

**Phoenix House
(Trading as Phoenix Futures)
Report and financial statements
for the year ended
31 March 2016**



Company's Registered Number 1626869

Office of the Scottish Charity Regulator Registered Number SC039008

PHOENIX HOUSE**REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016**

CONTENTS	PAGE
Directors and Advisers	2
Overview and key highlights	3-5
Strategic Report	6-22
Directors' Report	23-29
Independent Auditor's Report	30-31
Consolidated Statement of Comprehensive Income (Income and Expenditure Account)	32
Consolidated Statement of Financial Position (Balance Sheet)	33
Consolidated Statement of Changes in Capital and Reserves	34
Charity Statement of Financial Position (Balance Sheet)	35
Charity Statement of Changes in Capital and Reserves	36
Consolidated Statement of Cash Flows (Cash Flow statement)	37
Notes to the Consolidated Statement of Cash Flows	38
Notes to the financial statements	39-67

PHOENIX HOUSE

DIRECTORS AND ADVISERS

DIRECTORS

Mrs Dorothy Brown
Mr James Cook
Dr Karim Dar
Ms Susan Ellenby
Mr Mike Ewart
Mr Mark Haysom (Chair)
Ms Anne Hooper
Ms Gill Saunders
Ms Emanuele Labovitch
Mr Iain McGourty
Mr Gordon Statham
Ms Sarah Thewlis (Vice-Chair)

SENIOR MANAGEMENT

Mr James Armstrong (Director of Marketing & Innovation)
Ms Karen Biggs (Chief Executive)
Ms Adele Duncan (Director of Operations)
Mr George Lambis (Director of Finance)
Mr Anthony Pearson (Director of Human Resources and L&D)

SECRETARY

Mr George Lambis

REGISTERED OFFICE

Phoenix House
68 Newington Causeway
London
SE1 6DF

BANKERS

National Westminster Bank plc
216 Bishopsgate
London
EC2M 4QB

AUDITOR

Nexia Smith & Williamson
25 Moorgate
London
EC2R 6AY

**REGISTERED
CHARITY NUMBER**

284880

COMPANY NUMBER

1626869

**OFFICE OF THE SCOTTISH
CHARITY REGULATOR
REGISTERED NUMBER**

SC039008

**HOMES AND COMMUNITIES
AGENCY REGISTERED
NUMBER**

H 3795

PHOENIX HOUSE

KEY HIGHLIGHTS

We are passionate about recovery

- We supported 23,650 people on their recovery journey plus many more families and carers
- We shared our passion for recovery with over 160 volunteers
- Our staff engagement survey tells us that our staff feel highly engaged with the organisation, our purpose and values

We value our history and use it to inform our future

- We continue to be inspired by our history of innovating new forms of treatment, to deliver new housing models, community services and to address the emerging challenges of drug use in prisons
- We have launched a new charitable fund to improve access to residential services for people with the most complex needs in the name of our founder Griffith Edwards
- Our Service User Involvement Strategy enables the organisation to benefit from many years of direct recovery experience

We believe in being the best

- Adding to our IIP Gold status, we have been recognised as one of the 100 Best Not-for-Profit companies to work for
- Our community development model 'Phoenix Plus' is increasingly being recognised as the predominant model of support for people with substance misuse problems
- We have revised our approach to gathering service user satisfaction feedback and launched a new case management system in order to give us greater insight and enable continuous improvement
- We have been recognised as a 5 star provider under the European Foundation for Quality Management (EFQM)

PHOENIX HOUSE

OVERVIEW

2015/16 was a year of innovation

Phoenix directly supported 23,650 people last year in their journey to recovery from drug and alcohol issues. We continued to innovate through 2015/16, enabled by our whole-person approach to recovery and unique position in the sector as a substance misuse treatment provider and specialist housing association. We have created a reputation as one of the most flexible organisations in the sector, as we adapt to meet the changing needs of service users, funders and stakeholders.

Recovery Housing Provision

Launched at the National Housing Federation national conference in 2015, our housing strategy recognises that a stable home is at the heart of recovery. Whether working in prison, community or residential settings our unique status means that we have a unique ability to deliver housing support that complements and supplements local housing provision. Throughout 2016 we continued to meet the need for housing that supports each stage of the recovery journey.

Staff Development, Health and Wellbeing

In 2015 we launched a range of staff health and wellbeing initiatives: The5 Ways to Wellbeing. Staff took part in activities that encouraged them to consider how they can Connect, Be Active, Take Notice, Keep Learning and Give. In 2016 health and wellbeing discussions will be embedded into regular supervision and team meetings so that work/life balance is a feature of working for Phoenix.

The investment in our staff has been recognised. Adding to our Gold Investors in People award in 2015, we were delighted to be recognised nationally as one of the Best 100 Not for Profit Companies to Work For. We were placed 47th in this list in our first year and we aim to improve on this position annually.

Prevention and emerging needs – NPS

In 2015 the harms associated with the emergence of Novel Psychoactive Substances (NPS) have become evident in our communities and prisons. As part of a multi-agency response to the risks to individuals from NPS, we have worked to learn from, and share our own, best practice. In 2016 we developed new interventions and awareness raising activities within our prisons to help address the rising usage of NPS and the harmful effects. Our B-Chilled project, based in Barnsley, has been at the cutting-edge of providing outreach services directly in the pubs and clubs of the town. Working productively with licensees, police, health services and other stakeholders in the night time economy, B-Chilled has ensured that a great night out is a safe night out. We were pleased to be invited to present our learning from this work at a number of public health conferences.

During 2015 we published three reports which shared our experiences of NPS in different settings. We are interested in working with others to further understand the motives of people who use NPS in order to ensure we can reduce risk and the harms associated with NPS usage.

PHOENIX HOUSE

OVERVIEW (continued)

Value for Money

The Charity implemented its Value for Money (Vfm) strategy during the year, aiming to achieve an optimal relationship between economy, efficiency and effectiveness. Vfm is achieved via ensuring, assessing and benchmarking both robust decision making and effective people and performance management. This is done through the adoption of the British Quality Foundation's EFQM (European Foundation for Quality Management) Excellence model and the Investor In People (IIP) quality standard. Both models create a framework focused on excellent performance, enabling the Charity to offer the best possible outcomes for the investment it receives as an organisation. Both approaches are supported by multi-disciplinary project teams which ensure that the tools and techniques within each standard are applied on a day-to-day basis and regularly assessed in order to create an environment of continuous learning and improvement.

Both approaches are supported by multi-disciplinary project teams which ensure that the tools and techniques within each standard are applied on a day-to-day basis and regularly assessed in order to create an environment of continuous learning and improvement.

The Board would like to thank the following funders for supporting out work

Barnsley DAAT
Big Lottery Fund
Central Lancs DAAT
Children In Need
City Bridge Trust
Comic Relief
Community of Recovery Lanarkshire
FC Burges
Fife Council
Glasgow City council Environmental key fund
Hugh Fraser Foundation
JTH Charitable Trust
Marsh Christian Trust
Open Gate Trust
29th May 1971 Charitable Trust
Natural England
Open Gate Trust
Robertson Trust
Souter Charitable Trust
Trafford DAAT
Southwark Council
Wirral DAAT

PHOENIX HOUSE

STRATEGIC REPORT

The Directors present their Strategic Report for Phoenix House ("the Charity" or "Phoenix Futures") and its subsidiary companies (together "the Group") for the year ended 31 March 2016.

Principal activities

The principal activity of the Group is the provision of services for the rehabilitation of problematic substance misusers. The Group is now one of the most diverse service providers in the substance misuse sector.

The Charity is a registered charity and a registered provider of social housing.

Business Review

Experts in Recovery for more than 45 years

Over this time we've developed diverse, innovative, new services whilst staying true to our purpose, values and beliefs. We've remained financially viable, which has enabled us to mobilise our expertise to create increasingly higher quality services that make a measurable positive impact in the communities in which we work.

Furthermore, in 2015/16 we began to see the benefits of our group structure which enables members of the group to benefit from both shared central support services and from regional diversity and specialism.

Achievements from the last year

As well as providing direct support and treatment we have made a difference in many other areas:

- Education - Over the last year we have supported 271 service users to achieve qualifications in 8 different subjects.
- Volunteering - Through our therapeutic conservation programme, Recovery through Nature, our service users have improved outside spaces and made our communities better places to live.
- Raising awareness - During Recovery Month, September 2015, we took part in the Recovery Street Film Festival, the UK Recovery Walk and our own Voyage of Recovery sailing journey, as well as supporting services to engage in a wide range of local events and sharing positive stories of recovery through our web and social media channels.
- Sharing best practice - we presented our research and best practice learning at the European Federation of Therapeutic Communities (EFTC) conference 2015 in Malaga.
- Internal excellence - We were recipients of the British Quality Foundation Achievement Awards for Leadership and Customer Satisfaction.

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Helping other organisations, investment in systems and innovation

- Over recent years, we have helped 3 organisations face the challenges of the commissioning environment. We welcome opportunities to develop mutually beneficial relationships with similar organisations in the future.
- We have funded research and investment in systems which enable us to search for ever more effective treatment.
- We have developed an innovative culture. All staff who join Phoenix take part in an innovation exercise during induction that supports the creation of a culture that values innovation.

Responsive person-focused services

In the last year, we have developed the following services:

- B-Chilled Barnsley a project working directly in pubs and clubs to promote good public health;
- A specialist residential service for women with complex needs, Grace House;
- The Factory, a community service which brings together a range of local services for the benefit of the community, based in the Dearne, Barnsley;
- Essex offenders with complex needs (OCAN) community service, the Full Circle; and
- Peer mentoring Service funded by the Big Lottery in Glasgow.

