

Registered number: 06525659
Charity number: 1124673

FRIENDS THERAPEUTIC COMMUNITY TRUST
(A Company Limited by Guarantee)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019



FRIENDS THERAPEUTIC COMMUNITY TRUST
(A Company Limited by Guarantee)

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REFERENCE AND ADMINISTRATIVE DETAILS OF THE COMPANY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2019

Trustees

Paul Hodgkin, Clerk to the Trustees
Zoe Greening
Kathleen Hindle, Treasurer
Carole Thomas, Chair of School Governors
Elizabeth Roman
Peter Sorrell
Christopher Henson
Ecky Prolingheuer
Frances Prestidge (appointed 26 March 2019)
Robert Ashton (appointed 25 July 2019)

**Company registered
number**

06525659

**Charity registered
number**

1124673

Registered office

Glebe House
Shudy Camps
Cambridge
CB21 4QH

Senior staff

Peter Clarke, CEO
Peter Cox, Assistant Director Finance & Business Planning
Karen Parish, Clinical Director
Helen Potter, Assistant Director Milieu
Jeanette Hurworth, Head of Business Operations
Gemma Plumbly, Head of Education

Independent auditors

Peters Elworthy & Moore
Chartered Accountants
Statutory Auditors
Salisbury House
Station Road
Cambridge
CB1 2LA

Bankers

Barclays Bank plc
Cambridge Business Centre
28 Chesterton Road
Cambridge
CB4 3AZ

Investment advisors

Quilter Cheviot Limited
One Kingsway
London
WC2B 6AN

FRIENDS THERAPEUTIC COMMUNITY TRUST
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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 MARCH 2019

The Trustees present their annual report together with the audited financial statements of the charitable company for the year 1 April 2018 to 31 March 2019. The Trustees confirm that the Annual Report and financial statements of the charitable company comply with the current statutory requirements, the requirements of the charitable company's governing document and the provisions of the Statement of Recommended Practice (SORP), 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).

Since the company qualifies as small under section 383, the strategic report required of medium and large companies under The Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013 is not required.

OBJECTIVES AND ACTIVITIES

Objectives of the Trust

"To provide a therapeutic community for the treatment of children and young people who are unstable and maladjusted and in need of assistance.

To offer an emotionally secure and monitored environment which supports adolescent males who are a risk (emotionally and physically) to themselves, to children and to the wider community."

The Trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the aims and objectives and in planning future activities. In particular the Trustees consider how planned activities undertaken:

- are relative to the purpose of the Trust as set out in its governing document; and
- are the main activities undertaken in relation to those purposes.

Aims of the Trust

To provide and maintain one or more homes or hostels or communities in which children and young people in need of such assistance, may reside in conditions calculated to assist them to establish themselves in life as responsible members of society.

Over an average of two years, residents are encouraged to recognise and effectively reduce risks and threats. The aim is to assist them to learn how to maintain socially and legally acceptable standards of behaviour so that they can resume independent living in the future.

"The overall experience of young people are positive. They benefit from therapeutic care and on-site education. Young people have trusting relationships with the staff. the large staff team embodies the therapeutic approach and community ethos of the home. Relationships are forged from open and honest communication during which young people are challenged and encouraged to voice their opinions." – OFSTED Report 2019

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2019

Activities for achieving objectives

Our services include:

- A residential treatment service to address harmful sexual behaviour in older teenager males;
- An independence transition service to support our young people on their return to their own communities;
- An on-site school plus vocational education;
- Training and consultancy;
- Community based risk assessment; and
- Community based assessment and intervention work.

Subsidiaries

The Trust has a subsidiary company called Silvermill Training Ltd, which has been dormant during the year in question.

ACHIEVEMENTS AND PERFORMANCE

How do we know our beneficiaries benefit from our services?

The Trust has commissioned 10 years independent research into the effectiveness of the programme that we offer. This involved comparing those completing at Glebe House with a comparison group of similar offenders and following them for between 2 and 10 years post placement. The results have been published in 2014 and showed that a young person completing two years at Glebe House:

- Commits an average of 15 fewer violent or sexual crimes over the subsequent 5 years than the control group.
- Had a re-offending rate for any non-sexual crime 8 times lower than the comparison group.
- Had a 7 fold reduction in future sexual and non-sexual crime for the programme completers compared with a matched comparison group who were not placed with the service.

The Trust's innovative transitions project provides support to young people leaving our care by providing Circles of Support – trained volunteers and mentors – within their home area. As with our core program this project has been evaluated by the Institute of Criminology, Cambridge University.

It is remarkable for a small institution like ours to have such strong evidence for its effectiveness. It is very reassuring to be able to share this evidence about how effective the Trust's work is, with families, commissioners and regulators.

In addition to research, the Trust is regularly inspected under Regulation 44 of The Children's Homes (England) Regulations 2015 which requires an Annual Independent Assessment to be carried out. These inspections are outsourced to an independent reviewer and reflect requirements from OFSTED.

