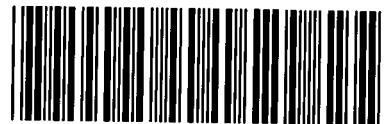


**HARMENY EDUCATION TRUST LIMITED**  
(Limited by guarantee)

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**Registration No. SC162021**  
**Registered Charity Number SC024256**

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## **HARMENY EDUCATION TRUST LIMITED**

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## **HARMENY EDUCATION TRUST LIMITED**

### **DIRECTORS**

Margery Browning OBE  
David Cathie (appointed 29 March 2016)  
Graeme Dalziel  
Ian Forbes  
William Keil  
Louise Kelly  
Joanne McMeeking  
Jennifer Scott  
Winifred Wood (resigned 29 March 2016)

### **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 2016. The financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

### **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 charitable company and of the incoming resources and application of resources, including the income and expenditure of the charitable 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 charitable 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 charitable 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 charitable 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 charitable 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 charitable company's auditor is aware of that information.

### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

Harmony Education Trust Limited (HETL) is a registered Scottish charity and 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 HETL 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 HETL's operation. Save The Children Fund has a right to appoint a director. The day-to-day running of HETL is managed by the Chief Executive and a team of senior managers.

Succession planning and the recruitment process of directors 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.

The remuneration of key management personnel is reviewed on an annual basis and is benchmarked against the pay-scales and increases set by the Scottish Joint Council for Local Government Employees.

## **HARMENY EDUCATION TRUST LIMITED**

### **DIRECTORS' REPORT (continued) (Incorporating the Trustees' Annual Report)**

The directors, none of whom has a beneficial interest in Harmeny Education Trust Limited (HETL), are:

Margery Browning OBE  
David Cathie (appointed 29 March 2016)  
Graeme Dalziel  
Ian Forbes  
William Keil  
Louise Kelly  
Joanne McMeeking  
Jennifer Scott  
Winifred Wood (resigned 29 March 2016)

The Board has continued to review the blend of skills and experience relevant to the services of HETL and identified the need to further enhance our knowledge-base in the area of fundraising. We were therefore pleased to secure the services of David Cathie, who joined the Board as a director on 29 March 2016. David brings a wealth of business experience, having worked for many years within the finance sector, as well as having significant fundraising experience within the children's charity sector.

The directors recognised the valuable contribution made by Winifred (Win) Wood, who resigned as non-executive director in March 2016. During her time on the Board, Win has provided considerable expertise in the area of strategic commissioning, curricular development and professional practice, and we are extremely grateful for her insight, commitment and encouragement over her three years as director.

### **RISK MANAGEMENT**

The directors give high priority to evaluating the risks to which HETL is exposed and ensuring that there are effective systems in place to mitigate those risks. HETL's risk register is reviewed by the Board annually or as high priority risks emerge.

The Board has conducted its annual review of the major risks to which HETL is exposed along with the associated actions, procedures and contingency plans put in place to mitigate those risks and is satisfied with the management of those risks.

The key risks, as assessed by the directors, are related to the withdrawal of Scottish Government funding, sustained falls in referrals from Local Authorities and the pension scheme risk associated with being a member of a "last man standing" scheme which has a significant deficit.

The Board mitigates these risks by maintaining a good working relationship with Local Authorities and benchmarking their fees against competitors to reduce reliance on Scottish Government funding to assist with term-time operational expenditure. In addition, HETL aims to hold within unrestricted reserves a minimum of 9 months expenditure to cover any unforeseen reduction in revenues.

The company secretary is a member of the pension scheme's Employer Consultative Group which provides access to the details of methods and assumptions used for the actuarial valuation in addition to the current strategy and plans for the management of the pension scheme deficit.

## **HARMENY EDUCATION TRUST LIMITED**

### **DIRECTORS' REPORT (continued) (Incorporating the Trustees' Annual Report)**

#### **OBJECTIVES AND ACTIVITIES**

Harmeny Education Trust Limited (HETL) was incorporated on 6 December 1995 and is a registered Scottish charity. The assets and liabilities of its predecessor organisation, Harmeny School, were transferred to the charitable on 21 December 1995.

The charitable company 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 HETL 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 HETL:-

- 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 School. This service, which is fully accredited and licenced by the Adventure Activities Licensing Authority (AALA), is also offered to external groups.

#### **SQA Centre**

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

#### **Strategic Plan and Performance Management**

HETL has a five year Strategic Business Plan which covers the period August 2012 – July 2017.

As part of this plan the directors have set a number of priorities and objectives to achieve the overarching strategic aims that HETL will sustain its core services, will be renowned for its therapeutic care and education approaches, will have developed new community-based and residential services and will be influencing policy and practice nationally, thus helping even more disadvantaged children reach their full potential.

A regular review of activities detailed in the business plan is carried out by the directors and management team to measure the success of HETL in achieving its set objectives.

## HARMENY EDUCATION TRUST LIMITED

### DIRECTORS' REPORT (continued) (Incorporating the Trustees' Annual Report)

Overall measurement of the performance of the school is assessed by way of reports resulting from external reviews carried out by the Care Inspectorate and Education Scotland. The activities delivered by Harmeny Outdoors are inspected every two years by the Adventure Activities Licensing Authority (AALA). The SQA Centre performance is assessed by the Scottish Qualifications Authority through regular external verification audits.

### REVIEW OF SIGNIFICANT ACHIEVEMENTS AND PERFORMANCE

#### Harmeny School

Over the financial year to March 2016, Harmeny School continued to operate at good capacity, although in the last five months of the year we noted a slowdown in referrals to our residential education service. From discussions with local authorities, this would appear to be due to the ongoing impact of austerity on local authority budgets. The Business Group and the Board are monitoring the pupil flow closely. The management team are also being proactive in communicating and marketing our residential and education services to senior managers, social workers and educational psychologists within local authorities.

