

**The BarnetGroup Limited**

**Annual Report**

**Strategic Report**

**Financial Statements**

**Year ended 31 March 2014**

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## 1. Company Information

### Directors

Terry Rogers (Chair)  
Nigel Turner  
Sharon Slotnick  
Councillor John Marshall  
Councillor Ross Houston  
Tracey Lees

### Changes since last annual report:

#### Directors - Resigned

Troy Henshall

#### To

12 November 2013

#### Chief Executive Officer

Tracey Lees

#### Executive Officers

Derek Rust (Director of Operations)  
Troy Henshall (Director of Growth & Development)  
Helen Astle (Interim Corporate Services Director) December 2013 to March 2014  
Karen Patten (Interim Director of Care & Support) December 2013 to April 2014  
Julie Riley (Director of Care & Support) April 2014 to date

#### Company Secretary

Troy Henshall

#### Registered Office

1255 High Road  
Whetstone  
London  
N20 0EJ

#### Registered Number

#### Auditors

Grant Thornton UK LLP  
Grant Thornton House  
202 Silbury Boulevard  
Milton Keynes  
MK9 1LW

#### Bankers

Santander UK PLC  
T54 Ground Floor Ops  
Bridle Road  
Bootle  
Liverpool  
L30 4GB

## 2. Report of the Directors

The Board is pleased to present the financial statements of The Barnet Group Limited for the year ended 31 March 2014.

### Principal activities

The Barnet Group Limited (the 'Company') is a Local Authority Trading Company (LATC) created in 2012 and has two subsidiary organisations; Barnet Homes an Arms Length Management Organisation (ALMO) and Your Choice (Barnet) a LATC.

Barnet Homes is owned indirectly by the London Borough of Barnet (the 'Council') via The Barnet Group, and commenced its operations on 1 April 2004. The Council has delegated the management of its housing stock to the Company under Section 27 of the Housing Act 1985 (as amended by the Housing and Urban Development Act 1993). Under that delegation the Company is responsible for the following functions:

- Maintenance of the Council's residential stock including stock investment decisions and procurement, planned maintenance and responsive repairs
- Housing management of the Council's residential stock, including rent collection, leasehold management, enforcement of tenancy and lease conditions, managing voids and estate management
- Home ownership services
- Calculation and collection of leasehold charges
- Financial management of the Housing Revenue Account (HRA)
- Services under the Supporting People programme
- Tenant involvement and resident participation

From 01 April 2012, the Council's homelessness service transferred into Barnet Homes meaning that Barnet Homes is now also responsible for homelessness assessments, acceptances and procurement of property. The management agreement was amended to include these responsibilities.

The original ten year management agreement expired 31 March 2014 and continuation of the services was agreed via a one year delivery plan. Discussions are underway in respect of a new management agreement anticipated to be for a ten year period which should be concluded during 2014/15.

Barnet Homes Limited is a subsidiary of The Barnet Group, a wholly owned local authority trading company of London Borough of Barnet. Barnet Homes became part of The Barnet Group on 01 February 2012 and The Barnet Group acts as an agent for Barnet Homes Ltd in transacting with the Council. In substance, the company operates as an ALMO per its original structure on 1 April 2004, but is under the direct ownership of The Barnet Group. London Borough of Barnet is the ultimate controlling party.

Your Choice (Barnet) Limited is owned indirectly by the London Borough of Barnet (the 'Council') via The Barnet Group, that commenced its operations on 1 February 2012 delivering specialist care and support to adults with a range of physical and learning disabilities. These services were transferred in order to enable to become more cost effective and compete in the Adult Social Care marketplace.

Your Choice Barnet services include:

- Rosa Morison day service for adults with profound and complex learning and physical disabilities
- Flower Lane Autism Service helping people on the autism spectrum to gain confidence and become more independent.
- Valley Way respite centre for adults with complex learning disabilities, physical disabilities, autism or challenging behaviour

- Community Space day service offering community support, activities and care for adults with a wide range of learning disabilities
- Supported Living helping people with learning disabilities to live as independently as possible in their own home.
- Barnet Independent Living Service for adults with a range of physical and sensory impairments

### **Results for the year**

The result for the year is a loss of £871,000 before taking account of the adjustments required in relation to pension. After the adjustments for pensions and taxation we recorded a net loss of £2.558 million for the year, with the increased loss position as a result of pension accounting transactions of £1.687 million.

### **Directors**

There was one Director change over the 2013/14 year, with Troy Henshall resigning on 12 November 2013 at the Group Annual General Meeting.

The names of the Directors who served during the year can be found on page 3.

### **3<sup>rd</sup> party indemnity provision for directors**

Directors had provision via The Barnet Group Limited Insurance policy for Officials Indemnity, Personal Accident and Directors & officers.

### **Disabled persons**

The Barnet Group is committed to equality and diversity and our goal is to embed it into our practices and everything we do. We want to provide the best possible service and value the contribution our employees make to achieving this. Our objective is to ensure that services are provided fairly to all the communities we serve and that all our existing and future employees have equal opportunities.

For our residents and service users we will:

- Understand that some groups of people experience more disadvantage than others and will target our services to meet particular needs
- Treat all service users with dignity and respect
- Consult and involve service users in planning the delivery of services
- Do our best to engage with hard to reach groups to get their views

As an employer we will:

- Take positive action to develop a workforce that reflects the communities we serve

### **Employee information**

We aim to achieve and promote equality of opportunity in all aspects of our recruitment, training, policy and practice and to facilitate a working environment where employees feel safe, supported, able to challenge, feel engaged with the organisation and where any discrimination is dealt with effectively.

All applicants with disabilities receive fair treatment and are considered solely on their ability to do the job, taking into account any reasonable adjustments required. We also ensure appropriate training for employees with disabilities as for other employees.

We strive to ensure that our resources support the delivery of our business plan and to this end we are committed to developing our people to deliver our business aims. In keeping with our culture we value feedback from our employees on people management issues. The Chief Executive holds

regular "meet the CEO" sessions with cross sections of different staff to hear their views directly on management and service related issues. It is recognised that effective leadership is critical to achieving our aspirations and so we have invested considerably in developing our leadership capability and focussing on our leadership values which are build around our core values. We also continue to invest in our staff through our performance management process.

The employee awards, designed around our Core Values continued in 2013/14 at our employee conference and there were many excellent examples of our staff living our values.

Our continued robust management of sickness absence has also seen sickness absence remain low at 8.3 days (average sickness absence per staff member) by the end of March 2014 in Barnet Homes Limited and from 15.3 days in 2012/13 down to 12.5 days in Your Choice (Barnet), resulting in us maintaining our non cashable efficiencies.

As a learning organisation we value the experiences that new employees bring and continue to engage their integration into the organisation through a well structured induction programme. Our existing staff are also encouraged to make suggestions on how we can improve as an organisation and our Innovations Fund makes it possible for staff to test their ideas.

Our comprehensive internal communication strategy aims to encourage two way communication within the organisation and enhances learning and development. Initiatives have included the Chief Executive's fortnightly newsletters, a regular staff newsletter, Managers' Corporate Brief, Lunch and Learn Sessions open to all staff, corporate induction for new staff and a staff recognition scheme. Managers also meet regularly with recognized trade unions both informally and formally, for the purposes of furthering involvement, consultation and negotiation and the we hold monthly staff group meetings in Barnet Homes Limited and Your Choice (Barnet) Limited

We aim to achieve and promote equality of opportunity in all aspects of our recruitment, training, policy and practice and to facilitate a working environment where employees feel safe, supported, able to challenge, feel engaged with the organisation and where any discrimination is dealt with effectively.

All applicants with disabilities receive fair treatment and are considered solely on their ability to do the job, taking into account any reasonable adjustments required. We also ensure appropriate training for employees with disabilities as for other employees.

#### **Charitable donations**

The Barnet Group Limited and Your Choice (Barnet) Limited made no charitable donations in the year ending 31 March 2014. Barnet Homes donated £975 in the year ending 31 March 2014.

#### **EU Political donations and expenditure**

No political donations or expenditure were made by the Group or its subsidiaries in the year ending 31 March 2014.

#### **Donations to non-EU political parties**

No political donations or expenditure were made by the Group or its subsidiaries in the year ending 31 March 2014.

