

REGISTERED COMPANY NUMBER: 02812012 (England and Wales)
REGISTERED CHARITY NUMBER: 1024945

**Report of the Trustees and
Financial Statements for the Year Ended 31 March 2017
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

Contents of the Financial Statements for the Year Ended 31 March 2017

	Page
Report of the Trustees	1 to 6
Report of the Independent Auditors	7 to 8
Statement of Financial Activities	9
Balance Sheet	10
Notes to the Financial Statements	11 to 20
Detailed Statement of Financial Activities	21 to 22

ARCH INITIATIVES

Report of the Trustees for the Year Ended 31 March 2017

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 2017. 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 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 2016/17 includes 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.
- A training department to help people acquire new skills and qualifications, in order to achieve their goals in life.
- Residential services catering for vulnerable adults.
- A day centre for the elderly.

ARCH INITIATIVES

Report of the Trustees for the Year Ended 31 March 2017

STRATEGIC REPORT

Achievement and performance

Charitable activities

During 2016/17 ARCH initiatives primary objective was to find a partner organisation, due to the risks it perceived it had in relation to its business. In July 2016 Kaleidoscope agreed to acquire ARCH. The emphasis, from a business perspective then changed to ensuring we worked to harmonise activities and management structures to that of Kaleidoscope. The integration of Finance and Human Resource Functions was particularly key. The charity also 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, care 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 under the banner of Shropshire Recovery Partnership, in partnership with Addaction.

Financial review

Financial position

Income for the year to 31 March 2017 was £6,525,745 compared with £4,231,205 in the previous year.

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.

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. Full provision for the settlement costs plus associated legal costs, totalling £389,106, were made in the previous years accounts to 31 March 2016.

Due to the financial problems of the previous year, the Trustees 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 enable ARCH to continue trading until the two organisations merge in the near future.

ARCH INITIATIVES

Report of the Trustees for the Year Ended 31 March 2017

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 2017 the charity had total funds of £27,134 of which £112,739 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 £191,250 representing assets that must be held permanently by the charitable company. Unrestricted funds are in a deficit of £276,855. Hence the decision was made to merge the organisation with Kaleidoscope Project.

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.

Future plans

Taking into account the risks outlined above, in September 2017, the respective Boards of ARCH and Kaleidoscope agreed that it would be advantageous to both organisations and its beneficiaries to merge. A merger plan has been drawn up and approved and is currently being implemented with a view to the merger completing on 31 March 2018.

The Trustees are confident that the merged organisation will ensure that the hard work of all ARCH staff, current and previous, will not be lost, but will be taken forward into the new merged charity, which will enjoy many new advantages going forward that will ultimately benefit our service users.

ARCH INITIATIVES

Report of the Trustees for the Year Ended 31 March 2017

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.

Related parties

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. Nightingale Social also ceased to trade on 31 March 2017.

REFERENCE AND ADMINISTRATIVE DETAILS

Registered Company number

02812012 (England and Wales)

Registered Charity number

1024945

ARCH INITIATIVES

Report of the Trustees for the Year Ended 31 March 2017

REFERENCE AND ADMINISTRATIVE DETAILS

Registered office

1st Floor Integra House
Vaughan Court
Celtic Springs
Newport
NP10 8BD

Trustees

D L Antebi	Retired	- appointed 25.7.16
W A Carroll	Retired	- resigned 25.7.16
F B Cook	Unemployed	- resigned 25.7.16
S P Davison	Retired	- appointed 25.7.16
C J Freegard	Retired	- appointed 25.7.16
		- resigned 13.9.16
C E Fry	Financial Consultant	- appointed 3.5.16
		- resigned 25.7.16
J A Kozar	Retired	- resigned 25.7.16
D Mitchell	Councillor	- resigned 25.7.16
Mrs A Newell	Retired	- appointed 10.11.16
Dr J Quinn	Councillor	- resigned 25.7.16
Councillor D E Roberts	Councillor	- resigned 25.7.16
Mrs F Rutter	Retired	- appointed 13.9.16
M Sandman	Marketing Consultant	- resigned 25.7.16
A W Sutherland	Retired	- appointed 25.7.16
Councillor S M Williams	Councillor	- resigned 25.7.16

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.

