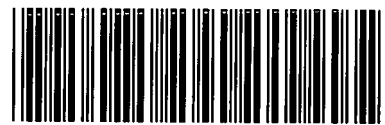


HARMENY EDUCATION TRUST LIMITED
(Limited by guarantee)

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

SATURDAY



S4ETITYI

SCT

29/08/2015

#286

COMPANIES HOUSE

Registration No. SC162021
Registered Charity Number SCO24256

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 - 24

HARMENY EDUCATION TRUST LIMITED

DIRECTORS

Margery Browning OBE
Graeme Dalziel
Alison Davies OBE (retired 26 January 2015)
Ian Forbes (appointed 30 March 2015)
William Keil (appointed 30 March 2015)
Louise Kelly
Joanne McMeeking
Jennifer Scott (appointed 30 March 2015)
Winifred Wood

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
Quatermile Two
2 Lister Square
EDINBURGH
EH3 9GL

BANKERS

The Royal Bank of Scotland plc
540a 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 2015. 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; and
- 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 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 principal 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.

Succession planning and the recruitment process of Trustees are very thorough and focus on required skill sets. An induction pack is provided for new Board members and an induction programme provided, which includes an overview of the operational and strategic elements of the organisation and meetings with key staff.

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

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

Margery Browning OBE
Graeme Dalziel
Alison Davies OBE (retired 26 January 2015)
Ian Forbes (appointed 30 March 2015)
William Keil (appointed 30 March 2015)
Louise Kelly
Joanne McMeeking
Jennifer Scott (appointed 30 March 2015)
Winifred Wood

The directors recognised the outstanding services, achievements and dedication of Alison Davies, who retired as non-executive Director in January 2015. During her 20 years of service to Harmeny, Alison served as a Director and Chair of the Board. Throughout her tenure, Alison used her professional expertise and personal qualities to support and challenge staff to ensure high quality services for children and their carers. Her leadership of the Board was conducted with great insight, discretion, quiet determination and respect for the views of others. Alison has played a vital role in enabling Harmeny to develop child care and education practices for the 21st century.

Having reviewed the skills sets of members, the Board identified areas which needed to be strengthened. We have been very fortunate to secure the services of three new directors in Ian Forbes, William Keil and Jennifer Scott who joined the Board on 30 March 2015. In addition to taking on directors' responsibilities for overall governance of Harmeny, the new directors will provide expertise in particular areas. With his background in architecture and business, Ian will be an excellent source of expertise on buildings and estate management. Bill's career as Legal Adviser and Director of Legal with one of Scotland's largest companies and a stint with a Scottish charity gives the Board a strong legal perspective. Recently retired as West Lothian Council's Head of Social Work Services and with a career in teaching, residential care and social work, Jennifer is ideally placed to give advice on professional practice and links with external agencies. 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. A proportion of 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 residential and day education, in Scotland, of children with additional support needs arising from social, emotional and behavioural difficulties.

There are three constituent functions within the company:-

- Harmeny School
- Harmeny Outdoors
- SQA Centre (Scottish Qualification Authority Centre)

Harmeny School

The school provides specialist education and care services on a day and all year round residential basis, for children of primary school age and up to Secondary 2 stage. As a Grant Aided Special School, we work with children who have complex social, emotional and behavioural needs. We provide services on both a national and regional basis, with children being referred by local authorities throughout the whole of Scotland. The school is registered with the Care Inspectorate for 32 residential places and also provides day places.

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 AALA (Adventure Activities Licensing Authority) is also offered to external groups.

SQA Centre

Harmeny's Scottish Qualifications Authority approved centre aims to offer training opportunities to staff and students in the education and care sectors in order 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

Harmeny School

Over the financial year to March 2015, Harmeny School continued to operate at very good capacity, with a constant flow of referrals and placements. The following are achievements of note:

