases of 3% and 2% respectively for the years to 31st March 2007 and 31st March 2008. 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 2006 is £491,330. 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.

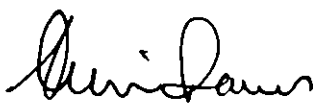
PLANS FOR FUTURE PERIODS

The board is working on a three year strategic plan which will have a number of objectives including:-

- 1) Maintaining our current level of pupil occupation and staff/pupil ratio necessary for the work we do with SEBD children
- 2) To continue to maintain a fully qualified complement of staff
- 3) To further develop the Early Intervention Project.
- 4) To extend the learning development programme to other staff groups.
- 5) To make full use of the extended facilities available in the Harmeny Outdoors Project.

AUDITORS

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



Alison Davies O.B.E.
Chair

Date: 28 June 2006

HARMENY EDUCATION TRUST LIMITED

INDEPENDENT AUDITORS' REPORT

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

We have audited the financial statements of Harmeny Education Trust Limited for the year ended 31 March 2006, on pages 9 to 20, which have been prepared under 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 (United Kingdom Generally Accepted Accounting Practice).

It is our responsibility to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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, and whether the information given in the directors report is consistent with the financial statements. We also report to you if in our opinion, 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 International Standards on Auditing (UK and Ireland) 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 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.

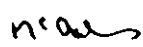
OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the charity's state of affairs as at 31 March 2006 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, and
- the information given in the directors report is consistent with the financial statements.

56 Palmerston Place
Edinburgh
EH12 5AY

Date: 28/6/06


McCABES
Chartered Accountants and
Registered Auditor

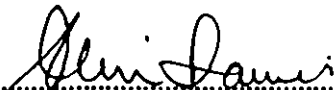
HARMENY EDUCATION TRUST LIMITED

BALANCE SHEET as at 31 March 2006

	Note	2006 £	2005 £
FIXED ASSETS			
Tangible assets	7	3,021,410	2,741,151
Investments	8	2	2
		<u>3,021,412</u>	<u>2,741,153</u>
CURRENT ASSETS			
Debtors	9	12,516	128,472
Cash at bank and in hand		<u>850,428</u>	<u>799,500</u>
		862,944	927,972
Creditors: amounts falling due within one year	10	<u>356,828</u>	<u>316,961</u>
TOTAL CURRENT ASSETS LESS CURRENT LIABILITIES		506,116	611,011
NET ASSETS	13	<u>3,527,528</u>	<u>3,352,164</u>
FUNDS			
Unrestricted - General Fund	12	327,538	144,082
- Designated Capital Development Fund	12	163,792	163,792
Restricted	12	2,997,797	3,005,889
Endowment		<u>38,401</u>	<u>38,401</u>
		<u>3,527,528</u>	<u>3,352,164</u>

The notes on pages 12 - 20 form part of these financial statements

The financial statements on pages 9 – 20 were approved by the board of directors on *28 June* 2006

Allison Davies O.B.E.  Chair

HARMENY EDUCATION TRUST LIMITED

STATEMENT OF FINANCIAL ACTIVITIES

(INCLUDING INCOME AND EXPENDITURE ACCOUNT) for the year to 31 March 2006

	Notes	Unrestricted Funds £	Restricted Funds £	Permanent Endowment Fund £	Total 2006 £	Total 2005 £
Incoming Resources						
Incoming Resources from generated funds						
Voluntary Income			192,026	-	192,026	338,792
Scottish Executive Maintenance Grant		1,077,468			1,077,468	1,026,163
Voluntary Sector Dev Fund						45,000
Investment Income		29,851	6,254	-	36,105	23,381
Incoming Resources from charitable activities						
Local Authority fees		2,171,962		-	2,171,962	2,073,856
Other income		143,841		-	143,841	29,541
Total Incoming Resources		3,423,122	198,280	-	3,621,402	3,536,733
Resources Expended						
Costs of generating funds						
Costs of generating Voluntary Income			4,465	-	4,465	20,546
Charitable activities		3,218,634	201,907	-	3,420,541	3,194,884
Governance costs		21,032			21,032	23,908
Total Resources Expended	3	3,239,666	206,372	-	3,446,038	3,239,338
Net Incoming/(Outgoing) Resources before transfers		183,456	(8,092)	-	175,364	297,395
Transfers between funds				-		
Reconciliation of funds						
Total funds brought forward		307,874	3,005,889	38,401	3,352,164	3,054,769
Total funds carried forward		491,330	2,997,797	38,401	3,527,528	3,352,164

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 - 20 form part of these financial statements

