

**Report of the Trustees and
Financial Statements for the Year Ended 31 March 2019
for**

ARCH INITIATIVES

O'Brien & Partners
Chartered Accountants
& Statutory Auditors
Highdale House
7 Centre Court
Treforest Industrial Estate
Pontypridd
Rhondda Cynon Taff
CF37 5YR

ARCH INITIATIVES

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ARCH INITIATIVES

Report of the Trustees for the Year Ended 31 March 2019

The trustees who are also directors of the charity for the purposes of the Companies Act 2006, present their report with the financial statements of the charity for the year ended 31 March 2019. The trustees have adopted the provisions of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

OBJECTIVES AND ACTIVITIES

Objectives and aims

ARCH Initiatives was established to provide services for people whose lives have been affected by substance misuse. ARCH's objective of service provision is to support individuals, communities, stakeholders and families to tackle substance misuse and to develop a range of innovative high quality services that transform futures and move individuals away from poor health and well-being, offending behaviour and unemployment. Our client range includes those who are dependant on illicit, legal and prescribed substance and those developing long term conditions or specific illness as a result of dependence.

ARCH exists to provide public benefit by relieving poverty, sickness and distress amongst persons affected by addiction to alcohol or drugs of any kind. This includes those who are personally addicted and those families carers, and communities whose lives are impacted by substance misuse.

We provide a range of training and education in health and well-being related matters, with an emphasis on treatment, support and the development of life and employability skills that support a transformed future for our clients.

The relief of unemployment for public benefit is delivered through the provision of support, advice, practical guidance plus ARCH's range of employment and training programmes.

The range of services made available by ARCH to communities during 2018/19 continue to include the following:

- Drug dependency services which take a harm reduction approach to users to enable them to reduce the risks of using drugs and to help them to stop using if that is their aim.
- Alcohol services offering support to all who are in need.
- Counselling and advice.

STRATEGIC REPORT

Achievement and performance

Charitable activities

During 2018/19 ARCH Initiatives only managed one key service which was Shropshire. In that year the service was well managed but unfortunately Kaleidoscope were unsuccessful in re-tendering and so by the end of the financial year this service came to an end, with staff being transferred to the successful bidder on April 1st.

Arch continues to own a number of buildings where services have been run from, in Bolton by the NHS and in the Wirral by CGL. In the Wirral we are in discussions about the future use of that building.

Future plans

The aim of ARCH is to merge fully with Kaleidoscope. This however cannot happen in the near future until we are able to resolve a issue relating to the lease on one of our buildings which is under a covenant due the previous receipt of a grant. To transfer this building to Kaleidoscope would be too costly and complicated until this is resolved.

Financial review

Financial position

Income for the year to 31 March 2019 reduced to £2,935,615 from £4,904,863 in the previous year. This decrease was mainly due to the transfer of Birchwood and our North Wales service to our parent company Kaleidoscope Project.

Total expenditure reduced to £2,646,211 from £4,728,707 in the previous year. This enabled the charity to produce an overall surplus of £289,404 compared to a surplus in the previous year of £176,156.

ARCH INITIATIVES

Report of the Trustees for the Year Ended 31 March 2019

STRATEGIC REPORT

Financial review

Reserves policy

It is the opinion of the directors that the charity should hold financial reserves;

- because it requires protection against financial risks, as identified by the annual financial risk review; ' to provide for expansion of the charity's business;
- to provide funds for investment in fixed assets;
- to provide funds for unfunded 'board approved' special projects which enhance services and meet charitable objectives.

The definition of financial reserves for this purpose is the amount of unrestricted reserves not invested in fixed or other long term assets (net current assets excluding long term debtors).

The charity conducts an annual financial risk review. This review has identified that the charity requires reserves to protect itself against the following principal risks:

- Delayed payment of amounts due on major contracts causing unanticipated operational cash flow requirements.
- Loss of major contracts and a resulting reduction in the contribution to central fixed costs
- Loss of contracts where TUPE does not apply
- Unforeseen cost pressures on contracts
- Properties requiring urgent repairs or refurbishment

As at 31 March 2019 the charity had total funds of £290,194 of which comprises:

- A restricted fund of £76,897, which represents a capital grant awarded by Public Health England and is being amortised over 5 years as stipulated in the grant conditions;
- An endowment fund of £168,750 representing assets that must be held permanently by the charitable company;
- An unrestricted funds deficit of £247,047.