- We continued to provide quality education and care services for children with complex social emotional behavioural needs, from primary through to early secondary age.
- The school achieved 'excellent' grades across all standards, within our two unannounced Care Inspections in November 2014 and March 2015. This means that Harmeny has now achieved 'excellent' over five consecutive care inspections, which is widely accepted as an outstanding achievement within the special residential education sector.
- The successful recruitment of a new Head of Education, Lee-Anne McAulay. Lee-Anne commenced at Harmeny in July 2014 and has led on a strategic review of our education services, with a range of recommendations being made in order to further build on the high quality education service provided.
- We made very good progress with Phase 2 of the Strategic Plan, with the following strategic objectives being achieved:
 - Completion and implementation of staffing reviews in relation to our Administrative, IT and Estate functions, resulting in more robust and sustainable support services.
 - Full implementation of our re-structured catering and domestic service.
 - Considerable progress in relation to our review of therapeutic approaches.
 - Completion of an Expressive Arts Review and Physical Education Review, with the creation of part time Music and PE teaching posts, and recruitment of a Volunteer Artist.
 - Achievement of the Eco School Green Flag Award.
 - Research into the extended delivery of Harmeny Outdoor Services to external groups.
 - Upgrading our Participation Policy and the development of a Participation Strategy.
- Our Community Garden Project continued to go from strength to strength with the infrastructure being completed in Year 2 of this externally funded initiative. Children continued to enjoy horticultural and environmental activities and members of the local and wider community attended workshops and provided much valued time and skills through regular volunteering.
- We recruited a Learning & Development Project Manager on an eighteen months fixed term contract. Good progress has been made to scope out our internal model for delivering learning and development to staff. In addition, our Induction and Leadership & Management training programmes have been enhanced.
- We launched our book, *"Recollections of Harmeny: The First Fifty Years"*, in September 2014. The event proved to be highly successful in generating increased awareness of the work of the school, as well as donations.

- We continued to improve the quality of our properties and estate, with improvements made to children's bedrooms, kitchen areas within the main house and also to our paths and roadways. We completed a major refurbishment of Harmeny Lodge, converting it into three designated areas for the following purposes: (i) self-contained family accommodation for family work; (ii) a base for our SQA Centre including a suite of training rooms; and (iii) two dedicated rooms for therapeutic work with children.

Fundraising Performance

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

During the year we gratefully received several donations towards the work of the school, including a £5,000 donation from an individual, following the publication of our recollections book. Harmeny also received a grant of £33,000 from the Scottish Government to employ a Researcher to support all of the Grant Aided Special Schools to prepare for the move to a new model of commissioning in 2017.

Fundraising continues in order to cover costs not met by either the Scottish Government Maintenance Grant or Local Authority fees and a Fundraising Consultant has been recruited, commencing June 2015 in order to generate income to help fund new initiatives.

FINANCIAL REVIEW

The year to 31st March 2015 has again been very successful despite the continued budgetary constraints experienced by Local Authorities. The average number of pupils attending the school exceeded expectations and expenditure was kept under strict control and efficiency savings continue to be made. This resulted in a net surplus of £413,419 for the year. The directors are satisfied with the results of the year and, recommend that the surplus be transferred to unrestricted reserves. The directors have been given assurances that the Scottish Government block maintenance grant will continue, with no uplift, at £1,087,673 for the year to 31st March 2016. Because the grant is frozen and increase in staffing cost are anticipated, the directors have decided to raise the schools fees by 4.2% for the year 2015-16.

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 current level of unrestricted general funds as at 31st March 2015 is £2,696,211. We have been assured that the Scottish Government maintenance grant will continue to be paid until 31st March 2016 but what the position will be thereafter is not known. Given the current pressure on resources available to the Government and to Scottish Local Authorities, the directors consider it prudent to maintain unrestricted reserves in excess of six months expenditure (currently estimated at £2,566,000). 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.

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 will be paid off in instalments until 2028 according to the latest recovery plan, as calculated by the scheme actuaries and ratified by the Pensions Regulator. The annual instalment will continue to increase by 3% per annum over the remaining 13 years recovery period.

The results of the last actuarial valuation at 30 September 2014 is expected to be published in December 2015. 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 passed on to those employers remaining in the scheme.

Closure of the scheme did not trigger a 'cessation event' on any employer and HETL is not be 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 for HETL. In addition, at 1 May 2014, HETL duly complied with its auto-enrolment obligations.

