

**ARP CHARITABLE SERVICES
(Trading as FOUNDATION66)**

REPORT AND FINANCIAL STATEMENTS

For the year ended

31 March 2015

Company Registration Number: 02109924

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ARP CHARITABLE SERVICES

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ARP CHARITABLE SERVICES LEGAL AND ADMINISTRATIVE DETAILS

LEGAL STATUS

ARP Charitable Services ("Foundation66" or "the Charity") is a company limited by guarantee and a registered charity. It is also a Registered Social Landlord registered with the Homes and Communities Agency. On 31 March 2014, ARP Charitable Services was acquired by Phoenix House Limited (trading as Phoenix Futures).

COMPANY NUMBER

02109924

CHARITY NUMBER

296375

REGISTERED SOCIAL LANDLORD NUMBER

H3720

BOARD MEMBERS

Sue Ellenby
James Cook
Mark Haysom
Sarah Thewlis

SECRETARY

George Lambis

REGISTERED OFFICE AND OPERATIONAL ADDRESS

ARP Charitable Services
3rd Floor - ASRA House
1 Long Lane
London
SE1 4PG

BANKERS

HSBC plc
23 Denmark Hill
London
SE3 8RP

AUDITORS

Nexia Smith & Williamson
Chartered Accountants
25 Moorgate
London
EC2R 6AY

ARP CHARITABLE SERVICES

STRATEGIC REPORT for the year ended 31 March 2015

The Board presents its strategic report for ARP Charitable Services ("the Charity" or "Foundation66") for the year ended 31 March 2015.

PRINCIPAL ACTIVITIES

ARP Charitable Services operates in London and has traded as Foundation66 since August 2009. Its principal activities include the provision of treatment, advice and support to people with alcohol, drug and related problems.

MISSION AND PURPOSE

Foundation66 works creatively with individuals, communities and policy makers to reduce the harm caused by problem alcohol and drug use. Our integrated care, support and housing services help people achieve positive change and freedom from the harmful effects of alcohol and other drugs. We respond to emerging needs, using action research to pioneer innovative service solutions and push the boundaries of best practice. The Charity's governing document is its articles of association.

GOVERNANCE

The Charity, operating within the governance framework of the Phoenix Futures 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 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 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.

BUSINESS REVIEW

On 31 March 2014, Foundation66 was acquired by Phoenix Futures. This has provided synergies and strategic and financial benefits for both organisations, strengthening both organisations' operational ability to help more people in their journey to recovery and to provide more peer mentoring, training for employment and volunteering opportunities for service users. Foundation66 will benefit from a significant reduction in overheads thus increasing its financial strength and competitiveness whilst it gains access to expertise provided by Phoenix Futures central support functions.

PRINCIPAL RISKS AND UNCERTAINTIES

In April 2013 the National Treatment Agency, the group's funding and regulatory body, was abolished and its critical functions were transferred to Public Health England. The 2014-15 year was the final year within the last three year spending round and the final year that the public health budget was ring-fenced. Funds which were previously ring-fenced for drug and alcohol treatment services are now expected to be included in the overall pot used to improve the health and well-being of local communities. Pressure on local authority budgets is very significant indeed and cuts to substance misuse funding will be reflected in funds being diverted into other areas. Drug and alcohol services are now competing for funds with children services, elderly care and services to combat smoking or obesity. Services will be funded in future on the basis that they are diverting people from higher cost institutional provision such as prison, nursing or residential care, hospital and A&E provision to lower cost support in the community and preferably involving volunteering and peer support and promotion of self-reliance.

ARP CHARITABLE SERVICES
STRATEGIC REPORT for the year ended 31 March 2015

The economic environment is therefore uncertain with the substance misuse sector facing a period of significantly reduced public funding. This is expected to have an impact on the group's vulnerable clients and services. It is also expected to increase competitiveness amongst providers of substance misuse services further.

The full extent of cuts in public expenditure is still to be determined by the government.

PUBLIC BENEFIT

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

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

ARP CHARITABLE SERVICES
STRATEGIC REPORT for the year ended 31 March 2015 (continued)

OUR SERVICES

The Charity has a range of community and accommodation based services across London, Essex and the South East.

