

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

**Report of the Trustees and
Financial Statements
for the Year Ended 31 March 2021
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 (REGISTERED NUMBER: 02812012)

Report of the Trustees for the Year Ended 31 March 2021

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 2021. 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 2019).

OBJECTIVES AND ACTIVITIES

Objectives and aims

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

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

STRATEGIC REPORT

Achievement and performance

Charitable activities

During 2020/21, ARCH Initiatives held no contracts although its properties were leased by charitable or statutory authorities.

In Bolton, the NHS are currently the tenant whilst in the Wirral, Change Grow Live are our tenants. In July 2021 after the end of this financial year, one of ARCH's buildings in the Wirral was sold at a market value £571,500.

Financial review

Financial position

Income for the year to 31 March 2021 reduced to £101,274 from £194,013 in the previous year. This decrease was mainly due to the ending of a lease.

Total expenditure increased to £124,141 from £68,048 in the previous year, mainly due to an additional deficit contribution to the ARCH section of the Federated Pension Plan. This resulted in an overall deficit of £22,867 compared to a surplus in the previous year of £125,965 after net gains/losses on investments.

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 2021 the charity had total funds of £393,292 of which comprises:

- An endowment fund of £146,250 representing assets that must be held permanently by the charitable company;
- An unrestricted funds surplus of £247,042.

As stated in the previous years Trustees Report, plans remain to attempt to merge the company into Kaleidoscope if the situation with the ARCH pension fund and the endowment fund can be resolved.

Principal funding sources

Principal funding sources during the period were from tenants.

ARCH INITIATIVES (REGISTERED NUMBER: 02812012)

Report of the Trustees for the Year Ended 31 March 2021

STRATEGIC REPORT

Principal risks and uncertainties

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

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

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

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

Future plans

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

It is also the intention of the ARCH Board to find a buyer for the ARCH section of the Federated Pension Plan as soon as this is possible.

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 Group Chief Executive, who attends the Board of Trustee meetings. Arch Initiatives currently have no paid employees.

Key management remuneration

Arch Initiatives currently have no paid employees.

REFERENCE AND ADMINISTRATIVE DETAILS

Registered Company number

02812012 (England and Wales)

Registered Charity number

1024945

ARCH INITIATIVES (REGISTERED NUMBER: 02812012)

**Report of the Trustees
for the Year Ended 31 March 2021**

Registered office

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

Trustees

D L Antebi
S P Davison
Mrs F Rutter

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

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

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.

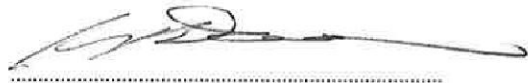
AUDITORS

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.

ARCH INITIATIVES (REGISTERED NUMBER: 02812012)

**Report of the Trustees
for the Year Ended 31 March 2021**

Report of the trustees, incorporating a strategic report, approved by order of the board of trustees, as the company directors, on
16-12-21..... and signed on the board's behalf by:



S P Davison - Trustee

**Report of the Independent Auditors to the Members of
Arch Initiatives (Registered number: 02812012)**

Opinion

We have audited the financial statements of Arch Initiatives (the 'charitable company') for the year ended 31 March 2021 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement 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 2021 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 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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

**Report of the Independent Auditors to the Members of
Arch Initiatives (Registered number: 02812012)**

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.

Report of the Independent Auditors to the Members of Arch Initiatives (Registered number: 02812012)

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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities including fraud and non-compliance with laws and regulations we have considered the following:

- (a) The nature of the industry and sector, control environment and business performance;
- (b) Results of the enquiries of management about their own identification and assessment of the risks of irregularities;
- (c) Any matters we have identified having obtained and reviewed the charitable company's documentation of their policies and procedures relating to:
 - (i) identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - (ii) detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - (iii) the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
 - (iv) the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- (a) Timing of recognition of income

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the charitable company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included UK Companies Act, employment law, health and safety, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the charitable company's ability to operate or to avoid a material penalty.