"I spoke to a parent and grandparent and they said that they found the staff in the home to be 'lovely and very supportive' of their child's behaviours. They said that the staff were very truthful and trusted them, and they were honest in what they say." - Independent Visitor Report January 2019

Any comments are responded to by the CEO and the completed document is passed to Trustees for consideration.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2019

Finally any resident can make use of complaints procedures whether it is The Trust's internal complaints procedure or a procedure belonging to external agencies, such as Coram Voice, their sponsoring Local Authority or OFSTED. This year there have been 15 such complaints.

An Independent Visitor from Coram Voice also visits Glebe House each month giving any resident the opportunity to talk about any concern he might have about his care at Glebe House.

Did we meet our Objectives for the year ended 31 March 2019?

The Trust's objectives for 2018/19 were:

1. Financial stability, balanced budgets and a review of the Cash Management and Investment Policy

Response – as the accounts show, we had an operating deficit last year. Analysing the market in which we operate showed that our prices in 2018 were too low especially when therapy, education, and transition supported are included.

In response the Trustees working with the Senior Management Team created a 4 year business plan which should deliver a balanced budget in 2019/20 and a surplus to allow some investment in 2020/21. As a result we have:

- Instituted new systems of internal financial and management control
- Set up internal budgets and a new system of cost control for each of our 4 internal teams (therapy, education, milieu/children's home, and transitions)
- Strengthened the Senior Management Team including promoting the Director to the new post of CEO and appointing a new Responsible Manager to handle the day-to-day running of the therapeutic community.
- Increased the fees we charge for placement.

We believe these changes represent a sound route to financial security.

2. Establish effective governance of the school

Response – Becoming a school required:

- All trustees to become school governors as well as trustees.
- The Trust to identify a Chair of Governors and established an Education Sub-Committee to undertake those tasks normally carried out by school governors and which are not held by the whole Board.
- The Trust to clarify which duties of a school governing body needed to be retained by the Trust Board and CEO (for example finance, recruitment, relationships with parents) and which needed to be held by Governors (for example pupil progress, the vision and ethos of the school, curriculum development). The Trust has completed these governance changes and established stronger lines of accountability between the Trust, the school and the education team within the overall Trust.

3. A Site Development Review to continue to be considered

Response – This remains an ongoing project.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2019

4. We aim to achieve a "Good" rating for the School

Response – The trust appointed a new Head of Education in September and has made a great deal of progress this year including:

- Setting up a more effective system of assessing progress against individual learning plan
- Braiding education into the culture of the whole trust
- Widening the curriculum on offer
- Increasing the number of qualifications achieved.

Our next OFSTED school inspection is due this autumn.

5. To agree strategic viability of the Second House and to establish a project development plan, if appropriate

Response – The development of future services is considered in year 3 and 4 of the Business Plan.

FINANCIAL REVIEW

Going concern

The Trust made a loss in the year ended 31 March 2019. This was financed out of free reserves which remain substantial. Our beneficiaries and our commissioners need the Trust to return to financial health and over the last year the trustees and the staff have made good progress to secure operational financial stability.

Chief among these has been to raise our fees to reflect the true cost of running the unique service on offer:

- A children's home rated as Good by OFSTED
- An exemplary residential therapeutic intervention that we know results in a significant reduction in future sexual and non-sexual crime.
- A school and educational environment that begins to repair some of the severe educational deficits that most of our young people have incurred over the years
- A unique 18 month transition programme to help our young people build on their achievements at Glebe House when they return to their own communities and the stresses of young adult life.

Just as important we now have a Senior Management Team responsible for their own individual budgets and focused on the need to achieve the stable occupancy (through securing referrals and preventing early leavers) on which our 4 year Strategic Business Plan is based.

Trustees remain keenly aware of the need to continue to focus on two key objectives:

- reaching a financial break even in 2019/20
- generating a financial surplus in 2020/21 that will enable us to further invest in our young people, to rebuild reserves, and deal with our pension deficit over the medium term.

In the light of the changes we have made and based on the budgets and forecasts that we have prepared it is reasonable to expect that the charitable company will continue operating for the foreseeable future. Accordingly the financial statements are made on a going concern basis.

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TRUSTEES' REPORT (continued)
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Income and results for the year

The main income stream of the Trust is from the charging of fees to Local Authorities for the residents placed on a two year programme. We are a not for profit organisation and therefore income goes to carrying out the aims of the charity.

Income from charitable activities was £2,260,468 compared to £2,071,999 the previous year. This has resulted from maintaining a stable level of residents with 1 month returning to breakeven level.

Other Income is received from donations and our investment portfolio. This generated further income of £71,044 of which £22,839 came from our investments (which performed below our target figure per annum of £30,000), but we look to our medium term return to level out this unexpected drop in performance.

The Trust incurred an operational loss of £199,655 (2018: £470,472). The improvement in operational performance has come about through an increase in fees enhanced with cost control.

The net movement in funds was a £518,655 loss for the year compared with an £82,376 gain in 2018. These results include Actuarial losses of £319,000 (last year Actuarial gain was £553,000).