We know that effective partnerships are the key to delivering effective and responsive local treatment systems

We work in partnerships to deliver the following services:

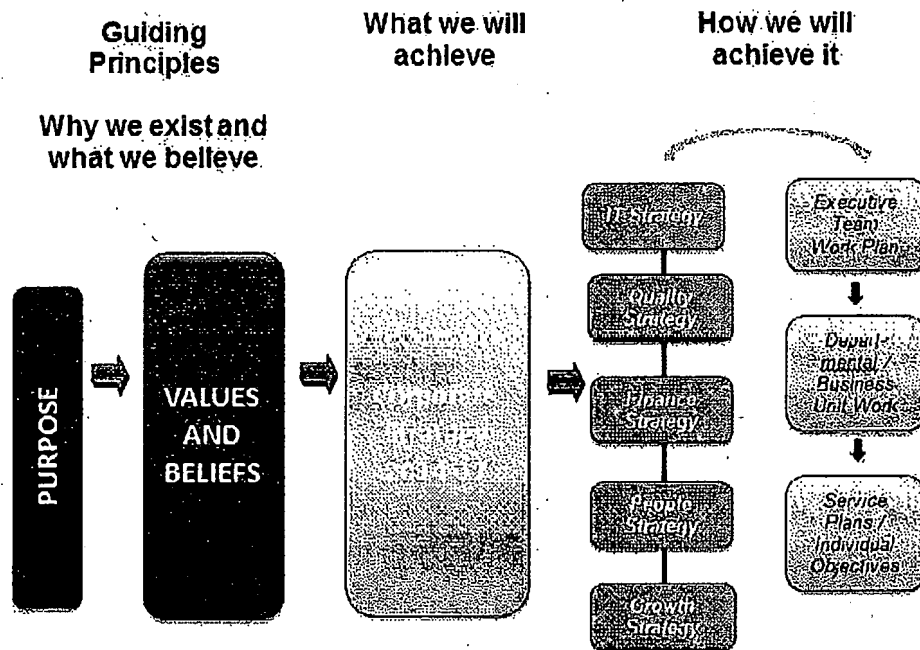
- In Derbyshire we deliver the Derby County treatment system with Derbyshire NHS Trust;
- In Derby City we deliver services in partnership with Derbyshire NHS Trust;
- In Leicester we deliver the treatment system with Leicestershire Partnership Trust;
- In Central Lancashire we deliver the treatment systems with GMW;
- In Barnsley we deliver the treatment system with South West Yorkshire NHS Foundation Trust; and
- In Lambeth we work as part of the Lambeth Consortium with partners such as South London and Maudsley NHS Foundation Trust.

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Purpose, values & beliefs and strategic themes

We have been able to do all of this because of the skills, dedication and expertise of our staff, volunteers and service users. Our strategy aligns to our guiding principles with three clearly defined strategic themes in order to enable all staff to have a clear view of how they help meet the purpose of the organisation.



Guiding principles

Our purpose

Phoenix Futures is dedicated to helping individuals, families and communities recover from drug and alcohol problems.

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Values and beliefs

- **We are passionate about recovery**

Our relentless optimism and energy for overcoming dependency motivates those we help to realise their own recovery. Families, friends and carers need hope, care and guidance just as much as their loved ones.

- **We value our history and use it to inform our future**

We believe you can only really know who you are if you understand and respect where you have come from. We have learned much as an organisation over the last 45 years and use that wealth of knowledge to create a bright and brilliant new future for those in need of hope today.

- **We believe in being the best**

We constantly strive to learn and innovate, to challenge ourselves, to adapt and to work together with others who can bring valuable expertise. Striving to be the best doesn't mean wanting to be the biggest, it means giving the very best of ourselves to achieve our purpose.

Our strategic themes are

Our expertise

We are experts in recovery. We derive our expertise from our history, our staff and our service users.

Our passion

We are passionate about recovery and enabling people to reach their full potential and pursue their dreams.

Our strength

We are financially viable. We will use our viability to invest in innovation, the development of our services and protect our long term future.

We'll touch on our values and strategic themes in more detail throughout this report.

Public benefit statement

The public benefit we create can be defined by a) who we provide for b) how we provide for them and c) what we provide. In this section, we explore how we ensure that people affected directly or indirectly by substance misuse are helped by Phoenix Futures towards achieving the kind of future they desire.

PHOENIX HOUSE

STRATEGIC REPORT (continued)

a) Who we provide for

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

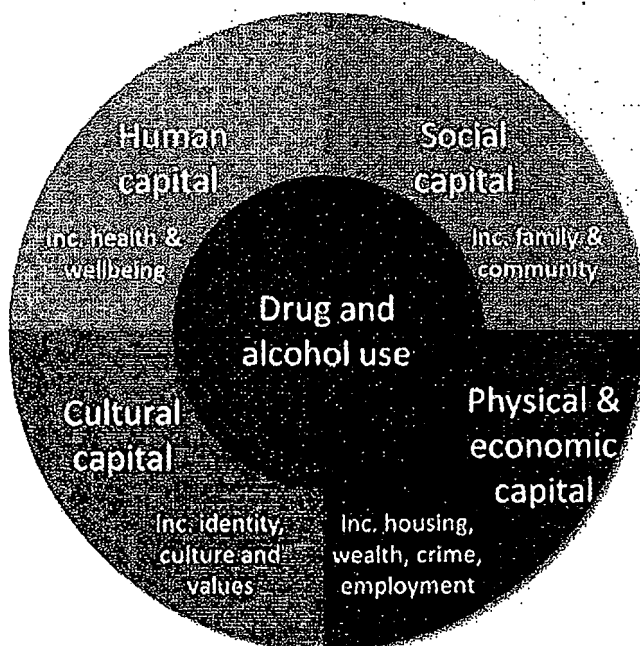
- 1,151 (2015: 891) in Residential services
- 12,632 (2015: 16,975) in Community services
- 9,867 (2015: 9,075) in prisons

Our service users live complex lives as our 2015 Footprints research highlighted:

- Homes - 21% of service users reported as being homeless or in temporary homeless accommodation compared to 0.004% UK wide;
- Employment - 6% of service users were in full-time employment, compared to the UK average of 55%;
- Health - 30% of service users had a drug or alcohol related A&E visit in the last 12 months; and
- History of care - 25% of service users have been in care compared to 1% UK wide. 36% of service users in Prison Therapeutic Communities (TCs) were previously in care.

We also know that addiction affects all communities of UK society, but not every area equally. We have used Experian's detailed MOSAIC tool to do postcode profiling, and have found that the risk of addiction is significantly higher in some communities (and even streets) than others. Success in treatment also varied depending on postcode.

We found that if someone was in MOSAIC Group K, they were 2.5 times more likely to access our services, and have completion rates which are over 40% lower than our most successful segment. It is not so much financial wealth or poverty which makes the difference in success, but the amount of "recovery capital" available in a community – as the Second Report of the Association of Clinical Data Management (ACDM) Recovery Committee suggested in November 2013.



PHOENIX HOUSE

STRATEGIC REPORT (continued)

a) Who we provide for (continued)

Our research has also looked at some key issues around successful treatment, such as how even incomplete residential treatment may actually still produce change. In our research, which we are submitting for publication, we found that 58% of "drop outs" from our residential services were abstinent from illicit or substitute drugs when followed up within 9 months, compared to 8% upon entry. 78% of the sample reported better psychological health than on entry, and 85% were receiving either treatment or recovery support interventions.

Combined together with our staff and service users' insight, knowledge like this helps direct our resources to where they can make the biggest impact.

b) How we provide our services

A focus on expertise

We are experts in recovery and we derive our expertise from our unique history, our staff, volunteer and service users' skills and experience. Running through all of our service provision is a focus on expertise to create the best possible quality experience for our service users. Ultimately, recovery is a people process but we also ensure that we invest in the infrastructure that helps our people perform at their best.

Staff expertise

In practice this means our People strategy for 2015-17 will focus on:

- Greater opportunities for professional training and development
- Achieving accreditation for quality leadership, management and people development
- Promoting recovery-orientated practice
- Providing further learning and employment opportunities for volunteers

Service user expertise

Throughout 2015/16, we have developed our approach to service user involvement. We have 51 local service user reps who meet regularly with local service managers to discuss potential improvements to enhance the treatment experience for service users and their carers and family.

Whilst the strategy is multi-faceted, at its core it ensures that service users are in control of their own treatment and able to maximise the opportunities which recovery offers. All service user reps are supported by a Service User Council member (of which we currently have 8) who, alongside Phoenix staff, ensure involvement is active, genuine and meaningful.

We currently support 25 service user forums across England and Scotland. Our Council has been involved in activities as diverse as mystery shopping, developing marketing materials and policy documents and leading sessions at our annual staff roadshow. There is no doubt that our approach to service user involvement enhances the treatment experience for all.

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Voluntary expertise

We value the contribution volunteers make to the organisation. Our volunteer approach ensures voluntary resource is used to add to the service user experience and not instead of paid qualified staff who provide our core service delivery. We understand that being a volunteer is a valuable experience for many and allows them to contribute their skills and experience to the communities in which they live. We also appreciate for some, volunteering offers the opportunity to develop new skills which may lead on to paid employment. At Phoenix Futures last year we were supported by over 160 volunteers delivering nearly 50,000 hours to enhance our service delivery. We also encourage our service users to volunteer and contribute back to society. Whilst this is an important way for people in recovery to build recovery capital, it also allows them to make a meaningful contribution to their local communities. Last year we supported our service users to deliver our Recovery through Nature programme through our B-Chilled Health Champions, our peer mentors, our Trafford Age UK project and other local volunteering initiatives. People who have previously been seen to impact communities negatively through their substance misuse have, with the help of Phoenix Futures, demonstrated that, when in recovery, they contribute to their local communities in a very positive and practical way.

Partnership expertise

We know we can't achieve all we want to achieve on our own. We will continue to foster effective partnerships with large and small organisations that complement our core skills and grow our expertise. We will specifically look to organisations that:

- Specialise in local services linked to our Phoenix Plus model
- Deliver high quality clinical services
- Work with service users from groups who currently are excluded from treatment

Investing in support infrastructure

We believe our support infrastructure helps get the best from our people and is an investment for our funders and service users. Functions such as our Procurement, Human Resources, Learning and Development, Quality and Performance are an important part of how we achieve our purpose. Investment in our support infrastructure is returned in many ways, for example by ensuring we get the best value for money for our expenditure, reaching the people who need to know about our services and making sure our staff are supported and skilled.

As well as investing in a case management system, Illy, during 2015/16 we have also implemented the Learning and Development module of Agresso, our financial system, which enhances the provision of Learning and Development across the Charity and provides greater integration with Human Resources.

In order to achieve excellence in quality, we recognise the need to invest in the enablers of quality provision and we are pleased to see our work in this area recognised by a 5 star rating in the EFQM recognised for Excellence model.

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Demonstrating our expertise

We believe that it is important to explain the positive impact we create. We do this in a number of ways:

- Recovery Stories – stories can be a powerful means of communication. We use positive stories of recovery across all of our on-line and off-line promotional materials;
- Recovery Street Film Festival - we are pleased to support the Recovery Street Film Festival to help motivate people into treatment and to raise the level of general education around addiction through film;
- Production of annual year books in our prison and community services – written and produced by our service users to evidence the impact our services have had on their recovery;
- Sharing best practice – we actively seek opportunities to share our best practice at a range of health, criminal justice and housing conferences.

