

Company's Registered Number 1626869

**Phoenix House
(Trading as Phoenix Futures)**

**Report and financial statements
for the year ended**

31 March 2014

PHOENIX HOUSE

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Ms Anne Hooper
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Mr George Lambis (Director of Finance)
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REGISTERED CHARITY NUMBER

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COMPANY NUMBER

1626869

OFFICE OF THE SCOTTISH CHARITY REGULATOR REGISTERED NUMBER

SC039008

HOMES AND COMMUNITIES AGENCY REGISTERED NUMBER

H 3795

PHOENIX HOUSE

OVERVIEW AND KEY HIGHLIGHTS

Phoenix House ("the Charity" or "Phoenix Futures") helped 26,941 people (2013: 20,436) last year in their journey to recovery from drug and alcohol issues.

The number of people we supported through our residential services has remained constant at 891 (2013: 893). As the largest single provider of residential provision in the country we are pleased that we have out-performed the market through the years of economic crisis and look forward to the potential for greater investment in this intervention. Due to our success in tendering for new services we have seen a significant increase in the number of people we have supported in community settings rising to 16,975 (2013: 7,384). Many of our community services support people in prison and we have supported a further 9,075 (2013: 12,159) people through our unique prison programmes.

Phoenix Futures continued to demonstrate strong financial performance with its free reserves increasing to a level at which they provide protection in a difficult and competitive environment but also allowing for innovation in search of ever more effective treatment.

Despite a significant churn in business the Charity's income decreased only marginally as contracts for new services transferring in replaced contracts transferring out. The largest contract transferring out was the Charity's contract with the Scottish Prison Service which transferred to NHS Scotland but the Charity, in partnership with Greater Manchester West Trust, won a substantial contract to provide an integrated substance misuse treatment system across community and prison establishments within Central Lancashire. It also won a substantial contract to provide integrated substance misuse services within the Leicester Recovery Partnership led by Leicestershire Partnership NHS Trust and a contract to provide our Building Futures service in HMP Onley in partnership with Northamptonshire Healthcare NHS Foundation Trust.

The Charity continued to search for opportunities to enhance specialist competencies or increase its presence in targeted areas of growth via mergers, acquisitions or strategic alliances with organisations which have a value base that fits with its own. On 31 March 2014 the Charity acquired ARP Charitable Services (trading as Foundation66) as a wholly owned subsidiary. Bringing together the two organisations will provide synergies and strategic and financial benefits for both organisations as explained in the Strategic Report on page 5 and will strengthen both organisations' operational ability to help more people in their journey to recovery.

As part of its focus on innovation the Charity continued to develop the 'Phoenix Plus model' of innovative support services and projects that aim to improve the effectiveness of core treatment services; for example, 86% of those that took part in our innovative therapeutic sailing activity, the Voyage of Recovery, successfully completed their treatment. Another example of effective innovative services is our Recovery Through Nature service. These services operate as an adjunct to many of our community programmes. Recovery through Nature enables people in recovery to volunteer as part of teams to help conserve important areas of the countryside. It is a powerful engagement and retention programme which provides tangible results to those participating, including qualifications, as well as the environment and local communities. People who participated in Recovery through Nature across Phoenix had a 44% improvement in treatment completion rates and retention rates were 55% better. The benefit of taking this holistic recovery orientated approach can be seen in our performance; our integrated drug treatment system in Barnsley delivered in partnership with South West Yorkshire Foundation Trust has the highest completion rate in South Yorkshire.

The Charity maintained its approach of continuous improvement in its residential services during the year. Our residential services have the highest completion rates they have had in living memory with completion rates having improved 35% from 2009-10 to 2013-14 as a result of the implementation of our long-term Residential Strategy.

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OVERVIEW AND KEY HIGHLIGHTS (continued)

The focus during the year was to achieve continued improvements in quality, flexibility and value for money which the Board believes will allow the Charity to respond effectively to the challenging environment of the residential sector. Service user satisfaction in our residential services was 13% higher in March 2014 than at the same time the previous year, and less than a third of clients now drop out without completing.

The Charity's innovative prisons programme, Building Futures, is now operating in 8 prisons. Building Futures is a highly responsive model focused around the holistic needs of the client. In 2014 we have been very pleased to see the positive feedback for Building Futures in prison inspectorate reports for both HMP Pentonville and HMP Holloway. The HMP Pentonville report noted, amongst other areas, the high quality of our interventions, our integration with the clinical teams and the peer support scheme and service user qualifications, whilst the HMP Holloway report highlights our effective management techniques, supervision and training, peer support and service user consultation.

During the year the Charity completed a number of research projects to evaluate its effectiveness; for example the Charity completed a Social Return on Investment (SROI) research programme to ascertain the value of its National Specialist Family Service. We produced a report which was independently accredited by The SROI Network following an SROI process and complying with SROI principles. Our research evidenced that our approach can achieve significant savings to society as a whole and specifically to Local Authority budgets. If we apply the ratio identified in the SROI report to the investment received in the year to 31 March 2014 we would see a benefit to society of £2,805,412 against the Local Authority income received in our Family service of just £495,435.

Over the course of the last Corporate Plan Phoenix Futures invested heavily in the development of its staff to ensure that they are able and empowered to create the optimum outcomes for service users. The Charity offers the opportunity for job enrichment, skills development and career enhancement in a culture of inclusion, fairness, passion and commitment where every member of staff is respected and valued and where no sectors of society are disadvantaged in any way. A key aim of our people strategy is to grow our own talent via targeted training programmes. These have been piloted over the last two years and are now being rolled out across the organisation. The investment in our staff has been recognised by the Charity not only regaining its Investors In People (IIP) status but being awarded the Gold standard by Investors in People (IIP). Only a minority of organisations have achieved this standard. Our staff and Board were absolutely delighted by this achievement.

The Board is delighted that, for the second time, Phoenix Futures has been awarded a Mobility Grant in association with ECETT (European Companionship in Education, training by travel). The Grant enables us to fund an additional 24 members of staff to travel to 5 host countries to work in addiction services.

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

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STRATEGIC REPORT

The Directors present their Strategic Report for Phoenix House ("the Charity" or "Phoenix Futures") and its subsidiary companies (together "the Group") for the year ended 31 March 2014.

Principal activities

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

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

Business Review

Acquisitions

The Charity continued to search for opportunities to enhance specialist competencies or increase its presence in targeted areas of growth via mergers, acquisitions or strategic alliances with organisations which have a value base that fits with its own.

As explained in the Overview and Key Highlights the Charity acquired ARP Charitable Services (trading as Foundation66) as a wholly owned subsidiary during the year. This will provide 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. The Charity will primarily gain expertise in alcohol recovery and detoxification services, an enlarged presence in London and a portfolio of social housing. Foundation66 will benefit from a significant reduction in overheads thus increasing its financial strength and competitiveness whilst it gains access to the Charity's central support functions.

The transaction to reflect the acquisition of Foundation66 in the Group and parent Company accounts must be accounted for under Generally Accepted Accounting Practice in the UK (GAAP). The Charity paid no consideration to acquire Foundation66. Acquisitions in the social housing sector, where there is no consideration to acquire the subsidiary, represents a "non-exchange" transaction. Such non-reciprocal transfers are in substance a gift or donation from one organisation to another where the substance of the transaction is gifting the control of one entity to another.

On acquisition, the recognised assets and liabilities of the acquired social landlord are measured at fair values that reflect the conditions at the date of the acquisition. In particular, the fair value of housing properties acquired would normally be the existing use value for social housing. The fair value of the donated recognised assets and are recognised as a gain or loss in the Income and Expenditure account in the year of the transaction in both the consolidated and Charity accounts. This is further explained on page 22.

Experts in Recovery for 45 years - Creating change

The last three years have been defined by a highly successful strategic plan that has seen Phoenix Futures directly support over 60,000 people and positively impact the lives of countless more indirectly affected by drug and alcohol misuse. Over this time we've grown in scale and diversity of services whilst staying true to our purpose, values and beliefs. We've remained financially viable, which has enabled us to mobilise our expertise and innovation to create increasing higher quality services that make a measurable positive impact in the communities in which we work.

We now move forward into a new three year plan period, more effective and efficient than ever, with a group structure that will bring even more benefits to our service users.

