Notice of Meeting

Audit & Governance Committee

Date & time	Place	Contact	Chief Executive
Friday, 16 October 2020 at 3.00 pm	Remote	Joss Butler joss.butler@surreycc.gov.uk	Joanna Killian

We're on Twitter:
@SCCdemocracy

Members
Mr David Harmer (Chairman), Mr Keith Witham (Vice-Chairman), Mr Edward Hawkins, Dr Peter Szanto, Mr Stephen Spence and Mr Stephen Cooksey

Ex Officio:
Mr Tim Oliver (Leader of the Council), Mr Colin Kemp (Deputy Leader), Mr Tony Samuels (Chairman of the Council) and Mrs Helyn Clack (Vice-Chairman of the Council)

AGENDA

1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

2 DECLARATIONS OF INTEREST

All Members present are required to declare, at this point in the meeting or as soon as possible thereafter

(i) Any disclosable pecuniary interests and / or

(ii) Other interests arising under the Code of Conduct in respect of any item(s) of business being considered at this meeting

NOTES:

- Members are reminded that they must not participate in any item where they have a disclosable pecuniary interest
- As well as an interest of the Member, this includes any interest, of which the Member is aware, that relates to the Member's spouse or civil partner (or any person with whom the Member is living as a spouse or civil partner)
- Members with a significant personal interest may participate in the discussion and vote on that matter unless that interest could be reasonably regarded as prejudicial.

3 QUESTIONS AND PETITIONS

To receive any questions or petitions.

Notes:

1. The deadline for Member's questions is 12.00pm four working days before the meeting (*12 October 2020)*.
2. The deadline for public questions is seven days before the meeting (9 October 2020*)*.
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

4 STATEMENT OF ACCOUNTS 2019/20 (Pages 1 - 4)

To inform the Committee of the result of the external audit of the council's 2019/20 Statement of Accounts, to receive the external auditor's final Audit Findings Report and to approve the council's letter of representation from the Executive Director of Resources.

The following annexes will be published in a supplementary agenda prior to the meeting:

1. Annex A - 2019/20 Statement of Accounts
2. Annex B - 2019/20 Audit Findings Report
3. Annex C - Executive Director of Resources' letter of representation

5 2019/20 AUDIT FINDINGS REPORT AND ANNUAL STATEMENT OF ACCOUNTS FOR HENDECA GROUP LTD, SURREY CHOICES LTD AND HALSEY GARTON GROUP LTD (Pages 5 - 128)

This report provides the Audit & Governance Committee with the outcome and findings of the external audit of the 2019/20 financial statements of Hendeca Group Ltd, Surrey Choices Ltd and Halsey Garton Property Ltd.

6 DATE OF NEXT MEETING

The next meeting of Audit & Governance Committee will be on 26 November 2020.

Joanna Killian
Chief Executive
Published: 8 October 2020

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SURREY
COUNTY COUNCIL

Audit & Governance Committee
16 October 2020

Statement of Accounts 2019/20

Purpose of the report:
To inform the Committee of the result of the external audit of the council's 2019/20 Statement of Accounts, to receive the external auditor's final Audit Findings Report and to approve the council's letter of representation from the Executive Director of Resources.

Recommendations:

It is recommended that the Committee:

1. Approve the 2019/20 Statement of Accounts , as attached in Annex A, for publication on the council's website and in a limited number of hard copies;
2. Consider any amendments since the 1 October Audit and Governance Committee meeting to the contents of the 2019/20 Audit Findings Report in Annex B;
3. Approve the Executive Director of Resources' letter of representation, which is attached in Annex C;
4. Determine if any issues in the Audit Findings Report should be referred to the Cabinet.

Introduction:

5. The Executive Director of Resources has approved the statement of accounts for 2019/20 as presenting a true and fair view of the county council's financial position as at the 31 March 2020 and its income and expenditure for the year. The accounts are attached at Annex A to this report for Member debate and approval.
6. The auditor has provided a commentary and recommendations on the statement of accounts in their Audit Findings Report (attached as Annex B).
7. The auditor anticipates issuing an unqualified opinion on the financial statements.

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The Statement of Accounts 2019/20

8. The Local Audit and Accountability Act 2014 normally requires the Statement of Accounts for 2019/20 to be published by 31 July, and that they are approved, prior to this date, by a non-executive committee of the local authority. For 2020 this deadline has been extended to the 30 Nov in light of the COVID-19 crisis.

9. The s151 officer is responsible for the preparation of Surrey County Council's single entity statement of accounts, the Surrey County Council group accounts, the pension fund statement of accounts and the firefighters' pension fund accounting statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code).

10. The Code is a very prescriptive document, and determines not only the accounting policies to follow, but also the form and content of the statement of accounts. The Code is based on International Financial Reporting Standards (IFRS's) issued by the International Accounting Standards Board. Local authorities have a legal obligation to follow "proper accounting practice", this therefore means that compliance is mandatory.

11. Any significant departure from The Code will normally result in a qualified audit opinion.

Accounting Changes 2019/20

12. The 2019/20 Code of Practice on Local Authority Accounting had no significant changes in accounting policies.

13. Annex A presents the 2019/20 Statement of Accounts. Draft accounts were produced and presented for audit by the end of May 2020.

2019/20 Audit Findings

14. The Audit Findings Report summarises the findings of the 2019/20 audit. It includes the messages arising from the audit of the statement of accounts and the results of the external auditor's work undertaken to assess the council's arrangements to secure value for money in the use of resources.

15. The external auditor's 2019/20 report is presented in Annex B and sets out a summary of the work carried out during the audit of the accounts, the conclusions reached and recommendations.

16. At the beginning of the audit the auditors produce an audit plan, which was reported to the Audit & Governance Committee in April 2020. The accounts were presented at the Audit & Governance Committee on 1 October 2020. There have been no substantial changes to the accounts since that meeting. The audit plan identified areas of significant risk of material misstatement. The audit findings report summarises the work completed in relation to these risk areas.

17. Appendix A of the Audit Findings Report identifies changes to the Statement of Accounts.

Conclusions:

18. Following the changes included above, and the results of the audit, the accounts are now presented to this Committee for approval.

Financial and value for money implications

19. There are no direct financial implications of this report, all financial implications in the accounts have been made in line with the Code of Practice and any impact on the 2019/20 budget has been considered in the outturn report to the Cabinet.

Equalities and Diversity Implications

20. There are no direct equalities implications of this report.

Risk Management Implications

21. There are no direct risk management implications of this report.

Next steps:

22. The statement of accounts will be published in line with the statutory deadline. The only changes made to the published version will be presentational, with the accounts typeset into a booklet style. A small number of hard copies will be produced. However, a version of the statements will also be posted on the council's website, and again some of the formatting may change to ensure it complies with the council's accessibility standards.

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Report contacts: Mark Hak-Sanders, Strategic Finance Manager (Corporate)

Contact Details: Mark.Haksanders@surreycc.gov.uk

Sources/background papers:

2019/20 Financial Outturn Report – Cabinet 26 May 2020.

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 CIPFA

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SURREY
COUNTY COUNCIL

Audit & Governance Committee
16 October 2020

2019/20 Audit Findings Report and Annual Statement of Accounts for Hendeca Group Ltd, Surrey Choices Ltd and Halsey Garton Group Ltd

Purpose of the report:
This report provides the Audit & Governance Committee with the outcome and findings of the external audit of the 2019/20 financial statements of Hendeca Group Ltd, Surrey Choices Ltd and Halsey Garton Property Ltd.

Recommendations:

It is recommended that the Audit and Governance Committee consider the contents of the 2019/20 Audit Findings Reports for Hendeca Group Ltd (formerly S. E. Business Services Ltd), Surrey Choices Ltd, and Halsey Garton Property Ltd. The Annual Accounts for each company are shared as background information.

Introduction:

1. The Council has three wholly owned Local Authority Trading Companies:
   - Hendeca Group Ltd (formerly S.E.Business Services Ltd)
   - Surrey Choices Ltd
   - Halsey Garton Property Ltd.

2. The oversight of these companies is provided by the Council's Shareholder and Investment Panel (SHIP - an Officer Panel) and the Strategic Investment Board (SIB - a Member led Panel). It has been established in accordance with best practice governance principles to ensure effective over-sight and alignment with the strategic objectives and values of the Council. The Board's responsibilities and powers include:
   - appointing and removing directors;
   - approval of annual business plans; and
   - reviewing the financial and overall performance of trading companies

3. The SHIP and SIB, both safeguard the Council's interest and takes decisions in matters that require the approval of the Council as owner or a shareholder of a company. Shareholder control is exercised over all companies owned by the Council, and in relation to any shares held whether the purpose is trading, service provision, or investment. Decisions in relation to the day to day operation of

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companies are taken by the directors of each company.

4. The SIB provides an Annual Report which is considered by Cabinet and by full Council.

5. The audit findings report and financial statements for the council's wholly owned companies is shared with the Audit & Governance Committee for information. The following documents are included:
   - Annex A – Hendeca Group Ltd financial statements 2019/20
   - Annex B – Hacker Young audit findings report for Hendeca Group Ltd
   - Annex C – Surrey Choices Ltd financial statements 2019/20
   - Annex D – Hacker Young audit findings report for Surrey Choices Ltd
   - Annex E – Halsey Garton Property Ltd financial statements 2019/20
   - Annex F - Hacker Young audit findings report for Halsey Garton Property Ltd

Audit Findings:

6. The Directors of the companies approved the 2019/20 financial statements as presenting a true and fair view of the company's financial position as at the 31 March 2020.

7. The Audit Findings reports summarise the findings of the 2019/20 audit undertaken by Hacker Young. The reports set out a summary of the work carried out and the conclusions reached.

8. At the beginning of an audit an Audit Plan was shared with the company directors, which identified areas of significant risk and other risks of material misstatement.
   The Audit Findings Report summaries the work completed in relation to these areas.

Conclusions:

The Audit Findings Reports are now presented to this Committee for information.

Financial and value for money implications
There are no direct value for money implications of this report.

Equalities and Diversity Implications
There are no direct equalities implications of this report.

Risk Management Implications
There are no direct risk management implications of this report.

Contact Officer:
Paul Forrester, Strategic Finance Business Partner – Commercial (Corporate Finance)

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Hendeca Group Limited
(formerly S.E. Business Services Limited)

Company Registration Number:
08578463
(England and Wales)

Report of the Directors and
Audited Financial Statements

Period of accounts
Start date: 01 April 2019
End date: 31 March 2020

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Hendeca Group Limited
Contents of the Financial Statements
for the Year Ended 31 March 2020

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Hendeca Group Limited
Company Information
for the Year Ended 31 March 2020

Directors:	S Ruddy J Harris
Registered office:	County Hall Penrhyn Road Kingston upon Thames Surrey KT1 2DN
Company Registration Number:	08578463 (England and Wales)
Ultimate Parent:	Surrey County Council County Hall Penrhyn Road Kingston upon Thames Surrey KT1 2DN
Auditor:	UHY Hacker Young LLP 4 Thomas More Square London E1W 1YW
Bankers:	HSBC 60 Queen Victoria Street London EC4N 4TR

Hendeca Group Limited
Report of the Directors
for the Year Ended 31 March 2020

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The directors present their report with the financial statements of the company for the year ended 31 March 2020.

Principal activities

The principal activities of the company in the year under review was the supply of Professional Business Services including IT managed services, data centre hosting and fire and rescue resilience services.

Directors

The directors shown below have held office during the whole of the year from 01 April 2019 to 31 March 2020.

S Ruddy
J Harris

Change of name

On the 19 February 2020 the company changed its name from S.E. Business Services Limited to Hendeca Group Limited.

COVID-19

The COVID-19 outbreak has developed rapidly in 2020 and has resulted in unprecedented actions being taken by Governments across the globe, which have had a significant adverse impact on large swathes of the economy.

At this stage, the impact on our business and results is limited. Due to the nature of our business and customer base there has been limited impact on our current trading environment, and we do not foresee any long-term adverse impacts.

We will continue to follow the Government’s and relevant sector specific bodies policies and advice to ensure we always protect the safety and health of our employees and customers.

We also refer to note 2.1 on the company as a going concern.

Company policy on the employment of disabled persons

It is the company’s policy to give employment to disabled persons wherever practicable and to make all reasonable adjustments to enable a person with a disability to perform to their highest ability.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations. 5

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 United Kingdom General Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless satisfied that they 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 accounting estimates that are reasonable and prudent, and
- 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 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.

Provision of information to auditor

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

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

Auditor

In accordance with the company's articles, a resolution proposing that UHY Hacker Young be reappointed as auditor of the company will be put at a General Meeting.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by part 15 of the Companies Act 2006.

This report was approved by the board of directors on 27 July 2020

And Signed On Behalf Of The Board By: S Ruddy

S Ruddy

Status: Director

UHY Hacker Young
Chartered Accountants

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HENDECA GROUP LTD

Opinion

We have audited the financial statements of Hendeca Group Limited ("the Company") for the year ended 31 March 2020 which comprise the Profit and Loss Statement, the Balance Sheet, the Statement of Changes in Equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice)

In our opinion:

- the financial statements give a true and fair view of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

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INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE MEMBERS OF HENDECA GROUP LTD

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Director's report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company 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.

Responsibilities of Directors

As explained more fully in the statement of Director's statement of responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

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INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE MEMBERS OF HENDECA GROUP LTD

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jessica Moorghen (Senior Statutory Auditor)
For and on behalf of UHY Hacker Young LLP

Chartered Accountants
Statutory Auditor

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London
E1W 1YW

Date: 27 July 2020

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Hendeca Group Limited
Profit and Loss Account
for the year ended 31 March 2020

	Note	2020	2019
		£	£
Turnover		**2,224,905**	2,438,262
Cost of sales	5	**(1,563,332)**	(1,599,411)
Gross profit		**661,573**	838,851
Administrative expenses		**(194,226)**	(155,827)
Operating profit		**467,347**	683,024
Interest payable and receivable	8	**(1,251)**	(3,267)
Profit on ordinary activities before taxation	7	**466,096**	679,757
Tax on Profit on ordinary activities	9	**(88,559)**	(126,970)
Profit for the financial year		**377,537**	552,787

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Hendeca Group Limited
Balance Sheet
as at 31 March 2020

	Note	**2020** £	**2020** £	2019 £	2019 £
Current Assets					
Debtors	10	**237,698**		349,795	
Cash at bank and in hand		**703,110**		971,473	
			940,808		1,321,268
Creditors: amounts falling due within one year	11	**(275,879)**		(533,876)	
			(275,879)		(533,876)
Net current assets			**664,929**		787,392
Net assets			**664,929**		787,392
Capital and Reserves					
Called up equity and share capital	12		**1**		1
Non-distributable reserve	3.3		**220,717**		220,717
Profit and loss account			**444,211**		566,674
			664,929		787,392

The company's financial statements have been prepared in accordance with the provisions applicable to companies subject to small companies' regime.

The financial statements were approved by the Board of Directors on 27 July 2020

Signed on behalf of the board of directors by S Ruddy

S.Ruddy

Company Registration no: 08578463

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Hendeca Group Limited
Statement of Changes in Equity
for the year ended 31 March 2020

	Share Capital	Non distributable reserve	Profit and loss Account	Total
	£	£	£	£
At 31 March 2017	**1**	**159,962**	**443,570**	**603,533**
Profit and total comprehensive income for the year	-	-	471,071	471,071
Issue of shares	-	-	-	-
Dividends paid in respect of the year 16/17	-	-	(440,000)	(440,000)
Dividends agreed for the year 17/18	-	-	(400,000)	(400,000)
Group Tax Relief	-	60,755	(60,755)	-
At 31 March 2018	**1**	**220,717**	**13,886**	**234,604**
Profit and total comprehensive income for the year	-	-	552,787	552,787
Issue of shares	-	-	-	-
Dividends agreed for the year 18/19	-	-	-	-
At 31 March 2019	**1**	**220,717**	**566,674**	**787,392**
Profit and total comprehensive income for the year	-	-	377,537	377,537
Issue of shares	-	-	-	-
Dividends paid in respect of the year 19/20	-	-	(500,000)	(500,000)
At 31 March 2020	**1**	**220,717**	**444,211**	**664,929**

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Hendeca Group Limited
Notes to the Financial Statements
for the year ended 31 March 2020

1. Company Information

Hendeca Group Limited is a private Company, limited by shares, domiciled in England and Wales, Company Registration no: 08578463. The registered office is County Hall, Penrhyn Road, Kingston upon Thames, Surrey, KT1 2DN.

2. Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 Section 1A Small Entities, and with the Companies Act 2006. There have been no material departures from this standard.

The financial statements have been prepared on the historical cost basis.

The Financial Statements are presented in Sterling (£).

2.1 Going Concern

Hendeca Group Limited has considerable financial resources together with long term contracts with a number of customers and suppliers across different industries. Therefore, the directors believe that Hendeca Group Limited is well placed to manage its business risks successfully.

