

Charity Registration No. 1024945

Company Registration No. 02812012 (England and Wales)

ARCH INITIATIVES
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

ARCH INITIATIVES

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	Mr D L Antebi (Chair)	(Appointed 25 July 2016)
	Mr S Davison	(Appointed 25 July 2016)
	Mr A W Sutherland	(Appointed 25 July 2016)
	Ms F Rutter	(Appointed 13 September 2016)
Chief Executive	Mr M Blakebrough	
Charity number	1024945	
Company number	02812012	
Registered office	Integra House (First Floor) Celtic Springs Business Park Newport Gwent NP10 8BD	
Auditor	Duncan Sheard Glass Castle Chambers 43 Castle Street Liverpool L2 9TL	
Bankers	Yorkshire Bank	
Solicitors	Brabners Chaffe Street	

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ARCH INITIATIVES

TRUSTEES REPORT (INCLUDING DIRECTORS' REPORT)

FOR THE YEAR ENDED 31 MARCH 2016

The trustees present their report and accounts for the year ended 31 March 2016.

The accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the charitable company's governing document, the Companies Act 2006 and "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

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 behavior 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 operates in partnership with a range of health and social care organisations; both statutory and voluntary sector providers across acute NHS care providers, Primary Care Services, Community Health Providers, Criminal Justice Partners and a wide range of specialist voluntary and private sector organisations.

The trustees have paid due regard to guidance issued by the Charity Commission in deciding what activities the charitable company should undertake.

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 2015/16 includes the following:

- The provision of advice, education and information on issues associated with substance misuse, both drugs and alcohol
- Open Access Services providing easy access to support and treatment for anyone, at anytime
- A full range of services linked to Criminal Justice provision, including arrest referral, test on arrest, drug rehabilitation requirements, prison services etc
- Residential in patient detoxification, providing balanced clinical and recovery support focused packages of care within ARCH's 20 bed unit, Birchwood
- Structured counseling and emotional therapies
- Specialist provision for the treatment and support of individuals experiencing difficulties with stimulants, prescribed medication or a combination of these and alcohol
- Specialist family services providing for substance misusing parents, carers and children of affected families; breaking the cycle and promoting safeguarding and wellbeing
- Structured day care services which include group work, alternative therapies, and a wide range of activities designed to empower individuals to take control of their own life, providing them with the skills and toolkit to develop

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TRUSTEES REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT) FOR THE YEAR ENDED 31 MARCH 2016

- Community prescribing services specifically aimed at complex criminal justice cases
- A full range of recovery services offering ongoing support to maintain recovery, with a particular emphasis on abstinence, employment, training and reintegration
- Accommodation related Supporting People services ensuring anyone in difficulty is able to gain and sustain their accommodation with support
- A range of training and employment programmes, including Catering Trainee Placements, Trainee Substance Misuse Workers, Peer Mentoring Training Programmes and volunteer opportunities

Achievements and performance

During 2015/16 ARCH Initiatives worked to deliver the objectives set in the Strategic Plan 2015 - 2018. The charity continued to emphasise the constant need to drive up the quality in all aspects of service delivery; to focus on the health and well-being of clients, their families and communities; ensuring that we can evidence outstanding capability, individual and public benefit. In a period of difficult financial constraints within the public and third sector, the organisation strived to demonstrate the extents of the value for money and added value it brings.

Residential Services - having successfully bid for a Public Health England capital grant our 20 bed residential facility in the Wirral was refurbished to provide improved bedrooms, public areas and catering facilities. This service has continued to free up essential and valuable NHS beds and reducing hospital costs. Birchwood continues to deliver an excellent service and is rated highly by UK Care Homes.

Criminal Justice Services – we continued to deliver contracts in North Wales and Bradford providing a range of recovery focussed programmes throughout the regions, expanded the number of peer mentoring placements, provided outreach services and group work services.

Bolton Single Point of Advice and Assessment – our Bolton service continues to deliver a high quality and effective case management service for clients in Bolton utilising a wide range of local health, social and welfare services.

Catering Services – since 2009 ARCH Initiatives has expanded its catering enterprise to provide new, public facing, café facilities with ARCH's focus on the delivery of a facility that also provides the opportunity for any individual, considered disadvantaged, who would benefit from employment in the catering and hospitality industry. During the year these services were transferred into another legal entity – ARCH 4 Enterprise Ltd. On 1 April 2016 the activities of ARCH 4 Enterprise Limited were transferred to a newly formed group company Nightingale Social and ARCH 4 Enterprise Limited became dormant from that date.