Community Services

These are direct access, "drop-in" facilities open to any member of the public free of charge. These services offer a range of interventions and treatments, including structured Day Programmes, support groups, one-to-one counselling, art therapy, relaxation groups, anger management, assertiveness training and a range of complementary therapies. We provide these services in Tri-Borough (The London Borough of Hammersmith and Fulham, Royal Borough of Kensington and Chelsea and Westminster City Council), Southwark and Lambeth.

In the **Tri-Boroughs** (Royal Borough of Kensington and Chelsea, The London Borough of Hammersmith and Fulham and Westminster City Council) Foundation66 delivers a number of successful services in partnership with the Westminster Drug Project, Blenheim CDP, and Central and North West London NHS Foundation Trust.

The Charity's Community alcohol services (CASS) consistently achieve high completion rates exceeding national averages. The Tri-Borough Services introduced post-treatment outcome monitoring, providing follow up to clients after 4 months of completing treatment. This has helped to demonstrate how many clients have maintained their goals and has helped to support and re-engage clients that are struggling.

Our Essex Support Advice & Mentoring Service service provides an ETE centre of as well as a host of service user qualifications. The qualified mentors are supported by service coordinators to cover the whole county of Essex and provide one to one and advocacy support to mentees.

Residential Services

The Charity owns and manages properties providing supported housing in the services described below.

Registered Care Schemes

Long Yard is a specialist detox service offering supervised medical withdrawal from alcohol, supported by a comprehensive health and social care programme. The duration of stay is from 10 – 14 days. Over the last year 85% of service users successfully completed a detox at Long Yard and went on to progress their recovery in other settings.

Ravenswood Road provides an alcohol specific programme. It is a rehabilitation service with 24 hour registered support for people who have completed detox and require more intensive support to prepare them for more independent accommodation.

Herbert Street was closed during September 2014 to consider the purpose of the service and to utilise the property for more specialist services. This was renamed Grace House during 2015 and is the first registered female only service for those with substance misuse issues and who have complex needs.

Supported Accommodation

Knatchbull Road and Bromley Road are support housing services providing six months intensive support for service users who have recently stopped using alcohol and drugs or who have been through a detox programme. Support is provided through a comprehensive group work programme and one to one support.

ARP CHARITABLE SERVICES
STRATEGIC REPORT for the year ended 31 March 2015 (continued)

Shared Housing and Self-Contained Accommodation: we have a range of second stage housing and more independent accommodation where residents are supported to address their substance misuse and change their lifestyles, in order to make a successful transition back to independence and/or into more permanent accommodation.

Partnership and Specialist Services

We provide a number of smaller services which meet the needs of more specific groups:

Our **Young Peoples' Alcohol Service** is an outreach project funded by Comic Relief since 2005. Working in Camden, Islington and Westminster it educates 18-24 year olds around the dangers of misusing alcohol. It also provides one-to-one brief intervention sessions to the young people helping them understand the physical and behavioural effects of drinking and reducing their use of alcohol.

The Older Persons' services focus on the provision of one-to-one support to older people to help them to maintain abstinence or reduce the harm caused by their alcohol misuse.

The older persons' services are delivered in a way to best meet the unique needs of older clients. They are usually seen for key working within their own homes due to their reluctance or inability to access mainstream services. Practitioners allow more time with older clients and focus on building a rapport which helps to overcome the generational differences in self-disclosure and helps to motivate those that are ambivalent or lack self-efficacy in their ability to change. Practitioners within this service work closely with a wide range of other agencies, including social services, re-enablement teams, older person's Community Mental Health Teams and Day centres. This enables them to meet the unique challenges facing this client group such as complex physical and mental health problems, isolation and bereavement.

Support for Families and Carers

Many of these services also provide support to family members and carers, including one-to-one sessions using the 5-step Brief Intervention model and carers support groups.

Foundation66's CEDA (Creative Education on Drugs & Alcohol) is a 3 year project to provide innovative and interactive substance awareness workshops to young people aged between 14-16 years within the school setting across Camden, Islington and Westminster. This primarily focuses on substances prevalent amongst young people; skunk, alcohol, NPS.

Developing Recovery Capital

A number of the Charity's initiatives this year have focused on developing the recovery capital of those in treatment. As a specialist provider of substance misuse services the Charity recognises the value of supporting people to develop their life skills and work towards making a positive contribution to the communities in which they live.

