

Annual Report

Surrey Choices Ltd

For the year ended 31 March 2021

Company Information

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Directors	C.M. Curran (resigned 10 June 2021) M. L. Jakobsen J.M. Earl S. Nahajski R.E. Wigley
Company Secretary	K.G. Chandler
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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Directors' Report

For the year ended 31 March 2021

The Directors present their report, the strategic report, and the financial statements for the year ended 31 March 2021.

Principal activities

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

Results and dividends

The profit for the year, after taxation, amounted to £4,170,325 (2020: £656,390).

No dividend was declared for the year.

Directors

The Directors who served during the year were:

C.M. Curran (resigned 10 June 2021)

J.M. Earl

S. Nahajski

R.E. Wigley

M.L. 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' 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.

Directors' Report

For the year ended 31 March 2021

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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

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 of Surrey Choices on 12 July 2021 and signed on its behalf.



Mette L. Jakobsen
Director

Strategic Report

The directors present their strategic report for the year ended 31 March 2021.

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 £13,478,002 (2020: £14,352,092) and a total comprehensive income for the financial period of £2,660,325 (2020: £443,390). At 31 March 2021, the company had net liabilities excluding pension liabilities of £1,109,700 (2020: £1,667,025) and net liabilities including pension liabilities of £1,109,700 (2020: £3,770,025). 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. Surrey Choices has transferred £3.8m for the LGPS pension liability back to SCC. This will improve the balance sheet and make the statutory results less volatile going forwards as pension fund actuarial gains and losses will no longer have to be accounted for.

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

During this whole year, 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 still 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 during 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.

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 regarding the required level of efficiency savings, 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 Surrey County Council employees that are members of the 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 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. Surrey Choices have agreed with Surrey County Council to transfer the LGPS pension fund liability back to Surrey County Council as of the 31st March 2021. The LGPS pension liability of £3.8M will no longer appear on the balance sheet as at this date. There will be no ongoing exposure to Surrey Choices as there will be no impact on the financial results moving forward.

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 of Surrey Choices on 12 July 2021 and signed on its behalf.



Mette L. Jakobsen
Director

Opinion

Basis for Opinion

We have audited the financial statements of Surrey Choices Limited ("the Company") for the year ended 31st March 2021 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 to 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)

Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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.

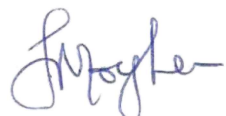
Auditor's responsibilities for the audit of the financial statements

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 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
Quadrant House
4 Thomas More Square
London
E1W 1YW

Date: 20th July 2021

Statement of Comprehensive Income

For the year ended 31st March 2021

	Note	2021 £	2020 £
Turnover	3	13,478,002	14,352,092
Cost of Sales		(10,705,601)	(11,406,758)
Gross Profit		2,772,401	2,945,334
Administrative Costs		(2,271,086)	(2,127,190)
Operating Profit	4	501,316	818,144
Intercompany balance written off	19	3,828,000	-
Interest Payable and Financial expenses	8	(158,293)	(160,336)
Profit before tax		4,171,023	657,808
Tax on Profit	9	(698)	(1,418)
Profit for the year		4,170,325	656,390
Other Comprehensive Income for the Year			
Profit for the financial period		4,170,325	656,390
Actuarial (Losses) / Gains on defined benefit pension scheme	19	(1,510,000)	(213,000)
Other Comprehensive Income for the Year		(1,510,000)	(213,000)
Total Comprehensive Income for the Year		2,660,325	443,390

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

Statement of Financial Position

As at 31st March 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible Assets	10	<u>354,287</u>	<u>130,281</u>
Current Assets			
Debtors	11	885,022	358,242
Cash at Bank and in Hand	12	<u>2,836,454</u>	<u>2,747,687</u>
		3,721,476	3,105,929
Creditors: Amounts Falling due within one year	13	<u>(2,735,463)</u>	<u>(2,103,237)</u>
Net Current Assets/(Liabilities)		<u>986,014</u>	<u>1,002,692</u>
Total Assets less current Liabilities		1,340,300	1,132,974
Creditors: Amount falling due after more than one year	14	(2,450,000)	(2,800,000)
Pension Liability	19	<u>-</u>	<u>(2,103,000)</u>
Net Liabilities		<u><u>(1,109,700)</u></u>	<u><u>(3,770,025)</u></u>
Capital and Reserves			
Called-up Share Capital	18	100	100
Profit and Loss Account	17	<u>(1,109,800)</u>	<u>(3,770,125)</u>
		<u><u>(1,109,700)</u></u>	<u><u>(3,770,025)</u></u>

