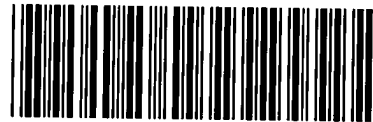


Registered number: SC162021
Charity number: SC024256

HARMENY EDUCATION TRUST LIMITED
(A company limited by guarantee)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

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HARMENY EDUCATION TRUST LIMITED
(A company limited by guarantee)

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HARMENY EDUCATION TRUST LIMITED
(A company limited by guarantee)

**REFERENCE AND ADMINISTRATIVE DETAILS OF THE COMPANY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2017**

Trustees

Margery Browning OBE
David Cathie
Graeme Dalziel
Ian Forbes
William Keil
Louise Kelly
Joanne McMeeking
Jennifer Scott

Company registered number

SC162021

Charity registered number

SC024256

Registered office

Harmeny School
Mansfield Road
Balerno
Midlothian
EH14 7JY

Chief executive

Neil Squires

Independent auditors

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

Bankers

The Royal Bank of Scotland
540a Lanark Road
Edinburgh
EH14 5DE

Solicitors

Morton Fraser LLP
Quatermile Two
2 Lister Square
Edinburgh
EH3 9GL

HARMENY EDUCATION TRUST LIMITED
(A company limited by guarantee)

TRUSTEES' REPORT
FOR THE YEAR ENDED 31 MARCH 2017

The directors present their annual report together with the audited financial statements of Harmeny Education Trust for the year ended 31 March 2017. The directors confirm that the Annual Report and financial statements of the company comply with the current statutory requirements, the requirements of the company's governing document and the provisions of the Statement of Recommended Practice (SORP), applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) as amended by Update Bulletin 1 (effective 1 January 2015).

STRUCTURE, GOVERNANCE AND MANAGEMENT

Harmeny Education Trust Limited is a company limited by guarantee and does not have a share capital. The governing documents are the company's articles of association.

The directors of the company are chosen for appointment with reference to their experience and their ability to contribute to the work of the Trust. The Board of Directors meets regularly and has appointed sub-committees covering the principal aspects of the company's operation. Prior to becoming an independent charity, the Trust was previously run by Save the Children Fund and part of the arrangement when assets were gifted, was that they continue to have the right to appoint a Director. The day-to-day running of the company is managed by the Chief Executive and a team of senior managers.

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

The Board continuously reviews the blend of skills and experience of Directors relevant to the Trust's core services. A 'matrix of skills' is therefore regularly reviewed to ensure Trustees hold operational and strategic knowledge, skills and experience at a senior level across the following areas: education, care, governance, finance, fundraising, legal, buildings and estates, health and safety, HR and learning and development.

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 and the Scottish Negotiating Committee for Teachers.

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

Margery Browning OBE
David Cathie
Graeme Dalziel
Ian Forbes
William Keil
Louise Kelly
Joanne McMeeking
Jennifer Scott

The Board has continued to review the blend of skills and experience relevant to the services of HETL.

HARMENY EDUCATION TRUST LIMITED
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2017

RISK MANAGEMENT

The directors give high priority to evaluating the risks to which the Trust is exposed and ensuring that there are effective systems in place to mitigate those risks. The Trust'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 the Trust 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 pension scheme risk associated with being members of a last man standing scheme with a significant deficit, the withdrawal of Scottish Government funding, and organisational change in order to ensure the ongoing sustainability and growth of the Trust.

The Board mitigates these risks as follows:

- The previous company secretary, Isabelle Guillot D'Hauterives, who left the organisation in May 2017, was 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. We will ensure that a member of the Senior Management Team continues to be a member of this group.
- We will continue to maintain good working relationships with local authorities, benchmarking their fees against competitors to reduce reliance on Scottish Government funding to cover operational expenditures.
- The charity aims to hold within unrestricted reserves, a minimum of 9 months expenditure to cover any unforeseen reductions in revenues.

HARMENY EDUCATION TRUST LIMITED
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2017

OBJECTIVES AND ACTIVITIES

The company was incorporated on 6th December 1995 and is a registered Scottish charity. The assets and liabilities of its predecessor organisation, Harmeny School, were transferred to the company on 21st December 1995.

Harmeny is one of seven grant-aided schools in Scotland. A proportion of operating income comes from a block maintenance grant from the Scottish Government with the balance of costs being charged out in fees to local authorities.

The principal activity of the company is to advance the residential and day education, in Scotland, of children with additional support needs arising from social, emotional and behavioural difficulties.

There are three constituent functions within the company:

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

Harmeny School

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

Harmeny Outdoors

Harmeny Outdoors provides a range of adventurous and environmental activities, which are fully integrated into the curriculum, for all children who attend Harmeny. This service, which is fully accredited by AALA (Adventure Activities Licensing Authority) is also offered to external groups.

SQA Centre

Harmeny's Scottish Qualifications Authority approved centre aims to offer training opportunities to staff and students in the education and care sectors in order to increase the skills and knowledge base in this area. We offer a range of accredited courses to staff in-house, as well as externally to organisations within the social care and education sectors.

Strategic plan and performance management

The Trust has a three-year Strategic Plan which commenced in August 2017 and will run until July 2020 and includes the following overarching strategic aim:

"To help even more disadvantaged children reach their full potential, Harmeny will enhance its core services, will be renowned for its therapeutic care and education approaches, will have developed new community services, and will be influencing policy and practice nationally."

The previous five-year Strategic Plan ended in July 2017 and a summary of achievements in relation to goals set for the financial year to March 2017 is contained within the section entitled 'Review of Significant Achievements and Performance'.

A regular review of activities detailed in the Strategic Plan is carried out by the directors and management team in order to measure the success of the Trust in achieving their set objectives.

HARMENY EDUCATION TRUST LIMITED
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2017

Overall measurement of the performance of the school is assessed by way of reports resulting from external reviews carried out by the Care Inspectorate, Education Scotland and Adventure Activities Licensing Authority as well as through Harmeny's own internal audit systems including progress on each child's personal plans.

