

**Report and  
Financial Statements**

31 March 2013

**Collaborative**  
**Self-Challenging** **Ethical**  
**Inspiring** **Collaborative**  
**Ethical** **Resilient**  
**Self-Challenging**  
**Resilient** **Inspiring**

## About this report

The Trustees present their report and audited financial statements for the year ended 31st March 2013.

The reference and administrative information set out on page 13 and the Statement of Trustees Responsibilities set out on page 14 form part of this report. The financial statements comply with the current statutory requirements, the memorandum and articles of association and Statement of Recommended Practice – Accounting and Reporting by Charities.

## Recovery for all

Everyone who comes to Addaction is provided with individually tailored support that equips them with the skills and confidence they need to lead healthy lives and achieve lasting recovery.

In 2012/13 we helped **43,301** individuals, families, children and young people to overcome the challenges of addiction. We are immensely proud of these achievements - but we are equally proud of what the individuals, families, children and young people we support have achieved.

It is an extremely brave step to admit a problem and seek Addaction's help. But we know that we must do more than just wait for people to come to us. We also work hard to reach out to those that need support, and showing even the most longstanding substance-misuser that recovery is an achievable and desirable option.

We do this by putting each and every person we help at the centre of their own recovery journey, and at the heart of our organisation. Our decisions, direction and policies are all informed by our service users.

Addaction will not rest until every person with a drug or alcohol problem has access to the best services and support, enabling them to improve their lives and unlock their full potential.

## Our Guiding Principles and Values

Addaction's work embodies a set of values. These values ensure that each member of our organisation – From Frontline staff and volunteers to the Board, and the Senior Leadership Team to our Service User Representatives are:

- **Compassionate**
- **Professional**
- **Determined**
- **Effective**

Walk into anyone of Addaction's 117 sites across the UK and you will see these values being demonstrated every day.

Every aspect of Addaction's work - from the support we offer to families, to the way we raise essential funds - follows five guiding principles:

<b>Collaborative</b>	We are outstanding team players, committed to a 'One Team' approach
<b>Ethical</b>	Open, honest and transparent; we are powered by our integrity and principles
<b>Inspiring</b>	We are exceptional communicators who empower our service users and each other
<b>Resilient</b>	We embody a positive, solution focused and "can do" approach
<b>Self-Challenging</b>	We strive for personal excellence, outstanding service quality and continual service improvement

These principles articulate the 'Addaction way' and help define "who we are" as an organisation.

Together, these values and principles underpin Addaction's culture. They are our belief system and define our 'way of being'.

## Prepared for the future

The political and financial environment in which Addaction operates continues to evolve. This provides challenges, but also a great deal of opportunity. While money remains tight, a clearer focus on 'full recovery' for everyone entering treatment has energised the sector – demanding it works in a creative and innovative way.

We have risen to this challenge at Addaction, being able to realise our ambitions (as well as those of our service users, and those who commission us). We prepared for the placing of Public Health at the centre of local authority planning, and the introduction of a 'Payment by Results' model of working demonstrated that Addaction can adapt to the changes in commissioning the way its services are delivered and still produce exceptional results.

We are very positive about Payment By Results as it proves the support we – and other treatment agencies – provide is effective, but there is still much to be learned from the model. That's why we have been working with a number of government pilots (such as at our services in Lincolnshire) to ensure PbR targets and outcomes are relevant, realistic and a true measure of our work.

What's more, new Police and Crime Commissioners have begun working in many localities throughout England and Wales, to ensure that community needs are effectively met. Addaction is working alongside these PCC's to ensure that there is a true partnership between our ambitions and that of the PCC's, and we are already helping them to create a network of different agencies, ensuring support and rehabilitation are key elements of tackling criminal behaviour.

## Addaction's achievements over the 2012/13 year

Addaction remains at the very forefront of drug and alcohol treatment in the UK by providing specialist and targeted services that understand the needs and lives of the people we support.

Our aims in developing and delivering these services are simple. Addaction's work should be inclusive – ensuring that the people we support are involved and engaged in the help they receive; influential – building an evidence base of good practice which can inform policy making at the highest level; and creative – so that gaps in provision are identified and filled, and that the support that we provide is modern, accounts for new research and invention, and is of the highest possible calibre.

### Young people's and transitional services

Funded by Comic Relief, our new Transitions Project in Derbyshire works alongside the county's existing Alcohol service, supporting 18-24 year olds who are either classed as physically dependent on alcohol, or who may have other complicating factors (such as poor mental health, poor physical health or pregnancy) relating to their drinking.

Funded by ASDA and delivered in partnership with the town's Youth Council and community arts group (Action Space Mobile), our Barnsley Reach Out programme has been supporting 'The Immortals', a group of young people who organise free events to show peers how to have a great night free from drugs and alcohol.

Our Young Addaction service in Buckinghamshire continues to reduce anti-social behaviour in the county through a number of innovative and inventive approaches, including a brand new football project. This gives local young people (many of whom have little opportunity to exercise) the chance to take part in a healthy diversionary activity that gives them discipline, teamwork skills and more.

### Adult services

Addaction was awarded a new contract in Wigan, beginning on 1st April 2013, as lead partners in a re-designed recovery-orientated treatment system. Working in a consortium with Greater Manchester Probation Trust and The Social Partnership, Addaction will make recovery a reality for local service users through our Case Coordination and Recovery Services in the Borough.

After spending the first half of 2012-13 implementing and developing our new, whole treatment system contract in St Helens, Addaction is now exceeding commissioner expectations in terms of service quality and key outcome measures.

Many of Addaction's services in the charity's North & West Region received unannounced visits from the Care Quality Commission (CQC) during the year. Each resulted in very positive endorsement of our clinical practices and our caring approach to our service users.

Addaction Scotland was successfully awarded a 'whole population service' for South Ayrshire, which opened in January 2013.

Our over-50's service in Glasgow won the prestigious Herald Society Award for the Best Health Care Team of 2012, with 79% of service users successfully addressing their problematic alcohol use.

Addaction opened a new Alcohol Behaviour Change service in Glasgow, that allows us to intervene at an early stage with people who are beginning to develop problems with alcohol.

We secured funding from The Oswald Stoll Foundation to work with veterans who have substance misuse issues, and who live in the Foundation's supported housing projects. Like us, the Foundation recognise the increasing role drug and alcohol can play with ex-forces personnel as they re-adjust to a civilian lifestyle. Addaction will provide effective interventions as part of the Foundation's wider approach to veteran support and resettlement.

Addaction North Somerset opened its doors in April 2012, and developments at the service include co-location with VIA (Volunteers in Action); a service user led organisation who run recovery cafes, and offer signposting and support on site. The service has also successfully integrated Breaking The Cycle, 'Life Skills' and Volunteer Placements into the support it offers.

Addaction's South West region has successfully developed apprenticeships across Bournemouth and the new county-wide service in Cornwall. This work has enabled our promotion of visible 'recovery' to extend across our existing Recovery Champions and volunteer networks, and into the paid workforce.

Our North Devon Hospital Liaison Service has demonstrated significant added value to the region's services. The service has also supported a county-wide review of hospital protocols, and we have since been commissioned to deliver a similar service to Torbay Hospital.

We successfully won the contracts to deliver services within the grounds of both HMP Lincoln and HMP North Sea Camp. Both are integrated recovery services, providing both clinical and psychosocial interventions (including 1:1 key work, recovery planning, group work, peer support, BBV immunisation and vaccination programme and substitute prescribing).