#### **Payment policy**

The Group pays suppliers where possible within suppliers' credit terms. Payments to suppliers were made on average within 28 days of receipt of the invoice, compared to 30 days in 2012/13.

#### **Awareness of relevant audit information**

The Directors of The Barnet Group Limited can confirm that at the time of approving this report there is no relevant audit information of which the auditors are unaware and that we have taken all necessary steps to ensure we are aware of any relevant audit information and to establish that the auditors were also aware.

### **Statement of Directors' Responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Directors Remuneration Report**

The Directors are defined as being the members of The Barnet Group's Main Board. The Directors received emoluments for the first time from July 2010 and were entitled to reimbursement of incidental expenses incurred when attending board meetings and other formal events in their capacity as board members. The Directors are not entitled to pension benefits. These are the only transactions with directors of the Company.

### **Going concern**

The financial statements have been prepared on a going concern basis.

Due to the application of IAS19, the Group's pension deficit of £28.957m is recognised in full on the consolidated statement of financial position. However, the London Borough of Barnet has fully guaranteed the deficit in respect of Barnet Homes Limited at the point of its incorporation (on 1 April 2004). Furthermore, the London Borough of Barnet has also guaranteed the pension deficit in respect of Your Choice (Barnet) Limited at the point that the employees were transferred to Your Choice (Barnet) (on 1 February 2012). The Directors have reviewed the company's forecasts for next the financial year from the date of formally approving the annual report and financial statements. Therefore the Board consider preparation on a going concern basis to be appropriate.

International Accounting Standard 19 relates to the assessment of the employer's liability in respect of the pension scheme, which has the impact of increasing or reducing the pension deficit on the Statement of Financial Position. This is an accounting rule which shows the current estimate of future pension costs and has no impact on the company's current liquidity.

In addition, the London Borough of Barnet has provided a letter of comfort to the Directors of Barnet Homes Ltd, setting out its intention to fund Barnet Homes Limited's ongoing operational cash flow requirements from the point of incorporation onwards via the timing of the payment of the agreed monthly management fee. Therefore the Board considers preparation on a going concern basis to be appropriate.

**Auditors**

Grant Thornton UK LLP has expressed their willingness to remain in office. In accordance with s485(4) of the Companies Act 2006 as resolution to reappoint Grant Thornton UK LLP as auditors will be proposed at the Annual General meeting to be held on 3 November 2014.

**Approval and signature**

The report of the Directors was approved by the Board on 22 September 2014 and signed on its behalf by



Terry Rogers, Chair



### 3. Strategic Report

#### Review of results

The Financial Year 2013/14 was The Barnet Group's second full year of operation. Before taking account of the adjustments required in relation to pensions, a loss of £871,000 was made on the Statement of Comprehensive Income. After the adjustments for pensions and taxation we recorded a net loss of £2.558 million for the year, with the increased loss position as a result of pension accounting transactions of £1.687 million. The Barnet Group's usable revenue reserve as presented in the Statement of Financial Position is £1.445 million.

The activities carried out between The Barnet Group and London Borough of Barnet has been recognised by Her Majesty's Customs and Excise as non-trading for corporation tax purposes. These activities are therefore not subject to corporation tax.

#### Principal Risks and Uncertainties

The Barnet Group is a non trading parent company and therefore the majority of the risks sit within the individual companies within the Group.

Barnet Homes' Management Agreement with the Council was for a ten year period to April 2014, with a break clause at 31 March 2009 which was not exercised although some revisions were made to the Agreement and again from April 2012 to reflect the transfer of the homelessness service. A new long term management agreement is yet to materialise although discussions are ongoing and services are currently contracted via an annual service delivery plan.

Our principal source of income is the management fee from the London Borough of Barnet, which is paid monthly in advance in accordance with the Agreement. The fee is set in advance, and the main risk to the Company is that it is not able to deal with inflationary pressures in excess of that allowed for or is unable to maintain levels of income collection due to the economic situation. This has caused an impact with public sector pay increases now being reintroduced and pension auto enrolment also having an impact. The Council is also embarking on a five year savings programme aimed at delivering over seventy million of efficiencies of which Barnet Homes will have to contribute its own share.

The levels of stock managed under the Agreement will reduce as the Council's regeneration programme gains momentum and right to buy (RTB) increases. With RTB exceeding 100 units per year and rising, the Company is assessing opportunities to replace this loss of activity with new business. However the present economic climate has led to uncertainty around the regeneration timetable and a need for investment in the management and maintenance of properties that was not previously planned. We continue to work closely with the Council and its development partners in seeking to improve our service to residents on these estates.

The reform of the Housing Revenue Account (HRA) has not presented the risks originally anticipated, but the reform of Welfare is beginning to see an impact on arrears and the major changes such as direct payments are yet to be introduced. Pension auto enrolment was introduced in late 2013/14 and it had an impact on the Company's expenditure budgets but the HRA is projecting a strong 30 year model that will enable new build properties to be developed in the Borough. Council financing continues to be under significant pressure and Barnet Homes can expect to face more significant efficiency demands alongside rising costs in the coming years.

Homelessness presentations and acceptances are not significantly different from previous years but access to properties has seen a significant reduction causing increases in emergency and temporary accommodation. There has been a significant increase in outer London private sector rents and Barnet now has the most expensive rents in outer London meaning significant expenditure is now being incurred.

Your Choice (Barnet)' contract with the Council has exercised its option to extend the current contract for a two year period and therefore the current contract will now run until February 2017. Our principal

source of income is the fee from the London Borough of Barnet, which is now paid monthly in arrears based on the use of our services.

The move to this payment method and wider cost reductions in the sector meant that Your Choice (Barnet) had to put in place a series of cost saving activities in 2013/14. These changes were completed on 1 April 2014 although discussions are still ongoing with the union in respect of the final changes, a 9.5% pay reduction for employees, to try and find alternative savings. These discussions have led to a ballot for industrial action and we await the next steps of this process.

The Adult Social Care marketplace is extremely challenging with reviews of service users and the rates paid generally resulting in reduction of income. If this trend continues it could impact our ability to attract and retain good employees. The recent pay reduction was put in place to ensure we can be competitive in the marketplace on both the rates being paid but also our employees salaries and wider terms and conditions.

It is widely accepted that Local Authority budgets for services like those delivered by Your Choice (Barnet) will face more significant cuts in the coming years and Your Choice (Barnet) will need to further align its costs with the market, without affecting quality of services. In addition Your Choice will need to ensure it has sufficient financial strength to repay the loan made by Barnet Homes in 2013.

Health and Safety and safeguarding of our employees and our service users is a major activity, especially as the majority of our service users have a significant range of disabilities.

#### **Key financial performance indicators**

The key performance indicators for our subsidiary organisations are set out as follows:

##### *Barnet Homes Limited*

Our robust financial management has ensured that our expenditure was broadly in line with budget and that we were able to divert resources during the year to areas where they were most needed. On capital expenditure we are working to a five year programme and so fluctuations compared to budget are expected between financial years.

Key Performance Indicator	Target	2014	2013	2012	2011
Percentage of expenditure to budget on housing management	+/-2% of budget	+0.14%	-1.09%	-0.47%	-1.40%
Percentage of expenditure to budget on repairs and maintenance	+/- 2% of budget	+0.27%	+0.30%	+0.02%	-0.01%
Percentage of expenditure to budget on capital programme	+/- 2% of budget	-2.10%	-11.51%	-0.26%	-5.42%

The key performance indicators (KPIs) used to monitor achievement of the company's key objectives is set out below. The Board and London Borough of Barnet agree targets each year that are designed to manage development and deliver continuous improvement as outlined in the management agreement. The key performance indicators do not impact on the company's operational and financial status. Despite a challenging time rent arrears continues to be a strong performance area for us and our lettings performance is now amongst the best in London.

