

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

**Report of the Trustees and  
Financial Statements for the Year Ended 31 March 2018  
for**

**ARCH INITIATIVES**

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

## **ARCH INITIATIVES**

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## **ARCH INITIATIVES**

### **Report of the Trustees for the Year Ended 31 March 2018**

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 2018. 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 2017/18 continue to include the following:

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

#### **STRATEGIC REPORT**

##### **Achievement and performance**

###### *Charitable activities*

During 2017/18 ARCH Initiatives sought to move its services into Kaleidoscope. The North Wales and Birchwood Services were able to do this but Shropshire stayed as an Arch Service because of an objection from an outside agency about moving the service. In 2018 we also saw Bolton move to the Trafford Health Trust and the staff were successfully moved under TUPE with the support of the HR team.

ARCH Shropshire service was delighted to be chosen for the UK Recovery Walk for 2018.

##### **Future plans**

The aim of ARCH is to merge fully with Kaleidoscope although this will probably only be completed in 2019 to 2020 year. The services of ARCH should end by the close of the current financial year.

##### **Financial review**

###### *Financial position*

Income for the year to 31 March 2018 reduced to £4,904,863 from £6,525,745 in the previous year. This decrease was mainly due to the ending of our contracts in Bolton and Bradford and the transfer of the Birchwood service to our parent company Kaleidoscope Project.

The acquisition by Kaleidoscope enabled the charity to reduce its costs significantly so that it could operate more efficiently. As a result, total expenditure reduced to £4,728,707 from £6,915,933 in the previous year. This reduction in costs enabled the charity to produce an overall surplus of £176,156 compared to a loss in the previous year of £390,188.

## ARCH INITIATIVES

### Report of the Trustees for the Year Ended 31 March 2018

#### 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 2018 the charity had total funds of £203,290 of which comprises:

- A restricted fund of £92,797, which represents a capital grant awarded by Public Health England and is being amortised over 5 years as stipulated in the grant conditions;
- An endowment fund of £180,000 representing assets that must be held permanently by the charitable company;
- An unrestricted funds deficit of £69,507.

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

##### Principal funding sources

Principal funding sources during the period were for services providing advice, education and information on issues associated with substance misuse; treatment and support of individuals experiencing difficulties with stimulants, prescribed medication or a combination of these and alcohol a full range of services linked to Criminal Justice provision and residential in-patient detoxification. These services are provided under contracts with local authorities and criminal justice bodies.

##### Principal risks and uncertainties

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

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

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

Risk management is the responsibility of the trustees and, in recognition of this, the Board has decided that the services and beneficiaries of the charity will be best protected by entering into a full merger with its parent company, Kaleidoscope Project. This merger is scheduled to take place on 31 March 2019.

## **ARCH INITIATIVES**

### **Report of the Trustees for the Year Ended 31 March 2018**

#### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

##### **Governing document**

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

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

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

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

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

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

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

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

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

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

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

##### **Key management remuneration**

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

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

#### **REFERENCE AND ADMINISTRATIVE DETAILS**

##### **Registered Company number**

02812012 (England and Wales)

##### **Registered Charity number**

1024945

##### **Registered office**

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

## ARCH INITIATIVES

### Report of the Trustees for the Year Ended 31 March 2018

#### REFERENCE AND ADMINISTRATIVE DETAILS

##### Trustees

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

##### Chief Executive Officer

Martin Blakebrough

##### Auditors

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

#### STATEMENT OF TRUSTEES RESPONSIBILITIES

The trustees (who are also the directors of Arch Initiatives for the purposes of company law) are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

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

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

#### DISCLOSURE OF INFORMATION TO AUDITOR

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

#### AUDITORS

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

Report of the trustees, incorporating a strategic report, approved by order of the board of trustees, as the company directors, on 30.11.18 and signed on the board's behalf by:

  
D L Antebi - Trustee

## **Report of the Independent Auditors to the Members of Arch Initiatives**

### **Opinion**

We have audited the financial statements of Arch Initiatives (the 'charitable company') for the year ended 31 March 2018 which comprise the Statement of Financial Activities, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

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

### **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. The intention is for the assets and liabilities of the charitable company to be transferred to the Kaleidoscope Project on 31 March 2019.