The following are achievements of note:

- We continued to provide quality education and care services for children with complex social, emotional and behavioural needs, from primary through to early secondary age.
- The school achieved 'excellent' grades across all standards within our unannounced care inspection in March 2016, meaning Harmeny has now achieved 'excellent' over **six** consecutive care inspections. The inspection report states, "***Harmeny continues to be sector leading in its field of expertise***" (Care Inspectorate Report, 31 March 2016).
- A positive inspection of Harmeny Outdoors was carried out in March 2016 by Adventure Activities Licensing Authority (AALA ). In particular, our cycling and bike maintenance programmes were highlighted as an area of good practice, as the following quote demonstrates: "***The inspector was impressed by the inclusive and imaginative approach to using all aspects of cycling to engage the students and teach both bike and life skills.***" (AALA Inspection Report, 15 March 2016).
- We completed the strategic review of our education service and implemented the outcomes, which included the establishment of a more robust management structure, commencement of a 'social-educator' pilot, development of a 'progressive expedition' programme, and improvements to the school curriculum and structure of the school day.
- We made significant progress on Phase 3 of the Strategic Plan, achieving the following strategic objectives :
  - Completion of our whole Trust staffing review.
  - Conclusion of our Assessment & Planning Review, resulting in the secondment of a residential manager to further develop our assessment and planning processes in line with GIRFEC and Curriculum for Excellence.
  - Considerable progress in relation to our review of therapeutic approaches and the commencement of a Harmeny Practice and Approaches Manual.
  - Conclusion of our Transition and Throughcare Review.
  - Starting a review into our Religious Moral Education programme.

## **HARMENY EDUCATION TRUST LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **(Incorporating the Trustees' Annual Report)**

- Progress was made in relation to scoping out our internal model for delivering learning and development to staff, with the development of a more comprehensive induction programme, enhancements made to our training database, new courses developed, and quality assurance systems improved.
- The Board of directors offered the Chief Executive a period of study leave and in May 2015, he attended a week-long 'Executive Leadership Course' at Berkeley University, followed by a week of visiting care and education establishments in California. The learning gained from this experience has greatly contributed to the on-going process of developing a leadership model and therapeutic approaches framework within Harmeny Education Trust Limited (HETL).
- We continued to improve the quality of our properties and estate, through a phased programme, including the full refurbishment of children's bedrooms, and the completion of a feasibility study into the uses of HETL's buildings and spaces.

### **SQA Centre**

Our SQA Centre continued to develop positively, with an increased number of HETL and external candidates completing management, HNC and SVQ awards; continuing work with the independent private school sector; installation of 'Moodle' e-learning system to enable distance learning; approval of the Student Award Agency for Scotland (SAAS) Awards Scheme; and positive systems verification inspections by the Scottish Qualifications Authority.

### **Fundraising Performance**

Grants and donations are included as donations and legacies income, as disclosed in the Statement of Financial Activities (SOFA).

During the year we received several donations towards the work of the school from individuals and organisations within the local and wider community. These included a donation of £1,000 from A M Pilkington Charitable Trust, to whom we are indebted for their ongoing support, and £2,000 from Caledonian Masonic Lodge No 292. We are also very appreciative of the continued financial support of a number of local individuals and organisations, including Balerno Parish Church, Currie & Balerno Round Table, Balerno Music Festival, Currie & Balerno News, Bill and Margaret Black and Balerno Children's Gala.

The Scottish Government agreed to fund the extension of the Grant Aided Special Schools Researcher post for a further six months, to 31 March 2016. HETL therefore received a further grant of £19,250 to enable the continued employment of this post, the focus of which has been to work with all of the Grant Aided Special Schools to prepare for the move to a new model of commissioning in 2017.

Fundraising activities were further developed, in order to cover costs not met by either the Scottish Government Maintenance Grant or local authority fees. A fundraising consultant was recruited, commencing June 2015, in order to generate income to enhance our core service and fund new initiatives. As well as securing donations through several Trusts and individual donations, the fundraising consultant is assisting with the development of a fundraising strategy. Donations gratefully received included £1,000 from Nairn's Oatcakes, £1,000 from the John Kirkhope Young Endowment Fund, £1,500 from the Anna Younger Charitable Trust and £4,500 from Edinburgh Airport Community Fund.

## **HARMENY EDUCATION TRUST LIMITED**

### **DIRECTORS' REPORT (continued) (Incorporating the Trustees' Annual Report)**

#### **FINANCIAL REVIEW**

The year to 31 March 2016 was operationally satisfactory despite the continued budgetary constraints experienced by Local Authorities. The average number of pupils attending the school was slightly below budget and expenditure was kept under strict control with further identified efficiency savings made.

Harmeny Education Trust Limited (HETL) made a net deficit for the year of £71,417 after accounting for the increase in the provision of pension liability of £237,000. At the year end the net funds of HETL were £5,842,712.

HETL has two pension schemes in operation, one for teachers and a second scheme for all other staff members. At 31 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 2029 in accordance with 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 and the associated Rescue Plan were 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 is a multi-employer defined benefit scheme operating 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 deemed to have withdrawn from the scheme. As a consequence, there is no immediate debt on withdrawal.

A new scheme was provided for non-teaching staff with effect from 01 April 2010. The scheme is a defined contribution scheme which will accumulate no further risk for HETL. In addition, since 01 May 2014, HETL continues to comply with its auto-enrolment obligations.

During the year, HETL implemented a new accounting standard FRS 102 and prepared its accounts under the new Charities SORP (FRS 102). As a result of this restatements were required to the prior year results and balances at the date of transition to the new standard on 1 April 2014.

Under FRS 102, HETL is required to recognise a pension liability in respect of the amounts payable to its non-teaching staff multi-employer defined benefit pension scheme as part of a deficit funding arrangement. Further details of this are included in note 5 to the financial statements. At 31 March 2016, the liability recorded within the financial statements is £1,463,000 (2015 - £1,226,000).

In order to mitigate the effect of the recognition of the pension scheme liability, HETL has taken advantage of one of the transition options available under FRS 102 to make a one-off uplift in the carrying value of its property as deemed cost at the date of transition. The Board commissioned a professional valuation of the Trust's properties and land to obtain evidence of the fair value of the assets. The Valuation Report was compiled by Messrs McCrae & McCrae Ltd and resulted in an uplift in the carrying value of the property to £4,630,000.

## **HARMENY EDUCATION TRUST LIMITED**

### **DIRECTORS' REPORT (continued) (Incorporating the Trustees' Annual Report)**

The net surplus of £413,419 reported in last year's Statement of Financial Activities has decreased and been restated to £339,686 with the net funds of HETL at 31 March 2015 increasing by £257,534 to £5,914,129 as a result of the prior year restatements.

Further analysis of the effect of the transition to FRS 102 and Charities SORP (FRS 102) is included within note 2 to the financial statements.

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 31 March 2017. Because the grant is frozen and increases in staffing cost are anticipated, the directors have decided to raise the school fees by 3% for the year 2016-17.

