



HARMENY EDUCATION TRUST LIMITED
(Limited by guarantee)

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**



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14/09/2011

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COMPANIES HOUSE

Registration No. SC162021
Registered Charity Number SCO24256

HARMENY EDUCATION TRUST LIMITED

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HARMENY EDUCATION TRUST LIMITED

DIRECTORS

Alison Davies OBE
Margery Browning OBE
Kerr Cowan
Scott Rae
Mark Smith (resigned 8 April 2010)
Steven Paterson (appointed 20 August 2010)

CHIEF EXECUTIVE

Neil Squires (appointed 01 July 2010)

COMPANY SECRETARY

Isabelle Guillot D'Hauterives

AUDITORS

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

SOLICITORS

Morton Fraser LLP
Quartermile Two
2 Lister Square
EDINBURGH
EH3 9GL

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 2011. 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 incoming resources and application of resources, including the income and expenditure 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;
- observe the methods and principles in the charities SORP.
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in 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 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 a beneficial interest in the company, are:

Alison Davies O.B.E.

Margery Browning O.B.E

Kerr Cowan

Scott Rae

Mark Smith (resigned 8 April 2010)

Steven Paterson (appointed 20 August 2010)

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 three constituent functions within the company:-

- Harmeny School
- Harmeny Outdoors
- Learning and Development

Harmeny School

Annually, the school offers all year round residential and day education 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 a range of adventurous and environmental activities, which are fully integrated into the curriculum, for all children who attend Harmeny. This service, which is fully accredited by AALS (Adventurous Activities Licensing Service) is also offered to external groups.

Learning and Development

Harmeny's SQA approved Learning and Development Centre aims to offer training opportunities to staff and students in the field of social emotional and behavioural difficulties so as to increase the skills and knowledge base in this area. We

offer a range of accredited courses to staff in-house, as well as externally to organisations within the social care and education sectors.

REVIEW OF SIGNIFICANT ACHIEVEMENTS AND PERFORMANCE

Harmony School

- Provides education, care and social work services to around 33 children each year.
- Has a partnership agreement with "Who Cares" to provide independent advocacy services to children.
- Has established a secondary years service through S1/S2 and a day education service.
- Successfully tendered to provide residential and day places for children in Midlothian, East Lothian, West Lothian and the Scottish Borders, scoring the highest on quality out of 22 providers. This has resulted on us being placed on their preferred provider list.
- Achieved level 1 Health Promoting School Status.
- Achieved silver award status as an ECO school and is working towards 'Green Flag status'.
- Initiated extended day service.
- Achieved 'excellent' and 'very good' grades in Care Commission inspections and made very good progress within our HMIE inspection.
- Developed a 24 hour curriculum, based on the principles of the Curriculum for Excellence, throughout the whole staff team.
- Developed a Language and Literacy policy.
- Progressed the tracking of pupil's progress and further implemented the use of assessment tools.
- Developed the involvement of parents and carers, including the Parent and Carers group. This has resulted in Harmony winning the SIRCC Residential Childcare Awards for 2011, for the category of '**Innovative Partnership Work with Parents**'.
- Continued to develop children's participation through Harmony Council.
- Further developed the Professional Practice sub-committee.

Harmony Outdoors

- Delivers weekly adventure PE and Outdoor Learning sessions to every class at Harmony School in line with the Curriculum for Excellence.
- Delivers individual programmes for Harmony pupils at times of specific need.
- Provides outdoor learning programmes for Harmony children outwith school hours.
- Has expanded and worked with a wider range of 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 AALS (Adventurous Activities Licensing Service) licence.
- Achieved a positive inspection of our Harmony Outdoors from AALS, with aspects of the service cited as being 'best practice'.
- Continued the placement and support of trainee volunteers and Outdoor Education students from further education providers.
- Became the first school to deliver The "GO-Mountain-Bike" proficiency scheme.
- Has established a community cycling and repair initiative known as "Pit Stop".