REVIEW OF SIGNIFICANT ACHIEVEMENTS AND PERFORMANCE

Harmeny School

Over the financial year to March 2017, Harmeny School operated at higher capacity than expected, which was largely due to a 'referrals and placements action plan', led by the Chief Executive and management team, following a downturn in referrals in the latter half of 2015/16. The plan involved the proactive communication and marketing of our residential and education services to senior managers, social workers and educational psychologists within local authorities. It not only generated additional placements ensuring increased income but also led to potential future partnership developments with local authorities. Harmeny's Business Group and the Board continue to monitor the pupil flow closely and it has been agreed that optimal capacity, in the medium term will be 24 residential and 6 day pupils.

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, and began to work with a small number of young people beyond the age of 14, supporting them in mainstream education.
- The school achieved 'excellent' grades across all standards within our unannounced care inspection in March 2017, meaning Harmeny has now achieved 'excellent' grades over seven consecutive care inspections. The inspection report particularly highlighted the development of our bespoke assessment and care planning framework, which the care inspector said was "outstanding". The inspector found that GIRFEC was "completely embedded in the work with children", praised the outdoor learning and physical activities, comprehensive training programmes, and said that the organisation had "an ethos of continuous improvement". (Care Inspection Report, 31st March 2017)
- We commenced an innovative project in partnership with Comhairle nan Eilan Siar (Western Isles Council), providing consultancy, training and in-depth assessments for children with social, emotional and behavioural needs and their families.
- Good progress was made in developing 'The Harmeny Way' – a therapeutic practice framework which captures the various components of our care and education approaches in working with children who have complex social, emotional and behavioural needs.
- We completed a highly successful Social Educator Pilot, offering an innovative approach to supporting children, within and beyond the classroom, with their social and emotional needs, thus freeing up the teacher to focus on learning in core areas and across the broad curriculum.
- A pilot commenced in the area of 'Systemic Practice' – an even more effective approach to working with carers and families.
- We started a highly successful 'Reading with Dogs Project, in partnership with Therapets, with two dogs and their owners coming in every week for reading sessions with individual children who are reluctant readers.
- We completed a review of our Senior Management Team, increasing capacity and developing operational and strategic roles and responsibilities to include a Head of Care, Head of Education, Head of Finance & Estates and Head of HR & Workforce Development, led by the Chief executive. We also commenced a review of our middle management team.

HARMENY EDUCATION TRUST LIMITED
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2017

Harmeny School (continued)

- We made significant progress on the final phase of our five-year Strategic Plan, achieving the following strategic objectives:
 - o Further developing our participation policy and practice
 - o Completing the review of our education service and implementing the outcomes
 - o Developing an Inter-Disciplinary Curriculum Framework, further developing our Expressive Arts and PE programmes and completing a review of our RME Curriculum
 - o Commencing a review of volunteering opportunities
 - o Completion of a Staff Survey, resulting in a number of workstreams to explore a number of follow up actions.
- We continued to improve the quality of our properties and estate, through a phased programme, including clearing our wildlife pond and installing a new Klargestar septic tank to ensure water clarification is maintained; a second polytunnel being erected in our Community Garden due to the demand for fresh produce from the local community; the development of a Bike and Motorbike facility adjacent to our visitor car park; and installation of acoustic panels for the gym.
- We launched a new website in May 2016, allowing a far more interactive site for a range of IT devices, including smart phones and tablets.

Harmeny Outdoors

Harmeny Outdoors continued to provide excellent quality adventurous and environmental activities for children placed at Harmeny, offering an increased number of expeditions and starting a 'skills for life and work programme', involving the development of practical skills which will help some of our young people access vocational training and employment in the future. A strategic review of 'Harmeny Outdoors' was concluded and a Business Plan completed focusing on a three year cycling skills and bike maintenance project, in partnership with City of Edinburgh Council and Barnardo's.

SQA Centre

Our SQA Centre continued to develop positively, with an increased number of Harmeny and external candidates completing management, HNC and SVQ awards; continuing work with the independent private school sector; further development of 'Moodle' e-learning system enabling a growth in distance learning; good uptake by students of the SAAS Awards Scheme; and very positive systems verification inspections by the Scottish Qualifications Authority. Feedback from an External Verifier report on 1st May but largely relating to the previous financial year included, "The Centre continues to have an overall outcome of Significant Strengths. Their organised paperwork continues to make portfolios a joy to read" and the "Support and empathy with Candidates continues to be well received... Keep up the good work".

The Board of Trustees approved, in principle, a Business Plan which proposes the development of a **Workforce Development Centre**, incorporating the SQA Centre within it. This will be a major strategic priority over the next three years.

Fundraising

A Fundraising Consultant supported the Chief Executive with development of a Fundraising Strategy, which was approved by the Board in February 2017. The strategy will focus on raising funds in order to (i) enhance core services and (ii) develop new services, in line with our strategic plan.

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

HARMENY EDUCATION TRUST LIMITED
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2017

Fundraising (continued)

During the year we were very grateful indeed to receive donations to the sum of £38,867, towards the work of the school from individuals and organisations within the local and wider community. In particular, we are grateful to the following donors for their support: Balerno Children's Gala, Balerno Music Festival, Balerno Parish Church, Bill and Margaret Black, Currie & Balerno News, Currie & Balerno Round Table, Morton Fraser, Andy Moorehouse, Malcolm Ogilvie, Pentland Probus Club, A M Pilkington Charitable Trust, Royal Bank of Scotland, Scotmid, Standard Life and Walker Group.

FINANCIAL REVIEW

The results for the year and the Trust's financial position at the end of the year are shown in the attached financial statements.

During the period the Trust continued, despite the decrease in income which was offset against savings in expenditure, to operate satisfactorily. The average number of pupils remained consistent in comparison against prior years.