In 2012 the charity was awarded 3 years funding from the Big Lottery Fund to deliver the 'Recovery in the Community' project. The project engages with people who have a history of substance misuse and delivers a core programme of courses to improve confidence, life skills, mental health, social well-being and physical health. The aim of the project is to support people to engage with community activities and sustain their recovery.

Last year the Essex Support Advice & Mentoring Service trained individuals in the Northern Council of Further Education (NCFE) level 1 & 2 Mentoring qualifications.

ARP CHARITABLE SERVICES
STRATEGIC REPORT for the year ended 31 March 2015 (continued)

Supporting Mutual Aid

The Charity understands the importance of mutual aid to an individual's recovery journey and the need for treatment providers to support mutual aid activities within its delivery. The Charity supports the work of SMART Recovery UK delivering mutual aid groups across London. In addition to this, peer led coffee mornings within services and local hostels were delivered and the Charity facilitated access to other forms of mutual aid, including Alcoholics Anonymous and Narcotics Anonymous.

VALUE FOR MONEY (VFM) STATEMENT

The regulatory framework for the sector includes a specific standard for VFM. Our regulator, the HCA, expects us to "have a strategy for optimising VFM and systems to ensure that this strategy is delivered." Achieving VFM is important for Foundation66. VFM underpins resource allocation ensuring continued commitment to providing an efficient, cost effective service to stakeholders. Following the merger the Charity adopted the Phoenix Futures Group VFM strategy in order to achieve an optimal relationship between economy, efficiency and effectiveness. The Group VFM strategy is incorporated in the Phoenix Futures Group accounts which can be found on the group's website at www.phoenix-futures.org.uk.

The Board would like to thank the following organisations for supporting our work:

Comic Relief
Big Lottery
Stavros Niarchos Foundation

Approved by the board of ARP Charitable Services and signed on behalf of the Board



George Lambis
Company Secretary

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ARP CHARITABLE SERVICES
REPORT OF THE BOARD for the year ended 31 March 2015

The Board presents its report for ARP Charitable Services for the year ended 31 March 2015.

FINANCIAL REVIEW

The Income and Expenditure Account shows turnover of £5,226k (2014: £6,044k) and an operational deficit of £556k (2014: deficit £1,100k).

Following the merger with Phoenix Futures, a plan to re-structure the Charity's central functions was implemented which included the assignment or surrender of a number of leases from which the Charity operated its central office functions. The re-structure of those functions continued throughout the year ended 31 March 2015. Whilst during the year these costs continued to be incurred whilst central office functions were curtailed such costs will not recur during the year ending 31 March 2016.

The management and support of the Charity was assumed by Phoenix Futures. This will enable the Charity to operate at a significantly reduced cost thus increasing the Charity's competitiveness and enabling it to provide value for money to its clients, commissioners and other stakeholders.

Phoenix Futures also carried out strategic reviews of the Charity's services and properties and effected fundamental changes to some services with a view to enhancing the quality of services, staff support and training as well as increased investment in the Charity's property portfolio. A material amount of funds was invested by the Charity in maintenance, IT, Furniture & Fittings and Equipment of some £347k whilst some £48k was invested in capital items.

During a difficult year of transition, restructuring and financial investment following the merger, and despite the loss of some contractual income, the profit on the disposal of its New Cross Road property in Lewisham enabled the Charity to generate a surplus.

The overall surplus for the year ended 31 March 2015 incorporated one off income as follows:

	2015 £000	2014 £000
Operating deficit*	(555)	(1,100)
One off costs – Merger costs; restructuring, redundancy and associated professional fees	-	337
– CEO support	-	86
One off income – Surplus on the disposal of fixed assets	690	-
	135	(677)

* including interest receivable

The numerical analysis by each service is shown in note 2a of the financial statements on page 19.

ARP CHARITABLE SERVICES
REPORT OF THE BOARD for the year ended 31 March 2015 (continued)

FUTURE PROSPECTS

The Board carries out regular reviews of the Charity's financial results during the year and reviews financial viability via detailed budgets and re-forecasts which are prepared on the basis of prudent underlying assumptions in the context of a Risk Map and the current economic and political environment. The Board has modest expectations regarding future income growth in the context of anticipated significant public sector cuts in expenditure.