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.

### **Other information**

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

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

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

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

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

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

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

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

## 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.

### Responsibilities of trustees

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

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

### Our responsibilities for the audit of the financial statements

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

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

### Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*G. Francis*

G Francis ACA FCCA (Senior Statutory Auditor)  
for and on behalf of O'Brien & Partners  
Chartered Accountants  
& Statutory Auditors  
Highdale House  
7 Centre Court  
Treforest Industrial Estate  
Pontypridd  
Rhondda Cynon Taff  
CF37 5YR

Date: 20.12.2018.



# **ARCH INITIATIVES**

## **Statement of Financial Activities (Incorporating an Income and Expenditure Account) for the Year Ended 31 March 2018**

	Notes	Unrestricted fund £	Restricted fund £	Endowment fund £	31.3.18 Total funds £	31.3.17 Total funds £
<b>INCOME AND ENDOWMENTS FROM</b>						
Donations and legacies	2	95	-	-	95	30
<b>Charitable activities</b>	5					
Drug treatments		4,803,811	-	-	4,803,811	6,335,280
Other trading activities	3	16,864	-	-	16,864	65,581
Investment income	4	84,093	-	-	84,093	124,854
<b>Total</b>		<u>4,904,863</u>	<u>-</u>	<u>-</u>	<u>4,904,863</u>	<u>6,525,745</u>
<b>EXPENDITURE ON</b>						
<b>Charitable activities</b>	6					
Drug treatments		4,702,865	19,942	-	4,722,807	6,915,933
Governance Costs		5,900	-	-	5,900	-
<b>Total</b>		<u>4,708,765</u>	<u>19,942</u>	<u>-</u>	<u>4,728,707</u>	<u>6,915,933</u>
<b>NET INCOME/(EXPENDITURE)</b>		<u>196,098</u>	<u>(19,942)</u>	<u>-</u>	<u>176,156</u>	<u>(390,188)</u>
<b>Transfers between funds</b>	18	<u>11,250</u>	<u>-</u>	<u>(11,250)</u>	<u>-</u>	<u>-</u>
<b>Net movement in funds</b>		<u>207,348</u>	<u>(19,942)</u>	<u>(11,250)</u>	<u>176,156</u>	<u>(390,188)</u>
<b>RECONCILIATION OF FUNDS</b>						
<b>Total funds brought forward</b>		<u>(276,855)</u>	<u>112,739</u>	<u>191,250</u>	<u>27,134</u>	<u>417,322</u>
<b>TOTAL FUNDS CARRIED FORWARD</b>		<u><u>(69,507)</u></u>	<u><u>92,797</u></u>	<u><u>180,000</u></u>	<u><u>203,290</u></u>	<u><u>27,134</u></u>

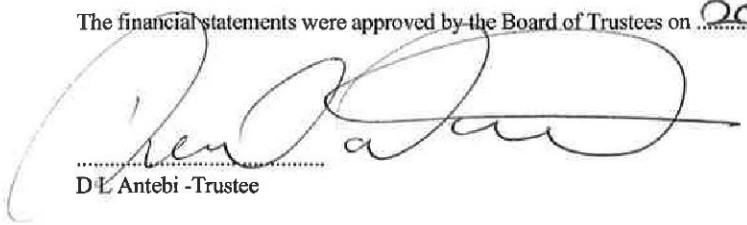
The notes form part of these financial statements