As stated in the previous years Trustees Report, due to the financial position of the charity, and to ensure services are protected as far as possible, plans continue to merge the company into Kaleidoscope at the end of the current financial year.

Principal funding sources

Principal funding sources during the period were for services providing advice, education and information on issues associated with substance misuse; treatment and support of individuals experiencing difficulties with stimulants, prescribed medication or a combination of these and alcohol. These services are provided under contracts with local authorities.

Principal risks and uncertainties

The trustees have assessed the major risks to which the charitable company is exposed, and are satisfied that systems are in place to mitigate exposure to the major risks.

Risk exists when there is uncertainty surrounding events and their outcomes that may have a significant impact on ARCH's ability to:

- achieve its aims
- satisfy the expectations of its stakeholders
- operate efficiently

Risk management is the responsibility of the trustees and, in recognition of this, the Board has decided that the services and beneficiaries of the charity will be best protected by entering into a full merger with its parent company, Kaleidoscope Project. This merger will take place as soon as is practicable.

ARCH INITIATIVES

Report of the Trustees for the Year Ended 31 March 2019

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document

ARCH Initiatives is a company limited by guarantee governed by its Memorandum and Articles of Association dated 23rd April 1993 and constituted in accordance with this document.

The Charity is directed by a Management Committee made up of 4 members. Members are recruited from a range of backgrounds, including health and social care and commerce.

The Management Committee's decisions are focused on the approval and monitoring of any strategic business plans and the setting of the annual budget; the monitoring of progress in the achievement of plans and performance against the agreed budget are the typical activities undertaken by the management committee.

The management committee have delegated to the Chief Executive the responsibility for the management of the organisation.

On 25 July 2016 Kaleidoscope Project became the sole member of ARCH Initiatives. Kaleidoscope project is a registered charity (number 1115017) and is also a company limited by guarantee (number 05480423) which was incorporated on 14 June 2005. The project governing document is its memorandum and articles of association as amended by special resolution dated 5 April 2006. On the same date, the trustees of ARCH resigned to be replaced by four of Kaleidoscope's trustees. Consequently ARCH became part of the Kaleidoscope group on 25 July 2016.

The charity has an independent Board of Trustees drawn from a variety of backgrounds thus ensuring a diverse Board with a strong mix of skills and experience to take the charity forward. When appropriate, vacancies on the Board are advertised through media outlets and interviews conducted, to ensure new appointments will add to the skills and experience of the existing Board.

All new trustees are provided with historical and current information to enable them to appreciate the work and ethos of the charity. The Board is currently developing an induction and training programme for trustees as part of its governance strategy.

The Board of Trustees aims to meet at least quarterly, The day-to day management of the charity is delegated to the Chief Executive, who attends the Board of Trustee meetings. The Chief Executive leads the senior management team. Monthly meetings of the senior management team are held to monitor the progress of the charity.

Due to the change in membership in July 2016 Mr Martin Blakebrough was appointed as the Chief Executive.

Mr Blakebrough is also Chief Executive of Kaleidoscope Project. Against the backdrop of this change the current organisational structure is under review.

Arch Initiatives Trustees have responsibility for setting the pay and remuneration of the charity's key personnel and this is done on an annual basis.

Key management remuneration

The trustees recognise that the charity will not achieve its ambitious goals unless it is possible to attract and retain key management personnel who have the experience, enthusiasm and ability to lead by example and to contribute to the organisation's continuing success. Consequently, the ability to offer a compelling value proposition to staff is regarded as a critical success factor.

In common with other small, entrepreneurial companies in the charitable sector, ARCH's value proposition to staff includes supportive teamwork, personal development and significant job satisfaction from the social impact that the organisation is helping to generate. However, remuneration is also important and, for this element of the overall reward package our policy is to set pay and benefits at levels that are competitive for the sector and which recognise an individual's abilities, responsibilities and experience. In most cases, in the opinion of the trustees, this results in remuneration that is lower than the people concerned would be able to earn in the commercial sector.