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



Mette L. Jakobsen
Director
12 July 2021

Statement of cash flows

For the year ended 31st March 2021

	2021	2020
	£	£
Cash flow from operating activities		
Profit /(Loss) for the financial year	4,170,325	656,390
Adjustments for:		
Depreciation of tangible assets	119,808	88,752
Interest paid	87,967	103,715
Pension service and finance cost recognised	318,000	416,000
Employer pension contributions	(103,000)	(120,000)
Pension Transfer Write-off	(3,828,000)	-
(Increase) / Decrease in trade and other debtors	(526,778)	(56,178)
Increase /(Decrease) in trade creditors	632,226	(35,957)
Cash flow from operations	870,547	1,052,722
Income taxes paid	-	-
Net cash generated by operating activities	870,547	1,052,722
Cash flows from investing activities		
Improvement of Lease property	-	(5,004)
Purchase of other fixed assets	(343,813)	(82,159)
Net cash from investment activities	(343,813)	(87,163)
Cash flows from financing activities		
Loan repaid	(350,000)	-
Interest accrual	(87,967)	(103,715)
Net cash used by financing activities	(437,967)	(103,715)
Net increase in cash and cash equivalents	88,767	861,844
Cash and cash equivalents at the beginning of the year	2,747,687	1,885,843
Cash and cash equivalents at the end of the year	2,836,454	2,747,687

Statement of Changes in Equity

For the year ended 31st March 2021

	Share Capital	Profit and Loss Account	Total Equity
	£	£	£
At 31 st March 2019	100	(4,213,515)	(4,213,515)
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 31st March 2020	100	(3,770,125)	(3,770,025)
Profit for the year		4,170,325	4,170,325
Other Comprehensive income for the period			
Actuarial Gain/ Loss net of tax		(1,510,000)	(1,510,000)
At 31st March 2021	100	(1,109,800)	(1,109,700)

Notes to the Financial Statements

For the year ended 31 March 2021

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

Notes to the Financial Statements

For the year ended 31 March 2021

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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 2021

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

Notes to the Financial Statements

For the year ended 31 March 2021

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. Surrey Choices has agreed with Surrey County Council to transfer the LGPS pension fund liability back to Surrey County as at the 31st March 2021. The LGPS pension liability of £3.8M will no longer appear on the balance sheet as of this date. There will be no ongoing exposure to Surrey Choices as there will be no impact on the financial results moving forward.

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.

Notes to the Financial Statements

For the year ended 31 March 2021

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 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 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 reviews 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.

Notes to the Financial Statements

For the year ended 31 March 2021

3. Turnover

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

4. Operating profit

The operating profit is stated after charging

	2021 £	2020 £
Operating leases - property	840,159	836,945
Operating leases - motor vehicles	-	109,916
Depreciation of owned assets	119,808	88,752
Auditor's remuneration	21,000	21,000
Defined contribution pension cost	103,000	120,000
Other scheme contribution pension cost	698,077	737,341

5. Auditor's remuneration

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

	2021 £	2020 £
Audit of financial statements	17,500	17,500
Taxation compliance service *	-	-
Other audit related service: certification of Teachers' Pensions	3,500	3,500
	21,000	21,000

* Taxation compliance service in 2021 was provided by an independent company, RSM UK Tax and Accounting, for a fee of £1800.

Notes to the Financial Statements

For the year ended 31 March 2021

6. Particulars of employees

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

	2021	2020
	£	£
Wages and salaries	6,956,609	6,826,606
Social security	558,079	558,324
Pension cost	801,077	857,341
	<u>8,315,764</u>	<u>8,242,271</u>

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

	2021	2020
	£	£
Support workers and operational staff	299	302
Managers	14	16
	<u>313</u>	<u>318</u>

7. Directors' remuneration

	2021	2020
	£	£
Wages and salaries	119,100	111,250
Social security Cost	13,568	13,955
Other Pension costs	4,909	5,259
	<u>137,576</u>	<u>130,464</u>

8. Interest payable and financial expenses

	2021	2020
	£	£
Interest on SCC Loan	87,967	103,715
Bank Interest Receivable	(3,674)	(12,379)
Other Finance Costs	74,000	69,000
	<u>158,293</u>	<u>160,336</u>

