

HARMENY EDUCATION TRUST LIMITED

CONTENTS

Directors, Officers and Advisers	3
Directors' Report	4 – 8
Auditors' Report	9 - 10
Statement of Financial Activities	11
Balance Sheet	12
Cashflow Statement	13
Notes to the Accounts	14 - 24

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COMPANIES HOUSE

HARMENY EDUCATION TRUST LIMITED

DIRECTORS

Alison Davies OBE
Margery Browning OBE
Kerr Cowan
Scott Rae
Mark Smith

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

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 2009. 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 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 does not have 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 work of the charity. 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

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.

The Early Intervention Project ceased during the year and there are now three constituent functions within the company:-

- Harmeny School
- Harmeny Outdoors
- Learning and Development

Harmeny School

Annually, the school offers residential and day education alongside social work and social care services to around 33 children and their families/carers drawn from all over Scotland. The school aims to provide positive educational and emotional experiences with a view to promoting opportunities for children to return to 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.

Learning and Development

Harmeny's Learning and Development aims to offer training and learning opportunities to students in the field of Social Work, Social Care and Education with an emphasis on increasing knowledge, skills and understanding of social, emotional and behavioural difficulties.

REVIEW OF SIGNIFICANT ACHIEVEMENTS AND PERFORMANCE

Harmeny School and Harmeny Outdoors

- Currently provides education, care and social work services to around 33 children each year.
- Celebrated 50 years of contributing to Special Education in Scotland.
- Currently achieves an annual average of over 50% returns to community education and community living.
- Graded as Excellent in six areas of performance and very good in two areas of performance by the Care Commission in the 2008 annual inspection.
- Gained approval to extend our services into the early secondary years.
- Established and developed service users involvement through the pupil council and the Parents/Carers group.
- Commended to the HMIE Journey to Excellence website for work in promoting learning through outdoor education.
- Continued to upgrade physical resources including the creation of three new learning and teaching areas, refurbishment of kitchen facilities in residences and improvements in the overall estate.

Learning and Development

- Provided 4 staff the opportunity to achieve Level 3 vocational qualifications in 2008/09.
- Provided 3 staff the opportunity to achieve Level 4 vocational qualifications in 2008/09.
- Provided 4 staff to achieve level 2 vocational qualifications in Business Administration 2008/09.
- Provided 5 staff the opportunity to achieve HNC in Social Care in 2008/09.
- Provides training to ten social work students annually.
- Provides a range of other placements for students from social care, health and education.
- Is offering training to a range of external agencies and organisations.
- Has contributed papers to two national education conferences.

Fundraising Performance

Fundraising for our Harmeny Outdoor project is ongoing to pay for further development of the site and the provision of equipment. Fundraising also continues for Harmeny School in order to cover costs not met by either the Scottish Government grants 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 year to 31st March 2009 has been difficult. Local Authorities are experiencing financial constraints and, as a consequence, the average number of pupils attending the school fell short of expectations. The national picture for the residential school sector was characterised by a fall in referrals and some establishments either closing down or down-sizing. The management team has succeeded in confronting this challenge by controlling costs and, as a result, containing the deficit for the year to £30,938. Significant effort in marketing the quality of the school's work contributed to an upturn in referrals in the latter part of the year. The directors are satisfied with the results of the year and, recommend that the deficit be set against reserves. Having been given assurances that the Scottish Government block maintenance grant will be £1,131,660 for the year to 31st March 2010, the directors anticipate that the balance of income required to meet costs during the year will be met from Local Authority fees.

The directors have reviewed the reserves of the charity in the knowledge that the Scottish Government maintenance grant has been capped at £1,131,660 for the year to 31st March 2010. 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 2009 is £936,724. We have been assured that the Scottish Government maintenance grant will continue to be paid until 31st March 2010 but what the position will be thereafter is not known. Given the current uncertainty over the resources available to the Government and the Scottish Local Authorities, the directors consider it prudent to maintain reserves equivalent to three months expenditure (currently estimated at £910,000). This level of reserves will allow the charity to take appropriate steps to re-organise Harmeny's activities to meet any major change in circumstances.