The swing in Actuarial gains and losses are significant, and unforeseen however a historic review of the accounts shows that this is not uncommon, and symptomatic of defined benefit pension scheme. The pension scheme is discussed below.

Principal risks and uncertainties

Our funding and financial stability is dependent on maintaining a steady resident occupancy level. The fluctuations in occupancy level are always difficult to forecast accurately as this factor is dependent on referrals from Local Authorities and the funding difficulties which they are encountering. The Board is reassured that:

- As our new prices work through, the Trust should now be financial stable even at those times when we encounter short term low rates of occupancy.
- All staff are now much more focused on occupancy and dealing quickly with referrals.
- We have developed contingency plans to deal with any further decrease in income.

Reserves policy

Trustees intend that any reserve should be covered by readily realisable assets in preference to fixed assets and our reserve policy should be as advised by the Charity Commission.

The Trust's reserves policy requires a value equivalent to 9 months of budgeted expenditure which was £1,999k considering the 2019/20 budgeted figures.

The Trust has free reserves of £2,045k. The additional funds are held to ameliorate further operating losses until the effects of the strategic business plan come to fruition. During 2019/20 Trustees plan to review the reserve policy.

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Pensions

For many years the charity has had a defined benefit pension scheme operated through a Local Government Scheme based at Northampton. Like most defined benefit schemes run within the charity sector our pension fund is currently in deficit. As part of long term plans to deal with this deficit the Trust closed the plan to new staff. As of January 1st 2019 all new staff are offered a defined contribution pension scheme.

The closing liability of the charity's DB pension fund for the year ended 31 March 2019 was an increase of £409k on 2018. The liability now stands at £2.15m.

Like many organisations our defined benefit pension scheme presents a significant challenge for the Trust. Trustees continue to keep all options under review and intend to negotiate and implement a definitive solution with our pension provider over the long term.

Material investments policy

The Trust manages these investment risks by retaining Quilter Cheviot Investment Management as our expert advisors. The Trust does not make use of derivatives and similar complex financial instruments.

The Trustees have historically set a target of around £30,000 per annum to generate from our portfolio.

The Trustees have decided that at all times the Trust should only hold investments which are considered ethical investments by the Religious Society of Friends and as such will not invest in:

- Armaments
- Brewing/distilling and selling alcohol
- Gambling
- Tobacco manufacturing and retailing

The Trustees are carrying out a review of our Investment Policy during 2019/20 although any changes will not be made until Brexit uncertainties are more resolved.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2019

PLANS FOR FUTURE PERIODS

Future developments

In the next 12 months the Trust's objectives are:

1. **Finance:** for the Trust to deliver a financial strategy in line with the Business Plan that ensures both short-term financial viability and develops an investment strategy for the Trust to grow and develop its service. This strategy should identify resources to allow investment in the site, address the pension deficit issue and re-build reserves.
2. **Finance:** to develop a Budget and Accounting process that will enable the Trust to understand the true costs of the strands of activity through cost centres.
3. **Finance:** to establish a working group to develop and implement strategies for alternative income streams (grants, donations and legacies).
4. **School:** to establish and implement a Development Plan for the school to achieve a 'Good' rating at inspection.
5. **Children's Home:** to refine the Quality Assurance process addressing the bureaucratic shortfalls to achieve an 'Outstanding' rating.
6. **Therapy, Intervention and Treatment:** to refine the Quality Assurance process addressing the monitoring shortfalls in order to achieve a 'Good' rating from CQC.
7. **Operational Structure:** to refocus the Senior Management Team and to establish a functional Operational Managers Meeting with two key aims:
 - Deliver the 4 year strategic business plan, particularly financial stability
 - Continue to braid therapy and education through all aspects of the Trusts work
8. **Trust Development:** to develop a plan for future site and service development.
9. **Begin a multi-year programme to implement the Charity Commission's Code for Governance**
10. **Trustee Recruitment:** to undertake a skills audit and begin a recruitment drive to replace and extend the Trust Board.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2019

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution

The Trust is a registered charity and company, limited by guarantee. The registered charity number is 1124673.

Following the changes outlined in last year's annual report we have simplified the governance structure of the Trust by laying down the General Meeting made up of representatives from local Quaker meetings that had previously held overall responsibility for the Trust. This means that the Trust is now governed much like any other charity with ultimate responsibility simply lying with its trustees. During this change we also agreed that up to one third of trustees can now be non-Quakers. Experience since the change confirms the beneficial results of this simplification with clearer lines of accountability whilst retaining the benefits of still being a Quaker-led organisation.

Business continues to be conducted according to the Quaker business method and decisions are made in that spirit. Each month a Trustee, known as the Duty Trustee, visits Glebe House to carry out statutory responsibilities, now checking particular files and assessing practice against standards relevant to our being a registered School. That Trustee does these visits for a two month period before another Trustee takes on the responsibilities and reports on different standards.

Method of appointment or election of Trustees

A Nominations Committee, in accordance with the Governance Guidelines, considers nominations for new Trustees. It is the Nominations Committee which is responsible for the identification of potential Trustees. Trustees can only be appointed by The Trust's General Meeting which is held every October.

