

Barnet Homes Limited Annual Report and Financial Statements

Year ended 31 March 2011



Improving lives not just housing



Contents

	Page
Company information	4
Report of the directors	5
Independent auditors' report to the members of Barnet Homes Limited	12
Statement of Comprehensive Income	14
Statement of Financial Position	15
Statement of Cash Flow	17
Statement of Changes in Equity	18
Accounting policies and explanatory notes to the financial statements	19

Company Information

Directors

Vi Britchfield (Chair)

Terry Rogers OBE FCIH JP (Vice-Chair)

Directors serving for the whole of 2010/11

Kenny Bennett

Councillor Ross Houston

John Macfarlane

Jane Nelson

Sharon Slotnick

Charmaine Young CBE (resigned and co-opted as from November 2009)

Changes since last annual report:

Directors – Appointed	Date Appointed
David Atta	3 rd November 2010
Councillor Brian Schama	30 th June 2011
Bob Colquhoun	3 rd November 2010

Directors - Resigned

Directors - Resigned	To
Councillor Monroe Palmer OBE, FCA	May 2010
Peter Brown	3 rd November 2010
Ingrid Beal	3 rd November 2010
Yetunde Onifade	3 rd November 2010
Councillor Helena Hart	30 th June 2011

Chief Executive Officer

Tracey Lees

Executive Officers

Derek Rust (Director of Operations)

Troy Henshall (Director of Business Services)

Company Secretary

Corinna Demetriou

Registered Office

1255 High Road
Whetstone
London
N20 0EJ

Registered Number

04948659

Auditors

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

Bankers

The Co-operative Bank plc
3/7 Market Street
Watford
WD1 7AB

Report of the Directors

The Board is pleased to present the financial statements of Barnet Homes Limited for the year ended 31 March 2011.

Principal activities

Barnet Homes Limited (the 'company') is an arms-length management organisation (ALMO) owned by the London Borough of Barnet (the 'Council'), that 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**

Review of results

2010/11 was Barnet Homes' seventh year of operation. Before taking account of the adjustments required in relation to pensions, a loss of £379,000 was made on the Statement of Comprehensive Income, which is transferred to our usable reserves which at 31 March 2011 totalled £1.3 million. After the adjustments for pensions and taxation we recorded a net profit of £107,000 for the year. We completed the Decent Homes programme on behalf of the Council, having invested a total of £185 million of specific ALMO funding provided through central government on over 8,000 properties. In total the capital programme spent £16.9 million – in addition to Decent Homes we were able to invest over £1 million in the adaptations programme. We continue to deliver improvements identified through fire risk assessments.

Principal Risks and Uncertainties

Barnet Homes' Management Agreement with the Council is for a ten-year period to 2014, with a break clause at 31 March 2009. This was not exercised although some revisions were made to the Agreement. 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

Report of the Directors

that allowed for or is unable to maintain levels of income collection due to the economic situation.

The levels of stock managed under the Agreement will reduce as the Council's regeneration programme gets underway and 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 referred to in the previous reports is now becoming a reality as part of the wider changes within the Localism Bill. In Autumn, we will be notified of the final settlement figure and will be able to build robust plans around this figure and the associated costs.

Key financial performance indicators

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

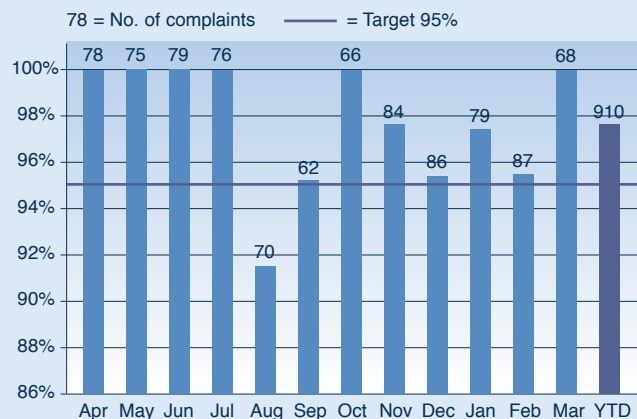
programme and so fluctuations compared to budget are expected between financial years.

Key Performance Indicator	Target	2011	2010	2009
Percentage of expenditure to budget on housing management	+/- 2% of budget	-1.40%	-0.61%	-0.08%
Percentage of expenditure to budget on repairs and maintenance	+/- 2% of budget	-0.01%	-0.01%	+0.76%
Percentage of expenditure to budget on capital programme	+/- 2% of budget	-5.42%	-7.15%	+4.01%

Complaints

The percentage of stage 1 complaints replied in 10 working days

End of year target (High is good)	95%
March '11 Performance	100%
March '10 Performance	98%
YTD Performance	98%

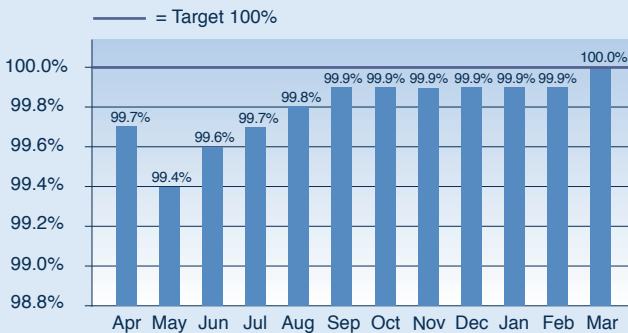


Report of the Directors

Gas Safety Checks

The percentage of homes with a CP12 safety certificate

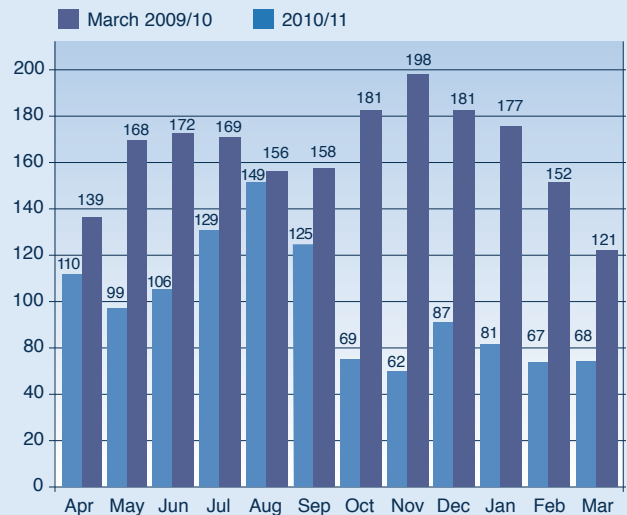
End of year target (High is good)	100%
March '11 Performance	100%
March '10 Performance	100%
Top Quartile (BPSA) = 99.6%	