Learning and Development

- Enabled 3 staff to achieve Level 3 vocational qualifications in 2010/2011.
- Enabled 3 members of staff to achieve their HNC in Social Care and 2 to work towards their HNC in social Care in 2010/2011.
- Supported 4 members of staff from external organisations to achieve their HNC in Social Care and enabled 3 to work towards this qualification.
- Enabled 2 members of staff to achieve the Professional Development Award (Levels 9 and 10) in Practice Learning.
- Enabled 1 member of staff to achieve and 2 members of staff in working towards Social Work Degrees.
- Supported 1 member of staff in working towards a Diploma in Play Therapy.
- Provided practice learning placements to 9 social work students
- Provided a range of other placements to students from social care, health and education.
- Is offering training to a range of external agencies and organisations, including SVQ3 in Social Care and Assessor's Award to a number of staff from Independent Schools throughout Scotland.
- Has contributed papers and presentations to a number of national conferences.
- Introduced classroom assistants to the "Autism Toolbox" training course as well as HNC in Social Care units.
- Achieved the ability to offer Basic Expedition Leadership Awards in outdoor education.

Fundraising Performance

Fundraising 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 year to 31st March 2011 has been very successful despite the fact that Local Authorities are experiencing financial constraints. The average number of pupils attending the school exceeded expectations and expenditure was kept under strict control. This resulted in a net surplus of £202,467 for the year. The directors are satisfied with the results of the year and, recommend that the surplus be transferred to reserves. The directors have been given assurances that the Scottish Government block maintenance grant will continue at £1,086,849 for the year to 31st March 2012. The directors have decided to keep school fees at the same level for the third year in succession, in order to respond to the financial constraints on Local Authorities and it is therefore anticipated that the company may incur a small loss in the year to 31st March 2012.

The directors have reviewed the reserves of the charity in the knowledge that the Scottish Government maintenance grant has been reduced by 2% for the year to 31st March 2012. The directors assess the need for minimum short-term reserves at £250,000. The current level of unrestricted funds as at 31st March 2011 is £1,526,946. We have been assured that the Scottish Government maintenance grant will continue to be paid until 31st March 2012 but what the position will be thereafter is not known. We anticipate that grants of the level we have been receiving over many years will be significantly reduced over the next few years. Given the current pressure on resources available to the Government and to Scottish Local Authorities, the directors consider it prudent to maintain unrestricted reserves equivalent to three months expenditure (currently estimated at £1,000,000). This level of reserves would allow the charity to take appropriate steps to re-organise Harmony's activities to meet any major change in circumstances.

Harmony Education Trust Ltd has two pension schemes in operation, one for teachers and a second scheme for all other staff members. At 31st March 2010, the original SVSPS 'Final Salary' scheme for non-teaching staff, operated by The Pensions Trust, closed. The scheme closed with a considerable deficit which will be paid off in instalments until 2022

according to the forecasts of the scheme actuaries. The annual payments for the first three years commencing 1st April 2010 started at £95,261 and this figure has now increased to £99,261. This contribution will be reviewed at the next

actuarial valuation scheduled to take place in September 2011 with the report being issued in the summer of 2012. An unpredictable factor in this assessment is the long-term effect on the deficit of defaulting employers within the scheme which was a multi-employer defined benefit scheme operated on a "last man standing" basis. This means that the share of any deficit, which cannot be met by a defaulting employer, will be shared between those employers remaining in the scheme.

Closure of the scheme does not trigger a 'cessation event' on any employer and HETL is not deemed to have withdrawn from the scheme. As a consequence, there is no immediate debt on withdrawal and the assessment of debt remains a contingent liability, details of which are disclosed at note 5.

A new scheme was provided for non-teaching staff with effect from 1st April 2010. The scheme is a defined contribution scheme which will accumulate no further risk or liability for HETL.

PLANS FOR FUTURE PERIODS

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

- 1) Continue to develop our delivery of the Curriculum for Excellence across the whole school community.
- 2) Introduce and develop the Scottish School's Intranet (GLOW) within the school community.
- 3) Further develop the involvement of the Parent and Carer Group in the life and work of the school.
- 4) Expand the involvement of Harmeny Pupil Council.
- 5) Continue to maintain the high quality of our Learning and Development service and expand where possible.
- 6) Create a new allotment area as a base for outdoor learning and teaching and enable further enterprise initiatives with the local community.
- 7) Achieve Eco School 'Green Flag' status.
- 8) Achieve a high share of a smaller residential market and therefore maintain current numbers of residents and size of operation.
- 9) Actively pursue growth in day places.
- 10) Explore opportunities to expand the services of Harmeny Outdoors.
- 11) Develop family, play and nurture work across the residential and day services.
- 12) Continue the review of our quality assurance processes, with particular emphasis on tracking children's progress.
- 13) Continue developing our performance in improving the outcomes for children and their families/carers, through the establishment of an Outcomes Measurement Framework
- 14) Continue building innovative partnerships with other agencies.
- 15) Maintain reserves in line with Reserves Strategy agreed by Board.
- 16) Recognise the financial constraints likely to affect the school's operations for many years and design our strategy accordingly.
- 17) Work in partnership with Local Authorities in creating services to meet their needs.
- 18) Prepare for the introduction of the proposed auto enrolment of Personal Pension Plans for all employees not already in one of our present schemes.