These contracts have not been impacted by the change in circumstances resulting from the Government's response to the COVID-19 outbreak, and the directors do not expect this to change in the future. The directors will continue to monitor and respond accordingly to the ever-changing implications of COVID-19 and the Government's response to the situation, but currently do not see this having a long-term adverse impact on the company.

After reviewing Hendeca Group Limited forecast and projections, the directors have a reasonable expectation that Hendeca Group Limited has adequate resources to continue in operational existence for the foreseeable future.

Based on the circumstances described above, the financial statements are prepared on the assumption that the entity is a going concern.

3. Accounting Policies

3.1 Turnover

The turnover shown in the profit and loss account represents revenue earned during the year, exclusive of VAT.

Hendeca Group Limited
Notes to the Financial Statements
for the year ended 31 March 2020

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3.2 Recognition of income and expenditure

Revenue (income) from the sale of goods and provision of services is recognised when Hendeca Group Limited transfers the goods or completes the delivery of a service.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

3.3 Debtors

Short-term debtors are measured at transaction price, less any impairment.

3.4 Creditors

Creditors are measured at transaction price, less any impairment.

3.5 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial intuitions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

3.6 Non Distributable Reserves

Reserves are created when a company sets aside specific amounts for future policy purposes or to cover contingencies. These reserves are created by appropriating amounts out of the Profit and Loss Account in the Statement of changes in Equity.

The Company has been able to claim group tax relief due to the surrender of losses from another company within the Surrey County Council group of companies. These losses have been deducted from the company's total profits, reducing the amount of corporation tax payable.

The Company is taking a prudent approach and is treating this tax relief benefit as a non-distributable reserve since it may be reviewed by HMRC within 3 years of the claim. The reserve will be held for a period of three years with the treatment reviewed annually.

Hendeca Group Limited
Notes to the Financial Statements
for the year ended 31 March 2020

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4. Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to calculate the amount are those enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

A deferred tax liability or asset is recognised for the additional tax that will be incurred or deductible in the future based on assets and liabilities that are recognised in a business combination.

Deferred tax is calculated using the tax rates and laws that have been enacted by the reporting date that are expected to apply to the reversal of the timing difference.

5. Cost of Sales and Staff Costs

	2020	2019
	£	£
Cost of Sales before staff costs	**1,183,108**	1,284,677
Wages and Salaries	**354,055**	292,220
Social Security Costs	**21,148**	18,927
Pension Costs	**5,021**	3,587
	1,563,332	1,599,411

Hendeca Group has three full time employees, all of whom are enrolled in a National Employment Savings Trust (NEST) pension scheme. Contributions payable are recognised in the profit and loss account when due. All other employees are engaged on a part-time basis.

6. Average number of Employees

During 19/20 the average number of employees was 53 (3 full time employees and 50 who receive a monthly retainer). In 18/19 this was 50 (3 full time employees and 47 who receive a monthly retainer).

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Hendeca Group Limited
Notes to the Financial Statements
for the year ended 31 March 2020

7. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after:

Auditor's Remuneration and Tax fees:

	2020	2019
	£	£
Audit Fees	**12,500**	12,000
Tax Compliance services	**1,800**	1,815
	14,300	13,815

8. Interest Payable and Receivable

	2020	2019
	£	£
Interest payable	**996**	3,121
Bank charges	**255**	146
	1,251	3,267

9. Taxation

The tax charge on the profit on ordinary activities for this year was as follows:

	2020	2019
	£	£
UK Corporation Tax	**88,559**	126,970
Tax on profit on ordinary activities	**88,559**	126,970
Profit on ordinary activities before taxation	**466,096**	679,757
Rate of tax for year	**19%**	19%
Profit on ordinary activities before taxation multiplied by the rate of tax for year	**88,558**	129,154
Expenses not deductible to tax purposes	**-**	-
Adjust closing deferred tax to average rate of 19%	**7**	4
Adjust opening deferred tax to average rate of 19%	**(5)**	-
Adjustments in respect of prior years	**44**	(2,188)
Deferred tax not recognised	**(44)**	-
Other adjustments	**(1)**	-
Current tax charge	**88,559**	126,970

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Hendeca Group Limited
Notes to the Financial Statements
for the year ended 31 March 2020

10. Debtors

	2020	2019
	£	£
Trade Debtors	**237,683**	317,139
Prepayments and accrued income	**15**	32,656
	237,698	349,795

11. Creditors

	2020	2019
	£	£
Trade creditors	**184,874**	208,689
Other creditors	**91,005**	325,187
	275,879	533,876

All amounts are payable within one year.

12. Called Up Share Capital

Allotted and called up:

Class	Number of Shares	Nominal Value per Share (£)	Total
Ordinary	1	1	1

The authorised share capital of Hendeca Group Limited consists of 100 ordinary shares with a nominal value of £1, of which 1 ordinary share has been issued at par.

13. Related Party Disclosures

The Company has taken advantage of the exemption in FRS102 “Related Party Disclosures” from disclosing transactions with other wholly owned member of the group.

14. Ultimate controlling party

The ultimate controlling party of Hendeca Group Limited is Surrey County Council, which owns the entire issued share capital.

Hendeca Group Limited
Notes to the Financial Statements
for the year ended 31 March 2020

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15. Subsequent events

The global economy was affected by the COVID-19 pandemic and the related market volatility has brought certain operational and financial impacts to our entity performance due to the partial or complete lockdown. However this has not led to any significant post balance sheet events in these financial statements. The potential near-term impact of the developments on the group is discussed in the Strategic Report and note 2.1.

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UHY Hacker Young
Chartered Accountants

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Hendeca Group Limited

Report to the Board

Year ended 31 March 2020

Helping you prosper

Contents

Introduction

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Hendeca Group Ltd ("the Company" or "HG")

Purpose of this report

The purpose of this report is to bring to your attention the salient points which have arisen from our audit of the financial statements of the Company for the year ended 31 March 2020.

This report provides an update to the significant matters raised in our Audit Service Plan, which was provided to the Company on 1 May 2020.

This report provides an update to the matters discussed at that meeting and the other matters which arose during the course of our audit.

Audit scope

Our terms of engagement are set out in our engagement letter. That letter sets out our audit responsibilities and their limitations and the responsibilities of the directors in relation to the financial statements.

Our Audit Service Plan set out in detail the key issues and risks identified at the planning stage and the related planned audit responses. It also explained that our audit approach concentrates on areas of material risk of misstatement in the financial statements to allow us to reach our opinion in accordance with auditing standards.

Communication with those charged with governance

International Standard on Audit 260 "Communication of audit matters with those charged with governance" ("ISA 260") is an auditing standard designed to ensure that there is effective two-way communication between auditors and those charged with governance of the Company. In the context of ISA 260 "those charged with governance" means the Board of Directors of the Company.

Matters relating to the planning, conduct and results of the audit are communicated to those charged with governance of the Company on a sufficiently prompt basis to enable the recipients to take appropriate action.

During the audit, regular communications were made by us to Paul Forrester, Joseph Stockwell and Cristina Robinson. These communications were generally made informally, either by telephone or email.

After the completion of the audit, important matters requiring the attention of Directors are communicated by way of this report.

Audit independence

In accordance with the requirements of ISA 260 and the Ethical Standard issued by the Financial Reporting Council, we confirm the matters set out below.

We discussed the specific threat to you posed with our involvement in the services provided and how we mitigate such threats in our Audit Service Plan. We have not identified any further threats during the course of the audit.

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We confirm that:

We are auditors of Hendeca Group Ltd;

The audit is subject (if selected as part of a sample) to our internal independent quality control procedures, and reviews by the ICAEW as part of their inspections.

We therefore confirm that, in our professional judgment, UHY Hacker Young LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff is not impaired.

Should you have any questions relating to the issue of our independence and objectivity, please do not hesitate to contact:

Jessica Moorghen
t: +44 (0) 20 7216 4670
e: j.moorghen@uhy-uk.com

Limitations

We have prepared this report for your use within the Company. It is part of our continuing communication of audit matters with those charged with the governance of the Company and, accordingly is addressed to the Board.

It is not intended to include every matter that came to our attention. For these reasons, we believe that it would be inappropriate for this report to be made available to third parties. If such a third party were to obtain a copy, we would not accept any responsibility for any reliance that they might place on it.

UHY Hacker Young
July 2020

Acknowledgement

We wish to thank Paul Forrester, Joseph Stockwell and Cristina Robinson for their helpfulness and co-operation during the course of the audit process.

Audit status

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Audit structure

We have carried out the audit of the Company. The audit working papers have been reviewed by the audit manager and audit partner. Any significant issues arising during our audit were discussed with Paul Forrester and have been included in this report if deemed necessary.

The audit was planned and conducted to concentrate on the high risk areas in the financial statements. The key audit issues arising in these areas are explained further on page 5 below.

The accounting systems were documented and the controls over those systems evaluated. Using these assessments we designed and conducted detailed tests of transactions and balances.

Current position

The audit of the Company is substantially complete. All queries arising during the audit were dealt with as the audit progressed. There were no limitations on the scope of our audit work completed to date.

There are, however, at the time of writing some outstanding unresolved audit matters which are set out below and which may or may not have an impact on our audit opinion on the Company financial statements.

We expect to be in a position to sign our audit report as soon as practicable after clearing the outstanding matters.

Outstanding audit matters:	Signed Letter of Representation from the directors;
	Signed Directors' Report;
	Signed Statement of Financial Position and;
	Completion of our subsequent events review to the date of our audit report.

Identified key risk areas and our responses

We have identified the following key risk areas as part of our audit planning processes. During our audit we focused on these areas, in addition to our other normal audit procedures, and we set out below our comments and the results of our testing.

Management override of controls (all companies)

Explanation of risk

Auditing standards require that the risk of management override of controls should be considered to be a significant risk for all audit engagements.

Audit response to risk

We will review a sample of transactions in the year for unusual items outside the ordinary course of business and also test journals raised to ensure that such entries are relevant to the Company's business.

Outcome

Audit testing of a sample of journals posted in the year and other significant transactions did not indicate any instances of management override of controls occurring in the accounts.

Revenue recognition

Explanation of risk

Auditing standards require that revenue recognition is considered a significant risk unless it may be appropriately rebutted. There is a risk that revenue is incomplete and that it has not been accurately recorded or calculated.

Audit response to risk

A sample of revenue items were chosen and agreed to supporting documentation. A sample of the recognised income was also chosen either side of the year-end to ensure revenue recognition was accurate.

Any manual journals relating to work in progress or deferred income were recalculated on a sample basis and agreed to the supporting documentation to gain assurance over the accuracy of the calculation.

Outcome

There were no errors noted in the testing for both completeness and accuracy of revenue. We performed substantive testing on all material revenue streams. This is to determine whether the accounting policy had been correctly applied and performed specific cut-off testing to ensure that revenue has been accounted for in the correct period. All items sampled were satisfactory tested with no issues noted.

Debtor recoverability

Explanation of risk

There is a risk that debtor balances are not recoverable and therefore are overstated.

Audit response to risk

A sample of debtors was agreed to post-year end receipts to ensure amounts are recoverable. Any doubts raised over recoverability were queried with Joe Stockwell and documentation obtained to verify recoverability / dates.

Outcome

Our sample items tested for recoverability overall proved adequately received post-year end leading to the conclusion that debtors are materially correct.

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Going Concern

Explanation of risk

As the company is profit making, with healthy cash reserves at the year-end, going concern would not usually be considered a risk to an entity in this financial position.

However, due to the economic uncertainty surrounding COVID-19, we have highlighted it as a risk to consider in detail as this may have a significant impact on the company's ability to continue as a going concern and pay their debts as they fall due.

Audit response to risk

We will discuss in detail with the directors, the steps being taken to ensure that the company will continue as a going concern. We will request and review the cash flow forecasts of the company for the next 12 months and assess the reasonableness of the assumptions made. We will also perform a sensitivity analysis on the cash flow forecasts.

Outcome

We assessed the company's ability to continue their operations until the end of June 2021. We have reviewed the cash flow/business forecasts which covers the years ending 2021 and 2022 and considered its reasonableness.

The key assumptions made in the cash flow forecast were reviewed and deemed reasonable.

We also performed a sensitivity analysis on the key assumptions to ensure that in a reasonable worst case scenario (being that the Heathrow contract ends) the company would continue to have sufficient cash to continue in their operations for the 12 months from signing the audit report.

It was concluded that Management's plans are considered feasible and there is no reason to doubt the going concern assumption.

Opening Balances

Explanation of risk

This is a first year audit, under ISA 510- Initial Engagements; there is limited assurance over the accuracy of the brought forward balances.

Audit response to risk

We will vouch opening balances to prior year signed accounts and ensure all audit journals have been posted correctly. We will complete detailed work programmes tailored to gaining assurance on the accuracy of the brought forward balances. We will review records, as well as accounting and control procedures in the preceding period. We will also consult with the previous auditor and review (with their permission) their working papers and relevant management letters.

Outcome

There were no issues identified during our testing of the brought forward balances.

Other matters

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Internal controls

Our audit is tailored to our assessment of the risk of material misstatement, taking into account the inherent risk of error or fraud and our assessment of the effectiveness of controls in eliminating or reducing those risks.

We cannot examine every activity and procedure within the Company, nor can we substitute for management responsibility to maintain adequate controls at all levels of business.

Our work cannot therefore, be expected to identify all weaknesses in the Company's procedures and systems. However, we will gladly discuss with you an extension of our work to review in more depth any aspect of the business which potentially concerns you.

Accounting policies

We have reviewed the accounting policies adopted by the Company in the preparation of its financial statements and consider that they are appropriate and suitable for the Company's particular circumstances.

As required by FRS 102, the Board of Directors should formally review the Company's accounting policies and treatments to ensure that they remain the most appropriate to the Company's particular circumstances for the purposes of giving a true and fair view. We suggest that the Board of Directors should minute this discussion.

Significant subsequent events

In March 2020, many countries across the global entered into widespread lockdown of businesses and life as we know it. The spread of COVID-19 has caused significant volatility in the UK economy and as such there is significant uncertainty around the full impact and duration of business disruptions related to the pandemic. The impact of COVID-19 on the company's ability to continue as a going concern has been covered in detail during our going concern review, with the conclusion being that Management's plans are considered feasible and there is no reason to doubt the going concern assumption for the next twelve months from the approval of the accounts.

Consideration of fraud

We have discussed fraud with Paul Forrester and Joe Stockwell.

During the course of our work we found no evidence of fraud and corruption. We must emphasise, however, that the responsibility for the prevention of and detection of fraud lies with management, and our work does not remove the possibility that fraud and corruption may have occurred and remain undetected.

It was confirmed that:	There have been no instances of fraud during the year; and
	Those charged with governance of the Company consider there to be a low risk of fraud occurring.

Summary, adjustment and audit report

Audit adjustments agreed with management

We received the draft trial balances for the Company from Joe Stockwell in accordance with the audit timetable.

During the course of the audit, small adjustments were necessary in order to facilitate the preparation of the statutory financial statements, including some reclassifications of balances for statutory presentation purposes.

Where we have proposed reclassifications of balances for disclosure purposes these amendments were reviewed and agreed by Paul Forrester and Joe Stockwell.

Late adjustments provided by management, mainly in order to correct the brought forward balances, bank, unrecorded accruals and income were reviewed as part of our audit process and have been agreed and processed in the financial statements.

The audit adjustments which we have proposed which have had an impact on the profit or loss for the year of the Company have been reviewed and agreed by Joe Stockwell.

Unadjusted items

There were no adjustments which were identified and were not adjusted for by management in the financial statements.

In assessing the key areas of audit judgement we have had full regard to our assessed level of materiality. A final materiality calculation will be undertaken prior to finalisation of the Company accounts.

We acknowledge the subjectivity and scope for differing viewpoints over some of our concerns. By the same token, the Board in deciding to approve the accounts as currently drafted will also be exercising subjective judgement.

Audit report

We propose issuing an unqualified audit report on the financial statements of the Company for the year ended 31 March 2020.

Remaining timetable

We are in a position to finalise the statutory accounts subject to the outstanding matters noted on page 3 of this report.

Appendix 1

Management letter points

We wish to draw your attention to the following matters that arose during the course of our audit of the Company's accounts for the year ended 31 March 2020.

Contract with Heathrow Airport has not been renewed since 2018	
Observation	The contract with Heathrow is worth roughly £1 million in revenue and is therefore is a key client. However the contract expired in March 2018 and has not been formally renewed and is currently being used on a rolling basis.
Recommendation	We appreciate that the new contract is currently under negotiation but this has been the case for 2 years, we therefore recommend that this is finalised and signed to ensure long-term revenue.

Control risk over the cashbook and the use of an accounting software	
Observation	An excel spreadsheet, based on the cashbook, is used to prepare the TB and accounts.
Recommendation	We recommend the use of an integrated finance system, via an off the shelf accounting software, to carry out your accounting function. Using this will reduce the likelihood of posting mistakes and will add layers of control to the journal posting process.