Audit response to risks identified

Our procedures to respond to risks identified included the following:

- (a) Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- (b) Enquiring of management concerning actual and potential litigation and claims;
- (c) Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- (d) In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

No instances of material non-compliance were identified. However, the likelihood of detecting irregularities, including fraud, is limited by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

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

**Report of the Independent Auditors to the Members of
Arch Initiatives (Registered number: 02812012)**

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

Use of our report

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

G. Francis.

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

Date: *21st December 2021.*

ARCH INITIATIVES

Statement of Financial Activities (Incorporating an Income and Expenditure Account) for the Year Ended 31 March 2021

	Notes	Unrestricted fund £	Restricted fund £	Endowment fund £	31.3.21 Total funds £	31.3.20 Total funds £
INCOME AND ENDOWMENTS FROM						
Investment income	2	95,249	-	-	95,249	126,332
Other income		6,025	-	-	6,025	67,681
Total		101,274	-	-	101,274	194,013
EXPENDITURE ON Charitable activities						
Drug treatments	3					
		124,141	-	-	124,141	68,048
NET INCOME/(EXPENDITURE)		(22,867)	-	-	(22,867)	125,965
Transfers between funds	13	29,050	(17,800)	(11,250)	-	-
Net movement in funds		6,183	(17,800)	(11,250)	(22,867)	125,965
RECONCILIATION OF FUNDS						
Total funds brought forward		240,859	17,800	157,500	416,159	290,194
TOTAL FUNDS CARRIED FORWARD		247,042	-	146,250	393,292	416,159

The notes form part of these financial statements

ARCH INITIATIVES (REGISTERED NUMBER: 02812012)

**Balance Sheet
31 March 2021**

	Notes	Unrestricted fund £	Restricted fund £	Endowment fund £	31.3.21 Total funds £	31.3.20 Total funds £
FIXED ASSETS						
Tangible assets	8	-	-	-	-	51,058
Investment property	9	975,463	-	146,250	1,121,713	1,070,655
		<u>975,463</u>	<u>-</u>	<u>146,250</u>	<u>1,121,713</u>	<u>1,121,713</u>
CURRENT ASSETS						
Debtors	10	-	-	-	-	9,750
Cash at bank and in hand		284,595	-	-	284,595	395,046
		<u>284,595</u>	<u>-</u>	<u>-</u>	<u>284,595</u>	<u>404,796</u>
CREDITORS						
Amounts falling due within one year	11	(912,016)	-	-	(912,016)	(1,099,350)
		<u>(912,016)</u>	<u>-</u>	<u>-</u>	<u>(912,016)</u>	<u>(1,099,350)</u>
NET CURRENT ASSETS		<u>(627,421)</u>	<u>-</u>	<u>-</u>	<u>(627,421)</u>	<u>(694,554)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		348,042	-	146,250	494,292	427,159
PROVISIONS FOR LIABILITIES	12	(101,000)	-	-	(101,000)	(11,000)
		<u>(101,000)</u>	<u>-</u>	<u>-</u>	<u>(101,000)</u>	<u>(11,000)</u>
NET ASSETS		<u>247,042</u>	<u>-</u>	<u>146,250</u>	<u>393,292</u>	<u>416,159</u>
FUNDS	13					
Unrestricted funds					247,042	240,859
Restricted funds					-	17,800
Endowment funds					146,250	157,500
					<u>393,292</u>	<u>416,159</u>
TOTAL FUNDS					<u>393,292</u>	<u>416,159</u>

The financial statements were approved by the Board of Trustees and authorised for issue on 16.12.21 and were signed on its behalf by:



S P Davison - Trustee

**Notes to the Financial Statements
for the Year Ended 31 March 2021**

Basis of preparing the financial statements

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

The charity has net current liabilities of £627,421 (2020 - £694,554). The trustees believe that there are sufficient future resources to be able to cover this position and therefore the accounts should be prepared on a going concern basis.

The charitable company 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':

- ## 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.

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

Income from other 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.

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.

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

Fixtures and fittings = 20% on reducing balance

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

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.

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

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.

ARCH INITIATIVES

Notes to the Financial Statements - continued for the Year Ended 31 March 2021

1. ACCOUNTING POLICIES - continued

Fund accounting

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. 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.