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STRATEGIC REPORT (continued)

Experts in Recovery for 45 years - Creating change (continued)

Our scale, the wealth of recovery experience from our 45 year history and the passion and expertise of our staff, volunteers and service users, have allowed us to achieve a great deal. As we come to the end of our 2011-14 strategic plan and launch our new 2014-17 strategy now is an ideal time to review some of our achievements and introduce how we plan to approach the future.

A few highlights from the last 3 year period

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

- Education - Over the last 3 years we have supported 351 service users to achieve NVQ qualifications in 9 subjects.
- Volunteering – Through our therapeutic conservation programme Recovery. Through Nature our service users have volunteered 65,000 hours of work in the last 3 years improving outside spaces and making our communities better places to live.
- Effectiveness - 86% of those that took part in the Voyage of Recovery 2012, our innovative therapeutic sailing activity, successfully completed their treatment.
- Raising awareness - Our Mother's Day Campaign, Re:Cover Music Project and Podcast have attracted the attention of thousands of people to issues around addiction and recovery.
- Service User Involvement - A short film created by HMP Wymott and Garth service users giving insight into how Phoenix Futures' Prison Therapeutic Community works has been viewed by nearly 16,000 people to date on You Tube.

Being financially viable has been fundamental to our success

- A home for regional providers - We have helped 2 organisations face the challenges of the commissioning environment and continue to operate.
- Our financial strength has allowed us to innovate in search of ever more effective treatment.
- Developing an innovative culture - We have fostered an environment of innovation that allows large and small scale ideas to be tested and funded through our Fundraising and Innovation Team (FIT) which has supported 4 new projects to date.
- Sustainable innovation - The Voyage of Recovery 2012 gave 100 service users an experience which sets service users up for success in life, positively impacting their friends, families and communities by taking the Therapeutic Community model onto a boat and sailing around the UK. We have since continued with 5 shorter voyages each year.
- Family support – we have created FLAMES, a group that is provided for family carers and loved ones as part of our residential service.
- Housing solutions - Recovery House is a peer-led housing provision allowing those in recovery to live together in a safe and supportive environment.

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STRATEGIC REPORT (continued)

Responsive person-focused services

In the last 3 years we have developed the following services:

- In Birmingham we set up a Community Health Champions project with our partners working directly in pubs and clubs to promote good public health.
- In Trafford we extended our provision to include a young people's service and an alcohol specific service.
- In Barnsley we were awarded additional funding to employ a dedicated Housing Liaison Worker working as part of our resettlement team.
- In Islington we delivered our first Building Futures service designed to provide holistic person-centred support to people in prison. This is now delivered in a further eight prisons in the country.
- In Derby City we received Comic Relief funding for a Targeted Recovery Worker who will support service users to reduce the average length of stay in treatment by offering targeted help to those service users in treatment for 6 years or more.

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

Over the last 3 years we have developed partnerships to deliver new services:

- In Derbyshire we deliver the Derby County treatment system with Derbyshire NHS Trust.
- In Derby City we deliver services in partnership with Derbyshire NHS Trust.
- In Leicester we deliver the treatment system with Leicestershire Partnership Trust.
- In Central Lancashire we deliver the treatment systems with GMW.

We are delighted to have been recognised for our achievements:

- 2011 IIP Bronze
- 2011 we won the BQF Achievement Award for Leadership
- 2012 we won the Third Sector Excellence Award Employer of the Year
- 2013 one of our Volunteers won the Third Sector Excellence Award for Volunteer of the Year
- 2013 Our Learning and Development team won a TJ Training Award
- 2013 EFQM 4 star recognised for excellence
- 2014 IIP Gold

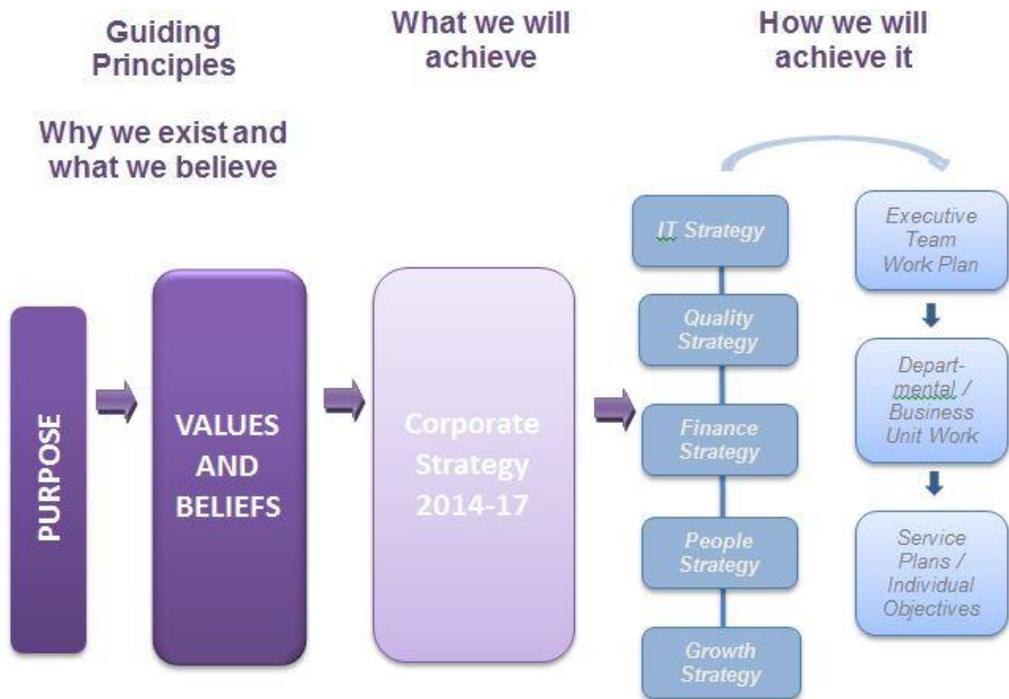
Purpose, Values & Beliefs and Strategic Themes - the 2014-17 Phoenix Strategy

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

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STRATEGIC REPORT (continued)

Purpose, Values & Beliefs and Strategic Themes - the 2014-17 Phoenix Strategy (continued)



Our 2014-17 strategic themes are:

Our Expertise

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

Our Passion

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

Our Strength

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

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

Guiding principles

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

In 2013-14 we consulted staff, service users and stakeholders to redefine the values and beliefs that guide our behaviour and recovery focused culture, we launched them at our annual staff roadshows and we'll continue to ensure they are a key part of our culture.

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STRATEGIC REPORT (continued)

Values and Beliefs

- **We are passionate about recovery**

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

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

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

- **We believe in being the best**

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

Public benefit statement

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

a) Who we provide for

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

- 891 (2013: 893) in Residential services
- 16,975 (2013: 7,384) in Community services
- 9,075 (2013: 12,159) in prisons

Our service users live complex lives as our 2014 Footprints research highlighted.

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

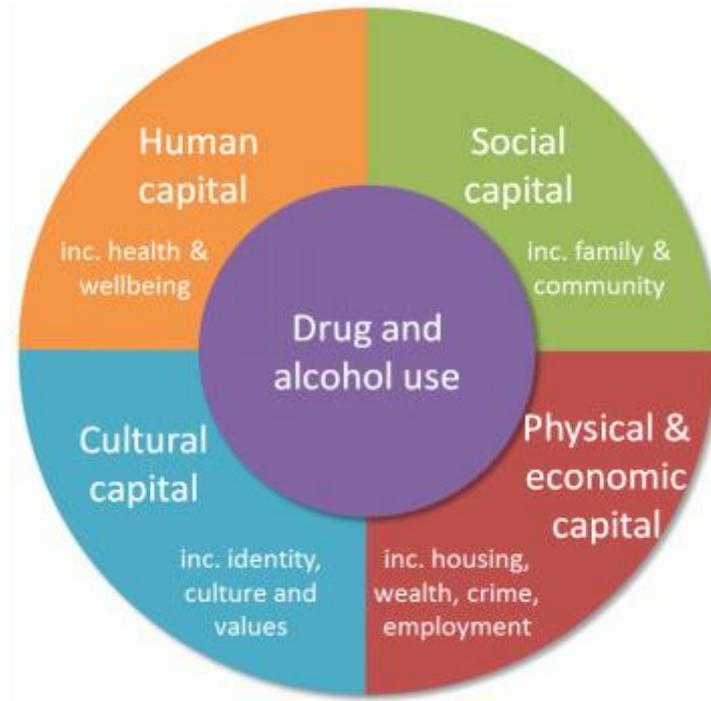
We also know that addiction affects all communities of UK society, but not every area equally. We have used Experian's detailed MOSAIC tool to do postcode profiling, and have found that the risk of addiction is significantly higher in some communities (and even streets) than others. Success in treatment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

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STRATEGIC REPORT (continued)

a) Who we provide for (continued)

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



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

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

b) How we provide our services

A focus on expertise

Running through all our service provision is a focus on expertise to create the best possible quality experience for our service users. Ultimately recovery is a people process.