<b>Demand Indicators:</b>	<b>2012/13</b>	<b>2013/14</b>	<b>% Change</b>
Households in temporary accommodation (TA) at end of period (includes clients in emergency TA)*	2,372	2,401	+1%
Number of new TA admission	846	824	-3%
Number of housing need applications received requiring investigation	2,459	2,705	+10%
Number of homeless presentations	1,131	1,079	-5%
Number of homeless acceptances	591	670	+13%
Number of homeless preventions completed	449	894	+99%

<b>Contextual Figures:</b>	<b>March 2013</b>	<b>March 2014</b>	<b>% Change</b>
No' households in emergency accommodation	635	471	-26%
No' households in Bed & Breakfast (B&Bs)	8	0	n/a

Significant progress was achieved in 2013/14 with costs stabilising and the number of households in emergency accommodation falling significantly to 471. This has been in-part due to the success of a number of mitigating actions in place including an increase the number of our emergency accommodation suppliers, recruiting more affordable providers, with the number of providers now increasing to 446. This is also helping to create competition amongst providers and has meant that Barnet Homes has been able to secure some affordable supply, whilst also minimising increases in cost.

Overall, lettings performance has been strong with the 19.5 day target for average re-let times for all properties being met. This year's performance of 18 days also represents an improvement on last year's 19.1 days.

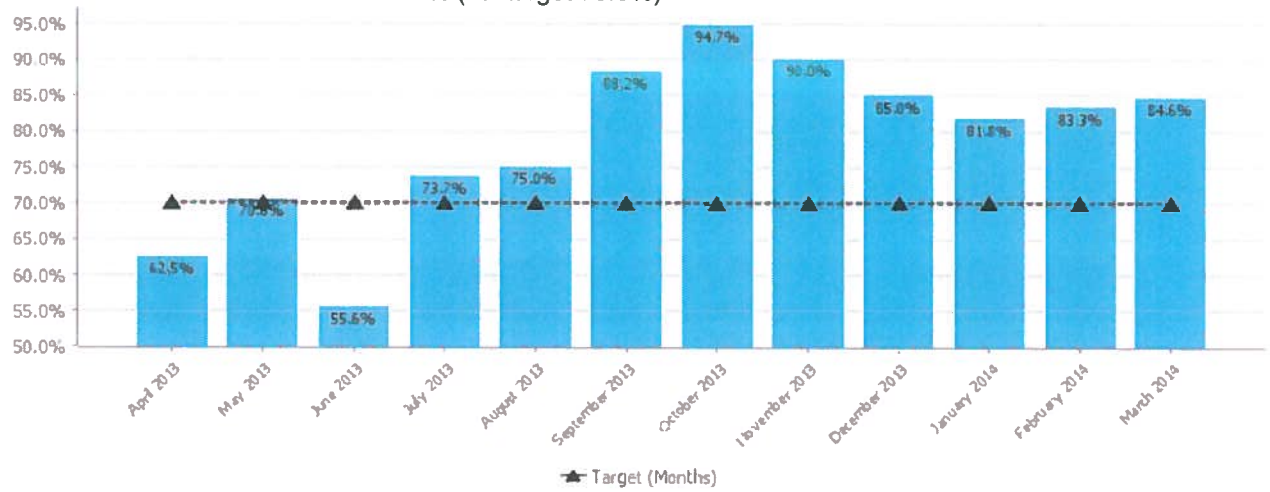
#### Allocations & lettings

<b>Average Re-let Times</b>	<b>2012/13</b>	<b>2013/14</b>	<b>% Change</b>	<b>2013/14 Target</b>
All Barnet Homes	19.1	18.0	-6%	19.5
Non-Regeneration	15.0	18.3	+22%	15.0
Regeneration	22.9	15.3	-33%	23.0
Hostels	13.8	14.4	+4%	13.5
Sheltered	46.4	32.8	-29%	50.0

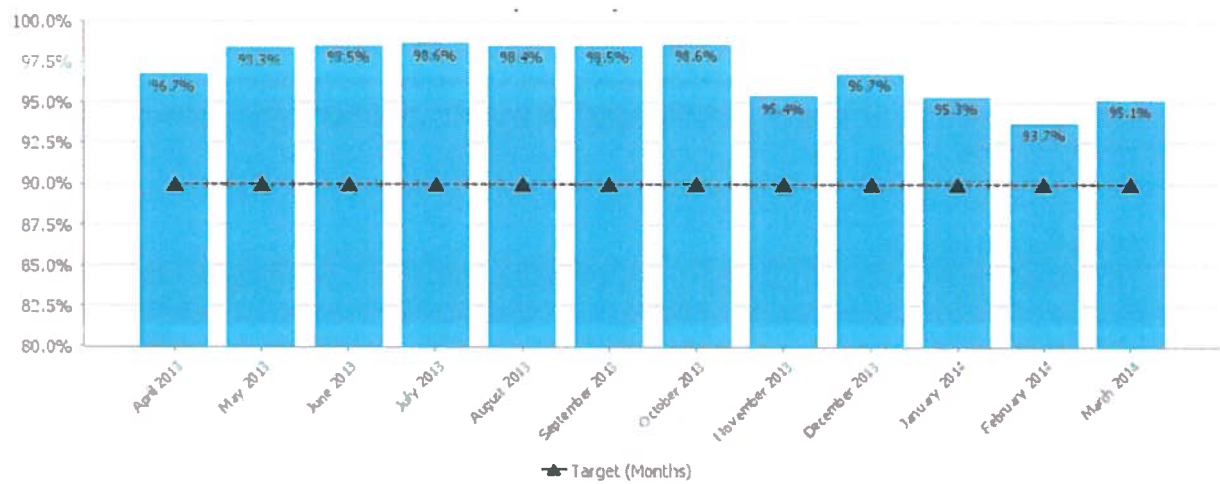
**Arrears as % debit. Result: 2.40% (vs. target 2.39%)**



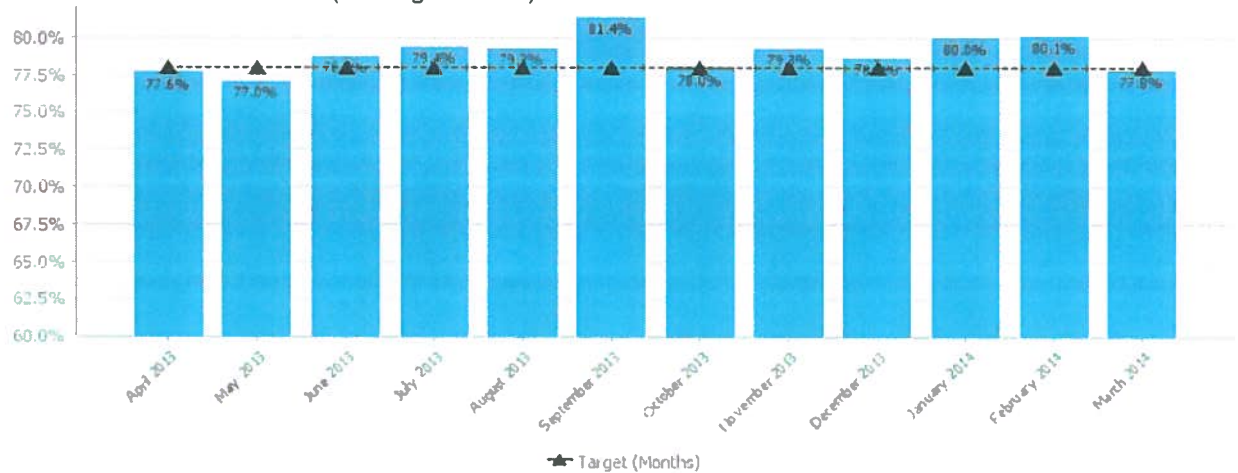
### 2 Year Flexible Tenants: Result: 84.6% (vs. target 70.0%)



### Responsive Repairs Satisfaction: Result: 97.0% (vs. target 90.0%)



### First Time Fix: Result: 78.9% (vs. target 78.0%)



The First Time Fix graph represents the percentage of jobs completed on the first visit to the property.

### *Your Choice (Barnet) Limited*

Because of the significant changes we made in 2013/14 and the delay in implementing the changes, the actual outturn against the annual budget has seen high levels of variations. The one off restructuring expenditure has materialised in significant variations against budget in respect of the following areas:

- Voluntary redundancy costs
- Pension strain costs for redundant staff
- Additional agency staff costs

Key Performance Indicator	Target	2013	2014
Percentage of expenditure to budget	+/-2% of budget	+2.97%	+11.86%
Percentage of income to budget	+/-2% of budget	+1.39%	-1.55%

The facilities within our services are generally modern and very well equipped and our staff are dedicated and provide high quality services. It is obviously important for the success of Your Choice to more effectively utilise the available facilities. Even where we are close to capacity small changes to the facilities or changes in working practices should allow us to further expand capacity.