Shropshire – during the year we successfully tendered to deliver the drug and alcohol services in Shropshire. This contract will start on 1 April 2016 under the banner of Shropshire Recovery Partnership, in partnership with Addaction.

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TRUSTEES REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT)

FOR THE YEAR ENDED 31 MARCH 2016

Financial review

Income for the year to 31 March 2016 was £4,231,205 compared with £6,151,447 in the previous year. The reduction in income is pre-dominantly due to loss of the Wirral Drug and Alcohol Service Contract that ended in December 2014. Corresponding expenditure only reduced from £6,455,220 to £5,923,676 (including impairment losses of £373,593) resulting in a reduction in funds from £2,109,793 to £417,322.

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; a full range of services linked to Criminal Justice provision and residential in patient detoxification. These service are provided under contracts with local authorities and criminal justice bodies.

The loss of the Wirral Drug and Alcohol Service Contract in December 2014 impacted the financial performance of the organisation during 2015/16 as this contract provided a significant contribution towards central and support costs which did not reduce proportionally. The charity continued to invest in central and support costs to develop alternative sources of income and tender for additional contracts.

In August 2016 ARCH made a full and final settlement regarding claims for unfair dismissal for a number of staff not transferred under TUPE arrangements when ARCH took over the Bolton service contract. The settlement costs plus associated legal costs, totalling £389,106, have been provided in this year's accounts.

As a result a deficit of £1,692,471 was incurred during the year jeopardising the short-term liquidity of the organisation. The Trustees therefore decided that to preserve the current service provision they would seek a merger with, or take-over by, another charity providing similar services. In July 2016 the Trustees were approached by Kaleidoscope Project, a charity also supporting people with drug, alcohol and mental health issues based in South Wales. Kaleidoscope felt the acquisition of ARCH would enable it to position itself in England and bid for future contracts outside of Wales. On 25 July 2016 Kaleidoscope Project became the sole member of ARCH Initiatives. Kaleidoscope Project have committed to provide financial support to ensure the long term financial sustainability of ARCH, therefore the Trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future.

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

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TRUSTEES REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT) FOR THE YEAR ENDED 31 MARCH 2016

As at 31 March 2016 the charity had total funds of £417,322 of which £169,100 was restricted, representing a capital grant awarded by Public Health England and is being amortised over 5 years as stipulated in the grant conditions, and an endowment fund of £202,500, representing assets that must be held permanently by the charitable company. Unrestricted funds are £45,722 of which £1,113,385 is represented by fixed assets and therefore financial reserves as defined above are negative compared with the previously identified requirement of £380,000 free reserves to cover 3 months operating costs. The steps the Trustees are taking to bring the reserves in line with the level of reserves identified as appropriate are as follows:

- Closing the Wirral Head Office and incorporating ARCH support services into Kaleidoscope
- Identifying economies of scale and other cost savings within the new Kaleidoscope group

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, a schedule summarising principal risks together with mitigating factors and appropriate risk management procedures is formally reviewed by the Board at least once a year.

In the board's opinion, the charity's two most significant strategic risks can be summarised as:

- The overall economic climate has impacted social care services and ARCH is likely to be faced with real term cuts to its services in the foreseeable future. It is therefore important that we continue to be innovative and develop new ideas and more efficient ways of working.
- As shown by the recent Bradford tender, small contracts with local authorities are being replaced by larger contracts. This will require us to continue to develop and maintain strong partnerships with local and national organisations and to attempt to increase our financial strength in order to cover the increased financial risks associated with larger contracts.

Plans for future periods

On 25 July 2016 Kaleidoscope Project became the sole member of ARCH Initiatives and therefore the main aim for the following financial year will be to integrate into the Kaleidoscope group. The key aims and objectives are to;

- fully integrate into Kaleidoscope including closing the ARCH Head Office in Wirral;
- continue to provide a range of high quality services across Wales and England;
- commence and run a successful new peer mentoring contract;
- continue to build our reserves in line with our reserves policy.