We are experts in recovery and we derive our expertise from our unique history, our staff, volunteer and service users' skills and experience.

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STRATEGIC REPORT (continued)

Staff expertise

In practice this means our People strategy for 2014-17 will focus on:

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

Service user expertise

We will use the expertise of our service users past and present to inform how we run services and how we can make them more responsive to changing need. This will include the development of a service user representative body covering all our services.

Voluntary expertise

We value the contribution volunteers make to the organisation. Our volunteer approach ensures voluntary resource is used to add to the service user experience and not instead of paid qualified staff who provide our core service delivery. We understand that being a volunteer is a valuable experience for many and allows them to contribute their skills and experience to the communities in which they live. We also appreciate for some, volunteering offers the opportunity to develop new skills which may lead on to paid employment. At Phoenix Futures last year we were supported by 163 volunteers delivering 48,776 hours to enhance our service delivery. We also encourage our service users to volunteer and contribute back to society. Whilst this is an important way for people in recovery to build recovery capital it also allows them to make a meaningful contribution to their local communities. Last year we supported our services users to deliver 30,000 volunteer hours through our Recovery Through Nature programme and a further 36,000 volunteer hours through our B-Chilled Health Champions, our peer mentors, our Trafford Age UK project and other local volunteering initiatives. People who have previously been seen to impact communities negatively through their substance misuse have with the help of Phoenix Futures demonstrated they do in recovery contribute to their local communities in a very positive and practical way.

Experts in recovery for 45 years

With this report we are launching our new strapline 'Experts in recovery for 45 years'.

We think it defines how we do what we do and we hope that it provides a clear message that we are driven by our values to bring to the sector all the expertise we have built up over many years to achieve our purpose.

Costing our services for quality

In practice, our commitment to investing in staff expertise means that all staff are encouraged to create personal development plans. Learning and development is supported by an in house team of 5 highly qualified and accredited staff who have a passion for ensuring staff can access the structured training and informal learning experiences that will help them to be the best they can be at what they do. We spend an average of £650 per staff member to fund this aim.

We have invested in our staff in order to ensure that they are able and empowered to create the optimum outcomes for service users. This investment has been recognised by achieving the Investors In People Gold award in 2014.

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STRATEGIC REPORT (continued)

Investing in support infrastructure

We believe our support infrastructure is an investment for our funders and service users. Functions such as our Procurement, Human Resources, Learning and Development, Quality and Performance are an important part of how we achieve our purpose.

Investment in our support infrastructure is returned in many ways, for example by ensuring we get the best value for money for our expenditure, reaching the people who need to know about our services and making sure our staff are supported and skilled.

Co-production of the recovery experience

We recognise that recovery doesn't happen in our buildings, service users themselves create recovery within themselves with the support of others and each experience is unique and personal. Recognising this we are increasingly involving service users themselves, their families and carers, our commissioners and our many service provision partners in working together to achieve our common aims. This holistic approach is driven by our expertise to mobilise communities to work together to create healthier, happier, safer communities for all.

Financial strength

We believe creating public benefit is done most effectively within a financially strong organisation therefore we aim to continue to grow where we think we create public benefit. We use our financial strength to protect our long term future and we invest in innovation and the development of our services so that we can continue to deliver public benefit for many more years to come.

Integrated treatment pathways

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

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

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

Phoenix Plus model

Developed and launched in 2012, we continue to develop our 'Phoenix Plus' model. The model addresses issues around housing, family support, employability and community engagement. In addition to the 'treatment' they are receiving in community, prison and residential services.

Explaining our impact

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

- Social Return on Investment (SROI) research programme to ascertain the value of our National Specialist Family Service.

As explained on page 4 we produced a report which was independently accredited by The SROI Network following an SROI process and complying with SROI principles. Our research evidenced that our approach can achieve significant savings to society as a whole and specifically to Local Authority budgets.

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STRATEGIC REPORT (continued)

Explaining our impact (continued)

- Recovery Stories – stories can be a powerful means of communication. We use stories in our Mother’s Day campaigns for example and our podcast and music projects to motivate people into treatment and to raise the level of general education around addiction.

Staff impact - our Phoenix People campaign highlights the achievements of staff on our website and in our services, reinforcing our approach that puts our people’s skills and expertise at the heart of our strategy.

Because we believe positive images of recovery are important we’ll be creating more educational resources like our podcast to bring the expertise of our staff and service users to as a big an audience as possible.

Partnerships

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

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

c) What we provide

Community Services

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

- Community Recovery Services - where clients live off site but visit services on a daily basis for group work, psychosocial interventions and access to education and employment training.
- Harm Reduction and Outreach – the Charity provides drop-in centres and outreach services and engages with drug users in order to provide practical help such as housing and benefits advice.
- Our outreach work uses a needs-based approach to provide support including needle exchange, practical help with tenancies or benefit claims. In 2012 we also launched our first Public Health England funded outreach model B-Chilled which works in partnership with a range of local agencies in Birmingham to target Birmingham’s night time economy. Interventions were delivered to 2,177 individuals to help address issues related to club drugs, sexual health and personal safety.
- Floating Support - helping substance misusers who are in danger of losing their homes.
- Recovery navigation or hub services – these services take responsibility for navigating the client through various treatment options which focus on recovery as opposed to treatment. These services focus on the whole person and ensure that help is obtained for housing and employment for example.

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STRATEGIC REPORT (continued)

c) What we provide (continued)

- Recovery Through Nature – these services operate as an adjunct to many of our community programmes. Recovery Through Nature enables people in recovery to volunteer as part of teams to help conserve important areas of the countryside. It is a powerful engagement and retention programme which provides tangible results to those participating including qualifications, as well as the environment and local communities. People who participated in Recovery Through Nature across Phoenix had a 44% improvement in treatment completion rates and retention rates were 55% better.

The conservation work carried out by service users equates to a total 29,626 volunteer hours during 2013-14. This is direct evidence of our service users giving something valuable back to their communities.

Prison Services

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

In 2012 we launched the innovative Building Futures programme. Now operating in eight prisons, Building Futures is a highly responsive model focused around the holistic needs of the client. In 2014 we have been very pleased to see the positive feedback for Building Futures in prison inspectorate reports for both HMP Pentonville and HMP Holloway.

Residential Adult and Family Services

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

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

The Charity maintained its approach of continuous improvement in its Residential services. Our residential services have the highest completion rates they have had in living memory with completion rates having improved 35% from 2009-10 to 2013-14 as a result of the implementation of our long-term Residential Strategy.

The focus during the year was to achieve continued improvements in quality, flexibility and value for money which the Board believes will allow the Charity to respond effectively to the challenging environment of the residential sector. Service user satisfaction in our residential services was 13% higher in March 2014 than at the same time the previous year, and less than a third of clients now drop out without completing.

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STRATEGIC REPORT (continued)

Housing

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

As a Registered Provider we have expertise in providing housing and develop models of provision to meet the needs of the communities in which we work. In 2013-14 we had 86 units of affordable supported housing available specifically for people in recovery.

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

Work programme

Our service provision through the work programme has enabled us to access 642 people in need of support to address substance misuse issues. These are people who would not normally access our service and therefore the Work Programme is an opportunity to increase our reach as an organisation. For the work programme clients our interventions are a critical service to allow them to address the barriers to work and enable them to return to employment.