REFERENCE AND ADMINISTRATIVE DETAILS

Registered Company number

02812012 (England and Wales)

Registered Charity number

1024945

Registered office

1 Resolven House
St Mellons Business Park
Fortran Road
St Mellons
Cardiff
CF3 0EY

ARCH INITIATIVES

Report of the Trustees for the Year Ended 31 March 2019

REFERENCE AND ADMINISTRATIVE DETAILS

Trustees

D L Antebi	Retired	
S P Davison	Retired	
Mrs A Newell	Retired	- resigned 28.11.18
Mrs F Rutter	Retired	
A W Sutherland	Retired	- resigned 28.11.18

Chief Executive Officer

Martin Blakebrough

Auditors

O'Brien & Partners
Chartered Accountants
& Statutory Auditors
Highdale House
7 Centre Court
Treforest Industrial Estate
Pontypridd
Rhondda Cynon Taff
CF37 5YR

STATEMENT OF TRUSTEES RESPONSIBILITIES

The trustees (who are also the directors of Arch Initiatives 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), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing those financial statements, the trustees are required to

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

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

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the trustees has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditor is aware of such information.

AUDITORS

In accordance with the company's articles, a resolution proposing that O'Brien & Partners be reappointed as auditor of the company will be put at a General meeting.

Report of the trustees, incorporating a strategic report, approved by order of the board of trustees, as the company directors, on18/12/19..... and signed on the board's behalf by:



Mrs F Rutter - Trustee

Report of the Independent Auditors to the Members of Arch Initiatives

Opinion

We have audited the financial statements of Arch Initiatives (the 'charitable company') for the year ended 31 March 2019 which comprise the Statement of Financial Activities, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2019 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Report of the Independent Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Trustees has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Trustees.

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:

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

Responsibilities of trustees

As explained more fully in the Statement of Trustees Responsibilities, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Report of the Independent Auditors to the Members of ARCH INITIATIVES

Responsibilities of trustees

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

Our responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Independent Auditors.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an 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 as a body, for our audit work, for this report, or for the opinions we have formed.

G. Francis

G Francis ACA FCCA (Senior Statutory Auditor)

for and on behalf of O'Brien & Partners

Chartered Accountants

& Statutory Auditors

Highdale House

7 Centre Court

Treforest Industrial Estate

Pontypridd

Rhondda Cynon Taff

CF37 5YR

Date: *19th December 2019.*

ARCH INITIATIVES

Statement of Financial Activities (Incorporating an Income and Expenditure Account) for the Year Ended 31 March 2019

	Notes	Unrestricted fund £	Restricted fund £	Endowment fund £	31.3.19 Total funds £	31.3.18 Total funds £
INCOME AND ENDOWMENTS						
FROM						
Donations and legacies	2	100,192	-	-	100,192	95
Charitable activities	5					
Drug treatments		2,468,271	-	-	2,468,271	4,803,811
Other trading activities	3	6	-	-	6	16,864
Investment income	4	164,646	-	-	164,646	84,093
Other income		202,500	-	-	202,500	-
Total		2,935,615	-	-	2,935,615	4,904,863
EXPENDITURE ON						
Charitable activities	6					
Drug treatments		2,630,311	15,900	-	2,646,211	4,722,807
Governance Costs		-	-	-	-	5,900
Total		2,630,311	15,900	-	2,646,211	4,728,707
Net gains/(losses) on investments		(202,500)	-	-	(202,500)	-
NET INCOME/(EXPENDITURE)		102,804	(15,900)	-	86,904	176,156
Transfers between funds	17	11,250	-	(11,250)	-	-
Net movement in funds		114,054	(15,900)	(11,250)	86,904	176,156
RECONCILIATION OF FUNDS						
Total funds brought forward		(69,507)	92,797	180,000	203,290	27,134
TOTAL FUNDS CARRIED FORWARD		44,547	76,897	168,750	290,194	203,290