HSBC bank account still held as S.E. Business Services Limited	
Observation	It was noted that the bank account held with HSBC UK still refers to Hendeca Group Limited by its previous name.
Recommendation	We recommend that your account details with HSBC UK are updated with your latest company information.

Annual Report
Surrey Choices Ltd

For the year ended 31 March 2020

Company Information

Directors	C.M.Curran M. Le Jakobsen J.M.Earl S.Nahajski R.E.Wigley
Registered number	08931490
Registered office	Fernleigh Day Centre Fernleigh Close Walton- on- Thames Surrey England KT12 1RD
Independent auditor	UHY Hacker Young LLP Chartered Accountants & Statutory Auditor Quadrant House 4 Thomas More Square London E1W 1YW
Bankers	HSBC Bank plc Level 30 8 Canada Square Canary Wharf London E14 5HQ

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Contents

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Directors' Report

For the year ended 31 March 2020

The directors present their report, the strategic report, and the financial statements for the year ended 31 March 2020.

Principal activities

The Company is principally engaged in the provision of adult social care services across Surrey, along with residential care for adults and young people with learning difficulties, mental health, and disability.

Results and dividends

The profit for the year, after taxation, amounted to £656,390 (2019: £733,614).

No dividend was declared for the year.

Directors

The directors who served during the year were:

C.M.Curran (appointed 18 November 2019)
J.M.Earl (appointed 1 February 2020)
S.Nahajski (appointed 1 February 2020)
R.E.Wigley (appointed 15 October 2019)
B A Muir (resigned 21 November 2019)
S T Pollock (resigned 6 June 2019)
M. Le Jakobsen

Employment of disabled persons

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Employee involvement

The company's policy is to consult and discuss with employees, through unions and at staff meetings, matters likely to affect employees' interests.

Information on matters of concern to employees is given through staff briefings and reports that seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Directors' Report

For the year ended 31 March 2020

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company Law, the directors must not approve the financial statements unless satisfied that they 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 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. The directors have confirmed that appropriate Directors and Officers insurance cover is in place.

Disclosure of information to the Company’s auditor

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 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 Company's auditor is aware of that information.

Auditors

In accordance with the company's articles, a resolution proposing that UHY Hacker Young be reappointed as auditor of the company will be put at a General Meeting

This report was approved by the board on 15 July 2020 and signed on its behalf.

Mette Le Jakobsen
Director

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Strategic Report

The directors present their strategic report for the year ended 31 March 2020.

Business review

Surrey Choices Limited was incorporated on 10 March 2014 and began to trade on 18 August 2014. The Company is wholly owned by Surrey County Council and was established to create innovative new models of delivery that would improve the quality and affordability of services for existing and new customers.

Fair review of business

The results for the business for the year, which are set out in the statement of comprehensive income, show turnover for the period of £14,352,092 (2019 : £14,053,188) and a total comprehensive income for the financial period of £443,390 (2019 : £354,614). At 31 March 2020, the company had net liabilities excluding pension liabilities of £1,667,025 (2019 : £2,619,415) and net liabilities including pension liabilities of £3,770,025 (2019 : £4,213,415). The directors of the company consider that the financial position at the period end is satisfactory, being in line with the business plan.

Given the nature of the business, the company's directors are of the opinion that key performance indicators are important. The company uses a number of indicators to monitor and improve development and performance of the business. Indicators are reviewed and altered to meet changes both in the internal and external environments. The directors do not consider the inclusion of an analysis using key performance indicators to be necessary to assist users of the financial statements in their understanding of the financial performance or position of the company.

Future developments

The external commercial environment is expected to remain competitive going forward. However, the directors remain confident and presently see no reason why the company should not continue to perform positively in the future as it innovates new products and services for a significant unserved market for a range of younger, older and disabled people in Surrey and beyond.

Principal risks and uncertainties

In the year to date, the global economy was affected by the COVID-19 pandemic and the related market volatility. The directors remain focused on protecting the employees and the Company's ability to maintain high-quality services and stability for our customers. However, as the markets and economic consequences of the pandemic remain to be fully realised, the directors are closely monitoring the situation and will implement measures to reduce any exposure from the economic and social effects of the pandemic on the business.

The long-term impact to the Company is not fully understood at this time, however at the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The spread of COVID-19 around the world in the first and second quarters of 2020 has caused significant volatility in the UK economy and as such there is significant uncertainty around the breadth and duration of business disruptions related to the pandemic. After giving due consideration and making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, with the support of Surrey County Council. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

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Strategic Report continued

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to the continuation of trading with Surrey County Council, satisfactory negotiations with Surrey County Council as the contract moves to spot purchasing, the quality and continuity of staff working in the business and access to capital where necessary to grow the business.

Financial instruments

Objectives and policies

The directors constantly monitor the company's trading results and revise projections as appropriate to ensure that the company can meet its future obligations as they fall due.

Price risk, credit risk, liquidity risk and cash flow risk

The business' principal financial instruments comprise bank balances, trade debtors and trade creditors. The main purpose of these instruments is to finance the business' operations.

The financial results reflect the pension scheme contributions related to former Council employees that are members of the Local Government Pension Scheme (LGPS) and Teachers Pension Scheme (TPS) who transferred to the company on 18 August 2014. The pension scheme liability of the company is limited to liabilities accruing after 18 August 2014. The company has been given a guarantee by the Council that the LGPS' and TPS' administrators are indemnified by the Council against any shortfall of payments of pension contributions and associated pension liabilities. In addition, Surrey County Council will support finance facilities to the Company whilst it remains a wholly owned subsidiary of the Council.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

Trade creditors' liquidity risk is managed by ensuring sufficient funds are available to meet amounts due. The business manages the liquidity risk by ensuring that there are sufficient funds to meet the payments.

This report was approved by the Board on 15 July 2020 and signed on its behalf.

Mette Le Jakobsen
Director

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UHY Hacker Young
Chartered Accountants

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

Opinion

We have audited the financial statements of Surrey Choices Limited ("the Company") for the year ended 31 March 2020 which comprise the Profit and Loss Statement, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice)

In our opinion:

- the financial statements give a true and fair view of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Director's report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company 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.

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UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

Responsibilities of Directors

As explained more fully in the statement of Director's statement of responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jessica Moorghen (Senior Statutory Auditor)
For and on behalf of UHY Hacker Young

15 July. 2020

Chartered Accountants
Statutory Auditor

Quadrant House
4 Thomas More Square
London E1W 1YW

Statement of Comprehensive Income

For the year ended 31 March 2020

	Note	2020	2019
		£	£
Turnover	3	**14,352,092**	14,053,188
Cost of Sales		**(11,406,758)**	(11,127,957)
Gross Profit		**2,945,334**	2,925,231
Administrative Costs		**(2,127,190)**	(2,043,685)
Operating Profit	4	**818,144**	881,546
Interest Payable and Financial expenses	8	**(160,336)**	(147,295)
Profit before tax		**657,808**	734,251
Tax on Profit	9	**(1,418)**	(637)
Profit for the year		**656,390**	733,614
Other Comprehensive Income for the Year			
Profit for the financial period		**656,390**	733,614
Actuarial (Losses) / Gains on defined benefit pension scheme	19	**(213,000)**	(379,000)
Other Comprehensive Income for the Year		**(213,000)**	(379,000)
Total Comprehensive Income for the Year		**443,390**	354,614

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations

The accompanying notes form part of these financial statements

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Statement of Financial Position

As at 31st March 2020

	Note	2020	2019
		£	£
Fixed assets			
Tangible Assets	10	**130,281**	131,871
Current Assets			
Debtors	11	**358,242**	302,064
Cash at Bank and in Hand	12	**2,747,687**	1,885,843
		3,105,929	2,187,907
Creditors: Amounts Falling due within one year	13	**(2,103,237)**	(2,139,193)
Net Current Assets/(Liabilities)		**1,002,692**	48,714
Total Assets less current Liabilities		**1,132,974**	180,585
Creditors: Amount falling due after more than one year	14	**(2,800,000)**	(2,800,000)
Pension Liability	19	**(2,103,000)**	(1,594,000)
Deferred Tax Liability		**-**	-
Net Liabilities		**(3,770,025)**	(4,213,415)
Capital and Reserves			
Called-up Share Capital	18	**100**	100
Profit and Loss Account	17	**(3,770,125)**	(4,213,515)
		(3,770,025)	(4,213,415)

The financial statements were approved and authorised for issue by the Board and were signed on its behalf.

Mette Le Jakobsen
Director
15 July 2020

Statement of cash flows

For the year ended 31 March 2020

	2020	2019
	£	£
Cash flow from operating activities		
Profit /(Loss) for the financial year	**656,390**	733,614
Adjustments for:		
Depreciation of tangible assets	**88,752**	102,038
Interest paid	**103,715**	94,646
Pension service and finance cost recognised	**416,000**	436,000
Employee's pension contributions	**(120,000)**	(146,000)
(Increase) / Decrease in trade and other debtors	**(56,178)**	74,459
Increase /(Decrease) in trade creditors	**(35,957)**	13,650
Cash flow from operations	**1,052,722**	1,308,406
Net cash generated by operating activities	**1,052,722**	1,308,406
Cash flows from investing activities		
Improvement of Lease property	**(5,004)**	(4,951)
Purchase of other fixed assets	**(82,159)**	(77,858)
Net cash from investment activities	**(87,163)**	(82,809)
Cash flows from financing activities		
Interest accrual	**(103,715)**	(94,646)
Net cash used by financing activities	**(103,715)**	(94,646)
Net increase in cash and cash equivalents	**861,844**	1,130,952
Cash and cash equivalents at the beginning of the year	**1,885,843**	754,891
Cash and cash equivalents at the end of the year	**2,747,687**	1,885,843

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Statement of Changes in Equity

For the year ended 31 March 2020

	Share Capital	Profit and Loss Account	Total Equity
	£	£	£
At 31 March 2018	100	(4,568,129)	(4,568,029)
Profit for the year		733,614	733,614
Other Comprehensive income for the period			
Actuarial Gain/ Loss net of tax		(379,000)	(379,000)
At 31 March 2019	**100**	**(4,213,515)**	**(4,213,415)**
Profit for the year		656,390	656,390
Other Comprehensive income for the period			
Actuarial Gain/ Loss net of tax		(213,000)	(213,000)
At 31 March 2020	**100**	**(3,770,125)**	**(3,770,025)**

Notes to the Financial Statements
For the year ended 31 March 2020

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £. The following principal accounting policies have been applied:

1.2 Going concern

The company relies on a contract with Surrey County Council to provide certain services to the Council. This has recently been renewed to run to 31 March 2025. Whilst there is no minimum commitment to contract volumes from the Council, the directors maintain close contact with the Council and have no reason to believe that reasonable purchasing volumes would not continue in the foreseeable future.

The Company funds its working capital requirements through an agreed ten-year credit facility with its parent entity. The Directors have reviewed the Company's forecasts for the following 12 months from the date of formally approving the annual report and financial statements.

After giving due consideration and making enquiries in reference to Covid-19, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, with the support of Surrey County Council. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover represents amounts chargeable in respect of the provision of social care services, exclusive of VAT and is recognised when the services are rendered.

1.4 Tangible fixed assets

Depreciation is provided on tangible fixed assets so as to write off the cost less any estimated residual value, on a straight-line basis over their expected useful economic life. Assets are assessed for impairment on at least an annual timeframe.

The estimated useful lives range as follows:

Leasehold property Improvement	-	over 3 years
Furniture, fixtures & equipment	-	over 3 years
Computer equipment	-	over 3 years
Motor vehicles	-	over 3 years

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Notes to the Financial Statements
For the year ended 31 March 2020

1.5 Operating leases

Rentals payable under operating leases are charged in the statement of comprehensive income on a straight-line basis over the lease term.

1.6 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.8 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Notes to the Financial Statements

For the year ended 31 March 2020

Financial instruments (continued)

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Actuarial gains and losses are recognised immediately in Other Comprehensive Income.

1.9 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.10 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.11 Pensions

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the Company in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

Surrey County Council Local Government Pension Scheme (LGPS)

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are

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Notes to the Financial Statements
For the year ended 31 March 2020

Pensions (continued)

the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

Actuarial gains and losses are recognised immediately in actuarial gains and losses.

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

1.12 Provisions for Liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

1.13 Taxation

A tax liability will be recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Notes to the Financial Statements

For the year ended 31 March 2020

Taxation (continued)

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

A deferred tax liability or asset is recognised for the additional tax that will be incurred or deductible in the future based on assets and liabilities that are recognised in a business combination.

Deferred tax is calculated using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

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 judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of asset, income and expenses is provided below.

2.1. Improvement of Lease Property

Improvement Expenditure is capitalised in accordance with the accounting policy of fixed asset given above. Management review the cost incurred on the property to ensure it meets the criteria of capital cost and has foreseeable economic use. The entity recognises the costs of day to day servicing of an item of property, plant and equipment in the income and expenditure in the period in which the costs are incurred.

2.2. Pension and other post-employment benefits

The cost of defined benefit pension plan and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increase. This valuation is subject to significant uncertainty due to the complexity of the calculation and the long-term nature of the plan.

2.3 Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date on the expected utility of the assets to the Company. The carrying amounts are analysed in note 10. Actual results however, may vary due to technical obsolescence, particularly for computer equipment.

2.4. Deferred tax asset

Management reviews assets at each reporting date to ensure deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. The current prudent judgement made by management is that the deferred tax asset is not recoverable (i.e. although there is a total potential deferred tax asset of £242,356, management do not consider there is evidence that sufficient taxable profits will be available in the future to utilise this asset against).

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Notes to the Financial Statements

For the year ended 31 March 2020

3. Turnover

The whole of the turnover in the current and prior period is attributable to providing adult social care and support services and is wholly undertaken in the United Kingdom.

4. Operating profit

The operating profit is stated after charging

	2020	2019
	£	£
Operating leases - property	836,945	834,744
Operating leases - motor vehicles	109,916	109,916
Depreciation of owned assets	88,752	102,038
Auditor's remuneration	21,000	20,500
Defined contribution pension cost	120,000	146,000
Other scheme contribution pension cost	737,341	679,679

5. Auditor's remuneration

The remuneration of the auditors and its services is further analysed as follows:

	2020	2019
	£	£
Audit of financial statements	17,500	17,000
Taxation compliance service *	-	-
Other audit related service: certification of Teachers' Pensions	3,500	3,500
	21,000	20,500

* Taxation compliance service in 2020 was provided by an independent company, RSM UK Tax and Accounting, for a fee of £1,790.

Notes to the Financial Statements
For the year ended 31 March 2020

6. Particulars of employees

Staff costs, including directors' remuneration, were as follows:

	2020	2019
	£	£
Wages and salaries	**6,826,606**	6,563,947
Social security	**558,324**	536,609
Pension cost	**857,341**	825,679
	8,242,271	7,962,235

The average monthly number of employees, including the directors, during the year was as follows:

	2020	2019
	£	£
Support workers and operational staff	**302**	300
Managers	**16**	17
	318	317

7. Directors' remuneration

	2020	2019
	£	£
Wages and salaries	**111,250**	117,875
Social security Cost	**13,955**	15,007
Other Pension costs	**5,259**	4,593
	130,464	137,475

8. Interest payable and financial expenses

	2020	2019
	£	£
Interest on SCC Loan	**103,715**	94,645
Bank Interest Receivable	**(12,379)**	(3,350)
Other Finance Costs	**69,000**	56,000
	160,336	147,295

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Notes to the Financial Statements

For the year ended 31 March 2020

9. Taxation

	2020	2019
	£	£
Current tax		
United Kingdom Corporation tax	1,418	637
Deferred tax		
Origination and reversal of timing differences	(654,448)	-
Prior year deferred tax adjustment	-	-
Total deferred tax (expenditure)/income on ordinary activities	**(653,030)**	637
Tax relating to other comprehensive income		
Origination and reversal of timing differences	(40,471)	-
Tax relating to items of other comprehensive income	**(40,471)**	**-**
Provision for deferred tax		
Fixed Asset timing differences	(41,307)	-
Short term timing differences	(607,564)	-
Losses and other deductions	(46,048)	-
Total deferred tax (asset)/liability	**(694,919)**	-
Movement in provision		
Deferred tax charged to the income statement in the period	(654,448)	-
Deferred tax charged to the statement of comprehensive income	(40,471)	-
Provision at end of period	**(694,919)**	-
Factors affecting tax charge for the year	-	-

Notes to the Financial Statements

For the year ended 31 March 2020

9. Taxation (continued)

Factors affecting tax charge for the year

	2020	2019
	£	£
Profit on ordinary activities before tax	**657,808**	734,251
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	**124,983**	139,508
Effects of:		
Fixed asset differences	**2,807**	4,847
Gains /Losses or otherwise transferred	**(40,470)**	(72,010)
Other tax adjustments, reliefs and transfers	**(56)**	-
Deferred tax relating to other comprehensive income	**40,471**	-
Adjust closing deferred tax to average rate of 19%	**-**	82,186
Adjust opening deferred tax to average of 19%	**(82,186)**	(89,734)
Other deferred tax not recognised	**(698,579)**	(64,160)
Tax on results on ordinary activities	**653,030**	637