## Family services

At least 1.3 million children in the UK are living in families where a parent has a drink problem. We know from our own experience, that a significant number are also growing up with a parent who misuses drugs.

For these children, substance misuse becomes all too familiar, and growing up in such situations means they are up to seven times as likely to become addicted themselves, later in life. What's more – such substance misuse is a depressingly common factor when children are taken into care.

In 2010, the Joseph Rowntree Foundation contributed to this body of evidence with a report that showed that a parent's drinking, even in moderation, is the number one influence on the way a child relates to alcohol as he grows older.

All of this only confirmed something that Addaction's experiences had already told us. That someone's drug or alcohol problem has a significant impact on their parenting, and on the wellbeing of their children and the rest of their family.

That's why we were the first national treatment charity to 'family focus' all of its services, ensuring that every assessment we undertake takes into account the home situation of our service users, their employment status and, perhaps most importantly, the welfare of their children.

We developed this system ourselves, going beyond what was asked of us by the National Treatment Agency and ensuring our data is as comprehensive and robust as possible. Breaking the Cycle is Addaction's innovative approach to this programme and is now located at 23 sites throughout England, including in a number of prisons where addicted parents have been incarcerated.

In May 2012, we published the first report from Addaction's Breaking the Cycle commission, chaired by David Burrowes MP, Conservative MP Enfield Southgate. Other commission members included Christian Guy, Policy Director of the Centre for Social Justice, Lisa Harker, Head of the Strategy Unit at NSPCC, Joanna Manning, Programme Manager at The Children's Society and Gracia McGrath OBE, Chief Executive of Chance UK.

That report, 'A Better Future for Families: The importance of family-based interventions in tackling drug and alcohol problems', set out a series of recommendations aimed at reversing the damage caused by drug and alcohol misuse, including stopping 'intergenerational addiction', where the children of addicts are seven more times likely to become an addict themselves.

Pam Webb is the Head of Zurich Community Trust, who funded the commission. She said, "The parents I have met through the Breaking the Cycle programme have had one aim, and that has been to overcome their addiction and prioritise the wellbeing of their children. Effective family based interventions to help them are scarce, yet they would pay for themselves ten fold in savings to society. More critically, the impact they will have on our future generation is priceless".

The work conducted by Addaction and the Zurich Community Trust on Breaking the Cycle won the prestigious 'Cross Sector Partnership of The Year' at the 2012 Charity Times Awards.

## Social investment

In partnership with the University of Warwick, Addaction has launched a research project into how social investment can be used to fund its Breaking the Cycle services.

Funded by the Big Lottery Fund (BIG), the project aims to develop a new and innovative funding model through social investment and payment by results. It will run until April 2014, with the teams working closely with local authorities, commissioners and Addaction's own Breaking the Cycle (BtC) services in five localities across England.

## Social enterprise

In Cornwall, Addaction acquired the social enterprise RE:SOURCE, which is working in partnership with other Addaction services to deliver the 'Cornwall Works for Families' programme across the county. This programme provides individually tailored support to increase employability to many families and individuals in the local community.

Addaction will help RE:SOURCE to extend this support to people whose problems relate to addiction, providing valuable help and support that is specifically focused on returning to employment. Many people who have experienced drug and alcohol problems struggle to find work, yet getting back into employment is a key step in someone's recovery.

## Ensuring our services and governance are of the highest quality

Following an external audit of the organisation, Addaction has successfully passed its annual ISO 9001 accreditation for the third year running. This important recognition ensures that Addaction can state its internal Quality Management System complies with the much coveted international standard.

With this continuous improvement in mind, and following a full scheduled review, Addaction has further strengthened its governance, quality management and risk structures and processes. These changes will ensure an improved level of assurance from service level to board and include further integration of the management, risk, quality and governance work streams to allow a more effective integrated structure while achieving maximum efficiency and impact. Ultimately these changes are designed to ensure we put our service users at the heart of our organisation, as the new structure will ensure more effective use of service user feedback and involvement.

## Our Clinical Team

The Addaction Clinical Governance Team (CGT) consists of the Chief Pharmacist, the Lead Nurse, the Head of Clinical and Social Governance, and the Medical Director.

The CGT ensures that Addaction operates in accordance with the wider regulatory frameworks set by the Care Quality Commission in England and Care Inspectorate in Scotland. Furthermore it feeds guidance from bodies such as the DH, PHE, NICE & SIGN into Addaction through governance and operational leadership channels and systems, and oversees organisation-wide audits on the clinical competencies of the workforce; the medicines management; the near misses and critical incidents.

In the last year the CGT has spearheaded initiatives on Non-Medical and Independent Prescribing;

Effective Clinical Supervision for Nurses; Medical Appraisal towards Revalidation. In addition, there has been a reconfiguration of the Clinical Governance structures to ensure alignment of Clinical Governance, Operations and Risk Management agendas at all levels of the organisation.

## Giving our service users a voice

We are determined to involve our service users in every aspect of Addaction's work, and for them to inform the way the organisation is run. One of the ways we do this is by appointing Recovery Champions in each of our services.

These Recovery Champions play an integral part in helping people to leave treatment free of their dependency. Each promotes a culture of individual ambition, while supporting Addaction's higher aspirations of increasing recovery outcomes throughout the organisation.

Our Champions spread a message among their fellow service users and others that recovery is worth aspiring to, and motivate those starting treatment into believing that such an aim is achievable.

Every Addaction service is represented by both Community Recovery Champions (service users) and Therapeutic Recovery Champions (staff members). Each is involved in a range of recovery initiatives, such as developing links and partnerships with other organisations, or developing care pathways.

Becoming a Recovery Champion formally recognises the work that our inspirational service users are already achieving, and provides opportunities to learn and develop skills that contribute to Addaction's wider work. Each Champion has a nominated supervisor, able to provide support and learning development.

Each year Addaction holds a National Recovery Conference that gives people an opportunity to meet other champions, and to hear about the work they are doing. The conference helps shape the wider recovery agenda at Addaction.

## Mutual Aid Partnerships

Funded by Heineken UK, Addaction's Mutual Aid Partnership (MAP) creates groups where people can talk about their problems, supports their peers, and tell organisations like Addaction what they require from the treatment they receive. The project's aim is two-fold: to improve the chance of recovery from substance misuse problems and to reduce the harms associated with excessive alcohol consumption.

The project equips all of Addaction's services and staff with the skills and resources they need to implement, deliver and support these recovery groups, and contributes to the evidence base of effective and sustainable recovery based treatment and aftercare. Evaluation has shown 72% of service users show an improvement in addressing their substance use.

MAP is not just for those with drug and/or alcohol dependencies. Families of service users are also given an opportunity to develop new skills and strategies, which can help to provide new ways of coping with the effects of drug or alcohol misuse within the family. 'MAP Families' recognises the powerful role that families play in affecting and sustaining recovery and also that inclusion and a community ethos brings everyone affected by drug and alcohol misuse closer towards a community recovery.

## Addaction's 'Breaking the Cycle' Evaluation Project

Breaking the Cycle works with families to support them to reduce the harms associated with parental substance misuse, to promote health and wellbeing and to foster parenting skills and positive family functioning. Through funding from Zurich Community Trust and Addaction, Breaking the Cycle has been continuously independently evaluated since 2009. Over the last year a social investment project conducted by Warwick University and funded by The Big Lottery has also commenced in alignment with the changing funding landscapes in the voluntary and community sector.

