

Company number: 08466743

Charity Number: 1151455

Penrose Options

Report and financial statements

For the year ended 31 March 2019



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Penrose Options

Trustees' annual report

For the year ended 31 March 2019

The trustees present their report and the audited financial statements for the year ended 31st March 2019.

Reference and administration information set out on pages 1 and 2 form a part of this report. The financial statements comply with current statutory requirements, the Articles of Association and the Statement of Recommended Practice – Accounting and Reporting by Charities: SORP applicable to charities preparing their accounts in accordance with FRS 102.

Objectives and Activities

Purposes and aims

The objects of Penrose as set out in the Articles of Association are for the public benefit:

- To relieve people in need, including but not limited to those with mental health illness, those currently suffering from substance misuse or other addictive behaviour, offenders, ex-offenders, the homeless, poor people, aged, disabled (whether physically or mentally) or chronically sick by all or any of the following means:
 - a) Providing support in the form of housing, or accommodation, or services including but not limited to medical, social, welfare, rehabilitative, resettlement and care services
 - b) Providing education, training, employment, mentoring and other similar services.
- To further such other exclusively charitable purposes according to the law of England and Wales as the trustees in their absolute discretion from time to time determine.

The trustees review the aims, objectives and activities of the charity each year. This report looks at what the charity has achieved and the outcomes of its work in the reporting period. The trustees report the success of each key activity and the benefits the charity has brought to those groups of people that it is set up to help. The review also helps the trustees ensure the charity's aims, objectives and activities remain focused on its stated purposes.

The trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the charity's aims and objectives and in planning its future activities. In particular, the trustees consider how planned activities will contribute to the aims and objectives that have been set.

Activities

Our services are as far reaching as our service user profile.

We provide practical support for people who may be vulnerable or struggle with day to day living, helping them to recover from mental illness, learn how to deal with behaviours associated with personality disorders and offending, recover from substance and alcohol misuse or are just needing support or care because they are facing issues due to a complex and chaotic life. . We also provide very specialist technical, therapeutic and practical support.

We specialise in working with people who have been excluded from other services as they present personal or public safety risks.

We provide resettlement coordination and gateway services within four large prisons in London and support by rehabilitating offenders on leaving prison pan London. We provide them with behavioural programmes, access to housing and employment aiming to reduce re-offending.

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In Luton we provide floating support and social services for over 2,000 a year that prevent people from becoming homeless or help secure accommodation should they need it.

We have specialist services in Luton working with women who have been sexually exploited and may have substance and alcohol issues.

Criminal Justice Services ("CJS")

We are a partner within the London CRC providing resettlement and rehabilitation of offenders and ex-offenders pan London. Over the last year we have provided successful job fairs across London, increasing the number of offenders getting into work.

We provided meaningful programs that address multiple issues, behaviour and training needs of the offenders we support.

Our community criminal justice team services team rehabilitates and resettles offenders in the community. We manage the post sentence supervision for all adult males sentenced to less than 12 months in custody, as part of the London Community Rehabilitation Company. Penrose is a tier 2 partner within MTC Novo's solution for the London Community Rehabilitation Company.

Forensic Intensive Psychological Treatment Service ("FIPTS")

FIPTS provides accommodation and support services with assessment and treatment for adults with a diagnosed personality disorders and or shows traits of having offending history. We partner local specialist community mental health teams, who provide clinical interventions, helping to make this a safe service. The Penrose specialist support team works in a co-production framework with the clinical team and the service user to ensure the service users test the skills they have learnt in a safe environment to help with their diagnosed personality disorder and aims to prevent them from reoffending because of it. The service provides public protection and reduces recidivism. It is funded by the Department of Health and the HMPPS.

Focus

The Focus Project is a residential resettlement support service for men aged 18 to 65, with diagnosed severe and enduring mental health illness or disorder, a history of offending and high, medium and low support around complex needs that challenge services and the wider community. Penrose work with clients for up to two years to assist move on to lower supported or independent accommodation. The high support service is funded by Lambeth Clinical Commissioning Group and the medium and low support service is funded by Lambeth Integrated Mental Health Team. We provide motivational life skills, support in medication compliance, understanding how to keep well and help to access what is available in the local community helping service users to have better fulfilled lives.

Jigsaw

The Jigsaw project provides six self-contained flats with access to 24-hour support and floating support for clients who have moved on into independent housing who require on-going support and help. We encourage and motivate service users with maintaining a healthy independent life, reducing the likelihood of relapse and return to hospital care. Typically, our clients have other complex needs, including forensic history and substance and alcohol issues. We support our clients to develop the skills, strategies and connections they need, to maintain their recovery, live healthy and active lives, achieve community reintegration and good quality of life. The service is funded by the South London and Maudsley NHS Foundation Trust.