The directors have reviewed the reserves of HETL 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 31 March 2016 is £2,974,139. We have been assured that the Scottish Government maintenance grant will continue to be paid until 31 March 2017 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 build up unrestricted reserves in the foreseeable future to a level equivalent to nine months expenditure (currently estimated at £3,700,000).

### **GOING CONCERN**

After making appropriate enquiries, the directors have a reasonable expectation that HETL has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

### **INVESTMENTS**

HETL has an investment portfolio which is managed by Rathbones Investment Management.

The portfolio is managed at a medium risk level. In practice, this means that there is a spread of equity and pooled funds covering various markets, sectors and asset classes subject to certain restrictions that the Board have placed on the investment managers.

During the year, the value of investments held decreased from £441,970 in 2015 to £433,573 at 31 March 2016.

The net amount received from the fund during the year was £9,734 (2015 - £10,368) and there was a loss on revaluation of investments at the year end of £10,045 (2015 – gain of £37,917).

All investment income received is re-invested in the portfolio to maximise future growth.

The Board receives regular reports from the investment managers and are satisfied with the performance of the portfolio during 2015-16 taking into account the general performance of the market.

## **HARMENY EDUCATION TRUST LIMITED**

### **DIRECTORS' REPORT (continued) (Incorporating the Trustees' Annual Report)**

#### **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. Through meetings with local authorities and Scottish Government, determine the on-going need for HETL's core services, and create opportunities to develop appropriate additional services.
2. Identify the appropriate management and support roles to support the development of enhanced and new services.
3. Develop a Marketing and Communications Strategy and Fundraising Plan, to support organisational growth.
4. Continuously improve our childcare and educational practices and therapeutic approaches, through the development of a Harmeny Practices & Approaches Manual.
5. Develop an enhanced model of working with children's families through a 'Systemic Practice' pilot.
6. Further build our Curriculum, based on inter-disciplinary and experiential approaches to learning.
7. Continue to build Expressive Arts as an integral part of our Curriculum, including the development of improved facilities to deliver programmes.
8. Complete the review of our Religious Moral Education programme.
9. Develop a combined Workforce Development Plan, including the consolidation of resources within our SQA Centre and Learning and Development team.
10. Complete an Estate Strategy, sustainably developing our buildings and spaces on a proportionate basis, and reducing our impact on the environment.
11. Complete a Business Plan for Harmeny Outdoors, including consideration of facilities and resources in order to enhance the delivery of the services both internally and externally.

#### **PUBLIC BENEFIT**

Harmeny Education Trust Limited (HETL) 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 HETL 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 on-site facilities 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.

## **HARMENY EDUCATION TRUST LIMITED**

### **DIRECTORS' REPORT (continued) (Incorporating the Trustees' Annual Report)**

HETL 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, HETL 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.

### **DISCLOSURE OF INFORMATION TO AUDITOR**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the charitable company's auditors are unaware, and
- that director has taken all steps that ought to have been taken as a director in order to be aware of any information needed by the charitable company's auditors in connection with preparing their report and to establish that the charitable company's auditors are aware of that information.

### **AUDITORS**

The auditors, French Duncan LLP, have indicated their willingness to continue in office. The directors will propose a motion re-appointing the auditors at the charity's AGM.

Approved by the Board of directors of Harmeny Education Trust Limited on 30 August 2016 and signed on its behalf by:

**Margery Browning O.B.E.**  
Chair



**Date:** ...30/8/16...

## **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 2016 on pages 15 - 31. 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.

**HARMENY EDUCATION TRUST LIMITED**

**INDEPENDENT AUDITOR'S REPORT (continued)**  
**to the directors and members of Harmeny Education Trust Limited**

**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 2016 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**

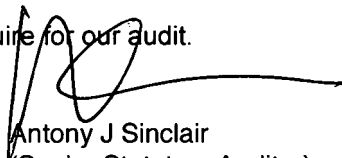
In our opinion the information given in the Trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**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

  
Antony J Sinclair  
(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: 30/08/2016

# HARMENY EDUCATION TRUST LIMITED

## STATEMENT OF FINANCIAL ACTIVITIES

(INCLUDING INCOME AND EXPENDITURE ACCOUNT) for the year to 31 March 2016

|                                                      |   | Unrestricted<br>Funds | Restricted<br>Funds | Permanent<br>Endowment<br>Fund | Total<br>2016    | As Restated<br>Total<br>2015 |
|------------------------------------------------------|---|-----------------------|---------------------|--------------------------------|------------------|------------------------------|
| Notes                                                | £ | £                     | £                   | £                              | £                | £                            |
| <b>Income and endowments from:</b>                   |   |                       |                     |                                |                  |                              |
| Donations and legacies                               |   |                       |                     |                                |                  |                              |
| Scottish Government:                                 |   |                       |                     |                                |                  |                              |
| Maintenance Grant                                    |   | 1,087,673             | -                   | -                              | 1,087,673        | 1,087,673                    |
| Capital Grant                                        |   | -                     | 20,600              | -                              | 20,600           | 20,600                       |
| GASS Researcher Grant                                |   | -                     | 29,567              | -                              | 29,567           | 20,640                       |
| Other donations and legacies                         |   | -                     | 15,636              | -                              | 15,636           | 8,997                        |
| Charitable activities                                |   |                       |                     |                                |                  |                              |
| Local Authority fees                                 |   | 3,844,637             | -                   | -                              | 3,844,637        | 3,890,074                    |
| Other income                                         | 3 | 110,711               | 2,633               | -                              | 113,344          | 110,943                      |
| Investments                                          |   | 16,375                | 564                 | -                              | 16,939           | 18,403                       |
| <b>Total Income</b>                                  |   | <b>5,059,396</b>      | <b>69,000</b>       | <b>-</b>                       | <b>5,128,396</b> | <b>5,157,330</b>             |
| <b>Expenditure on:</b>                               |   |                       |                     |                                |                  |                              |
| Raising funds                                        |   | 12,422                | 10,982              | -                              | 23,404           | 7,672                        |
| Charitable activities                                |   | 4,788,867             | 136,674             | -                              | 4,925,541        | 4,804,875                    |
| <b>Total Expenditure</b>                             | 4 | <b>4,801,289</b>      | <b>147,656</b>      | <b>-</b>                       | <b>4,948,945</b> | <b>4,812,547</b>             |
| Net (losses) / gains on investments                  |   | (13,868)              | -                   | -                              | (13,868)         | 34,903                       |
| <b>Net Income / (expenditure)</b>                    |   | <b>244,239</b>        | <b>(78,656)</b>     | <b>-</b>                       | <b>165,583</b>   | <b>379,686</b>               |
| <b>Other recognised gains / (losses):</b>            |   |                       |                     |                                |                  |                              |
| Actuarial (losses) on defined benefit pension scheme | 5 | (237,000)             | -                   | -                              | (237,000)        | (40,000)                     |
| <b>Net Movement in funds</b>                         |   | <b>7,239</b>          | <b>(78,656)</b>     | <b>-</b>                       | <b>(71,417)</b>  | <b>339,686</b>               |
| <b>Reconciliation of funds:</b>                      |   |                       |                     |                                |                  |                              |
| Total fund balances brought forward (as restated)    |   | 3,110,890             | 2,764,838           | 38,401                         | 5,914,129        | 5,574,443                    |
| <b>Total funds carried forward</b>                   |   | <b>3,118,129</b>      | <b>2,686,182</b>    | <b>38,401</b>                  | <b>5,842,712</b> | <b>5,914,129</b>             |