- More than 600 families were supported across twenty BTC services between 2012 and 2013.
- 80% of families experienced a planned discharge rate and the majority of parents achieved successful outcomes in relation to addressing problematic substance use.
- 74% of parents also increased parenting efficacy.



- 70% of parents reported a decrease in the frequency of signs that are associated with clinical anxiety and depression.
- 87% of parents experienced an increase in healthier family functioning. This included establishing a family routine, such as spending meal times together, a regular bed time for children, helping children with their homework and engaging in positive activities and play, more often, as a family unit.

From 2013/14, Breaking the Cycle will disseminate more detailed evaluation findings. These outcomes focus on child protection status changes, and domains that have a significant impact in the lives of families and upon the public purse, including offending, anti-social behaviour, school attendance and the scholastic achievement of children. The findings from a longitudinal research study, being supervised by Professor Velleman, will also be presented next year. This retrospective study will highlight the level of impact that the service had in the lives of families who discharged several years ago. It will also explore whether the changes in family life impacted upon children's resilience, a fundamental ambition of Breaking the Cycle.

## Our training and education programmes – changing perceptions, encouraging learning and development

Over 2012/13, Addaction officially launched its suite of training and education programmes. As an organisation with over forty years of experience helping people and families beat drug and alcohol problems, we know what works, and through our growing number of education and training programmes - created under the direction of Velda Hudson, Addaction's Learning and Development Manager - we can share that knowledge with other organisations.

All kinds of professionals and volunteers are already benefiting from Addaction's experience, including:

**Family support workers and practitioners**

**Early Years staff**

**Teachers**

**Youth workers**

**Health professionals**

**Community volunteers**

Many had worked with a pupil or client with a drug or alcohol problem. But, they told us, they hadn't known the best way to deal with that problem. Some didn't even feel comfortable broaching the subject. Addaction was able to help. Through our programmes, we were able to teach them the skills and approaches they needed. The result is that, now, each of these professionals can expertly deal with substance misuse, and is able to provide the right help and support to the people who need it most.

**First Steps** is an essential training programme for professionals working with children and families. This unique package combines an intensive one-day training workshop with e-learning modules and other helpful resources. First Steps build the skills and confidence of practitioners, so that they are able to deliver more effective support to the families they work with who are affected by substance misuse.

All content can be tailored to your specific needs and Addaction's team can deliver training at your premises for a very competitive rate. Smaller groups and individuals can also access the training through one of our regular open training days.

**Skills 4 Change** gives teachers the skills and resources they need to deliver highly effective drug and alcohol education to young people. What's more, the programme also helps schools to identify and better support those who may be affected by substance misuse at home.

The programme has been proven to reduce levels of absenteeism and the number of pupils being permanently excluded from school. It also helps teachers to build their skills and confidence in tackling substance misuse issues, and enables them to build more effective links with local support agencies.

In March 2013 the actor and comedian Russell Brand helped us to launch the new Amy Winehouse Foundation Resilience Programme. The programme is delivered by clinical experts and people in recovery, and provides comprehensive training and education for pupils, parents and teachers in secondary schools. It is a partnership between The **Amy Winehouse Foundation** and Addaction, and it looks closely at the emotional causes behind much of drug and alcohol misuse.

Speaking at the UK's first ever festival to promote recovery from drug and alcohol addiction, Brand said:

**“I think when you’re talking to young people about drugs and alcohol what’s important is not to moralise about it, or say ‘Don’t do drugs’ or futile impotent messages that don’t reach young people, I think it’s important just to address the reasons why people drink and take drugs in the first place, whether they’re young or old, I remember when I was a kid, the reason drugs first became attractive to me was because I felt kind of lonely, I felt sad. Now I’ve had access to abstinence based recovery, I know that there’s a solution to the initial emotional problem that led me to drink and take drugs in the first place.”**

You can find out more about the programme at [www.addaction.org.uk/awf](http://www.addaction.org.uk/awf).

## Funding

Yet we continue to **develop new and innovative ways to fund Addaction’s services**, including the use of new and social finance initiatives, such as Charity and Social Impact Bonds. These bonds will use private investment to support intervention and treatment services, like ours, with a proven track record. Where necessary (and where relevant to our work) we have also begun to work more closely with other local agencies, due to a greater need (sometimes financial) for **collaborative and partnership working**.

## Our plans for the future

In early 2013 the Board of Trustees approved a new three year strategy that is set to run until 2016. We will retain our commitment to **Putting service users in charge of their lives & at the heart of our organisation**. In order to help us achieve this we will be focussing on three overarching objectives:

1. We want to ensure we can offer support and the chance of recovery to as many people with drug or alcohol problems as we possibly can. This means making sure we continue our successful contract development programme supported by developing new initiatives through sourcing voluntary income. We call this **Seeking Strategic Growth in Contractual & Free Income & Retain Existing Service Contracts**.
2. It is evident that if we want to achieve more and better services for people with drug and alcohol problems, we need to invest in our greatest resource – our staff. We need to build on our highly motivated, committed and passionate staff team. We need to ensure we give them every chance of succeeding in their role at every level in the organisation. We call this **Promoting the Continuing Professional Development of Our Workforce**.
3. And of course we can’t stand still. We want to be able to continuously improve what we do, to look for new ways of working, to evaluate and measure what we do and look for feedback. If we are great at this, then it is more likely that those who use our services will really see the benefit. We call this **Striving to Improve the Performance & Impact of Our Services**.

These three objectives are supported by

Our organisational values - **Compassionate, Determined, Professional & Effective**

And our guiding principles - **Collaborative, Ethical, Inspiring, Resilient, Self-Challenging**



## Public Benefit

Addaction exists entirely for the public's benefit. The services we offer are available free of charge to all members of society who need help related to substance misuse. This work benefits not only individuals and their families but also the wider community by reducing the harm, and related costs, caused to society by drug and alcohol related crime, the impact on public health and other related issues.

In setting plans and priorities for areas of work the Trustees of Addaction have referred to the guidance contained in the Charity Commission's general guidance on public benefit. In particular, the Board of Trustees considers how planned activities will contribute to the aims and objectives they have set.

## Financial Review

Once again 2012/13 was a strong year financially, with almost £1 million added to our unrestricted funds from our operations. Addaction has continued to expand its work, in line with the growth of previous years. Our total income was over £50 million, £4 million or over 8% higher than in the previous year. This was mainly as a result of successfully tendering for new contracts funded by local commissioning bodies.

Expenditure also grew during the year as a result of our expanding activities. Nonetheless, costs were kept within the budgets approved by the Board of Trustees. Expenditure increased from £46.0 million in 2011/12 to £50.5 million in 2012/13. Much of this increase resulted from our higher activity levels, but we also invested a significant amount in upgrading our IT systems and other aspects of our infrastructure, to ensure that we are well – equipped to support people using our services and to provide data to commissioners of their.

At the end of the financial year our financial reserves were £5.3 million, including £3.2 million in free reserves. Our balance sheet grew stronger during the year, with both fixed assets and net current assets increasing. Even though we made considerable investment in our infrastructure, we still generated a cash surplus and cash reserves remained high at £5.6 million. The balance sheet reflects a long-term pension liability for the first time (see below).

## Financial Policies

### Grant income

Addaction relies on outside funding to carry out some of its planned activities, and routinely seeks funding for specific projects and areas of work. Such funding is mainly targeted at new or innovative programmes, and is often received by way of grant income. Addaction greatly appreciates these contributions to essential areas of its activity. Funds received for specific purposes are shown as income under those activities and, in the majority of cases, such funds are treated as restricted.