Outstanding Voids

The number of empty properties at the end of each month

End of year target (Low is good)	
March '11 Performance	68
March '10 Performance	121



Tenant Satisfaction

The percentage of new tenants satisfied with the condition of their new property

End of year target (High is good)	90.0%
March '11 Performance	84.4%
March '10 Performance	94.0%
YTD Performance	89.0%



Future Developments

Barnet Homes Limited is currently in discussions with its sole Shareholder, London Borough of Barnet to form a Local Authority Trading Company where Barnet Homes will sit as one of two subsidiary organisations, the other delivering Adult Social Care services. Barnet Homes is also exploring other new business opportunities including the potential transfer of Housing Needs and Resources services from the Council.

Report of the Directors

Directors

During the year the sole shareholder of Barnet Homes Limited agreed to amend the governance arrangements to nine Directors, made up of three residents (two tenants and a leaseholder), three Council nominees and three independents plus one co-opted member. The names of the Directors who served during the year can be found on page 4.

3rd Party Indemnity Provision for Directors

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

Disabled Persons

Barnet Homes 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 we will:

- o Understand that some groups of people experience more disadvantage than others and will target our services to meet particular needs
- o Treat all service users with dignity and respect

- o Consult and involve service users in planning the delivery of services
- o Do our best to engage with hard to reach groups to get their views

As an employer we will:

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

Employment Information

We aim to achieve and promote equality of opportunity in all aspects of our recruitment, training, policy and practice. We also aim 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 has also instituted regular "Meet the CEO" sessions with cross sections of different staff to hear their views directly on

Report of the Directors

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 through different development routes such as Action Learning, 360 degree feedback, a Leadership and Management Development Programme, and external bite-size learning with the London Business Forum. We also continue to invest in our staff through our performance management process. The work of People First (a group of managers committed to driving best practice in people management) will continue to focus on ensuring that Barnet Homes engages its staff at all levels in creating a great place to work.

With our established Value for Money review programme, managing and preparing staff to respond positively to change has been a particular theme for staff learning and development during the year. Our continued robust management of sickness absence has also seen sickness absence fall to its lowest-ever level of 7.1 days (average sickness absence per staff member) by the end of March 2011, resulting in further 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.

Charitable Donations

No charitable donations were made by Barnet Homes Limited.

EU Political Donations and Expenditure

No political donations or expenditure were made in 2010/11.

Donations to non-EU Political Parties

No political donations or expenditure were made in 2010/11.

Report of the Directors

Payments Policy

The Company pays suppliers where possible within suppliers' credit terms. Payments to suppliers were made on average within 26 days (2010: 22 days) of receipt of the invoice.

Awareness of Relevant Audit Information

The Directors of Barnet Homes Limited can confirm that at the time of approving this report, there is no relevant audit information of which the auditors are unaware. 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 Report of the Directors 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 financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs). The financial statements are required by law to give a true and fair view of the state of affairs of the Company, and of the 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 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.

The Directors are responsible for keeping adequate accounting records that 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 2006. 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.

Directors' Remuneration Report

The Directors are defined as being the members of Barnet Homes Ltd'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.

Report of the Directors

Going concern

The accounts are prepared on a going concern basis. In line with IAS19 the Company's pension deficit is recognised in full on the Statement of Financial Position and this is set at £18.8 million as at 31 March 2011. However, the London Borough of Barnet has fully guaranteed the Company's pension deficit at the point of its incorporation (on 1 April 2004) and has provided a letter of comfort to the Directors of Barnet Homes, setting out its intention to fund Barnet Homes' 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 consider preparation on a going concern basis to be appropriate.

Disclosure of Information to Auditors

At the Date of making this report each of the company's directors, as set out on page 4, confirm the following:

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

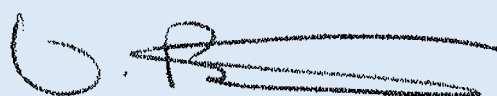
financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 29 November 2011.

Approval and Signature

The report of the Directors was approved by the Board on 26 September 2011 and signed on its behalf by



Vi Britchfield, Chair

Independent Auditor's Report

Independent auditor's report to the members of Barnet Homes Limited

We have audited the financial statements of Barnet Homes Limited for the year ended 31 March 2011 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flow, the statement of changes in equity 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 10, 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 APB's website at 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 company's affairs as at 31 March 2011 and of its profit for the year 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 Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report

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.