HARMENY EDUCATION TRUST LIMITED

CASHFLOW STATEMENT for the year to 31 March 2006

	2006 £	2005 £
Net Inflow from Operating Activities		
Net incoming resources	175,364	297,395
(Increase)/decrease in Debtors	115,956	36,399
Increase/(decrease) in Creditors	39,867	151,898
Depreciation	146,540	125,495
(Gain)/loss on sale of fixed assets	(10,134)	(408)
	<u>467,593</u>	<u>610,779</u>
Capital Expenditure		
Payments to acquire fixed assets	(437,915)	(222,108)
Proceeds from sale of fixed assets	21,250	1,500
	<u>(416,665)</u>	<u>(220,608)</u>
Increase/(decrease) in cash during year	<u>50,928</u>	<u>390,171</u>

Analysis of changes in net cash resources

	2005 £	Cashflow £	2006 £
Current Accounts	(28,712)	12,627	(16,085)
Deposit Accounts	827,412	38,301	865,713
Cash Balance	800	-	800
	<u>799,500</u>	<u>50,928</u>	<u>850,428</u>

The notes on pages 12 – 20 form part of these financial statements

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year to 31 March 2006

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 2006.

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. Contributions to both schemes are charged in the SOFA as they become payable in accordance with the rules of the schemes.

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 2006

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 2006 £	Total 2005 £
	£	£	£	£
Cost of generating voluntary income	7,471	-	7,471	20,546
Charitable Activities	3,342,179	75,356	3,417,535	3,194,884
Governance Costs	21,032	-	21,032	23,908
	<u>3,370,682</u>	<u>75,356</u>	<u>3,446,038</u>	<u>3,239,338</u>

4. STAFF COSTS

	Total 2006 £	Total 2005 £
Wages and salaries	2,357,969	2,233,556
Social security costs	192,450	188,599
Pension costs	127,962	144,749
	<u>2,678,381</u>	<u>2,566,904</u>

One employee received remuneration between £60,000 to £69,999 (2005 - one in range £70,000 to £79,999).

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2006

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

	Total 2006 Number	Total 2005 Number
Teaching staff	24	26
Care staff	78	74
Domestic staff	12	11
Administrative staff	8	8
Estate	4	4
	<u>126</u>	<u>123</u>
Number of staff in Pension Schemes	49	54
Number of staff earning over £60,000 in Pension Scheme	1	1

PENSIONS

Teaching Staff

Past and present employees are covered by the provisions of the Scottish Teachers Superannuation Scheme (STSS). The scheme is an unfunded multi employer defined benefit scheme. It is accepted that the treatment can be as a defined contribution scheme as Harmeny Education Trust Limited is unable to identify its share of the underlying assets and liabilities of the scheme. A full actuarial valuation was carried out at 31 March 2001. Contributions were payable to the STSS at a rate of 7.15% of pensionable pay with effect from 1 April 2002, 7.4% from 1 April 2003 and 12.5% from 1 October 2003 before grant aid. Employer contribution rates are reviewed every 5 years following a scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when costs are actually incurred and they reflect past experience of the scheme.

Latest Actuarial Valuation	31 March 2001	Next Actuarial Valuation	31 March 2006
Actuarial Method	Prospective Benefits		
Rate of Return on Investment	3.5%	Rate of Increase in Salaries	5.0%

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 (HETL) participates in the SCVO Pension Scheme

The SCVO Pension Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Trustees of the Scheme commission an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2006

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

As at the balance sheet date there were 40 active members of the Scheme employed by HETL. HETL continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2002 by a professionally qualified actuary using the "projected unit credit" method.

The financial assumptions underlying the valuation as at 30 September 2002 were as follows:

	% pa
-Investment return on future contributions	6.6
-Investment return on accumulated assets	7.2
-Rate of salary increases	4.5
-Rate of pension increases	2.5
-Rate of price inflation	2.5

The market value of the Scheme's assets at the valuation date was £12.8 million. 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.

Employers that have closed the Scheme to new entrants 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%.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit, on an on-going funding basis, by 30 September 2012.

The Scheme Actuary is currently carrying out an actuarial valuation of the Scheme as at 30 September 2005. The results of this valuation will be available by September 2006.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2006

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Harmeny Education Trust Limited participates in the Pensions Trust's Growth Plan as a consequence of employees paying personal additional voluntary contributions (AVC's).

The Growth Plan is a multi-employer pension Plan which is in most respects a money purchase arrangement but it has some guarantees. Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

The Plan is funded and is not contracted out of the state scheme. The rules of the Growth Plan allow for the declaration of bonuses and / or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses / investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee of the Scheme commissions an actuarial valuation of the Growth Plan every 3 years. The main purpose of the valuation is to determine the financial position of the Plan and so determine the future prospects for discretionary bonuses and / or investment credits.

