

Financial Statements

Surrey Choices Limited

For the year ended 31 March 2018

Registered number: 08931490

Company Information

Directors	B A Muir (appointed 5 February 2018) J.J. Ratcliff (appointed 1 August 2018)
Registered number	08931490
Registered office	Fernleigh Day Service Fernleigh Close Hersham Road, Walton- on- Thames KT12 1RD
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 30 Finsbury Square London EC2A 1AG

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Directors' Report

For the year ended 31 March 2018

The directors present their report, the strategic report, and the financial statements for the year ended 31 March 2018.

Principal activities

The Company is principally engaged in the provision of adult social care services across Surrey.

Results and dividends

The profit for the year, after taxation, amounted to £396,544 (2017 - loss £867,356).

No dividend was declared for the year.

Directors

The directors who served during the year were:

K M Kilburn (resigned 10 August 2018)

M Farrow (resigned 18 August 2017)

PJ Fell (appointed 26 July 2017, resigned 31 July 2018)

B A Muir (appointed 5 February 2018)

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 so as 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' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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:

Directors' Report

For the year ended 31 March 2018

- 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.

Disclosure of information to the Company's 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 relevant audit information and to establish that the Company's auditor is aware of that information.

Auditors

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 11th September 2018 and signed on its behalf.



Jeremy Ratcliff
Director

Strategic Report

For the year ended 31 March 2018

The directors present their strategic report for the year ended 31 March 2018.

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 £14,396,875 and a total comprehensive income for the financial period of £ 535,544. At 31 March 2018, the company had net liabilities excluding pension liabilities of £3,643,029 and net liabilities including pension liabilities of £4,568,029. 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 be able to improve its current level of performance 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

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.

Strategic Report (Continued)

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 liability 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 11th September 2018 and signed on its behalf.



Jeremy Ratcliff
Director

Independent Auditor's Report to the Members of Surrey Choices Limited

Opinion

We have audited the financial statements of Surrey Choices Limited (the 'company') for the year ended 31 March 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows, 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 state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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, 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.

Who we are reporting to

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 directors' 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.

Independent Auditor's Report to the Members of Surrey Choices Limited

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 directors' report and the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report and the strategic report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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 directors' report or the strategic report.

Matters on which we are required to report by exception

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on pages 1 and 2, 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.

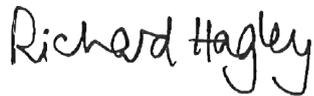
Independent Auditor's Report to the Members of Surrey Choices Limited

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 on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Richard Hagley BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

13/9/2018

Statement of Comprehensive Income

For the year ended 31 March 2018

	Note	2018 £	2017 £
Turnover	3	14,396,875	14,468,101
Cost of Sales		<u>(11,936,763)</u>	<u>(13,531,354)</u>
Gross Profit		2,460,112	936,746
Administrative Costs		<u>(1,923,893)</u>	<u>(1,676,747)</u>
Operating Profit /(Loss)	4	536,219	(740,001)
Interest Payable and Financial expenses	8	<u>(139,675)</u>	<u>(129,478)</u>
Profit /(Loss) before tax		396,544	(869,479)
Tax on Profit /(Loss)	9	<u>0</u>	<u>2,123</u>
Profit /(Loss) for the year		<u><u>396,544</u></u>	<u><u>(867,356)</u></u>
Other Comprehensive Income for the Year			
Profit /(Loss) for the financial period		396,544	(867,356)
Actuarial Gains /(Losses) on defined benefit pension scheme	20	139,000	(436,000)
Movement of deferred tax relating to pension liability		<u>0</u>	<u>97,200</u>
Other Comprehensive Income for the Year		139,000	(338,800)
Total Comprehensive Income for the Year		<u><u>535,544</u></u>	<u><u>(1,206,156)</u></u>

