

PHOENIX HOUSE
(Trading as Phoenix Futures)

FINANCIAL STATEMENTS

for the year ended

31 MARCH 2013

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COMPANIES HOUSE

PHOENIX HOUSE

FINANCIAL STATEMENTS for the year ended 31 MARCH 2013

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PHOENIX HOUSE

FINANCIAL STATEMENTS for the year ended 31 MARCH 2013

DIRECTORS

Mr William Caplan
Dr Karim Dar
Mr Mike Ewart
Dr Emily Finch
Mr Mark Haysom (Chair)
Ms Vicky Hemming
Mr Anthony Hunter
Dr Michael Josef Kelleher
Ms Susan Matheson
Ms Gill Saunders
Mr Gordon Statham
Ms Sarah Thewlis (Vice-Chair)

SENIOR MANAGEMENT

Ms Karen Biggs (Chief Executive)
Ms Adele Duncan (Director of Operations - England)
Mr George Lambis (Director of Finance)
Ms Marion Logan (Director of Operations – Scotland)
Ms Paula Logan (Director of Resources)

SECRETARY

Mr George Lambis

REGISTERED OFFICE

Phoenix House
3rd Floor
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London
SE1 4PG

BANKERS

National Westminster Bank plc
216 Bishopsgate
London
EC2M 4QB

AUDITORS

Nexia Smith & Williamson
25 Moorgate
London
EC2R 6AY

REGISTERED CHARITY NUMBER

284880

COMPANY NUMBER

1626869

HOMES AND COMMUNITIES AGENCY REGISTERED NUMBER

H 3795

PHOENIX HOUSE

FINANCIAL STATEMENTS for the year ended 31 MARCH 2013

Overview and key highlights

Phoenix Futures helped 20,436 people on their journey to recovery from drug and alcohol issues in the year ended 31 March 2013, a 7% increase on the previous year

The Charity continued to demonstrate strong financial performance during the year ended 31 March 2013. Total income from services remained at the same level as the previous year but total expenditure decreased through effective procurement and savings in a number of areas. This enabled the Charity to reach the level of free reserves which will provide it with protection in a difficult and competitive environment.

The Phoenix Futures People Strategy was recognised by the Third Sector Excellence Awards 2012 with the Charity winning Best Employer Award 2012, a validation of its approach by a prestigious panel of its peers within the voluntary sector.

The 'Phoenix Plus' business model was launched during the year. The model provides a focus on developing services which support the recovery of service users in addition to the 'treatment' they are receiving, addressing issues around housing, family support, employability and community engagement. Staff and service users have worked together during the year to develop new models of support that align with the Phoenix Plus model.

The Charity agreed to provide a number of services previously provided by NORCAS Limited based in East Anglia. A number of unique models were provided by NORCAS services and aspects of those services will now be duplicated across Phoenix services.

In the last year the Charity has invested in developing its capabilities to create a strong evidence base for the effectiveness of all its activities, thus enabling it to play a key part in working within its commissioning environments by compiling and presenting the evidence to support the work it does.

The year ended 31 March 2013 saw further evidence of a continued commitment to pursuing initiatives that have the potential to gain incremental improvement in engagement and retention in treatment and therefore successful completions.

The Charity actively pursued opportunities to increase awareness of the work it does and to reduce the stigma faced by people affected by addiction. For example, the Voyage of Recovery enabled the publication of a series of high profile positive media stories around people in recovery.

The Charity established a Scottish Board which will recommend Scottish strategy to the Charity's Board of Directors. A Phoenix Futures Scotland brand has also been launched to reinforce the Charity's commitment to its Scottish operation.

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FINANCIAL STATEMENTS for the year ended 31 MARCH 2013

Directors' Report

The Directors present herewith their report and accounts for the year ended 31 March 2013

Activities

The principal activity of the Charity, which is a registered charity and provider of social housing, is the provision of services for the rehabilitation of problematic substance misusers. The Charity is now one of the most diverse service providers in the substance misuse sector.

Vision, Values and Mission

Phoenix Futures' vision is that every person who is dependent on drugs and alcohol has the potential to rebuild their lives.

The values which underpin the Charity's approach to the delivery of its services are "effective, caring, person-focused and committed". These values define relationships with service users, staff, commissioners, funders and community partnerships. The Charity strives to achieve excellence, continuous improvement and value for money in all areas of its operations. It operates within communities, valuing diversity and working closely with local authorities and community groups in order to maximise its contribution. The Charity's ethos is focused on accountability. It values the contribution of its service users, staff and stakeholders and focuses on conduct in accordance with the highest standards of governance at all times.

The Charity delivers comprehensive recovery services within local communities and its mission is to bring about positive change in the lives of individuals, families and communities affected by substance misuse.

Aspirations and Recovery

Phoenix Futures prides itself on its ability to be able to deliver a range of interventions in prisons and in the community and plans to continue to do this within the new commissioning framework. The Board believes that one form of treatment does not work for all and that by providing a comprehensive range of services the Charity can best respond to the needs of the communities in which it operates.

Phoenix Futures' services deliver hope and aspiration for those affected by problematic use of alcohol and drugs, their families and their communities. Through its staff and its graduates the Charity shows that recovery is possible. Recovery is more than abstinence from alcohol and drugs, it's about building a full, meaningful, and productive life in the community. The Board believes that for recovery to be meaningful it needs to be defined by the individual but there are certain things that are common to all recovery experiences, stable accommodation, meaningful activity, mutually beneficial relationships and improved quality of life. The Charity continues to find innovative ways to support service users on their recovery journey.

Delivery of Public Benefit

The Board has reviewed the Charity's aims, in the context of requirements set by the Charities Commission and the Office of the Scottish Charity Regulator, with a view to ensuring that the Charity continues to serve public benefit.

The Board is satisfied that the Charity's services, through the skills and dedication of the Charity's staff, bring positive change in the lives of the individuals, families and communities affected by substance misuse by reducing the impact of drug and alcohol-related harm and enabling service users to rebuild their lives.

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FINANCIAL STATEMENTS for the year ended 31 MARCH 2013

Directors' Report (continued)

Who we provide for

The Charity helped 20,436 people last year in their journey to recovery from drug and alcohol issues, as follows

- 893 (2012 897) in Residential services
- 7,384 (2012 4,732) in Community services
- 12,159 (2012 13,519) in prisons

Many of our service users are from the most deprived communities in the country. They face considerable educational, health and well-being challenges,

Whilst 1% of the UK population grew up in care, 27% of Phoenix Futures service users were brought up in care. The majority of children in care are there because they have suffered abuse or neglect.

Children taken into care are two and a half times more likely to become teenage parents and 66 times more likely to have their own children taken into care (Department of Education).

51% of our service users were admitted to A&E in the last year, and 60% have been in prison compared to just 0.1% of the UK population.

From Mosaic* profiling of our service user base we also know that our service users are three times more likely than an average UK household to fall into a 'Claimant Culture' profile, consisting of families reliant on benefits living in low-rise council housing where there is widespread disadvantage.

Our service users are more than four times more likely to be classified as 'New Parents in Need' as they are made up of young parents who are often single, bringing up young children in barely adequate council terraces facing considerable disadvantage.

Despite these multiple complex needs our outcomes show remarkable success in enabling those people who access our service to make significant long lasting change in their lives.

How we provide our services

Integrated treatment pathways

The Charity's services are able to support service users at every stage of their recovery, from making first contact with treatment through outreach services, to providing structured counselling, residential rehabilitation and resettlement, thus benefitting service users, their families and their communities.

The work carried out in prisons allows for the delivery of effective treatment to people whilst they are serving their sentence, but also allows for continuity of care and support as people end their sentence and move out into the community.

