

Dear Trustees,

Harrow Carers
376-378 Pinner Road
Harrow
Middlesex
HA2 6DZ

23 December 2024

Explanation of Consolidation Adjustment and Reconciliation for Goodwill Adjustment

As part of our audit of the consolidated financial statements of Harrow Carers Group for the year ended 31 March 2024, we aim to provide clarity on the consolidation adjustments and goodwill reconciliation applied during the preparation of the group accounts.

1. Consolidation Adjustments

Consolidation adjustments are made to combine the financial statements of the parent charity and its subsidiary entities, ensuring that the group financial statements present a true and fair view of the group's financial position and performance as a single economic entity. These adjustments typically include:

- **Eliminating Intercompany Transactions:** All intra-group transactions, balances, income, and expenses are eliminated to avoid double counting.
- **Adjusting for Non-Controlling Interests (NCI):** Where the charity does not own 100% of a subsidiary, adjustments are made to reflect the share of net assets and profits attributable to NCI.
- **Harmonising Accounting Policies:** If the subsidiaries have used accounting policies different from the parent entity, adjustments are made to align them.

The following adjustments were made to eliminate intercompany transactions:

	Dr (£)	Cr (£)
Administration costs	253	
Tangible fixed assets		(253)
<i>Adjustment relating to shortfall on depreciation charged by Elite Specialist Care Ltd (ESL)</i>		

2. Goodwill Adjustment

Goodwill arises when the purchase consideration paid by the parent charity to acquire a subsidiary exceeds the fair value of the net identifiable assets acquired. The adjustments and reconciliation for goodwill include:

- **Initial Recognition:** Calculating goodwill as the difference between the acquisition cost and the fair value of net assets at the acquisition date.
- **Impairment Testing:** Reviewing goodwill annually (or when indicators of impairment arise) to assess whether the carrying value exceeds its recoverable amount. Any excess is written off as an impairment expense.
- **Amortisation:** As permitted under the Accounting and Reporting by Charities: Statement of Recommended Practice (Charities SORP FRS 102), adjustments were made to goodwill to reflect the amortisation expense.

Reconciliation for Goodwill

The reconciliation process involves:

1. Confirming the accuracy of the acquisition cost and fair value of net assets.
2. Tracking any impairments or amortisations applied to goodwill in the reporting period.
3. Providing an updated carrying value of goodwill as at the reporting date.

Description	Amount (£)
Cost	
At 1 April 2023	246,106
At 31 March 2024	246,106
Amortisation	
At 1 April 2023	98,442
Charge for the year	49,221
At 31 March 2024	147,663
Net Book Value	
At 1 April 2023	98,443
At 31 March 2024	147,664

Net Movement in Funds

The net effect of the adjustments on the charity group's financial performance is summarised below:

Description	HC Consoli dated (£)	HC (Solus) (£)	ESL (£)	Total (£)	Variance (£)	Goodwill charge (£)	Deprecia tion shortfall (£)
Net movement in funds	67,132	118,291	(1,685)	116,606	49,474	49,221	253

Conclusion

These adjustments ensure compliance with FRS 102 and provide a clear representation of the charity group's financial health. Should you have any questions or require further clarification, please do not hesitate to contact us.

Yours sincerely,

GA Fernandes

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 Mr Gavin Fernandes FCA (Senior Statutory Auditor)
 For and on behalf of MG Audit Services Limited, Statutory Auditor

166 College Road
 Harrow
 Middlesex
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12/24/2024

Date: