

HARMENY EDUCATION TRUST LIMITED

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HARMENY EDUCATION TRUST LIMITED

DIRECTORS

Alison Davies OBE
Kerr Cowan
Ivan Middleton (retired 6th September 2007)
Scott Rae
Margery Browning OBE
Mark Smith (appointed 8th November 2007)

CHIEF EXECUTIVE

Peter Doran

COMPANY SECRETARY

Isabelle Guillot D'Hauterives

AUDITORS

French Duncan LLP
Chartered Accountants
56 Palmerston Place
Edinburgh
EH12 5AY

SOLICITORS

Morton Fraser LLP
30/31 Queen Street
EDINBURGH
EH2 1JX

BANKERS

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

REGISTERED OFFICE

Harmony 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 2008. The Financial Statements comply with current statutory requirements, the memorandum and articles of association and with the Statement of Recommended Practice 2005.

ACCOUNTING AND REPORTING RESPONSIBILITIES

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 Charities and Trustee Investment (Scotland) Act 2005 (the Act) and Charities Accounts (Scotland) Regulations 2006. 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, so far as they are aware, there is no relevant audit information of which the company's auditor is unaware and that all steps have been taken by the directors to make themselves aware of any such information and to establish that the company's auditor is aware of that information.

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

Margery Browning O B E

Kerr Cowan

Scott Rae

Mark Smith

During the year Ivan Middleton retired from the Board. Ivan served as a Director for 7 years and his contribution both in the professional and personal sense, will be much missed. We have been very fortunate to secure the services of a new Director in Mark Smith who was appointed to the Board of HETL in November 2007. Mark worked in residential school and secure accommodation settings in Scotland for almost 20 years. In 2000 he moved to The University of Strathclyde where he developed and delivered a Masters programme in residential childcare, the first of its kind in the UK. He is currently a lecturer in social work at the University of Edinburgh. He has published widely on residential childcare and related areas and is currently working on a PhD on the nature of care in residential child care. His first book Rethinking Residential Child Care is due to be published later this year.

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

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 Government 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 additional support needs.

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. A wide range of community groups are now using the service.

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.

Learning and Development

Harmony 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 SIGNIFICANT ACHIEVEMENTS AND PERFORMANCE

Harmony School

- Currently provides education, care and social work services to around 33 children each year
- Currently achieves a yearly average of 48% returns to community education and community living
- Was a finalist in the Care Accolades for 2007
- Established a new day service based in Wemyss cottage
- Completed a new build Craft, Design and Technology centre
- Upgraded buildings and created new learning and teaching sites throughout the estate during 2007/8
- Completed the education management review and a new management structure has been implemented
- A new website has been designed and is now on line
- Reviewed and increased the support programmes for children during the school day
- Achieved level 1 Health Promoting School Status
- Achieved green flag status as an ECO school
- Further developed the Nurture space and associated training for staff

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
- Commenced the placement and support of trainee volunteers in 2007/8
- Expansion of the service has taken place and we are now working with a wider range of community groups

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
- The project is anticipated to end during the financial year 2008/09

Learning and Development

- Has provided 7 staff the opportunity to achieve Level 3 vocational qualifications in 2007/2008
- Has provided 5 staff the opportunity to achieve Level 4 vocational qualifications in 2007/2008
- Has provided 2 staff the opportunity to achieve HNC in social Care in 2007/8
- Provides training to ten social work students annually
- Provides a range of other placements to students from social care, health and education
- Is offering training to a range of external agencies and organisations

Fundraising Performance

During the year, a Craft, Science and Technology centre was constructed and will be available for use in early Spring. The construction was financed by Scottish Government grants and donations.

Fundraising for our Harmeny Outdoor project is ongoing to pay for further development of the site and the provision of equipment. Fundraising also continues in order to cover costs not met by either the Scottish Government 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.

FINANCIAL REVIEW

The unrestricted fund shows a surplus for the year of £276,783 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 Government block maintenance grant will continue at £1,131,660 for the year to 31st March 2009, 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. Maintenance grant has been capped at £1,131,660 for the year to 31st March 2009. The directors, who assess the need for minimum short term reserves at £250,000, are also aware of the financial constraints facing Local Authorities. The current level of unrestricted funds as at 31st March 2008 is £962,642. The Scottish Government maintenance grant will continue to be paid until 31st March 2009 but what the position will be thereafter is not known. The directors consider it prudent to maintain reserves equivalent to three months expenditure (currently estimated at £900,000). This level of reserves would allow the charity to take appropriate steps to re-organise Harmeny's activities to meet any major change in circumstances.