PUBLIC BENEFIT

Harmeny Education Trust Ltd is one of seven national grant aided centres and provides education and care to children who have complex 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, around 75% of these children have been resident at the school. The other children attend as day pupils.

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 and children 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 for students from social care and health and education. In addition, the school offers training opportunities to external agencies and organisations.

As a leader in the field of social, educational and behavioural difficulty, Harmeny actively contributes to improving the care and education of children in this sector by sharing experience and expertise in national working groups and in presentations to conferences.

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 continued to extend our volunteer capacity and now have a wide range of volunteers contributing to the work of the school. Examples of volunteering has included: befriending and mentoring, class support, assisting with Harmeny Outdoors activities and providing opportunities for corporate volunteering on environmental projects.

We have continued to develop 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 30 August 2011
and signed on its behalf by:



Allison Davies O.B.E.
Chair

Date: 30/8/11.....

HARMENY EDUCATION TRUST LIMITED

INDEPENDENT AUDITOR'S REPORT

to the directors and members of Harmeny Education Trust Limited

We have audited the financial statements of Harmeny Education Trust Limited for the year ended 31 March 2011 on pages 12 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's Trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and the charitable company's Trustees those matters we are required to state to them in an Auditors' 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 charitable company, the charitable company's members as a body and the charitable company's Trustees, as a body, for our audit work, for this report, or for the opinion we have formed.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

As explained more fully in the Statement of Trustees' responsibilities, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditors under the Companies Act 2006 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report to you in accordance with regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

We have undertaken the audit in accordance with the requirements of APB Ethical Standards including APB Ethical Standards - Provisions Available for Small Entities, in the following circumstances:

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2011 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

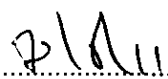
- the company has not kept proper and adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

6 Palmerston Place
Edinburgh
EH12 5AY



Jeffrey Meek CA
(Senior Statutory Auditor)
For and on behalf of
FRENCH DUNCAN LLP
Chartered Accountants
& Statutory Auditor

French Duncan LLP are eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Date: 

HARMENY EDUCATION TRUST LIMITED

STATEMENT OF FINANCIAL ACTIVITIES

(INCLUDING INCOME AND EXPENDITURE ACCOUNT) for the year to 31 March 2011

	Notes	Unrestricted Funds £	Restricted Funds £	Permanent Endowment Fund £	Total 2011 £	Total 2010 £
Incoming Resources						
Incoming Resources from generated funds						
Voluntary Income			4,585	-	4,585	4,497
Scottish Government Maintenance Grant		1,109,030		-	1,109,030	1,131,660
Scottish Government Additional Grant			48,241	-	48,241	23,240
Voluntary Sector Dev. Fund			34,500	-	34,500	-
Investment Income		8,347	1,022	-	9,369	6,557
Incoming Resources from charitable activities						
Local Authority fees		3,056,126		-	3,056,126	2,968,689
Other income	3	27,733	2,500	-	30,233	52,050
Total Incoming Resources		4,201,236	90,848	-	4,292,084	4,186,693
Resources Expended						
Costs of generating funds						
Costs of generating Voluntary Income		3,736	-	-	3,736	3,621
Charitable activities		3,942,294	102,996	-	4,045,290	3,832,902
Governance costs		40,591	-	-	40,591	29,980
Total Resources Expended	4	3,986,621	102,996	-	4,089,617	3,866,503
Net Incoming/(Outgoing) resources before transfers		214,615	(12,148)	-	202,467	320,190
Transfers between funds		-	-	-	-	-
Reconciliation of funds						
Fund balances brought forward		1,312,331	2,961,846	38,401	4,312,578	3,992,388
Total funds carried forward		1,526,946	2,949,698	38,401	4,515,045	4,312,578

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.

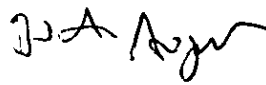
The notes on pages 15 - 23 form part of these financial statements.