Future service development

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

- Criminal justice models
- A range of alcohol models
- Support of problematic gamblers
- Post treatment peer mentor reintegration models
- Innovative approaches to employment, education and training specifically for those with experience of addiction

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

Quality at the heart of everything

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

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

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STRATEGIC REPORT (continued)

Quality at the heart of everything (continued)

Over the last few years we have:

- Achieved 4 star Recognised for Excellence rating within the EFQM Model
- We are a safer organisation to be in, with range of staff qualified to NEBOSH General Certificate and IOSH Managing Safely levels
- We adopted the Outcomes Star as an extra tool for measuring outcomes
- We have invested further in our Quality Department and now have a full time researcher who is affiliated to the University of Stirling as a Visiting Fellow
- We made it easier for people to feed back to us their compliments, complaints, and satisfaction
- Our detailed internal audits have driven continuous improvement in our local services
- National and local impact reports have been produced, in various formats including a podcast

Despite gaining various accreditations and winning various awards, we are not resting on our laurels; we will continue to approach every aspect of what we do with the passion which makes Phoenix Futures unique.

Employment

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

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

Our commitment to Equality & Diversity

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

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

We demonstrate and evidence our commitment to equality and diversity by:

1. Ensuring that our Equality and Diversity Policy is known to everyone we work with and to potential employees.
2. Providing training to support our policy.
3. Monitoring and reviewing our policy and practice, through our Equality & Diversity Working group.
4. Taking appropriate action against those who act in a way that contradicts or undermines our policy.

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Our commitment to Equality & Diversity (continued)

5. Actively working with partner agencies such as Stonewall and Jobcentre Plus, to demonstrate and communicate our commitment to diversity and enhance organisational and employee skills in managing diversity issues.
6. Using the information provided via the Diversity Monitoring Form, to assess how diverse our workforce is and to take action to increase diversity and inclusion where necessary, or to identify additional partner agencies to work with.

Phoenix awarded gold standard by Investors In People (IIP)

In March 2014 Phoenix Futures was awarded the Gold standard by Investors In People (IIP). Only a minority of organisations have achieved such heights. Our staff and Board were absolutely delighted by this achievement.

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

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

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

- Our staff survey 2013 results
- Our Investors In People (IIP) accreditation
- Our 4-star EFQM excellence award
- Our Best Employer 2012 Third Sector Excellence award
- Our Training Journal Gold Awards 2013 for our service user qualification programme and our programme of study visits in Europe (Ecett)
- Volunteer of the Year 2013 Third Sector Excellence award

Our talent management & learning and development strategy

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

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

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

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Our talent management & learning and development strategy (continued)

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

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

Growing our own talent

A key aim of our people strategy is to grow our own talent via targeted trainee programmes. These have been piloted over the last two years and are now being rolled out across the organisation.

We piloted Apprenticeships under the government's National Apprenticeship Scheme with some success. Courtney Allen, our first ever apprenticeship, was given an apprenticeship in the Marketing & Communications team and studied for a certificate in Digital Marketing. He went on to a permanent appointment as a Marketing & Communications Officer.

Other apprentices worked in direct service provision alongside drug and alcohol workers and came primarily from a background of volunteering. These apprentices tended to be much older than the norm. James Middleton, one such apprentice, won the Volunteer of the Year award at the Third Sector Excellence award in 2013.

European study tours for staff

For the second time, Phoenix Futures has been awarded a Mobility Grant in association with ECEtt (European Companionship in Education, training by travel). The Grant enables us to fund an additional 24 members of staff to travel to 5 host countries to work in an addiction service for 1 or 2 week placements in groups of 3.

Our 5 host partners in 2014 are Belgium (1 week placement), Portugal (2 weeks), Czech Republic (2 weeks), Spain (2 weeks) and Italy (2 weeks).

Most placements are within therapeutic communities (TCs) but it has been possible to facilitate some placements in community services, prisons and even in central office support roles.

Building on the success of last year's project, we will be personally tailoring each placement to the individual's job role and aims. This is an exciting opportunity to broaden horizons, gain valuable work experience, investigate good practice, enhance skills and professional development.

Value for Money (Vfm)

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

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

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

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Value for Money (Vfm) (continued)

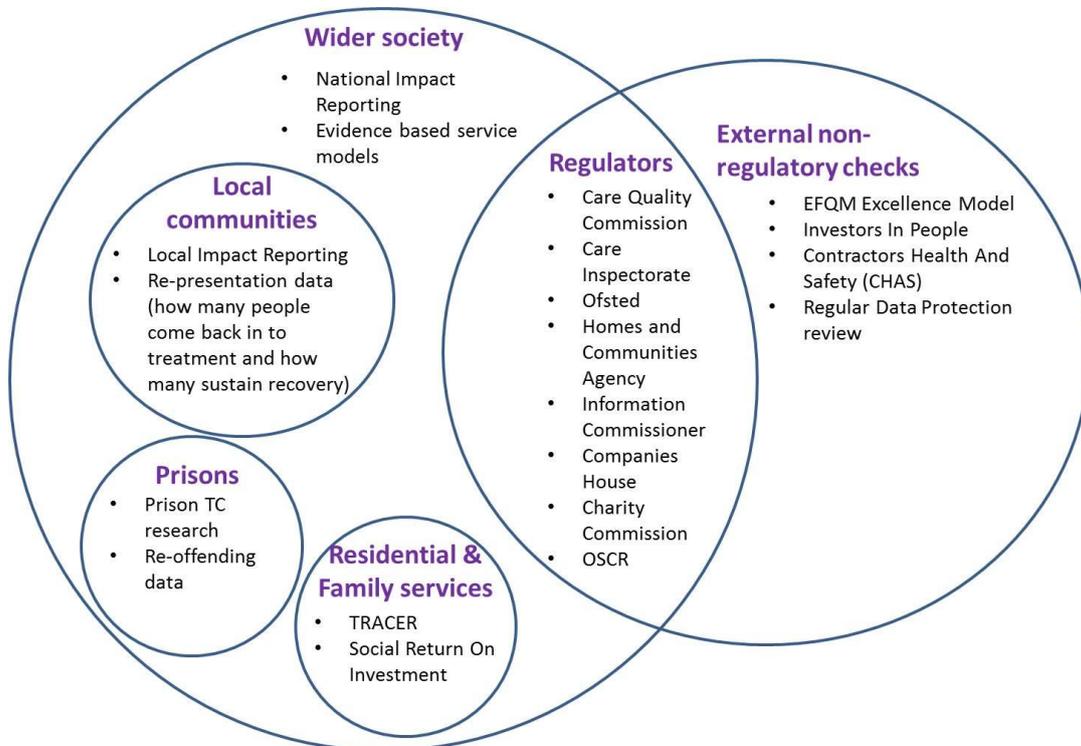
There is a clear form of ensuring, assessing and benchmarking both robust decision making and effective people and performance management aimed at delivering improved Vfm.

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

The diagram below summarises the operational approach to Vfm.

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

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



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

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Value for Money (Vfm) (continued)

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

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

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

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

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

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

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

PHOENIX HOUSE

STRATEGIC REPORT (continued)

Value for Money (Vfm) (continued)

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

Measure	Success
Impact on Society	
Completion Rates (varied rates of completion is to be expected due to nature of service and complexity of client group)	Residential Services : Average 47% National Family Service: 63% Phoenix +Norcas Services: 71% Barnsley Integrated Community Treatment system: 51%
Volunteer Hours supported	114,776 hrs
Number of people receiving support annually	26,841
Reduction in reoffending	39% improvement in reoffending *
Improvement in mental health	37% improvement *
Meaningful use of time	45% improvement *
Social Return on Investment	The benefit to society is set out on page 4

Measure	Success
Quality Measures	
Investors in People Award	Gold
EFQM	4 Star Recognised for Excellence
Environmental Impact	
Energy conservation	Biomass Boilers x 2 making a saving of £26k of fuel costs per year
Financial Measures	
Free reserves	Policy sets as a target a minimum level of free reserves of the equivalent of two months and a maximum of three months of annual expenditure.
Financial and business plans	Performance is monitored continuously against budgets and reforecasts which include targets for savings where appropriate and planned expenditure for housing improvements to services
Efficiency gains on procurement viability	The relative contribution and financial performance of each service and each housing property is assessed

* Figures reported through TOPs (Treatment Outcome Profiles) and Outcome Star for service users engaged in residential services in 2013-14.