Judith Newton
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes
10 October 2011

Statement of Comprehensive Income

for the year ended 31 March 2011

	Note	2011 £'000	2010 £'000
Revenue	3	27,841	28,966
Employee benefits expense	13	(11,200)	(11,175)
Retirement pension obligation		3,372	1,081
Depreciation	9	(146)	(129)
Other expenses	4	(16,930)	(17,422)
Operating profit		2,937	1,321
Finance income	7	1,248	1,261
Finance costs	7	(2,387)	(1,659)
Profit before tax		1,798	923
Income tax expense	16	(18)	(18)
Profit after tax		1,780	905
Other comprehensive income			
Actuarial loss on pension scheme	13	(1,673)	(13,905)
Total comprehensive income for the year		107	(13,000)
Total comprehensive income is attributable to:			
London Borough of Barnet		107	(13,000)

Reconciliation of total profit for the year

	2011 £'000	2010 £'000
(Loss)/profit for the period	(379)	369
Profit from IAS19 pension fund accounting entries	2,159	588
Less prior year IFRS comparative adjustment	-	(52)
Total profit for the year	1,780	905

Statement of Financial Position

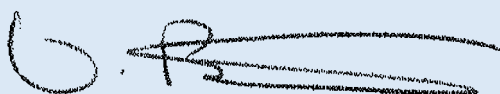
as at 31 March 2011

	Note	2011 £'000	2010 £'000	2009 £'000
ASSETS				
Non-current assets				
Investment	8	41	40	40
Property, plant and equipment	9	413	356	284
		454	396	324
Current assets				
Trade and other receivables	10	4,777	4,010	5,493
Cash and cash equivalents	11	11,436	9,984	7,791
		16,213	13,994	13,284
Total assets		16,667	14,390	13,608
EQUITY and LIABILITIES				
EQUITY				
Revenue reserve (excluding IAS 19 provisions)		1,303	1,682	1,365
Pension fund		(18,820)	(19,306)	(5,989)
Retained earnings		(17,517)	(17,624)	(4,624)
Total Equity		(17,517)	(17,624)	(4,624)
LIABILITIES				
Non-current liabilities				
Pension and other employee obligations	13	18,820	19,306	5,989
Provisions	14	290	52	53
		19,110	19,358	6,042
Current liabilities				
Trade and other payables	15	15,056	12,638	12,108
Current tax liabilities	16	18	18	82
		15,074	12,656	12,190
Total liabilities		34,184	32,014	18,232
Total equity and liabilities		16,667	14,390	13,608

Statement of Financial Position

as at 31 March 2011

The financial statements were authorised and approved by the Board on 26 September 2011 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'Vi Britchfield', written over a horizontal line.

Vi Britchfield, Chair

Company Number: 04948659

Statement of Cash Flow

for the year ended 31 March 2011

Note	2011 £'000	2010 £'000
Cash flows from operating activities		
Profit before tax	1,798	923
Interest income	(74)	-
Depreciation of property, plant and equipment	146	129
Loss on disposal of non-financial assets	5	1
Change in pension assets	4,753	(7,654)
Change in pension liabilities	(5,239)	20,971
Actuarial loss on pension scheme	(1,673)	(13,905)
Taxes paid	(18)	(18)
Other	(1)	2
Net cash from operating activities	(303)	449
Net changes in working capital:		
Change in trade and other receivables	(768)	1,483
Change in trade and other payables	2,066	211
Change in other employee obligations	353	253
Change in provisions	238	(1)
Total changes in working capital	1,889	1,946
Cash flows from investing activities		
Interest received	7	-
Purchases of equipment	9	(202)
Net cash used in investing activities	(134)	(202)
Cash flows from financing activities		
	-	-
Net increase/ (decrease) in cash and cash equivalents	18	2,193
Cash and cash equivalents at beginning of year	9,984	7,791
Cash and cash equivalents at end of year	19	11,436

Statement of Changes in Equity

for the year ended 31 March 2011

	Revenue Reserve (excl IAS19 provisions) £'000	Pension Fund £'000	Total Retained Earnings £'000
Balance as at 1 April 2008	1,567	(5,857)	(4,290)
Loss for the year	(202)	-	(202)
Decrease in retirement pension obligation	-	811	811
Other comprehensive income:			-
Actuarial loss on pensions scheme	-	(943)	(943)
Total comprehensive income for the year	(202)	(132)	(334)
Balance as at 31 March 2009	1,365	(5,989)	(4,624)
Balance as at 1 April 2009	1,365	(5,989)	(4,624)
Profit for the year	317	-	317
Decrease in retirement pension obligation	-	588	588
Other comprehensive income:			-
Actuarial loss on pensions scheme	-	(13,905)	(13,905)
Total comprehensive income for the year	317	(13,317)	(13,000)
Balance as at 31 March 2010	1,682	(19,306)	(17,624)
Balance as at 1 April 2010	1,682	(19,306)	(17,624)
Loss for the year	(379)	-	(379)
Decrease in retirement pension obligation	-	2,159	2,159
Other comprehensive income:			-
Actuarial loss on pensions scheme	-	(1,673)	(1,673)
Total comprehensive income for the year	(379)	486	107
Balance as at 31 March 2011	1,303	(18,820)	(17,517)

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

1. General information and statement of compliance with IFRS

Barnet Homes Limited is a local authority controlled company of the London Borough of Barnet established with no share capital and limited by guarantee. 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 04948659.

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).

These are the Company's first financial statements prepared in accordance with IFRS (see note 24 for explanation of the transition to IFRS).

In accordance with IFRS 1, the Company presents three statements of financial position in its first IFRS financial statements. In future periods, IAS 1 requires two comparative periods to be presented for the statement of financial position only in certain circumstances.

Overall consideration and first-time adoption of IFRS

The financial statements have been prepared using accounting policies specified by those IFRSs that are in effect at 31 March 2011.

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, except where the Company has applied certain accounting policies and exemptions upon transition to IFRS (see note 24 for details).

New standards and interpretations currently in issue but not effective for accounting periods commencing on 1 April 2010 are:

- IFRS 9 Financial Instruments (effective 1 January 2013)
- 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 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013)

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
- Prepayments of a Minimum Funding Requirement - Amendments to IFRIC 14 (effective 1 January 2011)
- Improvements to IFRS issued May 2010 (some changes effective 1 July 2010, others effective 1 January 2011)
- Disclosures - Transfers of Financial Assets - Amendments to IFRS 7 (effective 1 July 2011)
- Deferred Tax: Recovery of Underlying Assets - Amendments to IAS 12 Income Taxes (effective 1 January 2012)
- Deferred Tax: Recovery of Underlying Assets - Amendments to IAS 12 Income Taxes (effective 1 January 2012)
- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards (effective 1 July 2011)

However, many of these are not yet adopted by EU.

