

HARMENY EDUCATION TRUST LIMITED
(Limited by guarantee)

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

Registration No. SC162021
Registered Charity Number SCO24256

FRIDAY



S1GH7DOP

SCT

31/08/2012

#514

COMPANIES HOUSE

HARMENY EDUCATION TRUST LIMITED

CONTENTS

Directors, Officers and Advisers	3
Directors' Report	4 – 9
Auditors' Report	10 - 11
Statement of Financial Activities	12
Balance Sheet	13
Cashflow Statement	14
Notes to the Accounts	15 - 23

HARMENY EDUCATION TRUST LIMITED

DIRECTORS

Alison Davies OBE
Margery Browning OBE
Kerr Cowan
Scott Rae
Steven Paterson

CHIEF EXECUTIVE

Neil Squires

COMPANY SECRETARY

Isabelle Guillot D'Hauterives

AUDITORS

French Duncan LLP
Chartered Accountants & Statutory Auditors
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 2012. 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, the Charities and Trustees Investment (Scotland) Act 2005 and the 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.

PROVISION OF INFORMATION TO AUDITORS

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
Steven Paterson

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 35 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 35 children each year.
- Has a partnership agreement with "*Who Cares Scotland*" 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'.
- Achieved 'excellent' and 'very good' grades from the Care Inspectorate 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.
- Set up a Professional Practice Group and Policy Review Group.

Harmony Outdoors

- Delivers 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 who have specific needs.
- 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 Inspectorate.
- Achieved a positive Inspection of our Harmony Outdoors from AALS, with our AALS (Adventurous Activities Licensing Service) licence being renewed for a further two years.
- Continued the placement and support of volunteers.
- Became the first school to deliver The "GO-Mountain-Bike" proficiency scheme.
- Has established a community cycling and repair initiative known as 'Pit Crew'

Learning and Development

- Enabled a number of internal and external staff to achieve their HNC and SVQ Level 3 in Social Care.
- Provided a PDA in Supervision for a number of Managers and Supervisors internally and externally.
- Provided placements for a number of Social Work, HNC and Nursing students.
- 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.

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

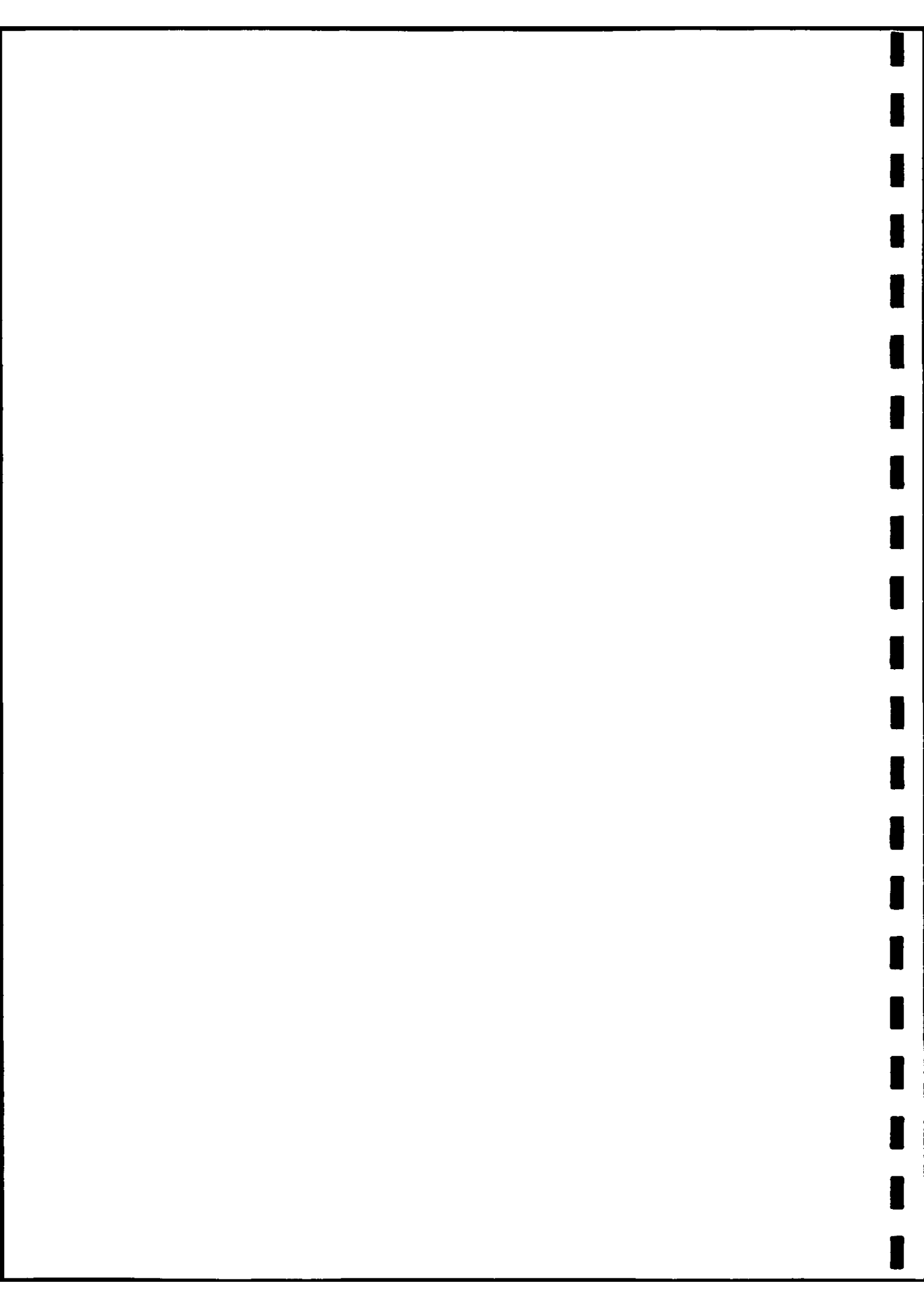
The year to 31st March 2012 has been very successful despite the fact that Local Authorities continue to experience financial constraints. The average number of pupils attending the school exceeded expectations and expenditure was kept under strict control. This resulted in a net surplus of £73,681 for 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 with no uplift, at £1,086,849 for the year to 31st March 2013. The directors have therefore decided to raise the school fees by 1.5% for the year 2012-13 following the fees being retained at the same level for the previous three financial years.