PLANS FOR FUTURE PERIODS

The Board and Senior Management Team will develop the Three Year Strategic plan 2008-2011 which will aim

- 1) To continue developing the Curriculum in line with national priorities and guidance
- 2) To continue the review of our quality assurance processes
- 3) To continue to develop our performance in terms of improving the outcome for children and their families/carers
- 4) Maintaining our current level of pupil occupation and staff/pupil ratio necessary for the work we do with children with additional support needs
- 5) To continue to maintain a fully qualified complement of staff
- 6) To continue to extend the learning and development programme to other staff groups
- 7) To make full use of the extended facilities available in the Harmeny Outdoors Project
- 8) Continue to build Partnership arrangements with other agencies
- 9) Strengthen reserves in line with Reserves Strategy agreed by Board

PUBLIC BENEFIT

Harmeny Education Trust Ltd is one of seven national grant aided centres and provides education and care to primary school aged children who have exceptional additional support needs that cannot be met anywhere else.

The school is open to boys and girls from the whole of Scotland. Fees are subsidised by Scottish Government grants and are paid by the referring Local Authorities.

Around 33 children attend the school each year and over 80% of these children are resident at the school. The other children attend as day pupils.

As mentioned elsewhere in this report, around 48% of children leaving the school are returned to community education and community living.

Harmeny Education Trust Ltd also provides training for social work students and gives placements for students from social care and health and education. In addition, the school offers training opportunities to external agencies and organisations.

Many of the school's extensive facilities are made available to community groups.

VOLUNTEERS

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

Approved by the Board of Directors of Harmeny Education Trust Limited on *26 AUGUST* 2008

and signed on its behalf by



Alison Davies O.B.E.
Chair

Date: *26/8/08*

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 2008 on pages 10 to 25, which have been prepared under the accounting policies set out on page 13 and 14

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 misstatements 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 misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the charity's state of affairs as at 31 March 2008 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

FRENCH DUNCAN LLP
Chartered Accountants and
Registered Auditor

56 Palmerston Place
Edinburgh
EH12 5AY

Date 25/8/07

HARMENY EDUCATION TRUST LIMITED

STATEMENT OF FINANCIAL ACTIVITIES

(INCLUDING INCOME AND EXPENDITURE ACCOUNT) for the year to 31 March 2008

	Notes	Unrestricted Funds £	Restricted Funds £	Permanent Endowment Fund £	Total 2008 £	Total 2007 £
Incoming Resources						
Incoming Resources from generated funds						
Voluntary Income			10,239	-	10,239	35,197
Scottish Government Maintenance Grant		1,306,660	-	-	1,306,660	1,109,470
Scottish Government Additional Grant		18,589	96,879		115,468	160,648
Investment Income		48,453	7,750		56,203	44,744
Incoming Resources from charitable activities						
Local Authority fees		2,370,553	-		2,370,553	2,301,085
Other income	3	146,021	2,001		148,022	193,345
Total Incoming Resources		3,890,276	116,869	-	4,007,145	3,844,489
Resources Expended						
Costs of generating funds						
Costs of generating Voluntary Income		3,211			3,211	3,018
Charitable activities		3,590,836	125,355		3,716,191	3,595,814
Governance costs		19,446	-		19,446	18,156
Total Resources Expended	4	3,613,493	125,355		3,738,848	3,616,988
Net Incoming/(Outgoing) Resources before transfers		276,783	(8,486)		268,297	227,501
Transfers between funds						
Reconciliation of funds						
Fund balances brought forward		685,859	3,030,769	38,401	3,755,029	3,527,528
Total funds carried forward		962,642	3,022,283	38,401	4,023,326	3,755,029

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 13 - 24 form part of these financial statements

HARMENY EDUCATION TRUST LIMITED

BALANCE SHEET as at 31 March 2008

	Note	2008 £	2007 £
FIXED ASSETS			
Tangible assets	8	3,151,352	3,125,953
Investments	9	2	2
		<u>3,151,354</u>	<u>3,125,955</u>
CURRENT ASSETS			
Debtors	10	7,130	68,961
Cash at bank and in hand		<u>1,057,394</u>	<u>1,202,172</u>
		1,064,524	1,271,133
Creditors amounts falling due within one year	11	<u>192,552</u>	<u>642,059</u>
TOTAL CURRENT ASSETS LESS CURRENT LIABILITIES		871,972	629,074
NET ASSETS	14	<u>4,023,326</u>	<u>3,755,029</u>
FUNDS			
Unrestricted General Fund	13	798,850	522,067
Designated Capital Development Fund	13	163,792	163,792
Restricted	13	3,022,283	3,030,769
Endowment		<u>38,401</u>	<u>38,401</u>
		<u>4,023,326</u>	<u>3,755,029</u>