The impact of our staff and volunteers is recognised and celebrated. We hold a popular annual staff recognition event, 'New Year Honours', that celebrates the achievements of staff and volunteers, reinforcing our approach that puts our people's skills and expertise at the heart of our strategy.

c) What 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 uses a needs-based approach to provide support including needle exchange, practical help with tenancies or benefit claims. For example B-Chilled Barnsley works in partnership with a range of local agencies in the night time economy. Interventions were delivered to 1,606 individuals to help address issues related to club drugs, sexual health and personal safety.
- Floating Support - helping substance misusers who are in danger of losing their homes.
- Recovery navigation or hub services – these services take responsibility for navigating the client through various treatment options which focus on recovery as opposed to treatment. These services focus on the whole person and ensure that help is obtained for housing and employment for example.
- Innovative Peer mentor services in Glasgow and Essex.

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Recovery through Sport, Nature and the Arts

In addition to our long standing Recovery through Nature project, we have developed a diverse range of sport and arts activities. As well as being a means of making links in the local community, these types of activities are proven to improve retention in treatment. Our analysis shows that Recovery through Nature creates a 44% improvement in retention in treatment. In 2016 our Phoenix Scotland services came together to create 'Recovery Culture' an initiative that worked with a range of sports, arts and conservation organisations to celebrate and further develop a culture of active involvement in positive community activities that bring communities together to be more inclusive of people in need of support, whilst demonstrating the depth of skills and knowledge that people in recovery have to offer to others.

Prison and Young Offender Services

We work within 13 prison establishments providing our innovative Building Futures and young person's Developing Futures programmes. Building Futures and Developing Futures are a highly responsive model focused around the holistic needs of the client.

Within HMP Wymott and Garth, we provide a drug-free Therapeutic Community with a pathway to our community based residential services. As the originators of the TC model in the UK we are keen to develop more prison based TCs.

We are particularly pleased to have developed new areas of provision for young people through our work in two units in Barton Moss YOI and Rainsbrook Secure Training Centre.

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 their 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 Assessments 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. Our residential services have the highest completion rates they have had in living memory with completion rates having improved to 56% as a result of the implementation of our long-term Residential Strategy.

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.

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Housing Provision

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

As a Registered Provider, we have expertise in providing housing and developing models of provision to meet the needs of the communities in which we work. In 2015-16 we had 358 units of affordable supported housing available specifically for people in recovery. Our intention is to grow our provision over the next three years.

As well as providing our own housing, we offer all service users housing advice and support to find appropriate accommodation through local authorities and housing associations or through good quality private rental.

There is a significant need for this form of support as borne out by key statistics which highlight the housing need for people with substance misuse problems and drug users in particular:

- 41% of homeless people use drugs or are in treatment - Homeless Link
- 26% of people entering treatment - Public Health England (PHE)

Our extensive experience in housing tells us that increased provision of appropriate housing will create a wide range of social benefits for individuals, families and communities. As well as sharing our learning through a number of sector and government consultations, we are working with Sheffield University to evidence the impact of this approach.

We will use our expertise as a Registered Housing Provider to further deliver our Housing Strategy that increases the range and quality of housing provision we can offer to people at all stages of their recovery.

The housing we offer complements existing local authority and housing association housing stock by adding specialist recovery-orientated support as follows:

Residential service

- Range of residential treatment options to suit an individual's needs
- Able to provide a therapeutic detox
- 3 month and 6 month placements in comfortable residential services
- Choice of programme and location

Supported Housing

- Opportunities for residents to develop life skills while in a supportive environment
- Residents are encouraged to fill their week with meaningful activities including attending college, volunteering and working towards gaining employment
- Qualified staff to provide specialist support during core hours and an on-call provision during weekend

Recovery Housing

- A self-supported environment
- Residents are encouraged to gain their NVQ in Peer Mentoring and work towards meaningful employment
- Support can be accessed
- Residents are prepared to move on into independent accommodation

Independent Living

- Benefit from a landlord that understands their recovery journey and issues they may face in everyday life
- Opportunity to provide mentoring to others in recovery in the community

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Service development to meet emerging need

Over the next year we will further develop our service models including, but not exclusively:

- Criminal justice models that take account of emerging patterns of drug use and the prison reform agenda
- Residential and Recovery Housing models that provide support for homeless people who require stability to ensure their recovery
- Community models that enables the delivery of the community development 'Phoenix Plus' model in our communities

All models will feature innovative approaches to employment, education and training specifically for those with experience of addiction.

Integrated treatment pathways

Service users need connected services that support them at each stage of their recovery journey. Our services are able to provide support from first contact with us through outreach services to providing structured counselling, residential rehabilitation and resettlement.

The work delivered in prisons allows 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 sentences 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.

'Phoenix Plus' community development

Our community development model 'Phoenix Plus' enables our services to support service users to develop their recovery capital in a number of key areas. The model connects local and national community assets and partnerships to aid housing, employment and education, family support and community engagement, this approach has increasingly become the accepted standard within the sector.

With the 'Phoenix Plus' approach we aim to create genuinely recovery-friendly communities in the areas we work in England and Scotland. We aim to remove barriers and connect individuals and agencies with a common purpose in order to unlock the potential of the communities we work in. Our open and flexible approach means that we both lead and enthusiastically support others as we fulfil our purpose of helping individuals, families and communities' recovery from drug and alcohol problems, whilst at the same time helping others with a similarly positive purpose.

This approach is demonstrated by a new service we have developed in Essex in association with a range of like-minded local agencies and innovative commissioners called Full Circle. We look forward to working with all local stakeholders to ensure that treatment and support pathways are more efficient and accessible. Full Circle will contribute to a more recovery-friendly community for people with complex needs, their families and the wider community.

In the Dearne, Barnsley, we are breaking down the physical barriers within the community with our new community service the Factory. The Factory provides a physical location to bring together local support providers as well as employment and training facilities. Funded by a PHE capital grant and with support from local funders and volunteers the Factory is an example of an innovative new form of community provision.

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Quality at the heart of everything

Our Quality strategy sets out how we apply our expertise within a comprehensive quality management process, addressing such key quality issues including:

- Quality Management Systems
- Our Clinical Governance Framework
- Our approach to risk and risk management
- Safety arrangements
- Information governance framework
- Our performance information
- Our culture of excellence and customer care

Over the last few years we have:

- Been recognised as one of the Best 100 Not for Profit Companies to Work For
- Achieved 5 star Recognised for Excellence rating within the EFQM Model
- Achieved Investors in People Gold award
- Been a safer organisation to be in, with range of staff qualified to NEBOSH General Certificate and IOSH Managing Safely levels
- Adopted the Outcomes Star as an extra tool for measuring outcomes
- Invested further in our Quality systems introducing Illy
- Made it easier for people to feed back to us their compliments, complaints, and satisfaction
- Through detailed internal audits, driven continuous improvement in our local services

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.

Our commitment to Equality & Diversity

At Phoenix Futures, 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 Group. Phoenix Futures delivers services in a way that genuinely recognises the importance of an inclusive society, bringing opportunities and access for all individuals.

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.

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Our commitment to Equality & Diversity (continued)

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.

Phoenix awarded Best 100 Not for Profit Companies to Work For

In March 2015 Phoenix Futures was awarded the Gold standard by Investors In People (IIP). Only a minority of organisations have achieved such heights. In 2016 we added to this by being recognised at one of the Best 100 Not for Profit Companies to Work For. Our staff and Board were absolutely delighted by this achievement

Over the course of the last Corporate Plan, we invested heavily in the development of our people and piloted a number of learning and development initiatives across the organisation. These include:

- Induction workbooks
- TUPE Inductions
- Apprenticeships & trainee programmes
- Volunteer development programme
- Service user qualifications
- Virtual rehab days
- TC training
- E-learning
- Ecett – Study tours across Europe
- Leadership training delivered by the Chief Executive
- Certificate in Tackling Substance Misuse
- Revised NVQ programmes

These initiatives have been hugely successful and have been recognised by:

- Best 100 Not for Profit Companies to Work For
- Our Investors In People (IIP) accreditation
- Our 5-star EFQM excellence award
- Our Best Employer 2012 Third Sector Excellence award
- Our Training Journal Gold Awards 2013 for our service user qualification programme and our programme of study visits in Europe (Ecett)
- Volunteer of the Year 2013 Third Sector Excellence award

Our talent management & Learning and Development strategy

We recognise that every member of staff contributes to the quality of our service, thus our approach to learning and development and talent management is an inclusive one which involves giving opportunities to all staff and which begins on day one of employment.

Key to our strategy is a clear specification of what we expect from our people and clarity on what individuals need to do to 'succeed' in their career with Phoenix Futures.

Phoenix Futures is a values-driven organisation: what we do is important but so too is how we do it. We have developed clear guidelines on the values and behaviours that underpin our expectations of excellence in recovery-orientated practice.

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Our talent management & learning and development strategy (continued)

We believe that good leadership and respected role models are essential to organisational success. We further believe that leadership and role models come from all levels of the organisation, not just managers or long established staff.

In return for their passion and commitment, we offer all staff the opportunity for job enrichment, skills development and career enhancement.

Value for Money (Vfm)

The Charity manages resources in order to provide quality services and a high level of Value for Money, skilled staff and strategic procurement processes. The Charity's approach to innovation ensures that it seeks to derive maximum benefit from services it receives and maximum benefit within available resources.

The Charity's Vfm strategy is to achieve an optimal relationship between economy, efficiency and effectiveness where:

- Economy means achieving the best price for what goes into providing a service
- Efficiency means doing something well and eliminating waste to deliver the best service for the cost incurred
- Effectiveness is achieving objectives and improving customer satisfaction via outcomes

There is a clear form of ensuring, assessing and benchmarking both robust decision making and effective people and performance management aimed at delivering improved Vfm.

This is achieved through the adoption of the British Quality Foundation's EFQM Excellence model and the Investor In People (IIP) quality standard. Both models create a framework focused on excellent performance, enabling the Charity to offer the best possible outcomes for the investment it receives as an organisation. Both approaches are supported by multi-disciplinary project teams which ensure that the tools and techniques within each standard are applied on a day to day basis and regularly assessed in order to create an environment of continuous learning and improvement.

The diagram below summarises the operational approach to Vfm.