ARCH INITIATIVES

Report of the Trustees for the Year Ended 31 March 2017

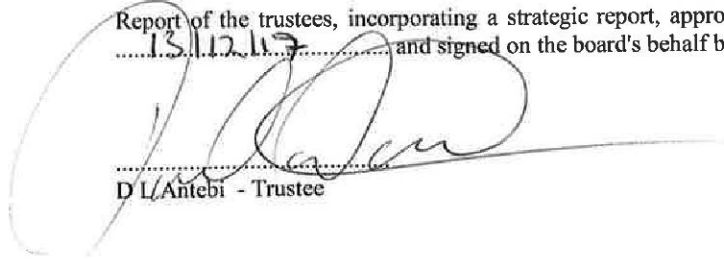
DISCLOSURE OF INFORMATION TO AUDITOR

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, on 13.12.17 and signed on the board's behalf by:



.....
D L Antebi - Trustee

Report of the Independent Auditors to the Members of Arch Initiatives

We have audited the financial statements of Arch Initiatives for the year ended 31 March 2017 on pages nine to twenty. 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'.

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.

Respective responsibilities of trustees and auditors

As explained more fully in the Statement of Trustees Responsibilities set out on page five, 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.

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

Scope of the audit of the financial statements

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

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 2017 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.

Emphasis of matter - Going Concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in the Report of the Trustees and the notes to the financial statements concerning the charitable company's ability to continue as a going concern. Subsequent to the year end, the intention is for the assets and liabilities of the charitable company to be transferred to the Kaleidoscope Project.

The financial statements have been prepared 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.

Opinion on other matter prescribed by the Companies Act 2006

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

**Report of the Independent Auditors 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 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.

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: *18th December 2017.*

ARCH INITIATIVES

Statement of Financial Activities (Incorporating an Income and Expenditure Account) for the Year Ended 31 March 2017

	Notes	Unrestricted fund £	Restricted fund £	Endowment fund £	31.3.17 Total funds £	31.3.16 Total funds £
INCOME AND ENDOWMENTS FROM						
Donations and legacies	2	30	-	-	30	178,000
Charitable activities	5					
Drug treatments		6,335,280	-	-	6,335,280	3,850,560
Other trading activities	3	65,581	-	-	65,581	68,609
Investment income	4	124,854	-	-	124,854	134,001
Other income		-	-	-	-	35
Total		<u>6,525,745</u>	<u>-</u>	<u>-</u>	<u>6,525,745</u>	<u>4,231,205</u>
EXPENDITURE ON						
Charitable activities	6					
Drug treatments		6,859,572	56,361	-	6,915,933	5,534,570
Material other expenditure		-	-	-	-	389,106
Total		<u>6,859,572</u>	<u>56,361</u>	<u>-</u>	<u>6,915,933</u>	<u>5,923,676</u>
NET INCOME/(EXPENDITURE)						
		(333,827)	(56,361)	-	(390,188)	(1,692,471)
Transfers between funds	18	11,250	-	(11,250)	-	-
Net movement in funds		<u>(322,577)</u>	<u>(56,361)</u>	<u>(11,250)</u>	<u>(390,188)</u>	<u>(1,692,471)</u>
RECONCILIATION OF FUNDS						
Total funds brought forward		<u>45,722</u>	<u>169,100</u>	<u>202,500</u>	<u>417,322</u>	<u>2,109,793</u>
TOTAL FUNDS CARRIED FORWARD		<u>(276,855)</u>	<u>112,739</u>	<u>191,250</u>	<u>27,134</u>	<u>417,322</u>

CONTINUING OPERATIONS

All income and expenditure has arisen from continuing activities.