Following the merger with Phoenix Futures a very significant reduction in central overheads has been achieved and a significant investment was made in the Charity's quality of services and properties and whilst the Board expects difficult market conditions, it is confident that the Charity is in a stronger position to face market changes.

POST BALANCE SHEET EVENTS

The Board is reviewing the implications of the Chancellor's Emergency Budget 2015 on the Charity's activities. The Board's initial evaluation is that the implications on the Charity's activities are likely to be minimal and that the Emergency Budget 2015 does not impact on the Charity's viability. The Board will review the implications of the Autumn Statement on the Charity's activities once this is announced in November 2015.

Since the year end the Board decided to dispose of its Holmewood Gardens property.

FINANCIAL RISK MANAGEMENT

The Charity's operations expose it to a variety of financial risks that include the effects of changes in cashflow and price risk. The Charity has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Charity by monitoring levels of debt and applying its procurement policy to purchasing. The Company 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 Phoenix Futures Group Audit & Control Committee. The policies set by the Board are implemented by the Group's finance department.

Price risk

The Charity is exposed to price risk due to normal inflationary increases in the purchase price of the goods and services in purchases in the UK.

STATEMENT OF THE BOARD'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for preparing the Strategic Report, Board Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Board to prepare financial statements for each financial year. Under that law the Board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Board 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 result of the Charity for that period.

ARP CHARITABLE SERVICES
REPORT OF THE BOARD for the year ended 31 March 2015 (continued)

In preparing these financial statements, the Board is 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 a going concern basis unless it is inappropriate to presume that the company will continue in business.

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

STATEMENT ON THE CHARITY'S SYSTEM OF INTERNAL CONTROL

Introduction

The Board takes an active interest in all internal control and corporate governance matters, and aims to meet the highest standards. The Board accepts the principles in the National Housing Federation Code of Governance, which go well beyond internal financial control.

This statement is confined to internal financial control. Internal financial control means the internal controls established in order to provide reasonable assurance of:

- the safeguarding of assets against unauthorised use or dispositions; and
- the maintenance of proper accounting records and the reliability of financial information used with the company or for publication.

Statement

The Board acknowledges its primary responsibility for the Charity's system of internal financial control, for safeguarding the assets of the Charity and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Board places considerable importance on maintaining a strong control environment. However such a system can only provide reasonable and never absolute assurance against material misstatement or loss.

The Board has established, and intends to continue development of, key procedures designed to provide effective internal financial control. These are the high level procedures and processes by which the Board reviews the effectiveness of the system of internal financial control.

The Charity's internal financial control and monitoring procedures include:

- clear responsibilities on the part of line and financial management for the maintenance of good financial controls and the production of accurate and timely financial management information;

ARP CHARITABLE SERVICES
REPORT OF THE BOARD for the year ended 31 March 2015 (continued)

- the control of key financial risks through clearly laid down authorisation levels and proper segregation of duties;
- detailed monthly budgeting and reporting of income and expenditure, with regular review by management of variances from budgets;
- reporting on compliance with internal financial controls and procedure by internal audit and (for the year end) by external auditors. These reports are reviewed by the Finance and Central Services Sub-Committee prior to the use of interim and annual reports; and
- business risk map.

The Board have reviewed the effectiveness of the Charity's system of internal financial control in operation during 2014-15. No weaknesses were identified which would have resulted in material misstatement or loss and which would have required disclosure in the financial statements.

MEMBERS OF THE CHARITY TRUSTEES' BOARD

The Trustee Members of the Board, who are also the directors of the company, during the year, and up to the date of this report were as follows:

Sue Ellenby	
James Cook	
Mark Haysom	(Chair)
Sarah Thewlis	(Vice Chair)

DISCLOSURE OF INFORMATION TO THE AUDITORS

In the case of each person who was a member of the Board at the time this report was approved:

- so far as they are aware there was no relevant available information of which the Charity's auditors were unaware; and
- each Board member has taken all steps that they ought to have taken as a Board member to make himself or herself aware of any relevant audit information and to establish that the Charity's auditors were aware of that information.

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

AUDITORS

Nexia Smith & Williamson have expressed their willingness to continue in this office. A resolution to re-appoint the auditor will be proposed at the next Annual General Meeting.