Currently we have a complement of ten Trustees as detailed on page 1 to the financial statements. Most Trustees serve for a period of two triennia.

On the 23 March 2019 Frances Prestidge was appointed as trustee and on the 25 July 2019 Robert was appointed as trustee.

On the 28 March 2019 Sue Brock-Hollinshead resigned as Clerk to the Trustees and as trustee.

Policies adopted for the induction and training of Trustees

Below is a list of the checks carried out on Trustees:

- Enhanced DBS check
- Prohibition Check
- Section 128 Check
- Overseas Check – we can only process this within a certain length of time of the person having lived or worked overseas (varies from country to country).

In addition, Trustees are required to complete suitable online safeguarding training or attend one of the Trust's own internal training programmes that are led and certified by a recognised external body.

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FOR THE YEAR ENDED 31 MARCH 2019

On occasion Trustees attend external courses to support their development in the role of governance. Additionally, The Trust has established a link with Cambridge Council for Voluntary Service (CCVS) which sends The Trust a monthly newsletter including a list of courses which we can attend. CCVS can also offer bespoke training for Trustees and those of us who have attended CCVS training courses have been impressed with the style of training and the content. Trustees can also attend other courses relevant to their governance role. Trustees' and Governors' expenses include course costs, travel to meetings and courses and met by the Trust.

We are now incorporating into our governance year an annual meeting with the Senior Management Team and Trustees each October. The focus of the meeting is likely to change year on year to broaden the Trustees' understanding of how strategic plans are implemented and for us to know senior staff better.

Key management personnel remuneration

The key management personnel of the Trust comprise the Trustees, the CEO, Clinical Director, Head of Business and Operations, Assistant Director of Care and Assistant Director of Finance and Business Planning.

The Board of Trustees sets the salary for the CEO and agrees any annual pay increases for the whole staff group. These are reviewed in line with the financial performance of the Trust and occupancy trends. In addition a Job Evaluation exercise is undertaken on a four year cycle.

Organisational structure and decision making

The Trustees meet six times a year for Trust Board business and receive reports on the work of the Trust and make strategic decisions affecting it. In addition, the Trustees meet for a Non-Business Day in February as mentioned above. The staff members routinely attending the bi-monthly Trustee Meetings are the Director and the Assistant Director (Finance and Business Planning).

Another bi-monthly meeting takes place with the membership of the Director, Assistant Director (Finance and Business Planning), Trustee Treasurer and Clerk to Trustees called the Finance and Planning Group. At this meeting current financial matters are reviewed, other topical matters are considered and items for the full Trustees' Meeting agenda are identified. Strategic thinking and proposals often emanate from this Group for fuller consideration.

Trustees are required to disclose all relevant interests and declare potential conflicts of interest at the bi monthly Trustees' Meeting which will be recorded in the Minutes.

This year we have substantially strengthened the governance and management of the Trust. This has included:

- Securing more dedicated management time by creating a CEO post free from responsibilities of day-to-day therapeutic responsibilities;
- Changing our internal accounts to create separate cost centres and budgets for each of the four main teams (therapy, education, children's home and transition home teams);
- Finalising the constitution of the school with clear demarcation of responsibilities held by the Board as opposed to the education team; and
- Appointing a new Clerk to trustees and a new trustee.

We have also reviewed how we monitor the whole range of governance issues over the year and in 2019/20 will institute a governance year schedule.

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TRUSTEES' REPORT (continued)
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Risk management

The Trustees actively review on a regular basis the major risks which the Trust faces and believe that maintaining reserves at an appropriate level, combined with an annual review of the controls over key financial systems, are providing sufficient resources in the event of adverse conditions. The Trustees confirm that they have also examined other operational and business risks faced by the Trust and have provided systems to mitigate such risks. These include "Strategies for Financial Management" and a "Cash Management and Investment Policy".

The Trustees annually use a risk assessment schedule, which covers all aspects of running the community, and have put in place measures that will minimise any impact on the organisation. The Senior Management Team holds particular accountabilities in these matters and the Risk Register is reviewed annually.

The Trust's principal risks and uncertainties include:

Activity	Hazard	Risk Control
Physical assets	Building damage	Maintenance strategy plan Insurance 24/7 staffing Contingency planning
Personnel	Loss of key senior staff	Contingency planning Organisational structure Team approach to task base Exit interviews
Governance	Trustee/ Director conflict	Inclusive strategic planning Trustee training Direct supervision
Operational	Service unable to meet demand	Strategic planning, training and staff CPD
Financial	Breakdown in financial control	Management monitoring and audit Financial controls policy Monthly review of balance sheet
Repute	Local community	Links between staff members Community and church Neighbourhood watch member Annual bonfire celebrations

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2019

Quaker Statement for Glebe House

The Friends Therapeutic Community Trust (FTCT), based at Glebe House was established in 1965 in response to the concern of a Quaker Probation Officer, Geoffrey Brogden. He had not been able to find an appropriate residential resource where intensive work with troubled and troubling young males took place. Now the focus is working with young males with histories of harmful sexual behaviour.