ARCH INITIATIVES

Balance Sheet At 31 March 2017

	Notes	Unrestricted fund £	Restricted fund £	Endowment fund £	31.3.17 Total funds £	31.3.16 Total funds £
FIXED ASSETS						
Tangible assets	12	441,672	112,739	-	554,411	1,484,985
Investments						
Investments	13	1	-	-	1	1
Investment property	14	627,215	-	191,250	818,465	-
		<u>1,068,888</u>	<u>112,739</u>	<u>191,250</u>	<u>1,372,877</u>	<u>1,484,986</u>
CURRENT ASSETS						
Debtors	15	318,049	-	-	318,049	438,532
Cash at bank and in hand		<u>107,557</u>	<u>-</u>	<u>-</u>	<u>107,557</u>	<u>693,435</u>
		<u>425,606</u>	<u>-</u>	<u>-</u>	<u>425,606</u>	<u>1,131,967</u>
CREDITORS						
Amounts falling due within one year	16	(1,771,349)	-	-	(1,771,349)	(2,199,631)
		<u>(1,771,349)</u>	<u>-</u>	<u>-</u>	<u>(1,771,349)</u>	<u>(2,199,631)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>(1,345,743)</u>	<u>-</u>	<u>-</u>	<u>(1,345,743)</u>	<u>(1,067,664)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(276,855)</u>	<u>112,739</u>	<u>191,250</u>	<u>27,134</u>	<u>417,322</u>
NET ASSETS/(LIABILITIES)		<u><u>(276,855)</u></u>	<u><u>112,739</u></u>	<u><u>191,250</u></u>	<u><u>27,134</u></u>	<u><u>417,322</u></u>
FUNDS	18					
Unrestricted funds					(276,855)	45,722
Restricted funds					112,739	169,100
Endowment funds					191,250	202,500
TOTAL FUNDS					<u><u>27,134</u></u>	<u><u>417,322</u></u>

The financial statements were approved by the Board of Trustees on 13/12/17 and were signed on its behalf by:


D L Antebi - Trustee

The notes form part of these financial statements

ARCH INITIATIVES

Notes to the Financial Statements for the Year Ended 31 March 2017

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, as modified by the revaluation of certain assets.

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.

Subsequent to the year end, the intention is for the assets and liabilities of the charitable company to be transferred to the Kaleidoscope Project. 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 2017

1. 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.

Freehold property	- 2% on cost
Fixtures and fittings	- 20% on reducing balance

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 2017

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

	31.3.17 £	31.3.16 £
Donations	30	-
Grants	-	178,000
	<u>30</u>	<u>178,000</u>

Grants received, included in the above, are as follows:

	31.3.17 £	31.3.16 £
Other grants	-	178,000
	<u>-</u>	<u>178,000</u>

3. OTHER TRADING ACTIVITIES

	31.3.17 £	31.3.16 £
Miscellaneous income	65,581	68,609
	<u>65,581</u>	<u>68,609</u>

4. INVESTMENT INCOME

	31.3.17 £	31.3.16 £
Rents received	124,854	133,104
Deposit account interest	-	897
	<u>124,854</u>	<u>134,001</u>

ARCH INITIATIVES

Notes to the Financial Statements - continued for the Year Ended 31 March 2017

5. INCOME FROM CHARITABLE ACTIVITIES

		31.3.17	31.3.16
	Activity	£	£
Service level agreements	Drug treatments	<u>6,335,280</u>	<u>3,850,560</u>

6. CHARITABLE ACTIVITIES COSTS

	Direct costs	Support costs (See note 7)	Totals
	£	£	£
Drug treatments	<u>5,833,110</u>	<u>1,082,823</u>	<u>6,915,933</u>

7. SUPPORT COSTS

	Management	Finance	Governance costs	Totals
	£	£	£	£
Drug treatments	<u>1,024,712</u>	<u>52,111</u>	<u>6,000</u>	<u>1,082,823</u>