The notes on pages 13 – 24 form part of these financial statements

The financial statements on pages 10 – 24 were approved by the board of directors on *26 August* 2008

Alison Davies O B E



Chair

HARMENY EDUCATION TRUST LIMITED

CASHFLOW STATEMENT for the year to 31 March 2008

	2008 £	2007 £
Net Inflow from Operating Activities		
Net incoming resources	268,297	227,501
(Increase)/decrease in Debtors	61,831	(56,445)
Increase/(decrease) in Creditors	(449,507)	285,231
Depreciation	175,488	170,664
(Gain)/loss on sale of fixed assets		(6,758)
	<u>56,109</u>	<u>620,193</u>
Capital Expenditure		
Payments to acquire fixed assets	(200,887)	(281,049)
Proceeds from sale of fixed assets		12,600
	<u>(200,887)</u>	<u>(268,449)</u>
(Decrease)/Increase in cash during year	<u>(144,778)</u>	<u>351,744</u>

Analysis of changes in net cash resources

	2007 £	Cashflow £	2008 £
Current Accounts	(28,356)	29,519	1,163
Deposit Accounts	1,229,728	(174,297)	1,055,431
Cash Balance	800		800
	<u>1,202,172</u>	<u>(144,778)</u>	<u>1,057,394</u>

The notes on pages 13 – 24 form part of these financial statements

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year to 31 March 2008

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 2008.

2 ACCOUNTING POLICIES

The financial statements have been prepared under the Companies Act 1985 and in accordance with applicable accounting standards, The Charities Accounts (Scotland) Regulations 2006 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 Government 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 2008

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. Donations for purposes restricted by the wishes of the donor are taken to Restricted Funds

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. INCOMING RESOURCES – Other Income

	Total 2008 £	Total 2007 £
Learning & Development	20,890	19,892
Intensive Early Intervention	115,000	165,034
Sale of Land		6,000
Harmeny Outdoors	2,001	100
Other	10,131	2,319
	<u>148,022</u>	<u>193,345</u>

4. ANALYSIS OF RESOURCES EXPENDED

	Activities Undertaken Directly £	Support Costs £	Total 2008 £	Total 2007 £
Cost of generating voluntary income	3,211		3,211	3,018
Charitable Activities	3,632,952	83,239	3,716,191	3,595,814
Governance Costs	19,446		19,446	18,156
	<u>3,655,609</u>	<u>83,239</u>	<u>3,738,848</u>	<u>3,616,988</u>

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2008

5. STAFF COSTS

	Total 2008 £	Total 2007 £
Wages and salaries	2,618,855	2,531,096
Social security costs	193,405	201,396
Pension costs	205,542	161,771
	<u>3,017,802</u>	<u>2,894,263</u>

One employee received remuneration between £70,000 to £79,999 (2007 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 2008 Number	Total 2007 Number
Teaching staff	23	23
Care staff	77	78
Domestic staff	12	12
Administrative staff	8	8
Estate	4	4
	<u>124</u>	<u>125</u>
Number of staff in Pension Schemes	65	61
Number of staff earning over £70,000 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 was as at 31 March 2001. The financial assumptions as at 31 March 2007 are as follows

Rate of return (discount rate)	4.6%
Rate of return in excess of	
Earnings increases	0.3%
Pension increases	1.8%

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2008

Non-Teaching Staff - Scottish Voluntary Sector Pension Scheme (SVSPS)

Harmeny Education Trust Limited (HETL) participates in the Scottish Voluntary Sector Pension Scheme (SVSPS, formerly named SCVO). The Scheme is a multi employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 30 September 2007. From October 2007 there are two benefit structures available. These are final salary with a 1/60th accrual rate and final salary with a 1/80th accrual rate.

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

HETL has elected to continue to operate the final salary with a 1/60th accrual rate benefit structure for active members and also for new entrants as at 1st October 2007.

The Trustee commissions 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.

During the accounting period HETL paid contributions at the rate of 12.0% for the period to 30 September 2007 and 15.2% thereafter. Member contributions were 6.0% for the period to 30 September 2007 and 7.5% thereafter.