Service	% Utilisation	Target
<b>Barnet Independent Living Service (BILS)</b>	90.00%	95.00%
<b>Community Space</b>	98.20%	95.00%
<b>Flower Lane</b>	97.60%	95.00%
<b>Rosa Morison</b>	99.00%	95.00%
<b>Supported Living</b>	97.80%	95.00%

### **Valley Way**

In addition our respite service Valley Way saw an overall void rate of 27% in 2013/14, with Mondays to Thursdays at 32% and Friday to Sunday at 22%.

2013/14 saw improvements in utilisation for all of our services and we saw a positive number of referrals for our services which resulted in 30 new customers over the year.

Indicator description	2013/14 Outturn		2013/14
Number of referrals from within the London Borough of Barnet	15	<b>Your Choice (Barnet)</b>	<b>30</b>
Percentage (%) of total	29%	BILS	0
Number of referrals from other Local Authorities	22	Community Space	4
Percentage (%) of total	42%	Flower Lane	5
Number of other referrals (e.g. self)	15	Rosa Morison	7
Percentage (%) of total %	29%	Supported Living	1
		Valley Way	13

### Outcomes

Indicator description	2013/14 Outturn
Moved on to lower dependence service	0
Moved on to higher dependence service	9
Moved on for another reason	7
<b>Total number of service users who have moved on</b>	<b>16</b>

The annual reviews for each service user measured outcomes across 9 generic areas. Eighty percent (80%) of the total outcomes were met, with 12% not applicable to all service users. The remaining 8% were split between outcomes not met and no service review occurring.

In the year the company only received one complaint and had eight safeguarding incidents of which one was upheld.

### Future Developments

Barnet Homes was successful in a tender to deliver Early Intervention and Prevention mentoring programmes for children and has also delivered the first Council owned Housing for over 20 years in 2013 with initial 3 houses built in Muswell Hill, North London. A further programme of 38 properties is underway and due for completion in the next eighteen months. Barnet Homes is also working with the Council, the Greater London Authority (GLA) and Re (the joint venture between Capita and Barnet Council) to explore further new build opportunities and is in exploring the creation of two new Registered Providers to enable it to maximise its development capability.

Barnet Homes also successfully tendered for alarm monitoring services from the London Borough of Brent and these services are now live. Barnet Homes has also partnered successfully with the London Credit Union to support financial inclusion and Future Gov. in order to roll out Casserole, a service to support isolated older people.

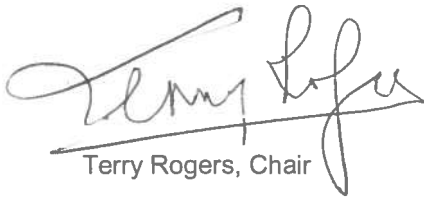
Barnet Homes commenced its All Systems Go project in 2012 which went live in 2013/14 replacing all of its major IT systems. Further work will be undertaken on these systems over the next eighteen months to deliver further improvements to our services.

Your Choice (Barnet) is now part of The Barnet Group Care & Support division which brings together all of the services within Your Choice (Barnet) and the Assist and Sheltered Housing services within Barnet Homes Ltd. The working together, sharing best practice and opportunities for synergies is significant and will enable the Group to bid more robustly.

The Care & Support Directorate now has a Director lead and following the completion of the cost saving programme, Your Choice (Barnet) is well placed to compete for new business and is aiming to deliver a minimum 2% growth over the next 12 months. We are seeing more referrals to our services than ever before and growth within each service is beginning to take shape.

**Approval and signature**

The strategic report of the Directors was approved by the Board on 22 September 2014 and signed on its behalf by



Terry Rogers, Chair

## **Independent auditor's report to the members of The Barnet Group Limited**

We have audited the financial statements of The Barnet Group Limited for the year ended 31 March 2014 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flow, the consolidated statement of changes in equity, the company statement of comprehensive income, the company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2014 and of its loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' 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 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**John Corbishley**  
**Senior Statutory Auditor**  
**for and on behalf of Grant Thornton UK LLP**  
**Statutory Auditor, Chartered Accountants**  
**Milton Keynes**

**The Barnet Group Limited**  
**Financial Statements for the year ended 31 March 2014**

**Consolidated Statement of Comprehensive Income**

for the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
Revenue	3	52,469	48,928
Employee benefits expense	13	(17,231)	(17,908)
Retirement pension obligation		(175)	(1,273)
Depreciation	8	(172)	(184)
Amortisation	8	(101)	
Other expenses	4	(36,030)	(30,524)
<b>Operating (loss)/profit</b>		<b>(1,241)</b>	<b>(960)</b>
Finance income	7	1,377	1,791
Finance costs	7	(2,677)	(2,964)
<b>(Loss)/Profit before tax</b>		<b>(2,540)</b>	<b>(2,133)</b>
Income tax expense		(19)	(22)
<b>(Loss)/Profit after tax</b>		<b>(2,558)</b>	<b>(2,155)</b>
<b>Other comprehensive Income</b>			
Actuarial profit/(loss) on pension scheme		4,953	1,509
<b>Total comprehensive income for the year</b>		<b>2,395</b>	<b>(646)</b>
<b>Total comprehensive income is attributable to:</b>			
London Borough of Barnet		2,395	(646)

Reconciliation of total loss for the year after tax		
	2014 £'000	2013 £'000
(Loss)/profit for the period	(871)	359
(Loss)/profit from IAS19 pension fund accounting entries	(1,687)	(2,514)
<b>Total (loss)/ profit for the year after tax</b>	<b>(2,558)</b>	<b>(2,155)</b>

# Consolidated Statement of Financial Position

as at 31 March 2014

	Note	2014 £'000	2013 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Tangible Assets</b>			
Property, plant and equipment	8	488	348
<b>Intangible Assets</b>			
Computer Software & Development	8	1,384	548
		<u>1,872</u>	<u>896</u>
<b>Current assets</b>			
Trade and other receivables	9	14,707	8,975
Short term investment	11	-	506
Cash and cash equivalents	10	3,725	8,919
		<u>18,432</u>	<u>18,401</u>
<b>Total assets</b>		<u>20,304</u>	<u>19,298</u>
<b>EQUITY and LIABILITIES</b>			
<b>EQUITY</b>			
Revenue reserve (excluding IAS 19 provisions)		1,445	2,316
Pension fund		(28,957)	(32,223)
Retained earnings		(27,512)	(29,907)
<b>Total Equity</b>		<u>(27,512)</u>	<u>(29,907)</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Pension and other employee obligations		28,957	32,223
Provisions	14	194	268
		<u>29,151</u>	<u>32,491</u>
<b>Current liabilities</b>			
Trade and other payables	16	18,644	16,692
Current tax liabilities		21	22
		<u>18,665</u>	<u>16,714</u>
<b>Total liabilities</b>		<u>18,665</u>	<u>49,205</u>
<b>Total equity and liabilities</b>		<u>20,304</u>	<u>19,298</u>

The financial statements were authorised and approved by the Board on 22 September 2014 and signed on its behalf by:

Terry Rogers, Chair

Company Number: 07873964

## Consolidated Statement of Cash Flow

for the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
<b>Cash flows from operating activities</b>			
Profit/ (loss) before tax		(2,540)	(2,133)
Interest income		(40)	(72)
Depreciation of property, plant and equipment		172	184
Amortisation of intangible assets		101	-
Loss on disposal of non-financial assets		2	37
Change in pension assets		(6,388)	(6,388)
Change in pension liabilities		3,123	7,394
Actuarial loss on pension scheme		4,953	1,509
Change in provisions		(74)	(38)
Taxes paid		(22)	(20)
Other			
<b>Net cash from operating activities</b>		<b>(713)</b>	<b>472</b>
<b>Net changes in working capital:</b>			
Change in trade and other receivables		(5,732)	(3,296)
Change in trade and other payables		1,868	5,835
Change in other employee obligations		84	(3)
<b>Total changes in working capital</b>		<b>(3,780)</b>	<b>2,536</b>
<b>Cash flows from investing activities</b>			
Interest received	7	40	72
Purchases of equipment	8	(1,248)	(692)
Increase in short Term Investment		507	(506)
<b>Net cash used In Investing activities</b>		<b>(701)</b>	<b>(1,126)</b>
<b>Net (decrease) /increase in cash and cash equivalents</b>	23	<b>(5,194)</b>	<b>1,883</b>
Cash and cash equivalents at beginning of year		8,919	7,037
<b>Cash and cash equivalents at end of year</b>	23	<b>3,725</b>	<b>8,919</b>