Harmeny Education Trust Ltd is a member of the SVSPS 'Final Salary' pension scheme for non-teaching staff operated by the Pensions Trust. We have been advised that the SVSPS Pensions Committee has decided in principle to close the scheme to future accrual from April 2010 subject to consultation. While this was not a decision of the Board we recognise that continuing with the scheme would have been imprudent. This decision affects all employers participating in the scheme but it does not, of itself, trigger a Cessation Event on any employer. The company will not be deemed to have withdrawn from the Scheme and hence will not be liable for a debt on withdrawal.

Full details of the scheme, the related Growth Plan and the basic assumptions used by the actuaries are given at note 5 in the 'Notes to the Financial Statements'. The amount of the 'Contingent Liabilities' arising are disclosed at note 15.

The Board will be considering a replacement scheme.

PLANS FOR FUTURE PERIODS

The Board and Senior Management Team will continue to work to the Three Year Strategic plan 2008-2011 which aims to:

- Continue the work of consolidating the progress made in developing the Curriculum in line with national priorities and guidance.
- Continue our focus on developing the learning experiences of pupils, with particular emphasis in the coming year on language and communication.
- Develop additional services including provision for pupils through to the early secondary years.
- Continue the review of our quality assurance processes, with particular emphasis on tracking children's progress.
- Continue to develop our performance in terms of improving the outcomes for children and their families/carers.
- Maintain our current level of pupil occupation and staff/pupil ratio necessary for the work we do with children with additional support needs.
- Continue to maintain a fully qualified complement of staff.
- Continue to extend the learning and development programme to other agencies.
- Make full use of the extended facilities available in the Harmeny Outdoors project.
- Continue to build Partnership arrangements with other agencies.
- Maintain reserves in line with the Reserves Strategy agreed by the Board.

PUBLIC BENEFIT

Harmeny Education Trust Ltd is one of seven national grant aided centres and provides education and care to children who have exceptional additional support needs that cannot be met in Local Authority provision.

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. The school has no private pupils.

Around 33 children attend the school each year and in recent years, over 80% of these children have been resident at the school. The other children attend as day pupils.

As mentioned elsewhere in this report, over 50% of children leaving the school are returned to community education and community living.

The directors consider that Harmeny Education Trust Ltd provides significant public benefit in addition to the contribution it gives through the school's principal objectives and activities as described above. In addition to the work we do with children attending the school, the facilities at Harmeny are also made available to children from other schools and to adults from the local community and beyond for training purposes and for leisure. Fees are charged for access to facilities but these are aimed at cost recovery rather than profit.

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

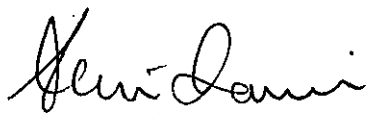
VOLUNTEERS

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.

We have extended our volunteer capacity to provide work experience and training for unemployed young people in conjunction with Project Scotland.

We have also developed links with Local Secondary Schools to provide work experience programmes for older pupils about to leave school.

Approved by the Board of Directors of Harmeny Education Trust Limited on *25 August* 2009
and signed on its behalf by:



Allison Davies O.B.E.
Chair

Date: ... *25/08/2009* ..

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 2009 on pages 11 to 25, which have been prepared under the accounting policies set out on page 14 and 15.

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).

We have been appointed auditors under section 44(1)(c) of the Charities and Trustees Investment (Scotland) Act 2005 and under the Companies Act 1985 and report to you in accordance of those Acts.

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, the Charities and Trustees Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 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 2009 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 the Companies Act 1985, the Charities and Trustees Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006; and
- the information given in the directors report is consistent with the financial statements.



