

Annual Report

Surrey Choices Ltd

For the year ended 31 March 2022

Company Information

Directors	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 2022

The directors present their report, the strategic report, and the financial statements for the year ended 31 March 2022.

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 £204,353 (2021: £4,170,325).

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),

Directors' Report

For the year ended 31 March 2022

including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company Law, the directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors have confirmed that appropriate Directors and Officers insurance cover is in place.

Disclosure of information to the Company's auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditors

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

This report was approved by the board on 19th July 2022 and signed on its behalf.



Mette L. Jakobsen
Director

Strategic Report

The directors present their strategic report for the year ended 31 March 2022.

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 £13,045,433 (2020: £13,478,002) and a total comprehensive income for the financial period of £204,353 (2021: £2,660,325). At 31 March 2022, the company had net liabilities excluding pension liabilities of £905,347 (2021: £1,109,700) and net liabilities including pension liabilities of £905,347 (2021: £1,109,700). The directors of the company consider that the financial position at the period end is satisfactory, being in line with the business plan.

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

Future developments

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

Principal risks and uncertainties

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 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.

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.

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 19th July 2022 and signed on its behalf.



Mette L. Jakobsen
Director

INDEPENDENT AUDITORS' 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 2022 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2022 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director’s use of the going concern basis of accounting in the preparation of the financial statement is appropriate.

Based on the work we have 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 twelve 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 other information comprises the information included in the annual report other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the financial statement. 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.

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 course of 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 our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' 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 directors' report. We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the company and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to the acts by the company, which were contrary to applicable laws and regulations including fraud, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to improper revenue recognition.

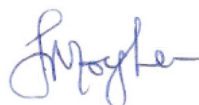
Audit procedures performed included: review of the financial statement disclosures to underlying supporting documentation, review of correspondence with and reports to the regulators, including correspondence with the Care Quality Commission, review of correspondence with legal advisors, enquiries of management and testing of journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Date: 22 July 2022

Chartered Accountants
Statutory Auditor

Statement of Comprehensive Income

For the year ended 31st March 2022

	Note	2022 £	2021 £
Turnover	3	13,045,433	13,478,002
Cost of Sales		(10,094,990)	(10,705,601)
Gross Profit		2,950,443	2,772,401
Administrative Costs		(2,620,461)	(2,271,086)
Operating Profit	4	329,982	501,316
Intercompany balance written off	19	-	3,828,000
Interest Payable and Financial expenses	8	(71,355)	(158,293)
Profit before tax		258,627	4,171,023
Tax on Profit	9	(54,274)	(698)
Profit for the year		204,353	4,170,325
Other Comprehensive Income for the Year			
Profit for the financial period		204,353	4,170,325
Actuarial (Losses) / Gains on defined benefit pension scheme	19	-	(1,510,000)
Other Comprehensive Income for the Year		-	(1,510,000)
Total Comprehensive Income for the Year		204,353	2,660,325

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 202

	Note	2022 £	2021 £
Fixed assets			
Tangible Assets	10	<u>314,289</u>	<u>354,287</u>
Current Assets			
Debtors	11	1,061,261	885,022
Cash at Bank and in Hand	12	<u>3,012,662</u>	<u>2,836,454</u>
		4,073,923	3,721,476
Creditors: Amounts Falling due within one year	13	<u>(3,175,149)</u>	<u>(2,735,463)</u>
Net Current Assets		<u>898,774</u>	<u>986,014</u>
Total Assets less current Liabilities		1,213,063	1,340,300
Creditors: Amount falling due after more than one year	14	(2,100,000)	(2,450,000)
Provision for liabilities	23	<u>(18,410)</u>	<u>-</u>
Net Liabilities		<u>(905,347)</u>	<u>(1,109,700)</u>
Capital and Reserves			
Called-up Share Capital	18	100	100
Profit and Loss Account	17	<u>(905,447)</u>	<u>(1,109,800)</u>
		<u>(905,347)</u>	<u>(1,109,700)</u>