We are also uniquely positioned to be able to provide integrated treatment pathways between prison, community and residential services, enabling service users to experience a consistency of support as they move through different treatment environments.

*Mosaic is a classification tool developed by Experian and used by Charities to develop an insight into a better understanding of lives of service users or customers.

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FINANCIAL STATEMENTS for the year ended 31 MARCH 2013

Directors' Report (continued)

Phoenix Plus model

Developed and launched in 2012, we have created a new business model that develops the wider recovery of an individual called the 'Phoenix Plus' Model. This is the name we are giving to our focus on developing services that support the recovery of our service users in addition to the 'treatment' they are receiving in community, prison and residential services.

This model addresses issues around housing, family support, employability and community engagement.

Staff and service users have worked together to develop new models of support that align with the Phoenix Plus model throughout 2012 and into 2013.

Continuous improvement

We are committed to testing initiatives that have the potential to gain incremental improvement in engagement and retention in treatment, and therefore successful completions.

In 2012 we tested the effect of using a new and challenging environment during treatment. The test involved the use of a major sailing voyage which we called the Voyage of Recovery. Service users representing all our community and residential services took part in sailing a traditional sail boat around the coastal waters of Britain. The Charity, through the Voyage of Recovery, actively pursued to reduce the stigma faced by people affected by addiction. The impact of the voyage on the retention and completion rates is being assessed and the findings will be used to roll out future voyages and similarly beneficial activities.

A focus on evidence and reporting of best practice

During 2012/13 we have invested in developing our capabilities to create a strong evidence base for the effectiveness of all our activities. This has led to the development of a research post within our Quality and Performance Team focusing on a range of projects designed to provide greater understanding of the effectiveness of our work.

We also began an accredited Social Return on Investment (SROI)* research programme to ascertain the value of our National Specialist Family Service. This report will be issued in 2013.

In October 2012 we produced our first national impact report and we anticipate moving on to create localised impact reports for the communities in which we operate individual services.

Through all this work we aim to be able to play a key part in working within our new commissioning environments (Public Health England and NHS England) by compiling and presenting the evidence to support the work we do.

Partnerships

Our proactive approach to working with other organisations to achieve a common aim continued in 2012/13.

We engaged in both contracted partnership in order to tender for core service provision, and more informal partnership designed to provide complementary services for service users.

During 2013 we celebrated the five year anniversary of working with the National Trust on our Recovery through Nature programme, a partnership which was nominated for a Third Sector Excellence Award, and developed new partnerships with six new partners across the country, including the Forestry Commission in England.

* SROI is a framework based on social generally accepted accounting principles (SGAAP) that can be used to help manage and understand the social, economic and environmental outcomes created by an activity or organisation.

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FINANCIAL STATEMENTS for the year ended 31 MARCH 2013

Directors' Report (continued)

The services we provide

Community Services

The Charity delivers a diverse range of services providing information, advice and support for people with problematic drug and alcohol use in their own communities as follows

Community Recovery Services - where clients live off site, but visit services on a daily basis for group work, psychosocial interventions and access to education and employment training,

Harm Reduction and Outreach – the Charity provides drop-in centres and outreach services and engages with drug users in order to provide practical help such as housing and benefits advice,

Our outreach work used a needs-based approach to provide support including needle exchange, practical help with tenancies or benefit claims

Floating Support - to help substance misusers who are in danger of losing their homes

Recovery navigation or hub services - which take responsibility for navigating the client through various treatment options and which focus on recovery as opposed to treatment. These services focus on the whole person and ensure help is obtained for housing and employment for example

Recovery through Nature - which operates as an adjunct to many of our community programmes. Recovery through Nature enables people in recovery to volunteer as part of teams to help conserve important areas of the countryside. It is a powerful engagement and retention programme which provides tangible results to those participating including awards provided by the John Muir Trust, as well as the environment and local communities. People who participated in Recovery through Nature across Phoenix had a 48% improvement in treatment completion rates compared to people who did not participate

The conservation work carried out by service users equates to a total 30,347 volunteer hours during 2012/13. This is direct evidence of our service users giving something valuable back to their communities

In 2012 we also launched our first Public Health England funded outreach model B-Chilled which works in partnership with a range of local agencies in Birmingham to target Birmingham's night time economy. Interventions were delivered to 2,177 individuals to help address issues related to club drugs, sexual health and personal safety

Prison Services

Working in partnership with prison services in England and Scotland and local Drug and Alcohol Action Teams (DAATs) and Alcohol and Drug Partnerships (ADPs), the Charity's programme provides advice and support for prisoners to help them address their drug and alcohol problems and offending behaviour. These programmes include continuity of care and support beyond the prison gates and back into communities

As well as developing our own Prison Therapeutic Community model, in 2012 we also launched the innovative Building Futures programme. Now operating in three prisons, Building Futures is a highly responsive model focused around the holistic needs of the client

We continue to build on the integrated pathways between prison services and community and residential care, to ensure a continuity of care that reduces the risk of re-offending. What's more our Service User Qualification programme operates in HMP Northumberland, HMP Holme House and HMP Kirkclevington giving our service users an improved chance of employment on release. We are also introducing family support at every prison we work within so that family and carers can better understand the needs and risks when service users return back into the community.

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Directors' Report (continued)

Residential Adult and Family Services

The Charity is the foremost provider of residential rehabilitation in the UK. It provides adult rehabilitation for men and women aged 18+ and family services for parents with children aged up to 11. Service users with some of the most severe problems and complex needs benefit from these services. The Charity's family services enable parents to address their drug and alcohol problems whilst retaining care of children. The Charity provides an intensive rehabilitation programme for single mothers and fathers, couples and pregnant women. Residential services also include supported housing services where clients live independently in flats or rooms with communal areas and receive support to remain drug and alcohol free.

Residential adult and family services are provided free of charge to the end user with access coming through local authority Community Care Assessment and admissions are based on the local eligibility and prioritisation criteria managed by Social Care Managers.

The Charity maintained its approach of continuous improvement in its Residential services. The focus during the year was to achieve continued improvements in quality, flexibility and value for money which the Board believes will allow the Charity to respond effectively to the challenging environment of the residential sector. Service user satisfaction in our residential services was 13% higher in March 2013 than at the same time the previous year, and less than a third of clients now drop out incomplete.

In 2012 we piloted FLAMES groups at Wirral Residential Service. This family support group was subsequently successfully rolled out across all our residential services. Engaging family and carers of our services users is a key opportunity to improve service user treatment retention and long term recovery rates.

We also launched our first Young People's Service in April 2012, offering free treatment interventions for those young people aged from 11 to 25, who live in the Borough of Trafford. This is Phoenix Futures first ever Young People's Service, bringing a major new opportunity to the organisation.

Recovery House Model

Appropriate, affordable housing is a key concern for our service users whether in community treatment or on leaving prison or residential rehab. Housing is essential to enabling service users to engage positively in the community and gain long term employment.

During 2012/13 we have trialled the provision of peer supported, abstinence based, move-on accommodation in the Wirral area. The model has proved successful with no relapses from tenants through the course of the year. The learnings from this trial will inform our future strategy for housing provision.

Work Programme

Our service provision through the work programme has enabled us to access 1,197 people in need of support to address substance misuse issues. These are people who would not normally access our service and therefore the Work Programme is an opportunity to increase our reach as an organisation.

Value for Money

The Charity manages resources in order to provide quality services. During the year ended 31 March 2013, it improved its collection of evidence and reporting of best practice and developed new innovative models as set out in this report. The Charity produced its first national impact report and carried out an SROI report which is awaiting accreditation. During the year significant expenditure savings were achieved through procurement and management and support costs in the Charity's services were reduced by 2% compared to budget. Surplus cash balances were invested at improved interest rates compared to the previous year.