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Luton Services

Penrose have a number of services in Luton: **Biscot House** provides temporary accommodation with support for single homeless men who have chaotic and complex lives due to homelessness, mental ill health and/or substance and alcohol issues; **Bridge House** provides supported accommodation for homeless families; **Links** is a weekly social group open to people who feel isolated and lonely due to mental illness and is accessible to the whole community in Luton; a mental health floating support service helping people maintain their homes and lives; **Steps** provides an accommodation assessment and support service for clients on mental health wards in Luton aiming to ensure they are not homeless when discharged from hospital; **Synergy** provides a universal floating support service for people who are at risk of losing their homes or require new ones. In 2018/19 the service worked with 2,016 people and is now established to support a broad range of social issues providing practical support for families and single people; **The House** provides supported accommodation for women who are living with trauma and often controlled and sexually exploited and may have additional issues with substances and or alcohol.; **Roots** provides a therapeutic growing space. Funding is mixed and provided by Luton Borough Council, Wellbeing & Prevention Team, Comic Relief and Luton Drug & Alcohol Partnership.

Holman House

Holman House is a 19-room supported living project in Bedford offering related support for individuals who are homeless and have mental health and substance and or alcohol issues. The service is commissioned by Bedford Borough Council. The maximum stay is two years with the focus being on working with Penrose staff and external partners to develop confidence, self-esteem, effective support networks, mental stability, physical wellbeing and access to employment and volunteering.

New Hope

This is a Care Quality Commission registered community based forensic mental health service for males stepping down from inpatient hospital care, many of whom are ex-offenders with a diagnosis of mental ill health, who typically also have substance issues. The service has been rated "Good" by CQC in recent inspections. The service provides 24-hour intensive support and rehabilitation for clients, with the aim of enabling them to move on to greater independence and stop them from reoffending. The service is funded by South London and Maudsley NHS Trust.

Croydon Service

The service provides a range of community forensic mental health step-down services for people that have been discharged from inpatient forensic mental health care and/or specialist forensic mental health secure care. The service users may have enduring mental health needs and ongoing issues with comorbid substance misuse and non-compliance. They may also have an Autistic Spectrum Disorder diagnosis and/or exhibit behaviour that challenges. The service includes high, medium and low supported housing and we deliver 32 beds across the tiered service model.

All Penrose service are provided using a psychological informed environment and enabling environment. Staff are trained and supported to use reflective practice, so they continually improve the outcomes for our service users and reduce risks as far as possible. The organisation continually reviews and audits the way it works, to ensure it continually learns and improves; ensuring safeguarding and risk mitigation is a priority.

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What people say about us:

"Service users benefit from safe, outcome focused person centred quality support underpinned by effective decision making and management of risks to their health, welfare and safety. To do this the provider will proactively gather and evaluate information that includes feedback on staff from stakeholders especially service users and carers in order to monitor and improve the delivery of care and support service."

Auditor
Luton Synergy

"Jigsaw is a very nice place to live, the flats are good, and the staff are helpful and friendly. The project really assisted me to move on with my life, and I am sure that all the service users who go there really benefit from it. Thank you"

Service User
Jigsaw

"What was most helpful for me was meeting new people and engaging with all staff and service users, being part of the service as a service users rep"

Service User
FIPTS

"You lot have supported me well in the right way. The support and environment that's what makes New Hope New Hope"

Service User
New Hope

"I've spent many years offending, this supervision supported me with ETE (education, training and employment), housing and reduced my re-offending."

Service User
CJS Community

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Strategic Report

Achievements, performance and beneficiaries of our services

The charity's main activities and who it tries to help are described above. All its charitable activities focus on providing sustainable support that inspires positive change for the marginalised and excluded to the point where they achieve healthy independence and are undertaken to further Penrose's charitable purposes for the public benefit.

Penrose provided safe, secure, quality and innovative support, resettlement and reintegration services that made a real difference to 10,319 people's lives in the year. Many of these were offenders, people recovering from mental health illness, homelessness, substance and alcohol misuse, personality disorders, learning disabilities, elderly and troubled families.

Penrose saw a drop in the number of service users it supported in 2018/19 due to restructuring in our prison services; the external decision to stop providing services in some areas and the loss of a service contract.

In August 2018, Penrose won the contract to provide a new mental health service commissioned by Croydon Clinical Commissioning Group (CCG).

Some of our achievements during the year have been:

We provided services to individuals 10,319 (FY2017/18: 13,868),

Positive move-on figures for service users were 61% (FY2017/18: 78%);

Unplanned return to hospital rates for our residential services was 1.1% (2017/18: 1.8%)

Reconviction rates in our residential services was 0.3% (2017/18: 0.3%)

We retained ISO 9001:2015, a quality management system assessment award; and

We retained Investors in People accreditation.

Financial review

Penrose made a surplus of £529k (2017/18 - £140k) at the operating profit level before a past service deficit pension payment of £121k (2017/18 - £167k). This results in an unrestricted fund balance of £1,563k (2017/18 - £1,155k) at 31st March 2019. In addition, it had a restricted fund balance of £3k (2017/18 - £3k) after receipts of £52k (2017/18 - £3k) and £52k (2017/18 - £6k) of expenditure.