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Notes to the Financial Statements
For the year ended 31 March 2020

10. Fixed Assets

	Leasehold property Improvements	Furniture, Fixtures & Equipment	Former Council Fixtures & Fittings	Computer Equipment	Motor Vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 April 2019	466,979	148,783	411,504	412,126	35,400	1,474,792
Additions	5,004	17,570	-	52,614	11,975	87,163
Disposal	-	-	-			-
At 31 March 2020	**471,983**	**166,353**	**411,504**	**464,740**	**47,375**	**1,561,955**
Balance sheet - Fixed Assets	**471,982**	**166,353**	**411,504**	**464,740**	**47,375**	**1,561,955**
Difference	-	-	-	-	-	-
Depreciation						
At 1 April 2019	420,531	132,037	411,504	373,228	5,622	1,342,922
Provided in the year	41,262	11,478	-	21,551	14,461	88,752
Disposal	-	-	-	-		-
At 31 March 2020	**461,793**	**143,515**	**411,504**	**394,779**	**20,083**	**1,431,674**
Balance sheet - Accumulated	**461,793**	**143,515**	**411,504**	**394,779**	**20,083**	**1,431,674**
Difference	-	-	-	-	-	-
Net Book amount at At 31 March 2020	**10,190**	**22,839**	-	**69,961**	**27,292**	**130,281**
Net Book amount at At 31 March 2019	46,448	16,747	-	38,899	29,778	131,871

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Notes to the Financial Statements
For the year ended 31 March 2019

11. Debtors

	2020	2019
	£	£
Trade debtors	310,400	272,633
Prepayments and accrued income	47,842	29,431
	358,242	302,064

12. Cash and cash equivalents

	2020	2019
	£	£
Cash at bank and in hand	2,747,687	1,885,843

13. Creditors: Amount falling due within one year

	2020	2019
	£	£
Trade creditors	654,167	270,762
Other taxes and social security	796,012	489,756
Other creditors *	66,264	1,031,670
Accruals	586,793	347,005
	2,103,237	2,139,193

* Includes prepaid service income of £nil (2019 - £1,021,119)

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Notes to the Financial Statements
For the year ended 31 March 2019

14. Creditors: Amounts falling due after more than one year

Maturity of Debt

Surrey Choices Ltd	**Loans and Overdrafts**	
	2020	2019
	£	£
In more than one year but not more than two years	**350,000**	350,000
In more than two years but not more than five years	**1,050,000**	1,050,000
In more than five years	**1,400,000**	1,400,000
	2,800,000	2,800,000

Loans included within creditors, are analysed as follows:

	2020	2019
	£	£
2.5% above base revolving loan	**2,100,000**	2,100,000
4.24% set-up loan facility	**700,000**	700,000
	2,800,000	2,800,000

The loans are secured by fixed charges over various assets of the company.

The company's parent has provided a revolving loan facility of £2,100,000 of which currently £2,100,000 has been fully drawn down; this was originally due to mature in June 2019, and also a set-up loan of £700,000 due for repayment in August 2019.

The company received confirmation from SCC in 2018/19 that these terms would be extended. They will be paid in annual instalments of £350k from 2021/22, and to be fully repaid by 2028/29.

The interest term for the revolving loan is to be paid quarterly in arrears.

The interest term for the set-up loan is six monthly in arrears

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Notes to the Financial Statements
For the year ended 31 March 2019

15. Leasing Commitments
The company's future minimum operating lease payments are as follows:

	2020	2019
	£	£
Within one year	**92,379**	548,453
Between one and five years	**31,075**	191,121

16. Financial instruments
Financial instruments are measured at amortised cost

Financial assets	**2020**	2019
	£	£
Debtors	**310,400**	272,633
Cash	**2,747,687**	1,885,843
	3,058,087	2,158,476

Financial liabilities		
Trade creditors	**654,167**	270,762
Other creditors	**653,057**	357,556
Loans	**2,800,000**	2,800,000
	4,107,224	3,428,317

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Notes to the Financial Statements

For the year ended 31 March 2019

17. Profit and Loss Account

	2020 £	2018 £
Opening balance	**(4,213,515)**	(4,568,129)
Profit/(Loss) for the financial period	**656,390**	733,614
Actuarial (loss)/gain on defined benefit pension scheme asset	**(213,000)**	(379,000)
Deferred tax asset/(liability) on defined benefit scheme asset	**-**	-
Closing balance as at 31 March	**(3,770,125)**	**(4,213,515)**

18. Share Capital

	2020 £	2019 £
Allotted, called up and fully paid		
100 - Ordinary shares of £1 each	**100**	100

19. Pension obligations

The trustees of the TPS and LGPS schemes hold the assets of the scheme, separately from those of the company. The company is responsible for the pensionable costs incurred in respect of the company's employees. The pension schemes were fully funded by Surrey County Council prior to transfer.

The TPS is a defined benefit scheme accounted for as defined contribution scheme. As a multi-employer scheme and due to the way, the scheme is operated, it is not practicable to obtain a reliable estimate of Surrey Choices' share of the liabilities.

With regard to the LGPS, the changes in obligation as at 31 March 2020 is £15,000 (2019 - £1,233,000) with a net liability of £2,103,000 (2019 - £1,594,000). Surrey County Council have provided an indemnity in relation to pension liabilities.

The service cost charged to the profit and loss account for the period 31 March 2020 is £347,000 (2019 - £380,000) and the net finance cost £69,000 (2019 - £56,000). The actuarial loss for the period charged to the statement of recognised gains and losses is loss- £213,000 (2019 – loss -£379,000).

	2020 £	2019 £
Scheme assets	**5,860,000**	6,354,000
Scheme obligations	**(9,000,000**	(8,985,000)
	(3,140,000	(2,631,000)
Net liability at transfer - obligation of Surrey County Council	**(1,037,000**	(1,037,000)
Net liability arising since transfer	**(2,103,000**	(1,594,000)
	(3,140,000	(2,631,000)

Notes to the Financial Statements
For the year ended 31 March 2019

19. Pension obligations (continued)

Reconciliation of opening and closing balances of the defined benefit obligation

	2020 £	2019 £
Defined Benefit obligation at the start of the period	**8,985,000**	7,752,000
Current Service cost	**347,000**	380,000
Interest Expense	**229,000**	214,000
Contributions by plan participants	**59,000**	69,000
Actuarial losses /(gains)	**(518,000)**	644,000
Benefit paid	**(102,000)**	(74,000)
Defined benefit obligation at the end of the period	**9,000,000**	8,985,000

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

	2020 £	2019 £
Fair value of plan assets at the start of the period	**6,354,000**	5,790,000
Income Interest	**160,000**	158,000
Actuarial gains /(losses)	**(731,000)**	265,000
Benefit paid	**(102,000)**	(74,000)
Contribution by the Employer	**120,000**	146,000
Contribution by plan participants	**59,000**	69,000
Fair value of plan assets at the end of the period	**5,860,000**	6,354,000

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Notes to the Financial Statements
For the year ended 31 March 2019

19. Pension obligations (continued)

Defined benefit costs recognised in profit or loss

	2020	2019
	£	£
Current service cost	**347,000**	380,000
Net interest cost	**69,000**	56,000
Loss on curtailments	**-**	-
Defined benefit costs recognised in profit and loss account	**416,000**	436,000

Defined benefit costs recognised in other comprehensive income

	2020	2019
	£	£
Return on plan assets (excluding amounts included in net interest cost) - gain/ (loss)	**(731,000)**	265,000
Experience gain and losses on the liabilities – gain/ (loss)	**(512,000)**	-
Effects of changes in the demographic and financial assumptions underlying the present value liabilities gain/ (loss)	**1,030,000**	(644,000)
Total amount recognised in other comprehensive income - (loss) gain	**(213,000)**	(379,000)

	2020	2019
Assets		
	%	%
Equities	**74**	69
Bonds	**17**	21
Property	**7**	7
Cash	**2**	3
Total assets	**100**	100

Notes to the Financial Statements
For the year ended 31 March 2019

19. Pension obligations (continued)

Financial assumptions

	2020	2019
Discount rate	**2.3%**	2.5%
Salary growth rate	**2.7%**	2.7%
Pension growth rate	**1.8%**	2.4%
Average life expectancies male*	**87.1 Yrs**	89.1 Yrs
Average life expectancies female*	**87.9 Yrs**	91.4 Yrs

The amount of actuarial gains and losses recognised in the Statement of comprehensive income was £ 213,000 loss (2019 - £ 379,000 loss)

The Company expects to contribute £119,000 to its Defined benefit pension scheme in 2021.

20. Related party transactions

The Company has taken advantage of the exemption in FRS102 "Related Party Disclosures" from disclosing transactions with other wholly owned members of the group.

The company has determined that key management includes all executive directors:

	2020	2019
	£	£
Remuneration paid to key management	**341,529**	312,218

21. Ultimate controlling party

The ultimate controlling party of Surrey Choices Ltd is Surrey County Council, which owns the entire issued share capital.

22. Company information

Surrey Choices Ltd is a private company, limited by shares incorporated in England and Wales with registered office at Fernleigh Day Centre, Fernleigh Close, Walton-on-Thames, Surrey, England, KT12 1RD

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UHY Hacker Young
Chartered Accountants

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Surrey Choices Limited

Report to the Board

Year ended 31 March 2020

Helping you prosper

Contents

The matters raised in this Report to the Board are only those which have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising, and in particular we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared for and is not intended for any other purpose.

Introduction

Surrey Choices Ltd ("the Company" or "SC")

Purpose of this report

The purpose of this report is to bring to your attention the salient points which have arisen from our audit of the financial statements of the Company for the year ended 31 March 2020.

This report provides an update to the significant matters raised in our Audit Service Plan, which was provided to the Company on 1 May 2020.

This report provides an update to the matters discussed at that meeting and the other matters which arose during the course of our audit.

Audit scope

Our terms of engagement are set out in our engagement letter. That letter sets out our audit responsibilities and their limitations and the responsibilities of the directors in relation to the financial statements.

Our Audit Service Plan set out in detail the key issues and risks identified at the planning stage and the related planned audit responses. It also explained that our audit approach concentrates on areas of material risk of misstatement in the financial statements to allow us to reach our opinion in accordance with auditing standards.

Communication with those charged with governance

International Standard on Audit 260 "Communication of audit matters with those charged with governance" ("ISA 260") is an auditing standard designed to ensure that there is effective two-way communication between auditors and those charged with governance of the Company. In the context of ISA 260 "those charged with governance" means the Board of Directors of the Company.

Matters relating to the planning, conduct and results of the audit are communicated to those charged with governance of the Company on a sufficiently prompt basis to enable the recipients to take appropriate action.

During the audit, regular communications were made by us to Andrew Gray and Nick Ighodaro at SC. These communications were generally made informally, either by telephone or email.

After the completion of the audit, important matters requiring the attention of Directors are communicated by way of this report.

Audit independence

In accordance with the requirements of ISA 260 and the Ethical Standard issued by the Financial Reporting Council, we confirm the matters set out below.

We discussed the specific threat to you posed with our involvement in the services provided and how we mitigate such threats in our Audit Service Plan. We have not identified any further threats during the course of the audit.

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We confirm that:	We are auditors of Surrey Choices Ltd;
	The audit is subject (if selected as part of a sample) to our internal independent quality control procedures, and reviews by the ICAEW as part of their inspections.

We therefore confirm that, in our professional judgment, UHY Hacker Young LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff is not impaired.

Should you have any questions relating to the issue of our independence and objectivity, please do not hesitate to contact:

Jessica Moorghen
t: +44 (0) 20 7216 4670
e: j.moorghen@uhy-uk.com

Limitations

We have prepared this report for your use within the Company. It is part of our continuing communication of audit matters with those charged with the governance of the Company and, accordingly is addressed to the Board.

It is not intended to include every matter that came to our attention. For these reasons, we believe that it would be inappropriate for this report to be made available to third parties. If such a third party were to obtain a copy, we would not accept any responsibility for any reliance that they might place on it.

UHY Hacker Young
June 2020

Acknowledgement

We wish to thank Andrew Gray and Nick Ighodaro for their helpfulness and co-operation during the course of the audit process.

Audit status

Audit structure

We have carried out the audit of the Company. The audit working papers have been reviewed by the audit manager and audit partner. Any significant issues arising during our audit were discussed with Andrew Gray and have been included in this report if deemed necessary.

The audit was planned and conducted to concentrate on the high risk areas in the financial statements. The key audit issues arising in these areas are explained further on page 5 below.

The accounting systems were documented and the controls over those systems evaluated. Using these assessments we designed and conducted detailed tests of transactions and balances.

Current position

The audit of the Company is substantially complete. All queries arising during the audit were dealt with as the audit progressed. There were no limitations on the scope of our audit work completed to date.

There are, however, at the time of writing some outstanding unresolved audit matters which are set out below and which may or may not have an impact on our audit opinion on the Company financial statements.

We expect to be in a position to sign our audit report as soon as practicable after clearing the outstanding matters.

Outstanding audit matters:	Signed Letter of Representation from the directors;
	Signed Directors' Report;
	Signed Statement of Financial Position and;
	Completion of our subsequent events review to the date of our audit report.

Identified key risk areas and our responses

We have identified the following key risk areas as part of our audit planning processes. During our audit we focused on these areas, in addition to our other normal audit procedures, and we set out below our comments and the results of our testing.

Management override of controls

Explanation of risk

Auditing standards require that the risk of management override of controls should be considered to be a significant risk for all audit engagements.

Audit response to risk

We will review a sample of transactions in the year for unusual items outside the ordinary course of business and also test journals raised to ensure that such entries are relevant to the Company's business.

Outcome

Audit testing of a sample of journals posted in the year and other significant transactions did not indicate any instances of management override of controls occurring in the accounts.

Revenue recognition

Explanation of risk

Auditing standards require that revenue recognition is considered a significant risk unless it may be appropriately rebutted. There is a risk that revenue is incomplete and that it has not been accurately recorded or calculated.

Audit response to risk

A sample of revenue items were chosen and agreed to supporting documentation. A sample of the recognised income was also chosen either side of the year-end to ensure revenue recognition was accurate.

Any manual journals relating to work in progress or deferred income were recalculated on a sample basis and agreed to the supporting documentation to gain assurance over the accuracy of the calculation.

Outcome

There were no errors noted in the testing for both completeness and accuracy of revenue. We performed substantive testing on all material revenue streams. This is to determine whether the accounting policy had been correctly applied and performed specific cut-off testing to ensure that revenue has been accounted for in the correct period. All items sampled were satisfactory tested with no issues noted. As such we believe that revenue is materially correct.

Debtor recoverability

Explanation of risk

There is a risk that debtor balances are not recoverable and therefore are overstated.

Audit response to risk

A sample of debtors was agreed to post-year end receipts to ensure amounts are recoverable. Any doubts raised over recoverability were queried with Sarah McDonald and documentation obtained to verify recoverability / dates.

Outcome

Our sample items tested for recoverability overall proved adequately received post-year end leading to the conclusion that debtors are materially correct.

Valuation of pension scheme liabilities

Explanation of risk

The fair value of the company's share of its LGPS and TPS pension liabilities will need to be included in the financial statements.

Management do not have the appropriate expertise to value the pension liability and therefore a valuation needs to be obtained by the Local Authority who have arranged for professional valuations from actuaries.

There is a risk that the pension scheme liability will not be recorded and accounted for incorrectly due to the complexities of the FRS 102 requirements.

Audit response to risk

As part of our audit procedures, we will assess the competence of the actuary, consider the reasonableness of the basis of the calculation and the assumptions made in the valuation.

We will review the disclosures in the financial statements, of both the pension liabilities and any corresponding asset, and confirm that these are reasonable and complete.

Outcome

Assessing the fair value of the pension scheme assets and liabilities is a complex exercise and the valuation has been obtained from the Local Authority who have arranged for professional valuations from actuaries.

As part of our audit procedures, the competence of the actuary performing the valuation was assessed.

In addition, the assumptions and basis of the calculations were assessed in light of assumptions used in similar valuations of companies that UHY also audit. The impacts on the valuation of using differing assumptions were assessed.

We have reviewed the FRS102 disclosures in the actuarial valuation and confirm that these are reasonable and complete.

Going Concern

Explanation of risk

As the company is profit making, with healthy cash reserves at the year-end, going concern would not usually be considered a risk to an entity in this financial position.

However, due to the economic uncertainty surrounding COVID-19, we have highlighted it as a risk to consider in detail as this may have a significant impact on the company's ability to continue as a going concern and pay back the loan to SCC as payments fall due. There is also a risk of reduced funding from the Surrey County Council going forward. However, as the block contract with the SCC is guaranteed until March 2021, the risk of this occurrence is considerably reduced.

Audit response to risk

We will discuss in detail with the directors, the steps being taken to ensure that the company will continue as a going concern. We will request and review the cash flow forecasts of the company for the next 12 months and assess the reasonableness of the assumptions made. We will also perform a sensitivity analysis on the cash flow forecasts.