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FINANCIAL STATEMENTS for the year ended 31 MARCH 2013

Directors' Report (continued)

Value for Money (continued)

The Charity is carrying out a self-assessment of the performance of all assets and resources in order to develop a strategy to drive Value For Money (VFM) improvements as required by the Homes and Communities Agency. The self-assessment incorporates

- Cost comparison
- Cost reduction and maximisation of income collection
- The improvement of service delivery
- The embedding of a VFM Strategy
- The review of Procurement Policy

Results and review of the year

The Board is pleased to report that the Charity generated a surplus of £1,299,232 (2012: £1,671,205)

| | 2013 £ | 2012 £ |
|---|------------------|------------------|
| Total income* | 23,179,263 | 23,065,916 |
| Total expenditure | (21,871,359) | (22,623,142) |
| Operating Surplus from continuing operations | 1,307,904 | 442,774 |
| Surplus on disposal of fixed assets | - | 1,428,686 |
| Discontinued Operations ** | | |
| London Service | - | (11,641) |
| Brighton Service | (8,672) | (188,614) |
| Surplus | 1,299,232 | 1,671,205 |

* Including interest receivable but excluding discontinued operations

** Results of discontinued services operated from freehold properties disposed of

The Charity's operating surplus from continuing operations for the year ended 31 March 2013 was £1,307,904 (2012: £442,774)

The Charity maintained total income from services at the same level as the previous year but total expenditure decreased compared to the previous year as significant expenditure savings were achieved through expenditure controls and effective procurement. The rationalisation of registered care services led to a significant increase in utilisation in the Charity's five continuing services whilst expenditure decreased.

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FINANCIAL STATEMENTS for the year ended 31 MARCH 2013

Directors' Report (continued)

Results and review of the year (continued)

The Charity participates in the Social Housing Pension Scheme as disclosed in Note 19. In the context of Risk evaluation, and in order to mitigate risk, the Board, after consulting with staff, decided to close the Charity's final salary scheme participation to future accrual. The Board also considered the impact of accounting requirements under FRS 102 which relate to organisations such as Phoenix Futures participating in multi-employer schemes and which will be implemented in the financial year ending 31 March 2016. The implementation will have an impact on the Charity's reserves which may be reduced by future commitments relating to historic pension shortfalls as calculated by the scheme actuary. Free reserves increased to £4,940,081 (2012: 3,650,057) during the year and the Board is confident that the Charity has sufficient free reserves to cover such future commitments relating to historic shortfalls.

On 11 December 2012, the Charity agreed with NORCAS Limited, a company with similar charitable objects, to provide a number of services which were previously provided by NORCAS Limited. Where relevant, contracts for the provision of services were novated to Phoenix Futures, which also transferred in the staff providing those services under TUPE. The Charity also agreed to make NORCAS Limited a subsidiary company of Phoenix Futures subject to a pre-determined financial requirement being met by NORCAS Limited.

Transferring the services of NORCAS Limited in East Anglia to the Charity, has provided Phoenix Futures with the opportunity to continue to deliver much valued and needed services under the new name of Phoenix + NORCAS and to gain a presence in the region. Those services have a good reputation and outcomes with well-established links with funders and commissioners. A number of unique models were provided by some of the services and this expertise will be used to duplicate, where possible, aspects of these services across Phoenix Futures as part of the Phoenix Plus model.

The Economic and Political Environment in England

In its publication of the NHS white paper in July 2010 the government announced that the National Treatment Agency (NTA) would be abolished as a separate organisation and that its critical functions would be transferred to a new national service, Public Health England (PHE). The NTA has now been abolished and approximately £1 billion of drug and alcohol funding has been transferred to PHE as from 1 April 2013.

Responsibility for the commissioning of local recovery-orientated treatment services (Drugs and Alcohol) has now been assumed by Directors of Public Health, a joint appointment by Local Authorities and PHE. Health & Wellbeing Boards will support the Directors of Public Health in their Commissioning responsibility. The Boards bring together Directors of Public Health and other key stakeholders, including Clinical Commissioning Groups, Directors of Adult Services and Directors of Children's Services. The Boards will be responsible for local needs assessment and strategic planning. There has been concern about the potential for disinvestment in drugs and alcohol funding as drug and alcohol treatment represents one of 17 responsibilities of PHE.

The devolvement of decision-making and commissioning practice away from central government bodies to local and regional ones as well as reductions in funding therefore pose challenges for the Charity. The Board expects that the Charity will continue to operate in very difficult market conditions whilst pressure on the public sector deficit persists. The Board is however confident that corporate strategy and management are focused on these conditions and believes that the Charity is well placed to identify opportunities and develop local partnerships and relationships with key commissioners which will enable it to respond effectively.

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FINANCIAL STATEMENTS for the year ended 31 MARCH 2013

Directors' Report (continued)

The Economic and Political Environment in Scotland

The business environment in Scotland also continues to present challenges. There is high level, central government commitment to the role of the voluntary sector in Scotland and the Charity will continue to increase the understanding amongst its stakeholders and partners as to the unique role Phoenix Futures in Scotland has in making recovery a reality. This work has informed the specific targets and strategic direction for Scotland.

The Board is confident that the Charity's unique understanding of recovery and experience means that it is well placed to meet the needs of local commissioners through the development of a range of specific delivery models which enable services to initiate, sustain and maintain the recovery process for individuals, their families and the wider community.

Over the past year the Charity has established a Scottish Board which met for the first time in February 2013. The Scottish Board recommends Scottish strategy to the Charity's Board of Directors.

The strategic implications of market and government changes across the UK are continually reviewed by the Chief Executive who updates the Board regularly via the Board cycle and regular meetings with the Chairman.

Future Prospects

The Board has cautious expectations regarding future income growth in the context of anticipated significant public sector cuts in expenditure. The Charity's reputation as a good provider of a wide range of recovery services allows it to seize opportunities in the market and whilst the overall size of the market may diminish the Board's expectation is that market share will increase.

The Board carries out regular reviews of the Charity's financial results during the year and reviews financial viability via detailed budgets and re-forecasts which are prepared on the basis of prudent underlying assumptions in the context of a Risk Map and the current economic environment. The Charity continued to demonstrate a strong financial performance during the year ended 31 March 2013, and whilst the Board expects difficult market conditions, it is confident that the Charity will sustain its financial position in a difficult and competitive environment.

Our commitment to Equality & Diversity

At Phoenix we believe it is of the utmost importance that we foster a culture of inclusion and fairness where every member of staff is respected and valued, and where no sectors of society are disadvantaged in any way.

The way we work is not only governed by the legislation that outlaws discrimination and promotes equality and diversity, but also wholly encompasses the mission and core values of the Charity. Phoenix Futures delivers services in a way that genuinely recognises the importance of an inclusive society, bringing opportunities and access for all individuals.