Statement of Financial Position

As at 31st March 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible Assets	10	<u>151,100</u>	<u>419,083</u>
Current Assets			
Debtors	11	376,523	375,295
Cash at Bank and in Hand	12	<u>754,891</u>	<u>67,803</u>
		1,131,414	443,098
Creditors: Amounts Falling due within one year	13	<u>(2,125,543)</u>	<u>(2,483,754)</u>
Net Current Liabilities		<u>(994,129)</u>	<u>(2,040,656)</u>
Total Assets less current Liabilities		(843,029)	(1,621,573)
Creditors: Amount falling due after more than one year	14	(2,800,000)	(2,800,000)
Pension Liability	20	(925,000)	(682,000)
Deferred Tax Liability	17	<u>-</u>	<u>-</u>
Net Liabilities		<u>(4,568,029)</u>	<u>(5,103,573)</u>
Capital and Reserves			
Called-up Share Capital	19	100	100
Profit and Loss Account	18	<u>(4,568,129)</u>	<u>(5,103,673)</u>
		<u>(4,568,029)</u>	<u>(5,103,573)</u>

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

Director 11th September 2018



Jeremy Ratcliff

Statement of cash flows

For the year ended 31 March 2018

	2018	2017
	£	£
Cash flow from operating activities		
Profit /(Loss) for the financial year	396,544	(867,356)
Adjustments for:		
Depreciation of tangible assets	306,649	415,802
Interest paid	88,675	129,478
Pension service cost recognised	566,000	455,000
Employee's pension contributions	(184,000)	(241,000)
Pension deferred tax liability	0	(2,123)
Decrease /(increase) in trade and other debtors	(1,228)	45,606
(Decrease) /increase in trade creditors	<u>(358,212)</u>	<u>(374,569)</u>
Cash flow from operations	814,429	(439,162)
Income taxes paid	<u>-</u>	<u>-</u>
Net cash used by from operating activities	814,429	(439,162)
 Cash flows from investing activities		
Improvement of Lease property	(16,955)	(126,379)
Purchase of other fixed assets	<u>(21,711)</u>	<u>(11,069)</u>
Net cash from investment activities	(38,666)	(137,448)
 Cash flows from financing activities		
Issue of ordinary share capital	-	-
Loan Received	-	535,000
Loan repaid	-	-
Interest paid	<u>(88,675)</u>	<u>(129,478)</u>
Net cash generated from financing activities	(88,675)	405,522
 Net increase/(decrease) in cash and cash equivalents	687,088	(171,088)
 Cash and cash equivalents at the beginning of the year	<u>67,803</u>	<u>238,891</u>
Cash and cash equivalents at the end of the year	<u><u>754,891</u></u>	<u><u>67,803</u></u>

Statement of Changes in Equity

For the year ended 31 March 2018

	Share Capital	Profit and Loss Account	Total Equity
	£	£	£
At 31 March 2016	100	(3,897,517)	(3,879,417)
Loss for the year		(867,356)	(867,356)
Other Comprehensive income for the period			
Actuarial Gain/ Loss net of tax		(338,800)	(338,800)
Issue of shares	-	-	-
Dividend paid	-	-	-
At 31 March 2017	100	(5,103,673)	(5,103,573)
Profit for the year		396,544	396,544
Other Comprehensive income for the period			
Actuarial Gain/ Loss net of tax		139,000	139,000
Issue of shares	-	-	-
Dividend	-	-	-
At 31 March 2018	100	(4,568,129)	(4,568,129)

The notes on pages 10 to 26 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2018

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 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 for an initial three-year term until 18 August 2017 with an automatic two-year extension thereafter. 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 have further received a letter of support from the Council confirming support for a period of at least 12 months from the date of approval of the statutory financial statements for the financial year ended 31 March 2018. The Company funds its working capital requirements through an agreed five-year credit facility with its parent entity. The Directors have reviewed the Company's forecasts for the next financial year from the date of formally approving the annual report and financial statements. On this basis the directors consider that it is appropriate to prepare the accounts on a going concern basis.

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.

The estimated useful lives range as follows:

Leasehold property Improvement	-	over 3 years
Furniture, fixtures & equipment	-	over 3 years
Former Council fixtures & fittings	-	over 3 years
Computer equipment	-	over 3 years

Notes to the Financial Statements

For the year ended 31 March 2018

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 instruments 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.

Notes to the Financial Statements

For the year ended 31 March 2018

1. Accounting policies (continued)

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.

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.

1.10 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.

1.11 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.

1.12 Pensions

The company's sole shareholder, Surrey County Council, operates defined benefit pension schemes providing benefits based on final pensionable pay through the Local Government Pension Scheme and Teachers' Pension Scheme. The company meets the obligations for relevant staff under these schemes

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.