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.

Pension costs and other post-retirement benefits

The charity operates a defined benefit pension scheme. The scheme is a multi employer scheme and the details are shown in note 14.

2. INVESTMENT INCOME

	31.3.21 £	31.3.20 £
Rents received	95,249	126,332

3. CHARITABLE ACTIVITIES COSTS

	Direct Costs £	Support costs (see note 4) £	Totals £
Drug treatments	5,307	118,834	124,141

4. SUPPORT COSTS

	Management £	Finance £	Governance costs £	Totals £
Drug treatments	16,774	99,560	2,500	118,834

ARCH INITIATIVES

Notes to the Financial Statements - continued for the Year Ended 31 March 2021

4. SUPPORT COSTS - continued

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

	31.3.21 Drug treatments	31.3.20 Total activities
	£	£
Hire of plant and machinery	4,222	4,739
Office expenses	410	19,522
Legal & professional fees	9,690	25,260
Audit & accountancy fees	2,300	2,200
Bank charges	152	207
Depreciation of tangible and heritage assets	-	12,764
Pension deficit	99,560	-
Auditors' remuneration	2,500	2,500
	<u>118,834</u>	<u>67,192</u>

5. NET INCOME/(EXPENDITURE)

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

	31.3.21	31.3.20
	£	£
Auditors' remuneration	2,500	2,500
Depreciation - owned assets	-	12,764
Hire of plant and machinery	<u>4,222</u>	<u>4,739</u>

6. TRUSTEES' REMUNERATION AND BENEFITS

There were no trustees' remuneration or other benefits for the year ended 31 March 2021 nor for the year ended 31 March 2020.

Trustees' expenses

There were no trustees' expenses paid for the year ended 31 March 2021 nor for the year ended 31 March 2020.

7. STAFF COSTS

There are no staff employed as the charity is administered by Kaleidoscope Project.

8. TANGIBLE FIXED ASSETS

	Fixtures and fittings £
COST	
At 1 April 2020	335,822
Reclassification	<u>(51,058)</u>
At 31 March 2021	<u>284,764</u>
DEPRECIATION	
At 1 April 2020 and 31 March 2021	<u>284,764</u>
NET BOOK VALUE	
At 31 March 2021	<u>-</u>
At 31 March 2020	<u>51,058</u>

ARCH INITIATIVES

Notes to the Financial Statements - continued for the Year Ended 31 March 2021

9. INVESTMENT PROPERTY

	£
FAIR VALUE	
At 1 April 2020	1,070,655
Reclassification	51,058
	<u>1,121,713</u>
At 31 March 2021	<u>1,121,713</u>
NET BOOK VALUE	
At 31 March 2021	<u>1,121,713</u>
At 31 March 2020	<u>1,070,655</u>

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.3.21	31.3.20
	£	£
Trade debtors	-	9,750
	<u>-</u>	<u>9,750</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.3.21	31.3.20
	£	£
Trade creditors	1,023	1,235
Amounts owed to group undertakings	906,277	1,058,629
Accruals and deferred income	4,716	39,486
	<u>912,016</u>	<u>1,099,350</u>

12. PROVISIONS FOR LIABILITIES

A provision of £101,000 (2020 - £11,000) is being carried for the amount due on the Charity's defined benefit pension scheme. The details of the scheme are disclosed in note 14.

13. MOVEMENT IN FUNDS

	At 1.4.20 £	Net movement in funds £	Transfers between funds £	At 31.3.21 £
Unrestricted funds				
General fund	240,859	(22,867)	29,050	247,042
Restricted funds				
Public Health England grant	17,800	-	(17,800)	-
Endowment funds				
Wirral PCT	157,500	-	(11,250)	146,250
TOTAL FUNDS	<u>416,159</u>	<u>(22,867)</u>	<u>-</u>	<u>393,292</u>

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

	Incoming resources £	Resources expended £	Movement in funds £
Unrestricted funds			
General fund	101,274	(124,141)	(22,867)
TOTAL FUNDS	<u>101,274</u>	<u>(124,141)</u>	<u>(22,867)</u>