### Reserves

Addaction's reserves policy is to achieve and maintain an appropriate but not excessive level of reserves to support its activities, taking into account the risks to which it is exposed and existing and projected future levels of income and expenditure. To meet its objectives, Addaction has agreed a budgeting and reserves policy that enables it to make appropriate strategic allocations of funds, while at the same time securing a sound financial base for future requirements. Decisions on the resources necessary both to deliver new activities and to sustain continuing commitments are based on Addaction's overall strategic needs.

Addaction holds reserves in the form of designated funds that are earmarked by the Trustees to represent fixed and other assets which cannot be readily converted into cash.

In addition, Addaction holds reserves that are undesignated for three principal reasons:

1. To supply working capital, enabling Addaction to manage fluctuations in its cash flow;
2. To enable Addaction to invest in implementation and other start-up costs for new services; and
3. To provide protection against potential costs arising on the termination of services.

Total unrestricted reserves at the end of the financial year were £4.1 million. This represents 9% of the unrestricted operational expenditure for the year. The new strategic plan approved by the Board of Trustees establishes an objective to grow unrestricted reserves to a minimum of £7.5 million by 31 March 2016.

### Subsidiaries and acquisitions

The charitable company owns the whole of the issued ordinary share capital of Addaction Social Enterprises Limited (ASEL), a company registered in England and Wales. ASEL did not trade during the year. On 1 May 2012, ASEL acquired full control of ReZolve Kernow Limited, a private company registered in England and Wales and limited by guarantee. The principal activities of the company are to develop and deliver projects associated with waste awareness and minimisation, and to provide employment and employability facilities to people in Cornwall. All activities have been consolidated on a line by line basis in the statement of financial activities. The trading results and balance sheet of the subsidiary extracted from its audited accounts are set out in Note 18 to the financial statements.

In addition, on 15 February 2013 Addaction took over the assets, liabilities and activities of the City and Hackney Alcohol Service (CHAS), as a result of an agreement with the trustees of that charity. The assets included a freehold property in Hackney, which is the first asset of this type that Addaction has owned. The trustees and management of Addaction are currently considering how best to utilise the property to further our aim and objectives.

The net assets acquired during the year in relation to ReZolve Kernow and CHAS are summarised in Note 3 to the Financial Statements. As set out in guidance from the Financial Reporting Council and the Charity Commission, the net value of these assets has been recognised as income in the Statement of Financial Activities.

### Defined benefits pension scheme

During the year, Addaction commenced providing services under a new contract that we won in St Helens. As is often the case with such contracts, staff who had worked for the previous provider transferred to our employment. In this case, some of them were members of the Local Government Pension Scheme on Merseyside. Accepting these staff into our team meant becoming a participating employer in the scheme and, under its terms, taking responsibility for the historic pensions deficit in relation to our new staff.

Under accounting standards, Addaction is required to include in its balance sheet the deficit predicted for the scheme, showing this as a long-term liability. The deficit is calculated by qualified actuaries. More details are given in Note 21.

The scheme determines a schedule of the payments that are needed to be made by Addaction in order to cover the deficit. These payments are included in our budget and we seek to recover these as part of the overall contract finances. The scheme determines a schedule of the payments that are needed to be made by Addaction in order to cover the deficit. These payments are included in our budget and we seek to recover these as part of the overall contract finances. Should our contract come to an end and the staff transfer to another provider, then our liability for the historic deficit will also be transferred.

### Going concern

Addaction's activities, together with the factors likely to affect its future development, performance and financial position, are set out on pages 2 to 8. The financial position of the group, its cash flows, liquidity position and reserves are described in the financial statements on pages 17 to 31. In addition, Note 1 to the financial statements includes Addaction's policies for managing its funds. The management of financial and other risks is described below.

Addaction has considerable liquid financial resources, comprising short-term cash deposits and balances totalling £5.6 million which exceeds its total reserves. In addition, Addaction obtains funding from a wide range of sources. As a consequence, the Trustees believe that Addaction is well-placed to manage its business risks successfully.

The Trustees consider that Addaction has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## Internal control and risk management

The Trustees have overall responsibility for Addaction's risk management. Agreed processes are in place by which the Trustees review, identify and assess major risks and agree with management the controls that already are, or will be, put in place to manage those risks. These details form part of the Risk Register, which Trustees regularly review in full. The controls put in place provide a reasonable but not absolute assurance that risks have been adequately mitigated.

The key components of Addaction's risk management include:

- A strategic plan and annual budget approved by the Trustees, against which progress is reported regularly, including monthly financial reporting of results;
- Regular consideration by the Trustees of financial results and variance from budgets;
- Delegation of authority and segregation of duties;
- An operational and clinical audit regime involving third party auditors subjects all our services to regular review, the results of which are reported to management and to the Audit and Risk Committee;
- A clinical governance framework including leadership by the Medical Director in the delivery of the pharmacotherapy services and the Clinical & Social Governance Group, who report directly to the Clinical Governance Committee of the Board. This is supported by a Quality Assurance Directorate with a team of 26 trained auditors, who have the priority of ensuring continual improvement, together with a Critical Incident Group. Addaction is fully compliant and registered with the Care Quality Commission for all its regulated activities who also carry out independent inspections which are published online;
- Clear policies on safeguarding children and vulnerable adults, health and safety and complaints to ensure compliance with statutory requirements.

## Guarantees

Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up. The total number of such guarantees at 31 March 2013 was 14 (2012 - 13). The Trustees are members of the charity but this entitles them only to voting rights. The Trustees have no beneficial interest in the charity.

## Auditors

Sayer Vincent have indicated their willingness to be reappointed as statutory auditors.

## Structure, governance and management

Addaction is a charitable company limited by guarantee, incorporated on 6 February 1991 and registered as a charity on 19 February 1991. It operates throughout England and Wales and Scotland. It is governed by its Memorandum and Articles of Association (January 2008) which set out its charitable purposes.

The Trustees are responsible for the overall management of the charity, its strategic direction and decision-making. There are three committees with specific responsibility to the Board of Trustees: the Audit & Risk Committee; the Human Resources Committee and the Clinical Governance Committee. Matters not reserved for decision by the Board of Trustees are delegated to the Chief Executive. Trustees are recruited in response to an identified skills gap following a rigorous external recruitment process. New Trustees are provided with a thorough induction into their role through a meeting with the Chief Executive Officer and members of the Executive, at least two project visits in the first few months of their tenure and briefings from key members of staff on Addaction's work and their legal responsibilities as Trustees. New Trustees also sign an agreement that sets out Addaction's expectations of their role and responsibilities. All Trustees undergo annual appraisals conducted by the Chair of the Trustees, who is in turn appraised by the Board of Trustees as a whole.

## Equal opportunities

Addaction is committed to ensuring that the services we provide are relevant to all sections of society and that our workforce represents the people we serve. We are actively committed to encouraging and promoting the richness of the communities in which we work.

Valuing diversity means integrating it into everything we do, so that it becomes a fundamental part of our culture, our values and our beliefs and is reflected in all our practices, policies and services. Addaction is working to achieve an environment where human differences can be explored and esteemed and in which everyone: staff, volunteers and those using our services, is able to reach their full potential. In this way we will achieve a successful mix of experiences, perspectives and skills that will open up constructive new possibilities for our service users.