The notes form part of these financial statements

ARCH INITIATIVES

Balance Sheet At 31 March 2019

	Notes	Unrestricted fund £	Restricted fund £	Endowment fund £	31.3.19 Total funds £	31.3.18 Total funds £
FIXED ASSETS						
Tangible assets	12	-	63,823	-	63,823	79,778
Investment property	13	879,405	-	191,250	1,070,655	1,273,155
		<u>879,405</u>	<u>63,823</u>	<u>191,250</u>	<u>1,134,478</u>	<u>1,352,933</u>
CURRENT ASSETS						
Debtors	14	43,327	-	-	43,327	218,052
Cash at bank and in hand		418,952	13,074	(22,500)	409,526	207,073
		<u>462,279</u>	<u>13,074</u>	<u>(22,500)</u>	<u>452,853</u>	<u>425,125</u>
CREDITORS						
Amounts falling due within one year	15	(1,297,137)	-	-	(1,297,137)	(1,574,768)
		<u>(1,297,137)</u>	<u>-</u>	<u>-</u>	<u>(1,297,137)</u>	<u>(1,574,768)</u>
NET CURRENT ASSETS/(LIABILITIES)						
		<u>(834,858)</u>	<u>13,074</u>	<u>(22,500)</u>	<u>(844,284)</u>	<u>(1,149,643)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES						
		<u>44,547</u>	<u>76,897</u>	<u>168,750</u>	<u>290,194</u>	<u>203,290</u>
NET ASSETS						
		<u><u>44,547</u></u>	<u><u>76,897</u></u>	<u><u>168,750</u></u>	<u><u>290,194</u></u>	<u><u>203,290</u></u>
FUNDS						
Unrestricted funds	17				44,547	(69,507)
Restricted funds					76,897	92,797
Endowment funds					168,750	180,000
TOTAL FUNDS						
					<u><u>290,194</u></u>	<u><u>203,290</u></u>

The financial statements were approved by the Board of Trustees on 18/12/19 and were signed on its behalf by:


Mrs F Rutter -Trustee

ARCH INITIATIVES

Notes to the Financial Statements for the Year Ended 31 March 2019

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements of the charitable company, which is a public benefit entity under FRS 102, have been prepared in accordance with the Charities SORP (FRS 102) 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015)', Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006. The financial statements have been prepared under the historical cost convention with the exception of investments which are included at market value.

The charitable company is a private limited company limited by guarantee.

Going Concern

On 25 July 2016, Kaleidoscope Project (Charity number 115017, company number 05480423), a charitable company limited by guarantee, incorporated in England and Wales, became the sole member of ARCH Initiatives ("Arch"). On the same date, the trustees of Arch Initiatives resigned to be replaced by four of the Kaleidoscope trustees. Consequently Arch Initiatives became a subsidiary of Kaleidoscope on 25 July 2016.

The intention is for the assets and liabilities of the charitable company to be transferred to the Kaleidoscope Project on 31 March 2019. As required by accounting standards the trustees have prepared the financial statements on the basis the charity is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis. The treatment of the fixed assets have been reviewed by the Trustees and as the economic benefits will continue to benefit the organisation, and its parent charity, following the transfer to Kaleidoscope Project no reclassification was considered necessary.

Financial reporting standard 102 - reduced disclosure exemptions

The charity has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland':

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirement of Section 33 Related Party Disclosure paragraph 33.7.

Preparation of consolidated financial statements

The financial statements contain information about Arch Initiatives as an individual charity and do not contain consolidated financial information as the parent of a group. The charity is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Kaleidoscope Project whose registered office is 28-38 Cromwell Road, Kingston Upon Thames, London, KT2 6RN.

ARCH INITIATIVES

Notes to the Financial Statements - continued for the Year Ended 31 March 2019

I. ACCOUNTING POLICIES - continued

Income

All income is recognised in the Statement of Financial Activities once the charity has entitlement to the funds, it is probable that the income will be received and the amount can be measured reliably.

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

Cash donations are recognised on receipt. Other donations are recognised once the charitable company has been notified of the donation, unless performance conditions require deferral of the amount. Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Income from charitable activities includes amounts received under contract, and is recognised where there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability. Income is deferred when the contract specified that they must be used in future accounting periods.