Glebe House works intensively as a therapeutic community, holding three community meetings a day. It also offers education, individual treatment programmes and independence training. The programme works with residents to assess and manage their own risk.

The Trust strives to maintain realistic prices that reflect the exceptional range of services we offer and the unusually strong evidence that these achieve statistically significant outcomes.

Information on fundraising practices

The Trust do not actively fundraise from the general public and do not make use any professional fundraisers.

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TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2019

TRUSTEES' RESPONSIBILITIES STATEMENT

The Trustees (who are also directors of Friends Therapeutic Community Trust for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they 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 these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting 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 operation.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and 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.

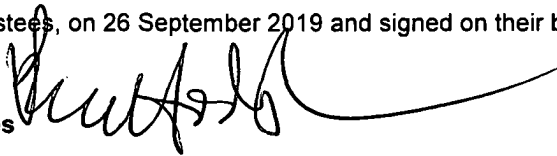
DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are Trustees at the time when this Trustees' Report is approved has confirmed that:

- so far as that Trustee is aware, there is no relevant audit information of which the charitable company's auditors are unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

This report was approved by the Trustees, on 26 September 2019 and signed on their behalf by:

Paul Hodgkin, Clerk to the Trustees



FRIENDS THERAPEUTIC COMMUNITY TRUST
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FRIENDS THERAPEUTIC COMMUNITY TRUST

Opinion

We have audited the financial statements of Friends Therapeutic Community Trust (the 'charitable company') for the year ended 31 March 2019 set out on pages 17 to 37. 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 United Kingdom and Republic of Ireland' ("FRS 102").

In our opinion the financial statements:

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

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FRIENDS THERAPEUTIC COMMUNITY TRUST

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 Auditors' Report 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 Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Trustees' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our 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 Trustees' Report.

We have nothing to report in respect of the following matters in relation to which 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; or
- the Trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Trustees' Report and from the requirement to prepare a Strategic Report.

Responsibilities of trustees

As explained more fully in the Trustees' Responsibilities Statement, 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.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FRIENDS THERAPEUTIC COMMUNITY TRUST

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.

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

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

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

Judith Coplowe (Senior Statutory Auditor)

for and on behalf of

Peters Elworthy & Moore

Chartered Accountants
Statutory Auditors

Salisbury House
Station Road
Cambridge
CB1 2LA
30 October 2019

FRIENDS THERAPEUTIC COMMUNITY TRUST
(A Company Limited by Guarantee)

STATEMENT OF FINANCIAL ACTIVITIES
(INCORPORATING INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 MARCH 2019

	Note	Unrestricted funds 2019 £	Restricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
INCOME FROM:					
Donations	2	11,975	30,000	41,975	38,693
Charitable activities	3	2,260,468	-	2,260,468	2,071,999
Other trading activities	4	6,230	-	6,230	7,147
Investments	5	22,839	-	22,839	18,505
TOTAL INCOME		2,301,512	30,000	2,331,512	2,136,344
EXPENDITURE ON:					
Raising funds	6,7	23,874	-	23,874	24,813
Charitable activities	8	2,503,832	30,000	2,533,832	2,579,003
TOTAL EXPENDITURE		2,527,706	30,000	2,557,706	2,603,816
NET (EXPENDITURE)/INCOME BEFORE INVESTMENT (LOSSES)/GAINS		(226,194)	-	(226,194)	(467,472)
Net gains/(losses) on investments	14	26,539	-	26,539	(3,152)
NET (EXPENDITURE) / INCOME BEFORE OTHER RECOGNISED GAINS AND LOSSES		(199,655)	-	(199,655)	(470,624)
Actuarial (losses)/gains on defined benefit pension schemes	21	(319,000)	-	(319,000)	553,000
NET MOVEMENT IN FUNDS		(518,655)	-	(518,655)	82,376
RECONCILIATION OF FUNDS:					
Total funds brought forward		1,334,898	22,243	1,357,141	1,274,765
TOTAL FUNDS CARRIED FORWARD		816,243	22,243	838,486	1,357,141

The notes on pages 20 to 37 form part of these financial statements.

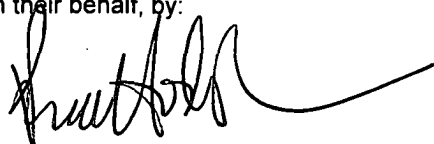
FRIENDS THERAPEUTIC COMMUNITY TRUST
(A Company Limited by Guarantee)
REGISTERED NUMBER: 06525659