**Approved by the board of directors
and signed on behalf of the board by**

George Lambis
Company Secretary
[Date]

PHOENIX HOUSE

DIRECTORS' REPORT

The Directors present their report and the consolidated financial statements for the year ended 31 March 2014.

Results for the year

The Board is pleased to report that the Group generated a surplus of £5,424k (2013: £1,299k).

	2014 £'000	2013 £'000
Total income*	22,877	23,179
Total expenditure	(22,112)	(21,871)
Operating Surplus from continuing operations	765	1,308
Surplus on disposal of fixed assets	144	-
Fair value donation	4,521	-
Discontinued Operations** Brighton Service	(6)	(9)
Surplus	5,424	1,299

* including interest receivable and excluding discontinued operations

** results of discontinued services operated from freehold property disposed of

The Group's operating surplus from continuing operations before accounting for the fair value donation for the year ended 31 March 2014 was £765k (2013: £1,308k).

As explained, on page 5, on 31 March 2014 the Charity acquired ARP Charitable Services (trading as Foundation66) as a wholly owned subsidiary. The transaction to reflect the acquisition of Foundation66 in the Group and parent company accounts must be accounted for under Generally Accepted Accounting Practice in the UK (GAAP) as explained under Acquisitions on page 54.

Applying GAAP principles to the consolidated accounts produces a fair value donation received by the group of £4.521m. This fair value donation contributes to the consolidated surplus for the year of £5.424m as shown in the consolidated Income and expenditure account on page 31.

The fair value donation in the Charity's own Income and Expenditure account is £4.683m. This excludes due diligence costs of £162k. The donation has strengthened the Charity's balance sheet and total reserves **but has not increased free reserves.**

The Board is pleased to report that **the consolidated surplus from continuing activities was £765k.** Financial performance is in line with medium-term planning of growth in reserves and in line with financial strategy. The Charity's target in free reserves is to maintain the equivalent of between two and three months of expenditure in free reserves.

PHOENIX HOUSE

DIRECTORS' REPORT (continued)

Results for the year (continued)

There was a significant churn in business during the year. The Charity's income decreased only marginally as new contracts won replaced contracts transferring out. Incoming contracts were secured in Leicester, Central Lancashire and HMP Onley whilst contracts in Derby and Islington secured in the previous year had a full year impact during the year ended 31 March 2014. The largest contract transferring out was the Charity's contract with the Scottish Prison Service which transferred to NHS Scotland.

Expenditure increased during the year compared to the previous year as the Charity invested in its registered care and housing services and its infrastructure including implementing a new Information Technology infrastructure.

Social Housing Pension scheme

The Charity participates in the Social Housing Pension Scheme as disclosed in Note 20. In the context of Risk evaluation, and in order to mitigate risk, the Board, after consulting with staff, decided to close the Charity's final salary scheme participation to future accrual. The Board also considered the impact of accounting requirements under FRS 102 which relate to organisations such as Phoenix Futures participating in multi-employer schemes and which will be implemented in the financial year ending 31 March 2016. The implementation will have an impact on the Charity's reserves which may be reduced by future commitments relating to historic pension shortfalls as calculated by the scheme actuary. Free reserves increased to £5.629m (2013: £4.940m) during the year and the Board is confident that the Charity has sufficient free reserves to cover such future commitments relating to historic shortfalls.

Principal risks and uncertainties

The Economic and Political Environment in England

Public health structures are still settling and demarcation lines between Public Health and Clinical Commissioning Groups and Health and Wellbeing Boards are still being established whilst Local Government Procurement and Public Health England (PHE) commissioning requirements are still being determined.

The Charity believes that there may be opportunities for social prescribing models which link people to non-medical sources of support instead of offering medication. In some areas this may be considered to be a viable treatment option for low to moderate needs and as a preventative approach to tackling potential escalation of ill-health. The Charity's Phoenix Plus approach, RTN, Voyage of Recovery and other similar recovery initiatives are consistent with such social prescribing models.

PHE strategy promotes building healthy Places, People and Communities as factors defining public health outcomes. PHE aim to improve substance misuse recovery rates and will support local authorities to achieve this through benchmarked data and bespoke support. Overall the emphasis is on promoting prevention and wellbeing, including smoking cessation and exercise. The Charity's B-Chilled service, development of peer mentors and community health champions and proposals to develop a healthy living brand fits with this wider wellbeing approach.

Offender health commissioning behaviour varies with some commissioners increasingly seeking integrated clinical and non-clinical delivery of substance misuse services in prison and more robust through the gates preparation as well as integrating in-prison and through the gates provision. There is also a growing predominance of Lead provider models of procurement. The development of the Charity's Building Futures model, which integrates seamlessly with clinical provision in prison healthcare services, addresses this trend in commissioning.

PHOENIX HOUSE

DIRECTORS' REPORT (continued)

Principal risks and uncertainties (continued)

The Ministry of Justice's Transforming Rehabilitation agenda places emphasis on resettlement prisons, liaison and diversion initiatives and preparing people for life outside prison including the creation of pathways into the community. It also focuses on the reduction of the mother and baby provision and increasing the community sentencing and resettlement based prisons for women. The Charity's historical links with women's prison establishments in particular places it in a strong position to link with primes. Its housing provision and status as a Registered Provider is an additional advantage.

The 2014-15 year is the final year within the three year spending round and the final year that the public health budget will be ring-fenced. Although there is an election in 2015 it is unlikely that the direction of travel in relation to cuts to public services will change. Pressure on local authority budgets is very significant and cuts to substance misuse funding are inevitable as funds are diverted into areas such as social care for the elderly, child protection and other statutory areas of significant risk and under-resource in local government. 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. There is also likely to be an increasing role for the principles of health economics when determining best use of funding.

The Economic and Political Environment in Scotland

The strategy for Scotland will be influenced by the Scottish referendum in 2014. The Charity will review its strategy following the outcome of the referendum but it is confident that it will build on the success of its Peer Mentor, Creative Recovery, structured group work programmes and Housing Support service models.

The Board expects that the Charity will continue to operate in very difficult market conditions in the UK whilst pressure on the public sector deficit persists. The Board is however confident that corporate strategy and management are focused on these conditions and believes that the Charity is well placed to identify opportunities and develop local partnerships and relationships with key commissioners which will enable it to respond effectively.

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 but the Charity's reputation as a provider of a wide range of innovative recovery services is increasing and the Board expects that the Charity will seize opportunities increasing its market share in a diminishing market. The Charity continued to demonstrate a strong financial performance during the year ended 31 March 2014, and whilst the Board expects difficult market conditions, it is confident that the Charity will sustain its financial position.

PHOENIX HOUSE

DIRECTORS' REPORT (continued)

Directors

The Directors who served during the year were as follows:

Mr William Caplan
Mr James Cook (appointed 31 March 2014)
Dr Karim Dar
Ms Susan Ellenby (appointed 31 March 2014)
Mr Mike Ewart
Dr Emily Finch
Mr Mark Haysom (Chair)
Ms Vicky Hemming (resigned 20 November 2013)
Ms Anne Hooper (appointed 31 March 2014)
Mr Anthony Hunter
Dr Michael Josef Kelleher
Ms Susan Matheson (resigned 17 December 2013)
Ms Gill Saunders
Mr Gordon Statham
Ms Sarah Thewlis (Vice-Chair)

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

Financial risk management

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

The directors have delegated the responsibility of monitoring financial risk management to the Audit & Control Committee. The policies set by the Board of directors are implemented by the Group's finance department.

Price risk

The Group is exposed to price risk due to normal inflationary increases in the purchase price of the goods and services in purchases in the UK. The Group has no exposure to equity securities price risk as it holds no listed or other equity investments.

Cash flow risk

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

PHOENIX HOUSE

DIRECTORS' REPORT (continued)

Internal Control

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

No system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Charity's assets and interests.

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

The Charity identified areas on which assurance is sought and matched these to sources of assurance. In order to monitor whether the sources of assurance identified adequately minimise or eliminate risk a control procedure is operated on a predetermined frequency basis via three Committees set up by the Board; the Audit & Control Committee, the Clinical Governance Committee and the Remuneration and Nominations Committee. The Committees have different areas of internal control although some areas overlap.