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

	31.3.17	31.3.16
	£	£
	Drug treatments	Total activities
Wages	451,191	639,903
Hire of plant and machinery	21,110	-
Premises costs	34,030	126,068
Licences & registration	2,286	63,438
Office expenses	205,506	123,913
Legal & professional fees	63,213	100,611
Audit & accountancy fees	4,900	-
Insurance, health & safety	77,103	-
Other staff costs	42,924	57,096
Professional fees	65,152	224,097
Depreciation of tangible and heritage assets	57,297	45,458
Impairment losses for tangible fixed assets	-	373,593
Travel	58	-
Loss on sale of tangible fixed assets	52,053	-
Auditors' remuneration	6,000	6,000
	<u>1,082,823</u>	<u>1,760,177</u>

ARCH INITIATIVES

Notes to the Financial Statements - continued for the Year Ended 31 March 2017

8. NET INCOME/(EXPENDITURE)

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

	31.3.17	31.3.16
	£	£
Auditors' remuneration	6,000	6,000
Depreciation - owned assets	57,296	45,458
Hire of plant and machinery	27,694	8,539
Deficit on disposal of fixed asset	52,053	-
Settlement costs	-	389,106
Impairment losses for tangible fixed assets	-	373,593
Write off of loan with Nightingale Social	257,254	-
	<u>257,254</u>	<u>-</u>

Settlement costs in the prior year 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, were provided in the prior year accounts.

In the prior year, the trustees reviewed the carrying amounts of its tangible assets to determine whether there was 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 shown such an indication and those properties were impaired down to their estimated amount in the period.

During the current year, the Trustees have reviewed the operations of their subsidiary Nightingale Social and made the decision to write off the loan to the company which amounts to £257,254.

9. TRUSTEES' REMUNERATION AND BENEFITS

There were no trustees' remuneration or other benefits for the year ended 31 March 2017 nor for the year ended 31 March 2016.

Trustees' expenses

There were no trustees' expenses paid for the year ended 31 March 2017 nor for the year ended 31 March 2016.

10. STAFF COSTS

	31.3.2017	31.3.2016
	£	£
Wages & salaries	4,917,669	3,625,368
Social security costs	281,018	214,786
Other pension costs	121,425	66,201
	<u>5,320,112</u>	<u>3,906,355</u>

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

	31.3.17	31.3.16
Direct charitable work	156	135
Administrative	25	18
	<u>181</u>	<u>153</u>

The number of employees whose employee benefits (excluding employer pension costs) exceeded £60,000 was:

	31.3.17	31.3.16
£60,001 - £70,000	1	1
	<u>1</u>	<u>1</u>

The remuneration of key management personnel, who are the senior executive team is £274,584 (2016: £174,265).

ARCH INITIATIVES

Notes to the Financial Statements - continued for the Year Ended 31 March 2017

11. COMPARATIVES FOR THE STATEMENT OF FINANCIAL ACTIVITIES

	Unrestricted fund £	Restricted fund £	Endowment fund £	Total funds £
INCOME AND ENDOWMENTS FROM				
Donations and legacies	-	178,000	-	178,000
Charitable activities				
Drug treatments	3,850,560	-	-	3,850,560
Other trading activities	68,609	-	-	68,609
Investment income	134,001	-	-	134,001
Other income	35	-	-	35
Total	4,053,205	178,000	-	4,231,205
EXPENDITURE ON				
Charitable activities				
Drug treatments	5,491,870	42,700	-	5,534,570
Material other expenditure	389,106	-	-	389,106
Total	5,880,976	42,700	-	5,923,676
NET INCOME/(EXPENDITURE)	(1,827,771)	135,300	-	(1,692,471)
Transfers between funds	335,623	(38,123)	(297,500)	-
Net movement in funds	(1,492,148)	97,177	(297,500)	(1,692,471)
RECONCILIATION OF FUNDS				
Total funds brought forward	1,537,870	71,923	500,000	2,109,793
TOTAL FUNDS CARRIED FORWARD	45,722	169,100	202,500	417,322