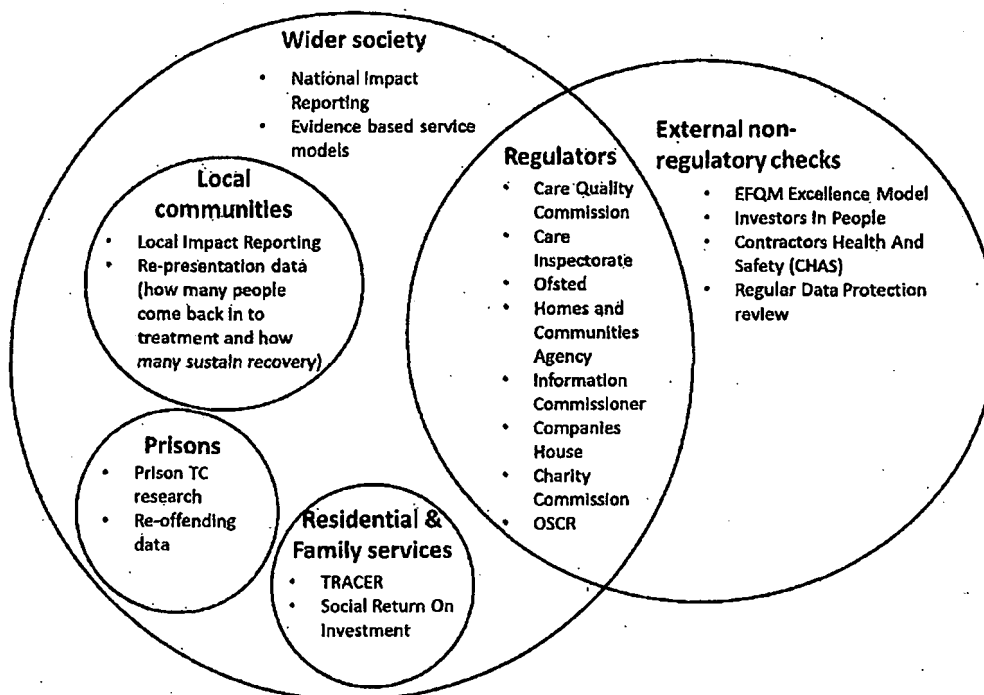
Economy is largely driven internally, through the pursuit of excellence and reduction of waste using the EFQM Excellence Model – a model we choose to use. Because the vast majority of services are tendered, and largely because residential services are contracted through spot contracts, the market tests economy. In a highly competitive market, the Charity is winning tenders and retaining existing business which demonstrates that commissioners view it as economical.

Effectiveness is driven by the regulators, who ensure that the Charity delivers market needs. The Charity's efficiency in delivering what is needed is demonstrated via accreditation to various national and international quality marks.

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Value for Money (Vfm) (continued)



As far as the wider society is concerned, the Charity produces a national impact report each year. The aim is to integrate this with the annual accounts so that it integrates performance with income and expenditure.

Within the wider society, the Charity works in community, prison, and residential settings. On a general level it operates evidence-based service models, and employs a researcher in order to help it ensure that its models are evidence-based and therefore the most effective and efficient ways to operate.

In local communities it produces Local Impact Reports, tailored to the needs of the local area as expressed in their Joint Strategic Needs Assessments and as set out by Health and Wellbeing Boards and Police and Crime Commissioners. The Charity takes a long term view that its work prevents the continuance of costly interventions from the NHS, further health problems in older age and reduced crime rates. Thus it benefits the health and well-being of local communities. It can measure effectiveness, amongst other means, through "re-presentation data" from the NDTMS / NATMS, where these national databases match up clients who have discharged from its services and which inform it what percentage have re-presented to treatment either in the local treatment system or in other localities.

In prisons it will research the long term effectiveness of its services, through seeking to partner with the Justice Data Lab to use calibrated re-offending data, and university research.

In residential and family services, it constitutes the largest single participant in the exciting national project, TRACER.

The Charity scrutinises operational performance internally, using Board and Executive Team Key Performance Indicators. This is aided by a dedicated Quality and Performance Department. There are several regulatory bodies which examine the quality of the Charity's work externally on a national level.

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Value for Money (Vfm) (continued)

Corporate support functions are largely based in London but with regional offices across the UK. Notable features include:

- In-house Learning and Development department, delivering e-learning and face-to-face learning across the UK via highly qualified trainers and experts in the field.
- HR department with substantial experience of TUPE resolution and partnering with services to ensure full staffing complements through fast recruitment and reducing sickness absence.
- Quality department which has improved organisational performance particularly through clinical governance and internal auditing.
- Procurement department which has increased purchasing power considerably through national contracts. The department is primarily responsible for the organisation's environmental agenda and for the implementation of the organisation's Sustainability Policy and Action Plan. This ensures the desire to reduce waste and maximise the use of company resources remains at the heart of every procurement decision made.
- Finance department with substantial experience in budgetary control, which is continually developing systems in order to ensure that the provision of services remains economic, maintains debtor days low and ensures cash balances are invested effectively.

Phoenix Futures measures the Value for Money of its services through a set of key performance indicators which guide potential improvements.

Examples of metrics used include:


Measure	Success
Impact on Society	
Completion Rates (varied rates of completion is to be expected due to nature of service and complexity of client group)	Residential Services : Average 56.0% National Family Service: 77.3% Derby City Substance Misuse Service: Non-prescribing -58.7% Barnsley Integrated Community Treatment system: 65.3%
Volunteer Hours supported	136,448 hours
Number of people receiving support annually	26,841
Reduction in reoffending	15% improvement in reoffending *
Improvement in mental health	40% improvement *
Meaningful use of time	36% improvement *

* Figures reported through TOPs (Treatment Outcome Profiles) and Outcome Star for service users engaged in residential services in 2015-16.

PHOENIX HOUSE**STRATEGIC REPORT (continued)****Value for Money (Vfm) (continued)**

Measure	Success
Quality Measures	
Investors in People Award	Gold
EFQM	5 Star Recognised for Excellence
Environmental Impact	
Energy conservation	Biomass Boilers x 2 making a saving of £17k of fuel costs per year
Financial Measures	
Free reserves	Policy sets as a target a minimum level of free reserves of the equivalent of two months and a maximum of three months of annual expenditure.
Financial and business plans	Performance is monitored continuously against budgets and reforecasts which include targets for savings where appropriate and planned expenditure for housing improvements to services
Efficiency gains on procurement viability	The relative contribution and financial performance of each service and each housing property is assessed

Approved by the Board of directors on 23 September 2016
and signed on behalf of the Board by



George Lambis
Company Secretary

PHOENIX HOUSE

DIRECTORS' REPORT

The Directors present their report and the consolidated financial statements for the year ended 31 March 2016.

Results for the year

The Group generated a deficit of £970k (2015: surplus of £329k).

	2016 £'000	2015 £'000
Total income*	24,916	27,724
Total expenditure**	(24,366)	(27,599)
Surplus before disposals and pension deficit	550	125
Surplus on disposal of fixed assets	255	528
Surplus before pension deficit	805	653
Pension deficit	(1,775)	(324)
(Deficit)/Surplus for the year	(970)	329

* including interest receivable

** including interest and financing costs

The Group experienced some churn in business in the last financial year which resulted in a reduction in income. This primarily represented the net transfer of some contracts out under Transfer of Undertakings arrangements following re-tendering and a decrease in contractual income by commissioning bodies some of which reduced funding for existing services.

In order to mitigate the impact of the reduction in income the Group moved its Head Office to one of its properties in order to reduce future property costs. It also reduced overheads by restructuring its infrastructure significantly.

The Board is pleased to report that the Group generated a surplus of £805k before the pension deficit (2015: surplus of £653k) for the year ended 31 March 2016.

The Group implemented FRS 102 during the year ended 31 March 2016. The implementation had a material impact on the Group results for the year with the accounting of historic pension shortfalls affecting results for the year for the first time and the recognition of £1,775k of a pension deficit for the year ended 31 March 2016 (2015: £324k). As a result, the Group generated a deficit of £970k for the year ended 31 March 2016 (2015: surplus of £329k).

PHOENIX HOUSE

DIRECTORS' REPORT (continued)

Results for the year (continued)

Social Housing Pension scheme

The Group participates in the Social Housing Pension Scheme as disclosed in Note 25. The implementation of FRS 102 had an impact on Group reserves which have been reduced by future commitments relating to historic pension shortfalls as calculated by the scheme actuary. The amount recognised as a liability in the Statement of Financial Position at 31 March 2016 was £6.1m (2015: £4.8m).

The Group has sufficient reserves to meet future commitments relating to historic pension shortfalls.

Principal risks and uncertainties

The Economic and Political Environment in England

The result of the Referendum on the UK's participation in the European Union has created very significant political and economic uncertainty. The launch of the new Drug Strategy has been delayed as a result of the political upheaval created by the outcome. The Government have indicated an intention for the new Drug Strategy to be a refresh of the 2010 strategy with no significant policy shifts. This consistent and recovery orientated approach is welcomed by the Group as being a stabilising force for the sector and an ambition we would share for our service users.

The Board and the Executive Team regularly review the risks to the organisation presented by the changing economic and political environment.

As a result of these robust review processes the Group has:

- Assessed and planned for a reduction in public spending particularly in relation to substance misuse and have taken action accordingly through the course of the year;
- Considered the impact of the 2015 Budget as required by The Home & Communities Agency (HCA), the Charity's Housing Regulator following the announcement on reducing rents in the social housing sector and the introduction of a lower benefit cap. The Board believes that although the reduction in income may affect the profitability of Housing the impact of a 1% decrease is not material enough to threaten the Group financial position; and
- Considered the impact of the forthcoming supported housing review and modified development plans to reduce risk to the Group pending the publication of the review.

The Group believes the pressure on local authority budgets is very significant and cuts to substance misuse funding are inevitable as limited funds are diverted into statutory areas of significant risk and under-resource in local government.

The work the Group has done over the course of the year to improve the value for money of services and the efficiency of the organisation prepares it well to meet these challenges. The Group is pleased to be involved in sector wide initiatives to demonstrate the value substance misuse services present to local communities and the wider health and social care agendas.

The need for substance misuse services is increasing with an increase in drug related deaths and an increase in the use of novel psychoactive substances in prisons and communities. The work we have done through our prison programmes and our B Chilled Community service demonstrates our ability to respond to the changing needs of our service users.

PHOENIX HOUSE

DIRECTORS' REPORT (continued)

Principal risks and uncertainties (continued)

The Economic and Political Environment in Scotland

Although political uncertainty and reductions in public expenditure are as significant as in England, the Board is pleased with the development of services in Scotland over the last year. The Charity is well placed to identify opportunities and develop local partnerships and relationships with key commissioners which will enable it to respond effectively to market conditions and build on the success of its Peer Mentor, Creative Recovery, structured group work programmes and Housing Support service models.

Future Prospects

The Board carries out regular reviews of the Group'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 and political environment. The Board believes that, following the result of the referendum and in the context of anticipated significant public sector cuts in expenditure, operating conditions will be difficult. The Group's reputation as a provider of a wide range of innovative recovery services is increasing and the Board expects that the Group will seize opportunities increasing its market share in a diminishing market.

In particular, the Group aims to focus on its Housing Strategy as it is the only Registered Provider with substance misuse expertise and the Board is confident that, despite political and economic uncertainty, the Group will continue to demonstrate strong financial performance.