The actuarial valuation assesses whether the Plan's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

HETL offers the Growth Plan as an AVC investment option for members of the SCVO Pension Scheme. HETL does not pay any contributions to the Growth Plan in respect of these members. The members pay contributions at a rate of their choice.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable. In the case of HETL this cost is nil.

The last formal valuation of the Plan was performed at 30 September 2002 by a professionally qualified actuary. The market value of the Plan's assets at the valuation date was £418 million. The financial assumptions underlying the valuation were as follows:

	%pa
-Rate of return on accumulated assets	6.7
-Bonuses on accrued benefits	0.0
-Rate of price inflation	2.5

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2006

The valuation revealed that the assets of the Plan broadly equalled the accrued liabilities as at the valuation date

The next actuarial valuation will be carried out as at 30 September 2005. The results of the valuation will be available before the end of September 2006

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is only due in the event of the employer ceasing to participate in the Plan or the Plan winding up

TRANSACTIONS WITH TRUSTEES

Directors are not remunerated, nor are they reimbursed for expenses. During the year fees of £1,012 (2005 £5,533) were paid to Morton Fraser for legal and professional services supplied to the company. One of the directors, Mr Scott Rae is a partner in Morton Fraser. Fees of £ NIL (2005 £4,230) 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 2006

6. OPERATING SURPLUS(DEFICIT)

The operating deficit is stated after charging/crediting

	Total 2006 £	Total 2005 £
Directors' emoluments	-	-
Trustee Indemnity Insurance Premium	1,360	1,680
Audit fee	4,932	5,047
Operating lease rentals - equipment	4,585	4,585
Gain / (Loss) on sale of assets	10,134	407
Depreciation	146,540	125,495

7. TANGIBLE FIXED ASSETS

	Heritable Property £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost or Valuation				
Cost or value brought forward	2,925,505	351,913	111,015	3,388,433
Additions	290,467	104,627	42,821	437,915
Disposals	-	(121,314)	(44,463)	(165,777)
At 31 March 2006	3,215,972	335,226	109,373	3,660,571
Depreciation				
Brought forward	291,713	273,016	82,553	647,282
Charge for period	63,551	62,689	20,300	146,540
Eliminated on disposals	-	(121,314)	(33,347)	(154,661)
At 31 March 2006	355,264	214,391	69,506	639,161
Net book value				
At 31 March 2005	2,633,792	78,897	28,462	2,741,151
At 31 March 2006	2,860,708	120,835	39,867	3,021,410

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 that 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 £6,575,680, 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 2006

CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £NIL (2005 - £366,000)

Amounts authorised but not contracted for amounted to £NIL (2005 - £25,000)

8.	INVESTMENTS	Total 2006	Total 2005
		£	£
	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 2006	Total 2005
		£	£
	Fees	3,106	17,953
	Other Debtors	711	1,519
	Prepayments and accrued income	8,699	109,000
		12,516	128,472

10	CREDITORS: amounts falling due within one year	Total 2006	Total 2005
		£	£
	Other taxes and social security	59,087	53,926
	Trade creditors	66,136	88,705
	Other creditors	6,142	2,364
	Accruals & deferred income	208,093	152,873
	Amount due to pension funds	17,368	19,091
	Amounts due to subsidiary company	2	2
		356,828	316,961

11. OBLIGATIONS UNDER OPERATING LEASES

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

	Total 2006	Total 2005
	£	£
Operating leases which expire in the second to fifth years	4,585	4,585

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2006

12. MOVEMENT IN UNRESTRICTED FUNDS

	Unrestricted General Fund £	Capital Development Fund £	Total £
Balance of funds brought forward	144,082	163,792	307,874
Net (outgoing)/incoming resources before transfers	183,456	-	183,456
Transfers			
Balance at 31 March 2006	<u>327,538</u>	<u>163,792</u>	<u>491,330</u>

ANALYSIS OF RESTRICTED FUNDS

	New Building Capital Fund £	Learning & Development Fund £	Total £
Balance of funds brought forward	2,960,889	45,000	3,005,889
Net (outgoing)/incoming resources before transfers	23,360	(31,452)	(8,092)
Transfers			
Balance at 31 March 2006	<u>2,984,249</u>	<u>13,548</u>	<u>2,997,797</u>

Note: The Learning & Development grant of £45,000 has been used to finance an SVQ 3 training programme for staff at Harmeny and students from outside organisations.

13. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment Funds £	Total £
Fixed Assets	80,713	2,902,298	38,401	3,021,412
Current Assets	410,617	95,499	-	506,116
	<u>491,330</u>	<u>2,997,797</u>	<u>38,401</u>	<u>3,527,528</u>