ARCH INITIATIVES

Notes to the Financial Statements - continued for the Year Ended 31 March 2017

12. TANGIBLE FIXED ASSETS

	Freehold property £	Fixtures and fittings £	Totals £
COST			
At 1 April 2016	1,781,028	416,504	2,197,532
Disposals	-	(80,682)	(80,682)
Reclassification	(1,250,123)	-	(1,250,123)
At 31 March 2017	530,905	335,822	866,727
DEPRECIATION			
At 1 April 2016	502,564	209,983	712,547
Charge for year	5,308	51,988	57,296
Eliminated on disposal	-	(25,870)	(25,870)
Reclassification	(431,657)	-	(431,657)
At 31 March 2017	76,215	236,101	312,316
NET BOOK VALUE			
At 31 March 2017	454,690	99,721	554,411
At 31 March 2016	1,278,464	206,521	1,484,985

During the year two freehold properties were transferred to investment properties to reflect their current status.

13. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
MARKET VALUE	
At 1 April 2016 and 31 March 2017	1
NET BOOK VALUE	
At 31 March 2017	1
At 31 March 2016	1

There were no investment assets outside the UK.

The company's investments at the balance sheet date in the share capital of companies include the following:

Arch 4 Enterprise Limited (Company number 02812012)

Registered office: England and Wales

Nature of business: Catering services

Class of share:	% holding		
Ordinary	100		
		31.3.17	31.3.16
		£	£
Aggregate capital and reserves		(70,824)	(70,824)
Profit/(loss) for the year		-	(70,825)

This subsidiary is held exclusively with a view to resale and therefore is excluded from the group consolidation.

ARCH INITIATIVES

Notes to the Financial Statements - continued for the Year Ended 31 March 2017

13. FIXED ASSET INVESTMENTS - continued

Nightingale Social (Company number 10049991)

Registered office: England and Wales

Nature of business: Catering services

	%		
Class of share:	holding		
Limited by guarantee - control	100		
		31.3.17	31.3.16
		£	£
Aggregate capital and reserves		(4,005)	-
(Loss)/profit for the year		(4,005)	-
		<u> </u>	<u> </u>

On 8 March 2016 Arch Initiatives set up Nightingale Social and its became a wholly controlled subsidiary of Arch Initiatives. Nightingale Social ceased trading on 31 March 2017.

14. INVESTMENT PROPERTY

	£
MARKET VALUE	
Reclassification	818,465
	<u> </u>
NET BOOK VALUE	
At 31 March 2017	818,465
	<u> </u>
At 31 March 2016	-
	<u> </u>

During the year two freehold properties were transferred to investment properties to reflect their current status. For restrictions on investment properties see the contingent liabilities note.

Two of the investment properties were valued by Keppie Massie, an independent valuer, on 24th March 2016.

The trustees are of the opinion that the value of the remaining property has not materially changed within the year.

15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.3.17	31.3.16
	£	£
Trade debtors	246,827	350,030
Prepayments and accrued income	71,222	88,502
	<u> </u>	<u> </u>
	318,049	438,532
	<u> </u>	<u> </u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.3.17	31.3.16
	£	£
Trade creditors	273,121	261,570
Amounts owed to group undertakings	890,260	101,189
Social security and other taxes	217,716	-
Other creditors	-	1,053,901
Accruals and deferred income	390,252	782,971
	<u> </u>	<u> </u>
	1,771,349	2,199,631
	<u> </u>	<u> </u>

ARCH INITIATIVES

Notes to the Financial Statements - continued for the Year Ended 31 March 2017

17. LEASING AGREEMENTS

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

	31.3.2017	31.3.2016
	£	£
Within one year	178,248	202,221
Between one and five years	487,458	313,864
In over five years	-	1,598
	<u>665,706</u>	<u>517,683</u>