HETL (Harmony Education Trust Ltd) made a net surplus for the year of £198,672 (2016 - net deficit of (£71,417)). This was in part due to gains on investments in the year of £83,522 compared to the prior year loss of (£13,868). At the year end the net funds of HETL were £6,041,384 (2016 - £5,842,712).

The Trust continues to work and liaise closely with local authorities across Scotland to ensure that the pupil flow remains at capacity and revenue streams from SQA, Learning & Development and Harmony Outdoors remain a priority to develop and increase upon. Expenditure remains under strict control.

RESERVES POLICY

The Directors have reviewed the reserves of the Trust in the knowledge that the Scottish Government maintenance grant will continue to be paid at the same level as in the previous year to 31 March 2018. The current position in respect of this Grant is its potential loss on a phased 10 year period commencing from 2018.

The Directors are aware that the level of financial risk that the Trust is exposed to, is increasing due to the potential decrease and loss of this Grant, along with ongoing financial pressures facing local authorities who are responsible for paying the fees for children placed at Harmony. Further there is the significant estimated debt related to the recently closed SVSPS (non-teaching staff pension fund) of £1.5million. This has a recovery plan over 12 years and, whilst this debt is contingent on the Trust withdrawing from the scheme, it is aware that the scheme is based upon a "last man standing" principle and that Harmony School is the third largest employer remaining within the scheme.

Given these external economic factors the Directors consider it prudent to build up unrestricted free reserves to an equivalent nine months' expenditure currently estimated at c. £3.4million. This level of reserves would allow the Trust to take appropriate steps to re-organise Harmony's activities to meet any major change in circumstances that it may face.

At the year end the Trust maintained designated funds of £2,701,072, other unrestricted reserve funds of £3,221,071 and restricted and endowment reserves of £80,840 and £38,401 respectively. During the year the restricted New Building Capital Fund was reclassified and transferred to a designated reserve as they had been fully spent in prior years and hence the restriction discharged. Details of these are disclosed on Notes 19 and 20 within the financial statements. The Board believe that, in the event of a shortfall in funding or income the reserves, at the current level, are sufficient to allow the Trust to continue its charitable activities.

HARMENY EDUCATION TRUST LIMITED
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2017

GOING CONCERN

After making appropriate enquiries, the directors have a reasonable expectation that the company 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. Further details regarding the adoption of the going concern basis can be found in the Accounting Policies.

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 has increased from £433,573 to £671,382 at 31 March 2017.

The net amount received from the fund during the year was £9,291 (2016 - £9,734) and there was a gain on revaluation of investments at the year end of £55,423 (2016 - loss of £10,045).

All investment income 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 2016-17 taking into account the general performance of the market.

HARMENY EDUCATION TRUST LIMITED
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2017

PLANS FOR FUTURE PERIODS

Our priorities for the coming year, in line with the new three year Strategic Plan, can be summarised as follows:

1. Continue to provide high quality education and care that helps children and young people with additional support needs overcome barriers to learning and realise their potential.
2. Develop a practice framework, known as 'The Harmeny Way', encouraging consistent and enhanced approaches in relation to working with children and families.
3. Deliver an early intervention project, in partnership with Comhairle nan Eilean Siar (Western Isles Council), which will include training and consultancy, specialist assessments, community based interventions and short-term residential placements for children with social, emotional and behavioural needs, of primary and early secondary age.
4. Continue to develop and market our work with children aged 14+, considering appropriate residential accommodation, supporting them in local mainstream schools, and further developing a skills-based secondary curriculum.
5. Ensure optimal levels of staffing and enhanced supervision and support to meet the needs of children with complex social, emotional and behavioural needs, including those with the most extreme and exceptional needs.
6. Create a Workforce Development Centre, incorporating an SQA Centre, in order to deliver essential training and qualifications to Harmeny staff and external professionals
7. Further develop and deliver Fundraising, Marketing & Communications Strategies, in order to encourage referrals, generate income and highlight the needs of children with social, emotional and behavioural needs.

PUBLIC BENEFIT

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

The school is open to boys and girls from the whole of Scotland. Fees are subsidised by the Scottish Government and grants are paid by the referring Local Authorities. The school has no private pupils.

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

Harmeny Education Trust Ltd also provides training for Social Work, Teaching, Outdoor Education, Nursing and HND Social Services 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.

HARMENY EDUCATION TRUST LIMITED
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2017

PUBLIC BENEFIT (CONTINUED)

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

VOLUNTEERS

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

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, writing and designing our newsletters, and opportunities for corporate volunteering on environmental projects within our estate.

Our corporate and group volunteering programme also significantly increased, with a variety of organisations completing projects within our community garden and estate, including: HSBC, Lloyds Banking Group, Royal Bank of Scotland, Sainsbury's Bank and Standard Life.

TRUSTEES' RESPONSIBILITIES STATEMENT

The Trustees (who are also directors of Harmeny Education Trust Limited for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they 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 period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

HARMENY EDUCATION TRUST LIMITED
(A company limited by guarantee)

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2017

DISCLOSURE OF INFORMATION TO AUDITORS

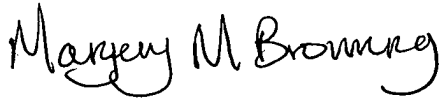
Each of the persons who are directors at the time when this Trustees' report is approved has confirmed that:

- so far as that Trustee is aware, there is no relevant audit information of which the charitable company's auditors are unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee 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.

This report was approved by the Trustees, on 05/09/17 and signed on their behalf by:



Margery Browning OBE
Trustee

HARMENY EDUCATION TRUST LIMITED
(A company limited by guarantee)

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES AND MEMBERS OF HARMENY EDUCATION TRUST LIMITED

We have audited the financial statements of Harmeny Education Trust Limited for the year ended 31 March 2017 set out on pages 14 to 38. 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 and its members, 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 Trustees' responsibilities statement, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

HARMENY EDUCATION TRUST LIMITED
(A company limited by guarantee)

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES 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 2017 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, based on the work undertaken in the course of the audit, the information given in the Trustees' report for the financial year for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustee's Report.