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FINANCIAL STATEMENTS for the year ended 31 MARCH 2013

Directors' Report (continued)

Our commitment to Equality & Diversity (continued)

We demonstrate and evidence our commitment to equality and diversity by

- 1 Ensuring that our Equality and Diversity Policy is known to everyone we work with and to potential employees
- 2 Providing training to support our policy
- 3 Monitoring and reviewing our policy and practice, through our Equality & Diversity Working Group
- 4 Taking appropriate action against those who act in a way that contradicts or undermines our policy
- 5 Actively working with partner agencies such as Stonewall and Jobcentre Plus, to demonstrate and communicate our commitment to diversity and enhance organisational and employee skills in managing diversity issues
- 6 Using the information provided via the Diversity Monitoring Form, to assess how diverse our workforce is and to take action to increase diversity and inclusion where necessary, or to identify additional partner agencies to work with

Staff survey 2013

In January 2013 we completed a comprehensive staff survey in order to identify the level of staff engagement and learning and development needs

75% of staff completed the survey

90% of staff who responded indicated they enjoyed their role at Phoenix Futures. We also recorded that 91% of staff who responded indicated that they have an affinity with the vision, mission and values of the organisation

Actions have been identified to further improve the level of staff engagement and better meet the development needs of our staff. These are being implemented and the impact will be tracked in our next staff survey in January 2014

Positive action to grow our own talent

Having launched an apprenticeship scheme in January 2012 our first apprentice has now been employed on a permanent basis and throughout 2012/13 we have taken on four further apprentices in varied roles around the country. All are performing well in their new roles

We have continued to offer greater opportunities for work experience and training to our volunteers. In 2012 we opened up our in-house qualification programmes to volunteers to work towards and gain an NVQ level 3 in tackling substance misuse

Furthermore we have employed volunteers in every service in England and Scotland to complement the work of our paid staff

Staff learning and development is taken very seriously in Phoenix. By the end of the 2013 financial year our own team of professionally qualified trainers/assessors have supported 107 staff in gaining either an OCN qualification in Core Competency Framework or Tackling Substance Misuse, and a further 26 in NVQ Management level 3 and 5. Our inspection reports from both the Chartered Institute of Management and the Open College Network have been highly complementary and we will continue to support existing staff in gaining NVQ qualifications and to increase the percentage of staff with directly relevant qualifications in drug and alcohol treatment

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FINANCIAL STATEMENTS for the year ended 31 MARCH 2013

Directors' Report (continued)

Positive action to grow our own talent (continued)

In 2012 we became an accredited centre for QCF (Qualification and Credit Framework) and SQA (Scottish Qualifications Authority) and City and Guilds

Our staff have reported increased motivation and, in community services, increased attendance on the recovery programme, as a result of the introduction of the qualification courses. In addition, through careful piloting and consultation with staff, we have been able to ensure minimal increase in the day to day workload of staff in the services offering qualification training

Qualifications for Service Users

11% of the UK population don't have any formal qualifications compared to 21% of our service users. To help address this issue our Learning & Development (L&D) team have written and launched NVQ courses for current service users. In the last financial year up to 31 March 2013 127 service users have completed qualifications which will give them recognised credits sufficient to gain entry to foundation college courses at NVQ level 2. The courses completed are

- a Core personal development skills - 65
- b Employability skill - 9
- c Conservation programme - 15
- d Peer Mentoring skills - 32
- e Understanding Addiction - 6

Service user qualifications are now being offered from our services in Barnsley, Birmingham, Glasgow, Sheffield, Derby, and also in HMP Northumberland, HMP Holme House and HMP Kirkclevington. Service users accepted onto our Recovery through Nature programme can also work towards a qualification in environmental conservation. We are working towards accredited qualifications in catering and gardening for the residential services.

Staff terms and conditions

During 2012/13 we have successfully updated and aligned staff terms and conditions. This was done in proactive consultation with staff and has enabled us to ensure we are well positioned to compete in the markets in which we operate.

Achievements and performance highlights in 2012/13

Our Services

We have developed our own models of evidence based recovery orientated programmes including

- Building Futures, our prison programme, that has been successfully commissioned in three establishments across England
- B-Chilled, our first Public Health England funded service providing information and targeted interventions to reduce risks associated with drug and alcohol use in pubs and clubs in Birmingham
- Recovery House, our peer led move on housing, supporting people in a key stage in their recovery in the community
- Trafford Young Peoples Service, our first commissioned young people's service
- We have developed our own Prison Therapeutic Community model
- We have shown our innovation and ambition for our service users through the delivery of the Voyage of Recovery

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FINANCIAL STATEMENTS for the year ended 31 MARCH 2013

Directors' Report (continued)

Our People

- We have employed five apprentices across the country
- Supported 133 staff to achieve qualifications at NVQ level 3 and above
- Successfully reviewed and updated our staff terms and conditions ensuring consistency across the organisation
- Employed volunteers in every service in England and Scotland to complement the work of our paid staff

Our Strength

We have

- Continued our savings on procurement, central overheads and made our processes more efficient
- Continued to improve the viability of our services and our organisation

We have used our financial strength to

- Protect other vulnerable organisations – NORCAS
- Develop innovative ideas e.g. Voyage of Recovery, B-Chilled
- Improve how we work by investing in IT and developing our marketing approach

Our Communities

We have

- Delivered our first commissioned Peer Mentoring service in Lanarkshire, we have 35 trained volunteer Mentors who have delivered 110 hours of support
- Implemented our Work Programme services and delivered 3,200 appointments across England and Scotland
- Further developed our Recovery through Nature projects with six new delivery partners
- Established Phoenix Reunited, a club that allows graduates of our services to stay in contact with the organisation and their peers
- Delivered more support to families, for example, at our Scottish Residential service we have a family support group running twice a month and a yearly planner of events supported by staff and volunteers
- Delivered our first European Companionship in Education, training by travel (ECEtt) programme allowing staff to visit services across Europe and learn from international recovering communities

Our Effectiveness

This year we have

- Demonstrated our excellence by achieving the Third Sector Best Employer award & 4 stars in the EFQM Recognised for Excellence Model
- Increased service user satisfaction to 88%, a rise of 9% in the year
- Helped clients improve their physical health by 28%, and by 40% for those who did Recovery through Nature
- Measured the Social Return on Investment of our family services through an accredited SROI model

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FINANCIAL STATEMENTS for the year ended 31 MARCH 2013

Directors' Report (continued)

Trust and Foundations that have supported our work

The Board would like to thank the following organisations for supporting our valuable work during the year ended 31 March 2013

- Barbour Trust
- BBC Children in Need Appeal
- Big Lottery Fund
- Celtic Charity Fund
- Comic relief
- Coutts Charitable Trust
- The Freemasons' Grand Charity
- Gannochy Trust
- Miss Agnes H Hunter's Trust
- Marsh Christian Trust
- Natural England
- The Phoenix Association
- Robertson Trust
- Sherburn House Trust
- Henry Smith Charity
- Souter Charitable Trust
- Statham Family Charitable Trust
- Whirlwind Charitable Trust
- Westminster Foundation

Post Balance Sheet Events

As explained in the Directors' Report the Charity agreed to make NORCAS Limited a subsidiary company of Phoenix Futures subject to a pre-determined financial requirement being met by NORCAS Limited. This requirement has been met and the Charity will acquire NORCAS Limited as a subsidiary company following the completion of the legal process.

On 10 July 2013, the Charity disposed of a freehold property in Brighton for £656,000. The surplus on disposal was £125,419.

Directors

The Directors who served during the year were as follows

Mr William Caplan
Dr Karim Dar
Mr Mike Ewart
Dr Emily Finch
Mr Mark Haysom (Chair)
Ms Vicky Hemming
Mr Anthony Hunter
Dr Michael Josef Kelleher (Appointed on 7 November 2012)
Mr Simon Lanyon (Resigned on 7 November 2012)
Ms Susan Matheson
Ms Gill Saunders
Mr Gordon Statham
Ms Sarah Thewlis (Vice-Chair)

PHOENIX HOUSE

FINANCIAL STATEMENTS for the year ended 31 MARCH 2013

Directors' Report (continued)

Directors (continued)

All of the Directors are non-beneficial members of the Charity. All members of the Charity guarantee to contribute to a maximum of £1, should there be a call on their guarantee whilst members of the Charity or within one year after ceasing to be a member. The Directors of the Charity are also the Trustees.