PLANS FOR FUTURE PERIODS

Our priorities for the coming year, in line with Phase 3 of our Strategic Plan, can be summarised as follows:

1. Further develop our participation policy and practice, ensuring that children and their families are involved as much as possible within current and future service provision.
2. Implement the key outcomes from our reviews of: (i) Assessment and Planning; and (ii) Transition and Throughcare, ensuring Getting it right for every child and Curriculum for Excellence are embedded within these processes.
3. Complete the strategic review of our education service and implement the key outcomes.
4. Begin the implementation of our Expressive Arts and PE Three Year Action Plans.
5. Continuously improve our childcare practice and therapeutic approaches, through the development of a therapeutic approaches model
6. Continuously improve the breadth and depth of the Curriculum, in meeting the individual needs of children.
7. Develop our staff Learning and Development provision across all teams and further expand the reach of our SQA Centre.
8. Develop an Influencing Strategy, incorporating a 'link officer' model with local authorities.
9. Enhance Volunteering across services to meet identified need.
10. Further develop our buildings and estate on a proportionate basis and reduce our impact on the environment.
11. Develop a five-year business strategy for our Harmony Outdoors Service, including the completion of a feasibility study into the development of a new Outdoor Base, incorporating science, arts and vocational spaces.

PUBLIC BENEFIT

Harmony 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 and grants are paid by the referring Local Authorities. The school has no private pupils.

The directors consider that Harmony 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. As well as the work we do with children attending the school, the facilities at Harmony are also made available to children from other schools and to adults and children from the local community and beyond for training purposes, leisure and volunteering. Fees are charged for access to certain facilities but these are aimed at cost recovery rather than profit.

Harmony Education Trust Ltd also provides training for social work, nursing and HND in Social Care students, providing practical placements within our care and education settings for students from the UK and abroad. In addition, the school offers training opportunities to external agencies and organisations.

As a leader in the field of care and education for children with complex Additional Support Needs, Harmeny actively contributes to improving the care and education of children in this sector by sharing experience and expertise within national working groups and through delivering presentations and workshops at national and international conferences.

VOLUNTEERS

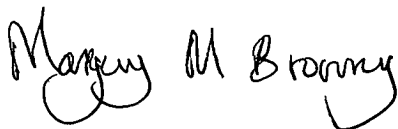
Over the year many individuals and organisations have volunteered their assistance including "Friends of Harmeny School Association" whose members and associates devote considerable time and effort to fundraising and other activities on behalf of Harmeny Education Trust Limited.

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

We have also 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 25th August 2015 and signed on its behalf by:

Margery Browning O.B.E.
Chair



Date: 25/8/2015

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 2015 on pages 12 to 24. 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 2015 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:

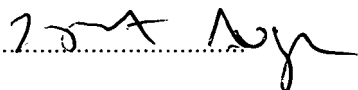
- the company has not kept proper and adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified 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:  2015

HARMENY EDUCATION TRUST LIMITED

STATEMENT OF FINANCIAL ACTIVITIES

(INCLUDING INCOME AND EXPENDITURE ACCOUNT) for the year to 31 March 2015

		Unrestricted Funds	Restricted Funds	Permanent Endowment Fund	Total 2015	Total 2014
	Notes	£	£	£	£	£
Incoming Resources						
Incoming Resources from generated funds						
Voluntary Income		-	8,997	-	8,997	50,524
Scottish Government Maintenance Grant		1,087,673	-	-	1,087,673	1,087,673
Scottish Government Capital Grant		-	20,600	-	20,600	20,600
GASS Researcher Grant		-	20,640	-	20,640	-
Investment Income		17,682	721	-	18,403	27,724
Incoming Resources from charitable activities						
Local Authority fees		3,890,074	-	-	3,890,074	3,754,121
Other income	3	108,776	2,167	-	110,943	77,647
Total Incoming Resources		5,104,205	53,125	-	5,157,330	5,018,289
Resources Expended						
Costs of generating funds						
Costs of generating Voluntary Income		3,284	-	-	3,284	3,898
Investment management expenses		4,388	-	-	4,388	2,212
Charitable activities		4,615,031	128,285	-	4,743,316	4,671,021
Governance costs		27,826	-	-	27,826	24,910
Total Resources Expended	4	4,650,529	128,285	-	4,778,814	4,702,041
Incoming Resources/ (Resources Expended) before Investment Asset Disposals		453,676	(75,160)	-	378,516	316,248
Gains and (losses) on disposal of investment assets		(3,014)	-	-	(3,014)	(369)
Net Incoming Resources / (Resources Expended) before Revaluations		450,662	(75,160)	-	375,502	315,879
Gains and (losses) on revaluations of investment assets		37,917	-	-	37,917	(995)
Net Movement in funds		488,579	(75,160)	-	413,419	314,884
Reconciliation of funds						
Fund balances brought forward		2,358,045	2,846,730	38,401	5,243,176	4,928,292
Total funds carried forward		2,846,624	2,771,570	38,401	5,656,595	5,243,176

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 - 24 form part of these financial statements.