Financial risk management

The Group's operations expose it to a variety of financial risks that include the effects of changes in cashflow and price risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt and applying its procurement policy to purchasing. The Group does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied. The Board has delegated the responsibility of monitoring financial risk management to the Audit & Control Committee. The policies set by the Board are implemented by the Group's finance department.

Cash flow risk

The Group has interest bearing assets. Interest bearing assets include only cash balances which earn interest at a fixed rate.

PHOENIX HOUSE

DIRECTORS' REPORT (continued)

DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Charity and of the Group and of the surplus or deficit of the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 Charity and Group 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.

GOVERNANCE

The Group has adopted a risk-based approach to internal controls which are embedded within the Group's normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed.

The Group 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 Group 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.

DIRECTORS' REPORT (continued)

COMPLIANCE WITH THE GOVERNANCE AND VIABILITY STANDARDS

The Board undertook an assessment of the Charity's compliance with the governance and financial viability standard in July 2016. No areas of non-compliance were identified.

The Board has adopted the 2015 NHF Code on Governance. The following areas of non-compliance were identified:

Under the Code the Chair of the Board must not chair the Committee responsible for remuneration.

In order to instil greater efficiency to the Governance process the Remuneration Committee and the Nomination Committee were merged. The Chair of the Board, as Chair of the Nomination Committee, took over as Chair of the merged Nomination and Remuneration Committee. In order to mitigate any risk the Vice Chair of the Board is also a member of this Committee.

The arrangements for chairing Committees will be considered in the Governance review planned to begin in 2016.

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.

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:

Risk management

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and on-going 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.

PHOENIX HOUSE

DIRECTORS' REPORT (continued)

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 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 2015-16.

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 audit information of which the Group's auditor was 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 Group's auditor was aware of that information.

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

PHOENIX HOUSE

DIRECTORS' REPORT (continued)

Directors

The Directors who served during the year were as follows:

Mrs Dorothy Brown (Appointed 20 May 2015)
Mr James Cook
Dr Karim Dar
Ms Susan Ellenby
Mr Mike Ewart
Dr Emily Finch (Resigned on 18 Nov 2015)
Mr Mark Haysom (Chair)
Ms Anne Hooper
Dr Michael Josef Kelleher (Resigned on 18 Nov 2015)
Ms Gill Saunders
Ms Emanuele Labovitch (Appointed 20 May 2015)
Mr Iain McGourty (Appointed 20 May 2015)
Mr Gordon Statham
Ms Sarah Thewlis (Vice-Chair)

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.

Auditors

The current auditor, Nexia Smith & Williamson, is deemed to be reappointed as auditor.

**Approved by the Board of directors on 28 September 2016
and signed on behalf of the Board by**



**George Lambis
Company Secretary**

Registered number 1626869

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOENIX HOUSE

We have audited the financial statements of Phoenix House ("the Charity") for the year ended 31 March 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Charity Statement of Financial Position, the Consolidated Statement of Changes in Capital and Reserves, the Consolidated Statement of Cash Flows and the related notes 1 to 28. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 26, the Directors are responsible for the preparation of the 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the 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/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Charity's affairs as at 31 March 2016 and of the Group's deficit 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; and
- have been prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

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 requires 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 by the Charity, or returns adequate for our audit have not been received from branches not visited by us; or
- the Charity 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 29 September 2016

PHOENIX HOUSE

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 MARCH 2016 (INCOME AND EXPENDITURE ACCOUNT)

	Notes	2016 £'000	2015 £'000
Turnover	2	24,876	27,676
Operating expenditure	2	(24,279)	(27,457)
Pension deficit	8, 25	(1,775)	(324)
Total operating expenditure		<u>(26,054)</u>	<u>(27,781)</u>
Operating deficit		(1,178)	(105)
Surplus on disposal of fixed assets	10	255	528
Interest receivable	6	40	48
Interest and financing costs	7	(87)	(142)
(Deficit)/surplus for financial year	8	<u>(970)</u>	<u>329</u>
Other comprehensive income		-	-
Total comprehensive income for the financial year		<u>(970)</u>	<u>329</u>

All of the Group's operations are classed as continuing.

PHOENIX HOUSE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 MARCH 2016 (BALANCE SHEET)

		2016 £'000	2015 £'000
Fixed assets			
Tangible fixed assets - housing properties	11	7,040	7,249
Other tangible fixed assets	12	1,514	1,360
		<hr/>	<hr/>
		8,554	8,609
Current assets			
Debtors	14	2,783	3,450
Cash and cash equivalents	15	5,864	5,040
		<hr/>	<hr/>
		8,647	8,490
Creditors: amounts falling due within one year	16	(2,907)	(3,104)
		<hr/>	<hr/>
Net current assets		5,740	5,386
		<hr/>	<hr/>
Total assets less current liabilities		14,294	13,995
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	17	6,152	4,880
Provisions for liabilities and charges			
Provisions for liabilities	18	24	27
Capital and Reserves			
Share capital	20	-	-
Revenue reserve	21	8,118	9,088
		<hr/>	<hr/>
		14,294	13,995
		<hr/>	<hr/>

The financial statements were approved and authorised for issue by the Board of Directors on 28 September 2016 and were signed on its behalf by:


M. Haysom
(Director)


G. Statham
(Director)

PHOENIX HOUSE

**CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL AND RESERVES
for the year ended 31 MARCH 2016**

	Notes	Share Capital £'000	Revenue Reserves £'000	Total Capital and Reserves £'000
At 1 April 2015		-	9,088	9,088
Deficit from Statement of Comprehensive Income		-	(970)	(970)
At 31 March 2016		-	8,118	8,118

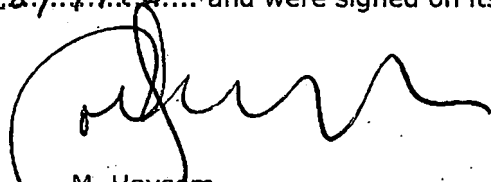
	Notes	Share Capital £'000	Revenue Reserves £'000	Total Capital and Reserves £'000
At 1 April 2014		-	8,759	8,759
Surplus from Statement of Comprehensive Income		-	329	329
At 31 March 2015		-	9,088	9,088

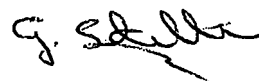
PHOENIX HOUSE

CHARITY BALANCE SHEET as at 31 MARCH 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Tangible fixed assets - housing properties	11	2,213	2,173
Other tangible fixed assets	12	450	627
Investments	13	4,845	4,845
		<hr/>	<hr/>
		7,508	7,645
Current assets			
Debtors	14	2,465	3,306
Cash and cash equivalents	15	5,672	4,704
		<hr/>	<hr/>
		8,137	8,010
Creditors: amounts falling due within one year	16	(2,115)	(2,596)
		<hr/>	<hr/>
Net current assets		6,022	5,414
		<hr/>	<hr/>
Total assets less current liabilities		13,530	13,059
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	17	710	565
Provisions for liabilities and charges			
Provisions for liabilities	18	24	27
Pension liabilities	17	3,719	3,022
		<hr/>	<hr/>
Capital and Reserves			
Share capital	20	-	-
Revenue reserve	21	9,077	9,445
		<hr/>	<hr/>
		13,530	13,059
		<hr/>	<hr/>

The financial statements were approved and authorised for issue by the Board of Directors on 28/9/16 and were signed on its behalf by:


M. Haysom
(Director)


G. Statham
(Director)

Company Registration No. 1626869

PHOENIX HOUSE

**CHARITY STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2016**

	Notes	Share Capital £'000	Revenue Reserves £'000	Total Capital and Reserves £'000
At 1 April 2015		-	9,445	9,445
Deficit from Statement of Comprehensive Income		-	(368)	(368)
At 31 March 2016		-	9,077	9,077

	Notes	Share Capital £'000	Revenue Reserves £'000	Total Capital and Reserves £'000
At 1 April 2014		-	8,951	8,951
Surplus from Statement of Comprehensive Income		-	494	494
At 31 March 2015		-	9,445	9,445

PHOENIX HOUSE

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 31 MARCH 2016

	Notes	2016 £'000	2015 £'000
Net cash generated from /(used in) operating activities	A	710	(1,133)
Cash flow from investing activities			
Interest received		40	48
Grant received		-	(216)
Purchase of tangible fixed assets		(732)	(467)
Proceeds from disposal of tangible fixed assets		806	703
Net cash generated from investing activities		114	329
Net increase/(decrease) in cash and cash equivalents		824	(1,065)
Cash and cash equivalents at beginning of year		5,040	6,105
Cash and cash equivalents at end of year	B	5,864	5,040

PHOENIX HOUSE**NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT for the year ended
31 MARCH 2016****A RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW
FROM OPERATING ACTIVITIES**

	2016 £'000	2015 £'000
Surplus for the year	(970)	329
Interest receivable and similar income	(40)	(48)
Interest payable and similar charges	87	142
Profit on sale of housing properties	(258)	(528)
Loss on sale of other tangible fixed assets	3	-
Depreciation charge on tangible fixed assets	515	421
Decrease / (increase) in debtors	667	(209)
Decrease in creditors	(515)	(1,013)
Decrease in provisions	(3)	(22)
Movement in pension liability	1,224	(205)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	710	(1,133)
	<hr/>	<hr/>

B CASH AND CASH EQUIVALENTS

	2016 £'000	2015 £'000
	<hr/>	<hr/>
Cash at bank and in hand	5,864	5,040
	<hr/>	<hr/>

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016

1 Accounting policies

General information

The Charity is a Company incorporated in the United Kingdom under the Companies Act. The Charity is also a registered charity and a Registered Provider of Social Housing registered with the Homes and Communities Agency. A description of the nature of the Charity's operations and its principal activity is disclosed in the Strategic Report on page 6.

The Charity's registered office is 68 Newington Causeway London SE1 6DF.

The Group and Charity meet the definition of a Public Benefit Entity per FRS 102.

Basis of accounting

These accounts are the first annual Financial Statements of the Charity prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and the Housing SORP 2014 "Statement of Recommended Practice for registered social housing providers" ("the SORP") and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015.

In accordance with FRS 102 the Group has:

- provided comparative information,
- applied the same accounting policies throughout all periods presented,
- retrospectively applied FRS102 as required, and
- applied certain optional exemptions and mandatory exceptions as applicable for first time adopters of FRS 102.

Further information about the transition and the impact of first-time adoption of FRS 102, is given in accounting policies and note 28.

The financial statements have been prepared under the historical cost convention.

The financial statements are presented in Sterling (£'000).