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

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

Risk management

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

Monitoring and corrective action

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

Control environment and control procedures

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

PHOENIX HOUSE

DIRECTORS' REPORT (continued)

Information and financial reporting systems

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

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

Fraud prevention, detection and reporting

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

Review

The Directors, through the Audit & Control and Clinical Governance Committees, have reviewed the effectiveness of the Charity's system of internal financial control in operation during 2013-14.

Disclosure of information to the auditors

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

- so far as that director was aware there was no relevant audit information of which the Group's auditor was unaware; and
- that director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Group's auditor was aware of that information.

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

Auditors

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

Approved by the board of directors on and signed on behalf of the board by

George Lambis
Company Secretary

Registered number 1626869

PHOENIX HOUSE

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

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

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

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

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOENIX HOUSE

We have audited the financial statements of Phoenix House ("the Charity") for the year ended 31 March 2014 which comprise the Consolidated Profit and Loss Account, the Consolidated and Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 24. 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 and the Charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 28, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Charity's affairs as at 31 March 2014 and of the Group's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Opinion on other matter prescribed by the Companies Act 2006

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

Nexia Smith & Williamson

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

Matters on which we are required to report by exception

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

- a satisfactory system of control over transactions has not been maintained;
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

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

25 Moorgate
London
EC2R 6AY

Date

PHOENIX HOUSE**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT for the year ended 31 March 2014**

	Notes	2014 £'000	2013 £'000
Turnover			
Continuing operations		22,801	23,081
Fair value donation		4,521	-
		<hr/>	<hr/>
	2	27,322	23,081
Operating costs	2	(22,112)	(21,881)
		<hr/>	<hr/>
Operating surplus		5,210	1,200
Surplus on disposal of fixed assets	7	144	-
Other interest receivable and similar income	5	70	99
		<hr/>	<hr/>
Surplus for financial year	16	5,424	1,299
		<hr/>	<hr/>

ARP Charitable Services was acquired on 31 March 2014. As such no income and expenditure activity is included above.

All of the Group's operations are classed as continuing. There were no recognised gains or losses other than those reported above.

PHOENIX HOUSE**CONSOLIDATED BALANCE SHEET as at 31 MARCH 2014**

		2014	2013
		£'000	£'000
Fixed assets			
Housing properties – cost less depreciation	8	7,509	2,640
Grants - other		(579)	(767)
		<hr/>	<hr/>
		6,930	1,873
Other tangible fixed assets	9	1,218	194
		<hr/>	<hr/>
		8,148	2,067
Current assets			
Debtors	11	3,242	2,084
Cash at bank and in hand		6,105	5,459
		<hr/>	<hr/>
		9,347	7,543
Creditors: amounts falling due within one year	12	(3,668)	(2,573)
		<hr/>	<hr/>
Net current assets		5,679	4,970
		<hr/>	<hr/>
Total assets less current liabilities		13,827	7,037
		<hr/>	<hr/>
Provisions for liabilities and charges			
Provisions for liabilities	14	49	30
Pension liability	20	1,347	-
Capital and Reserves			
Share capital	15	-	-
Revenue reserve	16	12,431	7,007
		<hr/>	<hr/>
		13,827	7,037
		<hr/> <hr/>	<hr/> <hr/>

ARP Charitable Services was acquired on 31 March 2014. As such the comparative information represents the Charity's financial position.

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

M. Haysom
(Director)

G. Statham
(Director)

PHOENIX HOUSE**CHARITY BALANCE SHEET as at 31 MARCH 2014**

	Notes	2014 £'000	2013 £'000
Fixed assets			
Housing properties – cost less depreciation	8	2,194	2,640
Grants - other		(579)	(767)
		<hr/>	<hr/>
		1,615	1,873
Other tangible fixed assets	9	504	194
Investments	10	4,845	-
		<hr/>	<hr/>
		6,964	2,067
Current assets			
Debtors	11	2,169	2,084
Cash at bank and in hand		5,566	5,459
		<hr/>	<hr/>
		7,735	7,543
Creditors: amounts falling due within one year	12	(2,057)	(2,573)
		<hr/>	<hr/>
Net current assets		5,678	4,970
		<hr/>	<hr/>
Total assets less current liabilities		12,642	7,037
		<hr/> <hr/>	<hr/> <hr/>
Provisions for liabilities and charges			
Provisions for liabilities	14	49	30
Capital and Reserves			
Share capital	15	-	-
Revenue reserve	16	12,593	7,007
		<hr/>	<hr/>
		12,642	7,037
		<hr/> <hr/>	<hr/> <hr/>

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

M. Haysom
(Director)

G. Statham
(Director)

Company Registration No. 1626869

PHOENIX HOUSE**CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 MARCH 2014**

	Notes	2014 £'000	2013 £'000
Net cash inflow from operating activities	A	262	1,289
Returns on investments and servicing of finance			
Interest received		70	65
Net cash inflow from returns on investments and servicing of finance		70	65
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(683)	(121)
Net proceeds on disposal of fixed assets		620	-
Net cash (outflow) for capital expenditure and financial investment		(63)	(121)
Acquisitions and disposals			
Payments on acquisition of subsidiaries		(162)	-
Cash received on acquisition of subsidiaries		539	-
Net cash inflow from acquisitions and disposals		377	-
Increase in cash in the year	B	646	1,233

PHOENIX HOUSE**NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT for the year ended 31 MARCH 2014****A RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2014 £'000	2013 £'000
Operating surplus	5,210	1,200
Fair value donation	(4,521)	-
Depreciation and amortisation	152	112
Write off on replacement	3	-
(Increase) / decrease in debtors	(85)	695
(Decrease) in creditors	(516)	(702)
Increase / (decrease) in provisions	19	(16)
	<hr/>	<hr/>
Net cash inflow from operating activities	262	1,289
	<hr/>	<hr/>

B ANALYSIS OF NET DEBT

	At 1 April 2013 £'000	Cash flow £'000	At 31 March 2014 £'000
Cash at bank and in hand	5,459	646	6,105
	<hr/>	<hr/>	<hr/>
Net funds	5,459	646	6,105
	<hr/>	<hr/>	<hr/>

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2014

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered to be material in relation to the financial statements of the Group.

Basis of accounting

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

Basis of consolidation

The Group financial statements consolidate the financial statements of Phoenix House and its subsidiary undertakings drawn up to 31 March each year. The results of subsidiaries acquired or sold are consolidated for periods from or to the date on which control passes. The results of NORCAS Limited and Phoenix (Live-in-World) Limited are excluded from the consolidated accounts on the basis that they are immaterial to the Group.

As permitted by section 408(3) of the Companies Act 2006, the parent Company's income and expenditure account has not been included in these financial statements. The parent Company's surplus for the financial year was £5,586k (2013: £1,299k).

Business combinations

Acquisitions are accounted for under the acquisition method. This requires the new entity's assets and liabilities to be initially recognised at fair value. Goodwill is calculated as the difference between the fair value of the consideration paid and the fair value of the net assets acquired.

Where the nature of the business combination is of one entity gifting control to the other ("non-exchange transaction"), the fair value of the gifted assets and liabilities are recognised as a gain or loss in the income and expenditure account in the year or the transaction, in accordance with the SORP.

Tangible Fixed assets

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

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

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

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2014 (continued)

1 Accounting policies (continued)

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

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

Other tangible fixed assets

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

Housing properties

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

Social housing grant (SHG)

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

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

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2014 (continued)

1 Accounting policies (continued)

Fixed asset investments

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

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

Operating leases

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

Taxation

The Charity and its subsidiaries are registered charities and therefore are not subject to Corporation Tax on surpluses arising from charitable activities. Neither the Charity nor the Group were registered for VAT purposes during the year. VAT paid on inputs (purchases/costs) is charged to the relevant expense category. The Group registered for VAT on 31 March 2014.

Turnover

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

Income received in advance is disclosed within creditors in the balance sheet.

Other income is accounted for on the basis of the value of goods or services supplied during the period.

Supporting People Grant

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

Statutory grants

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

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2014 (continued)

1 Accounting policies (continued)

Donations

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

Pension scheme

The Group is a member of a multi-employer defined benefit pension scheme where it is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis and, therefore, as required by Financial Reporting Standard 17 "Retirement Benefits" ("FRS17"), accounts for the scheme as if it were a defined contribution scheme. As a result, the amounts charged to the income and expenditure account represent the contributions payable to the scheme in respect of the accounting period.