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.



Antony J Sinclair (Senior statutory auditor)

for and on behalf of

French Duncan LLP

Chartered Accountants & Statutory Auditor

56 Palmerston Place

Edinburgh

EH12 5AY

Date: 05/09/2017

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

HARMENY EDUCATION TRUST LIMITED
(A company limited by guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2017**

	Note	Unrestricted funds 2017 £	Restricted funds 2017 £	Endowment funds 2017 £	Total funds 2017 £	Total funds 2016 £
INCOME AND ENDOWMENTS FROM:						
Donations & legacies:						
Government grants	2	1,087,673	20,600	-	1,108,273	1,108,273
Other donations and legacies	2	9,110	31,801	-	40,911	45,203
Charitable activities	3	3,602,210	-	-	3,602,210	3,957,981
Investments	4	16,122	-	-	16,122	16,939
TOTAL INCOME AND ENDOWMENTS		4,715,115	52,401	-	4,767,516	5,128,396
EXPENDITURE ON:						
Raising funds	5	20,121	-	-	20,121	23,404
Charitable activities	6	4,518,263	113,982	-	4,632,245	4,925,541
TOTAL EXPENDITURE		4,538,384	113,982	-	4,652,366	4,948,945
NET INCOME / (EXPENDITURE) BEFORE INVESTMENT GAINS/(LOSSES)		176,731	(61,581)	-	115,150	179,451
Net gains/(losses) on investments		83,522	-	-	83,522	(13,868)
NET INCOME / (EXPENDITURE) BEFORE TRANSFERS		260,253	(61,581)	-	198,672	165,583
Transfers between Funds	19	2,543,761	(2,543,761)	-	-	-
NET INCOME / (EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES		2,804,014	(2,605,342)	-	198,672	165,583
Other recognised losses		-	-	-	-	(237,000)
NET MOVEMENT IN FUNDS		2,804,014	(2,605,342)	-	198,672	(71,417)
RECONCILIATION OF FUNDS:						
Total funds brought forward		3,118,129	2,686,182	38,401	5,842,712	5,914,129
TOTAL FUNDS CARRIED FORWARD		5,922,143	80,840	38,401	6,041,384	5,842,712

The notes on pages 17 to 38 form part of these financial statements.

HARMENY EDUCATION TRUST LIMITED
(A company limited by guarantee)
REGISTERED NUMBER: SC162021

BALANCE SHEET
AS AT 31 MARCH 2017

	Note	£	2017 £	£	2016 £
FIXED ASSETS					
Tangible assets	15		4,889,075		4,890,552
Investments	16		671,382		433,573
			<u>5,560,457</u>		<u>5,324,125</u>
CURRENT ASSETS					
Debtors	17	251,216		243,975	
Cash at bank and in hand		1,897,213		1,938,933	
		<u>2,148,429</u>		<u>2,182,908</u>	
CREDITORS: amounts falling due within one year	18	(204,502)		(201,321)	
NET CURRENT ASSETS			<u>1,943,927</u>		<u>1,981,587</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>7,504,384</u>		<u>7,305,712</u>
Defined benefit pension scheme liability			<u>(1,463,000)</u>		<u>(1,463,000)</u>
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u><u>6,041,384</u></u>		<u><u>5,842,712</u></u>
CHARITY FUNDS					
Endowment funds	19		38,401		38,401
Restricted funds	19		80,840		2,686,182
Unrestricted funds:	19				
Unrestricted funds excluding pension liability		7,385,143		4,581,129	
Pension reserve		<u>(1,463,000)</u>		<u>(1,463,000)</u>	
Total unrestricted funds			<u>5,922,143</u>		<u>3,118,129</u>
TOTAL FUNDS			<u><u>6,041,384</u></u>		<u><u>5,842,712</u></u>

The financial statements were approved and authorised for issue by the Trustees on 05/09/17 and signed on their behalf, by:



Margery Browning OBE

The notes on pages 17 to 38 form part of these financial statements.

HARMENY EDUCATION TRUST LIMITED
(A company limited by guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Net cash provided by operating activities	21	<u>257,414</u>	<u>276,997</u>
Cash flows from investing activities:			
Dividends, interest and rents from investments		16,122	16,939
Purchase of tangible fixed assets		(160,969)	(132,105)
Proceeds from sale of investments		591,128	213,703
Purchase of investments		<u>(745,415)</u>	<u>(219,174)</u>
Net cash used in investing activities		<u>(299,134)</u>	<u>(120,637)</u>
Change in cash and cash equivalents in the year		<u>(41,720)</u>	156,360
Cash and cash equivalents brought forward		<u>1,938,933</u>	<u>1,782,573</u>
Cash and cash equivalents carried forward		<u><u>1,897,213</u></u>	<u><u>1,938,933</u></u>

The notes on pages 17 to 38 form part of these financial statements.

HARMENY EDUCATION TRUST LIMITED
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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 1 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.

1.2 Company status

The charity is a company limited by guarantee. The members of the company are the Trustees named on page 1. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.

1.3 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.

1.4 Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the company and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the company for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Endowment funds represents the book value of property and other assets acquired by the charity on the date of incorporation in December 1995.

HARMENY EDUCATION TRUST LIMITED
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1. ACCOUNTING POLICIES (continued)

1.5 Income

All income is recognised once the company has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

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 period to which they relate. Grants for capital projects are credited to a separate restricted fund.

Local Authority fees represent the amounts receivable against the school's net costs for the period and relative to the schools academic year.

Investment income is recognised in the Statement of Financial Activities (SOFA) in the year it is receivable

Interest receivable relates to interest on funds held on deposit and 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.

Donated services or facilities are recognised when the company has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use of the company of the item is probable and that economic benefit can be measured reliably.

On receipt, donated professional services and donated facilities are recognised on the basis of the value of the gift to the company which is the amount the company 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.