Outcome

We assessed the company's ability to continue their operations until the end of June 2021. We have reviewed the cash flow forecasts to end of June 2021 and compared actual results from April and May 2020 to those predicted in the forecast.

The key assumptions made in the cash flow forecast were reviewed and deemed reasonable.

We also performed a sensitivity analysis on the key assumptions to ensure that in a reasonable worst case scenario, the company would continue to have sufficient cash to continue in their operations for the 12 months from signing the audit report.

It was concluded that Management's plans are considered feasible and there is no reason to doubt the going concern assumption.

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Opening Balances

Explanation of risk

This is a first year audit, under ISA 510- Initial Engagements; there is limited assurance over the accuracy of the brought forward balances.

Audit response to risk

We will vouch opening balances to prior year signed accounts and ensure all audit journals have been posted correctly. We will complete detailed work programmes tailored to gaining assurance on the accuracy of the brought forward balances. We will review records, as well as accounting and control procedures in the preceding period. We will also consult with the previous auditor and review (with their permission) their working papers and relevant management letters.

Outcome

During our testing of the brought forward balances, it was identified that retained earnings did not agree to the prior year signed accounts. Once this was corrected, this affected the bank balance, meaning an amended bank reconciliation was required to amend this. This error was amended by the client as part of a late client journal, which was subsequently reviewed and deemed reasonable.

Other matters

Internal controls

Our audit is tailored to our assessment of the risk of material misstatement, taking into account the inherent risk of error or fraud and our assessment of the effectiveness of controls in eliminating or reducing those risks.

We cannot examine every activity and procedure within the Company, nor can we substitute for management responsibility to maintain adequate controls at all levels of business.

Our work cannot therefore, be expected to identify all weaknesses in the Company's procedures and systems. However, we will gladly discuss with you an extension of our work to review in more depth any aspect of the business which potentially concerns you.

Accounting policies

We have reviewed the accounting policies adopted by the Company in the preparation of its financial statements and consider that they are appropriate and suitable for the Company's particular circumstances.

As required by FRS 102, the Board of Directors should formally review the Company's accounting policies and treatments to ensure that they remain the most appropriate to the Company's particular circumstances for the purposes of giving a true and fair view. We suggest that the Board of Directors should minute this discussion.

Significant subsequent events

In March 2020, many countries across the global entered into widespread lockdown of businesses and life as we know it. The spread of COVID-19 has caused significant volatility in the UK economy and as such there is significant uncertainty around the full impact and duration of business disruptions related to the pandemic. The impact of COVID-19 on the company's ability to continue as a going concern has been concerned in detail during our going concern review, with the conclusion being that Management's plans are considered feasible and there is no reason to doubt the going concern assumption.

Consideration of fraud

We have discussed fraud with Andrew Gray and Nick Ighodaro.

During the course of our work we found no evidence of fraud and corruption. We must emphasise, however, that the responsibility for the prevention of and detection of fraud lies with management, and our work does not remove the possibility that fraud and corruption may have occurred and remain undetected.

It was confirmed that:	There have been no instances of fraud during the year; and
	Those charged with governance of the Company consider there to be a low risk of fraud occurring.

Summary, adjustment and audit report

Audit adjustments agreed with management

We received the draft trial balances for the Company from Nick Ighodaro in accordance with the audit timetable.

During the course of the audit, small adjustments were necessary in order to facilitate the preparation of the statutory financial statements, including some reclassifications of balances for statutory presentation purposes.

Where we have proposed reclassifications of balances for disclosure purposes these amendments were reviewed and agreed by Andrew Gray.

Late adjustments provided by management, mainly in order to correct the brought forward balances, bank, unrecorded accruals and income were reviewed as part of our audit process and have been agreed and processed in the financial statements.

We have not proposed any audit adjustments that would have had an impact on the profit or loss for the year of the Company.

Unadjusted items

During the course of our audit we identified some non-material items which have not been adjusted for in the financial statements.

In assessing the key areas of audit judgement we have had full regard to our assessed level of materiality. A final materiality calculation will be undertaken prior to finalisation of the Company accounts.

We acknowledge the subjectivity and scope for differing viewpoints over some of our concerns. By the same token, the Board in deciding to approve the accounts as currently drafted will also be exercising subjective judgement.

Audit report

We propose issuing an unqualified audit report on the financial statements of the Company for the year ended 31 March 2020.

Remaining timetable

We are in a position to finalise the statutory accounts subject to the outstanding matters noted on page 3 of this report.

Appendix 1

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Management letter points

We wish to draw your attention to the following matters that arose during the course of our audit of the Company's accounts for the year ended 31 March 2020.

Loan Agreement with Surrey County Council (SCC) was not signed	
Observation	The amended loan agreement with SCC was originally not signed. It was also noted that upon review of correspondence with SCC, there was a period where the original loan agreement had been expired and a new agreement had not yet been completed.
Implication	Expired loan agreements may result in potential dispute between parties involved, resulting in fines or litigation.
Recommendation	This is less of an issue as the agreements are with the parent entity but nonetheless, please ensure that all loan agreements are up to date and signed by both parties. However we appreciate that this was subsequently signed.

Brought forward balances	
Observation	Brought forward retained earnings did not agree to the prior year signed accounts. Once this was corrected, this affected the bank balance, meaning an amended bank reconciliation was need to amend this. I appreciate this was partly due to an issue with Xero.
Implication	Incorrect brought forward balances may lead to material errors in the financial statements.
Recommendation	Please ensure brought forward balances are reconciled to the carried forward prior year figures.

Late client journals	
Observation	During completion of field work, there were some minor changes made to the Trial Balance that were not made aware to us.
Implication	This may result in increased time spent reconciling the changes made to the trial balance.
Recommendation	We appreciate that the audit took place very close to the year end and adjustments were likely to be raised. Please can you let us know if there is any further changes to the figures, as this is affects our materiality and requires us to reassess each audit test to ensure we have covered a sufficient level of substantive testing, it also means that we have to reconcile our TB to the updated one each time.

Employee Number Disclosure	
Observation	Average number of employees were being counted by taking half numbers for employees who only work part-time. This meant that the number of employees per the monthly payroll reports varied significantly from the numbers per the monthly average workings. This also meant having to restate 2018 employee figures.
Implication	Disclosure of average number of employees in the financial statements may be incorrect and provide an inaccurate representation of the actual employee count.
Recommendation	Under FRS 102, the disclosures required by s411 must be based on the average number of employees irrespective of whether they are full-time or part-time. Therefore, we need the average based on the actual number of employees; this can be split for those who work full time and part time separately.

Old balances on the bank reconciliation	
Observation	There are old balances on the bank reconciliation for the current account – these are dated 24/8/18 and 7/12/2018. We understand that these relate to funds received but subsequently queried as they may have been incorrectly given.
Implication	The cash and cash equivalents may be misstated.
Recommendation	Please clear these amounts as they are historic. However we appreciate that there have been problems with Xero stopping you from doing so.

5

Halsey Garton Property Ltd

Report and financial statements

Year ended 31 March 2020

Company registration number: 09089937

Halsey Garton Property Ltd

Company Information

Directors	S Smyth (resigned on 29 May 2019) E Hawkins N O'Connor (appointed on 03 September 2019)
Company Number	09089937
Registered office	County Hall Penrhyn Road Kingston upon Thames KT1 2DN
Auditor	UHY Hacker Young Quadrant House 4 Thomas More Square London E1W 1YW
Bankers:	HSBC 60 Queen Victoria Street London EC4N 4TR

Contents

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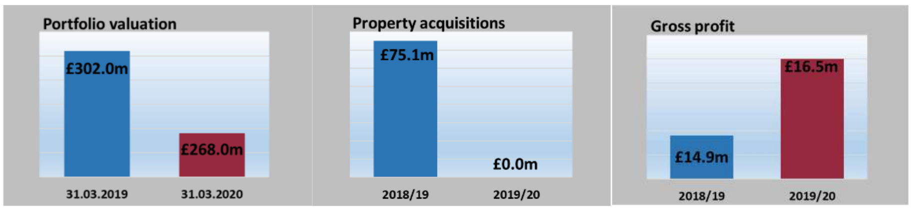
Strategic report

for the year ended 31 March 2020

The directors present their Strategic report with the consolidated and individual financial statements for the year ended 31 March 2020.

Group highlights

- Property portfolio of £268m (31 March 2019: £302.0m)
- Property acquisitions totalling £nil in 2019/20 (2018/19: £75.1m)
- Gross profit of £16.5m for 2019/20 (2018/19: £14.9m)
- Profit before tax and fair value adjustments of £2.0m for 2019/20 (2018/19: £2.4m)
- Dividend proposed of £nil for the year to 31 March 2020 (2018/19: £1.6m)



Business Model

Our strategy has been to build a diversified property portfolio, let to reliable tenants in good locations, to deliver income returns over the long term to our shareholder (Surrey County Council) for the benefit of Surrey residents.

Debt finance is secured solely from Surrey County Council and during the financial year 2019/20 Halsey Garton paid £14.3m in interest payments to the council (2018/19: £12.2m).

Financial summary

Over the last five years Halsey Garton Property Investments Ltd has worked at pace to build a property portfolio now valued at £268m. The company made a gross profit of £16.5m, up 11% from last year. The increase in gross profit was achieved as a result of the full year impact of rental incomes from acquisitions made during 2018/19. Based on the performance of the company in 2019/20 and the potential impact of Covid-19 the directors have recommended not to approve a dividend for 2019/20 at this stage. Assuming no further acquisitions, £16.0m rental income will be due to the company in the financial year 2020/21.

The net change in values of our investment properties is a key component of the company's profit before tax. Due to the net deficit of £34.1m on revaluation of investment properties this year, the company made a loss before tax of £32.1m. Further information on the annual property valuation is provided below.

The total capital of the company consists of shareholders' equity and net debt. Over the year our debt remained constant as there were no further investments made in 2019/20. Our loan to value (LTV) ratio increased from 77% to 87%, principally as a result of decreases in the underlying values of our properties.

Principal business risks

Property investment is subject to inherent market risks which can be mitigated to some degree by the creation of a balanced portfolio of investments. However, the risk of tenant failure is increasing and will continue to do so if the general economic conditions in the UK over the longer term are negatively impacted by Brexit, Covid-19 or other factors. Investments are evaluated carefully with due regard to risk and exposure to potential tenant voids and are managed to avoid, wherever possible, over-reliance upon single tenants or types of tenants in terms of their impact as a percentage of the total portfolio.

Tenant voids are currently 3.0% (3.2% 2018/19) measured in terms of an estimate of market rent receivable as a percentage of the total open market rental value of the portfolio.

Financial risk management

Management reviews the group's exposure to price risk, credit risk, liquidity risk and cash flow risk. Our overall financial risk management strategy seeks to minimise the potential adverse effects of these on our financial performance. Available funds are closely monitored throughout the year. Each new investment is financed by a combination of equity and debt provided by the council, on a fixed rate of interest. There is also a short term loan facility available, although to date that has not been required. Any cash investments are made via Surrey County Council in accordance with its Treasury management strategy, which prescribes investment limits according to the credit rating of the counterparty.

The overall credit risk of trade receivables is considered to be low – a credit report is obtained from an independent rating agency for each tenant prior to acquisition or upon agreement of a new lease. Tenants currently in known financial difficulties represent 4% of the 2019/20 rent roll.

Property review

As at 31 March 2020:

- 17 properties, comprising 1,843,000 square feet of space
- 56 (48 prior year) commercial tenants providing a contractual annual rent roll of £17.2m (£15.3m prior year)
- Weighted average unexpired lease term (WAULT) of 10.9 years to lease breaks/expiry
- Future income stream from tenants under lease agreements of £194.7m.

Property valuation

The fair value of the company's investment property is measured annually at each reporting date with the changes in value reported in the company profit and loss account as an unrealised gain or loss. The revaluation exercise completed as at 31 March 2020 has resulted in an overall decrease in underlying values of £34.1m compared to the value of the assets last year. These reductions are driven by general market sentiment for retail and uncertainty regarding the future of Debenhams at the time of valuation.

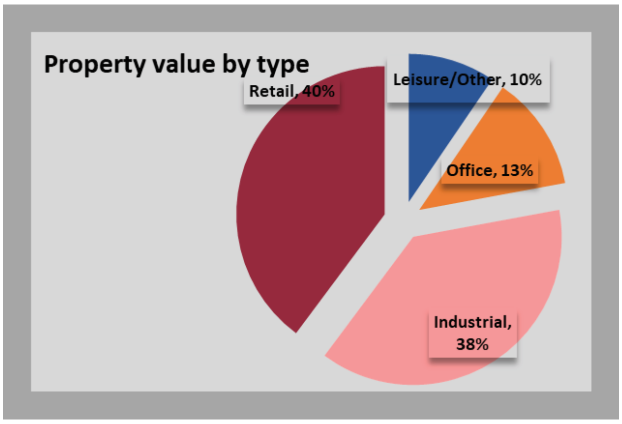
An unrealised loss is an accounting adjustment that does not impact upon the company's ability to provide a dividend since it is something that has not happened nor will happen unless the company decides to sell the asset. The company is free to determine when to sell an asset and therefore it is unlikely that there will be a realised loss since assets will generally only be sold when it is beneficial to do so. Similarly an unrealised gain cannot be used to provide a bigger dividend than that permissible from the underlying profits generated by the company.

As we are required to ensure that the balance sheet value is as per the valuation, this also requires the write-down of any transaction costs associated with purchases. Transaction costs include stamp duty of 5% and other fees and hence it is unlikely that increases in value will offset the costs of purchase in the early years. Purchase transaction costs incurred during the year are £nil (2018/19 £4.4m).

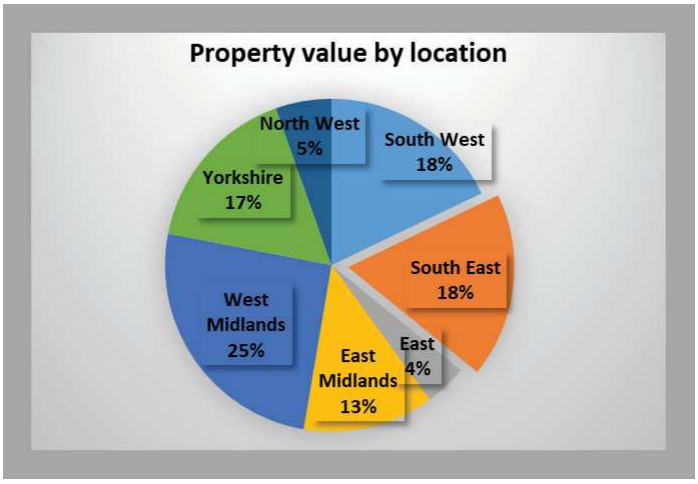
All valuations are carried out externally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors, known as a 'red book' valuation.

Portfolio overview

The Halsey Garton property portfolio sits within the investment portfolio of SCC as a whole, which seeks to build a diversified portfolio of assets in order to manage risks and secure long term income returns for the council. This year there have been no acquisitions or disposals from the portfolio. As at 31 March 2020 our portfolio consisted of 17 properties across multiple sectors and locations throughout England, as detailed below.



The Halsey Garton group portfolio is weighted towards the retail sector however on a SCC group basis there is a balanced portfolio across sectors.



Properties are geographically spread across England.

Portfolio detail

Property	Type	Description	Acquisition Date	Asset Value £000
Hampton Park West, Melksham	Industrial	Manufacturing and warehouse facility	Nov-15	13,850
Hawkley Drive, Bristol	Industrial	Manufacturing and warehouse facility	Apr-16	14,400
Washford Mills, Redditch	Retail	Retail warehouse units	May-16	5,850
Manton Wood, Worksop	Industrial	Distribution warehouse	May-16	8,450
Aztec West, Bristol	Office	Single tenanted office	Jun-16	19,700
Wiggs House, Salford	Industrial	Distribution warehouse	Jul-16	8,900
Willowbrook, Loughborough	Retail	Retail units (out of town location)	Nov-16	13,450
Birmingham Road (Travelodge), Stratford Upon Avon	Leisure / Retail	Hotel and retail units	Nov-16	9,100
Friar Street (Vue Cinema), Worcester	Leisure / Retail	Cinema and retail / restaurant units	Nov-16	8,000
Oakgrove Retail Park, Milton Keynes	Retail	Retail units (out of town location)	Dec-16	26,250
Stratham Street, Macclesfield	Retail	Retail warehouse unit	Dec-16	5,650
High Street, Winchester	Retail	High Street department store	Mar-17	7,850
Malvern Shopping Park	Retail	Retail units (out of town location)	Sep-17	45,000
Blenheim Park, Nottingham	Industrial	Distribution warehouse	Mar-18	12,200
Comet Square (Travelodge), Hatfield	Leisure	Hotel	Oct-18	11,000
West of Park Spring Road (Symphony), Barnsley	Industrial	Manufacturing	Dec-18	44,300
Kitemark Court, Milton Keynes	Office	Single tenanted office	Dec-18	14,000
Total Asset Value				267,950

Key performance indicators (KPIs)

Objective	KPI	Performance 2019/20	Performance 2018/19
Maximise income returns from our property portfolio	Underlying revenue profit (before tax and fair value adjustments)	Profit of £2.0m achieved, underperforming target by £0.1m	Profit of £2.5m achieved, underperforming target by £0.1m
	Tenant voids percentage (based on open market rental value)	Tenant voids at 3.0% as at 31 March 2020, outperforming target by 3.8%	Tenant voids at 3.2% as at 31 March 2019, outperforming target by 3.6%
Secure long term income stream	WAULT to lease breaks/expiries	10.9 years, outperforming target by 2.3 years	10.7 years, outperforming target by 2.1 years

Business conduct

The Halsey Garton group operates in accordance with its shareholder's values and policies, including its responsible investment policy. This policy ensures that the decision making process for all new investments involves consideration of a range of environmental, social and governance factors. The group seeks to establish strong business relationships with its advisors and suppliers and to pay them within agreed payment terms.