The following standards and interpretations are in issue but not yet adopted by the EU:

- IFRS 9 Financial Instruments (effective 1 January 2013)
- 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 27 (Revised), Separate Financial Statements (effective 1 January 2013)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013)
- Disclosures - Transfers of Financial Assets - Amendments to IFRS 7 (effective 1 July 2011)

Technically, the disclosure required under IAS 8 for standards in issue not yet effective applies under EU-adopted IFRS to standards and interpretations that have been adopted by the EU.

The aforementioned have not been adopted early by the Company. Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement. Certain other new standards, amendments and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

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'.

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

2. Summary of significant accounting policies

Basis of preparation

These financial statements are for the year ended 31 March 2011 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.

Going concern

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

Due to the application of IAS19, the Company's pension deficit of £18.820m is now recognised in full on the statement of financial position. However, the London Borough of Barnet has fully guaranteed the Company's pension deficit at the point of its incorporation (on 1 April 2004). 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 VAT) of services supplied and management fee to which the Company was entitled in respect of the financial year.

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.

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

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: 3 years

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 Company 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 the following categories upon initial recognition:

- loans and receivables.

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'.

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

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 Company 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, trade and other payables and derivative financial instruments.

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 obligations to pay cash or other financial assets and are recognised when the Company 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 Company and its parent undertaking has been recognised as one of mutual trading. Consequently, any activities between the Company and its parent company are not liable to 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 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.

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

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.

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 Company operated a contributory defined benefit 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 full net pension liability has been recorded in the statement of financial position of Barnet Homes Limited.

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 Company awards additional discretionary benefits. A change in benefits may result in either a past service cost or a past service gain. For this financial year, there has been a capitalised gain from the change in pension increase policy from RPI to CPI. 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 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.

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

Provisions, contingent liabilities and contingent assets

Provisions and contingent liabilities are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company 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 company 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 £18,820,000 (2010: £19,306,000; 2009 £5,989,000) 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 yield on the iBoxx AA rated over 15 year corporate bond index at the year end. Estimation uncertainties exist as the anticipated assumptions could vary.

Provisions

A provision has been introduced for disrepair expenditure. This 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 Company. The carrying amounts are analysed in note 9. Actual results, however, may vary due to technical obsolescence, particularly for software and IT equipment.

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

3. Revenue

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

	2011 £'000	2010 £'000
Management fee paid by the London Borough of Barnet in respect of:		
Barnet Homes housing management and support services	18,630	19,876
Repairs and maintenance	8,300	8,461
Total management fee	26,930	28,337
Capital works carried out directly by Barnet Homes	698	581
Total income from the London Borough of Barnet	27,628	28,918
Other operating income	213	48
Total revenue	27,841	28,966

4. Other expenses

	2011 £'000	2010 £'000
Housing, estate, hostel repairs & maintenance	8,771	9,090
Agency Staff	1,377	1,553
Information Technology	755	749
Grounds Maintenance	635	614
Utility	1,511	1,596
Legal	635	553
Auditors remuneration - statutory audit	32	28
Auditors remuneration - for other services	6	-
Other	3,208	3,239
Total	16,930	17,422

The other services provided by the auditors relate to the preparation of a report for board members, corporation tax computation, and online services to file the statutory accounts with Companies House and HMRC.

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

5. Profit for the year

The profit for the year has been arrived at after charging the following:

	2011 £'000	2010 £'000
Depreciation of property, plant and equipment	146	129
Employee salaries and benefits	11,200	11,175
Auditors remuneration - statutory audit	32	28
Auditors remuneration - for other services	6	-

The auditors remuneration for other services are in relation to a board members report (2010: corporation tax advice).

6. Commitments under operating leases

	2011 £'000	2010 £'000
Within one year	32	17
Later than one year but within five years	20	41
	52	58

The company leases several vehicles under operating leases from the Council. The vehicle leases vary from a period of less than one year to three 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.

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

7. Finance income and finance cost

	2011 £'000	2010 £'000
Finance income:		
- bank deposit and short term investment interest	74	79
- return on retirement benefit scheme assets	1,174	1,182
	1,248	1,261
Finance cost - interest on retirement benefit obligation	(2,387)	(1,659)

8. Investment

Loans

	£'000
Balance at 1 April 2010	40
Capitalisation of interest	1
Balance at 31 March 2011	41
	£'000
Balance at 1 April 2009	40
Capitalisation of interest	-
Balance at 31 March 2010	40

The original loan amount extended to Cyntra Limited is £35,000. Total interest charged since inception of loan is £5,588. The loan is interest bearing, compounded annually. The loan is due to be repaid by March 2013 at the latest. (See also Note 20).

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

9. Property, plant and equipment

	Vehicles, plant & equipment £'000	Furniture, fixtures & fittings £'000	Computer equipment £'000	Total £'000
Gross carrying amount				
Balance 1 April 2010	50	290	567	907
Additions	18	2	188	208
Disposals	(5)	-	-	(5)
Balance 31 March 2011	63	292	755	1,110
Depreciation and impairment				
Balance 1 April 2010	13	231	307	551
Charge for year	10	25	111	146
Disposals	-	-	-	-
Balance 31 March 2011	23	256	418	697
Carrying amount 31 March 2011	40	36	337	413
Carrying amount 31 March 2010	37	59	260	356

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

	Vehicles, plant & equipment £'000	Furniture, fixtures & fittings £'000	Computer equipment £'000	Total £'000
Gross carrying amount				
Balance 1 April 2009	29	283	510	822
Additions	22	7	173	202
Disposals	(1)	-	(116)	(117)
Balance 31 March 2010	50	290	567	907
Depreciation and impairment				
Balance 1 April 2009	8	174	356	538
Charge for year	6	57	66	129
Disposals	(1)	-	(115)	(116)
Balance 31 March 2010	13	231	307	551
Carrying amount 31 March 2010	37	59	260	356
Carrying amount 31 March 2009	21	109	154	284