Employment

The Charity sets out to recruit, develop and reward high quality employees and it provides equality of opportunity for all employees and job applicants regardless of gender, sexual orientation or marital status, race, colour, nationality or ethnic origin, disability, religion or age. It recognises and seeks to fulfil its obligations under the various statutory anti-discrimination regulations.

The Charity is fully committed to keeping all employees informed about their local operations, the business as a whole and their personal performance. Strong emphasis is placed on providing a safe and healthy working environment and training employees in safe working practices in accordance with the Charity's Health and Safety policy.

Internal Control

The Board has overall responsibility for establishing and maintaining the system of internal control for the Group and for reviewing its effectiveness.

No system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Charity's assets and interests. The Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Charity is exposed.

The Charity identified areas on which assurance is sought and matched these to sources of assurance. In order to monitor whether the sources of assurance identified adequately minimise or eliminate risk a control procedure is operated on a predetermined frequency basis via three Committees set up by the Board, the Audit & Control Committee, the Clinical Governance Committee and the Remuneration and Nominations Committee. The Committees have different areas of internal control although some areas overlap. During the year the Charity also established a Scottish Board which met for the first time in February 2013. The Scottish Board recommends Scottish strategy to the Charity's Board of Directors.

The Chief Executive reports on the overall adequacy of these areas of internal control via six-monthly reports to the Audit & Control and the Clinical Governance Committees. The Chief Executive also reports on any particular risks identified during the period covered by the report, and action taken, which affect specific areas on which assurance is being sought. The Committees report their conclusions to the Board.

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework includes:

PHOENIX HOUSE

FINANCIAL STATEMENTS for the year ended 31 MARCH 2013

Directors' Report (continued)

Risk management

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Charity's activities. This process is coordinated through a regular reporting framework by the Executive Team. The Executive Team regularly considers reports on significant risks facing the Charity and the Chief Executive is responsible for reporting to the Committees and the Board any significant changes affecting key risks.

Monitoring and corrective action

A process of control self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes rigorous procedures for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.

Control environment and control procedures

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. The Board has adopted and disseminated to all employees the governance document and staff handbook. These set out the Charity's policies with regard to the quality, integrity and ethics expected of its employees. It is supported by a framework of policies and procedures with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, health and safety, data and asset protection and fraud prevention and detection.

Information and financial reporting systems

Financial reporting procedures include detailed budgets for the year ahead. These are reviewed and approved by the Board. The Board also reviews reforecasts against budgets.

The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes. The internal control framework and the risk management process are subject to regular review by the Committees which are responsible for providing independent assurance to the Board via regular reports. The Committees consider internal control and risk regularly during the year.

Fraud prevention, detection and reporting

A financial policy on Fraud and Whistleblowing and financial controls and procedures have been established in order to prevent and detect fraud. The Charity operates a Fraud Register which itemises all instances of fraud/attempted fraud and the Audit & Control Committee regularly reviews the Fraud Register.

Review

The Directors, through the Audit & Control and Clinical Governance Committees, have reviewed the effectiveness of the Charity's system of internal financial control in operation during 2012/13.

PHOENIX HOUSE

FINANCIAL STATEMENTS for the year ended 31 MARCH 2013

Directors' Report (continued)

Disclosure of information to the auditors

In the case of each person who was a director at the time this report was approved

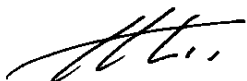
- so far as that director was aware there was no relevant available information of which the Charity's auditors were unaware, and
- that director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Charity's auditors were aware of that information

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006

Auditors

The current auditors, Nexia Smith & Williamson, are deemed to be reappointed as auditors

Approved by the Directors on 11 September 2013 and signed on their behalf by



George Lambis
Company Secretary

PHOENIX HOUSE

FINANCIAL STATEMENTS for the year ended 31 MARCH 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES WITH RESPECT TO THE ACCOUNTS

The directors are responsible for preparing 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Charity and of the surplus or deficit of the Charity for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Charity's transactions and disclose with reasonable accuracy at any time the financial position of the Charity 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 Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOENIX HOUSE

We have audited the financial statements of Phoenix House for the year ended 31 March 2013 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association'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 association'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 association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 18, the Directors are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the association's affairs as at 31 March 2013 and of its income and expenditure for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- have been prepared in accordance with the requirements of the Companies Act 2006, and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and The Accounting Direction for Private Registered Providers of Social Housing 2012.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOENIX HOUSE (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Housing and Regeneration Act 2008 require us to report to you if, in our opinion

- a satisfactory system of control over transactions has not been maintained,
- 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

Nexia Smith & Williamson

Jacqueline Oakes

Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

Date *25 September 2013*

PHOENIX HOUSE

INCOME AND EXPENDITURE ACCOUNT for the year ended 31 MARCH 2013

| | Notes | 2013 £ | 2012 £ |
|--|-------|------------------|------------------|
| TURNOVER | 2 | 23,081,253 | 22,903,708 |
| Operating costs | 2 | (21,881,014) | (22,708,194) |
| OPERATING SURPLUS | 6 | <u>1,200,239</u> | <u>195,514</u> |
| Surplus on disposal of fixed assets | 7 | - | 1,428,687 |
| Other interest receivable and similar income | 5 | 98,993 | 78,446 |
| Other interest payable and similar charges | 5 | <u>-</u> | <u>(31,442)</u> |
| SURPLUS FOR THE YEAR | 15 | <u>1,299,232</u> | <u>1,671,205</u> |

All the Charity's activities were continuing during the above two financial years There were no recognised gains or losses other than those reported above

PHOENIX HOUSE

Registered Number: 1626869

BALANCE SHEET as at 31 MARCH 2013

| | Notes | 2013 | 2012 |
|--|-------|------------------|------------------|
| | | £ | £ |
| FIXED ASSETS | | | |
| Tangible assets | | | |
| Housing properties - cost less depreciation | 8 | 2,639,382 | 2,709,341 |
| Grants - Other | 8 | (766,637) | (798,327) |
| | | <u>1,872,745</u> | <u>1,911,014</u> |
| Other tangible fixed assets | 9 | 193,922 | 146,445 |
| Investments | 10 | 100 | 100 |
| | | <u>2,066,767</u> | <u>2,057,559</u> |
| CURRENT ASSETS | | | |
| Debtors | 11 | 2,083,612 | 2,744,708 |
| Cash at bank and in hand | | 5,459,288 | 4,225,691 |
| | | <u>7,542,900</u> | <u>6,970,399</u> |
| CREDITORS Amounts falling due within one year | 12 | (2,572,919) | (3,274,445) |
| NET CURRENT ASSETS | | <u>4,969,981</u> | <u>3,695,954</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>7,036,748</u> | <u>5,753,513</u> |
| Provisions for liabilities and charges | 13 | 30,000 | 45,997 |
| CAPITAL AND RESERVES | | | |
| Share capital | 14 | - | - |
| Revenue reserve | 15 | 7,006,748 | 5,707,516 |
| | | <u>7,036,748</u> | <u>5,753,513</u> |

The financial statements were approved by the Directors on 11 September 2013 and signed on their behalf by

M Hayson

G Statham

Directors

PHOENIX HOUSE

CASH FLOW STATEMENT for the year ended 31 MARCH 2013

| | | 2013 | 2012 |
|--|------|-----------|-----------|
| | Note | £ | £ |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | A | 1,289,080 | 169,231 |
| Returns on investments and servicing of finance | | | |
| Interest received | | 65,459 | 45,996 |
| Interest paid | | - | (37,578) |
| Net cash inflow from returns on investments and servicing of finance | | 65,459 | 8,418 |
| Capital expenditure | | | |
| Purchase of tangible fixed assets | | (120,942) | (19,885) |
| Net proceeds on disposal of fixed assets | | - | 1,423,814 |
| Refund of capital expenditure | | - | 809 |
| Net cash (outflow)/inflow from capital expenditure | | (120,942) | 1,404,738 |
| Net cash inflow before financing | | 1,233,597 | 1,582,387 |
| Financing | | | |
| Repayment of loans | | - | (518,806) |
| Net cash outflow from financing | | - | (518,806) |
| INCREASE IN CASH | B | 1,233,597 | 1,063,581 |