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TRUSTEES REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT)

FOR THE YEAR ENDED 31 MARCH 2016

Structure, governance and management

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 trustees, who are also the directors for the purpose of company law, and who served during the year were:

Mr D L Antebi (Chair)	(Appointed 25 July 2016)
Mr S Davison	(Appointed 25 July 2016)
Mr C J Freegard	(Appointed 25 July 2016 and resigned 13 September 2016)
Mr A W Sutherland	(Appointed 25 July 2016)
Mr W A Carrol	(Resigned 25 July 2016)
Mr J R Cocker	(Resigned 18 November 2015)
Mr F B Cook	(Resigned 25 July 2016)
Mr C E Fry	(Appointed 3 May 2016 and resigned 25 July 2016)
Councillor M Johnston	(Resigned 21 May 2015)
Mr J A Kozer	(Appointed 21 July 2015 and resigned 25 July 2016)
Mr D Mitchell	(Appointed 29 July 2015 and resigned 25 July 2016)
Dr J Quinn	(Resigned 25 July 2016)
Councillor D E Roberts	(Resigned 25 July 2016)
Mr M Sandman	(Resigned 25 July 2016)
Councillor S M Williams	(Resigned 25 July 2016)
Ms F Rutter	(Appointed 13 September 2016)

ARCH INITIATIVES

TRUSTEES REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT) FOR THE YEAR ENDED 31 MARCH 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.

The remuneration of key management personnel is summarised in Note 20 of the financial statements. ARCH's highest paid employee is the Chief Executive and, in the year to 31 March 2016, his salary was £65,989.

Related party

The Charity's subsidiary, Arch 4 Enterprise Limited, is a related party. On 1 April 2016 the activities of ARCH 4 Enterprise Limited were transferred to a newly formed group company Nightingale Social and ARCH 4 Enterprise Limited became dormant from that date.

Auditor

In accordance with the company's articles, a resolution proposing that Duncan Sheard Glass be reappointed as auditor of the company will be put at a General Meeting.

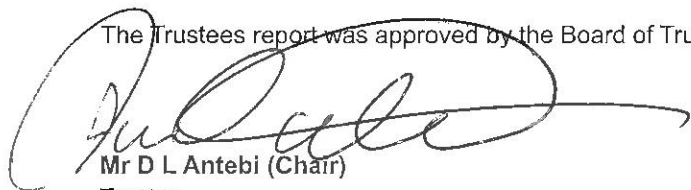
Disclosure of information to auditor

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.

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TRUSTEES REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT) FOR THE YEAR ENDED 31 MARCH 2016

The Trustees report was approved by the Board of Trustees.

A large, stylized handwritten signature in black ink, appearing to read 'D. L. Antebi', is written over the text of the approval statement.

Mr D L Antebi (Chair)

Trustee

Dated: 5 December 2016

ARCH INITIATIVES

STATEMENT OF TRUSTEES RESPONSIBILITIES

FOR THE YEAR ENDED 31 MARCH 2016

The trustees, who are also the directors of Arch Initiatives for the purpose of company law, are responsible for preparing the Trustees Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company Law requires the trustees to prepare accounts 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 year.

In preparing these accounts, 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 accounts; and
- prepare the accounts 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 adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the accounts 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.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARCH INITIATIVES

We have audited the financial statements of Arch Initiatives for the year ended 31 March 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows 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), including Financial Reporting Standard 102.

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 its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the statement of Trustees responsibilities, the trustees, who are also the directors of Arch Initiatives for the purposes of company law are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the accounts 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 accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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 accounts. In addition, we read all the financial and non-financial information in the Trustees Annual Report to identify material inconsistencies with the audited accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounts.

In our opinion the accounts:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2016 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

ARCH INITIATIVES

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF ARCH INITIATIVES

Matters on which we are required to report by exception

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

- 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 accounts 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.
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and to take advantage of the small companies' exemption in preparing the Trustees' Report and from the requirement to prepare a Strategic Report.