As at the balance sheet date there were 53 active members of the Scheme employed by HETL. The annual pensionable payroll in respect of these members was £1,156,494. HETL continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Scheme, 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 2005 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £33.2 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £6.7 million (equivalent to a past service funding level of 83%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2007. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £45.2 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £8 million, equivalent to a past service funding level of 85%. Annual funding updates of the SVSPS Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the scheme since the last full valuation.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2008

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2005

The financial assumptions underlying the valuation as at 30 September 2005 were as follows

	% per annum
Investment return pre retirement	6.10
Investment return post retirement	4.80
Rate of salary increases	4.00
Rate of pension increases	
for pensionable service pre 6 April 2005	2.50
for pensionable service post 5 April 2005	2.25
Rate of price inflation	2.50

The long term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed at

Benefit structure	Long term joint contribution rate (% of pensionable salaries)
Final salary 1/60 th accrual rate	20.0% comprising employer contributions of 12.5% and member contributions of 6%
Final salary 1/80 th accrual rate	15.3% comprising employer contributions of 9.3% and member contributions of 6.0%

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall

In view of the past service shortfall it was agreed that the joint contribution rates shown in the table below would be payable with effect from 1 October 2007

Benefit structure	Joint contribution rate (% of pensionable salaries)
Final salary 1/60 th accrual rate	22.7% comprising employer contributions of 15.2% and member contributions of 7.5%
Final salary 1/80 th accrual rate	18.0% comprising employer contributions of 12.0% and member contributions of 6.0%

New employers joining the Scheme pay contributions at the ongoing joint 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 SVSPS Pensions Committee and the Scheme Actuary.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2008

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 31 March 2022.

A copy of the recovery plan must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan).

The Regulator has reviewed the recovery plan for the Scheme and confirmed that, in respect of the September 2005 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

The next actuarial valuation of the Scheme will be carried out as at 30 September 2008.

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.

HETL has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Scheme as at 30 September 2005. As of this date the estimated employer debt for HETL was £1,717,000. HETL treats the potential employer debt as a contingent liability.

Growth Plan

HETL participates in the Pensions Trust's Growth Plan as a consequence of employees paying personal additional voluntary contributions (AVC's). The Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi employer pension Plan.

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 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.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2008

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Growth Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them.

HETL paid nil contributions during the accounting period but one member paid additional voluntary contributions (AVC's). As at the balance sheet date there was one active member of the Plan employed by HETL. HETL continues to offer membership of the Plan 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 2005 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £675 million and the Plan's Technical Provisions (i.e. past service liabilities) were £704 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Plan as at 30 September 2006. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £747 million and indicated surplus of assets compared to liabilities of approximately £2 million, equivalent to a funding level of 100.2%. Annual funding updates of the Growth Plan are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the Plan since the last full valuation.

Since the contribution rates payable to the Plan have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2005.

The financial assumptions underlying the valuation as at 30 September 2005 were as follows:

	% per annum
Investment return pre retirement	6.6
Investment return post retirement	4.5
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 2008

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions, such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million will be cleared within 5 years if the investment returns from assets are in line with the "best estimate" assumptions. "Best estimate" means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 7.6% per annum pre retirement and 4.8% per annum post retirement.

A copy of the recovery plan must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the Growth Plan and confirmed that, in respect of the September 2005 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

The next full actuarial valuation will be carried out as at 30 September 2008. An Actuarial Report will be prepared as at 30 September 2007 in line with statutory regulations.

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 due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (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 Plan. 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 Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 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 Plan liabilities, Plan 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.

HETL has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2007. As of this date the estimated employer debt for HETL was £7,787.58. The potential employer debt is treated as a contingent liability.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2008

TRANSACTIONS WITH TRUSTEES

Directors are not remunerated. Expenses of £146 (2007 £106) relating to car mileage were reimbursed to one director during the year. During the year fees of £1,551 (2007 £517) were paid to Morton Fraser LLP for legal and professional services supplied to the company. One of the directors, Mr Scott Rae is a partner in Morton Fraser LLP.