Approved by the Board on 30th September 2015 and signed on its behalf by



George Lambis
Company Secretary



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARP CHARITABLE SERVICES

We have audited the financial statements of ARP Charitable Services for the year ended 31 March 2015 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the 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's 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 trustees and auditor

As explained more fully in the Statement of Board's Responsibilities set out on pages 8 and 9, the Board (who are also directors of the company for the purposes of company law) 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 Committee'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 Charity's affairs as at 31 March 2015 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and The Accounting Direction for Private Registered Providers of Social Housing 2012.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Board 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 ARP CHARITABLE SERVICES (CONTINUED)

Matters on which we are required to report by exception

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

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

Nexia Smith & Williamson

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

25 Moorgate
London
EC2R 6AY

Date: *30 September 2015*

ARP CHARITABLE SERVICES
INCOME AND EXPENDITURE ACCOUNT for the year ended 31 March 2015

	Notes	2015 £000	2014 £000
Turnover	2,3	5,226	6,044
Operating costs	2	(5,782)	(7,144)
Operating deficit		(556)	(1,100)
Surplus on the disposal of fixed assets	9	690	-
Interest receivable		1	2
Surplus/(deficit) for the financial year	14	135	(1,098)

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above.

ARP CHARITABLE SERVICES
BALANCE SHEET as at 31 March 2015

	Notes	2015 £000	2014 £000
Tangible fixed assets			
Housing land and building at cost	10	3,599	4,014
Social Housing Grant	10	(3,599)	(4,014)
Other fixed assets	10	510	530
Total fixed assets		510	530
Current assets			
Debtors	11	430	1,100
Cash at bank and in hand		336	539
		766	1,639
Creditors: amounts falling due within one year	12	(610)	(1,638)
Net current assets		156	1
Total assets less current liabilities		666	531
Capital and reserves			
Share capital	15	-	-
Income and expenditure account	14	666	531
		666	531

Approved by the Board on 30th September 2015 and signed on its behalf by

Mark Haysom (Chair)

(Trustee Director)

James Cook

(Trustee Director)

Company Registration No. 02109924

ARP CHARITABLE SERVICES
CASH FLOW STATEMENT for the year ended 31 March 2015

	Notes	2015 £000	2014 £000
Net cash outflow from operating activities	A	(638)	(744)
Returns on investments and servicing of finance			
Interest received		1	2
Repayment of Recycled Capital Grant Fund		(213)	-
Net cash (outflow)/inflow from returns on investments and servicing of finance		(212)	2
Capital expenditure and financial investment			
Purchase of other fixed assets		(87)	(40)
Proceeds from Sale of Asset		690	-
Capital Grants Received		44	-
Inflow/(outflow) from capital expenditure and financial investment		647	(40)
Decrease in cash	B	(203)	(782)

ARP CHARITABLE SERVICES
CASH FLOW STATEMENT for the year ended 31 March 2015 (Continued)

NOTES TO THE CASH FLOW STATEMENT

A. Reconciliation of operating deficit to net cash outflow from operating activities

	2015 £000	2014 £000
Operating deficit	(556)	(1,100)
Depreciation and grant amortisation	63	143
Amounts written off on scrapping of assets	-	91
(Increase) / decrease in debtors	670	(480)
(Decrease) / increase in creditors	(815)	602
	<hr/>	<hr/>
Net cash outflow from operating activities	(638)	(744)
	<hr/>	<hr/>

B. Analysis of net funds

	At 1 April 2014 £000	Cashflow £000	At 31 March 2015 £000
Cash at bank and in hand	539	(203)	336
	<hr/>	<hr/>	<hr/>
Net funds	539	(203)	336
	<hr/>	<hr/>	<hr/>

1. Accounting policies

a) Introduction and accounting basis

These financial statements are prepared in accordance with applicable accounting standards. The principal accounting policies of the company are set out below.

These financial statements are prepared under the historical cost accounting convention, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012 ("the Direction") and the guidance in the Statement of Recommended Practice Accounting by Registered Social Housing Providers (Update 2010) ("the SORP").