At the end of the financial year, the charity had unrestricted general reserves of £1,563k. This results from a deficit of £408k for the year ended 31st March 2019 after transfers to the pension reserve.

The restricted reserve transactions relate to the House. The balance carried forward into the new financial year is £3k.

The pensions reserve at the year-end was £1,456k in deficit and relates to the past service deficit liability relating to the defined benefit Social Housing Pension Scheme. The triennial valuations in 2008, 2011, 2014 and 2017 resulted in member organisations being charged a levy to bring the scheme back into surplus. The charity has closed its participation in this pension scheme but remains liable for an element of the deficit.

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For the year ended 31 March 2019

Given the status of the charity as a subsidiary undertaking in the Social Interest Group, the wider economic environment and on-going changes and increased competition within the sector, the trustees consider the results to be acceptable. The focus remains on developing new services and effective and financially efficient models of service delivery.

The principal funding sources remain local authority block contracts largely for our resettlement projects alongside funding from clinical commissioning groups and NHS Trusts towards our work with offenders with mental health histories. The Ministry of Justice funds our Criminal Justice Service via the prime contractor MTC Novo. The trustees are appreciative of the funding received from all of its funders including those statutory commissioners for the work streams they support as well as the vital non-statutory funding received from individuals, trusts and foundations.

Principal risks and uncertainties

Penrose has a risk management strategy which is overseen by the trustees. The risk register is reviewed quarterly by the Executive Management Team, in consultation with all managers, and subsequently by the trustees.

The principal risks of the charity are that a service user commits a serious act or is the victim of harm and/or abuse and that there is class A and/or B drug use by a service user on our premises. This is not surprising in view of the activities undertaken by the charity. To mitigate these risks, we have robust risk management policies, well trained staff, panic alarms, testing procedures, and good relationships with Care Plan Approach care co-ordinators, responsible officers, and the police.

Reserves policy and going concern

The trustees have established the level of reserves they feel Penrose should have. Reserves are needed to bridge the funding gaps between spending on services and receiving resources through contracts for provision of services, as well as to cover the impact on working capital of increasing demand for its services and unforeseen budgetary variances. Reserves are also held to cover risks faced by Penrose including possible loss of contract income.

The trustees evaluated the commitment to future expenditure against likely future income streams weighting each element according to size, probability, spread of risk and operational impact. The trustees consider that in the light of the ongoing challenging financial environment the reserves target should be approximately £500k. This amount is appropriate for the charity as a subsidiary undertaking in a group situation. The unrestricted free reserves, excluding the past service pension liability, are £1,563k at 31st March 2019. It is held at this higher level because of the pension liability. The trustees will continue to review the reserves policy and position.

The trustees do not consider there are any material uncertainties about the charity's ability to continue as a going concern.

Fundraising disclosures

Penrose does not engage in public fundraising and does not use professional fundraisers or commercial participators. Penrose nevertheless observes and complies with the relevant fundraising regulations and codes. During the year there was no non-compliance of these regulations and codes and Penrose received no complaints relating to its fundraising practice.

Plans for the future

We are in to the first year of our 3-year strategy (2019-22) having reviewed our governance and operational structures during 2018/19. Our Time for Change programme is being rolled out which is designed to empower our staff to be the best they can be so that we deliver the best possible service

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Trustees' annual report

For the year ended 31 March 2019

user experience. We continue to look for opportunities to grow the number of people we support and ensure we remain financially viable.

Criminal Justice Services

We are responsible for the coordination and implementation of offender resettlement activities within four adult male London resettlement prisons. During the last year we worked with 1,663 offenders whilst in prison. At the same time, we supervised 6,259 offenders in the community. Data collected evidenced that the highest issues remain around domestic violence, mental illness, alcohol misuse and substance misuse. This has been the case for many years. With an additional factor that there remains a higher percentage of black and minority ethnic people given sentences in prison than their white counterparts.

During the next year we will continue to increase the drive to develop solutions that supply accommodation on release, together with employment and behaviour programmes. We will also engage in trying to galvanise greater use of alternatives to prisons especially for people with mental illness.

There are many changes ahead in the criminal justice system. Penrose continues to have dialogue with the Ministry of Justice so that it can continue its legacy and participate in future developments with the aim of continuing to deliver services under the new regime.

Mental health

We will drive for improvement in the community care of adults and young people suffering with mental illness to reduce the need to stay in hospital. We will provide practical solutions, therapies and treatment programmes within our floating support, community links, social prescriptions, residential and non-residential recovery programmes. We will do this by delivering open dialogue, peer mentors, recovery centres, and early crisis interventions.

Residential services

We have a range of supported houses, registered care homes and floating support services. This year has seen the continued move towards generalist supported housing for mixed social needs. We will continue to provide supported housing, registered care homes and a range of floating support services that respond flexibly to the increasing complexity of need.