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

10. Trade and other receivables

	2011 £'000	2010 £'000	2009 £'000
Amounts receivable within one year:			
Trade receivables, gross	73	11	60
Provision for doubtful debt	-	-	(22)
Trade receivables	73	11	38
Amounts due from Parent undertaking	3,934	3,025	3,904
Financial assets	4,007	3,036	3,942
Other debtors	449	458	825
Prepayments and accrued income	321	516	726
Non-financial assets	770	974	1,551
Trade and other receivables	4,777	4,010	5,493

The trade receivables ageing analysis is as follows:

	2011 £'000	2010 £'000	2009 £'000
Current			
0-30 days	3,909	2,834	4,054
31-60 days	52	2	113
> 60 days	46	200	(225)
	4,007	3,036	3,942

The company'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.

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

11. Cash and cash equivalents

	2011 £'000	2010 £'000	2009 £'000
Bank accounts	6,433	4,982	790
Cash in hand	3	2	1
Short term investments	5,000	5,000	7,000
	11,436	9,984	7,791

Short term investment represents cash held in the bank in the 1 month (£2 million) and 3 month (£3 million) deposit account.

12. Equity

12.1 Share Capital

Barnet Homes Ltd is a local authority controlled company of the London Borough of Barnet established with no share capital and limited by guarantee.

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

13. Employee remuneration

13.1. Employee benefits expense

	2011 £'000	2010 £'000
Wages and salaries	8,478	8,521
Social security costs	664	674
Pensions costs	2,058	1,980
	11,200	11,175

Directors' salary costs are included in total employee costs.

Barnet Homes Limited undertook a corporate and senior management restructure during the course of the financial year which led to a number of divisional changes and this in turn impacted on the comparative costs and staff numbers. In this financial year, wages and salary costs include redundancy costs of £328,157 and pension costs include early retirement pension costs of £280,607.

13.2. Employees

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

Service	2011	2010
Chief Executive Division	2	3
Financial Services	19	18
Housing Services	185	185
Asset Management	50	51
Corporate Services	19	23
Future Jobs Fund	12	-
	287	280

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

13.3. Pension and other employee obligations

The Company operates a local government pension defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme Regulations 2007/08, as amended. The basis on which the net pension liability is recognised in the financial statements is set out in the accounting policies (note 1).

A full actuarial valuation was carried out at 31 March 2007 and updated to 31 March 2011 by a qualified independent actuary. The actuarial report states that it was prepared in accordance with the International Accounting Standard 19 (IAS 19), and the prior year figures have also been prepared on that basis.

For the year ending 31 March 2011, the Company contributed to the Scheme at a rate of 27.8% of pensionable salaries. For the year ended 31 March 2010, the Company contributed to the Scheme at a rate of 26.5% of pensionable salaries.

The financial assumptions used by the actuary were:

	31 March 2011		31 March 2010		31 March 2009	
	% p.a.	% Real	% p.a.	% Real	% p.a.	% Real
Price increases	3.5	-	3.9	-	2.7	-
CPI increases	2.7	-0.8	n/a	-	n/a	-
Salary increases	5.0	1.5	5.4	1.5	4.2	1.5
Pension increases	2.7	-0.8	3.9	-	2.7	-
Discount rate	5.5	1.9	5.5	1.5	6.7	3.9

The expected rate of return on assets in the scheme were:

	1 April 2011	Expected return at 1 April 2010	1 April 2009
	% p.a.	% p.a.	% p.a.
Equities	7.5	7.6	7.0
Gilts	4.4	4.5	3.9
Other bonds	5.5	5.5	6.5
Property	5.4	5.5	6.5
Cash	3.0	3.0	3.0
Expected return on assets	6.5	6.4	6.1

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2010 for the year to 31 March 2011). The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

Life expectancy from age 65 (years)

Retiring today

Males 20.00

Females 24.00

Retiring in 20 years

Males 22.00

Females 25.09

The post retirement mortality tables adopted were the S1PA Heavy tables allowing for long cohort projection, with a minimum 1% improvement and a 90% scaling factor. Assumptions made were; members will exchange half of their commutable pension for cash at retirement and active members will retire one year later than they are able to do so without reduction.

Net pension liability as at	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Present value of funded obligation	(39,677)	(44,919)	(23,981)
Fair value of scheme assets (bid value)	21,345	26,098	18,444
Net liability	(18,332)	(18,821)	(5,537)
Present value of unfunded obligation	(488)	(485)	(452)
Unrecognised past service cost	-	-	-
Net liability in statement of financial position	(18,820)	(19,306)	(5,989)

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

The amounts recognised in the Statement of Comprehensive Income are as follows:

	31 March 2011 £'000	31 March 2010 £'000
Current service cost	1,598	736
Past service cost/(gain)	(4,385)	-
Losses (gains) on curtailments and settlements	1,473	179
Total operating costs	(1,314)	915
Finance income and cost:		
Interest on obligation	2,387	1,659
Expected return on scheme assets	(1,174)	(1,182)
Total charged to current year Statement of Comprehensive Income	(101)	1,392
Actual return on scheme assets	783	5,745

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	31 March 2011 £'000	31 March 2010 £'000
Opening defined benefit obligation	45,404	24,433
Service cost	1,598	736
Interest cost	2,387	1,659
Actuarial losses/(gains)	(7,169)	18,467
Losses/(gains) on curtailments	255	179
Liabilities extinguished on settlements	2,793	-
Liabilities assumed in a business combination	-	-
Estimated benefits paid (net of transfers in)	(1,151)	(510)
Past service cost/(gain)	(4,385)	-
Contributions by scheme participants	458	462
Unfunded pension payments	(25)	(22)
Closing defined benefit obligation	40,165	45,404