As the Charity's intention is to continue in business the financial statements are prepared on a going concern basis. Phoenix Futures has confirmed its intention to continue to provide financial and other support to the Charity.

b) Fixed assets – housing land and buildings

This is stated at cost which includes:

- i) Cost of acquiring land and buildings.
- ii) Cost of completing building and rehabilitation work.
- iii) Interest charged on the mortgage loans raised to finance the schemes to the date of completion.
- iv) Amounts equal to acquisition and development allowances receivable.

Interest on mortgage loans was capitalised prior to the relevant date of the Social Housing Grant claim. Interest after that date was written off to the income and expenditure account.

Property sales are recognised on legal completion.

c) Social Housing Grant (SHG)

These grants were paid by the Housing Corporation direct to the funding authority so as to reduce the loan funding to an amount which was estimated can be funded from the net annual income generated from the scheme. For schemes developed under the "new SHG" system, the grants are paid to the Company. In all cases SHG is shown as a deduction from cost on the Balance Sheet. In certain circumstances SHG is repayable to the Homes & Communities Agency, principally on the sale of property, if the company cannot recycle the grant into another scheme. Recycled Capital Grants are included in the long term creditors.

d) Turnover

Turnover comprises rental income and service charges receivable net of voids, fees and revenue grants from local authorities and the Homes and Communities Agency. Rental income and service charges receivable are recognised on the basis of amount receivable for the year. Rental income received in advance is disclosed within creditors in the Balance sheet.

e) Revenue funding

Revenue Grants and Supporting People Grants are credited to the Income and Expenditure Account as they fall due.

1. Accounting policies (continued)

f) Donations for non-housing capital expenditure

Donations received for non-housing capital expenditure are credited to the deferred capital grants account and released to income and expenditure over the estimated useful life of the asset.

g) Depreciation

i) Housing land and buildings

The Company has considered the recommendations of the SORP. Depreciation is not charged because all properties owned by the organisation have been fully funded by SHG from the Housing Corporation and the net book value is nil. In view of the high level of grant funding received for the Company's housing property, the Board considers that the application of component accounting under the SORP would have no material impact and balances have not been restated.

ii) Other fixed assets

Depreciation is provided after offsetting any capital grants received for the purchase of these assets on the following basis:

Long lease investments	- over the period of the lease
Leasehold improvements	- over the period of the lease
Furniture and fittings	- 25% per annum straight line
Electrical and electronic equipment	- 33% per annum straight line

h) Pension scheme arrangements

The Charity participates in the Social Housing Pension Scheme as disclosed in Note 6. In the context of Risk evaluation and in order to mitigate risk, the Board, after consulting with staff, decided to close the Charity's final salary scheme participation to future accrual. The Board also considered the impact of accounting requirements under FRS 102 which relate to organisations such as Foundation66 participating in multi-employer schemes and which will be implemented in the financial year ending 31 March 2016. The implementation will have impact on the Charity's reserves which may be reduced by future commitments relating to historic pension shortfalls as calculated by the scheme actuary. The merger with Phoenix Futures enables the Charity to eliminate its current deficit position. Therefore the Board are confident that the Charity will continue to have sufficient free reserves to cover such future commitments relating to historic shortfalls.

ARP CHARITABLE SERVICES
NOTES TO THE ACCOUNTS for the year ended 31 March 2015 (Continued)

1. Accounting policies (continued)

i) Taxation

All income is applied solely for charitable purposes and therefore any surplus is exempt from corporation tax.

The Charity registered for VAT on 31 March 2014 as part of a Group VAT registration. The financial statements include VAT to the extent that it is suffered by the Charity and not recoverable from HM Customs and Excise. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

j) Operating leases

Rentals of assets held under operating leases are charged against revenue when incurred. No assets are held under hire purchase or finance leases.

2.a Turnover, operating costs and deficit

	2015			Restated 2014		
	Turnover	Operating Costs	Surplus/ (Deficit)	Turnover	Operating Costs	Surplus/ (Deficit)
	£000	£000	£000	£000	£000	£000
Social housing lettings (note 2.b.)	1,519	(2,046)	(527)	1,800	(2,167)	(367)
Other social housing activities: Revenue Grants	3,707	(3,736)	(29)	4,244	(4,977)	(733)
	5,226	(5,782)	(556)	6,044	(7,144)	(1,100)

A reclassification adjustment has been made relating to income and expenditure in the previous year to better reflect the nature of the transactions. There is no net effect to total operating surplus/(deficit) from this reclassification.