Generic services

Penrose Synergy in Luton is now locally known as Penrose Universal Services as it has responded to local needs and demands and now stretches its profile to help people across the whole social care needs spectrum. It supports those with individual traumas and pressure of life over housing, homelessness, social services, children's and adults' services and probation. The Penrose Synergy model of service delivery has proved its worth, working with over 2,000 individuals and families a year. The model is transferable and cost effective. The model is versatile and can be adapted to meet a variety of funding streams. Penrose has developed Community Links from delivering Synergy Universal Services in Luton and is now rolling this out in other geographical areas. The service can be block contracted or spot purchased.

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Trustees' annual report

For the year ended 31 March 2019

Structure, governance and management

Penrose is a company limited by guarantee not having a share capital (Number 8466743) and is registered as a charity with the Charity Commission (Number 1151455). Penrose's governing instruments are its Articles of Association dated 28th March 2013 and amended on 1st November 2018. The sole member of Penrose is the Social Interest Group with effect from 1st October 2014 and as of 1st November 2018 the non-executive trustees of the Social Interest Group were appointed as the trustees of Penrose Options.

All trustees give their time voluntarily and receive no benefits from the charity. Any expenses reclaimed from the charity are set out in note 6 to the accounts.

Appointment of Trustees

The trustees are listed on page 1. They hold office for an initial period of three years with the possibility of a second term of three years or can be extended in exceptional circumstance where the Trustee has specific required skills.. The board consists of no fewer than three and no more than nine persons appointed by the trustees at any time at a meeting or in writing. No person under the age of 18 may be appointed as a trustee.

Trustees are recruited by the Nominations Committee using specialist recruitment agents and by advertisement. A rigorous interview process takes place, which includes service users. Candidates attend a board meeting and visit projects before being confirmed in post by the Chairman.

Trustee Induction and Training

New trustees must familiarise themselves with the content of the Articles of Association, their legal obligations under charity and company law, the organisational structure of Penrose and its recent financial performance. Trustees are encouraged to attend appropriate external training events where these will facilitate the undertaking of their role.

Related parties and relationships with other organisations

Penrose is a member of the Social Interest Group of which it is a subsidiary. The holding company provides all support functions, senior management and strategic guidance. The chair of Penrose is a trustee of the holding company. Penrose is supported in its charitable objectives by other Social Interest Group companies: Equinox Care and SIG Investments.

Remuneration policy for key management personnel (noted on page 2)

The Group Chief Executive's remuneration is set by the Social Interest Group non-executive trustees. All other staff are remunerated in accordance with a job evaluation process and market rates, which is reviewed by external consultants.

Policy for employment of disabled persons

It is the charity's policy not to discriminate against persons falling under the Disability Discrimination Act 1995 for reasons of their disability whether in, or applying for, employment or in the delivery of services.

The key areas of our policy cover recruitment and employment (disabled applicants not being considered any less favourably on the ground of their disability) service delivery (disabled applicants and service users not being treated less favourably on account of their disability) and information (ensuring information is accessible to all).

Employee information

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The charity requires line managers to conduct one-to-one meetings with their staff on a regular basis together with an annual appraisal.

The Executive Management Team meet on a weekly basis and updates from this meeting and the monthly Senior Managers Team meeting are disseminated to the Managers' meeting and then to the individual projects monthly staff meeting. In addition, the Company Secretary visits all projects on a regular basis to provide "Board Feedback".

Penrose takes its investment in its staff's professional development seriously and aims to provide different learning opportunities. It is the charity's aim to see staff develop and share learning so that value can be added, and staff contribute to our growth and success.

The trustees would like to thank all staff and volunteers for their hard work and dedication during the year in a climate that continues to be extremely challenging. We confirm that Penrose pays at least the London Living Wage to our employees working in London.

Statement of responsibilities of the Trustees

The trustees (who are also directors of Penrose for the purposes of company law) are responsible for preparing the trustees' annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company Law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of Penrose and of the incoming resources and application of resources, including the income and expenditure, of Penrose for that period. In preparing these financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently
- Observe the methods and principles in the Charities SORP
- Make judgements and estimates which are reasonable and prudent
- State whether the applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that Penrose will continue in operation

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of Penrose and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of Penrose and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware
- The trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

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

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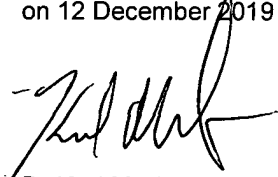
For the year ended 31 March 2019

Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up. The total number of such guarantees at the year-end was one. The trustees are not members of the charity and have no beneficial interest in it.

Auditor

Sayer Vincent LLP was re-appointed as the charitable company's auditor during the year and has expressed its willingness to continue in that capacity.