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

Reconciliation of opening and closing balances of the fair value of scheme assets

	31 March 2011 £'000	31 March 2010 £'000
Opening fair value of scheme assets	26,098	18,444
Change in asset valuation method	-	-
Expected return on scheme assets	1,174	1,182
Actuarial gains/(losses)	(8,842)	4,562
Contributions by employer including unfunded benefits	2,058	1,980
Contributions by scheme participants	458	462
Assets acquired in a business combination	-	-
Estimated benefits paid (net of transfers in)	(1,176)	(532)
Receipt of bulk transfer value	1,575	-
Fair value of scheme assets at end of period	21,345	26,098

Statement of recognised total income and expense

	31 March 2011 £'000	31 March 2010 £'000
Actual return less expected return on pension scheme assets	(391)	4,562
Experience gains and losses arising on the scheme liabilities	(4,379)	77
Change in assumptions underlying the present value of the scheme liabilities	3,097	(18,544)
Actuarial (loss)/gain in pension scheme	(1,673)	(13,905)
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	-	-
Actuarial (loss)/gain recognised in Statement of Changes in Equity	(1,673)	(13,905)

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

Reconciliation of opening and closing surplus

	31 March 2011 £'000	31 March 2010 £'000
Deficit in scheme at beginning of the year	(19,306)	(5,989)
Movement in year:		
Change in asset valuation method	-	-
Current service cost	(1,598)	(736)
Employer contributions	2,033	1,958
Unfunded pension payments	25	22
Past service (cost)/ gain	4,385	-
Other finance costs	(1,213)	(477)
Impact of settlements and curtailments	(1,473)	(179)
Actuarial (loss)/gain	(1,673)	(13,905)
Deficit in scheme at end of the year	(18,820)	(19,306)

Sensitivity analysis

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	39,129	40,165	41,230
Projected service cost	1,230	1,281	1,333
Adjustment to mortality age rating assumption	+1 year	None	-1 year
Present value of total obligation	38,707	40,165	41,644
Projected service cost	1,218	1,281	1,344

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

Amounts for the current and previous periods

	Year to March 2011 £'000	Year to March 2010 £'000	Year to March 2009 £'000
Defined benefit obligation	(40,165)	(45,404)	(24,433)
Scheme assets	21,345	26,098	18,444
Surplus/(deficit)	(18,820)	(19,306)	(5,989)
Experience adjustments on scheme liabilities	4,072	77	-
Percentage of liabilities	10.1%	0.2%	-
Experience adjustments on scheme assets	(8,842)	4,562	(4,750)
Percentage of assets	-41.4%	17.5%	-25.8%
Cumulative actuarial gain/(loss)	(13,723)	(12,050)	1,855

	Year to March 2008 £'000	Year to March 2007 £'000
Defined benefit obligation	(25,527)	(29,942)
Scheme assets	19,670	21,364
Surplus/deficit	(5,857)	(8,578)
Experience adjustments on scheme liabilities	(1,961)	(94,000)
Percentage of liabilities	7.7%	0.3%
Experience adjustments on scheme assets	(1,574)	116
Percentage of assets	-8.0%	0.5%
Cumulative actuarial gain/(loss)	2,601	538

These amounts relate to the previous four periods. The cumulative gains and losses in the table above start from 1 April 2005.

Projections for year to 31 March 2012

	Year to 31 March 2012 £'000
Service cost	1,281
Interest cost	2,225
Return on assets	(1,423)
Total	2,083
Employer contributions	1,763

These projections are based on the actuarial assumptions as at 31 March 2011.

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

14. Provisions

	Insurance claims £'000	Disrepair claims £'000	Other provision £'000	Total provisions £'000
Provisions at 1 April 2009	38	-	15	53
Utilised	(14)	-	-	(14)
Released	(16)	-	(15)	(31)
Increase in provisions	44	-	-	44
Carrying amount at 1 April 2010	52	-	-	52
Utilised	(5)	-	-	(5)
Released	(8)	-	-	(8)
Increase in provisions	13	224	14	251
Carrying amount at 31 March 2011	52	224	14	290

Insurance claims are provisions in respect of public liability claims which are outstanding at 31 March 2011. Barnet Homes Limited'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 contingent liabilities relating to outstanding disrepair cases. The Company 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 potential redundancy payment in respect of an employee made redundant by the Company in the financial year, but who was seconded to another organisation by Barnet Homes.

15. Trade and other payables

	2011 £'000	2010 £'000	2009 £'000
Current:			
Trade payables	3,556	3,224	5,472
Amount owed to parent undertaking	4,778	6,052	3,436
Amount owed to related party	606	326	125
Other payables	69	(2)	-
Other taxation and social security	221	258	223
Accruals and deferred income	5,826	2,780	2,852
	15,056	12,638	12,108

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

The Company aims to pay all suppliers within the contract or invoice payment terms and within the limits set by the late payment legislation. LBB Pensions payable has been reclassified from other payables, and from accruals and deferred income to amount owed to related party for years 2009 and 2010.

16. Income tax expense

	2011 £'000	2010 £'000
Analysis of charge in period		
Current tax:		
UK corporation tax on profits for the period	18	18
Prior year adjustment on current tax	-	-
	18	18
Deferred tax:		
Net origination of timing differences	-	-
Prior year adjustments on deferred tax	-	-
	-	-
Tax on profit on ordinary activities	18	18
Current tax reconciliation		
Profit on ordinary activities for the year	1,798	923
Theoretical tax (relief) at UK corporation tax rate of 21% (2010: 21%)	378	194
Less effects of:		
Adjustment for activities not subject to corporation tax	(360)	(176)
Actual current taxation charge	18	18

Corporation tax is calculated at 21 per cent (2010: 21 per cent) of the estimated taxable profit for the year.