HARMENY EDUCATION TRUST LIMITED

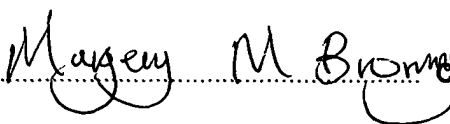
BALANCE SHEET as at 31 March 2015

	Note	2015 £	2014 £
FIXED ASSETS			
Tangible assets	8	3,483,621	3,248,942
Investments	9	441,970	400,732
		<u>3,925,591</u>	<u>3,649,674</u>
CURRENT ASSETS			
Stock		2,750	-
Debtors	10	136,862	183,532
Cash at bank and in hand		<u>1,782,573</u>	<u>1,574,157</u>
		1,922,185	1,757,689
Creditors: amounts falling due within one year	11	<u>191,181</u>	<u>164,187</u>
TOTAL CURRENT ASSETS LESS CURRENT LIABILITIES		1,731,004	1,593,502
NET ASSETS	13	<u>5,656,595</u>	<u>5,243,176</u>
FUNDS			
Unrestricted - General Fund	12	2,696,211	2,207,632
- Designated Capital Development Fund	12	150,413	150,413
Restricted	12	2,771,570	2,846,730
Endowment		<u>38,401</u>	<u>38,401</u>
		5,656,595	5,243,176
		<u>5,656,595</u>	<u>5,243,176</u>

The notes on pages 15 - 24 form part of these financial statements.

The financial statements on pages 12 – 24 were approved by the board of directors on 25th August 2015.

Margery Browning O.B.E.

 Chair

Company registration number SC162021

HARMENY EDUCATION TRUST LIMITED

CASHFLOW STATEMENT for the year to 31 March 2015

	2015 £	2014 £
Net Inflow from Operating Activities		
Net incoming resources	375,502	315,879
Decrease/(increase) in Debtors	43,920	(109,161)
Increase/(decrease) in Creditors	26,994	(123,265)
Depreciation	166,197	162,867
Loss on sale/disposal of fixed assets	-	283
	<u>612,613</u>	<u>246,603</u>
Capital Expenditure & Investment		
Payments to acquire fixed assets	(400,876)	(254,807)
Proceeds from Sale of fixed assets	-	200
Payments to acquire investments	(178,029)	(301,429)
Disposal of investments	174,708	196,177
	<u>404,197</u>	<u>359,859</u>
Increase/ (decrease) in cash during year	<u>208,416</u>	<u>(113,256)</u>

Analysis of changes in net cash resources

	2014 £	Cashflow £	2015 £
Current Accounts	(13,881)	14,137	256
Deposit Accounts	1,586,538	194,279	1,780,817
Cash Balance	1,500	-	1,500
	<u>1,574,157</u>	<u>208,416</u>	<u>1,782,573</u>

The notes on pages 15 – 24 form part of these financial statements.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year to 31 March 2015

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 2015.

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 2028. 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.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2015

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 2015	Total 2014
	£	£	£	£
Learning & Development	65,903	-	65,903	44,910
Harmeny Outdoors	-	258	258	1,490
Other	42,873	1,909	44,782	31,247
	<u>108,776</u>	<u>2,167</u>	<u>110,943</u>	<u>77,647</u>

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2015

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

	Activities Undertaken Directly	Support Costs	Total 2015 £	Total 2014 £
	£	£	£	£
Cost of generating voluntary income	3,284	-	3,284	3,898
Charitable Activities	4,643,084	100,232	4,743,316	4,671,021
Governance Costs	27,826	-	27,826	24,910
Investment Management Fees	4,388	-	4,388	2,212
	<u>4,678,582</u>	<u>100,232</u>	<u>4,778,814</u>	<u>4,702,041</u>

5. STAFF COSTS

	Total 2015 £	Total 2014 £
Wages and salaries	3,398,699	3,313,932
Social security costs	286,707	285,268
Pension costs	306,664	280,167
	<u>3,992,070</u>	<u>3,879,367</u>

One employee received remuneration between £70,000 to £79,999 (2014 - one in range £70,000 to £79,999).