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

Provisions

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

Revenue Reserves

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

Related parties

The Charity is exempt under the terms of FRS 8: Related Parties from disclosing related party transactions with entities which are part of the Group.

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2014 (continued)

2A Particulars of turnover, operating costs and operating surplus

	Turnover	2014 Operating costs	Operating surplus /(deficit)	Turnover	2013 Operating costs	Operating surplus
	£'000	£'000	£'000	£'000	£'000	£'000
Social Housing lettings (note 2B)	5,030	(5,166)	(136)	5,317	(4,978)	339
Other Social housing activities						
Revenue grants	11,045	(11,004)	41	8,916	(8,539)	377
Charitable donations and sundry income	518	(281)	237	347	(278)	69
	16,593	(16,451)	142	14,580	(13,795)	785
Non-social housing activities	6,208	(5,661)	547	8,501	(8,086)	415
Fair value donation	4,521	-	4,521	-	-	-
Total	27,322	(22,112)	5,210	23,081	(21,881)	1,200

PHOENIX HOUSE

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2014
(continued)**

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

	Residential care homes £'000	2014 Supported housing £'000	Total £'000	2013 Total £'000
Income from social housing lettings				
Rent receivable net of identifiable service charges	3,722	715	4,437	4,793
Service charge income	-	27	27	27
Other revenue grants	12	554	566	497
	<hr/>	<hr/>	<hr/>	<hr/>
Turnover from social housing lettings	3,734	1,296	5,030	5,317
Expenditure on social housing lettings				
Management	1,183	422	1,605	1,546
Service charge costs	459	174	633	668
Routine maintenance	91	24	115	70
Depreciation of housing properties	63	3	66	39
Staff costs	1,205	463	1,668	1,674
Property lease charges	87	291	378	333
Resident costs	528	47	575	520
Other costs	90	36	126	128
	<hr/>	<hr/>	<hr/>	<hr/>
Operating costs on social housing lettings	3,706	1,460	5,166	4,978
	<hr/>	<hr/>	<hr/>	<hr/>
Operating surplus/(deficit) on social housing lettings	28	(164)	(136)	339
	<hr/>	<hr/>	<hr/>	<hr/>
Rent losses from voids (included in rent receivable above)	1,590	306	1,896	1,695
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

PHOENIX HOUSE

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2014
(continued)**

3 Directors' emoluments	2014	2013
	£'000	£'000
All directors:		
Aggregate emoluments	499	493
	<hr/>	<hr/>
Highest paid director*:		
Aggregate emoluments, excluding pension contributions	105	113
	<hr/>	<hr/>

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

Chief Executive's pension arrangements

The Chief Executive is a member of the industry-wide defined benefit salary scheme in which the Charity participates. Further details are given in note 20. No special terms or conditions apply to her membership. During the year pension contributions of £6,212 (2013: £16,358) were made on behalf of the Chief Executive.

4 Employee information

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

Group	2014	2013
	No	No
Permanent staff - full time equivalent (number)	539	545
Sessional staff - full time equivalent (number)	9	15
	<hr/>	<hr/>

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

Group	2014	2013
	No.	No.
£110,001-£120,000	-	1
£100,001-£110,000	1	-
£90,001-£100,000	-	-
£80,001-£90,000	2	1
£70,001-£80,000	1	2
£60,001-£70,000	1	-
£50,001-£60,000	1	1
	<hr/>	<hr/>
	6	5
	<hr/>	<hr/>

PHOENIX HOUSE

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2014
(continued)**

Staff costs	2014 £'000	2013 £'000
Wages and salaries	13,551	14,178
Compensation for loss of office	41	14
Social security	1,259	1,270
Pension costs	644	417
	<hr/>	<hr/>
	15,495	15,879
	<hr/> <hr/>	<hr/> <hr/>
5 Interest receivable and similar income	2014 £'000	2013 £'000
Bank interest receivable	70	99
	<hr/>	<hr/>
6 Surplus for the year	2014 £'000	2013 £'000
The surplus is stated after charging/(crediting):		
Depreciation of housing properties	71	70
Depreciation of tangible fixed assets	119	85
Amortisation of grant	(38)	(44)
	<hr/>	<hr/>
Operating lease rentals:		
- Land and buildings	404	402
- Other	3	3
	<hr/>	<hr/>
Exceptional items:		
- Release of historic provisions	(126)	(271)
	<hr/>	<hr/>
Auditor's remuneration (excluding VAT)		
Fees payable to the Charity's auditor for the audit of the parent company and consolidated annual financial statements	19	18
	<hr/>	<hr/>
Fees payable to the Charity's auditor and its associates for other services to the Group:		
- Taxation advisory services	3	10
- Other assurance services	46	37
	<hr/> <hr/>	<hr/> <hr/>

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

PHOENIX HOUSE

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2014
(continued)**

7	Surplus on disposal of fixed assets	2014 £'000	2013 £'000
	Sale proceeds	656	-
	Net book value	(632)	-
	Release of grant	156	-
	Disposal costs	(36)	-
		<hr/>	<hr/>
		144	-
		<hr/> <hr/>	<hr/> <hr/>

8	Housing properties	Freeholds	Long leaseholds	Short leaseholds	Total
	Group	£'000	£'000	£'000	£'000
	Cost				
	At 31 March 2013	3,110	-	349	3,459
	Component additions	172	-	87	259
	FV uplift	4,015	1,300	-	5,315
	Disposals	(780)	-	-	(780)
		<hr/>	<hr/>	<hr/>	<hr/>
	At 31 March 2014	6,517	1,300	436	8,253
		<hr/>	<hr/>	<hr/>	<hr/>
	Other grants				
	At 31 March 2013	750	-	17	767
	Disposals	(156)	-	-	(156)
	Amortised in year	(15)	-	(17)	(32)
		<hr/>	<hr/>	<hr/>	<hr/>
	At 31 March 2014	579	-	-	579
		<hr/>	<hr/>	<hr/>	<hr/>
	Depreciation				
	At 31 March 2013	490	-	329	819
	Charge for year	46	-	25	71
	Disposals	(146)	-	-	(146)
		<hr/>	<hr/>	<hr/>	<hr/>
	At 31 March 2014	390	-	354	744
		<hr/>	<hr/>	<hr/>	<hr/>
	Net book value				
	At 31 March 2014	5,548	1,300	82	6,930
		<hr/>	<hr/>	<hr/>	<hr/>
	At 31 March 2013	1,870	-	3	1,873
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

PHOENIX HOUSE

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2014
(continued)**

8 Housing Properties (continued)

The number of supported housing units in management at 31 March 2014 was 387 (2013: 296). 206 bed spaces (2013: 206) were managed by the Group but were in properties owned by other Registered Social Providers of Social Housing or other third parties.

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

8 Housing properties (continued)	Freeholds	Short leaseholds	Total
Charity	£'000	£'000	£'000
Cost			
At 31 March 2013	3,110	349	3,459
Component additions	172	87	259
Disposals	(780)	-	(780)
	<hr/>	<hr/>	<hr/>
At 31 March 2014	2,502	436	2,938
Other grants			
At 31 March 2013	750	17	767
Disposals	(156)	-	(156)
Amortised in year	(15)	(17)	(32)
	<hr/>	<hr/>	<hr/>
At 31 March 2014	579	-	579
Depreciation			
At 31 March 2013	490	329	819
Charge for year	46	25	71
Disposals	(146)	-	(146)
	<hr/>	<hr/>	<hr/>
At 31 March 2014	390	354	744
Net book value			
At 31 March 2014	1,533	82	1,615
	<hr/>	<hr/>	<hr/>
At 31 March 2013	1,870	3	1,873
	<hr/>	<hr/>	<hr/>

The number of supported housing units in management at 31 March 2014 was 296 (2013: 296). 206 bed spaces (2013: 206) were managed by the Charity but were in properties owned by other Registered Social Providers of Social Housing or other third parties.