### 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 18 - 31 form part of these financial statements.

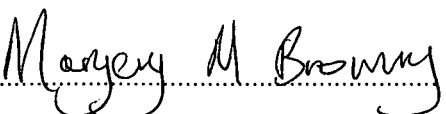
# HARMENY EDUCATION TRUST LIMITED

## BALANCE SHEET as at 31 March 2016

|                                                | Note | 2016<br>£          | As Restated<br>2015<br>£ |
|------------------------------------------------|------|--------------------|--------------------------|
| <b>FIXED ASSETS</b>                            |      |                    |                          |
| Tangible assets                                | 8    | 4,890,552          | 4,907,543                |
| Investments                                    | 9    | 433,573            | 441,970                  |
|                                                |      | <u>5,324,125</u>   | <u>5,412,513</u>         |
| <b>CURRENT ASSETS</b>                          |      |                    |                          |
| Debtors                                        | 10   | 243,975            | 139,612                  |
| Cash at bank and in hand                       |      | <u>1,938,933</u>   | <u>1,782,573</u>         |
|                                                |      | 2,182,908          | 1,922,185                |
| <b>LIABILITIES</b>                             |      |                    |                          |
| Creditors: amounts falling due within one year | 11   | <u>201,321</u>     | <u>194,569</u>           |
| <b>NET CURRENT ASSETS</b>                      |      | <u>1,981,587</u>   | <u>1,727,616</u>         |
| <b>NET ASSETS EXCLUDING PENSION LIABILITY</b>  |      | 7,305,712          | 7,140,129                |
| Defined benefit pension scheme liability       | 5    | <u>(1,463,000)</u> | <u>(1,226,000)</u>       |
| <b>TOTAL NET ASSETS</b>                        | 13   | <u>5,842,712</u>   | <u>5,914,129</u>         |
| <b>FUNDS</b>                                   |      |                    |                          |
| Unrestricted - General Fund                    | 12   | 2,974,139          | 2,699,555                |
| - Designated Capital Development Fund          | 12   | 150,413            | 150,413                  |
| - SVSPS Pension Scheme Deficit                 | 12   | (1,463,000)        | (1,226,000)              |
| - Revaluation Reserve                          | 12   | 1,456,577          | 1,486,922                |
| Restricted Funds                               | 12   | 2,686,182          | 2,764,838                |
| Endowment                                      |      | <u>38,401</u>      | <u>38,401</u>            |
|                                                |      | <u>5,842,712</u>   | <u>5,914,129</u>         |

The notes on pages 18 - 31 form part of these financial statements.

The financial statements on pages 15 – 31 were approved by the Board of directors on 30 August 2016.

Margery Browning O.B.E.  Chair

Company registration number SC162021

# HARMENY EDUCATION TRUST LIMITED

## STATEMENT OF CASH FLOWS for the year to 31 March 2016

|                                                                                    | 2016<br>£        | As<br>Restated<br>2015<br>£ |
|------------------------------------------------------------------------------------|------------------|-----------------------------|
| <b>Cash flows from operating activities:</b>                                       |                  |                             |
| Net income for the reporting period (as per the Statement of Financial Activities) | 165,583          | 379,686                     |
| (Increase)/decrease in debtors                                                     | (104,363)        | 43,920                      |
| Increase in creditors                                                              | 6,752            | 30,383                      |
| (Gains) / losses on investments                                                    | 13,868           | (34,903)                    |
| Dividends and interest from investments                                            | (16,939)         | (18,403)                    |
| Depreciation charges                                                               | 212,096          | 196,542                     |
| <b>Net cash provided by operating activities</b>                                   | <b>276,997</b>   | <b>597,225</b>              |
| <b>Cash flows from investing activities:</b>                                       |                  |                             |
| Purchase of property, plant and equipment                                          | (132,105)        | (400,877)                   |
| Purchase of investments                                                            | (219,174)        | (178,029)                   |
| Proceeds from sale of investments                                                  | 213,703          | 171,694                     |
| Dividends and interest from investments                                            | 16,939           | 18,403                      |
| <b>Net cash used in investing activities</b>                                       | <b>(120,637)</b> | <b>(388,809)</b>            |
| Change in cash and cash equivalents in the reporting period                        | 156,360          | 208,416                     |
| Cash and cash equivalents at the beginning of the reporting period                 | 1,782,573        | 1,574,157                   |
| <b>Cash and cash equivalents at the end of the reporting period</b>                | <b>1,938,933</b> | <b>1,782,573</b>            |

## Analysis of cash and cash equivalents

|                                        | 2016<br>£        | 2015<br>£        |
|----------------------------------------|------------------|------------------|
| Cash in hand                           | 779,287          | 627,958          |
| Notice deposits                        | 1,159,646        | 1,154,615        |
| <b>Total cash and cash equivalents</b> | <b>1,938,933</b> | <b>1,782,573</b> |

# HARMENY EDUCATION TRUST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the year to 31 March 2016

### 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 SC024256. The financial statements cover the year to 31 March 2016.

### 2. ACCOUNTING POLICIES

#### Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 01 January 2015) - (Charities SORP (FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Harmeny Education Trust Limited meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

#### 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.

#### Transition to FRS 102 and reconciliation with previous Generally Accepted Accounting Practice

This is the first year the charity has presented its results under FRS 102 and the Charities SORP (FRS 102). The last financial statements under previous UK GAAP were for the year ended 31 March 2015. The date of transition to FRS 102 and Charities SORP (FRS 102) is 01 April 2014.