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

17. Financial assets and liabilities

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

	Note	2011 £'000	2010 £'000	2009 £'000
Financial assets				
Loans and receivables:				
Trade and other receivables	10	4,777	4,010	5,493
Cash and cash equivalent	11	11,436	9,984	7,791
		16,213	13,994	13,284
Financial liabilities				
Financial liabilities measured to amortised cost:				
Trade and other payables	15	15,056	12,638	12,108

18. Reconciliation of net cash flow to movement in net funds

	2011 £'000	2010 £'000
Increase in cash	1,452	4,193
(Decrease) in cash placed on short term deposits	-	(2,000)
Change in net funds	1,452	2,193

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

19. Analysis of changes in net funds

	At 01 April 2010 £'000	Cashflow 2011 £'000	At 01 April 2011 £'000
Cash at bank and in hand	4,984	1,452	6,436
Short term deposits	5,000	-	5,000
Net funds	9,984	1,452	11,436

20. Related party transactions

20.1 Transactions with controlling party

	2011 £'000	2010 £'000
Invoices to London Borough of Barnet	27,628	28,918
Invoices from London Borough of Barnet	2,637	2,773
Capital Works programme expenditure	16,949	25,266
Amount owed to London Borough of Barnet	4,778	6,052
Amount owed by London Borough of Barnet	3,934	3,025
Invoices from Cyntra Ltd	450	430
Amount owed to Cyntra Ltd	31	-

(a) Barnet Homes Ltd is a local authority controlled company of the London Borough of Barnet established with no share capital and limited by guarantee. The Council has delegated responsibility for overseeing the management and maintenance of its residential stock to Barnet Homes Ltd in accordance with the ten-year management agreement effective from 1 April 2004.

The Council pays the Company a monthly management fee in accordance with that management agreement and any variations subsequently approved.

Barnet Homes Ltd has invoiced a total of £27,628,000 to the London Borough of Barnet relating to 2010/11.

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

This amount was made up of £18,630,000 for housing management and support services, £698,000 for services undertaken by Barnet Homes Ltd related to the Council's capital works programme and £8,300,000 for repairs and maintenance costs.

Barnet Homes Ltd is responsible for the residential stock capital works programme. In the year ended 31 March 2011, Barnet Homes Ltd incurred capital works expenditure of £16,948,962, which was invoiced to the London Borough of Barnet. The cost and recovery of cost have been matched where the works have been carried out by third parties. Only works carried out directly by Barnet Homes are reflected in the statement of comprehensive income and retained earnings.

London Borough of Barnet charged Barnet Homes Ltd £2,637,128 in 2010/11 for provision of support services including office accommodation.

As at 31 March 2011, Barnet Homes Ltd owed £4,778,000 in respect of expenses met by the London Borough of Barnet and Barnet Homes Ltd was owed £3,934,000 by the London Borough of Barnet.

(b) Barnet Homes Ltd is a member of Cyntra Ltd. Cyntra is a not-for-profit company limited by guarantee and was established in March 2005 by a group of London ALMOs with the aim of bringing efficiencies into the contract procurement process. Each member's liability is limited to £1. The Chief Executive of Barnet Homes Ltd was previously also a Director of Cyntra. However, on 17 March 2009, the Cyntra Board approved a change in governance arrangements and on 18 May 2009 an EGM took place at which the existing Board resigned, to be replaced by independent directors. Barnet Homes Ltd does not have significant or overall control of Cyntra Ltd.

During the course of the year, costs incurred with Cyntra totalled £450,213, of which £265,382 was charged to capital works projects managed on behalf of the London Borough of Barnet.

At 31 March 2011 Barnet Homes Ltd owed Cyntra Ltd £30,974 in respect of consultancy services.

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

20.2. Key Management Personnel

20.2.1 Directors

The Directors are defined as being the members of Barnet Homes Ltd'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.

	2011 £'000	2010 £'000
Salaries	19	-
Incidental expenses	2	3
	21	3

20.2.2 Executive Team

	2011 £'000	2010 £'000
Salaries	424	463
Social security costs	45	49
Pensions costs	117	122
Redundancy costs	154	-
Early retirement pension costs	240	-
	980	634

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

21. Contingent Assets and Liabilities

At 31 March 2011, a possible liability existed as a result of Connaught Ltd going into administration in relation to the Company's pension deficit for staff transferred from Barnet Homes 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 Barnet Homes Ltd'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

Barnet Homes 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. Barnet Homes primary credit risk relates to its fee receivables. The amounts 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 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. Barnet Homes' 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 a single bank, which is considered a high risk, and the management is prioritising the review of this exposure to ensure a good spread.

22.3 Liquidity risk analysis

Barnet Homes Ltd 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. This is achieved by a continuous review of the receivables position by generating an 'aged receivables' report and effective monitoring and collection procedures. The

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

credit periods granted vary between suppliers with usual terms. Cash flows from trade and other receivables are contractually due within 30 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 30 days. 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 company's capital management objective is to maintain its assets so as to ensure its 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 Company is not set up for profit making, Barnet Homes continues to strive to maintain a balance between liquidity and provision of value for money services. The main capital owned by Barnet Homes is liquid cash and cash equivalent, and the Company continues to monitor this investment with the Bank to ensure its going concern is not at risk.

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

	2011 £'000	2010 £'000	2009 £'000
Cash & cash equivalent	11,436	9,984	7,791
	11,436	9,984	7,791

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

24. First time adoption of IFRS

These are the Company's first financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The date of transition is 1 April 2009.

The company's IFRS accounting policies presented in note 1 have been applied in preparing the financial statements for the year ended 31 March 2010, the comparative information and the opening statement of financial position at the date of transition.

The group has applied IFRS 1 First-time adoption of International Financial Reporting Standards (Revised 2008) in preparing these first IFRS financial statements. The effects of the transition to IFRS on equity and reported cash flows are presented in this section and are further explained in the notes that accompany the tables.