BALANCE SHEET
AS AT 31 MARCH 2019

	Note	£	2019 £	£	2018 £
FIXED ASSETS					
Tangible assets	13		924,537		974,312
Investments	14		1,535,037		1,492,945
			<u>2,459,574</u>		<u>2,467,257</u>
CURRENT ASSETS					
Debtors	15	144,103		247,530	
Cash at bank and in hand		489,494		590,712	
		<u>633,597</u>		<u>838,242</u>	
CREDITORS: amounts falling due within one year	16	(101,685)		(204,358)	
NET CURRENT ASSETS			<u>531,912</u>		<u>633,884</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,991,486</u>		<u>3,101,141</u>
Defined benefit pension scheme liability	21		(2,153,000)		(1,744,000)
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u>838,486</u>		<u>1,357,141</u>
CHARITY FUNDS					
Restricted funds	17		22,243		22,243
Unrestricted funds:	17				
Unrestricted funds excluding pension liability		2,969,243		3,078,898	
Pension reserve		<u>(2,153,000)</u>		<u>(1,744,000)</u>	
Total unrestricted funds			<u>816,243</u>		<u>1,334,898</u>
TOTAL FUNDS			<u>838,486</u>		<u>1,357,141</u>

The company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the Trustees on 26 September 2019 and signed on their behalf, by:



Paul Hodgkin, Clerk to the Trustees

The notes on pages 20 to 37 form part of these financial statements.

FRIENDS THERAPEUTIC COMMUNITY TRUST
(A Company Limited by Guarantee)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Net cash used in operating activities	19	<u>(81,071)</u>	<u>(251,125)</u>
Cash flows from investing activities:			
Dividends, interest and rents from investments		22,839	18,505
Proceeds from the sale of tangible fixed assets		4,000	7,950
Purchase of tangible fixed assets		(31,433)	(85,040)
Net purchase of investments		<u>(15,553)</u>	<u>(17,178)</u>
Net cash used in investing activities		<u>(20,147)</u>	<u>(75,763)</u>
Change in cash and cash equivalents in the year		(101,218)	(326,888)
Cash and cash equivalents brought forward		<u>590,712</u>	<u>917,600</u>
Cash and cash equivalents carried forward	20	<u>489,494</u>	<u>590,712</u>

The notes on pages 20 to 37 form part of these financial statements.

FRIENDS THERAPEUTIC COMMUNITY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with 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) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Friends Therapeutic Community Trust meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

1.2 COMPANY STATUS

The company is a company limited by guarantee. The members of the company are the Trustees named on page 1. In the event of the company being wound up, the liability in respect of the guarantee is limited to £1 per member of the company.

1.3 GOING CONCERN

The Trust made a loss in the year ended 31 March 2019. This was financed out of free reserves which remain substantial. Our beneficiaries and our commissioners need the Trust to return to financial health and over the last year the trustees and the staff have made good progress to secure operational financial stability.

Chief among these has been to raise our fees to reflect the true cost of running the unique service on offer:

- A children's home rated as Good by Ofsted
- An exemplary residential therapeutic intervention that we know results in a significant reduction in future sexual and non-sexual crime.
- A school and educational environment that begins to repair some of the severe educational deficits that most of our young people have incurred over the years
- A unique 18 month transition programme to help our young people build on their achievements at Glebe House when they return to their own communities and the stresses of young adult life.

Just as important we now have a Senior Management Team responsible for their own individual budgets and focused on the need to achieve the stable occupancy (through securing referrals and preventing early leavers) on which our 4 year Strategic Business Plan is based.

Trustees remain keenly aware of the need to continue to focus on two key objectives:

- reaching a financial break even in 2019/20
- generating a financial surplus in 2020/21 that will enable us to further invest in our young people, to rebuild reserves, and deal with our pension deficit over the medium term.

In the light of the changes we have made and based on the budgets and forecasts that we have prepared it is reasonable to expect that the charitable company will continue operating for the foreseeable future. Accordingly the financial statements are made on a going concern basis.

FRIENDS THERAPEUTIC COMMUNITY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

1. ACCOUNTING POLICIES (continued)

1.4 INCOME

All income is recognised once the company has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Income from charitable activities includes fee income. Income in relation to fees is recognised as earned.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the company; this is normally upon notification of interest paid or payable by the Bank.

Gifts in kind donated for distribution are included at valuation and recognised as income when they are distributed to the projects. Gifts donated for resale are included as income when they are sold. Donated facilities are included at the value to the company where this can be quantified and a third party is bearing the cost. No amounts are included in the financial statements for services donated by volunteers.

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Investment income is recognised on a receivable basis.

Income tax recoverable in relation to investment income is recognised at the time the investment income is receivable.

Other income is recognised in the period in which it is receivable and to the extent the goods have been provided or on completion of the service.

FRIENDS THERAPEUTIC COMMUNITY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

1. ACCOUNTING POLICIES (continued)

1.5 EXPENDITURE

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, 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 classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Fundraising costs are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities. Support costs are those costs incurred directly in support of expenditure on the objects of the company. Governance costs are those incurred in connection with administration of the company and compliance with constitutional and statutory requirements.

Costs of generating funds are costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

Charitable activities and Governance costs are costs incurred on the company's educational operations, including support costs and costs relating to the governance of the company apportioned to charitable activities.

1.6 TANGIBLE FIXED ASSETS AND DEPRECIATION

All assets costing more than £1,500 are capitalised.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities incorporating Income and Expenditure Account.

Freehold land is not depreciated.