PHOENIX HOUSE

NOTES TO THE CASH FLOW STATEMENT for the year ended 31 MARCH 2013

A RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 2013 £ | 2012 £ |
|---|------------------|----------------|
| Operating surplus | 1,200,239 | 195,514 |
| Depreciation charges | 111,734 | 178,111 |
| Release of capital grant | - | (51,216) |
| Decrease/(increase) in debtors | 694,630 | (47,832) |
| Decrease in creditors | (701,526) | (35,843) |
| Decrease in provisions | (15,997) | (69,503) |
| Net cash inflow from operating activities | <u>1,289,080</u> | <u>169,231</u> |

B ANALYSIS OF NET DEBT

| | At 1 April 2012 £ | Cash flow £ | At 31 March 2013 £ |
|--------------------------|-------------------------|------------------|--------------------------|
| Cash at bank and in hand | 4,225,691 | 1,233,597 | 5,459,288 |
| Net funds | <u>4,225,691</u> | <u>1,233,597</u> | <u>5,459,288</u> |

PHOENIX HOUSE

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the accounts of the Charity

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards, with special regard to the Statement of Recommended Practice (SORP) "Accounting by Registered Social Housing Providers Update 2010" (the "SORP") and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012

Consolidated accounts

Consolidated accounts have not been prepared as the subsidiary undertakings is considered to be immaterial to the Charity's accounts. Accordingly, the accounts of the Charity present information about it as an individual undertaking and not about its group

Tangible fixed assets

Freehold and long leasehold housing properties are stated at cost less capital grants and capital donations and less any provision for any diminution in value, and less depreciation. The cost of land is not depreciated.

Other fixed assets are included at cost to the Charity less depreciation and capital grants

Works to existing properties are capitalised as an addition to the asset to the extent that they provide an enhancement to its economic benefits in excess of the standard of performance anticipated when the asset was first acquired, for example an increase in the net rental stream through an increase in the rental income, a reduction in future maintenance costs or a significant extension to the life of the property, or where it represents the replacement or restoration of an item that has been treated separately and depreciated over its individual useful economic life

Where an asset comprises components with materially different useful economic lives, those assets are separately identified and depreciated over those individual lives

Depreciation is provided on a straight line basis over the periods shown below

| | |
|--|----------|
| Motor vehicles | 4 years |
| Computer hardware and software | 3 years |
| Office & hostel furniture and equipment | 5 years |
| Hostel electrical equipment | 3 years |
| Freehold housing properties excluding land value and net of grants | 50 years |

PHOENIX HOUSE

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 (continued)

1 Accounting policies (continued)

Freehold housing property sub-components

| | |
|----------------|----------|
| Land | Infinite |
| Roofs | 40 years |
| Heating System | 30 years |
| Kitchens | 15 years |
| Bathrooms | 10 years |

Leasehold improvements Over the period of the lease

Social housing grant (SHG)

Where developments have been financed wholly or partly by social housing grant, the cost of those developments has been reduced by the amount of the grant receivable. SHG is recognised when receivable.

SHG is subordinated to the repayment of loans by agreement with the Homes and Communities Agency. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

Fixed asset investment

The fixed asset investment represents the entire issued share capital of the dormant subsidiary company, Phoenix House (Live-in World) Limited.

Operating leases

Rental costs under operating leases are charged to the income and expenditure account in equal annual amounts over the period of the lease. Lease incentives are accounted for by releasing the benefits evenly over the period of the lease.

Taxation

The Charity is a registered charity and therefore is not subject to Corporation Tax on surpluses arising from charitable activities. The Charity is not registered for VAT purposes. VAT paid on inputs (purchases/costs) is charged to the relevant expense category.

Turnover

Turnover represents amounts receivable for the year from statutory authorities including the Homes and Communities Agency, and from trusts and other charitable donors, given to the charity to allow it to run residential care and other support services for the rehabilitation of problematic substance mis-users. Income received in advance is disclosed within creditors in the balance sheet. Other income is accounted for on the basis of the value of goods or services supplied during the period.

PHOENIX HOUSE

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 (continued)

1 Accounting policies (continued)

Supporting People Grant

Supporting People Grant is payable by Local authorities. The amount credited to the Income and Expenditure Account has been evaluated in accordance with Supporting People Grant arrangements with specific Local Authorities.

Statutory grants

Revenue grants are accounted for once the Charity is legally entitled to the grant and there is reasonable assurance that the grant will be received. The grant is recognised within income in line with the expenditure which it funds. Capital grants are deducted from the cost of the fixed asset acquired and amortised over the life of the asset. In addition, where the obligation to repay part or all of the grant expires after a period of time, that proportion of the unamortised grant is released to income when that time has been reached.

Pension scheme

The Charity is a member of the Social Housing Pension Scheme multi-employer defined benefit pension scheme where it is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis, and therefore, as required by FRS17 Retirement Benefits, accounts for the scheme as if it were a defined contribution scheme. As a result the amounts charged to the Income and Expenditure Account represents the contributions payable to the scheme in respect of the accounting period.

Provisions

Provisions for liabilities and charges are recognised when the Charity has a present obligation (whether legal or construction) as a result of a past event that can be reliably estimated and it is probable that a transfer of economic benefit will be required to settle the obligation.

Revenue Reserves

It is the policy of the Charity to maintain general revenue (free) reserves at a level which will provide some protection to the Charity and its charitable services during changing financial circumstances. Such circumstances may include a downturn in utilisation or other income, the need for unanticipated expenditure or strategic investment.

PHOENIX HOUSE

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 (continued)

2 Particulars of turnover, operating costs and operating surplus

Note A – Particulars of turnover, operating costs and operating surplus

| | 2013 | | | 2012 | | |
|--|------------|-----------------|-------------------|------------|-----------------|-------------------------------|
| | Turnover | Operating costs | Operating surplus | Turnover | Operating costs | Operating surplus / (deficit) |
| | £ | £ | £ | £ | £ | £ |
| Social Housing lettings | 5,316,895 | (4,978,045) | 338,850 | 5,225,526 | (5,634,711) | (409,185) |
| Other Social housing activities | | | | | | |
| Revenue grants | 8,916,400 | (8,539,403) | 376,997 | 8,311,872 | (7,979,516) | 332,356 |
| Charitable donations and sundry income | 347,298 | (278,441) | 68,857 | 335,320 | (312,920) | 22,400 |
| | 14,580,593 | (13,795,889) | 784,704 | 13,872,718 | (13,927,147) | (54,429) |
| <i>Memo only</i> | | | | | | |
| Non-social housing | 8,500,660 | (8,085,125) | 415,535 | 9,030,990 | (8,781,047) | 249,943 |
| Total | 23,081,253 | (21,881,014) | 1,200,239 | 22,903,708 | (22,708,194) | 195,514 |

PHOENIX HOUSE

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 (continued)