24.1 First-time adoption exemptions applied

Upon transition, IFRS 1 permits certain exemptions from full retrospective application. The Company has applied the mandatory exceptions and certain optional exemptions, as set out below.

Mandatory exceptions adopted by the Company:

1. Financial assets and liabilities that had been de-recognised before 1 January 2004 under previous GAAP, have not been recognised under IFRS.
2. The Company has used estimates under IFRS that are consistent with those applied under previous GAAP (with adjustment for accounting policy differences) unless there is objective evidence those estimates were in error.

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

24.2. Transition from UK GAAP to IFRS

Statement of Financial Position at 31 March 2009

	Transition to IFRS note	Under UK GAAP 2009 £'000	Effect of transition to IFRS	
			IAS 1 - Reclassifications £'000	Under IFRS 2009 £'000
Assets				
Non-current assets				
Investment		40		40
Property, plant and equipment		284		284
		<u>324</u>		<u>324</u>
Current assets				
Trade and other receivables		5,493		5,493
Cash and cash equivalents		7,791		7,791
		<u>13,284</u>		<u>13,284</u>
Liabilities				
Current liabilities				
Trade and other payables	1	12,190	(82)	12,108
Current tax payable		-	82	82
		<u>12,190</u>		<u>12,190</u>
Net current assets		<u>1,094</u>		<u>1,094</u>
Non-current liabilities				
Non-current provisions		53		53
Retirement benefit obligations		5,989		5,989
		<u>6,042</u>		<u>6,042</u>
Net liabilities		<u>(4,624)</u>		<u>(4,624)</u>
Equity and liabilities				
Retained earnings		1,365	(5,989)	(4,624)
Pension reserve		(5,989)	5,989	-
		<u>(4,624)</u>		<u>(4,624)</u>

Transition to IFRS Notes

1. IAS 1 Presentation of Financial Statements

In accordance with the minimum disclosure requirements of IAS 1 paragraph 54, the current tax liability is separately disclosed on the face of the statement of financial position.

2. IAS 19 Employee benefits

In accordance with paragraph 93A, the Company has opted to recognise the total gain/loss on the defined benefit actuarial assumptions within the statement of comprehensive income.

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

24.3. Transition from UK GAAP to IFRS (continued) Statement of Financial Position at 31 March 2010

	Transition to IFRS note	Under UK GAAP 2010 £'000	Adjustments			Under IFRS 2010 £'000
			IAS 1 - Reclassifications £'000	IAS 19 - Provision short term employee benefits £'000	IAS 19 - Actuarial gains/losses reallocation £'000	
Assets						
Non-current assets						
Investments		40				40
Property, plant and equipment		356				356
		<u>396</u>				<u>396</u>
Current assets						
Trade and other receivables		4,010				4,010
Cash and cash equivalents		9,984				9,984
		<u>13,994</u>				<u>13,994</u>
Liabilities						
Current liabilities						
Trade and other payables	1 / 2	12,604	(18)	52		12,638
Current tax payable		-	18			18
		<u>12,604</u>				<u>12,656</u>
Net current assets/(liabilities)		<u>1,390</u>				<u>1,338</u>
Non-current liabilities						
Non-current provisions		52				52
Retirement benefit obligations		19,306				19,306
		<u>19,358</u>				<u>19,358</u>
Net liabilities		<u>(17,572)</u>				<u>(17,624)</u>
Equity						
Pension Reserve	3	(19,306)			19,306	-
Retained Earnings		1,734		(52)	(19,306)	(17,624)
		<u>(17,572)</u>				<u>(17,624)</u>

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

Transition to IFRS Notes:

1. IAS 1 Presentation of Financial Statements

In accordance with the minimum disclosure requirements of IAS 1 paragraph 54, the current tax liability is separately disclosed on the face of the statement of financial position.

2. IAS 19 Employee benefits

In accordance with IAS 19 paragraph 10, Barnet Homes Ltd has made a short term provision for employees' outstanding annual and flexi leave. The amount provided is based on the authorised annual and flexi leave for employees at the end of the financial year.

3. IAS 19 Employee benefits

In accordance with paragraph 93A, the Company has opted to recognise the total gain/loss on the defined benefit actuarial assumptions within the statement of comprehensive income.

Accounting policies and explanatory notes to the financial statements

for the year ended 31 March 2011

24.4 Transition from UK GAAP to IFRS (continued)

Statement of Comprehensive Income for the year ended 31 March 2010

	Transition to IFRS note	Under UK GAAP 2010 £'000	Effect of transition to IFRS		Under IFRS 2010 £'000
			IAS 19 - Provision short term employee benefits £'000	IAS 19 - Actuarial gains/losses reallocation £'000	
Continuing operations					
Turnover		28,966			28,966
Operating expenses	1	(27,593)	(52)		(27,645)
Operating profit		<u>1,373</u>			<u>1,321</u>
Investment income		79			79
Finance costs		(477)			(477)
Loss before tax		<u>975</u>			<u>923</u>
Income tax expense		(18)			(18)
PROFIT FOR THE YEAR		<u><u>957</u></u>			<u><u>905</u></u>
Other comprehensive income:					
Actuarial loss on defined benefit pension plans	2	-		(13,905)	(13,905)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>957</u></u>			<u><u>(13,000)</u></u>

Under previous GAAP the entity did not report total comprehensive income.

Transition to IFRS Notes:

1. IAS 19 Employee benefits

In accordance with IAS 19 paragraph 10, Barnet Homes Ltd has made a short term provision for employees' outstanding annual and flexi leave. The amount provided is based on the authorised annual and flexi leave for employees at the end of the financial year.

2. IAS 19 Employee benefits

In accordance with paragraph 93A, the Company has opted to recognise the total gain/loss on the defined benefit actuarial assumptions within the statement of comprehensive income.

Barnet Homes Limited, Registered in England No. 04948659
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