56 Palmerston Place
Edinburgh
EH12 5AY

FRENCH DUNCAN LLP
Chartered Accountants and
Registered Auditor

Date: 25/8/09

HARMENY EDUCATION TRUST LIMITED

STATEMENT OF FINANCIAL ACTIVITIES

(INCLUDING INCOME AND EXPENDITURE ACCOUNT) for the year to 31 March 2009

		Unrestricted Funds	Restricted Funds	Permanent Endowment Fund	Total 2009	Total 2008
	Notes	£	£	£	£	£
Incoming Resources						
Incoming Resources from generated funds						
Voluntary Income		-	53,328	-	53,328	10,239
Scottish Government Maintenance Grant		1,161,660	-	-	1,161,660	1,306,660
Scottish Government Additional Grant		-	30,045	-	30,045	115,468
Investment Income		41,065	4,343	-	45,408	56,203
Incoming Resources from charitable activities						
Local Authority fees		2,277,970	-	-	2,277,970	2,370,553
Other income	3	37,647	2,651	-	40,298	148,022
Total Incoming Resources		3,518,342	90,367	-	3,608,709	4,007,145
Resources Expended						
Costs of generating funds						
Costs of generating Voluntary Income		3,449	-	-	3,449	3,211
Charitable activities		3,523,384	95,387	-	3,618,771	3,716,191
Governance costs		17,427	-	-	17,427	19,446
Total Resources Expended	4	3,544,260	95,387	-	3,639,647	3,738,848
Net Incoming/(Outgoing) Resources before transfers		(25,918)	(5,020)	-	(30,938)	268,297
Transfers between funds		-	-	-	-	-
Reconciliation of funds						
Fund balances brought forward		962,642	3,022,283	38,401	4,023,326	3,755,029
Total funds carried forward		936,724	3,017,263	38,401	3,992,388	4,023,326

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 14 - 24 form part of these financial statements.

HARMENY EDUCATION TRUST LIMITED

BALANCE SHEET as at 31 March 2009

	Note	2009 £	2008 £
FIXED ASSETS			
Tangible assets	8	3,103,480	3,151,352
Investments	9	2	2
		<u>3,103,482</u>	<u>3,151,354</u>
CURRENT ASSETS			
Debtors	10	16,422	7,130
Cash at bank and in hand		<u>1,018,631</u>	<u>1,057,394</u>
		1,035,053	1,064,524
Creditors: amounts falling due within one year	11	<u>146,147</u>	<u>192,552</u>
TOTAL CURRENT ASSETS LESS CURRENT LIABILITIES		888,906	871,972
NET ASSETS	14	<u>3,992,388</u>	<u>4,023,326</u>
FUNDS			
Unrestricted - General Fund	13	786,311	798,850
- Designated Capital Development Fund	13	150,413	163,792
Restricted	13	3,017,263	3,022,283
Endowment		<u>38,401</u>	<u>38,401</u>
		<u>3,992,388</u>	<u>4,023,326</u>

The notes on pages 14 - 24 form part of these financial statements.

The financial statements on pages 11 – 24 were approved by the board of directors on *25 August* 2009.

Allison Davies O.B.E. *Alison Davies* Chair

HARMENY EDUCATION TRUST LIMITED

CASHFLOW STATEMENT for the year to 31 March 2009

	2009 £	2008 £
Net Inflow from Operating Activities		
Net incoming resources	(30,938)	268,297
(Increase)/decrease in Debtors	(9,292)	61,831
Increase/(decrease) in Creditors	(46,405)	(449,507)
Depreciation	176,437	175,488
	<u>89,802</u>	<u>56,109</u>
Capital Expenditure		
Payments to acquire fixed assets	(128,565)	(200,887)
	<u>(128,565)</u>	<u>(200,887)</u>
(Decrease)/Increase in cash during year	<u>(38,763)</u>	<u>(144,778)</u>

Analysis of changes in net cash resources

	2008 £	Cashflow £	2009 £
Current Accounts	1,163	(1,171)	(8)
Deposit Accounts	1,055,431	(37,592)	1,017,839
Cash Balance	800	-	800
	<u>1,057,394</u>	<u>(38,763)</u>	<u>1,018,631</u>

The notes on pages 14 – 24 form part of these financial statements.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year to 31 March 2009

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 2009.