Exemptions under FRS 102

The Group has taken advantage of the following exemptions available under FRS 102:

- arrangements containing a lease; and
- lease incentives.

More information can be found in the relevant accounting policies.

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016 (continued)

1 Accounting policies (continued)

Disclosure exemptions

The Charity meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage in preparing the separate financial statements of the Charity of the following disclosure exemptions:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the year has been presented, as the reconciliations for the Group and the Charity would be identical;
- A Statement of Cash Flows has not been presented for the Charity;
- Disclosures in respect of the Charity's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole; and
- No disclosures have been provided for the aggregate remuneration of the key management personnel of the Charity as their remuneration is included in the totals for the Group as a whole.

Basis of consolidation

The Group financial statements consolidate the financial statements of Phoenix House and its subsidiary undertakings drawn up to 31 March each year. The results of subsidiaries acquired or sold are consolidated for periods from or to the date on which control passes. Control is achieved where the association has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The results of NORCAS Limited and Phoenix (Live-in-World) Limited are excluded from the consolidated accounts on the basis that they are immaterial to the Group.

The results of subsidiaries acquired or disposed of during the year are included in Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions and balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

As permitted by section 408(3) of the Companies Act 2006, the Charity's Statement of Comprehensive Income (income and expenditure account) has not been included in these financial statements. The Charity's surplus for the financial year was £368k (2015: (£494k).

Going concern

As the Charity's intention is to continue in business, the financial statements are prepared on a going concern basis.

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016 (continued)

1 Accounting policies (continued)

Key sources of estimation uncertainty and judgements (continued)

The preparation of financial statements requires the use of estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenses for the year. Although these estimates and associated assumptions are based on historical experience and the management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis.

Critical judgements in applying the Associations accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Board has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Identification of housing property components

The Group accounts for its expenditure on housing properties using component accounting. Under component accounting, the housing property is divided into those major components which are considered to have substantially different useful economic lives. Judgement is used in allocating property costs between components and in determining the useful economic lives of each component.

Housing property depreciation is calculated on a component by component basis. The identification of such components is a matter of judgement and may have a material impact on the depreciation charge. The components selected are those which reflect how the major repairs to the property are managed.

Identification of cash generating units for impairment testing

For impairment purposes, as explained in the accounting policies, housing properties are grouped into schemes which reflects how the properties are managed.

Recoverable amounts are based on either future cash flows or, for assets held for their service potential, depreciated replacement cost. The assessment of whether an asset is held for its service potential is a matter of judgement and in making that judgement the Board considers the current use of the asset and the expected future use of the asset. If the asset is unable to be let in its current condition or is not being used for a social purpose, either now or in the foreseeable future, it is assessed as not being held for its service potential.

Recoverable amount for assets held for their service potential is assessed as the depreciated replacement cost which is the lower of (a) the cost of purchasing an equivalent property on the open market; and (b) the land cost plus the rebuilding cost of the structure and components. The cost of purchasing an equivalent property on the open market is estimated based on the sale prices for similar properties in or near the same location. The rebuilding cost of structures and components is based on the current build costs, based on market data (being primarily construction indices) applied to the relevant building size and type.

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016 (continued)

1 Accounting policies (continued)

Key sources of estimation uncertainty and judgements (continued)

Valuation of fixed assets for the purpose of acquisition accounting

In arriving at the valuation of properties acquired, an element of judgement is required. The Board utilised external third party specialists to provide this valuation.

Key sources of estimation uncertainty

The estimates and assumptions which have the most significant effect on amounts recognised in the financial statements are discussed below:

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to 'technological obsolescence' with regard to IT equipment/software and any changes to decent homes standard requiring frequent replacement of components. The accumulated depreciation at 31 March 2016 was £515k.

Amortisation of government grants

Government grants received for housing properties are recognised in income over the useful life (as identified for the depreciation charge) of the housing property structure (excluding land), on a pro rata basis under the accrual model.

Bad debt provision

The trade debtors balance of £1,519k is recorded in the Group's statement of financial position comprise a relatively large number of small balances. A full line by line review of trade debtors is carried out at the end of each month. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible. The bad debt provision at 31 March 2016 was £nil (2015: £nil).

Multi-employer pension obligation

The Association has entered into a contractual agreement with the Social Housing Pension Scheme (SHPS) to determine how the deficit will be funded. Contributions not expected to be settled within 12 months after the reporting date are measured at the present value of the contributions payable by using a discounted rate (discounted present value basis). The rate used is determined by reference to market yields at the reporting date on high quality bonds. A liability of £6,133k is recorded in the statement of financial position at 31 March 2016.

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016
(continued)**

1 Accounting policies (continued)

Business combinations

Acquisitions are accounted for under the acquisition method. This requires the new entity's assets and liabilities to be initially recognised at fair value. Goodwill is calculated as the difference between the fair value of the consideration paid and the fair value of the net assets acquired. Where the nature of the business combination is of one entity gifting control to the other ("non-exchange transaction"), the fair value of the gifted assets and liabilities are recognised as a gain or loss in the Statement of Comprehensive Income in the year of the transaction, in accordance with the SORP.

In accordance with the transitional exemption in FRS 102, the Group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 April 2014.

Tangible Fixed assets

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit.

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

The cost of properties is the initial purchase price together with those costs that are directly attributable to acquisition and construction. Where an asset comprises components with materially different useful lives, those assets are separately identified and depreciated over those individual lives.

Subsequent expenditure which relates to either the replacement of previously capitalised components or the enhancement of such components which results in incremental future benefit is capitalised and the carrying amount of any replaced component or part component is derecognised.

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

Housing properties

Land	Infinite
Structure	50 years
Roofs	40 years
Heating System	30 years
Kitchens	15 years
Bathrooms	10 years
Leasehold improvements	Over the period of the lease

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016 (continued)

1 Accounting policies (continued)

Tangible Fixed assets (continued)

Other fixed assets are included at cost to the Group less depreciation.

Other tangible fixed assets

Motor vehicles	4 years
Computer hardware and software	3 years
Office & hostel furniture and equipment	4 - 5 years
Hostel electrical equipment	3 years
Long leasehold	Over the period of the lease
Leasehold improvements	Over the period of the lease

Fixed asset investments

Fixed asset investments are shown at cost less provision for impairment.

Where investments represent one entity gifting control to the other, the investment is initially recognised at the fair value of the gifted assets and liabilities, with a corresponding gain or loss recognised in the Statement of Comprehensive Income in the year of the transaction.

Financial Instruments

Financial assets and liabilities comprise trade and other debtors, cash and cash equivalents and trade and other payables.

Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the financial instrument.

All financial assets and financial liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through the Statement of Comprehensive Income, which are initially measured at fair value (normally the transaction price less transaction costs), unless the arrangement constitutes a financial transaction. If an arrangement constitutes a financial transaction, the financial asset or financial liability is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the Statement of Financial Position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the conditions of Section 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016 (continued)

1 Accounting policies (continued)

Financial Instruments (continued)

Debt instruments that are classified as payable or receivable within one year on initial recognition, and which meet the above conditions, are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Financial assets are only derecognised when and only when:

- the contractual rights to the cash flows from the financial asset expire or are settled,
- the Group transfers to another party substantially all the risk and rewards of ownership of the financial asset, or,
- the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

The Group does not use standalone derivative financial instruments to reduce exposure to interest rate movements.

Cash and cash equivalents

Cash and Cash Equivalents comprise cash in hand and at bank and short term deposits. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash without significant risk of change in value.

Impairment

Non-financial assets

Non-financial assets comprise housing properties and other tangible fixed assets.

Non-financial assets, other than those measured at fair value, are assessed for indications of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income as described below.

A non-financial asset is impaired where there is objective evidence that, as a result of one or more events after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of a non-financial asset is the higher of its fair value less costs to sell and its value in use.

Value in use for housing properties which are able to be let in their current condition and which are fulfilling the social purpose for which they were acquired is based on the depreciated replacement cost of the asset. For other schemes, value in use is defined as the net present value of the future cash flows before interest generated from the scheme.

Financial assets

Financial assets comprise trade and other debtors, cash and cash equivalents and trade and other payables.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016 (continued)

1 Accounting policies (continued)

Impairment (continued)

For financial assets carried at amortised cost, the amount of Impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Grants

Government grant

Government grants include grants receivable from the Homes & Communities Agency (HCA), local authorities and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure (excluding land), on a pro rata basis under the accrual model of accounting.

The unamortised element of the government grant is recognised as deferred income in creditors due within one year or due after more than one year as appropriate in the Statement of Financial Position.

Where a component is replaced the amount of any unamortised government grant associated with this component is taken to income.

Government grant is repayable indefinitely unless formally abated or waived. On the occurrence of certain relevant events, primarily following the sale of property, the Government Grant repayable or to be recycled will be restricted to the net proceeds of sale where appropriate. In recognition of this, external lenders seek the subordination of the Home and Communities Agency's right to recover Government Grant to their own loans.

Government grant received in respect of revenue expenditure is recognised within income in the same period as the related expenditure, provided that the conditions for its receipt have been satisfied and there is reasonable assurance that the grant will be received using the performance model of grant accounting.

Recycled capital grant fund

Following certain relevant events, primarily the sale of dwellings, the Homes and Communities Agency can direct the Association to recycle capital grant or to repay the recoverable capital grant back to the Authority. Where the grant is recycled the recoverable capital grant is credited to a Recycled Capital Grant Fund which is included as a creditor due within one year or due after more than one year as appropriate.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016 (continued)

1 Accounting policies (continued)

Grants (continued)

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose a specific future performance condition is recognised as revenue when the grant proceeds are receivable. A grant that imposes a specific future performance related conditions on the Group, is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is shown as a liability in the Statement of financial Position.

Supporting People Grant

Supporting People Grant is payable by Local authorities. The amount credited to the income has been evaluated in accordance with Supporting People Grant arrangements with specific Local Authorities and under the performance model of accounting.

Pension scheme

The Charity is party to a multi-employer defined benefit (final salary) contributory pension scheme administered independently. The Charity is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis.

As there is a contractual agreement between the scheme and the Charity that determines how the deficit will be funded, the contributions payable that arise from the agreement to the extent that they relate to the deficit is recognised as a liability in the Statement of Financial Position and the resulting expense in the Statement of Comprehensive Income. When the contributions are not expected to be settled within 12 months after the reporting period, the liability is measured at the present value of the contributions payable by using a discounted rate (discounted present value basis). The rate used is determined by reference to market yields at the reporting date on high quality bonds.

Pension liabilities acquired as a result of entities joining the Group are measured at fair value at the date of acquisition.

Provisions

Provisions for liabilities and charges are recognised when the Group 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.

Short term employee benefits

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date, has been carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Employee termination benefits

Where the company has committed to pay employee termination benefits before the year end, those benefits are accrued in the current year.