Halsey Garton reviews its health and safety obligations in relation to its property portfolio on a regular basis. As part of an agreed approach with our managing agents, we have undertaken a detailed health and safety risk assessment of all our properties with a view to identifying any remedial actions required.

This report was approved by the Board on 18 Aug 2020 and signed on its behalf by:

Edward Hawkins

Edward Hawkins, Director

Halsey Garton Property Ltd
Registered and domiciled in England and Wales
Registration number: 09089937
Registered office: County Hall, Penrhyn Road, Kingston Upon Thames, Surrey, KT1 2DN

Directors' report

for the year ended 31 March 2020

The directors present their report with the consolidated and individual financial statements for the year ended 31 March 2020.

Principal activities

The principal activities of the group in the period under review were investment and property rental.

Directors

The directors shown below have held office during the whole of the year from 1 April 2019 to 31 March 2020:

S Smyth (resigned on 29 May 2019)
E Hawkins
N O'Connor (appointed on 3 September 2019)

Directors' remuneration during the year is £nil. (2019: £nil)

COVID-19

The COVID-19 outbreak has developed rapidly in 2020 and has resulted in unprecedented actions being taken by Governments across the globe, which have had a significant adverse impact on large swathes of the economy.

At this stage, Halsey Garton Property Investments Limited is in communication with tenants to best understand the knock-on impact of COVID-19 on the business. At this time the business will be able to absorb impact on cash flow and continue for the foreseeable future. The directors continue to monitor the situation closely.

We will continue to follow the Government's and relevant sector specific bodies policies and advice to ensure we always protect the safety and health of our employees and customers.

We also refer to note 3 on the company as a going concern.

Directors' indemnities

The council has agreed to indemnify each Director against any liability incurred in relation to acts or omissions arising in the course of their ordinary duties, assuming that they acted reasonably and in good faith.

Business structure

Halsey Garton group comprises Halsey Garton Property Ltd and three property subsidiary companies as set out in the diagram below. Halsey Garton Residential Ltd and Halsey Garton Property Developments Ltd are not yet trading.

5

Halsey Garton Property Ltd
09089937

Halsey Garton Property Investments Ltd
09152369

Halsey Garton Residential Ltd
09152367

Halsey Garton Property Developments Ltd
09152375

Additional disclosures

The following directors' report disclosures have been made elsewhere in this report and financial statements:

- Recommended dividend (Strategic report page 1)
- Financial risk management policies and objectives (Strategic report page 2)
- Information on exposure to price risk, credit risk, liquidity risk and cashflow risk (Strategic report page 2)
- Future developments in the business of the company (Strategic report pages 1-5)
- Post balance sheet events (financial statements page 24 and page 35).

Consolidated financial statements

The consolidated financial statements and supporting notes on pages 13 to 23 include the results for all Halsey Garton group companies as listed above.

Company financial statements

The company financial statements and supporting notes on pages 24 to 35 include the results for Halsey Garton Property Ltd only.

Going concern

After reviewing the company's forecast and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future being a period of not less than 12 months from the date of approval of these financial statements. As at 31st March 2020 there were overall net current assets of £0.5m recorded in the accounts, mainly due to an increase in accrued income for the period 23rd March to 1st April compared to 18/19 from the immediate impact of COVID-19 on tenants.

The impact of COVID-19 has been felt by tenants within the properties held by Halsey Garton Property Investments Limited. At the time of producing these financial statements, the directors have a reasonable understanding of the immediate impact to the company of the pandemic, and that the company has adequate resources to continue in operational existence for the foreseeable future.

The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 of the group and of the profit or loss of the group 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 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.

Provision of information to auditor

The directors confirm that:

- so far as that 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 company's auditor is aware of that information.

Auditor

The auditor, UHY Hacker Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board on 18 Aug 2020 and signed on its behalf by:

Edward Hawkins, Director
Halsey Garton Property Ltd
Registered and domiciled in England and Wales
Registration number: 09089937
Registered office: County Hall, Penrhyn Road, Kingston Upon Thames, Surrey, KT1 2DN

UHY Hacker Young
Chartered Accountants

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HALSEY GARTON PROPERTY LIMITED

Opinion

We have audited the financial statements of Halsey Garton Property Limited ("the parent company") and its subsidiaries (the 'group) for the year ended 31 March 2020 which comprise the consolidated profit and loss statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company profit and loss statement, the company balance sheet, the company statement of changes in equity, the company statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice)

In our opinion:

- the financial statements give a true and fair view of the group's an the parent company's affairs as at 31 March 2020 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Investment property valuation

The COVID-19 virus has had significant impact over the value of investment properties and there is an increased estimation uncertainty over the property valuations. We concluded that the assumptions applied by management, which are supported by third party valuations, in arriving that the fair value of the Group's property portfolio were appropriate, and that the resulting valuations were within a reasonable range.

UHY Hacker Young
Chartered Accountants

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE MEMBERS OF HALSEY GARTON PROPERTY LIMITED

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Director's report have been prepared in accordance with applicable legal requirements.

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF HALSEY GARTON PROPERTY LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Responsibilities of Directors

As explained more fully in the statement of Director's statement of responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

UHY Hacker Young
Chartered Accountants

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF HALSEY GARTON PROPERTY LIMITED

Use of our report

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's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jessica Moorghen (Senior Statutory Auditor)
For and on behalf of UHY Hacker Young LLP

Chartered Accountants
Statutory Auditor

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London
E1W 1YW

Date: 21st August 2020

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Consolidated profit and loss account

for year ended 31 March 2020

	Note	**2020 £**	2019 £
Turnover	7	17,690,149	16,239,754
Cost of sales		(1,166,249)	(1,315,190)
Gross profit		**16,523,900**	**14,924,564**
Administrative expenses		(280,442)	(344,319)
Net deficit on revaluation of investment properties	14	(34,050,000)	(17,722,762)
Operating (loss)/profit		**(17,806,542)**	**(3,142,517)**
Interest receivable and similar income	10	8,999	26,581
Interest payable and similar charges	11	(14,277,378)	(12,202,685)
(Loss)/profit on ordinary activities before taxation		**(32,074,921)**	**(15,318,621)**
Tax on profit on ordinary activities	12	(1,048,036)	(763,829)
(Loss)/profit for the financial year		**(33,122,957)**	**(16,082,450)**

There is no other comprehensive income for the year (2019: £nil).

The accompanying notes form part of these financial statements.

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Consolidated balance sheet

as at 31 March 2020

	Note	2020 £	2019 £
Fixed assets			
Investment property	14	267,950,000	302,000,000
Total fixed assets		**267,950,000**	**302,000,000**
Current assets			
Debtors due after one year	15	1,532,761	1,528,792
Debtors due within one year	15	634,276	418,474
Cash at bank and in hand		3,079,775	3,151,925
Total current assets		**5,246,812**	**5,099,191**
Creditors: amounts falling due within one year	16	(4,708,244)	(5,490,255)
Net current assets/(liabilities)		**538,568**	**(391,064)**
Total assets less current liabilities		**268,488,568**	**301,608,936**
Creditors: amounts falling due after one year	17	(233,998,021)	(233,995,432)
Net assets		**34,490,547**	**67,613,504**
Capital and Reserves			
Share capital	19	92,686,000	92,686,000
Fair value reserve	20	(60,925,010)	(26,875,010)
Profit and loss account		2,729,557	1,802,514
Total equity attributable to owners of the parent company		**34,490,547**	**67,613,504**

Approved by the Board on 18 Aug 2020 and signed on its behalf by:

Edward Hawkins

Edward Hawkins, Director

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity
for the year ended 31 March 2020

	Note	Share capital £	Profit and loss account £	Fair value reserve £	Total £
Balance at 31 March 2018		**69,426,000**	**1,762,202**	**(9,152,248)**	**62,035,954**
Profit for the year and total comprehensive income		-	(16,082,450)	-	(16,082,450)
Transfer to fair value reserve		-	17,722,762	(17,722,762)	-
Issue of shares		23,260,000	-	-	23,260,000
Dividends paid		-	(1,600,000)	-	(1,600,000)
Balance at 31 March 2019		**92,686,000**	**1,802,514**	**(26,875,010)**	**67,613,504**
Loss for the year and total comprehensive income		-	(33,122,957)	-	(33,122,957)
Transfer to fair value reserve	20	-	34,050,000	(34,050,000)	-
Issue of shares		-	-	-	-
Dividends paid	13	-	-	-	-
Balance at 31 March 2020		**92,686,000**	**2,729,557**	**(60,925,010)**	**34,490,547**

The accompanying notes form part of these financial statements.

Consolidated statement of cashflows

for the year ended 31 March 2020

	Note	**2020** **£**	2019 £
Net cash inflow from operating activities	9	**15,391,333**	**15,894,624**
Taxation paid		(1,195,104)	(542,284)
Net cash generated from operating activities		**14,196,229**	**15,352,340**
Investing activities:			
Interest received		8,999	26,581
Investment property acquisitions		-	(79,964,838)
Net cash inflow/(outflow) from investing activities		**8,999**	**(79,938,257)**
Financing activities:			
Interest paid		(14,277,378)	(12,202,685)
Dividends paid		-	(1,600,000)
Issue of ordinary share capital		-	23,260,000
New long term loans		-	55,040,000
Net cash (outflow)/inflow from financing activities		**(14,277,378)**	**64,497,315**
Net (Decrease) in cash and cash equivalents		**(72,150)**	**(88,602)**
Cash and cash equivalents at beginning of the year		**3,151,925**	**3,240,527**
Cash and cash equivalents at the end of the year		**3,079,775**	**3,151,925**

The accompanying notes form part of these financial statements.

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Notes to the consolidated financial statements

for the year ended 31 March 2020

1. Company information

Halsey Garton group comprises Halsey Garton Property Ltd and three property subsidiary companies as set out on page eight of this report. All four companies are private companies, limited by shares, and domiciled in England and Wales. The registered offices are County Hall, Penrhyn Road, Kingston Upon Thames, Surrey, KT1 2DN.

2. Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard (FRS) 102 and with the Companies Act 2006. There were no material departures from this standard.

The dormant subsidiaries Halsey Garton Residential Ltd and Halsey Garton Property Developments Ltd are exempt from the requirement to prepare and file accounts under sections 394(A) and 448(A) of the Companies Act 2006.

The financial statements have been prepared on a historical cost basis except for the modification to a fair value basis for investment properties as specified below.

The Financial statements are presented in sterling (£).

3. Going concern

After reviewing the company's forecast and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future being a period of not less than 12 months from the date of approval of these financial statements. As at 31st March 2020 there were overall net current assets of £0.5m recorded in the accounts. This relates mainly to accrued income for the period 25th March to 1st April 2020.

At the time of approving the financial statements, the directors have assessed the initial impact of COVID-19 on the business. While tenants within the investment portfolio have been impacted, the company has adequate resources to continue operational existence for the foreseeable future.

The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

4. Accounting policies

4.1 Basis of consolidation

The consolidated financial statements present the results of Halsey Garton Property Ltd and its subsidiaries ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

4.2 Turnover

The turnover shown in the profit and loss account represents rents and income from other property services earned during the period, exclusive of VAT.

4.3 Recognition of income and expenditure

Revenue (income) from rents and other property related services, is recognised when the property or service is provided, rather than when payments are received.

Expenses in relation to services received are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.

4.4 Investment properties

Investment property is initially measured at cost, including transaction costs. Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in profit or loss and transferred to the fair value reserve.

4.5 Loans between group companies

Loans from Surrey County Council are measured at amortised cost.

4.6 Leased assets – lessor

Rent received under operating leases is credited to profit and loss on a straight line basis over the term of the lease. Incentives for the agreement of a new or renewed operating lease are recognised as a reduction in the rental income over the lease term, irrespective of the incentive's nature or form, or the timing of any payments.

4.7 Current Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to calculate the amount are those enacted by the balance sheet date.

4.8 Deferred Taxation

The tax expense recorded in the profit and loss account represents the sum of tax currently payable and deferred tax. Deferred tax is the tax expected to be payable or recoverable based on timing differences between the company’s net profits recorded in the financial statements and taxable profits for tax computation purposes.

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5. Judgements in applying accounting policies and key sources of uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determined if leases entered into by the company are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee.
- Investment properties are professionally valued annually using a yield methodology. This uses market rental values capitalised at a market capitalisation rate but there is an inevitable degree of judgement involved in that each property is unique and value can ultimately only be reliably tested in the market itself.
- That there are unlikely to be sufficient capital gains in the foreseeable future to enable the utilisation of a potential deferred tax asset on property revaluations. This judgement has been made in light of prevailing property market conditions, the continued expansion of the property portfolio and our experience that significant capital transaction costs on purchase are not offset by increases in underlying property values in the early years after purchase.

6. Average number of persons employed

During the current and prior year the group did not employ any persons directly. (2019: None)

7. Turnover

Turnover, analysed by category was as follows:

	2020	2019
	£	£
Rents received from investment properties	**17,189,329**	15,343,949
Landlord services – service charges	**336,556**	360,843
Landlord services – property insurance	**164,265**	113,118
Dilapidation and other income	**-**	421,844
Total	**17,690,149**	16,239,754

8. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after:

	2020	2019
	£	£
Audit fees	**15,000**	14,080
Tax compliance services	**10,925**	8,915

Tax compliance fees are not paid to the Company's auditor.

9. Net cash inflow from operating activities

Reconciliation of operating loss to cash utilised in operations.

	2020 **£**	2019 £
Loss on ordinary activities before taxation	**(32,074,921)**	(15,318,621)
Interest payable	**14,277,378**	12,202,685
Interest receivable	**(8,999)**	(26,581)
Unrealised loss on revaluation of investments	**34,050,000**	17,722,762
Net (increase)/decrease in working capital	**(848,156)**	1,533,275
Net (increase) in lease incentives	**(3,969)**	(218,896)
Net cash inflow from operating activities	**15,391,333**	15,894,624

10. Interest receivable and similar income

During the year £8,999 (2018/19 £10,126) interest was receivable on cash balances held in the bank account.

	2020 **£**	2019 £
Interest on advanced payments	**-**	16,455
Bank interest	**8,999**	10,126
Total	**8,999**	26,581

11. Interest payable and similar charges

Interest is payable on intragroup loans between Surrey County Council and Halsey Garton Property Ltd.

	2020 **£**	2019 £
Interest on loan	**14,277,378**	12,193,594
Bank charges	**-**	9,091
Total	**14,277,378**	12,202,685

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12. Taxation

The tax charge on the (loss)/profit on ordinary activities for this period was as follows:

	2020	2019
	£	£
UK Corporation tax	**959,413**	763,829
Deferred tax	**88,623**	-
Tax on (loss)/profit on ordinary activities	**1,048,036**	763,829

Factors affecting the tax charge/(credit):	**2020**	2019
	£	£
(Loss)/profit on ordinary activities before taxation	**(32,074,921)**	(15,318,621)
Rate of tax for period	**19%**	19%
(Loss)/profit on ordinary activities before taxation multiplied by the rate of tax for period	**(6,094,234)**	(2,910,538)
Expenses not deductible for tax purposes	**8,031,730**	4,303,538
Income not taxable for tax purposes	**(780,686)**	(461,321)
Chargeable losses	**(6,284,478)**	(3,637,643)
Adjustments in respect of prior periods (current tax)	**(130)**	127,721
Adjustments in respect of prior periods (deferred tax)	**-**	-
Adjust closing deferred tax to average rate	**-**	531,740
Adjust opening deferred tax to average rate	**(531,740)**	(179,944)
Deferred tax not recognised	**6,707,574**	2,990,276
Tax on (loss)/profit on ordinary activities	**1,048,036**	763,829

Expenses not deductible for tax purposes comprise the net deficit from changes in the fair value of investments plus revenue expenses relating to the acquisition of properties.
Factors that may affect future tax charges: Halsey Garton Property Ltd has tax adjusted non-trade losses of £41,622 (2018: £41,622) available for carry forward against future non-trading profits.