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



Mette L. Jakobsen
Director

Statement of cash flows

For the year ended 31st March 2022

	2022	2021
	£	£
Cash flow from operating activities		
Profit /(Loss) for the financial year	204,353	4,170,325
Adjustments for:		
Depreciation of tangible assets	178,435	119,808
Interest paid	74,131	87,967
Pension service and finance cost recognised	-	318,000
Employer pension contributions	-	(103,000)
Pension Transfer Write-off	-	(3,828,000)
(Increase) in trade and other debtors	(176,240)	(526,778)
Increase in trade creditors	458,096	632,226
Cash flow from operations	<u>738,775</u>	<u>870,547</u>
Net cash generated by operating activities	<u>738,775</u>	<u>870,547</u>
Cash flows from investing activities		
Improvement of Lease property	(6,566)	-
Purchase of other fixed assets	(131,870)	(343,813)
Net cash from investment activities	(138,436)	(343,813)
Cash flows from financing activities		
Loan repaid	(350,000)	(350,000)
Interest accrual	(74,131)	(87,967)
Net cash used by financing activities	(424,131)	(437,967)
Net increase in cash and cash equivalents	176,208	88,767
Cash and cash equivalents at the beginning of the year	<u>2,836,454</u>	<u>2,747,687</u>
Cash and cash equivalents at the end of the year	<u>3,012,662</u>	<u>2,836,454</u>

Statement of Changes in Equity

For the year ended 31st March 2022

	Share Capital	Profit and Loss Account	Total Equity
	£	£	£
At 31 March 2020	100	(3,770,125)	(3,770,025)
Profit for the year		4,170,325	4,170,325
Actuarial Gain/ Loss net of tax		(1,510,000)	(1,510,000)
At 31 March 2021	100	(1,109,800)	(1,109,700)
Profit for the year		204,353	204,353
At 31 March 2022	100	(905,447)	(905,347)

Notes to the Financial Statements

For the year ended 31 March 2022

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 2022

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 2022

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)

Surrey Choices agreed with Surrey County Council in the last financial year to transfer the LGPS pension fund liability back to Surrey County as at the 31st March 2021. The LGPS pension liability of £3.8M no longer appears on the balance sheet as of this date.

Notes to the Financial Statements

For the year ended 31 March 2022

Pensions (continued)

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

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.

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 the 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 2022

1.13 Taxation

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

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

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

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

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

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

When preparing the financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgements, estimates and assumptions made by management, and will seldom equal estimated results. Information about the significant judgements, estimates and assumptions that have the most significant effect on the recognition and measurement of asset, income and expenses is provided below.

2.1. Improvement of Lease Property

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

2.2. Pension and other post-employment benefits

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

2.3 Useful lives of depreciable assets

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

Notes to the Financial Statements

For the year ended 31 March 2022

3. Turnover

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

4. Operating profit

The operating profit is stated after charging

	2022	2021
	£	£
Operating leases - property	822,596	840,159
Depreciation of owned assets	178,435	119,808
Auditor's remuneration	22,300	21,000
Defined contribution pension cost	-	103,000
Other scheme contribution pension cost	588,219	698,077

5. Auditor's remuneration

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

	2022	2021
	£	£
Audit of financial statements	18,600	17,500
Other audit related service: certification of Teachers' Pensions	3,700	3,500
	22,300	21,000

* Taxation compliance service in 2022 was provided by an independent company, RSM UK Tax and Accounting, for a fee of £1,800.

Notes to the Financial Statements

For the year ended 31 March 2022

6. Particulars of employees

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

	2022	2021
	£	£
Wages and salaries	6,755,521	6,956,609
Social security	584,920	558,079
Pension cost	588,219	801,077
	<u>7,928,660</u>	<u>8,315,764</u>

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

	2022	2021
	£	£
Support workers and operational staff	308	299
Managers	14	14
	<u>322</u>	<u>313</u>

7. Directors' remuneration

	2022	2021
	£	£
Wages and salaries	120,662	119,100
Social security Cost	13,775	13,568
Other Pension costs	4,909	4,909
	<u>139,346</u>	<u>137,576</u>

8. Interest payable and financial expenses

	2022	2021
	£	£
Interest on SCC Loan	74,134	87,967
Bank Interest Receivable	(2,779)	(3,674)
Other Finance Costs	-	74,000
	<u>71,355</u>	<u>158,293</u>