HARMENY EDUCATION TRUST LIMITED

BALANCE SHEET as at 31 March 2011

	Note	2011 £	2010 £
FIXED ASSETS			
Tangible assets	8	3,108,329	3,139,119
Investments	9	2	2
		<u>3,108,331</u>	<u>3,139,121</u>
CURRENT ASSETS			
Debtors	10	43,728	45,263
Cash at bank and in hand		<u>1,520,708</u>	<u>1,315,820</u>
		1,564,436	1,361,083
Creditors: amounts falling due within one year	11	<u>157,722</u>	<u>187,626</u>
TOTAL CURRENT ASSETS LESS CURRENT LIABILITIES		1,406,714	1,173,457
NET ASSETS	13	<u>4,515,045</u>	<u>4,312,578</u>
FUNDS			
Unrestricted - General Fund	12	1,376,533	1,161,918
- Designated Capital Development Fund	12	150,413	150,413
Restricted	12	2,949,698	2,961,846
Endowment		<u>38,401</u>	<u>38,401</u>
		4,515,045	4,312,578

The notes on pages 15 - 23 form part of these financial statements.

The financial statements on pages 12 - 23 were approved by the board of directors on  2011.


Alison Davies O.B.E. Chair

Company registration number SC162021

HARMENY EDUCATION TRUST LIMITED

CASHFLOW STATEMENT for the year to 31 March 2011

	2011 £	2010 £
Net Inflow from Operating Activities		
Net incoming resources	202,467	320,190
(Increase)/decrease in Debtors	1,535	(28,841)
Increase/(decrease) in Creditors	(29,904)	41,479
Depreciation	166,721	173,655
(Gain)/Loss on sale of fixed assets	(1,500)	(11,918)
	<u>339,319</u>	<u>494,565</u>
 Capital Expenditure		
Payments to acquire fixed assets	(135,931)	(216,476)
Proceeds from Sale of fixed assets	1,500	19,100
	<u>(134,431)</u>	<u>(197,376)</u>
 (Decrease)/Increase in cash during year	<u>204,888</u>	<u>297,189</u>

Analysis of changes in net cash resources

	2010 £	Cashflow £	2011 £
Current Accounts	(18,775)	6,402	(12,373)
Deposit Accounts	1,333,795	198,486	1,532,281
Cash Balance	800	-	800
	<u>1,315,820</u>	<u>204,888</u>	<u>1,520,708</u>

The notes on pages 15 – 23 form part of these financial statements.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year to 31 March 2011

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 2011.

2. ACCOUNTING POLICIES

The financial statements have been prepared under the Companies Act 2006 and in accordance with applicable United Kingdom 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 contribution scheme for non-teaching staff. Contributions to both schemes are charged in the Statement of Financial Activities (SOFA) as they become payable in accordance with the rules of the schemes. The deficit on the now closed SVSPS defined benefit scheme for non-teaching staff is being paid off over a period of years calculated by the Scheme Actuaries to eradicate the deficit in 2022. Payments towards the deficit are included in the SOFA.

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.

Unrestricted funds

Unrestricted funds comprise the income from charitable activities of the Trust together with donations and other incoming resources received or generated for charitable purposes. These funds are spendable at the discretion of the directors to further the objectives of Harmeny Education Trust Limited.

Designated fund

Designated fund is unrestricted and available to the directors for purposes appropriate to the school's objectives.

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 and are related 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.

Parent of Small Group

The company is the parent undertaking of a small group and as such is not required by the Companies Act 2006 to prepare group accounts. These financial statements therefore present information about the company as an individual undertaking and not about its group.

3. INCOMING RESOURCES – Other Income

	Total 2011 £	Total 2010 £
Learning & Development	12,040	30,040
Harmeny Outdoors	2,500	2,730
Other	15,693	19,280
	<u>30,233</u>	<u>52,050</u>

4. ANALYSIS OF RESOURCES EXPENDED

	Activities Undertaken Directly £	Support Costs £	Total 2011 £	Total 2010 £
Cost of generating voluntary income	3,736	-	3,736	3,621
Charitable Activities	3,950,307	94,983	4,045,290	3,832,902
Governance Costs	40,591	-	40,591	29,980
	<u>3,994,634</u>	<u>94,983</u>	<u>4,089,617</u>	<u>3,866,503</u>

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2011

5. STAFF COSTS

	Total 2011 £	Total 2010 £
Wages and salaries	2,815,225	2,722,456
Social security costs	251,560	209,758
Pension costs	279,080	243,609
	<u>3,345,865</u>	<u>3,175,823</u>

One employee received remuneration between £50,000 to £59,999 (2010 - 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 2011 Number	Total 2010 Number
Teaching staff	24	26
Care staff	82	77
Domestic staff	10	12
Administrative staff	7	7
Estate	3	3
	<u>126</u>	<u>125</u>
Number of staff in Pension Schemes	62	62
Number of staff earning over £50,000 in Pension scheme	4	1

PENSIONS

Teaching Staff

The Scottish Teachers Superannuation Scheme

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 as at 31 March 2005. The results of this valuation were rolled forward to give a liability of £24.37 billion at 31 March 2010.