The trustees' annual report, which includes the strategic report, was approved by the board of trustees on 12 December 2019 and signed on their behalf by



Dr Karl Marlowe
Chairman

Independent auditor's report

To the members of

Penrose Options

Opinion

We have audited the financial statements of Penrose Options (the 'charitable company') for the year ended 31 March 2019 which comprise the statement of financial activities, balance sheet, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the charitable company's affairs as at 31 March 2019 and of its incoming resources and application of resources, including 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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the trustees' annual report, including the strategic report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our

Independent auditor's report

To the members of

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responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the trustees' annual report, including the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements
- The trustees' annual report, including the strategic report, has been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' annual report including the strategic report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept, 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 trustees' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out in the trustees' annual report, the trustees (who are also the directors of the charitable 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, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report

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Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report

To the members of

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Use of our report

This report is made solely to the charitable company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Elliott (Senior statutory auditor)

13 December 2019

for and on behalf of Sayer Vincent LLP, Statutory Auditor

Invicta House, 108-114 Golden Lane, LONDON, EC1Y 0TL

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Statement of financial activities (incorporating an income and expenditure account)

For the year ended 31 March 2019

	Note	Unrestricted £'000	Restricted £'000	Pensions £'000	2019 Total £'000	Unrestricted £'000	Restricted £'000	Pensions £'000	2018 Total £'000
Income from:									
Donations and legacies	2	10	-	-	10	9	-	-	9
Charitable activities	3	8,576	52	-	8,628	7,493	3	-	7,496
Total income		8,586	52	-	8,638	7,502	3	-	7,505
Expenditure on:									
Charitable activities	4a	(8,057)	(52)	-	(8,109)	(7,362)	(6)	(14)	(7,382)
Total expenditure		(8,057)	(52)	-	(8,109)	(7,362)	(6)	(14)	(7,382)
Net income / (expenditure) before transfers	5	529	-	-	529	140	(3)	(14)	123
Transfers between funds		(121)	-	121	-	(167)	-	167	-
Net income / (expenditure) before other recognised gains and losses		408	-	121	529	(27)	(3)	153	123
Actuarial losses on defined benefit pension schemes	14	-	-	(630)	(630)	-	-	-	-
Net movement in funds		408	-	(509)	(101)	(27)	(3)	153	123
Reconciliation of funds:									
Total funds brought forward		1,155	3	(947)	211	1,182	6	(1,100)	88
Total funds carried forward	16	1,563	3	(1,456)	110	1,155	3	(947)	211

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 16 to the financial statements.

Penrose Options

Balance sheet

Company no. 8466743

As at 31 March 2019

	Note	£'000	2019 £'000	£'000	2018 £'000
Fixed assets:					
Tangible assets	10		92		47
			92		47
Current assets:					
Debtors	11	2,223		1,405	
Cash at bank and in hand		276		429	
		2,499		1,834	
Liabilities:					
Creditors: amounts falling due within one year	12	(1,025)		(897)	
Net current assets			1,474		937
Total assets less current liabilities			1,566		984
Creditors: amounts falling due after one year	13		-		(773)
Net assets excluding pension provision			1,566		211
Defined benefit pension scheme liability			(1,456)		-
Total net assets	15		110		211
The funds of the charity:	16				
Restricted income funds			3		3
Unrestricted income funds:					
General funds		1,563		1,155	
Pension reserve		(1,456)		(947)	
Total unrestricted funds			107		208
Total charity funds			110		211

Approved by the trustees on 12 December 2019 and signed on their behalf by


Karl Marlowe
Chairman

Penrose Options**Statement of cash flows****For the year ended 31 March 2019**

	2019 £'000	2018 £'000
Cash flows from operating activities:		
Net income / (expenditure) for the reporting period (as per the statement of financial activities)	529	123
Depreciation charges	34	32
Movement in long-term pension deficit liability	(143)	(160)
(Increase)/decrease in debtors	(818)	(461)
Increase/(decrease) in creditors	324	403
Net cash used in operating activities	(74)	(63)
Cash flows from investing activities:		
Purchase of fixed assets	(79)	(5)
Net cash used in investing activities	(79)	(5)
Change in cash and cash equivalents in the year	(153)	(68)
Cash and cash equivalents at the beginning of the year	429	497
Cash and cash equivalents at the end of the year	276	429

Penrose Options

Notes to the financial statements

For the year ended 31 March 2019

1 Accounting policies

a) Statutory information

Penrose Options is a charitable company limited by guarantee and is incorporated in England and Wales.

The registered office address is 1 Waterloo Gardens, Milner Square, London N1 1TY.

b) Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP FRS 102), The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (September 2015) and the Companies Act 2006.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

In applying the financial reporting framework, the trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The nature of the estimation means the actual outcomes could differ from those estimates. Any significant estimates and judgements affecting these financial statements are detailed within the relevant accounting policy below.

c) Public benefit entity

The charitable company meets the definition of a public benefit entity under FRS 102.

d) Going concern

The trustees consider that there are no material uncertainties about the charitable company's ability to continue as a going concern.