Rental income is recognised in the period to which it relates.

Legacies are recognised either when the charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor (s) to the Trust that a distribution will be made, or when a distribution is received from the estate. Receipt from a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charity, or the charity is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Expenditure

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to that expenditure, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all cost related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

Allocation and apportionment of costs

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the audit fees and costs linked to the strategic management of the charity.

All costs are allocated between the expenditure categories of the Statement of Financial Activities on a basis designed to reflect the use of the resource. As the charitable company has only one charitable activity all costs are allocated directly to this activity.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings	- 20% on reducing balance
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Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Investments

Fixed asset investments in subsidiaries are held at cost.

Investment property

Investment property is included at fair value. Changes in value are recognised in the income statement. Fair value is estimated by using a valuation technique.

Taxation

The charity is exempt from corporation tax on its charitable activities.

ARCH INITIATIVES

Notes to the Financial Statements - continued for the Year Ended 31 March 2019

1. ACCOUNTING POLICIES - continued

Fund accounting

Unrestricted funds can be used in accordance with the charitable objectives at the discretion of the trustees.

Restricted funds can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Further explanation of the nature and purpose of each fund is included in the notes to the financial statements.

Leasing commitments

Rentals paid under operating leases are charged to the Statement of Financial Activities on a straight line basis over the period of the lease.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Creditors and provisions

Creditors and provisions are recognised where the charitable company has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Employee benefits

The costs of any unused holiday entitlement is recognised in the year in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the charitable company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

2. DONATIONS AND LEGACIES

	31.3.19 £	31.3.18 £
Donations	-	95
Management income	100,192	-
	<u>100,192</u>	<u>95</u>

3. OTHER TRADING ACTIVITIES

	31.3.19 £	31.3.18 £
Miscellaneous income	6	16,864
	<u>6</u>	<u>16,864</u>

4. INVESTMENT INCOME

	31.3.19 £	31.3.18 £
Rents received	164,646	84,093
	<u>164,646</u>	<u>84,093</u>

5. INCOME FROM CHARITABLE ACTIVITIES

	Activity	31.3.19 £	31.3.18 £
Service level agreements	Drug treatments	2,468,271	4,803,811
		<u>2,468,271</u>	<u>4,803,811</u>

ARCH INITIATIVES

Notes to the Financial Statements - continued for the Year Ended 31 March 2019

6. CHARITABLE ACTIVITIES COSTS

	Direct costs	Support costs (See note 7)	Totals
	£	£	£
Drug treatments	<u>2,377,576</u>	<u>268,635</u>	<u>2,646,211</u>

7. SUPPORT COSTS

	Management	Governance costs	Totals
	£	£	£
Drug treatments	<u>265,635</u>	<u>3,000</u>	<u>268,635</u>

Support costs, included in the above, are as follows:

	31.3.19	31.3.18
	Drug treatments	Total activities
	£	£
Wages	53,693	53,034
Hire of plant and machinery	12,970	15,691
Licences & registration	273	318
Office expenses	71,889	205,100
Legal & professional fees	5,364	17,198
Audit & accountancy fees	2,100	2,820
Management charges	100,192	-
Insurance, health & safety	-	24,082
Professional fees	3,254	1,510
Depreciation of tangible and heritage assets	15,900	19,942
Loss on sale of tangible fixed assets	-	1
Auditors' remuneration	3,000	4,800
	<u>268,635</u>	<u>344,496</u>

8. NET INCOME/(EXPENDITURE)

Net income/(expenditure) is stated after charging/(crediting):

	31.3.19	31.3.18
	£	£
Auditors' remuneration	3,000	4,800
Depreciation - owned assets	15,955	19,942
Hire of plant and machinery	12,970	15,691
Deficit on disposal of fixed asset	-	1
	<u>31,925</u>	<u>40,434</u>

9. TRUSTEES' REMUNERATION AND BENEFITS

There were no trustees' remuneration or other benefits for the year ended 31 March 2019 nor for the year ended 31 March 2018.