1.6 Expenditure

Expenditure is included on an accruals basis and is recognised when there is a legal or constructive obligation to pay for the expenditure. The charity is not registered for VAT and accordingly expenditure is shown including irrecoverable VAT.

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 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
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1. ACCOUNTING POLICIES (continued)

1.7 Pensions

The charity contributes to the Scottish Teachers' Superannuation Scheme at rates set by the Scheme Actuary and advised to the Board by the Scheme Administrator.

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

In both of these pension schemes it is not possible for the charity 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 to 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 Activities (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.

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

1.8 Tangible fixed assets and depreciation

On incorporation, the charity was gifted the land and existing property at Harmeny School on the condition that should the asset cease to be used for the purposes of Special Needs Education, the property would revert to Save the Children Fund.

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.

All assets costing more than £500 are capitalised.

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Heritable property	-	2% straight line
Motor vehicles	-	25% straight line
Fixtures and fittings	-	25% straight line

1.9 Investments

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

HARMENY EDUCATION TRUST LIMITED
(A company limited by guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1. ACCOUNTING POLICIES (continued)

1.10 Debtors

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

1.11 Cash at Bank and in hand

Cash at bank and 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.

1.12 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 discounts due.

1.13 Financial instruments

The company 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.

2. INCOME FROM DONATIONS AND LEGACIES

	Unrestricted funds 2017 £	Restricted funds 2017 £	Endowment funds 2017 £	Total funds 2017 £	Total funds 2016 £
Scottish Government - Maintenance grant	1,087,673	-	-	1,087,673	1,087,673
Scottish Government - Capital grant	-	20,600	-	20,600	20,600
Government grants	1,087,673	20,600	-	1,108,273	1,108,273
Donations	9,110	29,757	-	38,867	15,636
GASS researcher grant	-	2,044	-	2,044	29,567
Other donations and legacies	9,110	31,801	-	40,911	45,203
Total donations and legacies	1,096,783	52,401	-	1,149,184	1,153,476
Total 2016	1,087,673	65,803	-	1,153,476	

HARMENY EDUCATION TRUST LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

3. INCOME FROM CHARITABLE ACTIVITIES

	Unrestricted funds 2017 £	Restricted funds 2017 £	Endowment funds 2017 £	Total funds 2017 £	Total funds 2016 £
Local authority fees	3,414,378	-	-	3,414,378	3,844,637
Learning & development	89,461	-	-	89,461	73,344
Harmeny outdoors	5,049	-	-	5,049	2,175
Other	93,322	-	-	93,322	37,825
	<u>3,602,210</u>	<u>-</u>	<u>-</u>	<u>3,602,210</u>	<u>3,957,981</u>
<i>Total 2016</i>	<u>3,955,349</u>	<u>2,632</u>	<u>-</u>	<u>3,957,981</u>	

4. INVESTMENT INCOME

	Unrestricted funds 2017 £	Restricted funds 2017 £	Endowment funds 2017 £	Total funds 2017 £	Total funds 2016 £
Dividend income	9,291	-	-	9,291	9,734
Bank interest	6,831	-	-	6,831	7,205
	<u>16,122</u>	<u>-</u>	<u>-</u>	<u>16,122</u>	<u>16,939</u>
<i>Total 2016</i>	<u>16,375</u>	<u>564</u>	<u>-</u>	<u>16,939</u>	

5. COSTS OF RAISING FUNDS

	Unrestricted funds 2017 £	Restricted funds 2017 £	Endowment funds 2017 £	Total funds 2017 £	Total funds 2016 £
Fundraisers costs	13,245	-	-	13,245	10,982
Investment managers fees	6,876	-	-	6,876	4,263
Staff costs	-	-	-	-	8,159
	<u>20,121</u>	<u>-</u>	<u>-</u>	<u>20,121</u>	<u>23,404</u>
<i>Total 2016</i>	<u>12,422</u>	<u>10,982</u>	<u>-</u>	<u>23,404</u>	

HARMENY EDUCATION TRUST LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

6. COSTS OF CHARITABLE ACTIVITIES

	2017 £	2016 £
Harmeny School (see note 8)	4,604,068	4,891,568
Governance costs (See note 11)	28,177	33,972
Total	4,632,245	4,925,540

7. ANALYSIS OF EXPENDITURE ON CHARITABLE ACTIVITIES

	Unrestricted funds 2017 £	Restricted funds 2017 £	Endowment funds 2017 £	Total funds 2017 £	Total funds 2016 £
Harmeny school	4,490,086	113,982	-	4,604,068	4,891,569
Total 2016	4,754,895	136,674	-	4,891,569	

8. ANALYSIS OF EXPENDITURE BY ACTIVITIES

	Activities undertaken directly 2017 £	Support costs 2017 £	Total 2017 £	Total 2016 £
Harmeny school	4,458,481	145,587	4,604,068	4,891,569
Total 2016	4,784,037	107,532	4,891,569	

HARMENY EDUCATION TRUST LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

9. DIRECT COSTS

	Harmeny School £	Total 2017 £	Total 2016 £
Consumables	218,200	218,200	201,938
Operating charges	404,102	404,102	428,129
Wages and salaries	3,091,572	3,091,572	3,342,038
National insurance	276,658	276,658	291,849
Pension cost	305,504	305,504	307,987
Depreciation	162,445	162,445	212,096
	<u>4,458,481</u>	<u>4,458,481</u>	<u>4,784,037</u>
<i>At 31 March 2016</i>	<u>4,784,037</u>	<u>4,784,037</u>	

10. SUPPORT COSTS

	Harmeny school £	Total 2017 £	Total 2016 £
Wages and salaries	125,000	125,000	91,684
National insurance	12,486	12,486	7,711
Pension cost	8,101	8,101	8,137
	<u>145,587</u>	<u>145,587</u>	<u>107,532</u>
<i>At 31 March 2016</i>	<u>107,532</u>	<u>107,532</u>	

11. GOVERNANCE COSTS

	Unrestricted funds 2017 £	Restricted funds 2017 £	Endowment funds 2017 £	Total funds 2017 £	Total funds 2016 £
Auditors' remuneration	10,926	-	-	10,926	7,213
Professional fees	17,251	-	-	17,251	14,312
Staff costs	-	-	-	-	12,447
	<u>28,177</u>	<u>-</u>	<u>-</u>	<u>28,177</u>	<u>33,972</u>

HARMENY EDUCATION TRUST LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

12. NET INCOME/(EXPENDITURE)

This is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets:		
- owned by the charity	162,446	212,096
Auditors' remuneration - audit	10,926	7,213
	<u>173,372</u>	<u>219,313</u>

During the year, no Trustees received any remuneration (2016 - £NIL).