2 Particulars of turnover, operating costs and operating surplus (continued)

Note B - Particulars of income and expenditure from Social Housing lettings are shown below

| | 2013 | | | 2012 |
|---|----------------------|--------------------------|------------------|------------------|
| | General needs | Supported housing | Total | Total |
| | £ | £ | £ | £ |
| Income | | | | |
| Rent receivable net of identifiable service charges | 4,069,258 | 723,851 | 4,793,109 | 4,828,619 |
| Service charge income | - | 27,150 | 27,150 | 22,032 |
| Other revenue grants | 6,420 | 490,216 | 496,636 | 374,875 |
| Turnover from social housing lettings | 4,075,678 | 1,241,217 | 5,316,895 | 5,225,526 |
| Expenditure | | | | |
| Management | 1,176,886 | 368,687 | 1,545,573 | 1,922,416 |
| Service charge costs | 522,977 | 144,628 | 667,605 | 615,490 |
| Routine maintenance | 61,089 | 9,080 | 70,169 | 48,492 |
| Depreciation of housing properties | 36,244 | 2,604 | 38,848 | 60,846 |
| Other costs | | | | |
| - Property lease charges | 86,151 | 246,997 | 333,148 | 300,940 |
| - Other costs | 1,847,766 | 474,936 | 2,322,702 | 2,686,527 |
| Operating costs on Social Housing lettings | 3,731,113 | 1,246,932 | 4,978,045 | 5,634,711 |
| Operating surplus/(deficit) on Social Housing Lettings | 344,565 | (5,715) | 338,850 | (409,185) |
| Void losses | 1,397,598 | 297,146 | 1,694,744 | 2,643,087 |

Turnover from social housing lettings includes an amount of £2,785,347 (2012 £3,327,265) relating to properties managed by, but not owned by the Charity

PHOENIX HOUSE

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 (continued)

3 Directors' emoluments

Directors who are members of the Board do not receive any emoluments

The Directors, as defined in the Direction (who are not Directors under the Companies Act or members of the Board and are for the purposes of this disclosure comprised of the Senior Management Team) received emoluments (including pension contributions) during the year as follows

| | 2013 | 2012 |
|------------|---------|---------|
| | £ | £ |
| Emoluments | 492,824 | 443,900 |

| | 2013 | 2012 |
|--|---------|---------|
| | £ | £ |
| Emoluments paid to the highest paid Director* during the year, excluding pension contributions was | 113,213 | 104,991 |

* Not a Director under the Companies Act or a member of the Board

Chief Executive's pension arrangements

The Chief Executive is a member of the industry-wide defined benefit salary scheme in which the Charity participates. Further details are given in note 19. No special terms or conditions apply to her membership. During the year pension contributions of £16,358 (2012: £14,768) were made on behalf of the Chief Executive.

4 Employee information

The average monthly number of full time equivalent persons (based on 35 hour week) employed during the year was as shown below

| | 2013 | 2012 |
|---|------|------|
| | No. | No. |
| Permanent staff - full time equivalent (number) | 545 | 572 |
| Sessional staff - full time equivalent (number) | 15 | 20 |

PHOENIX HOUSE

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 (continued)

4 Employee information (continued)

Salary banding for all employees earning over £60,000 including salaries and bonuses but excluding pension contributions paid by employer.

| | 2013 | 2012 |
|-------------------|-------------|-------------|
| | No. | No. |
| £110,001-£120,000 | 1 | - |
| £100,001-£110,000 | - | 1 |
| £90,001-£100,000 | - | - |
| £80,001-£90,000 | 1 | 1 |
| £70,001-£80,000 | 2 | 1 |
| £60,001-£70,000 | 1 | 2 |
| | <u>5</u> | <u>5</u> |

| Staff costs | 2013 | 2012 |
|---------------------------------|-------------------|-------------------|
| | £ | £ |
| Wages and salaries | 14,178,336 | 14,902,775 |
| Compensation for loss of office | 13,500 | 58,008 |
| Social security | 1,269,808 | 1,341,412 |
| Pension costs | 417,386 | 476,994 |
| | <u>15,879,030</u> | <u>16,779,189</u> |

5 Interest

| | 2013 | 2012 |
|---|-------------|-----------------|
| | £ | £ |
| Bank interest receivable | 98,993 | 78,446 |
| Interest payable on bank loans and overdrafts | <u>-</u> | <u>(31,442)</u> |

PHOENIX HOUSE

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 (continued)

6 Surplus for the year

| | 2013 | 2012 |
|---|-------------|-------------|
| | £ | £ |
| The surplus is stated after charging/(crediting) | | |
| Depreciation of tangible fixed assets | 152,358 | 178,111 |
| Operating lease rentals | | |
| - Land and buildings | 402,099 | 454,315 |
| - Other | 3,253 | 3,228 |
| Exceptional items | | |
| - Release of historic provisions | (271,187) | (49,505) |
| Auditors' remuneration (excluding VAT) | | |
| Fees payable to the Charity's auditor for audit of the Charity's accounts | 18,190 | 21,835 |
| Fees payable to the Charity's auditor and its associates for other services | | |
| - Other services relating to taxation | 8,151 | 5,604 |
| - Other services | 29,252 | 9,064 |
| Total non-audit fees | 37,403 | 14,668 |

PHOENIX HOUSE

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 (continued)

7 Surplus on disposal of fixed assets

| | 2013 | 2012 |
|------------------|-------------|------------------|
| | £ | £ |
| Sale proceeds | - | 1,550,000 |
| Net book value | - | (959,575) |
| Release of grant | - | 964,448 |
| Disposal costs | - | (126,186) |
| | <u>-</u> | <u>1,428,687</u> |

8 Housing properties

| | Freeholds | Short leaseholds | Total |
|------------------------------------|------------------|-------------------------|------------------|
| | £ | £ | £ |
| Cost | | | |
| At 31 March 2012 and 31 March 2013 | <u>3,110,229</u> | <u>348,867</u> | <u>3,459,096</u> |
| Other grants | | | |
| At 31 March 2012 | 758,539 | 39,788 | 798,327 |
| Amortised in year | <u>(8,954)</u> | <u>(22,736)</u> | <u>(31,690)</u> |
| At 31 March 2013 | <u>749,585</u> | <u>17,052</u> | <u>766,637</u> |
| Depreciation | | | |
| At 31 March 2012 | 447,004 | 302,751 | 749,755 |
| Charge for year | <u>43,847</u> | <u>26,112</u> | <u>69,959</u> |
| At 31 March 2013 | <u>490,851</u> | <u>328,863</u> | <u>819,714</u> |
| Net book value | | | |
| At 31 March 2013 | <u>1,869,793</u> | <u>2,952</u> | <u>1,872,745</u> |
| At 31 March 2012 | <u>1,904,686</u> | <u>6,328</u> | <u>1,911,014</u> |

PHOENIX HOUSE

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 (continued)

8 Housing Properties (continued)

The number of supported housing units in management at 31 March 2013 was 296 (2012 286) 206 bed spaces (2012 180) were managed by the Charity but were in properties owned by other Registered Social Providers of Social Housing or other third parties

There are charges on certain properties, as security, relating to funding received, that may lead to amounts becoming repayable in certain circumstances such as the sale of the relevant properties

9 Other fixed assets

| | Leasehold property improvements | Office furniture & equipment | Motor vehicles | Total |
|-----------------------|---------------------------------------|------------------------------------|-------------------|-----------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 31 March 2012 | 67,085 | 1,794,591 | 197,251 | 2,058,927 |
| Additions | - | 84,082 | 36,860 | 120,942 |
| Disposals | - | (2,636) | - | (2,636) |
| At 31 March 2013 | 67,085 | 1,876,037 | 234,111 | 2,177,233 |
| Grants | | | | |
| At 31 March 2012 | - | 5,570 | 23,000 | 28,570 |
| Amortised in year | - | (5,570) | (6,000) | (11,570) |
| At 31 March 2013 | - | - | 17,000 | 17,000 |
| Depreciation | | | | |
| At 31 March 2012 | 32,633 | 1,687,200 | 164,079 | 1,883,912 |
| Charge for year | 13,440 | 55,195 | 16,400 | 85,035 |
| Disposals | - | (2,636) | - | (2,636) |
| At 31 March 2013 | 46,073 | 1,739,759 | 180,479 | 1,966,311 |
| Net book value | | | | |
| At 31 March 2013 | 21,012 | 136,278 | 36,632 | 193,922 |
| At 31 March 2012 | 34,452 | 101,821 | 10,172 | 146,445 |

PHOENIX HOUSE

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 (continued)

10 Fixed asset investment

| | 2013 | 2012 |
|---------------------------------------|------|------|
| | £ | £ |
| Investments in subsidiary undertaking | | |
| Shares at cost | 100 | 100 |

The investment is the entire issued share capital of Phoenix House (Live-in-World) Limited, incorporated in England. The subsidiary is incorporated under the Companies Act and the principal activity of this Charity was the raising of funds through record promotion. The Charity acquired the business and net assets of Phoenix House (Live-in-World) Limited on 31 March 1999.