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 the restatement of comparative items was required.

At the date of transition the following restatements were required:

- (i) In applying the requirement to recognise liabilities arising from employee benefits, a liability was recognised for short term compensated absence arising from employee entitlement to paid annual leave. The initial liability recognised at the date of transition was for the holiday entitlement arising in the year which was due but not taken.
- (ii) The charity has taken advantage of the transitional provision detailed in FRS 102 to recognise the fair value of its heritable properties as its deemed cost at the date of transition. The depreciation charge for the year ended 31 March 2015 was restated to take account of the uplift in the carrying value of heritable properties. In addition, a transfer was made from the revaluation reserve created by the uplift in carrying value to the general fund in respect of the additional depreciation charges made.
- (iii) In applying the requirement to recognise liabilities arising from an agreement to fund the deficit with its multi-employer defined benefit plan, a liability has been recognised measured at the present value of the contributions payable at the date of transition.

#### Reconciliation of funds:

|                                                                                                            | 1 April<br>2014<br>£    | 31 March<br>2015<br>£   |
|------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Fund balances as previously stated                                                                         | 5,243,176               | 5,656,595               |
| Short term compensated absences                                                                            | -                       | (3,388)                 |
| Revaluation of heritable properties as deemed cost (note 8)                                                | 1,517,267               | 1,517,267               |
| Additional depreciation charged on uplift of heritable property carrying value (note 8)                    | -                       | (30,345)                |
| Present value of deficit funding agreement contributions payable to multi-employer pension scheme (note 5) | <u>(1,186,000)</u>      | <u>(1,226,000)</u>      |
| <b>Fund balances as restated</b>                                                                           | <b><u>5,574,443</u></b> | <b><u>5,914,129</u></b> |

## HARMENY EDUCATION TRUST LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2016

#### Reconciliation of reported net income (expenditure):

|                                                                                                                   | Year ended<br>31 March<br>2015<br>£ |
|-------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| Net income as previously stated                                                                                   | 413,419                             |
| Short term compensated absences                                                                                   | (3,388)                             |
| Additional depreciation charged on uplift of heritable property carrying value                                    | (30,345)                            |
| Movement in the present value of deficit funding agreement contributions payable to multi-employer pension scheme | <u>(40,000)</u>                     |
| <b>Net income restated</b>                                                                                        | <b><u>339,686</u></b>               |

All restatements were in respect of unrestricted funds.

#### 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.

#### Donations

Donations are recognised on a cash basis. Donations for purposes restricted by the wishes of the donor are taken to Restricted Funds.

#### Investment income

Income from investments is recognised in the Statement of Financial Affairs (SOFA) in the year in which it is receivable.

#### Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the Bank.

#### Expenditure

All expenditure is included on an accruals basis and is recognised when there is a legal or constructive obligation to pay for the charity as opposed to those costs associated with fundraising or charitable activity. Harmeny Education Trust Limited is not registered for VAT and accordingly expenditure is shown including irrecoverable VAT.

#### 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.

#### 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.

## **HARMENY EDUCATION TRUST LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)** **for the year to 31 March 2016**

#### **Donated services and facilities**

Donated services and facilities are recognised as income when Harmeny Education Trust Limited (HETL) has control over the item, any condition associated with the donated item have been met; the receipt of economic benefit from the use by HETL of the item is probable and that economic benefit can be measured reliably. In accordance with the Charities SORP (FRS 102), volunteer time is not recognised. Their contribution is however highlighted in the Trustees' Report.

On receipt, donated services and facilities are recognised on the basis of the value of the gift to HETL which is the amount HETL would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

#### **Employee benefits**

Short term employee benefits, including holiday pay are recognised as an expense in the period in which they are incurred.

Termination benefits are accounted for on an accrual basis and in line with FRS 102.

#### **Pension Schemes**

Harmeny Education Trust Limited (HETL) contributes to the Scottish Teachers' Superannuation Scheme at rates set by the Scheme Actuary and advised to the Board by the Scheme Administrator.

HETL also contributes to a multi-employer scheme for non-teaching staff.

In respect of both of these pension schemes it is not possible for HETL to obtain sufficient information to enable it to account for the schemes as defined benefit schemes therefore they are treated for accounting purposes as defined contribution schemes.

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 2029. Payments towards the deficit are included in the Statement of Financial Affairs (SOFA).

In accordance with FRS 102, the charity makes provision within the financial statements of the present value of the deficit reduction contributions payable under this agreement.

#### **Tangible Fixed Assets**

On incorporation, Harmeny Education Trust Limited (HETL) was gifted the land and existing property at Harmeny School 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.

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

Tangible assets costing more than £500 are capitalised.

#### **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.

#### **Investments**

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

#### **Stock**

Stock is included at the lower of cost or net realisable value.

## HARMENY EDUCATION TRUST LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2016

#### Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discounts offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

#### Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

#### Creditors and provisions

Creditors and provisions are recognised when the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discount due.

#### Financial instruments

Harmony Education Trust Limited only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

#### Unrestricted funds

Unrestricted funds comprise the income from charitable activities of Harmony Education Trust Limited (HETL) 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 HETL.

#### 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 Harmony Education Trust Limited on the date of incorporation in December 1995.

#### Accounting judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions in the reported assets, liabilities, income and expenditure and the disclosures made in the financial statements. Estimates, assumptions and judgements are continually evaluated and are based on historic experience and other factors including expectations of future events that are believed to be reasonable.