# ARCH INITIATIVES

## Balance Sheet At 31 March 2018

	Notes	Unrestricted fund £	Restricted fund £	Endowment fund £	31.3.18 Total funds £	31.3.17 Total funds £
<b>FIXED ASSETS</b>						
Tangible assets	12	2	79,776	-	79,778	554,410
<b>Investments</b>						
Investments	13	-	-	-	-	1
Investment property	14	1,081,905	-	191,250	1,273,155	818,465
		<u>1,081,907</u>	<u>79,776</u>	<u>191,250</u>	<u>1,352,933</u>	<u>1,372,876</u>
<b>CURRENT ASSETS</b>						
Debtors	15	218,052	-	-	218,052	318,049
Cash at bank and in hand		<u>205,302</u>	<u>13,021</u>	<u>(11,250)</u>	<u>207,073</u>	<u>107,557</u>
		423,354	13,021	(11,250)	425,125	425,606
<b>CREDITORS</b>						
Amounts falling due within one year	16	(1,574,768)	-	-	(1,574,768)	(1,771,348)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>(1,151,414)</u>	<u>13,021</u>	<u>(11,250)</u>	<u>(1,149,643)</u>	<u>(1,345,742)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(69,507)</u>	<u>92,797</u>	<u>180,000</u>	<u>203,290</u>	<u>27,134</u>
<b>NET ASSETS/(LIABILITIES)</b>		<u><u>(69,507)</u></u>	<u><u>92,797</u></u>	<u><u>180,000</u></u>	<u><u>203,290</u></u>	<u><u>27,134</u></u>
<b>FUNDS</b>	18					
Unrestricted funds					(69,507)	(276,855)
Restricted funds					92,797	112,739
Endowment funds					180,000	191,250
<b>TOTAL FUNDS</b>					<u><u>203,290</u></u>	<u><u>27,134</u></u>

The financial statements were approved by the Board of Trustees on 20.12.18. and were signed on its behalf by:

  
D E Antebi - Trustee

The notes form part of these financial statements

## ARCH INITIATIVES

### Notes to the Financial Statements for the Year Ended 31 March 2018

#### 1. ACCOUNTING POLICIES

##### **Basis of preparing the financial statements**

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

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

##### **Going Concern**

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

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

##### **Financial reporting standard 102 - reduced disclosure exemptions**

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

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

##### **Preparation of consolidated financial statements**

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

## ARCH INITIATIVES

### Notes to the Financial Statements - continued for the Year Ended 31 March 2018

#### 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 2018

#### 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

	31.3.18	31.3.17
	£	£
Donations	95	30
	<u>95</u>	<u>30</u>

#### 3. OTHER TRADING ACTIVITIES

	31.3.18	31.3.17
	£	£
Miscellaneous income	16,864	65,581
	<u>16,864</u>	<u>65,581</u>

#### 4. INVESTMENT INCOME

	31.3.18	31.3.17
	£	£
Rents received	84,093	124,854
	<u>84,093</u>	<u>124,854</u>

#### 5. INCOME FROM CHARITABLE ACTIVITIES

		31.3.18	31.3.17
	Activity	£	£
Service level agreements	Drug treatments	4,803,811	6,335,280
		<u>4,803,811</u>	<u>6,335,280</u>

# **ARCH INITIATIVES**

## **Notes to the Financial Statements - continued** **for the Year Ended 31 March 2018**

### **6. CHARITABLE ACTIVITIES COSTS**

	Direct costs	Support costs (See note 7)	Totals
	£	£	£
Drug treatments	4,384,211	338,596	4,722,807
Governance Costs	-	5,900	5,900
	<u>4,384,211</u>	<u>344,496</u>	<u>4,728,707</u>

### **7. SUPPORT COSTS**

	Management	Finance	Governance costs	Totals
	£	£	£	£
Drug treatments	338,595	1	-	338,596
Governance Costs	1,100	-	4,800	5,900
	<u>339,695</u>	<u>1</u>	<u>4,800</u>	<u>344,496</u>