1.13 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.

Notes to the Financial Statements

For the year ended 31 March 2018

1. Accounting policies (continued)

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.

1.14 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.

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.

Notes to the Financial Statements

For the year ended 31 March 2018

2. Judgments 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.

- i) **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 meet 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.
- ii) **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.
- iii) **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.
- iv) **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 £786,369, management do not consider there is evidence that sufficient taxable profits will be available in the future to utilise this asset against, given the current status of contract negotiations with Surrey CC). Deferred tax assets are analysed further in note 17.

Notes to the Financial Statements
For the year ended 31 March 2018

3. Turnover

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

4. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2018	2017
	£	£
Operating leases - property	876,308	1,067,880
Operating leases - motor vehicles	109,916	-
Depreciation of owned assets	306,649	415,802
Auditor's remuneration	20,500	30,500
Defined contribution pension cost	184,000	241,000
Other scheme contribution pension cost	<u>780,291</u>	<u>434,885</u>

5. Auditor's remuneration

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

	2018	2017
	£	£
Audit of financial statements	17,000	26,000
Taxation compliance service *	-	1,000
Other audit related service: certification of Teachers' Pensions	<u>3,500</u>	<u>3,500</u>
	<u>20,500</u>	<u>30,500</u>

* Taxation compliance service in 2018 was provided by an independent company, RSM UK Tax and Accounting, for a fee of £1745.

Notes to the Financial Statements
For the year ended 31 March 2018

6. Particulars of employees

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

	2018	2017
	£	£
Wages and salaries	6,728,777	7,305,478
Social security	561,920	626,003
Pension cost	964,291	1,130,885
	<u>8,254,988</u>	<u>9,062,365</u>

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

	2018	2017
Support workers and operational staff	261	264
Managers	17	25
	<u>278</u>	<u>289</u>

7. Directors' remuneration

	2018	2017
	£	£
Wages and salaries	128,874	192,583
Social security Cost	16,565	24,524
Other Pension costs	2,978	5,846
	<u>148,417</u>	<u>222,953</u>

8. Interest payable and financial expenses

	2018	2017
	£	£
Interest on SCC Loan	88,675	87,478
Other finance costs	51,000	42,000
	<u>139,675</u>	<u>129,478</u>

Notes to the Financial Statements
For the year ended 31 March 2018

9. Taxation

	2018	2017
	£	£
Current tax		
United Kingdom Corporation tax at 19% (2017 20%)	-	-
Deferred tax		
Origination and reversal of timing differences	(69,012)	-
Prior year deferred tax adjustment	69,012	2,123
Total deferred tax (expenditure)/income on ordinary activities	0	2,123
Total current and deferred tax relating to items of Other Comprehensive income		97,200
Prior year deferred tax adjustment		
Total Tax	0	99,323

Factors affecting tax charge for the year/period

The tax assessed for the year is higher than 2017. The standard rate of corporation tax in 2017 of 20% has reduced to 19% in 2018. The differences are explained below:

	2018	2017
	£	£
Profit/(Loss) on ordinary activities before tax	396,544	(869,479)
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 -20%)	75,343	(173,896)
Effects of:		
Fixed asset differences	2,829	
Expenses not deductible for tax purposes	36	(11,334)
Adjustments to brought forward values	15	-
Amounts (charged)/ credited directly to Statement of Recognised Gains /Losses or otherwise transferred	26,410	-
Group relief surrendered/(claimed)		14,429
Adjustments to tax charge in respect of previous period	-	(77,475)
Adjustments to tax charge in respect of previous periods – deferred tax	(3,885)	-
Adjust closing deferred tax to average rate of 19%	-	-
Deferred tax (charged)/ credited directly to equity	-	-
Adjust opening deferred tax to average of 19%	(100,748)	-
Other deferred tax not recognised	-	250,399
Unexplained difference	-	(4,246)
Tax charge/ (credit) for the period	0	(2,123)