ARCH INITIATIVES

Notes to the Financial Statements - continued for the Year Ended 31 March 2021

13. MOVEMENT IN FUNDS - continued

Comparatives for movement in funds

	At 1.4.19 £	Net movement in funds £	Transfers between funds £	At 31.3.20 £
Unrestricted funds				
General fund	44,547	138,729	57,583	240,859
Restricted funds				
Public Health England grant	76,897	(12,764)	(46,333)	17,800
Endowment funds				
Wirral PCT	168,750	-	(11,250)	157,500
TOTAL FUNDS	<u>290,194</u>	<u>125,965</u>	<u>-</u>	<u>416,159</u>

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

	Incoming resources £	Resources expended £	Movement in funds £
Unrestricted funds			
General fund	194,013	(55,284)	138,729
Restricted funds			
Public Health England grant	-	(12,764)	(12,764)
TOTAL FUNDS	<u>194,013</u>	<u>(68,048)</u>	<u>125,965</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 2021

14. EMPLOYEE BENEFIT OBLIGATIONS

Arch Initiatives participates in The Mercer DB Master Trust (the scheme), formerly known as The Federation Pension Plan.

The scheme is a multi employer defined benefit scheme. In 2020 the Charity reported the results from their 2017 Actuarial valuation as the results for their 2020 valuation were not available at the time of the approval of the accounts. These amounts are shown in the comparative data below.

This year the Charity has been provided with the results of the 2020 Actuarial valuation and it is these results that are reflected in the financial statements. The overall provision at the year end is shown in note 12.

Actuarial Data 2020 valuation

Membership of the scheme is made up of no active members, 6 Deferred pensioners and 2 Retired pensioners giving a total of 8. Below is the data attributable by type of member:

Member	Description	5 April 2020	5 April 2017
	Total deferred pensions revalued to valuation date - (£)		
Deferred members	p.a.	6,808	6,256
Deferred members	Average age weighted by pension	44	41
Pensioners	Total pensions payable (£ p.a.)	2,103	1,893
Pensioners	Average age weighted by pension	68	65

The breakdown of the liability for 2020 is detailed below:

Description	2020 Valuation £'000s	2017 Valuation £'000s
Assets	234	227
Liabilities - Pensioners	(54)	(54)
Liabilities - Deferred members	(281)	(184)
Overall position	101	11
Funding level	70%	95%
Change in assets		£'000s
Value of assets at previous valuation date		227
Assumed return on assets		28
Contributions received (net of expenses)		-
Benefits paid		(6)
Difference between actual and assumed return on assets		(15)
Value of assets at current valuation date		234

The assets are split £230k Mobius Life - FPP Default fund (98%) and £4k net current assets (2%).

Overall the breakdown of the assets is 22% UK Equity, 22% Overseas Equity, 33% Government bonds, 2% cash and 22% Diversified growth.

Change in Technical provisions	£'000s
Value of past service liabilities at previous valuation date	238
Interest on the liabilities	31
Benefits paid	(6)
Actual inflation increases being lower than assumed	(3)
Impact of changes in financial conditions since previous valuation	51
Impact of proposed changes to statement of funding principles	24
Value of past service liabilities at current valuation date	335

Financial Assumptions - Summary of main financial assumptions at 5 April 2020 for Technical provisions

Pre retirement discount rate	Gilt curve +1.5% p.a.
Post retirement discount rate	Gilt curve +0.5% p.a.
RPI inflation	Inflation curve
CPI inflation	RPI - 0.75% p.a. until 2030 RPI
RPI pension increases	from that year
CPI pension increases	In line with RPI assumptions
Recovery plan return	In line with CPI assumptions
	Gilt curve +2.0% p.a.

ARCH INITIATIVES

Notes to the Financial Statements - continued for the Year Ended 31 March 2021

14. EMPLOYEE BENEFIT OBLIGATIONS - continued

Average Gilt Yield curve	0.69% p.a.
Average Inflation curve	2.71% p.a.