Jean Ellis BA FCA CTA (Senior Statutory Auditor)
for and on behalf of Duncan Sheard Glass

5 December 2016

Chartered Accountants
Statutory Auditor

Castle Chambers
43 Castle Street
Liverpool
L2 9TL

ARCH INITIATIVES

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2016

	Notes	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2016 £	Total 2015 £
<u>Income and endowments from:</u>						
Donations and legacies	2	-	178,000	-	178,000	1,205
Charitable activities	3	3,919,169	-	-	3,919,169	6,032,588
Investments	4	134,001	-	-	134,001	91,424
Other income	5	35	-	-	35	26,230
Total income and endowments		4,053,205	178,000	-	4,231,205	6,151,447
<u>Expenditure on:</u>						
Charitable activities	6	5,491,870	42,700	-	5,534,570	6,455,220
Total expenditure		5,491,870	42,700	-	5,534,570	6,455,220
Material other expenditure	10	389,106	-	-	389,106	-
Total resources expended		5,880,976	42,700	-	5,923,676	6,455,220
Net (expenditure)/income for the year		(1,827,771)	135,300	-	(1,692,471)	(303,773)
Gross transfers between funds		335,623	(38,123)	(297,500)	-	-
<u>Other recognised gains and losses</u>						
Revaluation of tangible fixed assets		-	-	-	-	(103,396)
Net movement in funds		(1,492,148)	97,177	(297,500)	(1,692,471)	(407,169)
Fund balances at 1 April 2015		1,537,870	71,923	500,000	2,109,793	2,516,962
Fund balances at 31 March 2016		45,722	169,100	202,500	417,322	2,109,793

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

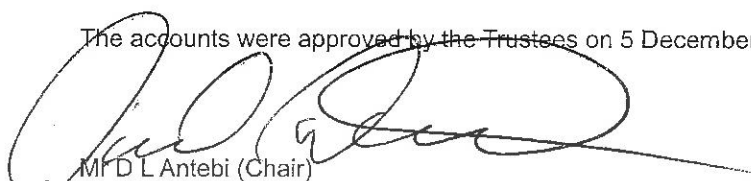
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BALANCE SHEET

AS AT 31 MARCH 2016

	Notes	2016 £	£	2015 £	£
Fixed assets					
Tangible assets	11	1,484,985		1,809,899	
Investments	12		1		
		<u>1,484,986</u>		<u>1,809,899</u>	
Current assets					
Debtors	13	438,532		453,279	
Cash at bank and in hand		693,435		1,198,120	
		<u>1,131,967</u>		<u>1,651,399</u>	
Creditors: amounts falling due within one year	14	<u>(2,199,631)</u>		<u>(1,351,505)</u>	
Net current (liabilities)/assets		(1,067,664)		299,894	
Total assets less current liabilities		<u>417,322</u>		<u>2,109,793</u>	
Capital funds					
Endowment funds - general	16	202,500		500,000	
Income funds					
Restricted funds	15	169,100		71,923	
Unrestricted funds		45,722		1,537,870	
		<u>417,322</u>		<u>2,109,793</u>	

The accounts were approved by the Trustees on 5 December 2016


MFD L Antebi (Chair)
Trustee

Company Registration No. 02812012

ARCH INITIATIVES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £	£	2015 £	£
Cash flows from operating activities					
Cash absorbed by operations	23		(544,548)		(4,223,328)
Investing activities					
Purchase of tangible fixed assets		(224,237)		(99,175)	
Proceeds on disposal of tangible fixed assets		130,100		-	
Purchase of investments		(1)		-	
Interest received		134,001		91,424	
Net cash generated from/(used in) investing activities			39,863		(7,751)
Net cash used in financing activities			-		-
Net decrease in cash and cash equivalents			(504,685)		(4,231,079)
Cash and cash equivalents at beginning of year			1,198,120		5,429,199
Cash and cash equivalents at end of year			693,435		1,198,120

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

Company information

Arch Initiatives is a private company limited by guarantee incorporated in England and Wales. The registered office is Integra House (First Floor), Celtic Springs Business Park, Newport, Gwent, NP10 8BD.

1.1 Accounting convention

These accounts have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), "Accounting and Reporting by Charities" the Statement of Recommended Practice for charities applying FRS 102, the Companies Act 2006 and UK Generally Accepted Accounting Practice as it applies from 1 January 2015. The charitable company is a Public Benefit Entity as defined by FRS 102.

The accounts are prepared in sterling, which is the functional currency of the charitable company. Monetary amounts in these financial statements are rounded to the nearest £.

The accounts have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

These accounts for the year ended 31 March 2016 are the first accounts of Arch Initiatives prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 April 2014. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

The charitable company and its subsidiary comprise a small group and are exempt from providing group accounts by paragraph 24.13 of the Charities SORP (FRS102) as the subsidiary's activity is being held with a view to its subsequent disposal and has not been previously consolidated by the charity. The losses of £70,825 incurred by the subsidiary in the period have been provided for within these accounts.