The directors have reviewed the reserves of the charity in the knowledge that the Scottish Government maintenance grant has been maintained at the same level as the previous financial year. The directors assess the need for minimum short-term reserves at £250,000. The current level of unrestricted funds as at 31st March 2012 is £1,641,687. We have been assured that the Scottish Government maintenance grant will continue to be paid until 31st March 2013 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 Harmeny's activities to meet any major change in circumstances.

Under the Memorandum and Articles of Association, the charity has the power to make any investment which the directors see fit, based on a low risk approach. During the financial year, the Board resolved to invest £250,000 with Rathbones, long established investment managers with knowledge of the charity sector. The aim of Harmeny's current investment strategy is to re-invest income received to achieve long-term capital growth. Rathbones have been asked to apply an ethical approach in their investment policy. Over a period of seven months, the performance of the investment portfolio equated to a 7.8% return.

Harmeny 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 is currently being paid off in instalments until 2022 based on previous forecasts prepared by the scheme actuaries. The annual payments for the first two years commencing 1st April 2010 started at £95,261 and this figure has now increased to £103,430. The deficit contribution and recovery plan based on the latest actuarial valuation as at 30 September 2011 are being calculated and it is anticipated that the full actuarial valuation will be available in the autumn 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 are developing a five-year strategic plan, which will come into effect in August 2012. Our objectives for the financial year 2012-13 are as follows:

1. To continue to develop our delivery of the Curriculum for Excellence across the whole school.
2. To further develop therapeutic approaches matched to the needs of individual and groups of children.
3. To complete the final phase of introducing the school's intranet (GLOW) throughout the school, thus improving our learning and teaching capacities.
4. To further develop the involvement of parents and carers in the life of the school.
5. To expand the involvement of our Pupil Council.
6. To continue to maintain the high quality of our Learning and Development Centre and further expand where possible.
7. To create a new allotment area as a base for outdoor learning and teaching and enable further enterprise initiatives with the local community.
8. To continue to achieve a high share of a smaller residential market and therefore maintain current numbers of residents and size of operation.
9. To further develop our day service, in order to continue meeting the needs of local authorities who use this service.
10. To explore opportunities to expand the services of Harmeny Outdoors.
11. To develop a comprehensive framework for measuring children's outcomes.
12. To build on our information and marketing materials, through the on-going development of our new website.
13. To continue building innovative partnerships with other agencies.
14. To maintain reserves in line with Reserves Strategy agreed by Board.
15. To recognise the financial constraints likely to affect the school's operations for many years and design our strategy accordingly.
16. To work in partnership with Local Authorities in creating services to meet their needs.
17. To 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 35 children attend the school each year and around 80% of these children are 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.