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 including 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 benefit 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 2009

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 2009 £	Total 2008 £
Learning & Development	21,996	20,890
Intensive Early Intervention	12,000	115,000
Harmeny Outdoors	2,651	2,001
Other	3,651	10,131
	<u>40,298</u>	<u>148,022</u>

4. ANALYSIS OF RESOURCES EXPENDED

	Activities Undertaken Directly £	Support Costs £	Total 2009 £	Total 2008 £
Cost of generating voluntary income	3,449	-	3,449	3,211
Charitable Activities	3,530,376	88,395	3,618,771	3,716,191
Governance Costs	17,427	-	17,427	19,446
	<u>3,551,252</u>	<u>88,395</u>	<u>3,639,647</u>	<u>3,738,848</u>

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2009

5. STAFF COSTS

	Total 2009 £	Total 2008 £
Wages and salaries	2,586,360	2,618,855
Social security costs	197,133	193,405
Pension costs	225,742	205,542
	<u>3,009,235</u>	<u>3,017,802</u>

One employee received remuneration between £70,000 to £79,999 (2008 - 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 2009 Number	Total 2008 Number
Teaching staff	23	23
Care staff	75	77
Domestic staff	12	12
Administrative staff	8	8
Estate	3	4
	<u>121</u>	<u>124</u>
Number of staff in Pension Schemes	67	65
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 2005. The results of this valuation were rolled forward to give a liability of £19.33 billion at 31 March 2008.

As the Scheme is unfunded, there can be no surplus or shortfall. Pension contribution rates will be set by the scheme actuary at a level to meet the cost of pensions as they accrue.

The financial assumptions as at 31 March 2008 are as follows:

Rate of return (discount rate): 5.3%

Rate of return in excess of:

Earnings increases	1.0%
Pension increases	2.5%

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2009

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

Harmeny Education Trust Limited (HETL) participates in the Scottish Voluntary Sector Pension Scheme. 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 an 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 new entrants as at 1 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 15.2%. Member contributions were paid at a rate of 7.5%.

As at the balance sheet date there were 50 active members of the Scheme employed by HETL. The annual pensionable payroll in respect of these members was £1,125,803. 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. This is because the scheme is a multi-employer scheme where the scheme assets are co-mingled for investment purposes and benefits are paid from total scheme assets. 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. Preliminary results of the formal valuation as at 30 September 2008 have been calculated by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the 30 September 2008 was £45.1 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £20.438 million (equivalent to a past service funding level of 68.8%).

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	% pa
-Investment return pre retirement	6.8
-Investment return post retirement	4.6
-Rate of salary increases	4.2% for five years and 4.7% p.a thereafter
-Rate of pension increases:	
for pensionable service pre 6 April 2005	3.0
for pensionable service post 5 April 2005	2.3
-Rate of price inflation	3.2

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2009

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual following the 2005 valuation 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 7.5%
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, including the deficit contribution of 2.7%, 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.

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 at the 2005 valuation, 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).

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2009

The recovery plan from the 2008 valuation will be submitted to the Pensions Regulator in due course.

The next full actuarial valuation will be carried out as at 30 September 2011.

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 Scheme based on the financial position of the Scheme as at 30 September 2008. As of this date the estimated employer debt for HETL was £3,090,000. 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.

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.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2009

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 2008 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 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 financial assumptions underlying the valuation as at 30 September 2005 were as follows:

	% per annum
- Investment return pre retirement	7.6
- Investment return post retirement	
Actives/Deferreds	5.1
Pensioners	5.6
- Bonuses on accrued benefits	0.0
- Rate of price inflation	3.2

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 (as at 30 September 2008) will be cleared within 10 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 8.4% per annum pre retirement, 5.1% per annum post retirement (actives and deferreds) and 5.6% post retirement (pensioners).