## Consolidated Statement of Changes in Equity

as at 31 March 2014

	Revenue Reserve (excl IAS19 provisions) £'000	Pension Fund £'000	Total retained earnings £'000
Balance as at 1 April 2012	1,957	(31,217)	(29,260)
Profit/ (loss) for the year	359		359
(Increase)/ decrease in retirement pension obligation		(2,516)	(2,516)
Other comprehensive income:			
Actuarial loss on pensions scheme		1,509	1,509
	359	(1,007)	(648)
Balance as at 31 March 2013	(2,316)	(32,223)	(29,907)
Balance as at 1 April 2013	(2,316)	(32,223)	(29,907)
Profit/ (loss) for the year	(871)		(874)
Increase in retirement pension obligation		(1,688)	(1,688)
Other comprehensive income:			
Actuarial gain on pensions scheme		4,953	4,953
Total comprehensive income for the year	(871)	(28,957)	2,392
Balance as at 31 March 2014	(3,187)	(28,957)	(27,515)

# Company Statement of Comprehensive Income

for the year ended 31 March 2014

		for the period ending	
	Note	2014 £'000	2013 £'000
Revenue		-	-
Employee benefits expense		-	-
Retirement pension obligation		-	-
Depreciation		-	-
Other expenses	3	(38)	(36)
<b>Operating (loss)/profit</b>		<b>(38)</b>	<b>(36)</b>
Finance income	4	8	3
Finance costs		(1)	-
<b>(Loss)/Profit before tax</b>		<b>(31)</b>	<b>(33)</b>
Income tax expense	9	1	(1)
<b>(Loss)/Profit after tax</b>		<b>(31)</b>	<b>(34)</b>
<b>Other comprehensive income</b>			
Actuarial profit/(loss) on pension scheme		-	-
<b>Total comprehensive Income for the year</b>		<b>(31)</b>	<b>(34)</b>
<b>Total comprehensive income is attributable to:</b>			
London Borough of Barnet		(31)	(34)

Reconciliation of total loss for the year after tax		for the period ending	
		2014 £'000	2013 £'000
(Loss)/profit for the period		(31)	(34)
(Loss)/profit from IAS19 pension fund accounting entries		-	-
<b>Total (loss)/ profit for the year after tax</b>		<b>(31)</b>	<b>(34)</b>

# Company Statement of Financial Position

as at 31 March 2014

	Note	2014 £'000	2013 £'000
<b>Current assets</b>			
Trade and other receivables	9	9,526	7,712
Cash and cash equivalents	10	1,854	2,511
		<u>11,380</u>	<u>10,223</u>
<b>Total assets</b>		<u>11,380</u>	<u>10,223</u>
<b>EQUITY and LIABILITIES</b>			
<b>EQUITY</b>			
Revenue reserve		(65)	(34)
<b>Total Equity</b>		<u>(65)</u>	<u>(34)</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	16	11,444	10,257
Current tax liabilities	17	1	-
		<u>11,445</u>	<u>10,257</u>
<b>Total liabilities</b>		<u>11,445</u>	<u>10,257</u>
<b>Total equity and liabilities</b>		<u>11,380</u>	<u>10,223</u>

The financial statements were authorised and approved by the Board on 22 September 2014 and signed on its behalf by:

Terry Rogers, Chair

Company Number: 07873964

# Accounting policies and explanatory notes to the financial statements

Year ended 31 March 2014

## 1. General information and statement of compliance with IFRS

This is The Barnet Group's second accounting period. The Barnet Group is a local authority controlled company of the London Borough of Barnet limited by shares. The Company is incorporated and domiciled in England. The address of the registered office is Barnet House, 1255 High Road, Whetstone, London N20 0EJ. The company's registration number is 07873964.

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and as developed and published by the International Accounting Standards Board (IASB).

### Implementation of new accounting standards and policies

The financial statements have been prepared using accounting policies specified by those IFRSs that are in effect at 31 March 2014.

The significant accounting policies that have been applied in preparation of the financial statements are summarised below.

These accounting policies have been used throughout all periods presented in the financial statements.

New standards and interpretations currently in issue but not effective for accounting periods commencing on 1 April 2013 are:

- IFRS 9 Financial Instruments (effective 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013\*\*)
- IFRS 11 Joint Arrangements (effective 1 January 2013\*\*)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013\*\*)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013\*\*)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013\*\*)
- Presentation of Items of Other Comprehensive Income - Amendments to IAS 1 (effective 1 July 2012)
- Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (effective 1 January 2013)
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective 1 January 2014)
- Mandatory Effective Date and Transition Disclosures - Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)
- Government Loans - Amendments to IFRS 1 (effective 1 January 2013)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective 1 January 2013)
- Annual Improvements 2009-2011 Cycle (effective 1 January 2013)
- Transition Guidance - Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective 1 January 2013)
- Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27 (effective 1 January 2014)

**\*\* Note:** EU mandatory effective date is 1 January 2014 not 2013. Also Deferred Tax: Recovery of Underlying Assets - Amendments to IAS 12 Income Taxes (IASB effective date 1 January 2012) has a mandatory EU effective date of periods commencing on or after 1 January 2013.

As of 8 April 2013, the following standards and interpretations are in issue but not yet adopted by the EU:

- IFRS 9 Financial Instruments (effective 1 January 2015)
- Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27 (effective 1 January 2014)



## Presentation of financial statements

The financial statements are presented in accordance with IAS 1 presentation of financial statements (Revised 2007).

The Company has elected to present the statement of comprehensive income in one statement: the 'statement of comprehensive income'.

## 2. Summary of significant accounting policies

### Basis of preparation

These financial statements are for the year ended 31 March 2014 and are presented in Pounds Sterling rounded to the nearest thousand.

The principal accounting policies of the Company are set out below and have been consistently applied to all years presented in these financial statements.

The principal accounting policies have remained unchanged from prior year except where stated.

### Basis of consolidation

The company was incorporated on 7 December 2011 and is controlled by the London Borough of Barnet. On 1 February 2012, the company became the sole member of Barnet Homes Limited, a company previously controlled directly by the London Borough of Barnet. The services provided by Barnet Homes Limited remained unchanged, however, these services are now carried out under an agreement between The London Borough of Barnet and The Barnet Group Limited, who in turn have a management agreement with Barnet Homes Limited.

The Barnet Group Limited also holds 100% of the issued share capital of Your Choice (Barnet) Limited, a company which was also incorporated on 7 December 2011. On 1 February 2012, the London Borough of Barnet transferred certain services over to Your Choice Barnet Limited under a contract between The London Borough of Barnet and The Barnet Group Limited, who in turn have a management agreement with Your Choice (Barnet) Limited.

The Directors considered the above restructuring to represent a business combination between entities under common control. This is because the London Borough of Barnet remained the ultimate controlling party of Barnet Homes Limited and therefore in substance, no change in control had occurred. Business combinations between entities under common control are outside the scope of *IFRS 3 Business Combinations (revised 2008)* and therefore acquisition accounting does not apply. The directors are therefore required to develop a suitable accounting policy under which to account for such a transaction.

In preparing these financial statements, the directors have adopted a policy of applying capital reorganisation accounting as this best represents the substance of the transactions which have taken place. In applying the capital reorganisation accounting, the consolidated balance sheet presented in the financial statements incorporates the assets and liabilities of Barnet Homes Limited at their pre-combination carrying amounts, without any fair value adjustments.

### Going concern

The financial statements have been prepared on a going concern basis.