Harmony 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, Harmony 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 Harmony School Association" whose members and associates devote many hours to fundraising and other activities on behalf of Harmony 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 Harmony 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 Harmony Education Trust Limited on 28th August 2012 and signed on its behalf by:


Allison Davies O.B.E.
Chair

Date: 28/8/12

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 2012 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.

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.

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 2012 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.

56 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 is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Date:  2012



HARMENY EDUCATION TRUST LIMITED

STATEMENT OF FINANCIAL ACTIVITIES

(INCLUDING INCOME AND EXPENDITURE ACCOUNT) for the year to 31 March 2012

		Unrestricted Funds	Restricted Funds	Permanent Endowment Fund	Total 2012	Total 2011
	Notes	£	£	£	£	£
Incoming Resources						
Incoming Resources from generated funds						
Voluntary Income			8,374	-	8,374	4,585
Scottish Government Maintenance Grant		1,088,394		-	1,088,394	1,109,030
Scottish Government Capital Grant			30,505	-	30,505	48,241
Voluntary Sector Dev. Fund				-		34,500
Investment Income		9,196	794	-	9,990	9,369
Incoming Resources from charitable activities						
Local Authority fees		3,039,299	-	-	3,039,299	3,056,126
Other income	3	77,787	2,560	-	80,347	30,233
Total Incoming Resources		4,214,676	42,233	-	4,256,909	4,292,084
Resources Expended						
Costs of generating funds						
Costs of generating Voluntary Income		3,822	-	-	3,822	3,736
Investment management expenses		4,141	-	-	4,141	-
Charitable activities		4,086,584	83,293	-	4,169,877	4,045,290
Governance costs		24,716	-	-	24,716	40,591
Total Resources Expended	4	4,119,263	83,293	-	4,202,556	4,089,617
Incoming Resources/ (Resources Expended) before Investment Asset Disposals		95,413	(41,060)	-	54,353	202,467
Gains and (losses) on disposal of investment assets		(138)	-	-	(138)	-
Net Incoming Resources / (Resources Expended) before Revaluations		95,275	(41,060)	-	54,215	202,467
Gains and (losses) on revaluations of investment assets		19,466	-	-	19,466	-
Net Movement in funds		114,741	(41,060)	-	73,681	202,467
Reconciliation of funds						
Fund balances brought forward		1,526,946	2,949,698	38,401	4,515,045	4,312,578
Total funds carried forward		1,641,687	2,908,638	38,401	4,588,726	4,515,045

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.



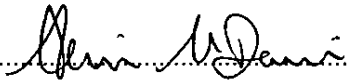
HARMENY EDUCATION TRUST LIMITED

BALANCE SHEET as at 31 March 2012

	Note	2012 £	2011 £
FIXED ASSETS			
Tangible assets	8	3,037,654	3,108,329
Investments	9	265,189	2
		<u>3,302,843</u>	<u>3,108,331</u>
CURRENT ASSETS			
Debtors	10	79,942	43,728
Cash at bank and in hand		<u>1,364,606</u>	<u>1,520,708</u>
		1,444,548	1,564,436
Creditors: amounts falling due within one year	11	<u>158,665</u>	<u>157,722</u>
TOTAL CURRENT ASSETS LESS CURRENT LIABILITIES		1,285,883	1,406,714
NET ASSETS	13	<u>4,588,726</u>	<u>4,515,045</u>
FUNDS			
Unrestricted - General Fund	12	1,491,274	1,376,533
- Designated Capital Development Fund	12	150,413	150,413
Restricted	12	2,908,638	2,949,698
Endowment		<u>38,401</u>	<u>38,401</u>
		<u>4,588,726</u>	<u>4,515,045</u>

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 28th August 2012.