The trustees do not consider that there are any sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

e) Income

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the income have been met, it is probable that the income will be received and that the amount can be measured reliably.

Income from government and other grants, whether "capital" grants or "revenue" grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

Income received in advance of the provision of a specified service is deferred until the criteria for income recognition are met.

f) Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

g) Fund accounting

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund. Unrestricted funds are donations and other income received or generated for the charitable purposes. Designated funds are unrestricted funds earmarked by the trustees

Penrose Options

Notes to the financial statements

For the year ended 31 March 2019

1 Accounting policies (continued)

h) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure on charitable activities includes the costs of delivering services undertaken to further the purposes of the charity and their associated support costs. Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

i) Central support costs

Central support costs are incurred by the parent company, Social Interest Group, and are for senior management, finance, human resources, payroll, workforce development, housing income management, quality & performance and information & communication technology. These departments are vital to the smooth running of Penrose's charitable activities.

j) Operating leases

Rental charges are charged on a straight line basis over the term of the lease.

k) Tangible fixed assets

Items of equipment are capitalised where the purchase price exceeds £500. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Where fixed assets have been revalued, any excess between the revalued amount and the historic cost of the asset will be shown as a revaluation reserve in the balance sheet.

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life. The depreciation rates in use are as follows:

▪ Fixtures, fittings and office equipment	25% straight line
▪ Leasehold improvements	Straight line over the term of the lease
▪ Motor Vehicles	25% straight line

l) Debtors

Trade and other debtors are recognised at the settlement amount. Prepayments are valued at the amount prepaid.

m) Cash at bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

n) Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are recognised at their settlement amount.

Penrose Options

Notes to the financial statements

For the year ended 31 March 2019

1 Accounting policies (continued)

o) Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

p) Pensions

Penrose makes contributions into a defined benefit pension scheme, which is now closed to new Penrose entrants, and a number of defined contribution schemes. For financial years ending on or before 28 February 2019, it has not been possible for the charity to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the charity has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the charity to account for the Scheme as a defined benefit scheme. For accounting purposes, an actuarial valuation for the scheme was carried out with effective date of 31 March 2018. The liability figure from the valuation is rolled forward to the relevant accounting date and are used in conjunction with the charity's fair share of the Scheme's total assets to calculate the charity's net deficit or surplus at the accounting period start and end dates.

2 Income

Penrose has received a donation of £nil (2018 – £nil) from its parent undertaking, the Social Interest Group, and £10,173 (2018 – £9,000) from other donors.

3 Charitable activities

Penrose's activities are to relieve people in need, including but not limited to those with mental health issues, those currently suffering from substance misuse or other addictive patterns, ex-offenders, the homeless, poor people, aged, disabled (whether physically or mentally) or chronically sick. This is achieved by providing support in the form of housing, accommodation, or services including but not limited to medical, social, welfare, rehabilitative, resettlement, care services, education, training, employment, mentoring and other similar services. Penrose Income is predominantly contracted income from local authorities and NHS Trusts, and rental income and service charges from service users.

Penrose Options

Notes to the financial statements

For the year ended 31 March 2019

4a Analysis of expenditure (current year)

	Charitable activities £'000	Governance costs £'000	Support costs £'000	2019 Total £'000	2018 Total £'000
Staff costs (Note 6)	5,405	-	714	6,119	5,365
Recruitment & training	-	-	190	190	130
Subsistence & travel	-	-	79	79	6
Premises	706	-	157	863	736
Office running costs	142	-	24	166	118
Insurance	-	-	43	43	45
Information technology	-	-	133	133	121
Legal & Professional	-	-	47	47	124
Depreciation	14	-	20	34	32
Auditors fees	-	39	-	39	13
Other costs	389	1	6	396	692
Total expenditure 2019	6,656	40	1,413	8,109	
Total expenditure 2018	6,274	13	1,095		7,382

Penrose Options

Notes to the financial statements

For the year ended 31 March 2019

4b Analysis of expenditure (prior year)

	Charitable activities £'000	Governance costs £'000	Support costs £'000	2018 Total £'000
Staff costs (Note 6)	4,796	-	569	5,365
Recruitment & training	-	-	130	130
Subsistence & travel	-	-	6	6
Premises	700	-	36	736
Office running costs	102	-	16	118
Insurance	-	-	45	45
Information technology	-	-	121	121
Legal & Professional	-	-	124	124
Depreciation	1	-	31	32
Auditors fees	-	13	-	13
Other costs	675	-	17	692
Total expenditure 2018	6,274	13	1,095	7,382

Penrose Options

Notes to the financial statements

For the year ended 31 March 2019

5 Net Income / (expenditure) for the year

This is stated after charging:

	2019 £'000	2018 £'000
Depreciation	34	32
Operating lease rentals:		
Property	683	506
Auditor's remuneration (excluding VAT):		
Audit	14	13