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

			31.3.18	31.3.17
Drug treatments				
		Governance Costs		
	£	£	Total activities	Total activities
			£	£
Wages	53,034	-	53,034	451,191
Hire of plant and machinery	15,691	-	15,691	21,110
Premises costs	-	-	-	34,030
Licences & registration	318	-	318	2,286
Office expenses	205,100	-	205,100	205,506
Legal & professional fees	17,198	-	17,198	63,213
Audit & accountancy fees	2,820	-	2,820	4,900
Insurance, health & safety	24,082	-	24,082	77,103
Other staff costs	-	-	-	42,924
Professional fees	410	1,100	1,510	65,152
Depreciation of tangible and heritage assets	19,942	-	19,942	57,297
Travel	-	-	-	58
Loss on sale of tangible fixed assets	1	-	1	52,053
Auditors' remuneration	-	4,800	4,800	6,000
	<u>338,596</u>	<u>5,900</u>	<u>344,496</u>	<u>1,082,823</u>

## ARCH INITIATIVES

### Notes to the Financial Statements - continued for the Year Ended 31 March 2018

#### 8. NET INCOME/(EXPENDITURE)

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

	31.3.18	31.3.17
	£	£
Auditors' remuneration	4,800	6,000
Depreciation - owned assets	19,942	57,297
Hire of plant and machinery	15,691	27,694
Deficit on disposal of fixed asset	1	52,053
Write off of loan with Nightingale Social	-	257,254
	<u>-</u>	<u>257,254</u>

During the previous year, the Trustees 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 2018 nor for the year ended 31 March 2017.

##### **Trustees' expenses**

There were no trustees' expenses paid for the year ended 31 March 2018 nor for the year ended 31 March 2017.

# ARCH INITIATIVES

## Notes to the Financial Statements - continued for the Year Ended 31 March 2018

### 10. STAFF COSTS

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

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

	31.3.18	31.3.17
Direct charitable work	105	156
Administrative	8	25
	<u>113</u>	<u>181</u>

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

	31.3.18	31.3.17
£60,001 - £70,000	-	1
	<u>-</u>	<u>1</u>

There are no key management personnel as the charity is administered by key management personnel in Kaleidoscope Project (2017:remuneration of key management personnel in Arch Initiatives was £274,584).



# **ARCH INITIATIVES**

## **Notes to the Financial Statements - continued** **for the Year Ended 31 March 2018**

### **11. COMPARATIVES FOR THE STATEMENT OF FINANCIAL ACTIVITIES**

	Unrestricted fund £	Restricted fund £	Endowment fund £	Total funds £
<b>INCOME AND ENDOWMENTS FROM</b>				
Donations and legacies	30	-	-	30
<b>Charitable activities</b>				
Drug treatments	6,335,280	-	-	6,335,280
Other trading activities	65,581	-	-	65,581
Investment income	124,854	-	-	124,854
<b>Total</b>	<b>6,525,745</b>	<b>-</b>	<b>-</b>	<b>6,525,745</b>
<b>EXPENDITURE ON</b>				
<b>Charitable activities</b>				
Drug treatments	6,859,572	56,361	-	6,915,933
<b>Total</b>	<b>6,859,572</b>	<b>56,361</b>	<b>-</b>	<b>6,915,933</b>
<b>NET INCOME/(EXPENDITURE)</b>	<b>(333,827)</b>	<b>(56,361)</b>	<b>-</b>	<b>(390,188)</b>
<b>Transfers between funds</b>	<b>11,250</b>	<b>-</b>	<b>(11,250)</b>	<b>-</b>
<b>Net movement in funds</b>	<b>(322,577)</b>	<b>(56,361)</b>	<b>(11,250)</b>	<b>(390,188)</b>
<b>RECONCILIATION OF FUNDS</b>				
<b>Total funds brought forward</b>	<b>45,722</b>	<b>169,100</b>	<b>202,500</b>	<b>417,322</b>
<b>TOTAL FUNDS CARRIED FORWARD</b>	<b>(276,855)</b>	<b>112,739</b>	<b>191,250</b>	<b>27,134</b>