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016 (continued)

1 Accounting policies (continued)

Operating leases

Rentals payable under operating leases are charged to income and expenditure on a straight line basis over the lease term. The aggregate benefits of any lease incentive are recognised as a reduction in expenses recognised over the term of the lease.

The Group has applied the exemption in Section 35.10(p) and will continue to recognise any residual benefit or cost associated with lease incentives on the same basis as that applied at the date of transition to FRS 102.

Taxation

The Charity and its subsidiaries are registered charities and therefore are not subject to Corporation Tax on surpluses arising from charitable activities.

The Group is registered for VAT. Amounts within the financial statements are stated net of VAT.

Turnover

Turnover represents amounts receivable for the year from statutory authorities including the Homes & Communities Agency, and from trusts and other charitable donors, given to the Group to allow it to run residential care and other support services for the rehabilitation of problematic substance misusers.

Income is recognised on the basis of the amount receivable for the year. Income received in advance is disclosed within creditors in the Statement of Financial Position.

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.

Grant income is recognised as set out in the Grant accounting policy.

Donations are accounted for once any conditions for receipt are met.

Revenue Reserves

It is the policy of the Charity to maintain the equivalent of between two and three months of expenditure in general revenue (free) reserves. This level of free reserves 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 FINANCIAL STATEMENTS for the year ended 31 MARCH 2016 (continued)

2A Particulars of turnover, operating costs and operating surplus

	Turnover	2016 Operating costs	Operating surplus /(deficit)	Turnover	2015 Operating costs	Operating surplus /(deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Social Housing lettings (note 2B)	6,243	(7,138)	(895)	6,759	(7,045)	(286)
Other Social housing activities						
Revenue grants	12,226	(13,215)	(989)	14,442	(14,821)	(379)
Charitable donations and sundry income	804	(399)	405	430	(353)	77
	19,273	(20,752)	(1,479)	21,631	(22,219)	(588)
Non-social housing activities	5,603	(5,302)	301	6,045	(5,562)	482
Total	24,876	(26,054)	(1,178)	27,676	(27,781)	(105)

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016 (continued)

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

	Residential care homes £'000	2016 Supported housing £'000	Total £'000	2015 Total £'000
Income from social housing lettings				
Rent receivable net of identifiable service charges	4,055	1,415	5,470	5,985
Service charge income	94	(1)	93	129
Other revenue grants	-	680	680	645
Turnover from social housing lettings	4,149	2,094	6,243	6,759
Expenditure on social housing lettings				
Management	1,531	536	2,067	2,191
Service charge costs	503	200	703	759
Routine maintenance	94	90	184	222
Depreciation of housing properties	75	75	150	165
Staff costs	2,036	728	2,764	2,421
Property lease charges	175	292	467	438
Resident costs	579	63	642	682
Other costs	106	55	161	167
Operating costs on social housing lettings	5,099	2,039	7,138	7,045
Operating surplus/(deficit) on social housing lettings	(950)	55	(895)	(286)
Rent losses from voids (included in rent receivable above)	2,929	223	3,152	3,088

The Charity calculates voids by comparing actual income with theoretical income. Theoretical income is based on the number of units registered with the Care Quality Commission. This theoretical number of units assumes that a number of adults or family members could potentially share a specific bedroom in a specific property and it fundamentally represents maximum potential capacity of clients as opposed to housing units.

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016 (continued)

3 Directors' emoluments

	2016 £'000	2015 £'000
All Directors:		
Aggregate emoluments	398	424
Pension contributions	18	20
	<hr/>	<hr/>
	416	444
	<hr/>	<hr/>
Non-executive Board members are not remunerated.		
Highest paid Director*:		
Aggregate emoluments	105	107
Pension contributions	6	6
	<hr/>	<hr/>
	111	113
	<hr/>	<hr/>

*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 25. No special terms or conditions apply to her membership. During the year pension contributions of £6,090 (2015: £6,090) were made on behalf of the Chief Executive.

4 Employee information

The average monthly number of full time equivalent persons (based on 37.5 hour week) employed during the year was as shown below:

Group	2016 No	2015 No
Permanent staff - full time equivalent (number)	533	610
Sessional staff - full time equivalent (number)	13	13
	<hr/>	<hr/>

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016
(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:

Group	2016 No.	2015 No.
£110,001-£120,000	-	-
£100,001-£110,000	1	1
£90,001-£100,000	-	-
£80,001-£90,000	1	1
£70,001-£80,000	2	1
£60,001-£70,000	1	2
£50,001-£60,000	7	9
	<hr/>	<hr/>
	12	14
	<hr/>	<hr/>

5 Staff costs

	2016 £'000	2015 £'000
Wages and salaries	15,679	16,988
Compensation for loss of office	42	228
Social security	1,399	1,553
Pension costs	991	912
	<hr/>	<hr/>
	18,111	19,681
	<hr/>	<hr/>

6 Interest receivable

	2016 £'000	2015 £'000
Bank interest receivable	40	48
	<hr/>	<hr/>

7 Interest and financing costs

	2016 £'000	2015 £'000
Unwinding of discount on multi-employer pension scheme liability	87	142
	<hr/>	<hr/>

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016 (continued)

8 Deficit for the year	2016 £'000	2015 £'000
The deficit is stated after charging/(crediting):		
Depreciation of housing properties	150	134
Depreciation of tangible fixed assets	365	287
Operating lease rentals payable:		
- Land and buildings	490	693
- Other	58	46
Exceptional Items:		
- Release of historic provisions	(50)	(58)
- Pension costs	1,775	324

9 Auditor's remuneration (excluding VAT)	2016 £'000	2015 £'000
Fees payable to the Charity's auditor for the audit of the parent company and consolidated annual financial statements	26	20
Fees payable to the Charity's auditor and its associates for other services to the Group:		
- Audit of subsidiary undertakings	10	6
- Taxation advisory services	2	17
- Other services	5	14

Fees payable to the Charity's auditor for non-audit services to the company itself are not disclosed in the individual accounts because the Charity's consolidated accounts are required to disclose such fees on a consolidated basis.

10 Surplus on disposal of fixed assets	2016 £'000	2015 £'000
Sale proceeds	850	727
Net book value	(272)	(175)
Grant recycled	(279)	-
Disposal costs	(44)	(24)
	255	528

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016 (continued)

11 Housing properties	Freeholds	Long leaseholds	Short Leaseholds	Total
Group	£'000	£'000	£'000	£'000
Cost				
At 31 March 2015	6,348	1,300	479	8,127
Component additions	116	-	-	116
Disposals	(175)	-	(211)	(386)
At 31 March 2016	6,289	1,300	268	7,857
Depreciation				
At 31 March 2015	485	18	375	878
Charge for year	96	27	27	150
Disposals	-	-	(211)	(211)
At 31 March 2016	581	45	191	817
Net book value				
At 31 March 2016	5,708	1,255	77	7,040
At 31 March 2015	5,863	1,282	104	7,249

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.

Accommodation owned and in management

The number of supported housing units owned and in management at 31 March 2016 was 366 (2015: 364).

183 bed spaces (2015: 177) were managed by the Group but were in properties owned by other Registered Social Providers of Social Housing or other third parties.

Impairment

From 1 April 2016, the Group has reduced social housing rents by one per cent per annum and will continue to do so in each year until 2019/20 in accordance with the Welfare Reform and Work Act 2016. This rent reduction is an indication of a potential impairment in the carrying value of the Group's social housing properties.

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016 (continued)

11 Housing Properties (continued)

The Group has estimated the recoverable amount of its social housing properties on an individual property by property basis and compared this to the carrying amount of each property in order to determine if an impairment loss has been incurred. The Group has calculated the recoverable amount for each property using:

- the Net Present Value, based on an assessment of future cash flows from the property in their present condition discounted by the expected rate of borrowing as at the year end, or,
- the Depreciated Replacement Cost, based on appropriate construction costs and land prices and an estimate of the market value based on similar properties sold in the same area.

Comparing the recoverable amount to the carrying amount of each property, there was no impairment of the Group's social housing properties.

	Freeholds £'000	Short leaseholds £'000	Total £'000
Charity			
Cost			
At 31 March 2015	2,508	480	2,988
Component additions	116	-	116
Disposals	-	(144)	(144)
At 31 March 2016	2,624	336	2,960
Depreciation			
At 31 March 2015	440	375	815
Charge for year	50	26	76
Disposals	-	(144)	(144)
At 31 March 2016	490	257	747
Net book value			
At 31 March 2016	2,134	79	2,213
At 31 March 2015	2,068	105	2,173

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.

Accommodation owned and in management

The number of supported housing units owned and in management at 31 March 2016 was 277 (2015: 273).

147 bed spaces (2015: 139) were managed by the Charity but were in properties owned by other Registered Social Providers of Social Housing or other third parties.

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016 (continued)

12 Other fixed assets	Long leasehold investment	Leasehold property improvements	Office furniture & equipment	Motor vehicles	Total
Group	£'000	£'000	£'000	£'000	£'000
Cost					
At 31 March 2015	508	191	2,591	373	3,663
Additions	-	493	109	13	615
Disposals	-	(190)	(1,531)	(46)	(1,767)
At 31 March 2016	508	494	1,169	340	2,511
Depreciation					
At 31 March 2015	10	84	1,976	233	2,303
Charge for year	10	23	275	57	365
Disposals	-	(103)	(1,523)	(45)	(1,671)
At 31 March 2016	20	4	728	245	997
Net book value					
At 31 March 2016	488	490	441	95	1,514
At 31 March 2015	498	107	615	140	1,360

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016 (continued)

12 Other fixed assets (continued)

Charity	Leasehold property improvements £'000	Office furniture & equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 31 March 2015	67	2,490	306	2,863
Additions	-	100	13	113
Disposals	(67)	(1,517)	(46)	(1,630)
At 31 March 2016	-	1,073	273	1,346
Depreciation				
At 31 March 2015	67	1,943	226	2,236
Charge for year	-	248	40	288
Disposals	(67)	(1,516)	(45)	(1,628)
At 31 March 2016	-	675	221	896
Net book value				
At 31 March 2016	-	398	52	450
At 31 March 2015	-	547	80	627

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016 (continued)

13 Company fixed asset investments

**2016
£'000**

**2015
£'000**

Investments in subsidiary undertaking

4,845

4,845

Subsidiary	Status	Activity	Holding
Phoenix House (Live-in-World) Limited	Registered under the Companies Act 2006, limited by shares	Dormant	100%
NORCAS Limited*	Registered under the Companies Act 2006, limited by guarantee	Dormant since 1 August 2013	N/A
ARP Charitable Services (trading as Foundation 66)*	Registered under the Companies Act 2006, limited by guarantee	Provision of treatment, advice and support to people with alcohol, drug and related problems	N/A