13. Dividends

	2020	2019
	£	£
Paid during the year	**-**	1,600,000
To be declared post year end	**-**	1,600,000

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14. Fixed assets – investment properties

The group's investment properties are valued annually on 31 March at fair value, determined by an independent, professionally qualified valuer, Montagu Evans LLP. The valuations are undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. Details on the assumptions made and the key sources of estimation uncertainty are given in note 5.

The net deficit on revaluation of investment property arising of £34,050,000 as at 31 March 2020 has been debited to the profit and loss for the year and transferred to the fair value reserve. Had the properties not been revalued they would have been held at the historical cost of £328,875,010 (2018/2019: £328,875,010).

	2020	2019
	£	£
Fair value at 1 April 2019	**302,000,000**	244,625,000
Additions	**-**	75,097,762
Disposals	**-**	-
Fair value adjustments	**(34,050,000)**	(17,722,762)
Fair value at 31 March 2020	**267,950,000**	302,000,000

15. Debtors

	2020	2019
	£	£
Debtors due after more than one year		
Accrued income – unamortised lease incentive	**1,532,761**	1,528,792
Sub-Total	**1,532,761**	1,528,792
Debtors due within one year		
Trade debtors	**625,521**	409,867
Deferred tax asset	**7,225**	7,077
VAT	**1,530**	1,530
Sub-Total	**634,276**	418,474
Total	**2,167,037**	1,947,266

All amounts shown fall due for payment within one year except for the unamortised lease incentive which is due in accordance with the terms of the lease.

16. Creditors: amounts falling due within one year

	2020	2019
	£	£
Amounts owed to parent entity	**90,337**	77,791
Corporation tax	**552,067**	525,873
Deferred tax liability	**274,351**	184,896
Deferred Income	**2,800,732**	3,458,731
Trade Creditors	**-**	36,400
VAT	**686,414**	816,239
Other creditors	**304,343**	390,325
Total	**4,708,244**	5,490,255

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17. Creditors: amounts falling due after more than one year

	2020	2019
	£	£
Amounts owed to parent entity	**233,995,432**	233,995,432
Total	**233,995,432**	233,995,432

Intragroup loans totalling £233,995,432 have been provided by Surrey County Council to Halsey Garton Property Ltd. These are maturity loans at interest rates ranging from 5.5% to 6.6% and all are due to be repaid in full, ten years from the original loan draw down. The carrying amount as at 31 March 2020 is included at amortised cost.

18. Deferred tax provision

	2020	2019
	£	£
Opening balance at 1 April 2019	**177,820**	177,820
Accelerated capital allowances	**-**	-
Deferred tax asset for unrelieved tax losses	**88,623**	-
Adjustments in respect of prior periods	**-**	-
Deferred tax asset for loss on revaluation	**-**	-
Closing balance at 31 March 2020	**266,443**	177,820

There is a potential deferred tax asset on property revaluations of £11,953,893 which has not been recognised in the accounts due to uncertainty about the availability of sufficient capital profits in the foreseeable future to utilise the losses against. The group incurred significant transaction costs at acquisition of the properties and its strategy is to hold properties for long term income returns and not capital gains. It is unlikely that any property will be sold until such time as it is beneficial to do so.

19. Called up share capital

Authorised, allotted and fully paid:

	2020	2019
	£	£
1 founders' shares of £1,000 each	**1,000**	1,000
92,685 ordinary shares of £1,000 each	**92,685,000**	92,685,000
Total	**92,686,000**	92,686,000

20. Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of investment property assets until they are sold or an asset is impaired. A potential deferred tax asset on revaluations of £11,953,893 has not been recognised in 2020 – see also note 18 above. The reserve is used to distinguish unrealised profits/(losses) from realised profits/(losses) which are held in the profit and loss account.

	Fair value reserve	
	2020	2019
	£	£
Reserve at 1 April 2019	**(26,875,010)**	(9,152,248)
Fair value adjustments (Note 14)	**(34,050,000)**	(17,722,762)
Deferred tax asset for loss on revaluation	**-**	-
Reserve at 31 March 2020	**(60,925,010)**	(26,875,010)

21. Leases

The minimum lease payments due to Halsey Garton group in future years are:

	2020	2019
	£	£
Not later than one year	**16,026,630**	16,841,563
Later than one year but not later than five years	**65,275,646**	66,734,654
Later than five years	**113,419,643**	135,205,740
Total	**194,721,919**	218,781,957

All leases entered into by the group are considered to be operating leases.

22. Related party disclosures

Halsey Garton group is 100% owned by Surrey County Council (SCC), the ultimate controlling party. SCC draws up consolidated financial statements for the group and its principal place of business is County Hall, Penrhyn Road, Kingston Upon Thames, Surrey, KT1 2DN. The only related party transactions were intra-group transactions between Halsey Garton and SCC and these have not been disclosed in line with section 33.1A of FRS 102.

23. Post balance sheet events

The global economy was affected by the Covid-19 pandemic and the related market volatility has brought certain operational and financial impacts to our entity performance due to the partial or complete lockdown. However this has not lead to any significant post balance sheet events in these financial statements. The potential near-term impact of the developments on the group is discussed in the Strategic Report and note 3.

Company profit and loss account
for year ended 31 March 2020

	Note	**2020** **£**	2019 £
Turnover		-	-
Cost of sales		-	-
Gross profit		**-**	**-**
Administrative expenses		(38,744)	(50,103)
Other operating income		-	-
Net deficit on revaluation of investments	13	(34,050,000)	(17,722,762)
Operating loss		**(34,088,744)**	**(17,722,865)**
Investment income	12	-	1,650,000
Interest receivable and similar income	9	14,267,872	12,183,990
Interest payable and similar charges	10	(14,277,378)	(12,193,662)
Loss on ordinary activities before taxation		**(34,098,250)**	**(16,132,537)**
Tax on loss on ordinary activities	11	832	-
Loss for the financial year		**(34,097,418)**	**(16,132,537)**

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Company balance sheet

as at 31 March 2020

Company number: 09089937

	Note	2020 £	2019 £
Fixed assets			
Investments	13	31,760,992	65,810,992
Total fixed assets		**31,760,992**	**65,810,992**
Current assets			
Debtors due after more than one year	14	233,837,000	233,837,000
Debtors due within one year	14	8,755	8,606
Cash at bank and in hand		63,262	109,937
Total current assets		**233,909,017**	**233,955,543**
Creditors: amounts falling due within one year	15	(13,862)	(15,559)
Net current assets		**233,895,155**	**233,939,984**
Total assets less current liabilities		**265,656,147**	**299,750,976**
Creditors: amounts falling due after one year	16	(233,998,021)	(233,995,432)
Net assets		**31,658,126**	**65,755,544**
Capital and Reserves			
Share capital	18	92,686,000	92,686,000
Fair value reserve	19	(60,925,010)	(26,875,010)
Profit and loss account		(102,864)	(55,446)
Total equity attributable to owners of the parent company		**31,658,126**	**65,755,544**

Approved by the Board on 19 Aug 2020 and signed on its behalf by:

Edward Hawkins

Edward Hawkins, Director

Company statement of changes in equity

for the year ended 31 March 2020

	Note	Share capital £	Profit and loss account £	Fair value reserve £	Total equity £
Balance at 31 March 2018		**69,426,000**	**(45,671)**	**(9,152,248)**	**60,228,081**
(Loss) for the year and total comprehensive income		-	(16,132,537)	-	(16,132,537)
Transfer to fair value reserve	19	-	17,722,762	(17,722,762)	-
Issue of shares		23,260,000	-	-	23,260,000
Dividends paid		-	(1,600,000)	-	(1,600,000)
Balance at 31 March 2019		**92,686,000**	**(55,446)**	**(26,875,010)**	**65,755,544**
(Loss) for the year and total comprehensive income		-	(34,097,418)	-	(34,097,418)
Transfer to fair value reserve	19	-	34,050,000	(34,050,000)	-
Issue of shares		-	-	-	-
Dividends paid	12	-	-	-	-
Balance at 31 March 2020		**92,686,000**	**(102,864)**	**(60,925,010)**	**31,658,126**

Company statement of cashflows
for the year ended 31 March 2020

	Note	**2020 £**	2019 £
Net cash (outflow) from operating activities	8	**(36,486)**	**(44,013)**
Taxation paid		(683)	-
Net cash generated from operating activities		**(37,169)**	**(44,013)**
Investing activities:			
Interest received		14,267,872	12,183,990
Dividends received		-	1,650,000
Purchase of investments		-	(23,260,000)
Issue of new long term loans		-	(55,040,000)
Net cash inflow/(outflow) from investing activities		**14,267,872**	**(64,466,010)**
Financing activities:			
Interest paid		(14,277,378)	(12,193,662)
Dividends paid		-	(1,600,000)
Issue of ordinary share capital		-	23,260,000
New long term loans		-	55,040,000
Net cash (outflow)inflow from financing activities		**(14,277,378)**	**64,506,338**
Net (decrease)/increase in cash and cash equivalents		**(46,675)**	**(3,685)**
Cash and cash equivalents at beginning of the year		109,937	113,622
Cash and cash equivalents at the end of the year		**63,262**	**109,937**

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Notes to the company financial statements
for the year ended 31 March 2020

1. Company information

Halsey Garton Property Ltd is a private company, limited by shares, domiciled in England and Wales, registration number 09089937. The registered office is County Hall, Penrhyn Road, Kingston Upon Thames, Surrey, KT1 2DN.

2. Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard (FRS) 102 and with the Companies Act 2006. There were no material departures from this standard.

The financial statements have been prepared on a historical cost basis except for the modification to a fair value basis for investments as specified below. The Financial statements are presented in sterling (£).

3. Going concern

After reviewing the company's forecast and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

At the time of approving the financial statements, the directors have assessed the initial impact of Covid-19 on the business. While tenants within the investment portfolio have been impacted, the company has adequate resources to continue operational existence for the foreseeable future.

The company therefore continues to adopt the going concern basis in preparing its financial statements.

4. Accounting policies

4.1 Recognition of income and expenditure

Expenses in relation to services received are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.

4.2 Investments in subsidiaries

Investments in shares of subsidiaries are initially measured at cost, including applicable transaction costs. Investments are carried at fair value where they can be measured reliably, otherwise they are included at cost less impairment. Changes in fair value are recognised in profit or loss and transferred to the fair value reserve.

4.3 Loans between group companies

Loans between group companies are measured at amortised cost.

4.4 Current Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to calculate the amount are those enacted by the balance sheet date.

4.5 Deferred Taxation

The tax expense recorded in the profit and loss account represents the sum of tax currently payable and deferred tax. Deferred tax is the tax expected to be payable or recoverable based on timing differences between the company's net profits recorded in the financial statements and taxable profits for tax computation purposes.

5. Judgements in applying accounting policies and key sources of uncertainty

In preparing these financial statements, the directors have made the following judgements:

- In determining the value of investments, the company applies the overriding concept that fair value is the amount for which an asset can be exchanged between knowledgeable willing parties in an arm's length transaction. The nature, facts and circumstance of the investment drives the valuation methodology.
- Investments in subsidiaries (Halsey Garton Property Investments Ltd) are carried at fair value and this has been determined with reference to the underlying investment property asset held by the subsidiary. Investment property held by Halsey Garton Property Investments Ltd is professionally valued every year using a yield methodology. This uses market rental values capitalised at a market capitalisation rate but there is an inevitable degree of judgement involved in that each property is unique and value can ultimately only be reliably tested in the market itself.
- That there are unlikely to be sufficient capital gains in the foreseeable future to enable the utilisation of a potential deferred tax asset on investment revaluations. This judgement has been made in light of prevailing property market conditions, the continued expansion of the property portfolio and our experience that significant capital transaction costs on purchase are not offset by increases in underlying property values in the early years after purchase.

6. Average number of persons employed

During the year Halsey Garton Property Ltd did not employ any persons directly. (2019: None)

7. Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after:

	2020	2019
	£	£
Audit fees	**5,000**	4,224
Tax compliance services	**2,270**	2,165

Tax compliance fees are not paid to the Company's auditor.

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8. Net cash (outflow) from operating activities

Reconciliation of operating loss to cash utilised in operations.

	2020	2019
	£	£
(Loss) on ordinary activities before taxation	**(34,098,250)**	(16,132,537)
Interest payable	**14,277,378**	12,193,662
Interest receivable	**(14,267,872)**	(12,183,990)
Dividends received	**-**	(1,650,000)
Unrealised loss on revaluation of investments	**34,050,000**	17,722,762
Net decrease in working capital	**2,258**	6,090
Net cash (outflow) from operating activities	**(36,486)**	(44,013)

9. Interest receivable and similar income

Interest is receivable on long term intragroup loans between Halsey Garton Property Ltd and Halsey Garton Property Investments Limited.

	2020	2019
	£	£
Interest on loans	**14,277,378**	12,183,990
Total	**14,277,378**	12,183,990

10. Interest payable and similar charges

Interest is payable on long term intragroup loans between Surrey County Council and Halsey Garton Property Limited.

	2020	2019
	£	£
Interest on loans	**14,267,872**	12,193,594
Bank charges	**0**	68
Total	**14,267,872**	12,193,662

11. Taxation

The tax charge/(credit) on the loss on ordinary activities for this period was as follows:

	2020	2019
	£	£
UK Corporation tax	**-**	-
Deferred tax	**(832)**	-
Tax on loss on ordinary activities	**(832)**	-

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Factors affecting the tax charge/(credit):	**2020**	2019
	£	£
(Loss) on ordinary activities before taxation	**(34,098,250)**	(16,132,537)
Rate of tax for period	**19%**	19%
(Loss) on ordinary activities before taxation multiplied by the rate of tax for period	**(6,478,668)**	(3,065,182)
Expenses not deductible for tax purposes	**7,251,041**	3,828,647
Income not taxable for tax purposes	**(780,686)**	(461,322)
Exempt ABGH distributions	**-**	(313,500)
Chargeable gains/(losses)	**(6,284,478)**	(3,637,643)
Adjustment in respect of prior periods	**-**	-
Group relief surrendered	**8,313**	11,357
Adjust closing deferred tax to average rate	**(597,613)**	597,613
Adjust opening deferred tax to average rate	**-**	(214,703)
Deferred tax not recognised	**6,881,259**	3,254,733
Tax on loss on ordinary activities	**(832)**	-

Expenses not deductible for tax purposes comprise the net deficit from changes in the fair value of investments.

Factors that may affect future tax charges:

The company has tax adjusted non-trade losses of £41,622 (2018/19: £41,622) available for carry forward against future non-trading profits.

12. Dividends

From Halsey Garton Property Ltd to Surrey County Council:

	2020	2019
	£	£
Paid during the year	**-**	1,600,000
To be declared post year end	**-**	1,600,000

From Halsey Garton Property Investments Ltd to Halsey Garton Property Ltd:

	2020	2019
	£	£
Received during the year	**-**	1,650,000
To be declared post year end	**-**	1,650,000

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13. Fixed assets – investments

Investments in subsidiaries are carried at fair value where this can be reliably measured and, for Halsey Garton Property Investments Ltd, this has been determined with reference to the underlying property assets held by the subsidiary. Details on the assumptions made and the key sources of estimation uncertainty are given in note 5.

The net deficit on revaluation of investments arising of £34,050,000 as at 31 March 2020 has been debited to the profit and loss for the year and transferred to the fair value reserve.

	Investments in subsidiaries	
	2020	2019
	£	£
Valuation at 1 April 2019	**65,810,992**	60,273,754
Additions	**-**	23,260,000
Fair value adjustments	**(34,050,000)**	(17,722,762)
Disposals	**-**	-
Valuation at 31 March 2020	**31,760,992**	65,810,992

Additions totalling £nil in 2019/20 represent additional capital invested in Halsey Garton Property Investments Ltd.

14. Debtors

	2020	2019
	£	£
Debtors due after more than one year		
Amounts owed by subsidiary undertaking	**233,837,000**	233,837,000
Sub-Total	**233,837,000**	233,837,000
Debtors due within one year		
Deferred tax asset	**7,255**	7,076
VAT	**1,530**	1,530
Sub-Total	**8,785**	8,606
Total	**233,845,785**	233,845,606

Included within long term debtors are intragroup loans totalling £233,837,000 provided to Halsey Garton Property Investments Ltd. These are revolving facility, maturity loan agreements at interest rates ranging from 5.5% to 6.6%. All are due to be repaid in full ten years from the original loan draw down. The carrying amount as at 31 March 2020 is included at amortised cost.

15. Creditors: amounts falling due within one year

	2020	2019
	£	£
Amounts owed to group companies	**2**	4,763
Other creditors	**13,860**	10,796
Total	**13,862**	15,559

16. Creditors: amounts falling due after more than one year

	2020	2019
	£	£
Amounts owed to parent entity	**233,995,432**	233,995,432
Total	**233,995,432**	233,995,432

Intragroup loans totalling £233,995,432 have been provided by Surrey County Council to Halsey Garton Property Ltd. These are maturity loans at interest rates ranging from 5.5% to 6.6% and all are due to be repaid in full, ten years from the original loan draw down. The carrying amount as at 31 March 2020 is included at amortised cost. All loans are due in more than 5 years.