Alison Davies O.B.E.  Chair

Company registration number SC162021



HARMENY EDUCATION TRUST LIMITED

CASHFLOW STATEMENT for the year to 31 March 2012

	2012 £	2011 £
Net Inflow from Operating Activities		
Net incoming resources	54,215	202,467
(Increase)/decrease in Debtors	(36,214)	1,535
Increase/(decrease) in Creditors	943	(29,904)
Depreciation	150,716	166,721
(Gain)/Loss on sale of fixed assets	(1,000)	(1,500)
	<u>168,660</u>	<u>339,319</u>
Capital Expenditure & Investment		
Payments to acquire fixed assets	(80,041)	(135,931)
Proceeds from Sale of fixed assets	1,000	1,500
Payments to acquire investments	(254,516)	-
Disposal of Investments	8,795	-
	<u>(324,762)</u>	<u>(134,431)</u>
(Decrease)/Increase in cash during year	<u>(156,102)</u>	<u>204,888</u>

Analysis of changes in net cash resources

	2011 £	Cashflow £	2012 £
Current Accounts	(12,373)	3,907	(8,466)
Deposit Accounts	1,532,281	(160,709)	1,371,572
Cash Balance	800	700	1,500
	<u>1,520,708</u>	<u>(156,102)</u>	<u>1,364,606</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 2012

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 2012.

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.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2012

Tangible Fixed Assets (cont)

Since incorporation all additions and improvements to land and buildings have been included at cost. 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.

Investments

Investments are stated at market value at the balance sheet date. The Statement of Financial Activities includes the net gains and losses on revaluation and disposals throughout the year.

3. INCOMING RESOURCES – Other Income

	Unrestricted	Restricted	Total 2012	Total 2011
	£	£	£	£
Learning & Development	68,970	-	68,970	12,040
Harmeny Outdoors	-	2,560	2,560	2,500
Other	8,817	-	8,817	15,693
	<u>77,787</u>	<u>2,560</u>	<u>80,347</u>	<u>30,233</u>



HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2012

4. ANALYSIS OF RESOURCES EXPENDED (see appendix for further details)

	Activities Undertaken Directly	Support Costs	Total	Total
	£	£	2012 £	2011 £
Cost of generating voluntary income	3,822	-	3,822	3,736
Charitable Activities	4,073,641	96,236	4,169,877	4,045,290
Governance Costs	24,716	-	24,716	40,591
Investment				
Management Fees	4,141	-	4,141	-
	<u>4,106,320</u>	<u>96,236</u>	<u>4,202,556</u>	<u>4,089,617</u>

5. STAFF COSTS

	Total 2012 £	Total 2011 £
Wages and salaries	2,949,492	2,815,225
Social security costs	258,456	251,560
Pension costs	282,345	279,080
	<u>3,490,293</u>	<u>3,345,865</u>

One employee received remuneration between £60,000 to £69,999 (2011 - one in range £60,000 to £69,999).

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

	Total 2012 Number	Total 2011 Number
Teaching staff	24	24
Care staff	87	82
Domestic staff	10	10
Administrative staff	7	7
Estate	3	3
	<u>131</u>	<u>126</u>
Number of staff in Pension Schemes	60	62
Number of staff earning over £50,000 in Pension scheme	4	4



HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2012

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. An actuarial valuation was carried out at 31st March 2005. The results of this valuation were rolled forward to give a liability of £21.97 billion at 31st March 2012.

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 31st March 2012

Rate of return (discount rate):	5.6%
Rate of return in excess of:	
Earnings increases:	0.7%
Price increases:	2.9%

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 30 September 2007. From October 2007, there were two benefit structures available, final salary with a 1/60th accrual rate and final salary with an 1/80th 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 three 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

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2012

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.

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. Confirmation of the contributions payable from 1 April 2012 to 3 March 2013 were advised to employers by email and letter in February 2012.

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 actuarial valuation as at 30 September 2011 is still in progress and has not yet been finalised, therefore this document must still refer to the 2008 valuation, being the last finalised valuation. The results of the 2011 valuation will be advised to employers in due course.

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 £3,854,236 (2011 - £2,380,000).

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 reimbursed to directors in the current or prior year. During the year fees of £2,869 (2011 £21,488) 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 (2011 £nil). Until last year, 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 2012

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 2012 £	Total 2011 £
Trustee Indemnity Insurance Premium	2,491	2,468
Audit fee	6,138	6,067
Depreciation	150,716	166,721
Gain on sale of fixed assets	(1,000)	(1,500)

8. TANGIBLE FIXED ASSETS

	Heritable Property £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost or Valuation				
Cost or value brought forward	3,664,518	565,115	181,579	4,411,212
Additions	49,460	30,581	-	80,041
Disposals	-	(12,478)	-	(12,478)
At 31 March 2012	3,713,978	583,218	181,579	4,478,775
Depreciation				
Brought forward	704,007	482,103	116,773	1,302,883
Charge for period	73,564	46,914	30,238	150,716
Eliminated on disposals	-	(12,478)	-	(12,478)
At 31 March 2012	777,571	516,539	147,011	1,441,121
Net book value				
At 31 March 2011	2,960,511	83,012	64,806	3,108,329
At 31 March 2012	2,936,407	66,679	34,568	3,037,654

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 £8,619,000 which is an estimate of replacement cost and which excludes 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 2012

9. FIXED ASSET INVESTMENTS

	Listed securities £	Shares in group undertakings £	Total £
Market value			
At 1 April 2011	-	2	2
Additions	254,516		254,516
Disposals	(8,795)	-	(8,795)
Revaluation of investments	<u>19,466</u>	-	<u>19,466</u>
At 31 March 2012	<u>265,187</u>	<u>2</u>	<u>265,189</u>

Subsidiary undertakings

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. The following were subsidiary undertakings of the company:

Name	Holding
Harmeny Services Ltd	100%

The aggregate of the share capital and reserves as at 31 March 2012 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(loss) £
Harmeny Services Ltd	<u>2</u>	<u>-</u>

Investments at market value comprise

	UK	Overseas	2012	2011
Listed investments	138,898	126,289	265,187	-
Group	<u>2</u>	<u>-</u>	<u>2</u>	<u>2</u>
Total market	<u>138,900</u>	<u>126,289</u>	<u>265,189</u>	<u>2</u>



HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2012

Material Investments

The following investments account for more than 5% of the charity's total investments at the year-end:

	2012 %	2011 %
Polar Cap Technology TST Plc	5	-
JP Morgan Asset Managers (UK)	6	-
Henderson Global Investors	5	-
HICL Infrastructure Co Ltd	5	-
Findlay Park	5	-
Treasury 2 ½% Stock 17/7.2024	5	-
Henderson Far East Inc Ltd	5	-
Mercantile Investment Trust	5	-

10. DEBTORS	Total 2012 £	Total 2011 £
Fees	72,658	28,863
Other Debtors	7,284	3,435
Prepayments and accrued income	-	11,430
	<u>79,942</u>	<u>43,728</u>

11. CREDITORS: amounts falling due within one year	Total 2012 £	Total 2011 £
Other taxes and social security	77,717	71,005
Trade creditors	56,685	60,512
Other creditors	5,351	5,270
Accruals & deferred income	11,955	14,004
Amount due to pension funds	6,955	6,929
Amounts due to subsidiary company	2	2
	<u>158,665</u>	<u>157,722</u>

12. MOVEMENT IN FUNDS

ANALYSIS OF UNRESTRICTED FUNDS

	General Fund £	Designated Capital Development Fund £	Total £
Balance of funds brought forward	1,376,533	150,413	1,526,946
Incoming resources	4,214,676	-	4,234,142
Investment gains	19,328	-	19,328
Outgoing resources	<u>(4,119,263)</u>	<u>-</u>	<u>(4,119,401)</u>
Balance at 31 March 2012	<u>1,491,274</u>	<u>150,413</u>	<u>1,641,687</u>

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2012

ANALYSIS OF RESTRICTED FUNDS

	New Building Capital Fund	Harmeny Outdoors Fund	Learning & Developmt Fund	Total
	£	£	£	£
Balance of funds brought forward	2,888,601	29,451	31,646	2,949,698
Incoming resources	39,587	2,646	-	42,233
Outgoing resources	(77,471)	(1,422)	(4,400)	(83,293)
Balance at 31 March 2012	<u>2,850,717</u>	<u>30,675</u>	<u>27,246</u>	<u>2,908,638</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.

Learning & Development Fund

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

13. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds	Restricted Funds	Permanent Endowment Funds	Total
	£	£	£	£
Fixed Assets	481,187	2,783,255	38,401	3,302,843
Net Assets	1,160,500	125,383	-	1,285,883
	<u>1,641,687</u>	<u>2,908,638</u>	<u>38,401</u>	<u>4,588,726</u>

14. CONTINGENT LIABILITIES

Harmeny 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 that the estimated employer debt which would have been payable if HETL had withdrawn from the SVSP Scheme as 30 September 2011 was £3,854,236.