ARP CHARITABLE SERVICES
NOTES TO THE ACCOUNTS for the year ended 31 March 2015 (Continued)

2.b. Income and expenditure from social housing lettings

	2015			Restated 2014
	£000	£000	£000	£000
	Supported Housing	Residential Care Homes	Total	Total
Income				
Rent receivable net of identifiable service charges	344	809	1,153	1,316
Service income	123	26	149	144
Supporting People	217	-	217	340
Turnover from social housing lettings	684	835	1,519	1,800
Expenditure				
Services	72	142	214	254
Management	185	441	626	649
Routine maintenance	82	90	172	82
Bad debts	-	-	-	33
Depreciation	10	35	45	5
Staff costs	188	574	762	962
Resident costs	17	98	115	91
Property lease charges	1	63	64	86
Other costs	20	28	48	3
Operating costs on social housing lettings	575	1,471	2,046	2,167
Operating surplus on social housing lettings	109	(636)	(527)	(367)
Void losses	(34)	(788)	(822)	(404)

3. Grants receivable

Included in turnover is £102,267 (2014: £82,000) received from the Big Lottery Fund.

ARP CHARITABLE SERVICES
NOTES TO THE ACCOUNTS for the year ended 31 March 2015 (Continued)

4. Board and senior management team ("SMT") emoluments

	2015	2014
	£000	£000
Emoluments of the previous SMT	-	251
Emoluments include amounts paid to: The highest-paid employee (former Chief Executive)	-	99

During 2014, in addition to the above emoluments, a total of £86,060 was paid for an Interim Chief Executive, employed to cover the absence of the permanent Chief Executive. The Charity also committed to pay a total of £134,859 to the four SMT members for severance and compensation following the restructure of central services.

The Chief Executive was a member of the pension scheme and the company's standard contribution was Nil % (2014: 6%). The amount paid for the year amounted to £Nil (2014: £5,612). An additional payment of £3,227 was paid during the year to 31 March 2014 as part of the severance package for the Chief Executive.

5. Staff costs and numbers

	2015	2014
	£000	£000
Salaries and wages	2,714	3,618
Social security costs	268	333
Pension contributions	197	205
Temporary staff costs	306	412
Redundancy and severance costs	145	275
	3,630	4,843

The average weekly number of employees (full-time equivalent) were as follows:

	2015	2014
	No.	No.
Administration	2	9
Care, support and housing	92	114
	94	123

5. Staff costs and numbers (continued)

The full time equivalent number of staff, whose remuneration payable in the year was in excess of £60,000, fell within the following bands (£000s) was:

	2015	2014
	No.	No.
60 – 69	1	2
70 – 79	-	-
80 – 89	-	-
90 – 99	-	1
	<u>-</u>	<u>-</u>

6. Pension scheme arrangements

The Charity participates in the Social Housing Pension Scheme ('SHPS'). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS 17 represents the employer contribution payable.

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

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

The Scheme Actuary is currently finalising the 2014 valuation but key provisional results have been confirmed. As at 30 September 2014, the market value of the Scheme's assets was £3,123 million. There was a shortfall of assets compared with the value of liabilities of £1,323 million, equivalent to a past service funding level of 70%.

At the balance sheet date there were 73 (2014:14) active members of the Scheme employed by the Charity. Contributions payable in the year amounted to £153,512 (Contributions payable 2015/16 £159,691) The Charity continues to offer membership of the Scheme to its employees.

The Charity has agreed to continue in the Social Housing Pension Scheme, therefore no employer debt is expected to crystallise. The company contributes 6% of salary to 5 other pension providers covering 6 employees.