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	2% straight line
Building improvements	-	10% straight line
Motor vehicles	-	33.3% straight line
Fixtures and fittings	-	25% straight line
Computer equipment	-	25% straight line

FRIENDS THERAPEUTIC COMMUNITY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

1. ACCOUNTING POLICIES (continued)

1.7 INVESTMENTS

Fixed asset investments are a form of financial instrument and are initially recognised at their transaction cost and subsequently measured at fair value at the Balance Sheet date, unless fair value cannot be measured reliably in which case it is measured at cost less impairment. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading 'Gains/(losses) on investments' in the Statement of Financial Activities incorporating Income and Expenditure Account. Fixed asset investments includes cash held by the Charity as part of its ongoing investment activities for more than one year from the reporting date.

Investments in subsidiaries are valued at cost less provision for impairment.

1.8 OPERATING LEASES

Rentals under operating leases are charged to the Statement of Financial Activities incorporating Income and Expenditure Account on a straight line basis over the lease term.

1.9 DEBTORS

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

1.10 CASH AT BANK AND IN HAND

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

1.11 LIABILITIES AND PROVISIONS

Liabilities are recognised when there is an obligation at the Balance Sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the company anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.12 FINANCIAL INSTRUMENTS

The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

1.13 PENSIONS

The company operates a defined benefits pension scheme and the pension charge is based on a full actuarial valuation dated 31 March 2016.

FRIENDS THERAPEUTIC COMMUNITY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

1. ACCOUNTING POLICIES (continued)

1.14 FUND ACCOUNTING

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the company and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the company for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

1.15 CONSOLIDATION

The charity's subsidiary has remained dormant throughout the year. Consequently accounts for the charity alone have been prepared.

2. DONATIONS

	Unrestricted funds 2019 £	Restricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
Donations	11,975	30,000	41,975	38,693
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total 2018	8,693	30,000	38,693	
	<u> </u>	<u> </u>	<u> </u>	

3. INCOME FROM CHARITABLE ACTIVITIES

	Unrestricted funds 2019 £	Restricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
Glebe House	2,260,468	-	2,260,468	2,071,999
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total 2018	2,071,999	-	2,071,999	
	<u> </u>	<u> </u>	<u> </u>	

FRIENDS THERAPEUTIC COMMUNITY TRUST
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

4. FUNDRAISING INCOME

	Unrestricted funds 2019 £	Restricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
Income from solar panels	6,230	-	6,230	7,147
Total 2018	7,147	-	7,147	

5. INVESTMENT INCOME

	Unrestricted funds 2019 £	Restricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
Investment income	19,053	-	19,053	17,054
Interest received	3,786	-	3,786	1,451
	22,839	-	22,839	18,505
Total 2018	18,505	-	18,505	

6. FUNDRAISING EXPENDITURE

	Unrestricted funds 2019 £	Restricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
Printing / stationery and conference fees	21,577	-	21,577	22,640
Total 2018	22,640	-	22,640	

FRIENDS THERAPEUTIC COMMUNITY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

7. INVESTMENT MANAGEMENT COSTS

	Unrestricted funds 2019 £	Restricted funds 2019 £	Total funds 2019 £	Total funds 2018 £
Investment management fees	2,297	-	2,297	2,173
Total 2018	2,173	-	2,173	

8. ANALYSIS OF CHARITABLE EXPENDITURE BY ACTIVITIES

	Activities undertaken directly 2019 £	Support costs 2019 £	Total 2019 £	Total 2018 £
Glebe House	1,525,443	1,008,389	2,533,832	2,579,003
Total 2018	1,696,327	882,676	2,579,003	

In 2018 £30,000 of the charitable expenditure was restricted and £2,549,003 was unrestricted.

9. DIRECT COSTS

	Glebe House £	Total 2019 £	Total 2018 £
Net pension finance cost - note 21	48,000	48,000	57,000
Relapse prevention	2,209	2,209	4,393
Therapy	115,021	115,021	50,769
Residential milieu	152,869	152,869	160,700
Education and life skills	65,731	65,731	36,869
Independence training	8,197	8,197	9,090
Arts, sports and activities	20,786	20,786	17,624
Wages and salaries	749,889	749,889	923,663
National insurance	77,252	77,252	81,936
Pension cost	285,489	285,489	354,283
	1,525,443	1,525,443	1,696,327
Total 2018	1,696,327	1,696,327	

FRIENDS THERAPEUTIC COMMUNITY TRUST
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

10. SUPPORT COSTS

	Governance £	Other £	Total 2019 £	Total 2018 £
Motor vehicles	-	27,137	27,137	19,766
Premises	-	91,897	91,897	84,604
Other support costs	-	102,658	102,658	65,510
Administration	41,659	119,177	160,836	106,338
Wages and salaries	103,762	294,250	398,012	386,535
National insurance	9,552	23,879	33,431	34,247
Pension cost	35,395	77,815	113,210	107,860
Depreciation	-	81,208	81,208	77,816
	<u>190,368</u>	<u>818,021</u>	<u>1,008,389</u>	<u>882,676</u>
Total 2018	<u>163,525</u>	<u>719,151</u>	<u>882,676</u>	

All governance costs are attributable to Glebe House.