Addaction operates a number of detailed policies in relation to aspects of personnel matters including:

- Diversity
- Equal opportunities
- Health and Safety

## Environment

Addaction seeks to develop safe, healthy local environments in the areas where it delivers services. We aim to ensure that our projects do not diminish the quality of life of our neighbours and other local residents and those areas where we work are clean, unpolluted, attractive, ecologically sound and free from dereliction and degradation.

## Acknowledgements

The Trustees wish to record their gratitude to all the people who contribute to Addaction's work. To our service users, volunteers, staff, donors, commissioners, partners, funders and managers, Addaction is grateful for your unstinting dedication and support for our work. Particular gifts and grants are listed in the financial section.

Approved by the Trustees on 25 July 2013 and signed on their behalf by:

Adrian Auer  
Chair

## Reference and administrative details

Company number	2580377
Charity number	1001957
OSCR number	SC40009
Registered office and operational address	67-69 Cowcross Street Smithfield London EC1M 6PU
Trustees	The Trustees, who are also directors under company law, who served during the year and up to the date of this report were as follows:  Adrian Auer (Chair) Andrew Barnett Mark Beaumont (Appointed 17/12/2012) Anna Bradley (Resigned 23/08/2012) Mike Dixon John Harding CBE Sandra Howard Mike McCarron (Resigned 28/06/2012) Dr Martin Pickford John Podmore (Appointed 25/09/2012) Dr Angela Rouncefield Clare Simon (Resigned 25/09/2012) Rob White-Cooper Charles Wilson
Chief Executive	Simon Antrobus
Company Secretary	Paul Young
Bankers	The Co-Operative Bank 4th Floor, 9 Prescott Street London E1 8BE
Solicitors	Kirvan Bond Solicitors 105-107 High Street London SE20 7DT
Auditors	Sayer Vincent Chartered accountants and statutory auditors 8 Angel Gate City Road London EC1V 2SJ

## Statement of Trustees' responsibilities

The Trustees (who are also directors of Addaction for the purposes of company law) are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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



## Independent auditors' report to the members and trustees of Addaction

We have audited the financial statements of Addaction for the year ended 31 March 2013 which comprise the Group and Parent Charitable Company Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets the Group cash flow statement and the related notes. 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 charitable company's members and trustees, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charitable parent company's members and trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Trustees and auditors

As explained more fully in the Statement of trustees' responsibilities set out in the Report of the Trustees, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Trustees to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### 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 parent charitable company's affairs as at 31 March 2013 and of the group's incoming resources and application of resources, including the group's income and expenditure, 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 Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

### **Opinion on other matters prescribed by the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the parent charitable company has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting certain disclosures of Trustees' remuneration specified by law are not made; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Helen Elliott

5 August 2013

for and on behalf of:

Sayer Vincent, Statutory Auditors

8 Angel Gate, City Road, LONDON EC1V 2SJ

Sayer Vincent is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

## Consolidated statement of financial activities (incorporating an income and expenditure account) for the year ended 31 March 2013

	Notes	Unrestricted funds	Restricted Revenue funds	Restricted Capital funds	Total funds	
		£000	£000	£000	2013 £000	2012 £000
<b>INCOMING RESOURCES</b>						
<b>Generated funds</b>						
Fundraising income		233	17	-	250	241
Grant income	2	-	2,243	-	2,243	2,249
Trading income		309	-	-	309	-
Investment income		39	-	-	39	33
Fair value of acquired net assets	3	439	4	-	443	-
Other income	4	480	-	-	480	235
		<b>1,500</b>	<b>2,264</b>	<b>-</b>	<b>3,764</b>	<b>2,758</b>
<b>Charitable activities</b>						
Young people's and transitional services		4,425	270	-	4,695	4,534
Adult services		41,183	406	-	41,589	38,958
Family services		763	150	-	913	619
		46,371	826	-	47,197	44,111
<b>TOTAL INCOMING RESOURCES</b>		<b>47,871</b>	<b>3,090</b>	<b>-</b>	<b>50,961</b>	<b>46,869</b>
<b>RESOURCES EXPENDED</b>						
<b>Costs of generating funds</b>						
Fundraising and bidding for new services		423	-	-	423	294
Costs of trading		429	-	-	429	-
		852	-	-	852	294
<b>Charitable expenditure</b>						
Young people's and transitional services		3,805	1,059	-	4,864	4,931
Adult services		41,223	989	469	42,681	38,941
Family services		753	946	-	1,699	1,436
Public policy and communication		276	-	-	276	294
		46,057	2,994	469	49,520	45,602
<b>Governance costs</b>		85	-	-	85	68
<b>TOTAL RESOURCES EXPENDED</b>	5	<b>46,994</b>	<b>2,994</b>	<b>469</b>	<b>50,457</b>	<b>45,964</b>
<b>NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS</b>						
		877	96	(469)	504	905
Transfers		79	(79)	-	-	-
<b>NET INCOMING/(OUTGOING) RESOURCES FOR THE YEAR</b>		<b>956</b>	<b>17</b>	<b>(469)</b>	<b>504</b>	<b>905</b>
<b>Other recognised (losses)</b>						
Actuarial loss on defined benefits pension scheme	21	(419)	-	-	(419)	-
<b>NET MOVEMENT IN FUNDS</b>		<b>537</b>	<b>17</b>	<b>(469)</b>	<b>85</b>	<b>905</b>
Funds brought forward at 1 April		3,559	693	529	4,781	3,876
<b>FUNDS CARRIED FORWARD AT 31 MARCH</b>		<b>4,096</b>	<b>710</b>	<b>60</b>	<b>4,866</b>	<b>4,781</b>

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds and transfers between funds are disclosed above and in Note 14 to the financial statements. The notes on pages 20 to 31 form part of these financial statements.

## Balance sheets as at 31 March 2013

		The Group		The Charity		
		2013	2012	2013	2012	
Notes		£000	£000	£000	£000	
<b>Fixed assets</b>						
	Tangible fixed assets	10	1,063	330	554	330
	Investments	11	-	-	-	-
			1,063	330	554	330
<b>Current assets</b>						
	Debtors	12	3,282	2,697	3,299	2,697
	Stock		8	-	-	-
	Cash at bank and in hand		5,595	5,366	5,561	5,366
			8,885	8,063	8,860	8,063
<b>Creditors</b>						
<b>Amounts falling due within one year</b>						
	Creditors and accrued expenses	13	(4,663)	(3,612)	(4,052)	(3,612)
	<b>Net current assets</b>		4,222	4,451	4,808	4,451
	Net assets excluding pension liability		5,285	4,781	5,362	4,781
	Defined benefit pension scheme liability	21	(419)	-	(419)	-
	<b>Net assets</b>	16	<b>4,866</b>	<b>4,781</b>	<b>4,943</b>	<b>4,781</b>
	Represented by					
<b>FUNDS</b>						
<b>Unrestricted:</b>						
	Designated fund		1,342	1,017	1,342	1,017
	General charitable fund		3,173	2,542	3,250	2,542
	Less: pension scheme liability		(419)	-	(419)	-
			<b>4,096</b>	<b>3,559</b>	<b>4,173</b>	<b>3,559</b>
<b>Restricted:</b>						
	Revenue	15	710	693	710	693
	Capital		60	529	60	529
			<b>770</b>	<b>1,222</b>	<b>770</b>	<b>1,222</b>
	<b>Total funds</b>	14	<b>4,866</b>	<b>4,781</b>	<b>4,943</b>	<b>4,781</b>

The notes on pages 20 to 31 form part of these financial statements.  
Approved by the Trustees on 25 July 2013 and signed on their behalf by:

Mike Dixon  
Chair, Audit and Risk Committee

## Cash flow statement for the year ended 31 March 2013

	2013		2012	
	£000	£000	£000	£000
<b>Operating activities</b>				
Net incoming resources for the year	504		905	
Fair value of acquired net assets	(443)		-	
Depreciation	332		612	
(Increase) / decrease in debtors	(537)		103	
(Increase) in stock	(8)		-	
Increase in creditors	330		605	
Loss on disposal of fixed assets	-		126	
Net cash inflow from operating activities		178		2,351
<b>Capital expenditure and financial investment</b>				
Payments to acquire tangible fixed assets	(124)		(371)	
Net cash (outflow) from capital expenditure		(124)		(371)
<b>Net cash flow</b>		<b>54</b>		<b>1,980</b>

## Analysis of changes in cash and short-term deposits

	As at 1 Apr 2011	Cash flows	As at 31 Mar 2012	On acquisition	Cash flows	As at 31 Mar 2013
	£000	£000	£000	£000	£000	£000
Cash at bank and in hand	3,386	1,980	5,366	175	54	5,595

The notes on pages 20 to 31 form part of these financial statements.

## Notes to the financial statements for the year ended 31 March 2013

### 1 Accounting policies

- a) The financial statements of Addaction are prepared in accordance with the Companies Act 2006, the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005, the Statement of Recommended Practice, Accounting and Reporting by Charities 2005 (SORP 2005), and with applicable accounting standards. The financial statements are drawn up on the historic cost accounting basis.

The financial statements consolidate the operations of the wholly owned subsidiary, ReZolve Kernow Limited, on a line-by-line basis. Addaction has taken advantage of the exemption in section 397 of SORP 2005 not to present its own statement of financial activities.

- b) Income

Voluntary income received by way of donations and gifts to the charity is included in full in the Statement of Financial Activities (SOFA) when receivable.

Revenue grants are credited to the SOFA when received or receivable whichever is earlier.

Where unconditional entitlement to grants receivable is dependent upon fulfilment of conditions within the charity's control, the incoming resources are recognised when there is sufficient evidence that conditions will be met. Where there is uncertainty as to whether the charity can meet such conditions the incoming resource is deferred.

Contract income is recognised when there is sufficient evidence that it has been earned. Income from some contracts is subject to a 'payment by results' element, which is calculated in relation to set criteria, the results of which may not be determined until some time after the accounting period. In these cases, income is recognised or deferred on the basis of the evidence available up to the date of this report.

Interest, rental and training income are recognised when earned.

- c) Expenditure

All expenditure is accounted for under the accruals concept and stated gross of irrecoverable VAT. Resources expended are allocated to the particular activity where the cost relates directly to that activity.

The support costs of Addaction are allocated to each of the activities in proportion to the total of direct expenditure. The support costs of ReZolve Kernow are allocated on the basis of the use of resources.

Governance costs comprise the costs incurred which are directly attributable to the constitutional activities of Addaction, and the necessary procedures for compliance with statutory requirements.

The costs of generating funds are those incurred by Addaction in raising income for its charitable work.

Rentals for leased assets held under the terms of operating leases are charged directly to the SOFA over the term of the lease.

- d) Tangible fixed assets

Freehold property is held at cost or fair value at acquisition. Improvements to leasehold premises and fixtures, fittings and equipment are capitalised where the total cost exceeds £10,000 in Addaction or £1,000 in ReZolve Kernow. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use.



## Notes to the financial statements continued

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

Improvements to short leasehold premises	5% - 50% on cost
Fixtures, fittings and equipment	10% - 33% on cost
Computers and IT equipment	33% on cost
Motor vehicles	25% on cost

Depreciation is not charged on freehold property, as it is immaterial due to the long useful economic life and high residual value of the asset. Impairment reviews will be carried out in future.

### e) Stock

Stock is valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving items.

### f) Taxation

Addaction is eligible for the tax exemptions available for charitable activities. Addaction Social Enterprises Limited and ReZolve Kernow Limited, as wholly owned subsidiaries of the charity, intend to donate a sum equivalent to any taxable profits to Addaction, to reduce their tax liability to nil.

### g) Unrestricted funds

These funds are received and applied to achieve the general objectives of Addaction.

### h) Designated funds

These are unrestricted funds earmarked by the Trustees for particular purposes.

### i) Restricted funds

These are to be used for specified purposes as laid down by the donor. Expenditure which meets these criteria is identified to the fund, together with a fair allocation of management and support costs.

### j) Operating leases

Rentals payable under operating leases, where substantially all the risks and rewards of ownership remain with the lessor, are charged to the SOFA on a straight line basis over the minimum lease term.

Addaction strives to ensure that its property leases are co-terminus with its contracts. Where a property lease is longer than the initial contract we strive to ensure that break clauses are in place.

### k) Pension schemes

The group operates or contributes to both defined contributions and defined benefit schemes for its employees. All defined benefit schemes are closed to new entrants and the numbers of active members can only grow as a result of the transfer of staff from other organisations.

The assets of any pension schemes are held separately from those of the group.

Pension costs charged in the Statement of Financial Activities represent the contributions payable by the group for the year together with any material provision to record the group's liability in relation to a defined benefit pension scheme, where this can be identified, in accordance with the accounting standard FRS17.

## Notes to the financial statements continued

### Incoming resources

#### 2 Grant income

##### Big Lottery Fund

	Unrestricted	Restricted	2013	2012
	£000	£000	£000	£000
-Aspire Cornwall - Reaching Communities England	-	53	53	51
-Alcohol Over 50s-Investing in Communities-Life Transitions Fund	-	34	34	125
-State Aid - Social Investment project	-	11	11	-
-GBER - Social Investment Project	-	61	61	-
-Blackpool-Fulfilling Lives: Partnership Development Funding	-	8	8	-
-Aspire Cornwall-Supporting Change	-	9	9	-
-Awards for All-Ayrshire-Art for All	-	10	10	-
Heineken UK	-	120	120	352
Dept for Education - First Steps	-	214	214	260
Dept for Education - Skills for Change	-	348	348	452
Zurich Community Trust	-	324	324	196
Barrow Cadbury Trust	-	6	6	45
Dept of Health	-	116	116	43
Northern Rock Foundation	-	94	94	40
London Borough of Brent	-	22	22	22
Rayne Foundation	-	-	-	5
Reckitt Benckiser Pharmaceuticals Ltd	-	79	79	90
V	-	-	-	19
Glasgow Third Sector Transformation Grant	-	23	23	-
Other grants	-	711	711	549
	-	<b>2,243</b>	<b>2,243</b>	<b>2,249</b>

#### 3 Fair value of acquired net assets

ReZolve Kernow Limited was acquired by Addaction Social Enterprises Limited on 1 May 2012. The assets, liabilities and undertakings of City and Hackney Alcohol Service (CHAS) were transferred to Addaction on 15 February 2013. The net assets acquired by the group assessed at fair value are summarised as:

	ReZolve Kernow	CHAS	Total
	£000	£000	£000
Tangible fixed assets	561	380	941
Debtors	48	-	48
Cash at bank and in hand	168	7	175
Creditors and accrued expenses	(672)	(49)	(721)
Net assets	<b>105</b>	<b>338</b>	<b>443</b>

The net transfer has been accounted for as an incoming resource in the SOFA.