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

	Total 2015 Number	Total 2014 Number
Teaching staff	35	30
Care staff	99	92
Domestic staff	9	9
Administrative staff	10	8
Estate	5	5
	<u>158</u>	<u>144</u>
Number of staff in Pension Schemes	119	57
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 2015**

PENSIONS

Teaching Staff - The Scottish Teachers Superannuation Scheme

Harmeny Education Trust Limited participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2012. The next valuation will be as at 31 March 2016 and this will set contribution rates from 1 April 2019.

Harmeny Education Trust Limited has no liability for other employers' obligations to the multi-employer scheme.

As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.

It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where Harmeny Education Trust Limited is unable to identify its share of the underlying assets and liabilities on the scheme.

The employer contribution rate from 1 April 2015 will be 14.9% of pensionable pay. This will increase to 17.2% from 1 September 2015. While the employee rate applied is a variable, it will provide an actuarial yield of 9.6% of pensionable pay.

At the last valuation a shortfall of £1.3 billion was identified in the notional fund which will be repaid by a supplementary rate of 4.5% of employers pension contributions for fifteen years from 1 April 2015. This contribution is included in the 17.2% employers contribution rate.

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 2011 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the 30 September 2011 was £66.2 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £28.8 million (equivalent to a past service funding level of 69.7%).

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2015

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

	% pa
- Rate of return pre retirement	5.8
- Rate of return post retirement	4.0
- Rate of salary increases	4.4
- Rate of pension increases:	
for pensionable service pre 5 April 2005	2.4
for pensionable service post 5 April 2005	1.9
- Rate of price inflation (CPI)	2.4

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.

From 1 April 2013 a new recovery plan came into effect, following the finalisation of the 2011 valuation. Confirmation of the contributions payable from 1 April 2014 to 31 March 2015 were advised to employers by letter in February 2014.

If the valuation assumptions are borne out in practice, this pattern of contributions should be sufficient to eliminate the entire funding shortfall, by 31 March 2028.

A copy of the recovery plan must be sent to The Pensions Regulator after each valuation is finalised. 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 2011 valuation has been submitted to The Pensions Regulator.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £81 million (from £73m at 30 September 2012) and indicated a decrease in the shortfall of assets compared to liabilities to approximately £34 million (from £36m at 30 September 2012), equivalent to a past service funding level of 71% (from 67.2% at 30 September 2012). The 30 September 2014 valuation process is underway and the results of this valuation, which is expected to be finalised by 31 December 2015, will be included in next year's disclosure note.

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 buy-out 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 30 September 2014. As of this date the estimated employer debt for Harmeny Education Trust Limited was £5,501,969 (2013 - £3,937,213).

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 Harmeny Education Trust Limited.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2015

TRANSACTIONS WITH TRUSTEES

Directors are not remunerated but expenses of £750 were reimbursed to two directors in the current year (2014 £674).

During the year, fees of £6,964 (2014 £6,444) were paid to Ian Forbes, Chartered Architect for professional services supplied to the company in respect of alterations to the Lodge. Mr Ian Forbes, who was appointed to the Board on 30 March 2015 is the owner of the firm.

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 2015 £	Total 2014 £
Trustee Indemnity Insurance Premium	1,800	1,710
Audit fee	6,079	5,880
Depreciation	166,197	162,867
Loss on sale of fixed assets	-	283

8. TANGIBLE FIXED ASSETS

	Heritable Property £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost or Valuation				
Cost or value brought forward	4,046,339	657,351	175,419	4,879,109
Additions	337,234	63,642	-	400,876
Disposals	-	(24,670)	-	(24,670)
At 31 March 2015	4,383,573	696,323	175,419	5,255,315
Depreciation				
Brought forward	933,606	565,067	131,494	1,630,167
Charge for period	86,904	57,331	21,962	166,197
Eliminated on disposals	-	(24,670)	-	(24,670)
At 31 March 2015	1,020,510	597,728	153,456	1,771,695
Net book value				
At 31 March 2014	3,112,733	92,284	43,925	3,248,942
At 31 March 2015	3,363,063	98,595	21,963	3,483,621

Save the Children Fund, which previously controlled Harmeny School, has been granted a Standard Security over the whole of the heritable property transferred to the company on 21 December 1995.