### 3. INCOMING RESOURCES – Other Income

|                        | Unrestricted   | Restricted   | Total<br>2016  | Total<br>2015  |
|------------------------|----------------|--------------|----------------|----------------|
|                        | £              | £            | £              | £              |
| Learning & Development | 73,344         | -            | 73,344         | 65,903         |
| Harmony Outdoors       | -              | 2,175        | 2,175          | 258            |
| Other                  | 37,367         | 458          | 37,825         | 44,782         |
|                        | <u>110,711</u> | <u>2,633</u> | <u>113,344</u> | <u>110,943</u> |

## HARMENY EDUCATION TRUST LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2016

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

|                                        | Activities<br>Undertaken<br>Directly | Support Costs  | Total            | As<br>Restated<br>Total |
|----------------------------------------|--------------------------------------|----------------|------------------|-------------------------|
|                                        | £                                    | £              | 2016<br>£        | 2015<br>£               |
| <b>Costs of raising funds:</b>         |                                      |                |                  |                         |
| Cost of generating voluntary income    | 19,141                               | -              | 19,141           | 3,284                   |
| Investment management fees             | 4,263                                | -              | 4,263            | 4,388                   |
| <b>Total</b>                           | <b>23,404</b>                        | <b>-</b>       | <b>23,404</b>    | <b>7,672</b>            |
| <b>Costs of charitable activities:</b> |                                      |                |                  |                         |
| Harmeny School                         | 4,784,037                            | 107,532        | 4,891,569        | 4,777,049               |
| Governance Costs                       | -                                    | 33,972         | 33,972           | 27,826                  |
| <b>Total</b>                           | <b>4,784,037</b>                     | <b>141,504</b> | <b>4,925,541</b> | <b>4,804,875</b>        |
| <b>Total expenditure</b>               | <b>4,807,441</b>                     | <b>141,504</b> | <b>4,948,945</b> | <b>4,812,547</b>        |

#### 5. STAFF COSTS

|                       | Total<br>2016<br>£ | As restated<br>Total<br>2015<br>£ |
|-----------------------|--------------------|-----------------------------------|
| Wages and salaries    | 3,470,175          | 3,402,087                         |
| Social security costs | 291,850            | 286,707                           |
| Pension costs         | 307,987            | 306,664                           |
|                       | <b>4,070,012</b>   | <b>3,995,458</b>                  |

Staff costs in the year ended 31 March 2015 have been restated due to the provision of a liability for holiday pay required under FRS 102.

During the financial year, the total remuneration (inclusive of Employers National Insurance and Pension contributions) for Key Personnel amounted to £315,644 (2015 - £296,329).

One employee received remuneration between £70,000 to £79,999 (2015 – one in range £70,000 to £79,999)

## HARMENY EDUCATION TRUST LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2016

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

|                                                        | Total<br>2016 | Total<br>2015 |
|--------------------------------------------------------|---------------|---------------|
|                                                        | Number        | Number        |
| Education staff                                        | 31            | 35            |
| Care staff                                             | 99            | 99            |
| Domestic staff                                         | 9             | 9             |
| Administrative staff                                   | 11            | 10            |
| Estate                                                 | 4             | 5             |
|                                                        | <u>154</u>    | <u>158</u>    |
| Number of staff in Pension Schemes                     | 118           | 119           |
| Number of staff earning over £50,000 in Pension scheme | 4             | 4             |

### PENSIONS

#### Teaching Staff - The Scottish Teachers Superannuation Scheme

Harmony Education Trust Limited (HETL) 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 01 April 2019.

HETL 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 HETL is unable to identify its share of the underlying assets and liabilities on the scheme.

The employer contribution rate from 1 April 2015 was 14.9% of pensionable pay. This increased to 17.2% from 01 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 employer's pension contributions for fifteen years from 01 April 2015. This contribution is included in the 17.2% employer's contribution rate.

#### Non-Teaching Staff – Scheme: The Pensions Trust Scottish Voluntary Sector Pension Scheme

HETL participates in the scheme, a multi-employer scheme which provides benefits to some 95 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for HETL to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

## HARMENY EDUCATION TRUST LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2016

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore HETL is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

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

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £88.22m, liabilities of £122.15m and a deficit of £33.93m. To eliminate this funding shortfall, the Trustee asked the participating Employers to pay additional contributions to the scheme as follows:

#### Deficit contributions

|                                         |                                                                                  |
|-----------------------------------------|----------------------------------------------------------------------------------|
| From 1 April 2016 to 31 October 2029:   | £1,323,116 per annum<br>(payable monthly and increasing by 3% each on 1st April) |
| From 1 April 2016 to 30 September 2031: | £292,376 per annum<br>(payable monthly and increasing by 3% each on 1st April)   |
| From 1 April 2016 to 30 September 2031: | £37,475 per annum                                                                |

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation showed assets of £66.21m, liabilities of £95.04m and a deficit of £28.83m. To eliminate this funding shortfall, payments consisted of £1,490,000 per annum, increasing by 3% each 1st April until 31 March 2028.

## HARMENY EDUCATION TRUST LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2016

Where the scheme is in deficit and where HETL has agreed to a deficit funding arrangement HETL recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

The following schedule details the deficit contributions agreed between HETL and the scheme at each year end period:

#### Deficit contributions schedule

| Year ending | 31 March 2016<br>(£000s) | 31 March 2015<br>(£000s) | 31 March 2014<br>(£000s) |
|-------------|--------------------------|--------------------------|--------------------------|
| Year 1      | 106                      | 91                       | 89                       |
| Year 2      | 109                      | 94                       | 91                       |
| Year 3      | 112                      | 97                       | 94                       |
| Year 4      | 116                      | 100                      | 97                       |
| Year 5      | 119                      | 103                      | 100                      |
| Year 6      | 123                      | 106                      | 103                      |
| Year 7      | 127                      | 109                      | 106                      |
| Year 8      | 130                      | 112                      | 109                      |
| Year 9      | 134                      | 116                      | 112                      |
| Year 10     | 138                      | 119                      | 116                      |
| Year 11     | 142                      | 123                      | 119                      |
| Year 12     | 147                      | 126                      | 123                      |
| Year 13     | 151                      | 130                      | 126                      |
| Year 14     | 91                       | -                        | 130                      |
| Year 15     | -                        | -                        | -                        |
| Year 16     | -                        | -                        | -                        |
| Year 17     | -                        | -                        | -                        |
| Year 18     | -                        | -                        | -                        |
| Year 19     | -                        | -                        | -                        |
| Year 20     | -                        | -                        | -                        |

HETL must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive HETL's balance sheet liability.