1.2 Going concern

At the time of approving the accounts, the trustees have a reasonable expectation that the charitable company has adequate resources to continue in operational existence for the foreseeable future. Thus, the Trustees continue to adopt the going concern basis of accounting in preparing the accounts.

In making this going concern assessment, all available information has been considered by the trustees, who believe that the charitable company has sufficient resources to continue to operate for at least twelve months from the date of approval of these financial statements. The charitable company is reliant upon the continued support of its parent charitable company, Kaleidoscope Project, and the trustees have no reason to believe that this support will be withdrawn if it would jeopardise the future of the Charitable company.

The financial statements do not include the adjustments that would result if the going concern basis of preparation were to become no longer appropriate.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the trustees in furtherance of their charitable objectives unless the funds have been designated for other purposes.

Restricted funds are subject to specific conditions by donors as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the accounts.

Endowment funds are subject to specific conditions by donors that the capital must be maintained by the charitable company.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

(Continued)

1.4 Incoming resources

Income is recognised when the charitable company is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received.

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.

Legacies are recognised on receipt or otherwise if the charitable company has been notified of an impending distribution, the amount is known, and receipt is expected. If the amount is not known, the legacy is treated as a contingent asset.

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 specifies that they must be used in future accounting periods.

1.5 Resources expended

Resources expended are included in the Statement of Financial Activities on an accruals basis, once there is a legal or constructive obligation to make a payment.

Expenditure which is directly attributable to specific activities has been included in these cost categories. Where costs are attributable to more than one activity, they have been apportioned across cost categories on a basis consistent with the use of these resources.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings	1% straight line
Fixtures, fittings & equipment	20% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in net income/(expenditure) for the year.

1.7 Fixed asset investments

Fixed asset investments are initially measured at transaction price excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in net income/(expenditure) for the year. Transaction costs are expensed as incurred.

A subsidiary is an entity controlled by the charitable company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.8 Impairment of fixed assets

At each reporting end date, the charitable company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

ARCH INITIATIVES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in income/ (expenditure for the year, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, 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.

1.10 Financial instruments

The charitable company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charitable company's balance sheet when the charitable company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

ARCH INITIATIVES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through income and expenditure, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in net income/(expenditure) for the year.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in net income/(expenditure) for the year.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the charitable company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the charitable company's contractual obligations expire or are discharged or cancelled.

1.11 Employee benefits

The cost of any unused holiday entitlement is recognised in the period 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.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease.

ARCH INITIATIVES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

2 Donations and legacies

	Unrestricted funds	Restricted funds	Total 2016	Total 2015
	£	£	£	£
Donations and gifts	-	-	-	1,205
Grant receivable for core activities	-	178,000	178,000	-
	-	178,000	178,000	1,205
For the year ended 31 March 2015	1,205	-	-	1,205

3 Charitable activities

	2016 £	2015 £
Sales within charitable activities	68,609	124,793
Services provided under contract	3,850,560	5,907,795
	3,919,169	6,032,588

4 Investments

	Unrestricted funds	Restricted funds	Total 2016	Total 2015
	£	£	£	£
Rental income	133,104	-	133,104	83,593
Interest receivable	897	-	897	7,831
	134,001	-	134,001	91,424
For the year ended 31 March 2015	40,709	50,715	-	91,424

5 Other income

	2016 £	2015 £
Other income	35	26,230

ARCH INITIATIVES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

6 Charitable activities

	2016 £	2015 £
Staff costs	3,266,452	4,065,279
Activities undertaken directly	507,941	1,081,765
	<u>3,774,393</u>	<u>5,147,044</u>
Share of support costs (see note 7)	1,754,177	1,301,676
Share of governance costs (see note 7)	6,000	6,500
	<u>5,534,570</u>	<u>6,455,220</u>
Analysis by fund		
Unrestricted funds	5,491,870	
Restricted funds	42,700	
	<u>5,534,570</u>	
For the year ended 31 March 2015		
Unrestricted funds		6,438,305
Restricted funds		16,915
		<u>6,455,220</u>