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

Financial assumptions at 31 March 2010

Rate of return (discount rate) 4.6 %

Rate of return in excess of:

Earnings increases 0.3 %

Price increases 1.8 %

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2011

Non-Teaching Staff – Scottish Voluntary Sector Pension Scheme

Harmeny Education Trust Limited (HETL) participates in the Scottish Voluntary Sector Pension Scheme (the Scheme). The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and was contracted out of the state scheme until 31 March 2010, when the Scheme was closed to future accrual.

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until the date of Scheme closure on 31 March 2010.

The Scheme closed to future accrual on 31 March 2010. There is currently no intention to wind-up the Scottish Voluntary Sector Pension Scheme and it continues in paid-up form.

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.

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 2008, 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

The funding update at the 30 September 2010 revealed that the estimated past service funding level has increased to 81.0%, but the shortfall of assets compared with the value of liabilities has fallen to an estimated £15.12m. This is primarily due to positive investment returns over the period concerned, the settlement of employer debts on leaving, the change in basis of pension increases from RPI to CPI and the changes in actuarial assumptions.

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.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2011

It was agreed that the following joint contribution rates would be payable until 31 March 2010:

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%

From 1 April 2010 contributions in respect of future service have ceased. HETL has introduced a new defined contributions Group Personal Pension Scheme effective from 1 April 2010.

From 1 April 2010 a new recovery plan came into effect, following the finalisation of the 2008 valuation. Under the recovery plan Harmeny Education Trust Limited is required to make lump sum payments of £95,261 p.a., increasing annually in line with the salary assumption used in the valuation. Further details were provided in correspondence dated June and August 2009.

If the valuation assumptions are borne out in practice, this pattern of contributions should be sufficient to eliminate the entire past service deficit arising from the 2005 and 2008 valuations, on an on-going funding basis, by 31 March 2022. The required level of deficit contributions will fall from 30 September 2018.

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 recovery plan from the 2008 valuation has been submitted to the Pensions Regulator. 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 becoming insolvent or ceasing to participate in the Scheme, or the Scheme winding up.

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

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

Harmeny Education Trust Limited 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 31 March 2010. As of this date the estimated employer debt for Harmeny Education Trust Limited was £2,380,000 (2009 - £3,090,000).

Defined Contribution Scheme

A new scheme was provided for non-teaching staff with effect from 1 April 2010. The scheme is a defined contribution scheme which will accumulate no further risk or liability for HETL.

TRANSACTIONS WITH TRUSTEES

Directors are not remunerated and no expenses were re-imbursed to directors in the current or prior year. During the year fees of £21,488 (2010 £8,907) were paid to Morton Fraser LLP for legal and professional services supplied to the company. The balance due to Morton Fraser LLP at the year-end was £nil (2010 £1,404). Until recently, one of the directors, Mr Scott Rae was a partner in Morton Fraser LLP.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2011

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 2011 £	Total 2010 £
Trustee Indemnity Insurance Premium	2,468	2,100
Audit fee	6,067	5,972
Depreciation	166,721	173,655
Gain on sale of fixed assets	(1,500)	(11,918)

8. TANGIBLE FIXED ASSETS

	Heritable Property £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost or Valuation				
Cost or value brought forward	3,604,920	519,893	179,859	4,304,672
Additions	59,598	58,101	18,232	135,931
Disposals	-	(12,879)	(16,512)	(29,391)
At 31 March 2011	3,664,518	565,115	181,579	4,411,212
Depreciation				
Brought forward	631,537	430,968	103,048	1,165,553
Charge for period	72,470	64,014	30,237	166,721
Eliminated on disposals	-	(12,879)	(16,512)	(29,391)
At 31 March 2011	704,007	482,103	116,773	1,302,883
Net book value	2,973,383	88,925	76,811	3,139,119
At 31 March 2010				
At 31 March 2011	2,960,511	83,012	64,806	3,108,329

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 £9,750,000 which is an estimate of replacement cost and which includes Value Added Tax.