#### Present values of provision

|                            | 31 March 2016<br>(£000s) | 31 March 2015<br>(£000s) | 31 March 2014<br>(£000s) |
|----------------------------|--------------------------|--------------------------|--------------------------|
| Present value of provision | 1,463                    | 1,226                    | 1,186                    |

## HARMENY EDUCATION TRUST LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2016

#### Reconciliation of opening and closing provisions

|                                                          | Period Ending<br>31 March 2016<br>(£000s) | Period Ending<br>31 March 2015<br>(£000s) |
|----------------------------------------------------------|-------------------------------------------|-------------------------------------------|
| Provision at start of period                             | 1,226                                     | 1,186                                     |
| Unwinding of the discount factor (interest expense)      | 27                                        | 39                                        |
| Deficit contribution paid                                | (91)                                      | (89)                                      |
| Remeasurements - impact of any change in assumptions     | (28)                                      | 89                                        |
| Remeasurements - amendments to the contribution schedule | 329                                       | -                                         |
| Provision at end of period                               | 1,463                                     | 1,226                                     |

#### Income and expenditure impact

|                                                           | Period Ending<br>31 March 2016<br>(£000s) | Period Ending<br>31 March 2015<br>(£000s) |
|-----------------------------------------------------------|-------------------------------------------|-------------------------------------------|
| Interest expense                                          | 27                                        | 39                                        |
| Remeasurements – impact of any change in assumptions      | (28)                                      | 89                                        |
| Remeasurements – amendments to the contribution schedule  | 329                                       | -                                         |
| Contributions paid in respect of future service*          | -                                         | -                                         |
| <b>Costs recognised in income and expenditure account</b> | <b>(91)</b>                               | <b>1,098</b>                              |

\*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes.

#### Assumptions

|                  | 31 March 2016<br>% per annum | 31 March 2015<br>% per annum | 31 March 2014<br>% per annum |
|------------------|------------------------------|------------------------------|------------------------------|
| Rate of discount | 2.55                         | 2.27                         | 3.47                         |

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

#### 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 but travel expenses of £540 were reimbursed to two directors in the current year (2015 £750).

During the year, fees of £nil (2015 £6,964) were paid to Ian Forbes, Chartered Architect. Professional fees paid to Ian Forbes last year were for services supplied to HETL in respect of alterations to the Lodge.

## HARMENY EDUCATION TRUST LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2016

#### 6. TAXATION

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

#### 7. OPERATING DEFICIT

The operating deficit is stated after charging/crediting:

|                                     | Total<br>2016<br>£ | As<br>Restated<br>Total<br>2015<br>£ |
|-------------------------------------|--------------------|--------------------------------------|
| Trustee Indemnity Insurance Premium | 1,890              | 1,800                                |
| Audit fee                           | 7,213              | 6,079                                |
| Depreciation                        | 212,096            | 196,542                              |
|                                     | <hr/>              | <hr/>                                |

#### 8. TANGIBLE FIXED ASSETS

|                                          | Heritable<br>Property<br>£ | Fixtures &<br>Fittings<br>£ | Motor<br>Vehicles<br>£ | Total<br>£       |
|------------------------------------------|----------------------------|-----------------------------|------------------------|------------------|
| <b>Cost or Valuation</b>                 |                            |                             |                        |                  |
| At 1 April 2015 (as previously reported) | 4,383,573                  | 696,323                     | 175,419                | 5,255,315        |
| Prior year restatement (note 2)          | 583,661                    | -                           | -                      | 583,661          |
|                                          | <hr/>                      | <hr/>                       | <hr/>                  | <hr/>            |
| Restated cost or value brought forward   | 4,967,234                  | 696,323                     | 175,419                | 5,838,976        |
| Additions                                | 42,734                     | 89,371                      | -                      | 132,105          |
| Disposals                                | -                          | (26,199)                    | -                      | (26,199)         |
|                                          | <hr/>                      | <hr/>                       | <hr/>                  | <hr/>            |
| <b>At 31 March 2016</b>                  | <b>5,009,968</b>           | <b>759,495</b>              | <b>175,419</b>         | <b>5,944,882</b> |
|                                          | <hr/>                      | <hr/>                       | <hr/>                  | <hr/>            |
| <b>Depreciation</b>                      |                            |                             |                        |                  |
| At 1 April 2015 (as previously reported) | 1,020,510                  | 597,728                     | 153,456                | 1,771,695        |
| Prior year restatement (note 2)          | (903,261)                  | -                           | -                      | (903,261)        |
|                                          | <hr/>                      | <hr/>                       | <hr/>                  | <hr/>            |
| Restated depreciation brought forward    | 117,249                    | 597,728                     | 153,456                | 868,434          |
| Charge for period                        | 118,104                    | 72,029                      | 21,963                 | 212,096          |
| Eliminated on disposals                  | -                          | (26,199)                    | -                      | (26,199)         |
|                                          | <hr/>                      | <hr/>                       | <hr/>                  | <hr/>            |
| <b>At 31 March 2016</b>                  | <b>235,353</b>             | <b>643,558</b>              | <b>175,419</b>         | <b>1,054,330</b> |
|                                          | <hr/>                      | <hr/>                       | <hr/>                  | <hr/>            |
| <b>Restated Net book value</b>           |                            |                             |                        |                  |
| At 31 March 2015                         | 4,849,985                  | 98,595                      | 21,963                 | 4,907,543        |
|                                          | <hr/>                      | <hr/>                       | <hr/>                  | <hr/>            |
| <b>At 31 March 2016</b>                  | <b>4,774,615</b>           | <b>115,937</b>              | <b>-</b>               | <b>4,890,552</b> |
|                                          | <hr/>                      | <hr/>                       | <hr/>                  | <hr/>            |

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.

HETL 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. Heritable Property is insured for £10,619,327 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 2016

### 9. FIXED ASSET INVESTMENTS

|                            | Listed Securities | Other Investments | Shares in group undertakings | Total     |
|----------------------------|-------------------|-------------------|------------------------------|-----------|
| Market Value               | £                 |                   | £                            | £         |
| At 1 April 2015            | 436,489           | 5,479             | 2                            | 441,970   |
| Additions                  | 105,714           | 113,460           | -                            | 219,174   |
| Disposals                  | (107,549)         | (109,977)         | -                            | (217,526) |
| Revaluation of investments | (10,045)          | -                 | -                            | (10,045)  |
| At 31 March 2016           | 424,609           | 8,962             | 2                            | 433,573   |

#### 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 2016 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                                       | -             |

#### Investments at market value comprise

|                   | UK<br>£ | Overseas<br>£ | 2016<br>£ | 2015<br>£ |
|-------------------|---------|---------------|-----------|-----------|
| Listed Investment | 279,302 | 145,307       | 424,609   | 436,489   |
| Capital Account   | 8,962   | -             | 8,962     | 5,479     |
| Group             | 2       | -             | 2         | 2         |
| Total Market      | 288,266 | 145,307       | 433,573   | 441,970   |