* Subsidiary by virtue of control of the Board

Subsidiary undertakings

Cost

£'000

At 1 April 2015 and 31 March 2016

4,845

Net book value

At 31 March 2016

4,845

At 31 March 2015

4,845

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016 **(continued)**

14 Debtors	Group		Charity	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Arrears of charges to statutory bodies and others	290	141	235	33
Amounts due from contractual income	1,229	1,923	1,150	1,841
	<u>1,519</u>	<u>2,064</u>	<u>1,385</u>	<u>1,874</u>
Less provision for bad debts	-	-	-	-
	<u>1,519</u>	<u>2,064</u>	<u>1,385</u>	<u>1,874</u>
Other debtors	64	64	23	20
Prepayments and accrued income	1,200	1,322	1,031	1,125
Amounts due from Group undertakings	-	-	26	287
	<u>2,783</u>	<u>3,450</u>	<u>2,465</u>	<u>3,306</u>

15 Cash and cash equivalents

	Group		Charity	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Cash at bank and in hand	5,864	5,040	5,672	4,704

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016 (continued)

16 Creditors: amounts falling due within one year

	Group		Charity	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Trade creditors	476	795	390	694
Payments in advance	118	142	118	142
Other creditors including taxation and social security costs	535	619	454	527
Accruals, deferred income and grants received in advance	761	997	632	837
Recycled capital grant fund	279	-	-	-
Multi-employer pension scheme	738	551	521	396
	<u>2,907</u>	<u>3,104</u>	<u>2,115</u>	<u>2,596</u>

17 Creditors: amounts falling due after more than one year

	Group		Charity	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Deferred grants	757	609	710	565
Multi-employer pension scheme	5,395	4,271	3,719	3,022
	<u>6,152</u>	<u>4,880</u>	<u>4,429</u>	<u>3,587</u>

On acquisition of Foundation 66, the Group recognised the housing properties at fair value and the associated grant, from the Homes and Communities Agency, under the performance model of accounting. £974k is therefore potentially recyclable on disposal.

18 Provisions

	Group and Charity	
Onerous leases and dilapidations	2016	2015
	£'000	£'000
At 1 April	27	49
Movement in provision	(3)	(22)
	<u>24</u>	<u>27</u>
As at 31 March		

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016 (continued)

19 Recycled capital grant fund

	Group		Charity	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Balance at 1 April	-	216	-	-
Inputs to fund:				
- Repaid	-	(216)	-	-
- Recycled on disposal	279	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March	279	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Amount due for repayment to HCA (due within one year)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

20 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.

21 Reserves

Revenue reserve

The revenue reserve represents cumulative profits and losses.

22 Incorporation

The Charity is registered with the Homes & Communities Agency and prepares its accounts under the Accounting Direction for Private Registered Providers of Social Housing 2015. It is incorporated under the Companies Act 2006 and registered in England and Wales.

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016 (continued)

23 Operating leases

The future minimum lease payments under non-cancellable leases are as follows:

Group	2016		2015	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
For leases expiring:				
Within one year	176	14	206	56
Between two and five years	182	-	242	14
After five years	-	-	29	-
	<hr/>	<hr/>	<hr/>	<hr/>
	358	14	477	70
	<hr/>	<hr/>	<hr/>	<hr/>

Charity	2016		2015	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
For leases expiring:				
Within one year	147	-	177	-
Between two and five years	66	-	95	-
After five years	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	213	-	272	-
	<hr/>	<hr/>	<hr/>	<hr/>

24 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.

25 Pension Scheme Arrangements

Social Housing Pension Scheme ("SHPS")

The Group 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 418 (2015: 459 active members of the Scheme employed by the Group).

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016 (continued)

25 Pension Scheme Arrangements (continued)

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 treatment for the period is as a defined contribution scheme.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2014 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The Scheme is classified as a "last-man standing arrangement". Therefore the Group is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

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.

A full actuarial valuation of the Scheme was carried out at September 2014. This actuarial valuation showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the Scheme as follows:

From 1 April 2013 to 30 September 2020	£40.6m per annum allocated to each participating employer in line with their estimated share of the Scheme liabilities (payable monthly and increasing by 4.7% each year on 1 st April)
From 1 October 2020 to 30 September 2023	£28.6m per annum allocated to each participating employer in line with their estimated share of the Scheme liabilities (payable monthly and increasing by 4.7% each year on 1 st April)
From 1 April 2013 to 30 September 2026	A £32.7m per annum allocated to each participating employer in line with their estimated share of the Scheme liabilities (payable monthly and increasing by 3.0% each year on 1 st April)
From 1 April 2016 to 30 September 2026	A £ 31.7m per annum allocated to each participating employer in line with their estimated share of the Scheme liabilities (payable monthly and increasing by 3.0% each year on 1 st April)

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016 (continued)

25 Pension Scheme Arrangements (continued)

Past service deficit reduction contributions of £508,368 are payable by the Group annually until 2023 and 2026 respectively, increasing by 4.7% and 3% per annum.

Where the Scheme is in deficit and where the Group has agreed to a deficit funding agreement, the Association recognises a liability for the obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Growth Plan

The Group participates in the scheme, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2011. This valuation showed assets of £780m, liabilities of £928m and a deficit of £148m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

From 1 April 2013 to 31 March 2023:	£13.9m per annum (payable monthly and increasing by 3% each on 1st April)
--	--

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

From 1 April 2016 to 30 September 2025:	£12,945,440 per annum (payable monthly and increasing by 3% each on 1st April)
From 1 April 2016 to 30 September 2028:	£54,560 per annum (payable monthly and increasing by 3% each on 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016 (continued)

25 Pension Scheme Arrangements (continued)

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

The Group 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 was 1 (2015: 1) active member of the Plan employed by the Group. The Group continues to offer membership of the Plan to its employees.

Present value of provision	2016 £'000	2015 £'000
As at 31 March	6,133	4,822
<hr/>		
Reconciliation of opening and closing provisions	2016 £'000	2015 £'000
Provision as at 1 April	4,822	4,885
Unwinding of the discount factor	87	142
Deficit contributions paid	(551)	(529)
Impact of changes in assumptions	(37)	324
Amendments to the contribution schedule	1,812	-
As at 31 March	6,133	4,822
<hr/>		
Income Statement impact	2016 £'000	2015 £'000
Unwinding of discount factor (interest expense)	87	142
Impact of changes in assumptions	(37)	324
Amendments to the contribution schedule	1,812	-
	1,775	324
As at 31 March	1,862	466
<hr/>		
Assumptions	2016 % per annum	2015 % per annum
Rate of discount – main scheme	2.06%	1.92%
Rate of discount – Growth Plan	2.07%	1.74%

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016 (continued)

25 Pension Scheme Arrangements (continued)

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results using a full AA corporate bond yield curve to discount the same recovery plan contributions.

26 Ultimate controlling party

There is no ultimate controlling party.

27 Related party transactions

During the year, the Charity provided central management services to Foundation 66, a fully owned subsidiary of the Charity.

Karen Biggs, the Charity's Chief Executive is a director of Drugscope which is a registered charity (number 255030) and a company limited by guarantee (number 926236). Drugscope rented premises from the Charity at its central office which was based at ASRA House, 1 Long Lane, London SE1 4PG until 22 October 2015. The amount invoiced for the financial year ended 31 March 2016 was £17,178 (2015: £33,000). Drugscope is currently in liquidation. The full amount of £17,178 has been written off as it is unlikely to be received. The transaction was an arm's length transaction and Karen Biggs abstained during any decision making.

<i>Key Management personnel</i>	2016 £'000	2015 £'000
Remuneration paid to Key Management Personnel were:		
Remuneration (as per note 3)	416	444
Employer's social security costs	49	52
	<hr/>	<hr/>
	465	496
	<hr/>	<hr/>

28 FRS 102 Transition

These financial statements are the Group's first financial statements in compliance with FRS 102. The date of transition was 1 April 2014.

The transition to FRS 102 has resulted in some changes in accounting policies compared to those used previously. The following table describes the differences between the amounts presented previously under old UK GAAP and as restated to comply with FRS 102:

- in the Statement of Comprehensive Income and Statement of Financial Position for the year ended 31 March 2015 (i.e. comparative information); and
- in the opening Statement of Financial Position (i.e. at 1 April 2014, the date of transition).

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2016 (continued)

28 FRS 102 Transition (continued)

Reconciliation of capital and reserves

	At 1 April 2014 £'000	At 31 March 2015 £'000
As previously reported	12,431	12,782
Adjustments:		
1) Changes in accounting for pensions	(3,538)	(3,560)
2) Employee Annual leave accrual	(134)	(134)
	<hr/>	<hr/>
As reported under FRS 102	8,759	9,088
	<hr/>	<hr/>

Reconciliation of retained profit for the year ended 31 March 2015

	Year ended 31 March 2015 £'000
As previously reported	351
Adjustments:	
1) Changes in accounting for pension	(22)
	<hr/>
As reported under FRS 102	329
	<hr/>

1. SHPS is a multi-employer defined benefit pension scheme where it is not possible to identify each individual employer's share of the assets and liabilities. Under old UK GAAP the contributions (both current and deficit) were recognised in the Income Statement.

Although FRS 102 requires a similar treatment to old UK GAAP for the current service contributions the accounting for contractual arrangements to make deficit contributions is different.

A liability is established for the future contributions payable, discounted at a rate equivalent to a high quality corporate bond of the same currency and term. The deficit contributions payable are offset against the liability and the discount unwound each year.

Changes in the estimated discount rate are recognised as operating costs in the Statement of Comprehensive Income.

2. Previously no accrual was made for unused holiday entitlement or time off in lieu (TOIL). FRS 102 requires that an accrual is recognised, measured at the undiscounted amount.

PHOENIX HOUSE

The following does not form part of the statutory financial statements

CHARITY STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 March 2016

	2016 £'000	2015 £'000
Turnover	21,326	22,977
	<hr/>	<hr/>
Operating costs	(20,512)	(22,283)
Pension deficit	(1,156)	(159)
	<hr/>	<hr/>
Total operating expenditure	21,668	22,442
	<hr/>	<hr/>
Operating (deficit)/surplus	(342)	535
Surplus on disposal of fixed assets	(3)	12
Interest receivable and similar income	39	48
Interest payable and similar charges	(62)	(101)
	<hr/>	<hr/>
(Deficit)/surplus for financial year	(368)	495
	<hr/>	<hr/>
Other comprehensive income	-	-
	<hr/>	<hr/>
Total comprehensive income for the financial year	368	494
	<hr/>	<hr/>