Notes to the Financial Statements
For the year ended 31 March 2018

10. Fixed Assets

	Leasehold property Improvements £	Furniture, Fixtures & Equipment £	Former Council Fixtures & Fittings £	Computer Equipment £	Total £
Cost					
At 1 April 2017	445,073	128,515	411,504	368,225	1,353,317
Additions	16,955	9,727	-	11,984	38,666
Disposal	-	-	-	-	-
At 31 March 2018	462,028	138,241	411,504	380,209	1,391,983
Depreciation					
At 1 April 2017	219,609	60,891	388,141	265,593	934,234
Provided in the year	139,975	43,817	23,363	99,494	306,649
Disposal	-	-	-	-	-
At 31 March 2018	359,584	104,708	411,504	365,087	1,240,883
Net Book amount at At 31 March 2018	102,444	33,533	-	15,122	151,100
Net Book amount at 31 March 2017	225,464	67,623	23,363	102,632	419,083

Notes to the Financial Statements
For the year ended 31 March 2018

11. Debtors

	2018	2017
	£	£
Trade debtors	422,526	278,896
Prepayments and accrued income	58,294	127,786
Provision for bad debt	<u>(104,297)</u>	<u>(31,387)</u>
	<u>376,523</u>	<u>375,295</u>

12. Cash and cash equivalents

	2018	2017
	£	£
Cash at bank and in hand	<u>754,891</u>	<u>67,803</u>

13. Creditors: Amount falling due within one year

	2018	2017
	£	£
Trade creditors	371,921	855,778
Other taxes and social security	542,822	325,642
Other creditors *	1,048,440	1,091,568
Accruals	<u>162,360</u>	<u>210,767</u>
	<u>2,125,543</u>	<u>2,483,754</u>

* Includes prepaid service income of £1,052,016 (2017 - £1,079,192)

Notes to the Financial Statements

For the year ended 31 March 2018

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

	2018	2017
	£	£
Amount owed to parent undertaking	<u>2,800,000</u>	<u>2,800,000</u>

Loans included within creditors, are analysed as follows:

	2018	2017
	£	£
2.5% above base revolving loan	2,100,000	2,100,000
4.24% set-up loan facility	<u>700,000</u>	<u>700,000</u>
	<u>2,800,000</u>	<u>2,800,000</u>

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

The company's parent has provided a five-year revolving loan facility of £2,100,000 of which currently £2,100,000 has been drawn down; this was originally due to mature in June 2019, but SCC will not seek repayment of these loans for at least 12 months from the date of approval of the 2017/18 accounts.

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

The set-up loan has been drawn down in full and the contractual due date for the repayment was originally August 2019, but this has been extended by SCC.

Interest is paid six monthly in arrears.

Notes to the Financial Statements

For the year ended 31 March 2018

15. Leasing commitments

The company's future minimum operating lease payments are as follows:

	2018	2017
	£	£
Within one year *	981,670	870,473
Between one and five years *	<u>744,409</u>	<u>1,513,199</u>

* 2018 includes motor vehicle lease

16. Financial instruments

Financial instruments are measured at amortised cost

Financial assets	2018	2017
	£	£
Debtors	318,229	247,509
Cash	<u>754,891</u>	<u>67,803</u>
	<u>1,073,120</u>	<u>315,312</u>
Financial liabilities		
Trade creditors	510,408	855,778
Other creditors	297,270	223,143
Loans	<u>2,800,000</u>	<u>2,800,000</u>
	<u>3,607,678</u>	<u>3,878,921</u>

17. Deferred taxation

	2018	2017
	£	£
Opening deferred tax (liability)/asset	-	(99,323)
Released during/ (Charged for) year in Profit and loss statement	-	2,123
Released during/ (Charged for) year in Other comprehensive income statement	<u>-</u>	<u>97,200</u>
Closing deferred tax (liability) /asset at 31 March	<u>-</u>	<u>-</u>

Notes to the Financial Statements

For the year ended 31 March 2018

The deferred tax is made up as follows:

	2018	2017
	£	£
Accelerated Capital Allowances	-	-
Other short term timing differences	-	-
Unrelieved tax losses - not recognised	-	-
Gains/(losses) on net defined benefit scheme assets	-	-
	<u>-</u>	<u>-</u>
Deferred Tax liability	<u>-</u>	<u>-</u>

18. Profit and Loss Account

	2018	2017
	£	£
Opening balance	(5,103,673)	(3,897,517)
Profit/(Loss) for the financial period	396,544	(867,356)
Actuarial (loss)/gain on defined benefit pension scheme asset	139,000	(436,000)
Deferred tax asset/(liability) on defined benefit scheme asset	-	97,200
Closing balance as at 31 March	<u>(4,568,129)</u>	<u>(5,103,673)</u>

19. Share Capital

	2018	2017
	£	£
Allotted, called up and fully paid		
100 - Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Notes to the Financial Statements

For the year ended 31 March 2018

20. 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.