Due to the application of IAS19, the Group's pension deficit of £28.957m (2013: £32.223m) is recognised in full on the consolidated statement of financial position. However, the London Borough of Barnet has fully guaranteed the deficit in respect of Barnet Homes Limited at the point of its incorporation (on 1 April 2004). Furthermore, the London Borough of Barnet has also guaranteed the pension deficit in respect of Your Choice Barnet Limited at the point that the employees were transferred to Your Choice Barnet (on 1 February 2012).

In addition, the London Borough of Barnet has provided a letter of comfort to the Directors of Barnet Homes Ltd, setting out its intention to fund Barnet Homes Ltd's ongoing operational cash flow requirements from the point of incorporation onwards via the timing of the payment of the agreed monthly management fee. Therefore the Board considers preparation on a going concern basis to be appropriate.

### Revenue

Revenue represents the value (excluding value added tax) of services supplied and management fee to which the Group was entitled in respect of the financial year. The Group's main source of income is the management fee received from London Borough of Barnet in line with the approved management agreement also based on payment by usage for the adult social services arm of the business. The level of the annual management fee has been negotiated with the Council for a 5 year period ending in Year 2016/17, and thereafter will be negotiated either on an annual basis or over a longer period for the housing management arm of the business.

Sundry income is recognised so as to match revenue to the cost of delivering the relevant services in the same accounting year.

Grants received in respect of resident participation and other projects have been credited to the statement of comprehensive income in the same period as the expenditure to which they relate. Any surplus grant is held in deferred income as a current liability until such time that it is used to pay for future expenditure in relation to that project.

### Interest income

Interest received on bank deposits is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable. Any interest receivable that is due has been accrued accordingly.

### Operating expenses

Operating expenses are recognised in the statement of comprehensive income upon utilisation of the service or at the date of their origin.

**Property, plant and equipment and depreciation**

Property, plant and equipment are stated at historic cost less accumulated depreciation. Depreciation is provided on all property, plant and equipment at rates calculated to write off the costs on a straight-line basis over their expected useful lives (with no charge in the year of acquisition) as follows:

Vehicles, plant & equipment: 5 years  
Furniture, fixtures & fittings: 5 years  
Computer equipment and software: 3 years

The Group elected to change its estimation of the expected useful economic live for computer equipment and software from 3 years to 5 years from the current financial year. Assets purchased and the outstanding balances on existing assets are now depreciated over a 5 year period. Any obsolete assets with a net book value will have all costs written off immediately to the Statement of Comprehensive Income.

The profit or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

**Leases**

All current leases are treated as operating leases. Payments on operating lease agreements are recognised as an expense on a straight line basis over the lease term. Associated costs are expensed as incurred.

### **Financial Instruments**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value, except for financial assets and financial liabilities carried at fair value through profit and loss, which is measured initially at fair value

Financial assets and financial liabilities are measured subsequently as described below.

#### ***Financial assets***

For the purpose of subsequent measurement, financial assets are classified into categories upon initial recognition.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

All income and expenses relating to financial assets are recognised in profit and loss and are presented within 'finance cost', 'finance income' or 'other financial items', except for impairment of trade receivables which is presented within 'other expenses'.

#### ***Loans and receivables***

All of the Groups financial assets are classified as loans and receivables.

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cashflows.

Movements in the provision for doubtful debts are recognised in the statement of comprehensive income.

Generally, this results in their recognition at their nominal value less any allowance for any doubtful debts.

**Financial liabilities**

Financial liabilities include borrowings and trade and other payables.

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Financial liabilities are contractual obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities are recorded at amortised cost using the effective interest method, with interest related charges recognised as an expense in finance cost in profit or loss. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accruals basis using the effective interest method, and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

**Trade and other payables**

Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost.

Generally, this results in their recognition at their nominal value.

**Income tax**

The relationship between the Group and the London Borough of Barnet has been recognised as one of mutual trading. Consequently, any activities between the Group and the London Borough of Barnet are not liable to corporation tax. Albeit not under a direct ALMO Structure, HM Revenue and Customs states that in substance the Group's trading activities are that of an ALMO, therefore profits and losses incurred as a result, fall outside the scope of corporation tax. Income tax expense represents the sum of tax currently payable and deferred tax where applicable. The corporation tax currently payable is based on the taxable profit for the year from taxable ordinary activities, which have been generated from trading with third parties and investment income (interest received).

Deferred tax is provided on timing differences that have arisen but not reversed by the statement of financial position date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the statement of financial position date. Deferred tax assets and liabilities are not discounted.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, deposits repayable on demand and other short term liquid resources.

Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Short term liquid resources are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. They comprise term deposits with financial institutions.

**Short term investment**

Cash invested in fixed deposit accounts to obtain a higher rate of interest, with a notice period, which are not readily convertible to cash and with no maturity date are classified as short term deposits.

**Equity and reserves**

Retained earnings include all current and prior period retained profits.

**Post employment benefits and short term employee benefits**

During the year, the Group operated a contributory defined benefit statutory pension scheme covering its present and past employees. International Accounting Standard 19 (IAS19) requires the net pension asset or liability of a company's pension scheme to be recognised in full on the statement of financial position. Accordingly, the Group's full net pension liability has been recorded in the consolidated statement of financial position of The Barnet Group Limited. The Company does not have any employees and therefore does not operate a pension scheme.

The regular service cost of providing pension benefits to employees during the year, the costs or gain of any benefits relating to past service, together with the loss on settlements and curtailments is charged to "Employee salaries and benefits" in the statement of comprehensive income in the year. Past service costs or gain arises when the Group awards additional discretionary benefits. A change in benefits may result in either a past service cost or a past service gain. Loss on settlements and curtailments arise as a result of some members transferring from another employer over the year, and as a result of the early payment of accrued pensions on retirement on the grounds of redundancy or early retirement.

Interest on the pension scheme liabilities is charged to "Finance costs" in the consolidated statement of comprehensive income in the year.

The expected return on the assets of the pension scheme during the year is based on the bid value of the assets at the start of the financial year and is recognised within "Finance income" in the statement of comprehensive income in the year.

**Provisions, contingent liabilities and contingent assets**

Provisions and contingent liabilities are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date, and are discounted to present value where the effect is material. The Group has no contingent assets.

**Significant management judgements in applying accounting policies**

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results are likely to differ from the judgements, estimates and assumptions made by management, and will seldom equal estimated results.

Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is provided below.

*Defined benefit liability*

Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The defined benefit liability of £28,957,000 (2013: £32,223,000) is based on standard rates of inflation and mortality. It also takes into account the Company's specific anticipation of future salary increases. Assumptions are set with reference to market conditions at the year end. The discount rate is the annualised yield at the 25 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities. Estimation uncertainties exist as the anticipated assumptions could vary.

*Provisions*

Provisions are mainly in relation to insurance excess on public liability claims, staff redundancy costs and disrepair claims. The disrepair provision is based on Management's estimate of all potential outstanding claims at the year end (many of which originated in prior years). The estimate includes potential legal and compensation costs. It is possible that some of the claims may take several years to process through the legal system. Estimation uncertainties exist particularly with regard to the timing and amount of expenditure.

*Useful lives of depreciable assets*

Management reviews the useful lives of depreciable assets at each reporting date based on the expected utility of the assets to the Group. The carrying amounts are analysed in note 9. Actual results, however, may vary due to technical obsolescence, particularly for software and IT equipment.

### 3. Revenue

Revenue is attributable to the principal activities of the Group and arises solely within the United Kingdom.

	2014 £'000	2013 £'000
<b>Management fee paid by the London Borough of Barnet in respect of:</b>		
Barnet Homes housing management and support services	37,725	33,687
Barnet Homes repairs and maintenance	7,800	8,050
Your Choice Barnet adult social care services	4,522	5,369
Your Choice Barnet repair fund	-	26
<b>Total fee received from London Borough of Barnet</b>	<b>50,047</b>	<b>47,132</b>
Capital works carried out directly by Barnet Homes	1,118	802
<b>Total income from the London Borough of Barnet</b>	<b>51,165</b>	<b>47,934</b>
<b>Other operating income</b>	<b>1,304</b>	<b>993</b>
<b>Total revenue</b>	<b>52,469</b>	<b>48,928</b>

### 4. Other expenses

	2014 £'000	2013 £'000
Housing, estate, hostel repairs & maintenance	8,317	8,061
Third party landlord and temporary accommodation costs	14,240	9,463
Agency Staff	3,860	2,880
Information Technology	1,198	1,300
Grounds Maintenance	610	613
Utility	1,517	1,533
Legal	705	683
Auditors remuneration - statutory audit	44	41
Auditors remuneration - for other services	22	20
Other	5,517	5,930
	<b>36,030</b>	<b>30,524</b>

The other services provided by the auditors relate to corporation tax compliance, online services to file the statutory accounts with HMRC and other tax advisory work.