ARCH INITIATIVES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

7 Support costs

	Support costs	Governance costs	2016	2015	
	£	£	£	£	
Staff costs	639,903	-	639,903	676,416	
Depreciation and impairment	419,051	-	419,051	34,605	
Other staff costs	57,096	-	57,096	75,795	
Consultancy and freelance	135,057	-	135,057	27,970	
Premises	126,068	-	126,068	155,261	
Marketing	75,993	-	75,993	36,084	
Office costs	123,913	-	123,913	155,939	
Insurance, health and safety	63,438	-	63,438	7,372	
Legal costs	100,611	-	100,611	117,705	
Bank charges	13,047	-	13,047	14,529	
Audit fees	-	6,000	6,000	6,500	Governance
	<u>1,754,177</u>	<u>6,000</u>	<u>1,760,177</u>	<u>1,308,176</u>	
Analysed between Charitable activities	<u>1,754,177</u>	<u>6,000</u>	<u>1,760,177</u>	<u>1,308,176</u>	

8 Trustees

None of the trustees (or any persons connected with them) received any remuneration or benefits from the charitable company during the year.

ARCH INITIATIVES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

9 Employees

Number of employees

The average monthly number employees during the year was:

	2016 Number	2015 Number
Direct charitable work	135	200
Administrative	18	20
	<u>153</u>	<u>220</u>

Employment costs

	2016 £	2015 £
Wages and salaries	3,625,368	4,313,652
Social security costs	214,786	334,230
Other pension costs	66,201	93,813
	<u>3,906,355</u>	<u>4,741,695</u>

Included within employment costs are redundancy costs of £42,095.

The number of employees whose annual remuneration was £60,000 or more were:

	2016 Number	2015 Number
£60,000 - £70,000	<u>1</u>	<u>1</u>

10 Material other expenditure

Material other expenditure relates to costs incurred following the settlement of an employment tribunal case. In August 2016 ARCH made a full and final settlement regarding claims for unfair dismissal for a number of staff not transferred under TUPE arrangements when ARCH took over the Bolton service contract. The settlement costs plus associated legal costs, totalling £389,106, have been provided in this year's accounts.

ARCH INITIATIVES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

11 Tangible fixed assets

	Land and buildings	Fixtures, fittings & equipment	Total
	£	£	£
Cost			
At 1 April 2015	1,944,210	306,329	2,250,539
Additions	81,818	142,419	224,237
Disposals	(245,000)	(32,244)	(277,244)
At 31 March 2016	1,781,028	416,504	2,197,532
Depreciation and impairment			
At 1 April 2015	226,674	213,966	440,640
Depreciation charged in the year	17,197	28,261	45,458
Impairment losses	373,593	-	373,593
Eliminated in respect of disposals	(114,900)	(32,244)	(147,144)
At 31 March 2016	502,564	209,983	712,547
Carrying amount			
At 31 March 2016	1,278,464	206,521	1,484,985
At 31 March 2015	1,717,536	92,363	1,809,899

In accordance with the charity's accounting policy the trustees have reviewed the carrying amounts of its tangible assets to determine whether there is any indication that any assets have suffered an impairment loss. Following consultation with surveyors and property consultants two of the properties owned by the charity have shown such an indication and those properties have been impaired down to their estimated recoverable amount in the period.

12 Fixed asset investments

	Unlisted investments
	£
Cost or valuation	
At 31 March 2016	-
Additions	1
At 31 March 2016	1
Carrying amount	
At 31 March 2016	1
At 31 March 2015	-

ARCH INITIATIVES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

12 Fixed asset investments		(Continued)	
	Notes	2016 £	2015 £
Other investments comprise:			
Investments in subsidiaries	22	1	
		<u>1</u>	<u></u>
13 Debtors			
		2016 £	2015 £
Amounts falling due within one year:			
Trade debtors		350,030	328,270
Prepayments and accrued income		88,502	125,009
		<u>438,532</u>	<u>453,279</u>
14 Creditors: amounts falling due within one year			
		2016 £	2015 £
Trade creditors		261,570	1,163,422
Amounts due to subsidiary undertakings		101,189	-
Other creditors		1,053,901	115,699
Accruals and deferred income		782,971	72,384
		<u>2,199,631</u>	<u>1,351,505</u>

ARCH INITIATIVES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

15 Restricted funds

The income funds of the charity include restricted funds comprising the following unexpended balances of donations and grants held on trust for specific purposes:

	Balance at 1 April 2015	Movement in funds			Balance at 31 March 2016
		Income	Expenditure	Transfers Revaluations, gains and losses	
	£	£	£	£	£
Property fund	71,923	-	(33,800)	(38,123)	-
Public Health England grant	-	178,000	(8,900)	-	169,100
	<u>71,923</u>	<u>178,000</u>	<u>(42,700)</u>	<u>(38,123)</u>	<u>169,100</u>

Property fund - within restricted funds is property which was originally purchased partially by using restricted funds. The donors specified that the property should be retained for a specified period.