Notes to the Financial Statements

For the year ended 31 March 2022

9. Taxation

	2022	2021
	£	£
Current tax		
United Kingdom Corporation tax	35,864	698
Deferred tax		
Origination and reversal of timing differences	18,411	-
Prior year deferred tax adjustment	(1)	-
Total deferred tax (expenditure)/income on ordinary activities	54,274	698
Provision for deferred tax		
Fixed Asset timing differences	24,948	-
Short term timing differences	(6,538)	-
Total deferred tax (asset)/liability	18,410	-
Movement in provision		
Deferred tax charged to the income statement in the period	18,410	294,793
Deferred tax charged to the statement of comprehensive income		(286,900)
Provision at end of period	18,410	7,893

Factors affecting tax charge for the year

	2022	2021
	£	£
Profit on ordinary activities before tax	258,627	4,171,023
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	49,140	792,494
Effects of:		
Fixed asset differences	(7,177)	1,020
Gains /Losses or otherwise transferred	-	197,030
Other tax adjustments, reliefs and transfers	-	(135)
Remeasurement of deferred tax for changes in tax rates	4,418	-
Other deferred tax not recognised	7,893	(989,711)
Tax on results on ordinary activities	54,274	698

Notes to the Financial Statements

For the year ended 31 March 2022

10. Fixed Assets

For the year ended 31 March 2022

Tangible Fixed Assets

	Lease- hold property Improvements	Furniture, Fixtures & Equipment	Former Council Fixtures & Fittings	Computer Equipment	Motor Vehicles	Total
	£	£	£	£		£
Cost						
At 1 April 2021	471,983	170,342	411,504	620,865	231,075	1,905,769
Additions	6,566	31,982	-	99,888	-	138,436
Disposal	-	-	-	-	-	-
At 31 March 2022	478,549	202,324	411,504	720,753	231,075	2,044,205
Depreciation						
At 1 April 2021	468,379	156,091	411,504	449,015	66,492	1,551,481
Provided in the year	3,067	14,411	-	89,554	71,403	178,435
Disposal	-	-	-	-	-	-
At 31 March 2022	471,446	170,502	411,504	538,569	137,895	1,729,916
Net Book amount at						
31 March 2022	7,103	31,822	-	182,184	93,180	314,289
Net Book amount at						
At 31 March 2021	3,604	14,251	-	171,850	164,583	354,288

Notes to the Financial Statements

For the year ended 31 March 2022

11. Debtors

	2022	2021
	£	£
Trade debtors	919,123	733,250
Prepayments and accrued income	142,138	151,769
	<u>1,061,261</u>	<u>885,019</u>

12. Cash and cash equivalents

	2022	2021
	£	£
Cash at bank and in hand	<u>3,012,662</u>	<u>2,836,454</u>

13. Creditors: Amount falling due within one year

	2022	2021
	£	£
Trade creditors	442,297	332,858
Other taxes and social security	634,241	618,997
Other creditors *	701,385	646,790
Accruals	1,397,226	1,136,817
	<u>3,175,149</u>	<u>2,735,463</u>

Notes to the Financial Statements

For the year ended 31 March 2022

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

Maturity of Debt

Surrey Choices Ltd	Loans and Overdrafts	
	2022	2021
	£	£
Within one year	-	350,000
In two to five years	1,400,000	1,050,000
In more than five years	<u>700,000</u>	<u>1,050,000</u>
	<u>2,100,000</u>	<u>2,450,000</u>

Loans included within creditors, are analysed as follows:

	2022	2021
	£	£
2.5% above base revolving loan	1,575,000	1,837,500
4.24% set-up loan facility	<u>525,000</u>	<u>612,500</u>
	<u>2,100,00</u>	<u>2,450,000</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 SCC in 2018/19 that these terms would be extended. They will be paid in annual instalments of £350k from 2021/22, and to be fully repaid by 2028/29. 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 2022

15. Leasing Commitments

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

	2022	2021
	£	£
Within one year	40,625	68,275
Between one and five years	<u>115,104</u>	<u>142,600</u>

16. Financial instruments

Financial instruments are measured at amortised cost

Financial assets	2022	2021
	£	£
Debtors	919,125	733,250
Cash	<u>3,012,662</u>	<u>2,836,454</u>
	<u>3,931,787</u>	<u>3,569,705</u>
Financial liabilities		
Trade creditors	442,297	332,858
Other creditors	2,098,611	1,783,607
Loans	<u>2,100,000</u>	<u>2,450,000</u>
	<u>4,640,908</u>	<u>4,566,465</u>