Demographic assumptions - for Technical provisions

Mortality - base table	115% of S3PxA
Mortality - future improvements	CMI 2019 [1.5%,S=7.5]
Proportions married	90% married for both males and females
	All members assumed to retire at normal retirement age.
	Members who are past their normal retirement are assumed to retire at the valuation date.
Age of retirement	50% of 3/80ths using current commutation factors for members without cash on top
Commutation	
Expenses	No allowance (funded by separate contributions by the employer)

Other Assumptions

	Assumed rate at last valuation (per annum)	Average rate during inter valuation period (per annum)
Investment returns - assumed for the purpose of the 2017 recovery plan	4.70%	1.93%
Revaluation up to retirement in line with RPI	3.50%	3.20%
in line with CPI	2.75%	2.37%
Pension increases in payment in line with RPI	3.50%	2.90%
in line with CPI	2.75%	2.02%

For the 2020 valuation the potential impacts of global pandemics and climate change have been considered. These included the following climate change shock scenario's:

Area of impact	Potential Impact
UK Long dated interest rate	-0.5% p.a.
Inflation	+0.5% p.a.
UK Life expectancy	-0.25 years
Equity market repricing	-15%
Diversified growth fund repricing	-7.5%

The overall liability on the scheme has been included and also disclosed in note 12.

Comparative Data from 2017 valuation

Membership of the scheme is made up of no active members, 6 Deferred pensioners and 2 Retired pensioners giving a total of 8.

Fund Account	£
Employer Contributions - Additional	21,190
Employer Contributions - Deficit funding	3,000
Employee Contributions	-
Transfers In	-
Other Income	-
Benefits paid - Pensions	(2,073)
Payment to and on account of leavers	-
Administration expenses - audit fees	(252)
Administration expenses - PPF Levy	(1,436)
Administration expenses - Trustee management fees	(19,776)
Net Additions from dealings with members	653
Investment Income - interest on cash deposits	5
Change in market Investments	(3,891)

ARCH INITIATIVES

Notes to the Financial Statements - continued for the Year Ended 31 March 2021

14. EMPLOYEE BENEFIT OBLIGATIONS - continued

Net returns on Investment	(3,886)
Net decrease in the fund during year	(3,222)
Statement of Net Assets available for Benefits	£
Pooled Investment Vehicles	229,631
AVC Investment	-
Total Net Investment	229,631
Current Assets	
Contributions due from employer in respect of deficit funding	250
Contributions due from employer in respect of additional funding	1,630
DIS contributions - cash balances	7,321
Current Liabilities	
Accrued Administration expenses	(5,196)
Tax payable	(14)
Net assets of the plan at end of year	233,622

The market value of the pooled investment vehicle is totally attributable to Monbius - FPP Default amounts totalling £229,631. The movements in the year were:

Pooled Investment Vehicles	£
Value at 6 April 2019	239,252
Purchases at cost	8,910
Sales proceeds	(14,640)
Change in market value	(3,891)
Value at 5 April 2020	229,631

The last full actuarial valuation, taking into account the present value of past service liabilities, was completed in 2017. In compiling these figures the assumptions used are noted below:

Pre retirement discount rate	4.7% per annum
Post retirement rate	2.2% per annum
Return on existing assets and new contributions over the deficit recovery period	4.7% per annum
Rate of inflation - RPI	3.5% per annum
Rate of inflation - CPI	2.75% per annum
Revaluation of pensions in deferment	2.75% and 3.5% per annum
Increases to pensions in payment	2.75% and 3.5% per annum

Rate of withdrawals	No allowance will be made for withdrawals from the section
Members taking transfer values	No allowance will be made for members taking transfer values from the section
Retirements	All members will be assumed to retire at their normal retirement date It is assumed that 50% of members who do not have a cash benefit will commute pension to provide a cash sum of 3n/80ths x salary, with a pension commuted on current rates. The current commutation factors are 12:1 but may change in the future.
Cash commutation	Any strains arising from ill health are assumed to be met by additional contributions from the employer.
Ill health retirements	No allowance will be made.
Mortality - pre retirement	The basis adopted for the valuation was: Base mortality table - 100% of the mortality rates in the standard tables S2PMA for males and S2PFA for females, projected to the valuation date in line with the approach below. Allowance for future improvements - CMI core projection model with a 1.25% per annum long term projected rate of improvement (CMI-2016 (1.25%) using a year of birth approach.
Mortality - post retirement	