17. Deferred tax provision

	2020	2019
	£	£
Opening balance at 1 April 2019	**(7,076)**	(7,076)
Deferred tax asset for unrelieved tax losses	**(149)**	-
Deferred tax asset for loss on revaluation	**-**	-
Closing balance at 31 March 2020	**(7,255)**	(7,076)

There is a potential deferred tax asset on property revaluations of £11,953,893 which has not been recognised in the accounts due to uncertainty about the availability of sufficient capital profits in the foreseeable future to utilise the losses against. The group incurred significant transaction costs at acquisition of the properties and its strategy is to hold properties for long term income returns and not capital gains. It is unlikely that any property will be sold until such time as it is beneficial to do so.

18. Called up share capital

Authorised, allotted and fully paid:

	2020	2019
	£	£
1 founders' shares of £1,000 each	**1,000**	1,000
92,686 ordinary shares of £1,000 each	**92,686,000**	92,686,000
Total	**92,686,000**	92,686,000

19. Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of investment property assets until they are sold or an asset is impaired. A potential deferred tax asset on revaluations of £11,953,893 has not been recognised in 2020 – see also note 18 above. The reserve is used to distinguish unrealised profits/(losses) from realised profits/(losses) which are held in the profit and loss account.

	Fair value reserve	
	2020	2019
	£	£
Reserve at 1 April 2019	**(26,875,010)**	(9,152,248)
Fair value adjustments (Note 13)	**(34,050,000)**	(17,722,762)
Deferred tax asset for loss on revaluation	**-**	-
Reserve at 31 March 2020	**(60,925,010)**	(26,875,010)

20. Related party disclosures

Halsey Garton Property Ltd is 100% owned by Surrey County Council (SCC) which is the ultimate controlling party. SCC draws up consolidated financial statements for the group and its principal place of business is County Hall, Penrhyn Road, Kingston Upon Thames, Surrey, KT1 2DN.

The only related party transactions were intra-group transactions between Halsey Garton Property Ltd and SCC and between Halsey Garton Property Ltd and Halsey Garton Property Investments Ltd and these have not been disclosed in accordance with section 33.1A of FRS 102.

21. Post balance sheet events

The global economy was affected by the COVID-19 pandemic and the related market volatility has brought certain operational and financial impacts to our entity performance due to the partial or complete lockdown. However this has not lead to any significant post balance sheet events in these financial statements. The potential near-term impact of the developments on the group is discussed in the Strategic Report and note 3.

Following the year end, Halsey Garton Property Limited sold the Ordinary Share holding in Halsey Garton Residential Limited and, Halsey Garton Developments Limited, to Surrey County Council.

UHY Hacker Young
Chartered Accountants

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Halsey Garton Property Limited & Halsey Garton Property Investments Limited

Report to the Board

Year ended 31 March 2020

Helping you prosper

Contents

Introduction

Halsey Garton Property Limited and its subsidiary, Halsey Garton Property Investments Limited ("the group" or ''HGP'')

Purpose of this report

The purpose of this report is to bring to your attention the salient points which have arisen from our audit of the financial statements of the Group for the year ended 31 March 2020.

This report provides an update to the significant matters raised in our Audit Service Plan, which was provided to the Group on 28 April 2020.

This report provides an update to the matters discussed at that meeting and the other matters which arose during the course of our audit.

Audit scope

Our terms of engagement are set out in our engagement letter. That letter sets out our audit responsibilities and their limitations and the responsibilities of the directors in relation to the financial statements.

Our Audit Service Plan set out in detail the key issues and risks identified at the planning stage and the related planned audit responses. It also explained that our audit approach concentrates on areas of material risk of misstatement in the financial statements to allow us to reach our opinion in accordance with auditing standards.

Communication with those charged with governance

International Standard on Audit 260 "Communication of audit matters with those charged with governance" ("ISA 260") is an auditing standard designed to ensure that there is effective two-way communication between auditors and those charged with governance of the Group. In the context of ISA 260 "those charged with governance" means the Board of Directors of the Group.

Matters relating to the planning, conduct and results of the audit are communicated to those charged with governance of the Group on a sufficiently prompt basis to enable the recipients to take appropriate action.

During the audit, regular communications were made by us to Paul Forrester and Cundasamy Nursimloo at HGP. These communications were generally made informally, either by telephone or email.

After the completion of the audit, important matters requiring the attention of Directors are communicated by way of this report.

Audit independence

In accordance with the requirements of ISA 260 and the Ethical Standard issued by the Financial Reporting Council, we confirm the matters set out below.

We discussed the specific threat to you posed with our involvement in the services provided and how we mitigate such threats in our Audit Service Plan. We have not identified any further threats during the course of the audit.

We confirm that:	We are auditors of Halsey Garton Property Ltd and Halsey Garton Property Investments Ltd;
	The audit is subject (if selected as part of a sample) to our internal independent quality control procedures, and reviews by the ICAEW as part of their inspections.

We therefore confirm that, in our professional judgment, UHY Hacker Young LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the audit engagement partner and audit staff is not impaired.

Should you have any questions relating to the issue of our independence and objectivity, please do not hesitate to contact:

Jessica Moorghen
t: +44 (0) 20 7216 4670
e: j.moorghen@uhy-uk.com

Limitations

We have prepared this report for your use within the Group. It is part of our continuing communication of audit matters with those charged with the governance of the Group and, accordingly is addressed to the Board.

It is not intended to include every matter that came to our attention. For these reasons, we believe that it would be inappropriate for this report to be made available to third parties. If such a third party were to obtain a copy, we would not accept any responsibility for any reliance that they might place on it.

UHY Hacker Young
August 2020

Acknowledgement

We wish to thank Paul Forrester and Cundasamy Nursimloo for their helpfulness and co-operation during the course of the audit process.

Audit status

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Audit structure

We have carried out the audit of the Group. The audit working papers have been reviewed by the audit manager and audit partner. Any significant issues arising during our audit were discussed with Paul Forrester and have been included in this report if deemed necessary.

The audit was planned and conducted to concentrate on the high risk areas in the financial statements. The key audit issues arising in these areas are explained further on Appendix I below.

The accounting systems were documented and the controls over those systems evaluated. Using these assessments we designed and conducted detailed tests of transactions and balances.

Current position

The audit of the Group is substantially complete. All queries arising during the audit were dealt with as the audit progressed. There were no limitations on the scope of our audit work completed to date.

There are, however, at the time of writing some outstanding unresolved audit matters which are set out below and which may or may not have an impact on our audit opinion on the Group financial statements.

We expect to be in a position to sign our audit report as soon as practicable after clearing the outstanding matters.

Outstanding audit matters:	Signed Letter of Representation from the directors;
	Signed Directors' Report;
	Signed Statement of Financial Position and;
	Completion of our subsequent events review to the date of our audit report.

Identified key risk areas and our responses

We have identified the following key risk areas as part of our audit planning processes. During our audit we focused on these areas, in addition to our other normal audit procedures, and we set out below our comments and the results of our testing.

Management override of controls (all companies)

Explanation of risk

Auditing standards require that the risk of management override of controls should be considered to be a significant risk for all audit engagements.

Audit response to risk

We will review a sample of transactions in the year for unusual items outside the ordinary course of business and also test journals raised to ensure that such entries are relevant to the Group's business.

Outcome

Audit testing of a sample of journals posted in the year and other significant transactions did not indicate any instances of management override of controls occurring in the accounts.

Revenue recognition (Halsey Garton Property Investments only)

Explanation of risk

Auditing standards require that revenue recognition is considered a significant risk unless it may be appropriately rebutted. There is a risk that revenue is incomplete and that it has not been accurately recorded or calculated.

Management should review the status of all significant transactions close to the year end to ensure that all are accounted for in the appropriate period. Preparation of rental income proof in total workings is a key management control.

Audit response to risk

We ended up performing substantive testing because there were several rent reviews during the year which meant that we could not carry out a proof in total test. We will also perform analytical review procedures seeking explanations for significant movements from expectations.

We will also review the assessment made in the application of the correct cut-off processes.

Outcome

There were no errors noted in the testing for both completeness and accuracy of revenue. All items sampled were satisfactory tested with no issues noted. As such we believe that revenue is materially correct.

Investment Property Valuations (Halsey Garton Property Investments Ltd only)

Explanation of risk

There is a risk that investment properties are not reflected at fair value at the year-end. Management procedures should be in place to determine the market value of the property portfolio at the year-end date.

Audit response to risk

We will review the property valuations supplied to us from yourselves and obtain a third party valuation review as per instructed by the group auditors Grant Thornton. We will assess the reasonableness of the assumptions made and the accuracy of the calculation. We will also check that the revaluation adjustments have been accurately accounted for.

Outcome

Assessing the fair value of the investment property portfolio is a complex exercise and as instructed by the group auditors Grant Thornton, we obtained a third party valuation review.

As part of our audit procedures, we assessed whether the valuers are independent of the Group and considered the reliability and competency of the valuers.

Alongside our valuation specialist, we discussed and challenged key inputs and assumptions with the valuers and management with reference to independent market date including COVID-19 considerations.

We also assessed the accuracy of the tenancy schedules and reconciled the rental values used in the valuations to the tenancy schedule, including tracing a sample back to the underlying lease agreement.

We concluded that an adjusting journal of £600k was to be raised to amend the value of the Redditch property and a non-adjusting journal (£750k) was also raised in respect of the Salford property. Following these, we believe that the investment property valuations are materially correct.

In addition, we have also reviewed the necessary FRS102 disclosures and confirm that these are reasonable and complete.

While we note the increases uncertainty in relation to the property valuation as a result of COVID-19, we considered the assumptions applied in arriving at the fair value of the Group’s property portfolio to be appropriate.

Valuation of investment in subsidiary (HGP Ltd only)

Explanation of risk

There is a risk that the investment in the Halsey Garton Property Investments Ltd subsidiary is not materially correct.

Audit response to risk

We will carry out a review of the calculation on which the investment valuation is based, and assess the any impairments required following the valuation of the underlying properties within the subsidiary.

Outcome

HGP Ltd sole investment is its holding in Halsey Garton Property Investments Ltd which is determined with reference to the underlying property assets held by the subsidiary.

We ensured that the carrying amount of the investment does not exceed the recoverable amount, which is primarily dependent on the performance of the investment property.

The investment valuation has only changed in line with the property fair value adjustments which has been tested as per the investment property valuation risk noted above,

Going Concern (both entities)

Explanation of risk

As the company is profit making, with healthy cash reserves at the year-end, going concern would not usually be considered a risk to an entity in this financial position.

However, due to the economic uncertainty surrounding COVID-19, we have highlighted it as a risk to consider in detail as this may have a significant impact on the company's ability to continue as a going concern.

Audit response to risk

We will discuss in detail with the directors, the steps being taken to ensure that the company will continue as a going concern. We will request and review the cash flow forecasts of the company for the next 12 months and assess the reasonableness of the assumptions made. We will also perform a sensitivity analysis on the cash flow forecasts, taking into consideration any key tenants.

Outcome

We assessed the company's ability to continue their operations until the end of August 2021. We have reviewed the cash flow forecasts to end of August 2021 and compared actual results from April, May and June 2020 to those predicted in the forecast.

The key assumptions made in the cash flow forecast were reviewed and deemed reasonable.

We also performed a sensitivity analysis on the key assumptions to ensure that in a reasonable worst case scenario, the company would continue to have sufficient cash to continue in their operations for the 12 months from signing the audit report.

It was concluded that Management's plans are considered feasible and there is no reason to doubt the going concern assumption.

Opening balances (both entities)

Explanation of risk

This is a first year audit, under ISA 510- Initial Engagements; there is limited assurance over the accuracy of the brought forward balances.

Audit response to risk

We will vouch opening balances to prior year signed accounts and ensure all audit journals have been posted correctly. We will complete detailed work programmes tailored to gaining assurance on the accuracy of the brought forward balances. We will review records, as well as accounting and control procedures in the preceding period. We will also consult with the previous auditor and review (with their permission) their working papers and relevant management letters.

Outcome

During our testing of the brought forward balances, it was identified that retained earnings did not agree to the prior year signed accounts. Once this was corrected, this affected the corporation tax payable and the deferred tax. This error was amended by the client as part of a late client journal, which was subsequently reviewed and deemed reasonable.

Other matters

Internal controls

Our audit is tailored to our assessment of the risk of material misstatement, taking into account the inherent risk of error or fraud and our assessment of the effectiveness of controls in eliminating or reducing those risks.

We cannot examine every activity and procedure within the Group, nor can we substitute for management responsibility to maintain adequate controls at all levels of business.

Our work cannot therefore, be expected to identify all weaknesses in the Group's procedures and systems. However, we will gladly discuss with you an extension of our work to review in more depth any aspect of the business which potentially concerns you.

Accounting policies

We have reviewed the accounting policies adopted by the Group in the preparation of its financial statements and consider that they are appropriate and suitable for the Group's particular circumstances.

As required by FRS 102, the Board of Directors should formally review the Group's accounting policies and treatments to ensure that they remain the most appropriate to the Group's particular circumstances for the purposes of giving a true and fair view. We suggest that the Board of Directors should minute this discussion.

Significant subsequent events

In March 2020, many countries across the global entered into widespread lockdown of businesses and life as we know it. The spread of COVID-19 has caused significant volatility in the UK economy and as such there is significant uncertainty around the full impact and duration of business disruptions related to the pandemic. The impact of COVID-19 on the Group's ability to continue as a going concern has been concerned in detail during our going concern review, with the conclusion being that Management's plans are considered feasible and there is no reason to doubt the going concern assumption.

Consideration of fraud

We have discussed fraud with Paul Forrester and Cundasamy Nursimloo.

During the course of our work we found no evidence of fraud and corruption. We must emphasise, however, that the responsibility for the prevention of and detection of fraud lies with management, and our work does not remove the possibility that fraud and corruption may have occurred and remain undetected.

It was confirmed that:	There have been no instances of fraud during the year; and
	Those charged with governance of the Group consider there to be a low risk of fraud occurring.

Summary, adjustment and audit report

Audit adjustments agreed with management

We received the draft trial balances for the Group from Cundasamy Nursimloo in accordance with the audit timetable.

During the course of the audit, small adjustments were necessary in order to facilitate the preparation of the statutory financial statements, including some reclassifications of balances for statutory presentation purposes.

Where we have proposed reclassifications of balances for disclosure purposes these amendments were reviewed and agreed by Paul Forrester.

Late adjustments provided by management, mainly in order to correct the brought forward balances, unrecorded accruals and income were reviewed as part of our audit process and have been agreed and processed in the financial statements.

Unadjusted items

During the course of our audit we identified some non-material items which have not been adjusted for in the financial statements.

In assessing the key areas of audit judgement we have had full regard to our assessed level of materiality. A final materiality calculation will be undertaken prior to finalisation of the Group accounts.

We acknowledge the subjectivity and scope for differing viewpoints over some of our concerns. By the same token, the Board in deciding to approve the accounts as currently drafted will also be exercising subjective judgement.

Audit report

We propose issuing an unqualified audit report on the financial statements of the Group for the year ended 31 March 2020.

Remaining timetable

We are in a position to finalise the statutory accounts subject to the outstanding matters noted on page 3 of this report.

Appendix 1

Management letter points

We wish to draw your attention to the following matters that arose during the course of our audit of the Company's accounts for the year ended 31 March 2020.

Areas	Observations	Recommendations
Accounting system and software	The Company's management accounts are maintained on a cashbook/ 'extended trial balance' basis. No accounting software is currently used to maintain the Company's accounting records. There was also the use of 'lump sum' journals in some areas where more detailed transactions should have been recorded. This made it more difficult and time consuming than it should be to trace through some accounting entries and to be able to easily understand the transactions.	We recommend that the accounts are maintained on a simple off the shelf accounting software package (such as Xero or Quickbooks). This will help ensure that there is a clear audit trail for all of the accounting entries processed and the detail behind all the balances and transaction can then easily be viewed and understood. These software packages are fully cloud based and therefore online remote access can be granted to various parties, as read only where required, such as to the directors and auditors. The software packages can also download data from various sources, including your bank accounts which will ensure that the management accounts process is more efficient. Supporting documents can be included on the software packages to make it easier to access and understand the transactions. We recommend that monthly management accounts, in sufficient detail, be prepared, reviewed and approved by the directors. This should include more detailed and regular analysis/ reconciliations of the foreign exchange trading.
Late client journals	We received several late client journals subsequent to the initial trial balance. We appreciaite that the audit took place close to the year end, however there was a significant amount of time spent reviewing the new schedules provided and updating several documents such as materiality.	We recommend that all journals should be processed before sending us the trial balance. Any supporting schedules should be traced back to the trial balance to ensure that the balances agree.

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