Notes to the Financial Statements

For the year ended 31 March 2022

17. Profit and Loss Account

	2022	2021
	£	£
Opening balance	(1,109,800)	(3,770,125)
Profit/(Loss) for the financial period	204,353	4,170,325
Actuarial (loss)/gain on defined benefit pension scheme asset	-	(1,510,000)
Closing balance as at 31 March	<u>(905,447)</u>	<u>(1,109,800)</u>

18. Share Capital

	2022	2021
	£	£
Allotted, called up and fully paid		
100 - Ordinary shares of £1 each	<u>100</u>	<u>100</u>

19. Pension obligations

Surrey Choices agreed with Surrey County Council in the last financial year to transfer the LGPS pension fund liability back to Surrey County as at the 31st March 2021. The LGPS pension liability of £3.8M no longer appears on the balance sheet as of this date.

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.

19. Pension obligations

	2022	2021
	£	£
Scheme assets		7,636,000
Scheme obligations		<u>(12,501,000)</u>
	-	<u>(4,865,000)</u>
Net liability at transfer - obligation of Surrey County Council	-	(1,037,000)
Net liability arising since transfer	-	(3,828,000)
Transfer of liability to Surrey County Council	<u>-</u>	<u>4,865,000</u>
	<u>-</u>	<u>-</u>

Notes to the Financial Statements

For the year ended 31 March 2022

19. Pension obligations (continued)

Reconciliation of opening and closing balances of the defined benefit obligation

	2022	2021
	£	£
Defined Benefit obligation at the start of the period	-	9,000,000
Current Service cost	-	244,000
Interest Expense	-	209,000
Contributions by plan participants	-	49,000
Actuarial losses /(gains)	-	3,116,000
Benefit paid	-	(117,000)
Defined benefit obligation at the end of the period	-	<u>12,501,000</u>

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

	2022	2021
	£	£
Fair value of plan assets at the start of the period	-	5,860,000
Income Interest	-	135,000
Actuarial gains /(losses)	-	1,606,000
Benefit paid	-	(117,000)
Contribution by the Employer	-	103,000
Contribution by plan participants	-	49,000
Fair value of plan assets at the end of the period	-	<u>5,860,000</u>

19. Pension obligations (continued)

Defined benefit costs recognised in profit or loss

	2022	2021
	£	£
Current service cost	-	244,000
Net interest cost	-	74,000
Defined benefit costs recognised in profit and loss account	-	<u>318,000</u>

Notes to the Financial Statements

For the year ended 31 March 2022

Defined benefit costs recognised in other comprehensive income

	2022	2021
	£	£
Return on plan assets (excluding amounts included in net interest cost) - gain/ (loss)	-	1,606,000
Experience gain and losses on the liabilities – gain/ (loss)	-	97,000
Effects of changes in the demographic and financial assumptions underlying the present value liabilities gain/ (loss)	-	(3,213,000)
Total amount recognised in other comprehensive income - (loss) gain	-	(1,510,000)

	2022	2021
	%	%
Assets		
Equities	-	76
Bonds	-	16
Property	-	5
Cash	-	3
Total assets	-	100

19. Pension obligations (continued)

Financial assumptions

	2022	2021
Discount rate	-	2.1%
Salary growth rate	-	3.7%
Pension growth rate	-	2.8%
Average life expectancies male*	-	87.3 Yrs
Average life expectancies female*	-	89.7 Yrs

Notes to the Financial Statements

For the year ended 31 March 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:

	2022	2021
	£	£
Remuneration paid to key management	349,842	344,534

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

23. Provision for liabilities

	2022	2021
	£	£
Provision for liabilities	<u>18,410</u>	<u>-</u>

Notes to the Financial Statements

For the year ended 31 March 2022

24. Analysis of changes in net debt

	At 31 March 2021 £	Cash flows £	Other non-cash changes £	At 31 March 2022 £
Cash and cash equivalents:				
Cash	<u>2,836,454</u>	<u>176,209</u>	<u>-</u>	<u>3,012,663</u>
Borrowings:				
Intra-group debt	<u>(2,450,000)</u>	<u>350,000</u>	<u>-</u>	<u>(2,100,000)</u>
Net Debt	<u>386,454</u>	<u>526,209</u>	<u>-</u>	<u>912,663</u>

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