ARCH INITIATIVES

Notes to the Financial Statements - continued for the Year Ended 31 March 2021

14. EMPLOYEE BENEFIT OBLIGATIONS - continued

	90% of members will be assumed to be married at retirement (or on earlier death). This proportion reduces each year after retirement based on the mortality assumptions relating to the spouse. This allowance is designed to cover all contingent dependants pensions (including non married partners and childrens pensions where applicable) rather than separate assumptions being made for such benefits.
Contingent dependants pensions	
Dependants ages	Males will be assumed to be three years older than females.
	There has not been any practice of granting discretionary benefits or increases in benefits under the section and consequently no allowance will be made for this.
Discretionary benefits	
	The actuarial method used in the calculation of the technical provisions will be the defined accrued benefits method.
Further calculation principles	
	Management and administration expenses will be paid as an additional amount based on an agreed formula. The employer will also pay amounts as needed to meet audit fees and the levies payable to the Pensions Regulator and the Pension Protection Fund.

The above assumptions generated the following position:

Present value of the past service liabilities for:	£
Deferreds	184,000
Pensioners	54,000
Expenses	-
Total Value of liabilities	(238,000)
Assets	227,000
Surplus/(Deficit)	(11,000)
Funding Level	95%

15. ULTIMATE PARENT COMPANY

The charity's parent company at the balance sheet date was Kaleidoscope Project (company number 05480423, charity number 1115017), a charitable company incorporated in the UK.

The parent's principal activities include the provision of holistic care and support services to those suffering due to poverty, age, infirmity, substance abuse or physical and mental hardship or distress.

Copies of group accounts are available from either Companies House or from the registered office at Resolven House, St Mellons Business Park, Fortran Road, St Mellons, Cardiff CF3 0EY.

The ultimate controlling party are the trustees of the parent company Kaleidoscope Project.

16. 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 2021 the percentage repayable would be 50% of the sale proceeds: £146,250 (2020 - £157,500)

Also included in Investment properties is a grant of £178,000 was awarded by Public Health England to pay for refurbishment and other assets at Birchwood and Argyle Street. All expenditure has been capitalised and the grant has been amortised over 5 years. The terms of reimbursement are that should either of the properties be sold within the period of amortisation, the residual value of the grant will be repaid to Public Health England. At 31 March 2021 the amount repayable would be £NIL (2020 - £17,800)

ARCH INITIATIVES

Notes to the Financial Statements - continued for the Year Ended 31 March 2021

17. 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.

18. POST BALANCE SHEET EVENTS

As noted in the Trustees report, the charitable company has sold one of its properties since the year end. The property is not related to either of the properties mentioned under contingent liabilities.

ARCH INITIATIVES

Detailed Statement of Financial Activities for the Year Ended 31 March 2021

	31.3.21 £	31.3.20 £
INCOME AND ENDOWMENTS		
Investment income		
Rents received	95,249	126,332
Other income		
Other income	6,025	67,681
Total incoming resources	<u>101,274</u>	<u>194,013</u>
EXPENDITURE		
Charitable activities		
Premises costs	5,307	201
Travel & subsistence	-	655
	<u>5,307</u>	<u>856</u>
Support costs		
Management		
Hire of plant and machinery	4,222	4,739
Office expenses	410	19,522
Legal & professional fees	9,690	25,260
Audit & accountancy fees	2,300	2,200
Bank charges	152	207
Depreciation of tangible and heritage assets	-	12,764
	<u>16,774</u>	<u>64,692</u>
Finance		
Pension deficit	99,560	-
Governance costs		
Auditors' remuneration	2,500	2,500
Total resources expended	<u>124,141</u>	<u>68,048</u>
Net (expenditure)/income	<u>(22,867)</u>	<u>125,965</u>