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

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2014 (continued)

9 Other fixed assets	Long leasehold investment £'000	Leasehold property improvements £'000	Office furniture & equipment £'000	Motor vehicles £'000	Total £'000
GROUP					
Cost					
At 31 March 2013	-	67	1,876	234	2,177
Additions	-	-	331	93	424
Acquisition of subsidiary undertaking	508	124	82	-	714
Disposals	-	-	(31)	-	(31)
	508	191	2,258	327	3,284
Grants					
At 31 March 2013	-	-	-	17	17
Amortised in year	-	-	-	(6)	(6)
	-	-	-	11	11
Depreciation					
At 31 March 2013	-	46	1,740	180	1,966
Charge for year	-	13	66	40	119
Disposals	-	-	(30)	-	(30)
	-	59	1,776	220	2,055
Net book value					
At 31 March 2014	508	132	482	96	1,218
At 31 March 2013	-	21	136	37	194

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2014 (continued)

9 Other fixed assets (continued)	Leasehold property improvements £'000	Office furniture & equipment £'000	Motor vehicles £'000	Total £'000
CHARITY				
Cost				
At 31 March 2013	67	1,876	234	2,177
Additions	-	331	93	424
Disposals	-	(31)	-	(31)
At 31 March 2014	67	2,176	327	2,570
Grants				
At 31 March 2013	-	-	17	17
Amortised in year	-	-	(6)	(6)
At 31 March 2014	-	-	11	11
Depreciation				
At 31 March 2013	46	1,740	180	1,966
Charge for year	13	66	40	119
Disposals	-	(30)	-	(30)
At 31 March 2014	59	1,776	220	2,055
Net book value				
At 31 March 2014	8	400	96	504
At 31 March 2013	21	136	37	194

PHOENIX HOUSE

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2014
(continued)**

10	Company fixed asset investments	2014 £'000	2013 £'000
	Investments in subsidiary undertaking	4,845	-

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

* Subsidiary by virtue of control of the Board

Subsidiary undertakings

Cost	£'000
At 1 April 2013	-
Additions	4,845
	<hr/>
At 31 March 2014	4,845
	<hr/>
Net book value At 31 March 2014	4,845
	<hr/> <hr/>
At 31 March 2013	-
	<hr/> <hr/>

PHOENIX HOUSE

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2014
(continued)**

11 Debtors	Group		Charity	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Arrears of charges to statutory bodies and others	74	79	65	79
Amounts due from contractual income	1,320	797	1,320	797
	1,394	876	1,385	876
Less provision for bad debts	-	(20)	-	(20)
	1,394	856	1,385	856
Other debtors	929	25	37	25
Prepayments and accrued income	919	1,203	720	1,203
Amounts due from Group undertakings	-	-	27	-
	3,242	2,084	2,169	2,084

12 Creditors: amounts falling due within one year

	Group		Charity	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade creditors	452	608	441	608
Payments in advance	194	298	194	298
Other creditors including taxation and social security costs	638	430	507	430
Accruals, deferred income and grants received in advance	2,168	1,237	915	1,237
Recycled capital grant fund	216	-	-	-
	3,668	2,573	2,057	2,573

PHOENIX HOUSE

**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2014
(continued)**

13 Recycled capital grant fund

	Group		Charity	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Balance at 1 April	213	-	-	-
Inputs to fund:				
- Interest accrued	3	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March	216	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Amount due for repayment to HCA (due within one year)	216	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

14 Provisions

Onerous leases and dilapidations

	Group and Charity	
	2014 £'000	2013 £'000
At 1 April	30	46
Movement in provision	19	(16)
	<hr/>	<hr/>
As at 31 March	49	30
	<hr/>	<hr/>

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 Reserves

	Group £'000	Charity £'000
Revenue Reserve		
At 1 April 2013	7,007	7,007
Surplus for the financial year	5,424	5,586
	<hr/>	<hr/>
At 31 March 2014	12,431	12,593
	<hr/>	<hr/>

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2014 (continued)

17 Incorporation

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

18 Operating lease commitments

Group	2014		2013	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
For leases expiring:				
Within one year	95	2	34	3
Between two and five years	196	-	183	-
After five years	402	44	187	-
	<hr/>	<hr/>	<hr/>	<hr/>
	693	46	404	3
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Charity	2014		2013	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
For leases expiring:				
Within one year	95	2	34	3
Between two and five years	186	-	183	-
After five years	201	-	187	-
	<hr/>	<hr/>	<hr/>	<hr/>
	482	2	404	3
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

19 Contingent liabilities and assets

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

PHOENIX HOUSE

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2014 (continued)

20 Pension Scheme Arrangements

Pension scheme liability

	Group	
	2014 £'000	2013 £'000
Pension liability (SHPS) acquired on the acquisition of ARP Charitable Services	1,347	-

Social Housing Pension Scheme ("SHPS")

The Group participates in the Social Housing Pension Scheme ("the Scheme"). The Scheme is funded and is contracted out of the state scheme. As at the balance sheet date there were 433 (2013: 96) active members of the Scheme employed by the Group. The increase in members is a result of auto-enrolment.

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

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

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out.

The market value of the Scheme's assets at the date of Actuarial Report was £2,718 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,151 million, equivalent to a past service funding level of 70%.

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

Growth Plan

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

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2014 (continued)

20 Pension Scheme Arrangements (continued)

Growth Plan (continued)

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

A valuation of the Scheme was performed by a professionally qualified actuary using the Projected Unit Method as at 30 September 2011. The market value of the Scheme's assets at the valuation date was £778 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

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

The Scheme actuary has prepared a funding position update as at 30 September 2013. The market value of the Plan's assets at that date was £772 million and the Plan's Technical Provisions (i.e. past service liabilities) was £927 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £155 million, equivalent to a funding level of 83%.

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

The Group has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2011. As of this date the estimated employer debt for Phoenix Futures was £128,586. Phoenix Futures has no plans to leave the Scheme and accordingly has made no provision for such a liability.

The Charity does not contribute to the Growth Plan. Members paid contributions at the rate of between 1 and 5% during the accounting period. As at the balance sheet date there was 1 (2013: 1) active member of the Plan employed by the Charity. The Group continues to offer membership of the Plan to its employees.

21 Ultimate controlling party

There is no ultimate controlling party.

22 Post balance sheet events

After the balance sheet date the Group completed the sale of a property in Lewisham. The proceeds of £715,000 were received after the balance sheet date. The transaction completed on 17 June 2014.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2014 (continued)

23 Related party transactions

During the year there were no transactions with non-regulated parts of the Group.

Karen Biggs, the Charity's Chief Executive is a director of Drugscope which is a registered charity (number 255030) and a company limited by guarantee (number 926236). Drugscope rent premises from the Charity at its central office which is based at ASRA House, 1 Long Lane, London SE1 4PG. The amount invoiced for the financial year ended 31st March 2014 was £33,023 (2013: £19,438 for the period August to March 2013). The transaction was an arm's length transaction and Karen Biggs abstained during the decision making.

24 Acquisitions

On 31 March 2014 the Charity acquired ARP Charitable Services. The business combination was accounted for under the acquisition method and represented a non-exchange transaction. The table below sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group.

	Book value	Revaluation	Fair value to the Group
	£'000	£'000	£'000
Housing properties	323	4,992	5,315
Other fixed assets	207	507	714
Debtors	1,100	-	1,100
Cash at bank and in hand	539	-	539
Current liabilities	(1,638)	-	(1,638)
Pension liabilities	-	(1,347)	(1,347)
	<hr/>	<hr/>	<hr/>
Net assets	531	4,152	4,683
	<hr/>	<hr/>	<hr/>
Consideration paid			-
Acquisition costs incurred			(162)
			<hr/>
Donation included within turnover			4,521
			<hr/>
There were the following material fair value adjustments made at the point of acquisition.			
Revaluation uplift on housing properties			4,992
Revaluation uplift on other tangible fixed assets			507
Recognition of pension liabilities			(1,347)
			<hr/>
Net fair value adjustment			4,152
			<hr/>

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The following does not form part of the statutory financial statements

CHARITY INCOME AND EXPENDITURE ACCOUNT for the year ended 31 March 2014

	2014 £'000	2013 £'000
Turnover		
Continuing operations	22,801	23,081
Fair value donation	4,683	-
	<hr/>	<hr/>
	27,484	23,081
Operating costs	(22,112)	(21,881)
	<hr/>	<hr/>
Operating Surplus	5,372	1,200
Surplus on disposal of fixed assets	144	-
Other interest receivable and similar income	70	99
	<hr/>	<hr/>
Surplus for financial year	5,586	1,299
	<hr/>	<hr/>