## Notes to the financial statements continued

**4 Other income**

Court reports
Training
Rental
Social placements
Other

Unrestricted	Restricted	2013	2012
£000	£000	£000	£000
4	-	4	3
88	-	88	107
285	-	285	68
58	-	58	53
45	-	45	4
<b>480</b>	<b>-</b>	<b>480</b>	<b>235</b>

## Resources expended

**5 Total resources expended****Costs of generating funds**

Fundraising and bidding for new services
Costs of trading

**Costs of generating funds**

Young people's and transitional services
Adult services
Family services
Public policy and communication

**Governance costs****Total for 2013**

Staff costs	Other direct costs	Support costs	Total 2013	Total 2012
£000	£000	£000	£000	£000
316	76	31	423	294
76	127	226	429	-
3,914	595	355	4,864	4,931
28,598	10,920	3,163	42,681	38,941
1,403	172	124	1,699	1,436
196	60	20	276	294
48	31	6	85	68
<b>34,551</b>	<b>11,981</b>	<b>3,925</b>	<b>50,457</b>	<b>45,964</b>

Included in support costs are staff costs totalling £1,905,000.

**6 Allocation of support costs**

Fundraising and bidding for new services
Costs of trading
Young people's and transitional services
Adult services
Family services
Public policy and communication
Governance costs

**Total**

Executive & Central Admin	Finance, IT & HR	Quality	ReZolve Overheads	Total 2013	Total 2012
£000	£000	£000	£000	£000	£000
6	19	6	-	31	20
-	-	-	226	226	-
68	223	64	-	355	333
592	1,948	560	63	3,163	2,629
24	78	22	-	124	97
4	12	4	-	20	20
1	4	1	-	6	5
<b>695</b>	<b>2,284</b>	<b>657</b>	<b>289</b>	<b>3,925</b>	<b>3,104</b>

Support costs have been allocated in relation to direct costs, except for ReZolve overheads allocated on the basis of resource usage.

## Notes to the financial statements continued

**7 Governance costs**

Staff costs
Audit fees
Trustees' expenses
Trustees' indemnity insurance
Support costs
Company secretariat

2013	2012
£000	£000
26	24
29	29
2	1
2	2
6	5
20	7
<b>85</b>	<b>68</b>

**8 Net incoming resources for the year**

are stated after charging:

Depreciation
Loss on sale of fixed assets
Trustees' indemnity insurance
Trustees' expenses
Auditors' remuneration:
Audit
Other services
Operating lease rentals:
Property

2013	2012
£000	£000
332	612
-	126
2	2
2	1
23	20
1	3
2,555	2,592

Trustees expenses represents travel for 6 (2012: 5) trustees relating to attendance at meetings. No trustee received any remuneration from Addaction in the current or preceding years.

**9 Employees**

The total costs of salaries and wages were as follows:

Salaries and wages
Social security costs
Pension contributions
Agency/support staff

2013	2012
£000	£000
28,945	27,227
2,674	2,547
1,712	1,575
712	761
<b>34,043</b>	<b>32,110</b>

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

Costs of generating funds
Young people's services
Adult services
Family services
Public policy and communication
Governance

2013	2012
15	3
123	116
908	920
43	33
4	4
1	1
<b>1,094</b>	<b>1,077</b>

## Notes to the financial statements continued

The number of employees whose emoluments exceeded £60,000 were:

£60,001 - £70,000
£70,001 - £80,000
£80,001 - £90,000
£90,001 - £100,000
£100,001 - £110,000
£160,001 - £170,000

	2013	2012
	4	4
	5	6
	3	1
	-	1
	1	1
	-	1

Most of these employees accrue benefits under the defined contribution pension scheme. Total pension contributions paid for these employees were £42,003 (2012 - £66,003). A number of higher paid members of staff within Addaction are medical staff on NHS terms and conditions, including with regard to pay and pensions.

## Assets

## 10 Tangible fixed assets

	Freehold Land & Buildings	Improvmnts to short leasehold premises	Fixtures, fittings, equipment and vehicles	Computers and IT equipment	Total 2013
	£000	£000	£000	£000	£000
<b>The group</b>					
Cost at the start of the year	-	2,750	24	26	2,800
Cost or fair value on acquisition	380	670	182	-	1,232
Additions	-	124	-	-	124
Disposals	-	-	(37)	-	(37)
Cost at the end of the year	<b>380</b>	<b>3,544</b>	<b>169</b>	<b>26</b>	<b>4,119</b>
Accumulated depreciation at the start of the year	-	2,441	20	9	2,470
Depreciation on acquisition	-	162	129	-	291
Depreciation on disposals	-	-	(37)	-	(37)
Depreciation for the year	-	299	24	9	332
Accumulated depreciation at the end of the year	-	<b>2,902</b>	<b>136</b>	<b>18</b>	<b>3,056</b>
Net book value at the end of the year	<b>380</b>	<b>642</b>	<b>33</b>	<b>8</b>	<b>1,063</b>
Net book value at the start of the year	-	309	4	17	330
<b>The charity</b>					
Cost at the start of the year	-	2,750	24	26	2,800
Cost or fair value on acquisition	380	-	-	-	380
Additions	-	124	-	-	124
Cost at the end of the year	<b>380</b>	<b>2,874</b>	<b>24</b>	<b>26</b>	<b>3,304</b>
Accumulated depreciation at the start of the year	-	2,441	20	9	2,470
Depreciation for the year	-	269	2	9	280
Accumulated depreciation at the end of the year	-	<b>2,710</b>	<b>22</b>	<b>18</b>	<b>2,750</b>
Net book value at the end of the year	<b>380</b>	<b>164</b>	<b>2</b>	<b>8</b>	<b>554</b>
Net book value at the start of the year	-	309	4	17	330

## Notes to the financial statements continued

**11 Investments****Charity**

unlisted shares at 31 March at cost (see note 17)

2013	2012
£	£
100	100

**12 Debtors**

Trade debtors  
Accrued income  
Other debtors  
Inter-company balances  
Prepayments

The Group		The Charity	
2013	2012	2013	2012
£000	£000	£000	£000
2,198	1,805	2,184	1,805
198	482	198	482
610	57	559	57
-	-	83	-
276	353	275	353
<b>3,282</b>	<b>2,697</b>	<b>3,299</b>	<b>2,697</b>

**Liabilities****13 Creditors and accrued expenses**

Trade creditors  
Social security and other taxes  
Deferred income  
Accruals

The Group		The Charity	
2013	2012	2013	2012
£000	£000	£000	£000
1,440	803	1,400	803
895	914	887	914
1,298	838	765	838
1,030	1,057	1,000	1,057
<b>4,663</b>	<b>3,612</b>	<b>4,052</b>	<b>3,612</b>
Balance b/f	Released to SOFA	Received in year	Balance c/f
£000	£000	£000	£000
838	(838)	1,298	1,298

**Movements in deferred income**

Deferred due to timing of receipt



## Notes to the financial statements continued

### Funds

#### 14 Movements in funds

	General funds	Designated fund	Restricted Revenue	Restricted Capital funds	Total 2013
	£000	£000	£000	£000	£000
<b>Net Incoming/(Outgoing) Resources for the year before transfers</b>	877	-	96	(469)	504
Transfers	(246)	325	(79)	-	-
Actuarial loss on defined benefits pension scheme	(419)	-	-	-	(419)
<b>Net Movement in Funds</b>	212	325	17	(469)	85
Balance at the start of the year	2,542	1,017	693	529	4,781
<b>Balance at the end of the year</b>	<b>2,754</b>	<b>1,342</b>	<b>710</b>	<b>60</b>	<b>4,866</b>

In accordance with Addaction's reserves policy, the designated fund represents fixed and other assets that cannot be readily converted into cash. At 31 March 2013 this was made up of ££1,003,000 representing the net book value of fixed assets, and £339,000 representing a bank account balance subject to a performance bond.