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2015

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 trustees instructed an independent valuation of the land and buildings by McCrae & McCrae Ltd, chartered surveyors, and at 31 March 2015, the open-market value for existing use of the site was £4,630,000.

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

9. FIXED ASSET INVESTMENTS

	Listed Securities	Other Investments	Shares in group undertakings	Total
Market Value	£		£	£
At 1 April 2014	393,396	7,334	2	400,732
Additions	87,907	90,122	-	178,029
Disposals	(82,731)	(91,977)	-	(174,708)
Revaluation of investments	37,917	-	-	37,917
At 31 March 2015	436,489	5,479	2	441,970

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 2015 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	2	-

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2015

Investments at market value comprise

	UK £	Overseas £	2015 £	2014 £
Listed Investment	283,600	152,889	436,489	393,396
Capital Account	5,479	-	5,479	7,334
Group	2	-	2	2
Total Market	289,081	152,889	441,970	400,732

Material Investments

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

	2015 %	2014 %
JP Morgan Asset Managers (UK)	6.7	6
Findlay Park	7.1	6
Mercantile Investment Trust	4.6	5
Rathbone Unit Trust MGMT Strategic	4.7	5
Alliance Trust Investments MI bond B	4.4	5
Neuberger Berman Short Duration High Yield Stock	4.4	5

10. DEBTORS

	Total 2015 £	Total 2014 £
Fees	106,786	166,016
Other Debtors	1,168	674
Prepayments and accrued income	28,908	16,842
	<u>136,862</u>	<u>183,532</u>

11. CREDITORS: amounts falling due within one year

	Total 2015 £	Total 2014 £
Other taxes and social security	77,658	83,088
Trade creditors	40,413	39,696
Other creditors	4,957	7,251
Accruals & deferred income	40,192	8,704
Amount due to pension funds	27,959	25,446
Amounts due to subsidiary company	2	2
	<u>191,181</u>	<u>164,187</u>

HARMENY EDUCATION TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2015

12. MOVEMENT IN FUNDS

ANALYSIS OF UNRESTRICTED FUNDS

	General Fund	Designated Capital Development Fund	Total
	£	£	£
Balance of funds brought forward	2,207,632	150,413	2,358,045
Incoming resources	5,104,205	-	5,104,205
Investment Surplus	34,903	-	34,903
Outgoing resources	(4,650,529)	-	(4,650,529)
Balance at 31 March 2015	2,696,211	150,413	2,846,624

ANALYSIS OF RESTRICTED FUNDS

	Balance of funds brought forward £	Incoming Resources £	Outgoing Resources £	Balance at 31 March 2015 £
New Building Capital Fund	2,748,299	30,454	(80,550)	2,698,203
Harmeny Outdoors Fund	31,070	503	(8,172)	23,401
Learning & Development Fund	21,925	-	(5,699)	16,226
Harmeny Community Gardens	21,274	1,492	(13,224)	9,542
The Janette Brown Trust for Children	24,162	36	-	24,198
GASS Researcher	-	20,640	(20,640)	0
Total	2,846,730	53,125	(128,285)	2,771,570

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 have been added to this fund.

Harmeny Outdoors Fund

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

Learning & Development Fund

The Learning & Development grant is being 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 2015

Harmeny Community Gardens

In the previous year, Harmeny succeeded in obtaining grants and donations to enable the development of Harmeny Community Gardens for the education and enjoyment of the children but also for the use of the local community.

The Janette Brown Trust for Children

The legacy bequeathed by the late Mrs Janette Brown is to be applied for the comfort and care, upbringing and education of children being in the care of Harmeny Education Trust Limited.

13. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment Funds £	Total £
Fixed Assets	1,273,553	2,613,637	38,401	3,925,591
Net Assets	1,573,071	157,933	-	1,731,004
	2,846,624	2,771,570	38,401	5,656,595

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 2014 was £5,501,969 (2013: £3,937,213).