### **12. TANGIBLE FIXED ASSETS**

	Freehold property £	Fixtures and fittings £	Totals £
<b>COST</b>			
At 1 April 2017	530,905	335,822	866,727
Reclassification	(530,905)	-	(530,905)
At 31 March 2018	-	335,822	335,822
<b>DEPRECIATION</b>			
At 1 April 2017	76,215	236,102	312,317
Charge for year	-	19,942	19,942
Reclassification	(76,215)	-	(76,215)
At 31 March 2018	-	256,044	256,044
<b>NET BOOK VALUE</b>			
At 31 March 2018	-	79,778	79,778
At 31 March 2017	454,690	99,720	554,410

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

# **ARCH INITIATIVES**

## **Notes to the Financial Statements - continued** **for the Year Ended 31 March 2018**

### **13. FIXED ASSET INVESTMENTS**

	Shares in group undertakings £
<b>MARKET VALUE</b>	
At 1 April 2017	1
Disposals	(1)
	<hr/>
At 31 March 2018	-
	<hr/>
 <b>NET BOOK VALUE</b>	
At 31 March 2018	-
	<hr/>
At 31 March 2017	1
	<hr/>

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 09692328)**

Registered office: England and Wales

Nature of business: Catering services

	%		
Class of share:	holding		
Ordinary	100		
		31.3.18	31.3.17
		£	£
Aggregate capital and reserves		-	(78,024)
		<hr/>	<hr/>

The company was dissolved on 20 March 2018.

#### **Nightingale Social (Company number 10049991)**

Registered office: England and Wales

Nature of business: Catering services

	%		
Class of share:	holding		
Limited by guarantee - control	100		
		31.3.18	31.3.17
		£	£
Aggregate capital and reserves		-	(4,005)
Profit/(loss) for the year		-	(4,005)
		<hr/>	<hr/>

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 and was subsequently dissolved on 20 March 2018.

# **ARCH INITIATIVES**

## **Notes to the Financial Statements - continued for the Year Ended 31 March 2018**

### **14. INVESTMENT PROPERTY**

	£
<b>MARKET VALUE</b>	
At 1 April 2017	818,465
Reclassification	454,690
	<u>1,273,155</u>
At 31 March 2018	<u>1,273,155</u>
<b>NET BOOK VALUE</b>	
At 31 March 2018	<u>1,273,155</u>
At 31 March 2017	<u>818,465</u>

During the year the property at Bolton was transferred to investment properties to reflect their current status. The trustees are of the opinion that the remaining property has not materially changed within the year.

### **15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.3.18 £	31.3.17 £
Trade debtors	218,052	246,827
Prepayments and accrued income	-	71,222
	<u>218,052</u>	<u>318,049</u>

### **16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.3.18 £	31.3.17 £
Trade creditors	347,308	273,120
Amounts owed to group undertakings	1,122,342	890,260
Social security and other taxes	26,263	217,716
Accruals and deferred income	78,855	390,252
	<u>1,574,768</u>	<u>1,771,348</u>

### **17. LEASING AGREEMENTS**

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

	31.3.18 £	31.3.17 £
Within one year	154,475	178,248
Between one and five years	519,722	487,458
	<u>674,197</u>	<u>665,706</u>

# ARCH INITIATIVES

## Notes to the Financial Statements - continued for the Year Ended 31 March 2018

### 18. MOVEMENT IN FUNDS

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

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

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

### Comparatives for movement in funds

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

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

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

## ARCH INITIATIVES

### Notes to the Financial Statements - continued for the Year Ended 31 March 2018

#### 18. MOVEMENT IN FUNDS - continued

##### 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.

#### 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 2018 the percentage repayable would be 80% of the sale proceed (31 March 2017 - 85%)

#### 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

The ultimate controlling party is the Kaleidoscope Project.