6 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel

Staff costs were as follows:

	2019 £'000	2018 £'000
Salaries and wages	5,060	4,632
Redundancy and termination costs	29	28
Social security costs	437	358
Employer's contribution to defined contribution pension schemes	89	51
Operating costs of defined benefit pension schemes	38	14
Agency costs	466	282
	<u>6,119</u>	<u>5,365</u>

Employees whose annual emoluments were £60,000 or more (excluding employer national insurance and employer pension contributions) were as following bands:

Salary band	2019 Number	2018 Number
£60,000 to £69,999	<u>-</u>	<u>1</u>

The total employee benefits (including pension contributions and employer's national insurance) of the key management personnel were £Nil (2018: £264,000). Key management personnel are provided by the Social Interest Group.

The charity trustees were not paid or received any other benefits from employment with the charity in the year (2018: £nil). No charity trustee received payment for professional or other services supplied to the charity (2018: £nil).

No trustees' expenses were paid or reimbursed (2018: £nil).

Penrose Options

Notes to the financial statements

For the year ended 31 March 2019

7 Staff numbers

The average number of employees on a headcount based on the number of staff employed and full time equivalent basis including bank staff during the year was:

Staff are split across the activities of the charitable company as follows (full time equivalent basis):

	2019 No.	2018 No.
Operational staff	214.0	188.5
Administration	1.0	1.0
	<u>215.0</u>	<u>189.5</u>

8 Related party transactions

Penrose was charged £1,349,000 for central office functions provided by the parent charity Social Interest Group (2018: £1,186,000).

Penrose received a donation of £Nil from the parent charity (2018: £Nil).

Penrose Options was owed from SIG £1,428,000 at the year end. (2018: £791,000)

Penrose Options owed £104,000 to Equinox Care at the year end (2018: was owed £16,000).

Penrose Options owed £20,000 Milner Gibson Limited at the year end (2018: £20,000)

9 Taxation

Penrose is a registered charity and is exempt from Corporation Tax on its charitable income as it is spent on charitable purposes.

The charity is part of the Social Interest Group VAT registration. However, as virtually 100% of its income is exempt, the VAT on purchases is irrecoverable and therefore included in expenditure.

Penrose Options

Notes to the financial statements

For the year ended 31 March 2019

10 Tangible fixed assets

	Motor Vehicles £'000	Fixtures fittings & Equipment £'000	Leasehold improvements £'000	Total £'000
Cost or valuation				
At the start of the year	5	100	59	164
Additions in year	–	79	–	79
At the end of the year	5	179	59	243
Depreciation				
At the start of the year	1	76	40	117
Charge for the year	1	18	15	34
At the end of the year	2	94	55	151
Net book value				
At the end of the year	3	85	4	92
At the start of the year	4	24	19	47

All of the above assets are used for charitable purposes.

11 Debtors

	2019 £'000	2018 £'000
Trade debtors	576	546
Staff loans	5	2
Amounts due from group undertakings	1,457	807
Other debtors	78	–
Prepayments	107	50
	2,223	1,405

12 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	254	108
Taxation and social security	136	131
Pension contributions	53	241
Other creditors	132	138
Amounts due to Group undertakings	153	21
Accruals	297	258
	1,025	897

13 Creditors: amounts falling due after one year

	2019 £'000	2018 £'000
Past service pension deficit	–	773
	–	773

Total pension scheme liability at the year end totalled £nil (2018: £947,000) (see note 14), of which £nil (2018: £174,000) was payable within one year. This is due to a change in the treatment of the scheme as explained in note 14.

14 Pension scheme

The Pensions Trust – Social Housing Pension Scheme ("Scheme")

Penrose Options participates in the Scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

For financial years ending on or before 28 February 2019, it has not been possible for the charity to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the charity has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the charity to account for the Scheme as a defined benefit scheme. For accounting purposes, an actuarial valuation for the scheme was carried out with effective date of 31 March 2018. The liability figure from the valuation is rolled forward to the relevant accounting date and are used in conjunction with the charity's fair share of the Scheme's total assets to calculate the charity's net deficit or surplus at the accounting period start and end dates.

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 scheme in the UK.

The last triennial valuation of the Scheme overall for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026. The Scheme is classified as a 'last-man standing arrangement'. Therefore the charity 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. Following consultation between the Pension Trustees and Employers, a new recovery plan to recover the overall scheme deficit has been agreed. This is based on a full share of liabilities approach. This is effective from 1 April 2019.