Trustees' expenses

There were no trustees' expenses paid for the year ended 31 March 2019 nor for the year ended 31 March 2018.

ARCH INITIATIVES

Notes to the Financial Statements - continued for the Year Ended 31 March 2019

10. STAFF COSTS

	31.3.2018	31.3.2017
	£	£
Wages & salaries	3,756,157	4,917,669
Social security costs	174,108	281,018
Other pension costs	77,551	121,425
	<u>4,007,816</u>	<u>5,320,112</u>

The average monthly number of employees during the year was as follows:

	31.3.19	31.3.18
Direct charitable work	34	105
Administrative	25	8
	<u>59</u>	<u>113</u>

No employees received emoluments in excess of £60,000.

11. COMPARATIVES FOR THE STATEMENT OF FINANCIAL ACTIVITIES

	Unrestricted fund £	Restricted fund £	Endowment fund £	Total funds £
INCOME AND ENDOWMENTS FROM				
Donations and legacies	95	-	-	95
Charitable activities				
Drug treatments	4,803,811	-	-	4,803,811
Other trading activities	16,864	-	-	16,864
Investment income	84,093	-	-	84,093
Total	<u>4,904,863</u>	<u>-</u>	<u>-</u>	<u>4,904,863</u>
EXPENDITURE ON				
Charitable activities				
Drug treatments	4,702,865	19,942	-	4,722,807
Governance Costs	5,900	-	-	5,900
Total	<u>4,708,765</u>	<u>19,942</u>	<u>-</u>	<u>4,728,707</u>
NET INCOME/(EXPENDITURE)	<u>196,098</u>	<u>(19,942)</u>	<u>-</u>	<u>176,156</u>
Transfers between funds	<u>11,250</u>	<u>-</u>	<u>(11,250)</u>	<u>-</u>
Net movement in funds	<u>207,348</u>	<u>(19,942)</u>	<u>(11,250)</u>	<u>176,156</u>
RECONCILIATION OF FUNDS				
Total funds brought forward	<u>(276,855)</u>	<u>112,739</u>	<u>191,250</u>	<u>27,134</u>
TOTAL FUNDS CARRIED FORWARD	<u>(69,507)</u>	<u>92,797</u>	<u>180,000</u>	<u>203,290</u>

ARCH INITIATIVES

Notes to the Financial Statements - continued for the Year Ended 31 March 2019

12. TANGIBLE FIXED ASSETS

	Fixtures and fittings £
COST	
At 1 April 2018 and 31 March 2019	335,822
DEPRECIATION	
At 1 April 2018	256,044
Charge for year	15,955
At 31 March 2019	271,999
NET BOOK VALUE	
At 31 March 2019	63,823
At 31 March 2018	79,778

During the year the property at Bolton was transferred to investment properties to reflect their current status.

13. INVESTMENT PROPERTY

	£
MARKET VALUE	
At 1 April 2018	1,273,155
Impairments	(202,500)
At 31 March 2019	1,070,655
NET BOOK VALUE	
At 31 March 2019	1,070,655
At 31 March 2018	1,273,155

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.3.19 £	31.3.18 £
Trade debtors	43,327	218,052

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.3.19 £	31.3.18 £
Trade creditors	120,111	347,308
Amounts owed to group undertakings	1,109,041	1,122,342
Social security and other taxes	14,082	26,263
Accruals and deferred income	53,903	78,855
	1,297,137	1,574,768

ARCH INITIATIVES

Notes to the Financial Statements - continued for the Year Ended 31 March 2019

16. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	31.3.19 £	31.3.18 £
Within one year	47,583	154,475
Between one and five years	43,572	519,722
	<u>91,155</u>	<u>674,197</u>

17. MOVEMENT IN FUNDS

	At 1.4.18 £	Net movement in funds £	Transfers between funds £	At 31.3.19 £
Unrestricted funds				
General fund	(69,507)	102,804	11,250	44,547
Restricted funds				
Public Health England grant	92,797	(15,900)	-	76,897
Endowment funds				
Wirral PCT	180,000	-	(11,250)	168,750
TOTAL FUNDS	<u>203,290</u>	<u>86,904</u>	<u>-</u>	<u>290,194</u>