18. MOVEMENT IN FUNDS

	At 1.4.16	Net movement	Transfers	At 31.3.17
	£	in funds	between funds	£
		£	£	
Unrestricted funds				
General fund	45,722	(333,827)	11,250	(276,855)
Restricted funds				
Public Health England grant	169,100	(56,361)	-	112,739
Endowment funds				
Wirral PCT	202,500	-	(11,250)	191,250
TOTAL FUNDS	<u>417,322</u>	<u>(390,188)</u>	<u>-</u>	<u>27,134</u>

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

	Incoming	Resources	Movement in
	resources	expended	funds
	£	£	£
Unrestricted funds			
General fund	6,525,745	(6,859,572)	(333,827)
Restricted funds			
Public Health England grant	-	(56,361)	(56,361)
TOTAL FUNDS	<u>6,525,745</u>	<u>(6,915,933)</u>	<u>(390,188)</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 2017

19. 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 2017 the percentage repayable would be 85% of the sale proceeds.

20. 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.

21. ULTIMATE CONTROLLING PARTY

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.

Kaleidoscope Project is the parent undertaking of both the largest and the smallest group for which group accounts have been drawn up. Copies of these consolidated accounts can be obtained from 28-38 Cromwell Road, Kingston Upon Thames, London, KT2 6RN.

Kaleidoscope projects principal activities are to support people with drug, alcohol and mental health issues so that they can have a brighter future in their communities.

ARCH INITIATIVES

Detailed Statement of Financial Activities for the Year Ended 31 March 2017

	31.3.17 £	31.3.16 £
INCOME AND ENDOWMENTS		
Donations and legacies		
Donations	30	-
Grants	-	178,000
	<u>30</u>	<u>178,000</u>
Other trading activities		
Miscellaneous income	65,581	68,609
Investment income		
Rents received	124,854	133,104
Deposit account interest	-	897
	<u>124,854</u>	<u>134,001</u>
Charitable activities		
Service level agreements	6,335,280	3,850,560
Other income		
Other income	-	35
	<u>-</u>	<u>35</u>
Total incoming resources	<u>6,525,745</u>	<u>4,231,205</u>
EXPENDITURE		
Charitable activities		
Wages	4,868,921	3,134,381
Hire of plant and machinery	6,584	8,539
Premises costs	369,886	252,230
Medical supplies	45,434	52,678
Catering costs	15,574	103,206
Training and staff costs	6,028	5,452
Office expenses	99,433	68,360
Travel & subsistence	111,981	75,282
Activities undertaken directly	-	1
Client costs	48,360	42,892
Registration fees	3,655	31,372
Exceptional items	257,254	-
	<u>5,833,110</u>	<u>3,774,393</u>
Material other expenditure		
Material other expenditure	-	389,106
Support costs		
Management		
Wages	451,191	639,903
Hire of plant and machinery	21,110	-
Premises costs	34,030	126,068
Licences & registration	2,286	63,438
Office expenses	205,506	123,913
Legal & professional fees	63,213	100,611
Audit & accountancy fees	4,900	-
Insurance, health & safety	77,103	-
Carried forward	859,339	1,053,933

This page does not form part of the statutory financial statements

ARCH INITIATIVES

Detailed Statement of Financial Activities for the Year Ended 31 March 2017

	31.3.17 £	31.3.16 £
Management		
Brought forward	859,339	1,053,933
Other staff costs	42,924	57,096
Consultancy and freelance	7,084	135,057
Marketing	-	75,993
Bank charges	-	13,047
Other professional fees	58,068	-
Depreciation of tangible and heritage assets	57,297	45,458
Impairment losses for tangible fixed assets	-	373,593
	<u>1,024,712</u>	<u>1,754,177</u>
Finance		
Travel & subsistence	58	-
Loss on sale of tangible fixed assets	52,053	-
	<u>52,111</u>	<u>-</u>
Governance costs		
Auditors' remuneration	6,000	6,000
	<u>6,915,933</u>	<u>5,923,676</u>
Total resources expended		
	<u>(390,188)</u>	<u>(1,692,471)</u>
Net expenditure		