#### 15 Restricted funds

	Balance at start of the year	Incoming resources	Outgoing resources	Transfers	Balance at end of the year
	£000	£000	£000	£000	£000
Revenue					
Project services - drugs and alcohol	627	3,090	(2,994)	(13)	710
Mainliners Ltd	66	-	-	(66)	-
	693	3,090	(2,994)	(79)	710
Capital					
Project capital funds - leasehold & IT	529	-	(469)	-	60
	<b>1,222</b>	<b>3,090</b>	<b>(3,463)</b>	<b>(79)</b>	<b>770</b>

Restricted funds relate to various grants and donations received from funders to support future services. Within restricted funds, project capital funds are grants and donations given specifically for leasehold improvements, IT and new office equipment purchases. Fund balances are reduced by depreciation, by other equipment expenditure charged to the SOFA, and by transfers of funds to other organisations where the contract has been reassigned.

#### 16 Analysis of group net assets between funds

	General funds	Designated fund	Restricted Revenue funds	Restricted Capital funds	Total 2013
	£000	£000	£000	£000	£000
Tangible fixed assets	-	1,003	-	60	1,063
Current assets	7,836	339	710	-	8,885
Current liabilities	(4,663)	-	-	-	(4,663)
Defined benefit pension scheme liability	(419)	-	-	-	(419)
	<b>2,754</b>	<b>1,342</b>	<b>710</b>	<b>60</b>	<b>4,866</b>

## Notes to the financial statements continued

### Parent and subsidiaries

#### 17 Subsidiary undertakings

The charitable company owns the entire share capital of 100 shares of £1 each in Addaction Social Enterprises Limited, a company registered in England and Wales. Addaction Social Enterprises Limited did not trade during the year. Addaction Social Enterprises Limited has entire control of ReZolve Kernow Limited, a company registered in England and Wales and limited by guarantee. A summary of the results of this subsidiary is shown in note 18.

#### 18 Subsidiary - ReZolve Kernow

##### Profit and Loss Account - 11 months to 31 March

	2013 £000
Turnover	460
Cost of sales	(248)
Gross profit	212
Administrative expenses	(393)
Operating loss	(181)
Retained profit brought forward	105
Accumulated loss carried forward	<b>(76)</b>

##### Balance Sheet

	2013 £000
Tangible fixed assets	509
Debtors	102
Stock	8
Cash at bank and in hand	35
Creditors and accrued expenses	(730)
Net liabilities	<b>(76)</b>

#### 19 Parent charity

The parent charity's gross income and the results for the year were as follows:

	2013 £000	2012 £000
Gross income	50,396	46,869
Net incoming resources for the year	580	905

## Notes to the financial statements continued

### Long-term liabilities

#### 20 Lease obligations

Operating leases on land and buildings, by expiry date:

Under one year

Two to five years

Over five years

Total annual commitment

The Group		The Charity	
2013	2012	2013	2012
£000	£000	£000	£000
565	461	559	461
262	568	261	568
899	553	883	553
<b>1,726</b>	<b>1,582</b>	<b>1,703</b>	<b>1,582</b>

#### 21 Pension schemes

The pension cost charge for the group's defined contributions schemes represents contributions payable under the schemes by the group and amounted to £1,219,435 (2012: £1,287,576).

Addaction has Directions Body status with the NHS Pension Scheme in relation to employees at a number of its projects during the year. The Scheme is an unfunded, defined benefit scheme, preparing its own statements, that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The Scheme is not designed to be run in a way that would enable Addaction to identify its share of the underlying Scheme assets and liabilities. Therefore, the Scheme is accounted for as if it were a defined contributions scheme and the cost of the Scheme is taken as being equal to the contributions payable to the Scheme for the accounting period.

The total employer contributions payable in 2012-2013 were £421,394 (2012: £263,442). For both 2011-12 and 2012-13 employer contributions were paid at 14% of pensionable salary. Member contributions are between 5% - 8.5% of pensionable salary. At 31 March 2013 there were 99 active members in the scheme employed by Addaction.

In addition the charity made contributions to the West Sussex County Council Pension Scheme (a defined benefit scheme) of £10,873 (2012: £11,642), and the Teachers' Pension Scheme (a defined benefit scheme) of £6,572 (2012: £Nil). For both of these schemes, the employer's contributions are set in relation to the current service period only; consequently Addaction accounts for contributions to the schemes as if they were defined contribution schemes.

In the process of taking over a contract St. Helens during the year, gained Admitted Body status with the Local Government Pension Scheme on Merseyside with effect from 1 April 2012. The Scheme is a multi-employer defined benefit scheme under which, as an Admitted Body, Addaction is required to make contributions in relation to on-going service and to a historic scheme deficit. At the balance sheet date there were 6 active members in the scheme employed by Addaction and the total employer contributions payable in 2012-2013 were £48,862. The date of the last actuarial valuation of the scheme was 31 March 2010 and the market value of the total scheme assets at that date was £4,706 million.

Addaction has obtained the following information from the Scheme Actuary, Mercer Limited, which we are required to disclose under the accounting standard FRS17 'Retirement Benefits':

## Notes to the financial statements continued

### Pension scheme

#### Balance Sheet

Fair value of assets
Present value of liabilities
Deficit

2013	On Admission
£000	£000
90	21
(509)	(380)
(419)	(359)

#### Movement in deficit during the year

Total expense recognised in the SOFA
Employer contributions
Actuarial loss during the year
Net movement

2013
£000
(46)
49
(63)
(60)

#### Total expense recognised in the SOFA

Current service cost (14.4% of pensionable pay)
Expected return on assets
Interest on pensionable liabilities
Total expense

2013
£000
(29)
3
(20)
(46)

#### Actuarial loss recognised in the SOFA

Deficit on admission
Actuarial loss during the year
Total expense

2013
£000
(359)
(63)
(422)

#### Changes in the present value of scheme liabilities

Present value of scheme liabilities on admission
Interest cost
Actuarial loss (13.2% of year-end liabilities)
Current service cost
Member contributions
Present value of scheme liabilities at the end of the year

2013
£000
380
20
67
29
13
509

#### Changes in the fair value of scheme assets

Fair value of scheme assets on admission
Expected return on scheme assets
Experience gain on scheme assets (4.4% of year-end assets)
Employer contributions
Member contributions
Fair value of scheme assets at the end of the year

2013
£000
21
3
4
49
13
90

## Notes to the financial statements continued

**Assets in the scheme**

Equities
Government bonds
Other bonds
Property
Cash/liquidity
Other
Total

2013	
£000	%
55	60.6
14	15.7
3	3.6
7	8.3
2	2.3
9	9.5
90	

**Principal assumptions**

Rate of CPI Inflation
Rate of increase in salaries
Rate of increase in pensions
Discount rate

Beginning of year	End of year
%	%
2.6	2.5
4.1	4.0
2.6	2.5
5.2	4.6
7.0	7.0
3.1	2.8
4.1	3.9
6.0	5.7
0.5	0.5
7.0	7.0
0.25	0.25
5.79	5.72

**Expected rate of return on assets**

Equities
Government bonds
Other bonds
Property
Cash/liquidity
Other
Expenses deduction
Overall expected return