During the year, no Trustees received any benefits in kind (2016 - £NIL).

During the year, no Trustees (2016 - one Trustee) received any reimbursement of expenses (2016 - £540).

Transactions with Trustees

During the year, fees for architectural services of £7,449 (2016 - £Nil) were paid to Ian Forbes, Chartered Architect.

HARMENY EDUCATION TRUST LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

13. STAFF COSTS

Staff costs were as follows:

	2017 £	2016 £
Wages and salaries	3,216,572	3,470,175
Social security costs	289,143	291,849
Other pension costs (Note)	313,605	307,987
	<u>3,819,320</u>	<u>4,070,011</u>

The average number of persons employed by the company during the year was as follows:

	2017 No.	2016 No.
Education staff	29	31
Care staff	81	99
Domestic staff	17	9
Administrative staff	10	11
Estate staff	4	4
	<u>141</u>	<u>154</u>

The number of higher paid employees was:

	2017 No.	2016 No.
In the band £60,001 - £70,000	1	0
In the band £70,001 - £80,000	0	1
In the band £80,001 - £90,000	1	0

During the financial year, the total remuneration (inclusive of Employers National Insurance and Pension contributions) for Key Management Personnel was £313,401 (2016 - £315,644).

HARMENY EDUCATION TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

14. PENSIONS

Teaching Staff - The Scottish Teachers Superannuation Scheme

Harmeny Education Trust Limited participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016; there was no change to the rates. The next valuation will be as at 31 March 2020.

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

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

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

The current rate of 17.2% from 1 September 2015 remains unchanged from 1 April 2017. 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 1 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

The company 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 the company 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.

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 the company 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 1/60th accrual rate until 30 September 2007. From October 2007, there were two benefit structures available, final salary with a 1/60th accrual rate and final salary with a 1/80th accrual rate, until the date of Scheme closure on 31 March 2010.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

Defined Contributions

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company 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.

HARMENY EDUCATION TRUST LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

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

Defined contribution schedule

Year ending	31 March 2017 (£000s)	31 March 2016 (£000s)	31 March 2015 (£000s)
Year 1	109	106	91
Year 2	112	109	94
Year 3	116	112	97
Year 4	119	116	100
Year 5	123	119	103
Year 6	127	123	106
Year 7	130	127	109
Year 8	134	130	112
Year 9	138	134	116
Year 10	142	138	119
Year 11	147	142	123
Year 12	151	147	126
Year 13	91	151	130
Year 14	-	91	-
Year 15	-	-	-
Year 16	-	-	-
Year 17	-	-	-
Year 18	-	-	-
Year 19	-	-	-
Year 20	-	-	-

The company 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 the company's balance sheet liability.

Present values of provision

	31 March 2017 (£000s)	31 March 2016 (£000s)	31 March 2015 (£000s)
Present value of provision	1,463	1,463	1,226

HARMENY EDUCATION TRUST LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Reconciliation of opening and closing provisions

	Period ending 31 March 2017 (£000s)	Period ending 31 March 2016 (£000s)
Provision at start of period	1,463	1,226
Unwinding of the discount factor (interest expense)	36	27
Deficit contribution paid	(106)	(91)
Remeasurements - impact of any change in assumptions	70	(28)
Remeasurements - amendments to the contribution schedule		329
Provision at end of period	1,463	1,463

Income and Expenditure impact

	Period ending 31 March 2017 (£000s)	Period ending 31 March 2016 (£000s)
Interest expense	36	27
Remeasurements - impact of any change in assumptions	70	(28)
Remeasurements - amendments to the contribution schedule	-	329
Contributions paid in respect of future service*	-	-
Costs recognised in income and expenditure account	(106)	(91)

*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 2017 % per annum	31 March 2016 % per annum	31 March 2015 % per annum
Rate of discount	1.76	2.55	2.27

The discount rates shown above are the equivalent single discount rates which, when used to discount 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 Harmeny Education Trust Limited.

HARMENY EDUCATION TRUST LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

15. TANGIBLE FIXED ASSETS

	Heritable property £	Motor vehicles £	Fixtures and fittings £	Total £
Cost				
At 1 April 2016	5,009,968	175,419	759,495	5,944,882
Additions	139,234	-	21,735	160,969
Disposals	-	(16,821)	(24,366)	(41,187)
At 31 March 2017	<u>5,149,202</u>	<u>158,598</u>	<u>756,864</u>	<u>6,064,664</u>
Depreciation				
At 1 April 2016	235,353	175,419	643,558	1,054,330
Charge for the year	101,671	-	60,775	162,446
On disposals	-	(16,821)	(24,366)	(41,187)
At 31 March 2017	<u>337,024</u>	<u>158,598</u>	<u>679,967</u>	<u>1,175,589</u>
Net book value				
At 31 March 2017	<u>4,812,178</u>	<u>-</u>	<u>76,897</u>	<u>4,889,075</u>
At 31 March 2016	<u>4,774,615</u>	<u>-</u>	<u>115,937</u>	<u>4,890,552</u>

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

The company owns the original main building and lodge house, which are both listed. These properties were included in the gift of land and buildings by Save The Children Fund when the company was incorporated in 1995. The value of the assets taken over at that date was recorded as £35,734 in the records of the previous organisation, Harmeny School, and this figure has been included as cost in the balance sheet and the value has been credited to the Endowment Fund. 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
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