6 TAXATION

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

7 OPERATING SURPLUS

The operating surplus is stated after charging/crediting

	Total 2008 £	Total 2007 £
Director's expenses reimbursed	146	106
Trustee Indemnity Insurance Premium	1,706	1,365
Audit fee	5,721	5,581
Operating lease rentals equipment	4,585	4,585
Gain / (Loss) on sale of assets		6,758
Depreciation	175,488	170,664

8 TANGIBLE FIXED ASSETS

	Heritable Property £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost or Valuation				
Cost or value brought forward	3,359,665	408,492	116,651	3,884,808
Additions	101,906	98,981		200,887
Disposals		(48,600)		(48,600)
	3,461,571	458,873	116,651	4,037,095
At 31 March 2008				
Depreciation				
Brought forward	421,689	270,438	66,728	758,855
Charge for period	68,305	86,974	20,209	175,488
Eliminated on disposals		(48,600)		(48,600)
	489,994	308,812	86,937	885,743
At 31 March 2008				
Net book value				
At 31 March 2007	2,937,976	138,054	49,923	3,125,953
At 31 March 2008	2,971,577	150,061	29,714	3,151,352

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.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2008

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 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 £8,452,563 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.

9	INVESTMENTS	Total 2008 £	Total 2007 £
	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 has been dormant for many years.

10	DEBTORS	Total 2008 £	Total 2007 £
	Fees	6,688	1,825
	Other Debtors	442	2,136
	Prepayments and accrued income		65,000
		7,130	68,961

11	CREDITORS: amounts falling due within one year	Total 2008 £	Total 2007 £
	Other taxes and social security	63,490	60,450
	Trade creditors	77,999	168,029
	Other creditors	2,973	155,021
	Accruals & deferred income	18,912	236,848
	Amount due to pension funds	29,176	21,709
	Amounts due to subsidiary company	2	2
		192,552	642,059

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2008

12 OBLIGATIONS UNDER OPERATING LEASES

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

	Total 2008 £	Total 2007 £
Operating leases which expire Within 12 months	4,585	4,585

13 MOVEMENT IN FUNDS

ANALYSIS OF UN-RESTRICTED FUNDS

	General Fund £	Designated Capital Development Fund £	Total £
Balance of funds brought forward	522,067	163,792	685,859
Incoming resources before transfers	3,890,276		3,890,276
Outgoing resources before transfers	(3,613,493)		(3,613,493)
Transfers			
Balance at 31 March 2008	798,850	163,792	962,642

NOTE The designated Capital Development Fund will be used to finance capital projects over the next few years

ANALYSIS OF RESTRICTED FUNDS

	New Building Capital Fund £	Learning & Development Fund £	Harmeny Outdoors Fund £	Family Social Fund £	Total £
Balance of funds brought forward	3,029,111	1,658			3,030,769
Incoming resources before transfers	104,629		10,040	2,200	116,869
Outgoing resources before transfers	(105,650)	(1,658)	(17,847)	(200)	(125,355)
Transfers	(27,688)		27,688		Nil
Balance at 31 March 2008	3,000,402	Nil	19,881	2,000	3,022,283

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2008

NOTES ON RESTRICTED FUNDS

New Building Capital Fund

This fund originally consisted of funds raised for the building of the new school and children's residences. Subsequently, funds raised for the upgrade of the existing buildings as well as capital and outdoor projects have been added to this fund. A transfer was effected during the year to enable the Harmeny Outdoors Fund to be reported separately in the accounts.

Harmeny Outdoors Fund

All Funds raised for the Outdoors project are now shown under this heading.

Learning & Development Fund

The Learning & Development grant from the Scottish Government, originally £45,000, has been used to finance an SVQ3 training programme for staff at Harmeny and students from outside organisations.

Family Social Fund

During the year, Friends of Harmeny School Association granted a float of £2,000, to be used at the discretion of the Chief Executive, to help out the families of children at the school. The float is held in the Family Social Fund and Friends of Harmeny will reimburse all outlays.

14 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds	Restricted Funds	Permanent Endowment Funds	Total
	£	£	£	£
Fixed Assets	227,374	2,885,579	38,401	3,151,354
Current Assets	735,268	136,704		871,972
	<u>962,642</u>	<u>3,022,283</u>	<u>38,401</u>	<u>4,023,326</u>

15 CONTINGENT LIABILITIES

Harmeny Education Trust Limited (HETL) is a participating employer in the SVSPS Final Salary Pension Scheme (see Note 5). If HETL were to withdraw from the Scheme, the estimated employer debt due to fund liabilities under the Scheme and the associated Growth Plan has been estimated as:

▪ Main Scheme (assessed at 30 September 2005)	£1,717,000
▪ Growth Plan (assessed at 30 September 2007)	£7,788