Notes to the Financial Statements

For the year ended 31 March 2021

9. Taxation

	2021	2020
	£	£
Current tax		
United Kingdom Corporation tax	698	1418
Deferred tax		
Origination and reversal of timing differences	-	(654,448)
Prior year deferred tax adjustment	-	-
Total deferred tax (expenditure)/income on ordinary activities	698	(653,030)
Tax relating to other comprehensive income		
Origination and reversal of timing differences	-	(40,471)
Tax relating to items of other comprehensive income	698	(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 2021

9. Taxation (continued)

Factors affecting tax charge for the year

	2021 £	2020 £
Profit on ordinary activities before tax	4,171,023	657,808
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	792,494	124,983
Effects of:		
Fixed asset differences	1,020	2,807
Gains /Losses or otherwise transferred	197,030	(40,470)
Other tax adjustments, reliefs and transfers	(135)	(56)
Deferred tax relating to other comprehensive income	-	40,471
Adjust closing deferred tax to average rate of 19%	-	-
Adjust opening deferred tax to average of 19%	-	(82,186)
Other deferred tax not recognised	<u>(989,711)</u>	<u>(698,579)</u>
Tax on results on ordinary activities	<u>698</u>	<u>(653,030)</u>

Notes to the Financial Statements

For the year ended 31 March 2021

10. Fixed Assets For the year ended 31 March 2021

Tangible Fixed Assets

	Lease- hold property Improve- ments	Furniture, Fixtures & Equipment	Former Council Fixt's & Fittings	Computer Equipm't	Motor Vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 April 2020	471,983	166,353	411,504	464,740	47,375	1,561,955
Additions	-	3,988	-	156,124	183,700	343,813
Disposal	-	-	-	-	-	-
At 31 March 2021	471,983	170,342	411,504	620,865	231,075	1,905,768
Depreciation						
At 1 April 2020	461,793	143,514	411,504	394,778	20,083	1,431,673
Provided in the year	6,586	12,577	-	54,237	46,408	119,808
Disposal	-	-	-	-	-	-
At 31 March 2021	468,379	156,091	411,504	449,015	66,492	1,551,480
Net Book amount at						
31 March 2021	3,604	14,251	-	171,850	164,583	354,287
Net Book amount at						
31 March 2020	10,190	22,839	-	69,961	27,292	130,281

Notes to the Financial Statements

For the year ended 31 March 2019

11. Debtors

	2021	2020
	£	£
Trade debtors	733,250	310,400
Prepayments and accrued income	151,769	47,842
	<u>885,019</u>	<u>358,242</u>

12. Cash and cash equivalents

	2021	2020
	£	£
Cash at bank and in hand	<u>2,836,454</u>	<u>2,747,687</u>

13. Creditors: Amount falling due within one year

	2021	2020
	£	£
Trade creditors	332,858	654,167
Other taxes and social security	618,997	796,012
Other creditors	646,790	66,264
Accruals	1,136,817	586,793
	<u>2,735,463</u>	<u>2,103,236</u>

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

	2021	2020
	£	£
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	<u>1,050,000</u>	<u>1,400,000</u>
	<u>2,450,000</u>	<u>2,800,000</u>

Loans included within creditors, are analysed as follows:

	2021	2020
	£	£
2.5% above base revolving loan	1,837,500	2,100,000
4.24% set-up loan facility	<u>612,500</u>	<u>700,000</u>
	<u>2,450,000</u>	<u>2,800,000</u>

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 Surrey County Council 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.

Surrey Choices was able to repay the first annual instalment a year early in 2020/21.

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

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:

	2021 £	2020 £
Within one year	68,275	92,379
Between one and five years	<u>142,600</u>	<u>31,075</u>

16. Financial instruments

Financial instruments are measured at amortised cost

Financial assets	2021 £	2020 £
Debtors	733,250	310,400
Cash	<u>2,836,454</u>	<u>2,747,687</u>
	<u>3,569,705</u>	<u>3,058,087</u>
Financial liabilities		
Trade creditors	332,858	654,167
Other creditors	1,783,607	653,057
Loans	<u>2,450,000</u>	<u>2,800,000</u>
	<u>4,566,465</u>	<u>4,107,224</u>

Notes to the Financial Statements

For the year ended 31 March 2019

17. Profit and Loss Account

	2021 £	2020 £
Opening balance	(3,770,125)	(4,213,515)
Profit/(Loss) for the financial period	4,170,325	656,390
Actuarial (loss)/gain on defined benefit pension scheme asset	(1,510,000)	(213,000)
Deferred tax asset/(liability) on defined benefit scheme asset	-	-
Closing balance as at 31 st March	<u>(1,109,800)</u>	<u>(3,770,125)</u>

18. Share Capital

	2021 £	2020 £
Allotted, called up and fully paid		
100 - Ordinary shares of £1 each	<u>100</u>	<u>100</u>

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.