16. FIXED ASSET INVESTMENTS

	Listed securities £	Other investments £	Shares in group undertakings £	Total £
Market value				
At 1 April 2016	424,609	8,962	2	433,573
Additions	368,774	376,641	-	745,415
Disposals	(188,966)	(374,063)	-	(563,029)
Unrealised gains on investment	55,423	-	-	55,423
	<u>659,840</u>	<u>11,540</u>	<u>2</u>	<u>671,382</u>
At 31 March 2017	659,840	11,540	2	671,382
Historical cost	<u>567,759</u>	<u>10,840</u>	<u>-</u>	<u>578,599</u>

Subsidiary undertakings

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 2017 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 £	Overseas £	2017 £	2016 £
Listed investments	420,207	239,633	659,840	424,609
Other investments	11,540	-	11,540	8,962
Group	2	-	2	2
	<u>431,749</u>	<u>239,633</u>	<u>671,382</u>	<u>433,573</u>
Total market value	431,749	239,633	671,382	433,573

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

16. FIXED ASSET INVESTMENTS (continued)

Material investments

The following investments account for 5% or more of the charity's total investments as at 31 March 2016. Their value has fallen below 5% at 31 March 2017 and therefore has not been disclosed:

	31 March 2017 £	31 March 2016 £
JP Morgan Asset Managers (UK) - US Equity Income C Inc	-	22,440
Findlay Park Funds - American Fund Unhedged (GBP)	-	23,514
Henderson Global Investors - UK Absolute Return I Acc	-	22,316
Standard Life Investments - Global Index Lkd Bond S Instl Inc	-	24,725
Old Mutual Global Investors - Global Equity Absolute Ret Hgd	-	21,937
Brown Advisory Funds - US Smir Cos C Fund (USD)	-	21,059

17. DEBTORS

	2017 £	2016 £
Trade debtors	153,282	191,886
Other debtors	7,996	3,442
Prepayments and accrued income	89,938	48,647
	<u>251,216</u>	<u>243,975</u>

18. CREDITORS: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	57,245	41,505
Amounts owed to group undertakings	2	2
Other taxation and social security	77,910	76,960
Amount due to pension funds	27,841	28,843
Other creditors	6,262	3,207
Accruals and deferred income	35,242	50,804
	<u>204,502</u>	<u>201,321</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

19. STATEMENT OF FUNDS

STATEMENT OF FUNDS - CURRENT YEAR

	Balance at 1 April 2016 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 March 2017 £
Designated funds						
Capital Development Fund	150,413	-	-	-	-	150,413
New Building Capital Fund	-	-	-	2,550,659	-	2,550,659
	<u>150,413</u>	<u>-</u>	<u>-</u>	<u>2,550,659</u>	<u>-</u>	<u>2,701,072</u>
General funds						
General Fund	2,974,139	4,715,115	(4,538,384)	23,447	83,522	3,257,839
Revaluation Reserve	1,456,577	-	-	(30,345)	-	1,426,232
SVSPS Pension Deficit Fund	(1,463,000)	-	-	-	-	(1,463,000)
	<u>2,967,716</u>	<u>4,715,115</u>	<u>(4,538,384)</u>	<u>(6,898)</u>	<u>83,522</u>	<u>3,221,071</u>
Total Unrestricted funds	<u>3,118,129</u>	<u>4,715,115</u>	<u>(4,538,384)</u>	<u>2,543,761</u>	<u>83,522</u>	<u>5,922,143</u>
Endowment funds						
Endowment Fund	<u>38,401</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,401</u>
Restricted funds						
New Building Capital Fund	2,625,244	20,600	(95,185)	(2,550,659)	-	-
Harmeny Outdoors Fund	23,126	-	-	-	-	23,126
Learning and Development Fund	12,466	-	-	-	-	12,466
Harmeny Community Gardens Fund	1,136	-	-	-	-	1,136
The Janette Brown Trust for Children Fund	24,210	-	-	-	-	24,210
GASS Researcher Fund	-	2,044	(2,044)	-	-	-
Skatepark Fund	-	18,757	(1,639)	2,784	-	19,902
Wildlife Pond Fund	-	11,000	(15,114)	4,114	-	-
	<u>2,686,182</u>	<u>52,401</u>	<u>(113,982)</u>	<u>(2,543,761)</u>	<u>-</u>	<u>80,840</u>
Total of funds	<u>5,842,712</u>	<u>4,767,516</u>	<u>(4,652,366)</u>	<u>-</u>	<u>83,522</u>	<u>6,041,384</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

19. STATEMENT OF FUNDS (continued)

STATEMENT OF FUNDS - PRIOR YEAR

	Balance at 1 April 2015 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 March 2016 £
Designated funds						
Capital Development Fund	150,413	-	-	-	-	150,413
	<u>150,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,413</u>
General funds						
General Fund	2,699,555	5,059,396	(4,801,289)	30,345	(13,868)	2,974,139
Revaluation Reserve	1,486,922	-	-	(30,345)	-	1,456,577
SVSPS Pension Deficit Fund	(1,226,000)	-	-	-	(237,000)	(1,463,000)
	<u>2,960,477</u>	<u>5,059,396</u>	<u>(4,801,289)</u>	<u>-</u>	<u>(250,868)</u>	<u>2,967,716</u>
Total Unrestricted funds	<u>3,110,890</u>	<u>5,059,396</u>	<u>(4,801,289)</u>	<u>-</u>	<u>(250,868)</u>	<u>3,118,129</u>
Endowment funds						
Endowment Fund	38,401	-	-	-	-	38,401
	<u>38,401</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,401</u>
Restricted funds						
New Building Capital Fund	2,691,471	36,015	(102,242)	-	-	2,625,244
Harmeny Outdoors Fund	23,401	2,996	(3,271)	-	-	23,126
Learning and Development Fund	16,226	-	(3,760)	-	-	12,466
Harmeny Community Gardens Fund	9,542	410	(8,816)	-	-	1,136
The Janette Brown Trust for Children Fund	24,198	12	-	-	-	24,210
GASS Researcher Fund	-	29,567	(29,567)	-	-	-
	<u>2,764,838</u>	<u>69,000</u>	<u>(147,656)</u>	<u>-</u>	<u>-</u>	<u>2,686,182</u>
Total of funds	<u>5,914,129</u>	<u>5,128,396</u>	<u>(4,948,945)</u>	<u>-</u>	<u>(250,868)</u>	<u>5,842,712</u>