Penrose Options

Notes to the financial statements

For the year ended 31 March 2019

14 Pension scheme (continued)

On transition to the revised accounting, the former deficit funding liabilities within creditors have been released and replaced by a full scheme liability as shown below. The impact of this is as follows:

	2019 £'000
Original deficit funding liability at 31 March 2018	(969)
Revision to opening liability recognised as actuarial loss	(289)
Revised full scheme liability at 31 March 2018	<u>(1,258)</u>

Number of active members in the scheme

	No.
Active	3
Deferred	53
Pensioners	<u>16</u>

Financial assumptions

	2019 % pa	2018 % pa
Rate of discount	2.34	2.59
Price inflation (RPI)	3.26	3.16
Price inflation (CPI)	2.26	2.16
Earnings increases	3.26	3.16
Allowance for commutation of pension for cash at retirement	<u>75%</u>	<u>75%</u>

Other material assumptions

Life expectancies in retirement:	years	years
Male currently aged 65	21.80	21.70
Female currently aged 65	23.50	23.45
Male currently aged 45	23.20	23.11
Female currently aged 45	<u>24.70</u>	<u>24.66</u>

14 Pension schemes (continued)

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	2019 £'000	2018 £'000
Fair value of plan assets	4,321	4,072
Present value of defined benefit obligation	(5,777)	(5,330)
Net defined liability to be recognised	(1,456)	(1,258)

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

	2019 £'000
Opening fair value of employer assets	4,072
Interest income	107
Experience on plan assets	15
Contributions by the employer	180
Withdrawals by Employees	-
Benefits paid and expenses	(53)
Closing fair value of employer assets	4,321

Reconciliation of Opening and Closing Balances of Defined Benefit Obligation

	2019 £'000
Opening defined benefit obligation	5,330
Current service cost	-
Expenses	7
Interest cost	137
Contributions by members	-
Withdrawals by Employees	-
Actuarial losses / (gains)	356
Benefits paid and expenses	(53)
Closing defined benefit obligation	5,777

Penrose Options

Notes to the financial statements

For the year ended 31 March 2019

14 Pension schemes (continued)

Defined benefit costs recognised in the statement of financial activities (SOFA)

	2019 £'000
Current service cost	-
Expenses	7
Net interest expense	30
Defined benefit costs recognised in the SOFA	37
Actual return on plan assets	122

Net actuarial (loss) on defined benefit pension scheme

	2019 £
Actuarial (loss) on recognising full scheme liability	(289)
Actuarial (loss) on plan obligations	(356)
Actuarial gain on plan assets	15
	(630)

15a Analysis of net assets between funds (current year)

	General unrestricted £'000	Pension reserve £'000	Restricted £'000	Total funds £'000
Tangible fixed assets	92	-	-	92
Net current assets	1,471	-	3	1,474
Defined benefit pension provision	-	(1,456)	-	(1,456)
Net assets at 31 March 2019	1,563	(1,456)	3	110

15b Analysis of net assets between funds (prior year)

	General unrestricted £'000	Pension reserve £'000	Restricted £'000	Total funds £'000
Tangible fixed assets	47	-	-	47
Net current assets/(liabilities)	1,108	(174)	3	937
Long term liabilities	-	(773)	-	(773)
Net assets at 31 March 2018	1,155	(947)	3	211

16a Movements in funds (current year)

	At 1 April 2018 £'000	Income & gains £'000	Expenditure & losses £'000	Transfers £'000	At 31 March 2019 £'000
Restricted funds:					
Roots	3	-	-	-	3
The House	-	52	(52)	-	-
Total restricted funds	3	52	(52)	-	3
General funds	1,155	8,586	(8,057)	(121)	1,563
Pension reserve	(947)	-	(630)	121	(1,456)
Total funds including pension fund	211	8,638	(8,739)	-	110

The narrative to explain the purpose of each fund is given at the foot of the note below.

16b Movements in funds (prior year)

	At 31 March 2017 £'000	Income & gains £'000	Expenditure & losses £'000	Transfers £'000	At 31 March 2018 £'000
Restricted funds:					
Comic Relief	2	-	(2)	-	-
Roots	4	3	(4)	-	3
Total restricted funds	6	3	(6)	-	3
General funds	1,182	7,502	(7,362)	(167)	1,155
Pension reserve	(1,100)	-	(14)	167	(947)
Total funds including pension fund	88	7,505	(7,382)	-	211

Purposes of restricted funds

Comic Relief gave an award to be spent on LINKS weekly social group for those in need.

Tesco – Bags of Help awarded a grant specifically to be used on Roots for Life.

17 Operating lease commitments

The charity's total future minimum lease payments under non-cancellable operating leases is as follows for each of the following periods

	Property 2019 £'000	2018 £'000
Less than one year	467	111
One to five years	367	454
	834	565

Penrose Options

Notes to the financial statements

For the year ended 31 March 2019

18 Guarantees and ultimate parent undertaking

Penrose Options is a company limited by guarantee not having a share capital. The Social Interest Group became the sole member of Penrose on the 1 October 2014, previously all trustees were members. Each member has guaranteed to pay £1 in the event that Penrose was wound up. Social Interest Group is the ultimate parent undertaking. Its charity registered number is 158402. Its company registered number is 9122052. Its registered office is: 1 Waterloo Gardens, Milner Square, London N1 1TY.