As at 31 March 2013, Phoenix House (Live-in-World) Limited had the following balances

| | 2013 | 2012 |
|----------------------|------|------|
| | £ | £ |
| Loss for the year | - | - |
| Capital and reserves | 100 | 100 |

PHOENIX HOUSE**NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 (continued)****11 Debtors**

| | 2013 | 2012 |
|---|------------------|------------------|
| | £ | £ |
| Arrears of charges to statutory bodies and others | 77,527 | 328,503 |
| Amounts due from contractual income | 797,514 | 1,717,542 |
| | <u>875,041</u> | <u>2,046,045</u> |
| Less provision for bad debts | (20,000) | (20,000) |
| | <u>855,041</u> | <u>2,026,045</u> |
| Other debtors | 25,333 | 14,534 |
| Prepayments and accrued income | 1,203,238 | 704,129 |
| | <u>2,083,612</u> | <u>2,744,708</u> |

12 Creditors: Amounts falling due within one year

| | 2013 | 2012 |
|--|------------------|------------------|
| | £ | £ |
| Trade Creditors | 608,932 | 376,985 |
| Payments in advance | 297,800 | 558,398 |
| Other creditors including taxation and social security costs | 430,237 | 434,760 |
| Accruals, deferred income, and grants received in advance | 1,235,850 | 1,904,202 |
| Amounts owed to group undertakings | 100 | 100 |
| | <u>2,572,919</u> | <u>3,274,445</u> |

PHOENIX HOUSE

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 (continued)

13 Provisions

| | Balance at 1 April 2012 | Movement in provision | Balance at 31 March 2013 |
|----------------------------------|-------------------------------|-----------------------------|--------------------------------|
| Onerous leases and dilapidations | 45,997 | (15,997) | 30,000 |

14 Share capital

The Charity is limited by guarantee and has no equity or non-equity share capital. Members of the Charity guarantee to contribute a maximum of £1 should there be a call on their guarantee.

15 Reserves

| | Revenue reserve |
|----------------------|--------------------|
| | £ |
| At 1 April 2012 | 5,707,516 |
| Surplus for the year | 1,299,232 |
| At 31 March 2013 | 7,006,748 |

Included within the revenue reserve is £2,066,667 (2012 £2,057,459) of resources invested in the Charity's fixed assets that are not available for other purposes. This represents the equivalent of the Net Book Value of Fixed Assets less Grants received to fund the purchase of such assets. This amount is excluded from the calculation of free reserves.

It is the policy of the Charity to maintain general revenue (free) reserves at a level which will provide some protection to the Charity and its charitable services during changing financial circumstances. Such circumstances may include a downturn in utilisation or other income, the need for unanticipated expenditure or strategic investment.

16 Incorporation

The Charity is registered with the Homes and Communities Agency and prepares its accounts under the Accounting Direction for Private Registered Providers of Social Housing 2012. It is incorporated under the Companies Act 2006 and registered in England and Wales.

PHOENIX HOUSE

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 (continued)

17 Operating leases

The amounts payable in the next year in respect of operating leases are shown below, analysed according to the expiry date of the leases

| Expiry date: | 2013 | | 2012 | |
|----------------------------|------------------|--------------|------------------|--------------|
| | Land & Buildings | Other | Land & Buildings | Other |
| | £ | £ | £ | £ |
| Within one year | 34,030 | 3,253 | 85,563 | 3,253 |
| Between two and five years | 182,322 | - | 129,322 | - |
| After five years | 187,214 | - | 187,214 | - |
| | <u>403,566</u> | <u>3,253</u> | <u>402,099</u> | <u>3,253</u> |

18 Contingent liabilities and assets

After winning a significant new business contract the Charity has assumed a contingent pensions liability under the government's Fair Deal guidance and the Best Value Authorities Staff Transfers (Pensions) Direction 2007. The funder has however fully indemnified the Charity for any such liabilities which may arise under the contract.

19 Pension scheme arrangements

The Charity participates in the Social Housing Pension Scheme ("the Scheme"). The Scheme is funded and is contracted out of the state scheme. As at the balance sheet date there were 96 (2012: 130) active members of the Scheme employed by the Charity.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67.0%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2011. Such a report is required by legislation for years in which a full actuarial valuation is not carried out.

PHOENIX HOUSE

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 (continued)

19 Pension scheme arrangements (continued)

The market value of the Scheme's assets at the date of Actuarial Report was £2,327 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,241 million, equivalent to a past service funding level of 65%.

Past service deficit reduction contributions of £259,371 and £105,730 are payable annually until 2023 and 2026 respectively.

Growth Plan

The Charity participates in the Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension plan.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. Growth Plan is a multi-employer scheme where the scheme assets are co-mingled for investment purposes, and benefits are paid from the total scheme assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 Retirement Benefits represents the employer contribution payable.

A valuation of the Scheme was performed by a professionally qualified actuary using the Projected Unit Method as at 30 September 2011. The market value of the Scheme's assets at the valuation date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. The next full actuarial valuation will be carried out as at 30 September 2014.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The Charity has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2011. As of this date the estimated employer debt for Phoenix Futures was £60,271. Phoenix House has no plans to leave the Scheme and accordingly has made no provision for such a liability.

Phoenix Futures does not contribute to the Growth Plan. Members paid contributions at the rate of between 1 and 5% during the accounting period. As at the balance sheet date there were 1 (2012: 1) active members of the Plan employed by the Charity which continues to offer membership of the Plan to its employees.

20 Related party transactions

At the year end the Charity owed its subsidiary, Phoenix Futures (Live-in-World) Limited £100 (2012: £100).

Mr Anthony Hunter, a Board member, is the Chief Executive of North East Lincolnshire Council. North East Lincolnshire Council, in its normal course of business in the year ended 31 March 2012, placed a client with one of the Charity's residential services for a period of approximately four months under a spot contract. Ms Susan Matheson, a Board member, is Non-Executive Board member of the Scottish Prison Service. The Scottish Service Prison contract was won through a competitive tender process. Both contracts were on normal commercial terms and on an arms-length basis. Neither party is able to use their position to their advantage.

PHOENIX HOUSE

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2013 (continued)

21 Transfer of contracts

During the year Phoenix House agreed to transfer a number of services from NORCAS Limited, a company with similar charitable objectives to itself. This involved the transfer of 16 contracts, and 22 members of staff. The total value of income generated by the transferred contracts amounted to £615,719 for the year.

In addition, Phoenix have agreed to make NORCAS Limited a subsidiary company of Phoenix Futures, subject to a pre-determined financial requirement being met by NORCAS. This requirement has been met and the Charity will acquire NORCAS Limited as a subsidiary company following the completion of the legal process.