HARMENY EDUCATION TRUST LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

SUMMARY OF FUNDS - CURRENT YEAR

	Balance at 1 April 2016 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 March 2017 £
Designated funds	150,413	-	-	2,550,659	-	2,701,072
General funds	2,967,716	4,715,115	(4,538,384)	(6,898)	83,522	3,221,071
	<u>3,118,129</u>	<u>4,715,115</u>	<u>(4,538,384)</u>	<u>2,543,761</u>	<u>83,522</u>	<u>5,922,143</u>
Endowment funds	38,401	-	-	-	-	38,401
Restricted funds	2,686,182	52,401	(113,982)	(2,543,761)	-	80,840
	<u>5,842,712</u>	<u>4,767,516</u>	<u>(4,652,366)</u>	<u>-</u>	<u>83,522</u>	<u>6,041,384</u>

SUMMARY OF FUNDS - PRIOR YEAR

	Balance at 1 April 2015 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 March 2016 £
Designated funds	150,413	-	-	-	-	150,413
General funds	2,960,477	5,059,396	(4,801,289)	-	(250,868)	2,967,716
	<u>3,110,890</u>	<u>5,059,396</u>	<u>(4,801,289)</u>	<u>-</u>	<u>(250,868)</u>	<u>3,118,129</u>
Endowment funds	38,401	-	-	-	-	38,401
Restricted funds	2,764,838	69,000	(147,656)	-	-	2,686,182
	<u>5,914,129</u>	<u>5,128,396</u>	<u>(4,948,945)</u>	<u>-</u>	<u>(250,868)</u>	<u>5,842,712</u>

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. These restricted funds were received and spent in prior years for the purposes for which they were given and hence the restriction has been fully discharged. During the year the balance on this fund was transferred to a designated fund and will be reduced each year as the related property fixed assets are depreciated.

Harmeny Outdoors Fund

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

Learning & Development Fund

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

19. STATEMENT OF FUNDS (continued)

Harmeny Community Gardens

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

The Janette Brown Trust for Children

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

Skatepark

This fund relates to grants and donations received to extend the existing Skatepark to allow children even more opportunity to practice their skateboarding and mountain biking skills, thus enabling them to participate in such activities within the community. The funds were fully spend during the year.

Wildlife Pond

This fund relates to donations received to install a Klargestep septic tank in order to ensure improved water clarification within our wildlife pond, thus enabling healthier and more varied plant species and improved wildlife. The pond is a key outdoor learning resource and so improving this will allow more regular and safer use within our experiential learning programme. The project was completed in the year and the excess funds transferred to the general fund.

20. ANALYSIS OF NET ASSETS BETWEEN FUNDS

ANALYSIS OF NET ASSETS BETWEEN FUNDS - CURRENT YEAR

	Unrestricted funds 2017 £	Restricted funds 2017 £	Endowment funds 2017 £	Total funds 2017 £
Tangible fixed assets	4,830,771	19,902	38,401	4,889,074
Fixed asset investments	671,382	-	-	671,382
Current assets	2,087,491	60,938	-	2,148,429
Creditors due within one year	(204,501)	-	-	(204,501)
Provisions for liabilities and charges	(1,463,000)	-	-	(1,463,000)
	<u>5,922,143</u>	<u>80,840</u>	<u>38,401</u>	<u>6,041,384</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

20. ANALYSIS OF NET ASSETS BETWEEN FUNDS (continued)

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

	<i>Unrestricted funds</i>	<i>Restricted funds</i>	<i>Endowment funds</i>	<i>Total funds</i>
	2016	2016	2016	2016
	£	£	£	£
Tangible fixed assets	2,265,308	2,586,843	38,401	4,890,552
Fixed asset investments	433,573	-	-	433,573
Current assets	2,083,569	99,339	-	2,182,908
Creditors due within one year	(201,321)	-	-	(201,321)
Provisions for liabilities and charges	(1,463,000)	-	-	(1,463,000)
	<u>3,118,129</u>	<u>2,686,182</u>	<u>38,401</u>	<u>5,842,712</u>

21. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2017 £	2016 £
Net income for the year (as per Statement of Financial Activities)	198,672	165,583
Adjustment for:		
Depreciation charges	162,446	212,096
(Gains) / losses on investments	(83,522)	13,868
Dividends, interest and rents from investments	(16,122)	(16,939)
Increase in debtors	(7,241)	(104,363)
Increase in creditors	3,181	6,752
Net cash provided by operating activities	<u>257,414</u>	<u>276,997</u>

22. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2017 £	2016 £
Cash in hand and at bank	696,746	779,287
Notice deposits (less than 3 months)	1,200,467	1,159,646
Total	<u>1,897,213</u>	<u>1,938,933</u>

HARMENY EDUCATION TRUST LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

23. CONTINGENT LIABILITIES

Harmeny Education Trust Limited (HETL) is a participating employer in the SVSPS Final Salary Pension Scheme. The scheme is now closed and plans are in place to meet the past service funding deficit (see note 14).

HETL has been notified by the Pensions Trust that the estimated employer debt which would have been payable if HETL had withdrawn from the SVSPS Scheme as 30 September 2016 was £9,014,118 (2015 - £6,733,243).

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 2016 for all current and former HETL's pension scheme members.

24. CONTROLLING PARTY

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