The proceeds from heritable property, if sold, can only be applied to further the objectives of the school. Otherwise Save the Children Fund may require consideration to be paid in exchange for their consent to the disposals.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2011

9. INVESTMENTS

	Total 2011	Total 2010
	£	£
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 2011	Total 2010
	£	£
Fees	28,863	15,206
Other Debtors	3,435	2,119
Prepayments and accrued income	11,430	27,938
	43,728	45,263

11. CREDITORS: amounts falling due within one year

	Total 2011	Total 2010
	£	£
Other taxes and social security	71,005	67,475
Trade creditors	60,512	74,109
Other creditors	5,270	1,482
Accruals & deferred income	14,004	16,194
Amount due to pension funds	6,929	28,364
Amounts due to subsidiary company	2	2
	157,722	187,626

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2011

12. MOVEMENT IN FUNDS

ANALYSIS OF UNRESTRICTED FUNDS

	General Fund £	Designated Capital Development Fund £	Total £
Balance of funds brought forward	1,161,918	150,413	1,312,331
Incoming resources before transfers	4,201,236	-	4,201,236
Outgoing resources before transfers	(3,986,621)	-	(3,986,621)
Balance at 31 March 2011	1,376,533	150,413	1,526,946

ANALYSIS OF RESTRICTED FUNDS

	New Building Capital Fund £	Harmeny Outdoors Fund £	Learning & Developm. Fund £	Total £
Balance of funds brought forward	2,935,802	26,044	-	2,961,846
Incoming resources before transfers	51,235	5,113	34,500	90,848
Outgoing resources before transfers	(98,436)	(1,706)	(2,854)	(102,996)
Balance at 31 March 2011	2,888,601	29,451	31,646	2,949,698

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.

Learning & Development Fund

The Learning & Development grant will be used to finance Care Services training programme for staff at Harmeny.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2011

13. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment Funds £	Total £
Fixed Assets	244,821	2,825,109	38,401	3,108,331
Current Assets	1,282,125	124,589	-	1,406,714
	1,526,946	2,949,698	38,401	4,515,045

14. CONTINGENT LIABILITIES

Harmony Education Trust Limited (HETL) is a participating employer in the SVSPS Final Salary Pension Scheme. The scheme is now closed and plans are in place to meet the past service funding deficit (see note 5).

HETL has been notified by the Pensions Trust of the estimated employer debt which would have been payable if HETL had withdrawn from the SVSP Scheme as 31 March 2010 was £2,380,000.

HARMENY EDUCATION TRUST LIMITED

TOTAL RESOURCES EXPENDED – YEAR TO 31 MARCH 2011

	Activities Undertaken Directly	Support Costs	Cost of Generating Voluntary Income	Governance	Total 2011	Total 2010
	£	£	£	£	£	£
Staff Costs	3,235,873	94,983	3,736	11,273	3,345,865	3,175,823
Consumables						
Food	67,853				67,853	71,979
Kitchen Supplies	2,205				2,205	2,782
Resources	62,101				62,101	68,739
	132,159				132,159	143,500
Operating Charges						
Laundry and cleaning	10,950				10,950	9,152
Insurance	36,472				36,472	25,775
Council Tax	3,798				3,798	3,805
Water/Waste Charges	14,684				14,684	14,483
Heat and Light	78,277				78,277	65,075
Motor and Travel Costs	20,714				20,714	18,638
Maintenance	142,335				142,335	118,073
Operating Leases	-				-	-
Printing, postage and stationery	16,040				16,040	13,125
Telephone	13,009				13,009	12,805
Professional Fees				1,763	1,763	5,430
Fire/security	6,852				6,852	8,978
Chemist/medical	5,290				5,290	5,718
Training	33,620				33,620	28,917
Recruitment	9,346				9,346	16,233
Public relations	6,264				6,264	5,161
Children's expenditure	8,024				8,024	7,036
Surplus on Sale of Assets	(1,500)				(1,500)	(11,918)
Audit Fee				6,067	6,067	5,972
Legal Fees				21,488	21,488	8,026
Miscellaneous costs	11,379				11,379	13,041
Depreciation	166,721				166,721	173,655
	582,275	-	-	29,318	611,593	547,180
Total	3,950,307	94,983	3,736	40,591	4,089,617	3,866,503