The changes in obligation as at 31 March 2018 is £544,000 (2017 - £956,000) with a net liability of £925,000 (2017 - £682,000). 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 2018 is £515,000 (2017 - £413,000) and the net finance cost £51,000 (2017 - £42,000). The actuarial loss for the period charged to the statement of recognised gains and losses is gain- £139,000 (2017 – loss £436,000).

	2018 £	2017 £
Scheme assets	5,790,000	5,489,000
Scheme obligations	<u>(7,752,000)</u>	<u>(7,208,000)</u>
	<u>(1,962,000)</u>	<u>(1,719,000)</u>
Net liability at transfer - obligation of Surrey County Council	<u>(1,037,000)</u>	<u>(1,037,000)</u>
Net liability arising since transfer	<u>(925,000)</u>	<u>(682,000)</u>
	<u>(1,962,000)</u>	<u>(1,719,000)</u>

Reconciliation of opening and closing balances of the defined benefit obligation

	2018 £	2017 £
Defined Benefit obligation at the start of the period	7,208,000	6,252,000
Current Service cost	515,000	413,000
Interest Expense	202,000	233,000
Contributions by plan participants	85,000	113,000
Actuarial losses /(gains)	(194,000)	283,000
Benefit paid	(64,000)	86,000
Losses /(gains) on curtailments	-	-
Defined benefit obligation at the end of the period	<u>7,752,000</u>	<u>7,208,000</u>

Notes to the Financial Statements

For the year ended 31 March 2018

Pension (continued)

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

	2018	2017
	£	£
Fair value of plan assets at the start of the period	5,489,000	5,183,000
Income Interest	151,000	191,000
Actuarial gains /(losses)	(55,000)	(153,000)
Benefit paid	(64,000)	(86,000)
Contribution by the Employer	184,000	241,000
Contribution by plan participants	85,000	113,000
Fair value of plan assets at the end of the period	<u>5,790,000</u>	<u>5,489,000</u>

Defined benefit costs recognised in profit or loss

	2018	2017
	£	£
Current service cost	515,000	413,000
Net interest cost	51,000	42,000
Loss on curtailments	-	-
Defined benefit costs recognised in profit and loss account	<u>566,000</u>	<u>455,000</u>

Defined benefit costs recognised in other comprehensive income

	2018	2017
	£	£
Return on plan assets (excluding amounts included in net interest cost) - gain/ (loss)	(55,000)	(153,000)
Effects of changes in the demographic and financial assumptions underlying the present value liabilities gain/ (loss)	194,000	(283,000)
Total amount recognised in other comprehensive income - (loss) gain	<u>139,000</u>	<u>(436,000)</u>

Notes to the Financial Statements
For the year ended 31 March 2018

Pension (continued)

	2018	2017
Assets		
	%	%
Equities	78	75
Bonds	10	15
Property	8	5
Cash	4	5
Total assets	<u>100</u>	<u>100</u>

Financial assumptions

	2018	Restated 2017
Discount rate	2.7%	3.6%
Salary growth rate	2.6%	3.7%
Pension growth rate	2.3%	2.2%
Average life expectancies male*	87.5 Yrs	85.5 Yrs
Average life expectancies female*	89.6 Yrs	87.6 Yrs

*2017 adjusted to reflect the correct assumptions per the valuation report

The amount of actuarial gains and losses recognised in the Statement of comprehensive income was £ 139,000 (2017 - £ (436,000)).

The Company expects to contribute £296,000 to its Defined benefit pension scheme in 2019.

Notes to the Financial Statements

For the year ended 31 March 2017

21. Related party transactions

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

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

	2018	2017
	£	£
Remuneration paid to key management	203,143	208,982

22. Ultimate controlling party

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

23. Company information

Surrey Choices Limited is a company incorporated in England and Wales with registered office at Fernleigh Day Service, Fernleigh Close, Hersham Road, Walton-on-Thames, KT12 1RD.

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