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 2008 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2009

The next full actuarial valuation will be carried out as at 30 September 2011.

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 2008. As of this date the estimated employer debt for HETL was £14,003. The potential employer debt is treated as a contingent liability.

TRANSACTIONS WITH TRUSTEES

Directors are not remunerated. Expenses of £168 (2008 £146) relating to car mileage were reimbursed to one director during the year. During the year fees of £888 (2008 £1,551) 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 (LOSS)/ SURPLUS

The operating (loss)/surplus is stated after charging/crediting:

	Total 2009 £	Total 2008 £
Director's expenses reimbursed	168	146
Trustee Indemnity Insurance Premium	2,100	1,706
Audit fee	5,692	5,721
Operating lease rentals - equipment	2,292	4,585
Depreciation	176,437	175,488

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2009

8. TANGIBLE FIXED ASSETS

	Heritable Property	Fixtures & Fittings	Motor Vehicles	Total
	£	£	£	£
Cost or Valuation				
Cost or value brought forward	3,461,571	458,873	116,651	4,037,095
Additions	87,456	40,198	911	128,565
Disposals				
	3,549,027	499,071	117,562	4,165,660
At 31 March 2009				
Depreciation				
Brought forward	489,994	308,812	86,937	885,743
Charge for period	70,213	85,786	20,438	176,437
Eliminated on disposals				
	560,207	394,598	107,375	1,062,180
At 31 March 2009				
Net book value				
At 31 March 2008	2,971,577	150,061	29,714	3,151,352
At 31 March 2009	2,988,820	104,473	10,187	3,103,480

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 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 £8,859,716 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 2009 £	Total 2008 £
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.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2009

10.	DEBTORS	Total 2009 £	Total 2008 £
	Fees	13,792	6,688
	Other Debtors	530	442
	Prepayments and accrued income	2,100	-
		16,422	7,130

11.	CREDITORS: amounts falling due within one year	Total 2009 £	Total 2008 £
	Other taxes and social security	60,091	63,490
	Trade creditors	46,457	77,999
	Other creditors	4,569	2,973
	Accruals & deferred income	7,607	18,912
	Amount due to pension funds	27,421	29,176
	Amounts due to subsidiary company	2	2
		146,147	192,552

12. OBLIGATIONS UNDER OPERATING LEASES

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

	Total 2009 £	Total 2008 £
Operating leases which expired during the year	2,292	4,585

13. MOVEMENT IN FUNDS

ANALYSIS OF UNRESTRICTED FUNDS

	General Fund £	Designated Capital Development Fund £	Total £
Balance of funds brought forward	798,850	163,792	962,642
Incoming resources before transfers	3,518,342	Nil	3,518,342
Outgoing resources before transfers	(3,530,881)	(13,379)	(3,544,260)
Balance at 31 March 2009	786,311	150,413	936,724

NOTE: The designated Capital Development Fund has been used to finance capital projects during the year.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2009

ANALYSIS OF RESTRICTED FUNDS

	New Building Capital Fund	Harmeny Outdoors Fund	Family Social Fund	Total
	£	£	£	£
Balance of funds brought forward	3,000,402	19,881	2,000	3,022,283
Incoming resources before transfers	85,761	4,606	-	90,367
Outgoing resources before transfers	(95,087)	(300)	-	(95,387)
Balance at 31 March 2009	<u>2,991,076</u>	<u>24,187</u>	<u>2,000</u>	<u>3,017,263</u>

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.

Harmeny Outdoors Fund

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

Family Social Fund

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	170,383	2,894,698	38,401	3,103,482
Current Assets	766,341	122,565	-	888,906
	<u>936,724</u>	<u>3,017,263</u>	<u>38,401</u>	<u>3,992,388</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 calculated as:

▪ Main Scheme (assessed at 30 September 2008)	£3,090,000
▪ Growth Plan (assessed at 30 September 2008)	£14,003