The changes in obligation as at 31st March 2021 is £3,501,000 (2020 - £15,000) with a net liability of £3,828,000 (2020 - £2,103,000). Surrey County Council have provided an indemnity in relation to pension liabilities. Surrey Choices has transferred the entire pension liability amounting to £3.8m back to SCC on the last day of the period. Given that Surrey Choices has legally been relieved of any ongoing liability in respect of the pension scheme, the resulting intercompany balance from the transfer has been written off in the current year.

This will improve the balance sheet and make the statutory results less volatile going forwards as pension fund actuarial gains and losses will no longer have to be accounted for.

The service cost charged to the profit and loss account for the period 31st March 2021 is £244,000 (2020 - £347,000) and the net finance cost £74,000 (2020 - £69,000). The actuarial loss for the period charged to the statement of recognised gains and losses is £1,510,000 (2020 - loss of £213,000).

Notes to the Financial Statements

For the year ended 31 March 2019

19. Pension Obligations (continued)

	2021 £	2020 £
Scheme assets	7,636,000	5,860,000
Scheme obligations	(12,501,000)	(9,000,000)
	<u>(4,865,000)</u>	<u>(3,140,000)</u>
Net liability at transfer - obligation of Surrey County Council	(1,037,000)	(1,037,000)
Net liability arising since transfer	(3,828,000)	(2,103,000)
Transfer of liability to Surrey County Council	4,865,000	-
	<u>-</u>	<u>(3,140,000)</u>

Reconciliation of opening and closing balances of the defined benefit obligation

	2021 £	2020 £
Defined Benefit obligation at the start of the period	9,000,000	8,985,000
Current Service cost	244,000	347,000
Interest Expense	209,000	229,000
Contributions by plan participants	49,000	59,000
Actuarial losses /(gains)	3,116,000	(518,000)
Benefit paid	(117,000)	(102,000)
Defined benefit obligation at the end of the period	<u>12,501,000</u>	<u>9,000,000</u>

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

	2021 £	2020 £
Fair value of plan assets at the start of the period	5,860,000	6,354,000
Income Interest	135,000	160,000
Actuarial gains /(losses)	1,606,000	(731,000)
Benefit paid	(117,000)	(102,000)
Contribution by the Employer	103,000	120,000
Contribution by plan participants	49,000	59,000
Fair value of plan assets at the end of the period	<u>7,636,000</u>	<u>5,860,000</u>

Notes to the Financial Statements

For the year ended 31 March 2019

19. Pension obligations (continued)

Defined benefit costs recognised in profit or loss

	2021	2020
	£	£
Current service cost	244,000	347,000
Net interest cost	74,000	69,000
Loss on curtailments	-	-
Defined benefit costs recognised in profit and loss account	<u>318,000</u>	<u>416,000</u>

Defined benefit costs recognised in other comprehensive income

	2021	2020
	£	£
Return on plan assets (excluding amounts included in net interest cost) - gain/ (loss)	1,606,000	(731,000)
Experience gain and losses on the liabilities – gain/(loss)	97,000	(512,000)
Effects of changes in the demographic and financial assumptions underlying the present value liabilities gain/ (loss)	(3,213,000)	1,030,000
Total amount recognised in other comprehensive income - (loss) / gain	<u>(1,510,000)</u>	<u>(213,000)</u>

Assets	2021	2020
	%	%
Equities	76	74
Bonds	16	17
Property	5	7
Cash	3	2
Total assets	<u>100</u>	<u>100</u>

Notes to the Financial Statements

For the year ended 31 March 2019

19. Pension obligations (continued)

Financial assumptions

	2021	2020
Discount rate	2.05%	2.3%
Salary growth rate	3.7%	2.7%
Pension growth rate	2.8%	1.8%
Average life expectancies male*	87.3 Yrs	87.1 Yrs
Average life expectancies female*	89.7 Yrs	87.9 Yrs

The amount of actuarial gains and losses recognised in the Statement of comprehensive income was £ 1,510,000 loss (2020 - £ 213,000 loss)

The Company expects to contribute £0 to its defined benefit pension scheme in 2022.

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:

	2021	2020
	£	£
Remuneration paid to key management	344,534	341,529

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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