## 5. Loss for the year

The loss for the year has been arrived at after charging the following,

	2014 £'000	2013 £'000
Depreciation of property, plant and equipment	273	184
Employee salaries and benefits	17,231	17,908
Auditors remuneration - statutory audit	35	41
Auditors remuneration - for other services	11	20

## 6. Commitments under operating leases

### Group

	2014 £'000	2013 £'000
Within one year	129	63
Later than one year but within five years	98	72
	<u>227</u>	<u>135</u>

The Group leases several vehicles under operating leases from the Council. The vehicle leases vary from a period of less than one year to two years with a fixed lease and overhead cost for the same period. There is an annual service level agreement with the Council to cover the lease of the vehicles. The total number of vehicles with operating leases in 2014 is 16 (2013: 16)

In addition the company leases several printers, photocopier machines, water coolers and one washing machine under operating leases from other organisations. The plant and equipment leases vary from a period of less than one year to one and a half years. There are annual contracts for some of the operating leases and others have a notice period attached to them. The total number of plant and equipment with operating lease in 2014 is 17 (2013: 7).

### Company

The Company does not have any commitments under operating leases.

## 7. Finance income and finance cost

	2014 £'000	2013 £'000
Finance income:		
- bank deposit and short term investment interest	40	72
- return on retirement benefit scheme assets	1,338	1,719
	<u>1,377</u>	<u>1,791</u>
Finance cost - interest on retirement benefit obligation	<u>(2,677)</u>	<u>(2,964)</u>

## 8. Tangible Assets

### Property, plant and equipment

#### Group

	Vehicles, plant & equipment £'000	Furniture, fixtures & fittings £'000	Computer equipment £'000	Total £'000
<b>Gross carrying amount</b>				
Balance 1 April 2013	111	272	979	1,362
Reclassifications	-	-	27	27
Additions	26	5	254	285
Disposals	(2)	-	-	(2)
Balance 31 March 2014	<u>135</u>	<u>277</u>	<u>1,260</u>	<u>1,672</u>
<b>Depreciation and impairment</b>				
Balance 1 April 2013	46	256	712	1,014
Charge for year	18	5	149	172
Disposals	(2)	-	-	(2)
Balance 31 March 2014	<u>63</u>	<u>262</u>	<u>861</u>	<u>1,185</u>
<b>Carrying amount 1 April 2013</b>	<u>65</u>	<u>16</u>	<u>267</u>	<u>348</u>
<b>Carrying amount 31 March 2014</b>	<u>73</u>	<u>15</u>	<u>399</u>	<u>488</u>

At the balance sheet date the group was committed to purchasing £184,850 of fixed assets.

## Intangible Assets

### Group

	Computer Software & Development £'000	Total £'000
Gross carrying amount		
Balance 1 April 2013	548	548
Reclassifications	(27)	
Additions	964	964
Disposals	-	-
Balance 31 March 2014	1,485	1,485
Amortisation		
Balance 1 April 2013	-	-
Charge for year	101	101
Disposals	-	-
Balance 31 March 2014	101	101
Carrying amount 1 April 2013	548	548
Carrying amount 31 March 2014	1,384	1,384



## 9. Trade and other receivables

### Group

	2014 £'000	2013 £'000
Amounts receivable within one year:		
Trade receivables, gross	267	244
Provision for doubtful debt	(6)	(5)
Trade receivables	261	239
Amounts due from the London Borough of Barnet	12,861	7,061
Financial assets	13,122	7,300
Other debtors	6	140
Prepayments and accrued income	1,579	1,536
Non-financial assets	1,585	1,676
Trade and other receivables	14,707	8,975

The trade receivables ageing analysis is as follows:

	2014 £'000	2013 £'000
Current		
0-30 days	12,720	7,016
31-60 days	69	27
> 60 days	333	257
	13,122	7,300

The Group's management considers that all of the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

### Company

	2014 £'000	2013 £'000
Amounts receivable within one year:		
Amounts due from the London Borough of Barnet	8,808	7,042
Amounts due from subsidiaries	714	640
Financial assets	9,522	7,682
Other debtors	4	30
Prepayments and accrued income	4	30
Non-financial assets		
Trade and other receivables	9,526	7,712

The trade receivables ageing analysis is as follows:

	2014 £'000	2013 £'000
Current		
0-30 days	9,027	1,183
31-60 days	267	6,471
> 60 days	228	28
	9,522	7,682

The Group's management considers that all of the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

## 10. Cash and cash equivalents

### Group

	2014 £'000	2013 £'000
Bank accounts	2,705	6,805
Cash in hand	9	6
Short term deposits	1,011	2,108
	<hr/>	<hr/>
	3,725	8,919
	<hr/>	<hr/>

Short term deposits represents cash held in the bank for 3 months fixed deposit account, with a maturity date.

### Company

	2014 £'000	2013 £'000
Bank accounts	1,854	2,511
	<hr/>	<hr/>
	1,854	2,511
	<hr/>	<hr/>

## 11. Short Term Investment

### Group

	2014 £'000	2013 £'000
Short term investments	-	506
	<hr/>	<hr/>

('013: Short term investment (£0.507 million) represents cash held in the bank in a 95 days notice fixed rate deposit account, with no maturity date).

## 12. Equity

### 12.1 Share Capital

The Barnet Group is a company limited by shares, with 100 £1 shares owned by The London Borough of Barnet.

The Barnet Group is a local authority controlled trading company under the control of London Borough of Barnet.

The ultimate parent entity is London Borough of Barnet by virtue of its controlling interest in The Barnet Group Limited The largest and smallest group in which the results of the company are consolidated is that headed by The Barnet Group Limited.

## 13. Employee remuneration

### 13.1. Employee benefits expense

	2014 £'000	2013 £'000
Wages and salaries	13,241	13,999
Social security costs	1,037	1,136
Pensions costs	2,953	2,773
	<hr/>	<hr/>
	17,231	17,908
	<hr/>	<hr/>

Directors' salary costs are included in total employee costs.

Barnet Homes Limited undertook a restructure in the Housing Options and Business Improvement service areas during the course of the financial year.

In this financial year, wages and salary costs include redundancy costs of £278,302 (2013: 265,091) and pension costs include early retirement pension strain costs of £98,777 (2013: £105,365).

### 13.2. Employees

The average number of permanent employees (excluding agency staff) employed by the Group during the year was:

Service	2014	2013
Chief Executive Office	2	2
Business Services Directorate	61	57
Operations Directorate	398	439
Future Jobs Fund	1	-
Non Executive Directors	7	11
	<hr/>	<hr/>
	469	509
	<hr/>	<hr/>

### 14. Pension and other employee obligations

## 15. Provisions

### Group

	Insurance claims £'000	Disrepair claims £'000	Other provision £'000	Total provisions £'000
Carrying amount at 1 April 2013	121	38	110	268
Utilised	-	(37)	(98)	(135)
Released	(36)	(1)	(11)	(48)
Increase in provisions	-	-	109	109
Carrying amount at 31 March 2014	85	0	108	194

Insurance claims are provisions in respect of public liability claims which are outstanding at 31 March 2014. The Group's liability is restricted to the amount of the claim or the policy excess, whichever is the greater. The policy excess is currently £2,500. Disrepair claims are estimates relating to outstanding disrepair cases. The Group has provided for any such challenges where at the end of the year it is more likely than not that there is an obligation to be settled.

Other provision is the redundancy and early retirement pension strain costs for five staff £108,548 (£2013: 109,742) as a result of organisational restructure.