## HARMENY EDUCATION TRUST LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2016

#### Material Investments

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

|                                                               | 2016 | 2015 |
|---------------------------------------------------------------|------|------|
|                                                               | %    | %    |
| JP Morgan Asset Managers (UK) – US Equity Income C Inc        | 5.3  | 6.7  |
| Findlay Park Funds – American Fund Unhedged (GBP)             | 5.5  | 7.1  |
| Henderson Global Investors – UK Absolute Return I Acc         | 5.3  | 3.8  |
| Standard Life Investments – Global Index Lkd Bond S Instl Inc | 5.8  | 3.2  |
| Old Mutual Global Investors – Global Equity Absolute Ret Hgd  | 5.2  | 2.8  |
| Brown Advisory Funds – US Smllr Cos C Fund (USD)              | 5.0  | 4.9  |

#### 10. DEBTORS

|                                | Total<br>2016<br>£ | Total<br>2015<br>£ |
|--------------------------------|--------------------|--------------------|
| Fees                           | 191,886            | 106,786            |
| Other Debtors                  | 743                | 1,168              |
| Prepayments and accrued income | 48,647             | 28,908             |
| Stock                          | 2,699              | 2,750              |
|                                | <hr/>              | <hr/>              |
|                                | 243,975            | 139,612            |
|                                | <hr/>              | <hr/>              |

#### 11. CREDITORS: amounts falling due within one year

|                                   | Total<br>2016<br>£ | As<br>Restated<br>Total<br>2015<br>£ |
|-----------------------------------|--------------------|--------------------------------------|
| Other taxes and social security   | 76,960             | 77,658                               |
| Trade creditors                   | 41,505             | 40,413                               |
| Other creditors                   | 3,207              | 4,957                                |
| Accruals & deferred income        | 50,804             | 43,580                               |
| Amount due to pension funds       | 28,843             | 27,959                               |
| Amounts due to subsidiary company | 2                  | 2                                    |
|                                   | <hr/>              | <hr/>                                |
|                                   | 201,321            | 194,569                              |
|                                   | <hr/>              | <hr/>                                |

# HARMENY EDUCATION TRUST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2016

### 12. MOVEMENT IN FUNDS

#### ANALYSIS OF UNRESTRICTED FUNDS

|                                                                 | General<br>Fund<br>£ | Designated<br>Capital<br>Development<br>Fund<br>£ | SVSPS<br>Pensions<br>Deficit<br>£ | Revaluation<br>Reserve<br>£ | Total<br>£       |
|-----------------------------------------------------------------|----------------------|---------------------------------------------------|-----------------------------------|-----------------------------|------------------|
| Balance of funds brought forward (As Restated) (note 2)         | 2,699,555            | 150,413                                           | (1,226,000)                       | 1,486,922                   | 3,110,890        |
| Income                                                          | 5,059,396            | -                                                 | -                                 | -                           | 5,059,396        |
| Expenditure                                                     | (4,801,289)          | -                                                 | -                                 | -                           | (4,801,289)      |
| Gains / (losses) on investments                                 | (13,868)             | -                                                 | -                                 | -                           | (13,868)         |
| Transfers                                                       | 30,354               |                                                   |                                   | (30,345)                    | -                |
| Movement in the present value of defined benefit pension scheme | -                    | -                                                 | (237,000)                         | -                           | (237,000)        |
| <b>Balance at 31 March 2016</b>                                 | <b>2,974,139</b>     | <b>150,413</b>                                    | <b>(1,463,000)</b>                | <b>1,456,577</b>            | <b>3,118,129</b> |

#### ANALYSIS OF RESTRICTED FUNDS

|                                             | Balance of funds brought forward<br>£ | Income<br>£   | Expenditure<br>£ | Balance at 31 March 2016<br>£ |
|---------------------------------------------|---------------------------------------|---------------|------------------|-------------------------------|
| <b>New Building Capital Fund</b>            | <b>2,691,471</b>                      | <b>36,015</b> | <b>(102,242)</b> | <b>2,625,244</b>              |
| <b>Harmeny Outdoors Fund</b>                | <b>23,401</b>                         | <b>2,996</b>  | <b>(3,271)</b>   | <b>23,126</b>                 |
| <b>Learning &amp; Development Fund</b>      | <b>16,226</b>                         | <b>-</b>      | <b>(3,760)</b>   | <b>12,466</b>                 |
| <b>Harmeny Community Gardens</b>            | <b>9,542</b>                          | <b>410</b>    | <b>(8,816)</b>   | <b>1,136</b>                  |
| <b>The Janette Brown Trust for Children</b> | <b>24,198</b>                         | <b>12</b>     | <b>-</b>         | <b>24,210</b>                 |
| <b>GASS Researcher</b>                      | <b>-</b>                              | <b>29,567</b> | <b>(29,567)</b>  | <b>0</b>                      |
| <b>Total</b>                                | <b>2,764,838</b>                      | <b>69,000</b> | <b>(147,656)</b> | <b>2,686,182</b>              |

# HARMENY EDUCATION TRUST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) for the year to 31 March 2016

### 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.

#### Harmony 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 HETL.

#### Harmony Community Gardens

In the previous year, HETL succeeded in obtaining grants and donations to enable the development of Harmony 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 Harmony Education Trust Limited.

### 13. ANALYSIS OF NET ASSETS BETWEEN FUNDS

|              | Unrestricted<br>Funds<br>£ | Restricted<br>Funds<br>£ | Permanent<br>Endowment<br>Funds<br>£ | Total<br>£       |
|--------------|----------------------------|--------------------------|--------------------------------------|------------------|
| Fixed Assets | 2,698,881                  | 2,586,843                | 38,401                               | 5,324,125        |
| Net Assets   | 419,248                    | 99,339                   | -                                    | 518,587          |
|              | <u>3,118,129</u>           | <u>2,686,182</u>         | <u>38,401</u>                        | <u>5,842,712</u> |

### 14. ULTIMATE CONTROLLING PARTY

In the opinion of the directors there is no ultimate controlling party.

### 15. CONTINGENT LIABILITY

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

HETL has been notified by the Pensions Trust that the estimated employer debt which would have been payable if HETL had withdrawn from the SVSP Scheme as 30 September 2015 was £6,733,243 (2014 £5,501,969).

The employer debt figure is calculated on the 'withdrawal' basis or section 75 (s75) basis. The s75 debt calculation is based on the Scheme Actuary's estimate of the pricing basis used to secure pension liabilities in full, in one transaction, with an insurance company, including any orphan liabilities, as at 30 September 2015 for all current and former HETL's pension scheme members.