Net movement in funds, included in the above are as follows:

	Incoming resources £	Resources expended £	Gains and losses £	Movement in funds £
Unrestricted funds				
General fund	2,935,615	(2,630,311)	(202,500)	102,804
Restricted funds				
Public Health England grant	-	(15,900)	-	(15,900)
TOTAL FUNDS	<u>2,935,615</u>	<u>(2,646,211)</u>	<u>(202,500)</u>	<u>86,904</u>

Comparatives for movement in funds

	At 1.4.17 £	Net movement in funds £	Transfers between funds £	At 31.3.18 £
Unrestricted Funds				
General fund	(276,855)	196,098	11,250	(69,507)
Restricted Funds				
Public Health England grant	112,739	(19,942)	-	92,797
Endowment funds				
Wirral PCT	191,250	-	(11,250)	180,000
TOTAL FUNDS	<u>27,134</u>	<u>176,156</u>	<u>-</u>	<u>203,290</u>

ARCH INITIATIVES

Notes to the Financial Statements - continued for the Year Ended 31 March 2019

17. MOVEMENT IN FUNDS - continued

Comparative net movement in funds, included in the above are as follows:

	Incoming resources £	Resources expended £	Movement in funds £
Unrestricted funds			
General fund	4,904,863	(4,708,765)	196,098
Restricted funds			
Public Health England grant	-	(19,942)	(19,942)
TOTAL FUNDS	<u>4,904,863</u>	<u>(4,728,707)</u>	<u>176,156</u>

A current year 12 months and prior year 12 months combined position is as follows:

	At 1.4.17 £	Net movement in funds £	Transfers between funds £	At 31.3.19 £
Unrestricted funds				
General fund	(276,855)	298,902	22,500	44,547
Restricted funds				
Public Health England grant	112,739	(35,842)	-	76,897
Endowment				
Wirral PCT	191,250	-	(22,500)	168,750
TOTAL FUNDS	<u>27,134</u>	<u>263,060</u>	<u>-</u>	<u>290,194</u>

A current year 12 months and prior year 12 months combined net movement in funds, included in the above are as follows:

	Incoming resources £	Resources expended £	Gains and losses £	Movement in funds £
Unrestricted funds				
General fund	7,840,478	(7,339,076)	(202,500)	298,902
Restricted funds				
Public Health England grant	-	(35,842)	-	(35,842)
TOTAL FUNDS	<u>7,840,478</u>	<u>(7,374,918)</u>	<u>(202,500)</u>	<u>263,060</u>

Unrestricted funds

The unrestricted funds comprise those funds which the trustees are free to use in accordance with the charitable objectives.

Restricted funds

The restricted funds relate to the Public Health England grant. This grant was awarded to pay for building refurbishment and other fixed assets purchased for Birchwood and Argyle Street. Expenditure has been capitalised and the grant is being amortised over the life of the respective assets.

Endowment funds

The Wirral PCT endowment fund is a grant expressly for the purpose of purchasing and refurbishing the property known as 88-90 Argyle Street. In accordance with the grant agreement these grants will be credited to the endowment fund and likewise restricted to the purpose of the development of the property.

ARCH INITIATIVES

Notes to the Financial Statements - continued for the Year Ended 31 March 2019

18. CONTINGENT LIABILITIES

The charity may be required to repay funding if it fails to comply with conditions laid down by the various funding providers.

Included in Investment properties is the purchase and refurbishment costs of a building on Argyle Street, Birkenhead. A grant of £500,000 was received from the Wirral Primary Care Trust (WPCT) towards these costs. WPCT hold a legal charge over the property dated 31 March 2009, the terms of which are that should the property be sold within 20 years a set percentage of the sales proceeds will revert back to WPCT. The percentage remittable is tapered down to 0% over 20 years. As at 31 March 2019 the percentage repayable would be 75% of the sale proceed (31 March 2018 - 80%)

19. RELATED PARTY DISCLOSURES

The charitable company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

20. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is the Kaleidoscope Project.