ARP CHARITABLE SERVICES
NOTES TO THE ACCOUNTS for the year ended 31 March 2015 (Continued)

7. Profit for the year

	2015	2014
	£000	£000
Profit/(loss) for the year is stated after charging:		
Depreciation:		
Tangible owned fixed assets	85	143
Amortisation of capital grant	(22)	(23)
(Surplus)/deficit on disposal of tangible fixed assets	(690)	91

8. Auditor's remuneration

	2015	2014
	£000	£000
Audit services (excluding VAT)		
In respect to the audit	6	13
Other services	5	2
Under accrual in previous periods	-	3

9. Surplus on disposal of fixed assets

	2015	2014
	£'000	£'000
Sale proceeds	715	-
Cost	(415)	-
Release of grant	415	-
Disposal costs	(25)	-
	690	-

ARP CHARITABLE SERVICES
NOTES TO THE ACCOUNTS for the year ended 31 March 2015 (Continued)

10. Tangible fixed assets

	Freehold housing properties	Furniture & equipment	Long lease investment	Improve- ments to leasehold properties	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2014	4,014	358	1,085	911	6,368
Additions	-	87	-	-	87
Disposals	(415)	-	-	-	(415)
At 31 March 2015	3,599	445	1,085	911	6,040
Social housing grant/other grant					
At 1 April 2014	4,014	-	703	635	5,352
Amortisation	-	-	(12)	(10)	(22)
Additions	-	44	-	-	44
Disposal	(415)	-	-	-	(415)
At 31 March 2015	3,599	44	691	625	4,959
Depreciation					
At 1 April 2014	-	276	75	135	486
Charge for the year	-	40	18	27	85
Disposal in the year	-	-	-	-	-
At 31 March 2015	-	316	93	162	571
Net book value					
At 31 March 2015	-	85	301	124	510
At 31 March 2014	-	82	307	141	530

ARP CHARITABLE SERVICES
NOTES TO THE ACCOUNTS for the year ended 31 March 2015 (Continued)

11. Debtors

	2015	2014
	£000	£000
Arrears of rent and licence fees	2	9
Less provision for bad and doubtful debts	-	-
	2	9
Loans to employees	2	5
Prepayments and accrued income	197	199
Revenue grants receivable	187	887
Rent deposits	42	-
	430	1,100

12. Creditors: Amounts falling due within one year

	2015	2014
	£000	£000
Trade creditors	101	11
Other taxes and social security	59	93
Accruals	106	398
Deferred income and grants received in advance	54	855
Other creditors	3	38
Intercompany creditors	287	27
Recycled Capital Grant Fund (note 13)	-	216
	610	1,638

13. Recycled Capital Grant Fund

	£000
Opening balance	216
Repayment	(216)
Closing balance	-

ARP CHARITABLE SERVICES
NOTES TO THE ACCOUNTS for the year ended 31 March 2015 (Continued)

14. Reserves

	At 1 April 2014	Surplus for the year	At 31 March 2015
	£000	£000	£000
Income and expenditure account	531	135	666

15. 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.

16. Contingent liabilities

There is a contingent liability that relates to 58 Lambton Road N19. An indemnity insurance policy is in place on this property in respect of an old deed poll from the nineteenth century. The insurance policy obliges ARP to contribute £15,000 towards any costs, which might arise from the activation of this deed poll.

17. Housing stock

	2015 No.	2014 No.
The number of units of housing accommodation in management was:		
Management (hostel accommodation)	64	64
Management (flats)	27	27
	91	91

18. Operating leases

At 31 March 2015 the company had annual commitments under operating lease agreements that expire as follows:

	Plant and machinery		Land and buildings	
	2015	2014	2015	2014
	£000	£000	£000	£000
Within one year	-	-	-	-
Between two and five years	56	-	12	10
In more than five years	-	44	64	201
	<u>56</u>	<u>44</u>	<u>76</u>	<u>211</u>

19. Contingent asset

The company has a 34.7% interest in a property on Brook Drive, London SE11. The rest of the interest is held by London and Quadrant Housing Association.

20. Related party transaction

At 31 March 2015, the Charity owed £286,977 (2014: £27,290) to Phoenix Futures for the purchase of computer equipment during the year. There is no interest charged on the loan.

21. Ultimate parent company and controlling party

The ultimate parent company and controlling party is Phoenix House Limited, a company limited by guarantee registered in England & Wales. Phoenix House Limited is a Registered Provider of Social Housing.

22. Post balance sheet events

The Board is reviewing the implications of the Chancellor's Emergency Budget 2015 on the Charity's activities. The Board's initial evaluation is that the implications on the Charity's activities are likely to be minimal and that the Emergency Budget 2015 does not impact on the Charity's viability. The Board will review the implications of the Autumn Statement on the Charity's activities once this is announced in November 2015.

Since the year end the Board decided to dispose of its Holmewood Gardens property.