### Company

The company had no provisions at 31 March 2014 (2013: nil)

## 16. Trade and other payables

### Group

	2014	2013
	£'000	£'000
<i>Current:</i>		
Trade payables	293	3,893
Amount owed to the London Borough of Barnet	863	2,441
Financial liabilities	<u>1,156</u>	<u>6,334</u>
Other payables	114	37
Other taxation and social security	1,380	1,801
Accruals and deferred income	<u>15,994</u>	<u>8,520</u>
	<u>18,644</u>	<u>16,692</u>

The Group aims to pay all suppliers within the contract or invoice payment terms and within the limits set by the late payment legislation.

### Company

	2014	2013
	£'000	£'000
<i>Current:</i>		
Trade payables	44	27
Amount owed to subsidiaries	7,431	5,890
Amount owed to the London Borough of Barnet	739	774
Financial liabilities	<u>8,214</u>	<u>6,691</u>
Other payables	32	
Other taxation and social security	3,184	3,539
Accruals and deferred income	<u>15</u>	<u>26</u>
	<u>11,445</u>	<u>10,257</u>

## 17. Income Tax Expense

## 18. Financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

### Group

	Note	2014 £'000	2013 £'000
<b>Financial assets</b>			
Loans and receivables:			
Trade and other receivables	10	13,122	7,300
Cash and cash equivalent	11	3,726	8,919
Short term investments	12	-	507
		<u>16,848</u>	<u>16,725</u>
<b>Financial liabilities</b>			
Financial liabilities measured to amortised cost:			
Trade and other payables	15	<u>1,156</u>	<u>6,334</u>

### Company

	Note	2014 £'000	2013 £'000
<b>Financial assets</b>			
Loans and receivables:			
Trade and other receivables	10	9,522	7,682
Cash and cash equivalent	11	1,854	2,511
		<u>11,376</u>	<u>10,193</u>
<b>Financial liabilities</b>			
Financial liabilities measured to amortised cost:			
Trade and other payables	15	<u>8,214</u>	<u>6,691</u>

## 19. Related party transactions

### 19.1 Transaction with controlling party/related parties

	2014	2013
	£'000	£'000
Invoices to London Borough of Barnet	88,756	74,208
Invoices from London Borough of Barnet	3,927	4,349
Amount owed to London Borough of Barnet	737	774
Amount owed by London Borough of Barnet	8,803	7,061
Invoices to London Borough of Barnet Pensions	-	-
Invoices from London Borough of Barnet Pensions	95	122
Amount owed to London Borough of Barnet Pensions	2	2
Amount owed by London Borough of Barnet Pensions	-	-

The London Borough of Barnet owns 100% of the share capital of the Barnet Group Ltd. The Barnet Group Ltd owns 100% of the share capital of Your Choice (Barnet) Ltd. The Barnet Group Ltd is the sole member and guarantor of Barnet Homes Ltd, a company limited by guarantee. The London Borough of Barnet contracts with The Barnet Group Ltd for the provision of Adult Social Care Services and Housing Management Services. The Barnet Group Ltd then contracts on a back to back basis with Your Choice (Barnet) Ltd and Barnet Homes Ltd in respect of Adult Social Care Services and Housing Management Services respectively. As a result, The Barnet Group Ltd receives the management fee from The London Borough of Barnet on behalf of Barnet Homes Ltd and Your Choice (Barnet) Limited. It also invoices for ad hoc services on behalf of the two companies and for the capital works programme carried out by Barnet Homes on behalf of the London Borough of Barnet.

As at 31 March 2014, The Barnet Group Ltd owed £737,000 to The London Borough of Barnet in respect of expenses on behalf of Barnet Homes Ltd and The Barnet Group was owed £8,803,000 by the London Borough of Barnet in respect of management and other fees in respect of services provided by the Group.

All outstanding balances with these related parties are due to be settled in cash. None of the balances are secured.

## 20. Key Management Personnel

### 20.1 Non Executive Directors

The Non Executive Directors are defined as being the members of the Groups Main Board's who are not executive officers of the Group. The Non Executive Directors received emoluments for the financial year and were entitled to reimbursement of incidental expenses incurred when attending board meetings and other formal events in their capacity as board members. The Non Executive Directors are not entitled to pension benefits.

These are the only transactions with the Non Executive Directors of the Group.

	2014	2013
	£'000	£'000
Salaries	33	37
Incidental expenses	2	3
	<hr/>	<hr/>
	35	40
	<hr/>	<hr/>

### 20.2 Executive Directors

	2014	2013
	£'000	£'000
Salaries	351	395
Performance Bonus	13	8
Social security costs	43	48
Pensions costs	63	78
Car Lump Sum	-	1
	<hr/>	<hr/>
	470	531
	<hr/>	<hr/>

The Executive directors are defined as being the members of the Group's Main Board's who are executive officers of the Group.

The Executive Directors consists of the Chief Executive Officer, Director of Operations and Director of Business Services (see Company Information - page 3 ).

Three of the executive directors have retirement benefits accruing under the defined benefit pension scheme in respect of qualifying services.

## 21. Contingent Assets and Liabilities

At 31 March 2014, a possible liability existed as a result of Connaught Ltd going into administration in relation to the Groups pension deficit for staff transferred from Barnet Homes Limited to Connaught Ltd in prior years. The Local Authority Pension Scheme could make a claim to Barnet Homes in respect of the pension deficit not met by Connaught Ltd.

## 22. Financial instrument risks

### Risk management and objectives and policies

#### 22.1 Interest rate sensitivity

Other than cash held in bank accounts, all of the Group's cash and cash equivalents are fixed rate, fixed term deposits, and so are not sensitive to variations in interest rates.

#### 22.2 Credit risk analysis

The Group's principal financial assets are bank balances, cash and trade and other receivables. Liquid funds are placed with financial institutions with high credit ratings, as assigned by credit rating agencies. The Group's primary credit risk relates to its fee receivables. The amount presented in the statement of financial position are net of provisions for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on past experience and management's forecasts, is evident of a reduction in the recoverability of the cash flow. See note 2 above for further information on impairment of financial assets that are past due. The Groups risk in relation to its income receivable is low as the main income is receivable from London Borough of Barnet. Placement of liquid funds are currently with multiple banks, which is considered a low risk, and management prioritised the diversification of liquid assets.

#### 22.3 Liquidity risk analysis

The Group manages its liquidity by carefully monitoring and reviewing the cash cycle and credit control efficiency. Control of the Trade Receivables element involves a fundamental trade-off between the cost of providing credit to customers and the additional net revenue that can be earned in doing so. We aim to keep the former to a minimum with effective credit control policies which will require setting and enforcing credit terms, efficient invoicing and statement generation and prompt query resolution, by continuous review of the receivables position by generating an 'aged receivables' report and effective monitoring and collection procedures. The credit periods granted vary between suppliers with usual terms. Cash flows from trade and other receivables are contractually due within 28 days. Trade creditors and other payables are also monitored to ensure that payments are made in a timely manner to avoid any interest charges or penalties. Payment terms range between 14 days to 28. A settlement policy is in place so that invoices are properly authorised for payment to ensure they are paid when due. Cash is the controlling element. The first control concerns efficient banking so that all monies received are banked immediately, making payments in the most efficient way and ensuring that any surplus balances are put to interest earning use. The fundamental aspect is cash flow control and ensuring funds are available when needed. This is achieved by preparation of monthly forecasts for comparisons with actual results. The Company is not affected by gearing as it does not owe any money to any financial institutions in the form of debt or borrowings and is therefore highly liquid.

## 23. Capital management policies and procedures

The Group's capital management objective is to maintain its assets in order to ensure ability to continue to provide improved quality of service to the residents at an affordable price and sustain itself as a going concern. As the Group is not set up for profit it continues to strive to maintain a balance between liquidity and provision of value for money services. The main capital making owned by the Group are liquid cash and cash equivalent and cash held in standard time deposit accounts. The Group continues to monitor this investments with the Bank to ensure its going concern is not at risk.

The capital for the reporting period under review is as summarised below:

	2014 £'000	2013 £'000
Cash & cash equivalent	3,726	8,919
Short term investments	0	507
	<hr/>	<hr/>
	<b>3,726</b>	<b>9,426</b>
	<hr/>	<hr/>