Public Health England grant - this grant was awarded to pay for building refurbishment and other fixed asset purchases at Birchwood and Argyle Street. Expenditure has been capitalised and the grant is being amortised over a period of time.

16 Endowment funds

Endowment funds represent assets which must be held permanently by the charitable company. Income arising on the endowment funds can be used in accordance with the objects of the charitable company and is included as unrestricted income. Any capital gains or losses arising on the assets form part of the fund.

	Balance at 1 April 2015	Movement in funds			Balance at 31 March 2016
		Income	Expenditure	Transfers	
	£	£	£	£	£
Permanent endowments					
Wirral PCT	500,000	-	-	(297,500)	202,500
	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>(297,500)</u>	<u>202,500</u>

Wirral PCT - this is a grant expressly for the purpose of purchasing and refurbishing the property 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.

During the year the property was impaired down to a value of £225,000 following a valuation performed by Keppie Massie surveyors and property consultants on 24 March 2016. Under the terms of the agreement with Wirral PCT the charity would be obliged to repay 90% of the sales proceeds back to Wirral PCT as at 31 March 2016. The endowment fund has been adjusted to reflect this at the period end.

ARCH INITIATIVES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

17 Analysis of net assets between funds

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total £
Fund balances at 31 March 2016 are represented by:				
Tangible assets	1,113,385	169,100	202,500	1,484,985
Investments	1	-	-	1
Current assets/(liabilities)	(1,067,664)	-	-	(1,067,664)
	<u>45,722</u>	<u>169,100</u>	<u>202,500</u>	<u>417,322</u>

18 Operating lease commitments

At the reporting end date the charitable company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £	2015 £
Within one year	202,221	155,192
Between two and five years	313,864	301,454
In over five years	1,598	4,795
	<u>517,683</u>	<u>461,441</u>

19 Financial commitments, guarantees and contingent liabilities

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

Included in freehold property is the purchase and refurbishment of a building on Argyle Street, Birkenhead. A grant of £500,000 was received from Wirral Primary Care Trust (WPCT) towards these costs. WPCT hold a legal charge over the property dated 17 March 2009, the terms of which are that should the property be sold within 20 years a set percentage of the sales proceeds will be remitted back to WPCT. The percentage remittable is tapered down to 0% over the 20 years. As at 31 March 2016 the percentage applicable was 90% of sale proceeds.

20 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, who are the senior executive team, is as follows.

	2016 £	2015 £
Aggregate compensation	<u>238,251</u>	<u>174,265</u>

ARCH INITIATIVES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

20 Related party transactions

(Continued)

The charity 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.

21 Events after the reporting date

On 25 July 2016, Kaleidoscope Project ("Kaleidoscope"), a charitable company limited by guarantee became the sole member of ARCH Initiatives ("Arch"). On the same date, the trustees of Arch Initiatives resigned to be replaced by four of Kaleidoscope's trustees. Consequently Arch Initiatives became a subsidiary of Kaleidoscope on 25 July 2016.

22 Subsidiaries

Details of the charitable company's subsidiaries at 31 March 2016 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held	
			Direct	Indirect
Arch 4 Enterprise Limited	England and Wales	Catering services	Ordinary	100.00

The aggregate capital and reserves and the result for the year of subsidiaries excluded from consolidation was as follows:

Name of undertaking	Profit/(Loss)	Capital and Reserves
	£	£
Arch 4 Enterprise Limited	(70,825)	(70,824)

23 Cash generated from operations

	2016 £	2015 £
Deficit for the year	(1,692,471)	(303,773)
Adjustments for:		
Investment income recognised in profit or loss	(134,001)	(91,424)
Depreciation and impairment of tangible fixed assets	419,051	34,605
Movements in working capital:		
Decrease in debtors	14,747	20,554
Increase/(decrease) in creditors	848,126	(3,883,290)
Cash absorbed by operations	(544,548)	(4,223,328)