11. NET EXPENDITURE

This is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets: - owned by the charity	81,208	77,816
Auditors' remuneration - audit	8,000	5,600
Auditors' remuneration - other services	<u>2,800</u>	<u>1,830</u>

FRIENDS THERAPEUTIC COMMUNITY TRUST
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

12. STAFF COSTS, TRUSTEE REMUNERATION AND EXPENSES, AND COST OF KEY PERSONNEL

Staff costs were as follows:

	2019 £	2018 £
Wages and salaries	1,147,901	1,310,198
Social security costs	110,683	116,183
Other pension costs (Note 21)	398,699	462,143
	<u>1,657,283</u>	<u>1,888,524</u>

The average number of persons employed by the company during the year was as follows:

	2019 No.	2018 No.
Care and therapy	30	36
Administration	8	7
Support and maintenance	3	4
Education	7	3
	<u>48</u>	<u>50</u>

The number of higher paid employees was:

	2019 No.	2018 No.
In the band £60,001 - £70,000	1	1

The key management personnel of the charity comprise the Trustees, The Director, Clinical Director, Head of Business and Operations, Assistant Director of Care and Assistant Director of Finance and Business Planning. The total employment benefits including employer pension contributions and national insurance of key management personnel were £376,024 (2018 - £320,420).

The trustees were not paid nor received any other benefits from employment with the Trust in the year (2018 - £NIL). No trustee received payment for professional or other services applied to the charity (2018 - £NIL).

During the year ended 31 March 2019, travel and subsistence expenses totalling £5,426 were reimbursed to/or paid directly for 7 trustees (2018: £1,400 - 8 trustees).

FRIENDS THERAPEUTIC COMMUNITY TRUST
(A Company Limited by Guarantee)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

13. TANGIBLE FIXED ASSETS

	Freehold property and improve- ments £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
COST					
At 1 April 2018	1,506,596	84,778	124,612	16,409	1,732,395
Additions	-	22,490	6,303	2,640	31,433
Disposals	-	(19,995)	-	-	(19,995)
At 31 March 2019	1,506,596	87,273	130,915	19,049	1,743,833
DEPRECIATION					
At 1 April 2018	574,365	66,608	102,338	14,772	758,083
Charge for the year	55,879	15,047	9,241	1,041	81,208
On disposals	-	(19,995)	-	-	(19,995)
At 31 March 2019	630,244	61,660	111,579	15,813	819,296
NET BOOK VALUE					
At 31 March 2019	876,352	25,613	19,336	3,236	924,537
At 31 March 2018	932,231	18,170	22,274	1,637	974,312

14. FIXED ASSET INVESTMENTS

	Listed securities £	Long term deposits £	Total £
MARKET VALUE			
At 1 April 2018	644,313	848,632	1,492,945
Additions	37,687	-	37,687
Disposals (sales proceeds £30,211)	(28,302)	-	(28,302)
Revaluations	24,630	-	24,630
Movement for year	-	8,077	8,077
At 31 March 2019	678,328	856,709	1,535,037

The significance of financial instruments to the ongoing financial sustainability of the Trust is considered in the financial review and investment policy section of the Trustees' Annual Report.

The Trust holds the entire issued share capital in Silvermill Trading Limited. The subsidiary ceased trading in the year ended 31 March 2016 and the investment was fully impaired. The net assets of the subsidiary at 31 March 2019 and 31 March 2018 were £100.

FRIENDS THERAPEUTIC COMMUNITY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

15. DEBTORS

	2019 £	2018 £
Trade debtors	114,344	170,343
Prepayments and accrued income	29,759	77,187
	<u>144,103</u>	<u>247,530</u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Trade creditors	24,359	51,084
Other taxation and social security	25,071	27,495
Other creditors	28,168	34,057
Accruals	24,087	91,722
	<u>101,685</u>	<u>204,358</u>

17. STATEMENT OF FUNDS

STATEMENT OF FUNDS - CURRENT YEAR

	Balance at 1 April 2018 £	Income £	Expenditure £	Gains/ (Losses) £	Balance at 31 March 2019 £
UNRESTRICTED FUNDS					
General fund	3,078,898	2,301,512	(2,437,706)	26,539	2,969,243
Pension reserve	(1,744,000)	-	(90,000)	(319,000)	(2,153,000)
	<u>1,334,898</u>	<u>2,301,512</u>	<u>(2,527,706)</u>	<u>(292,461)</u>	<u>816,243</u>
RESTRICTED FUNDS					
Other restricted funds	3,386	-	-	-	3,386
Eastwood Cottage	7,950	-	-	-	7,950
Transition	3,457	-	-	-	3,457
Circles	7,450	30,000	(30,000)	-	7,450
	<u>22,243</u>	<u>30,000</u>	<u>(30,000)</u>	<u>-</u>	<u>22,243</u>
Total of funds	<u>1,357,141</u>	<u>2,331,512</u>	<u>(2,557,706)</u>	<u>(292,461)</u>	<u>838,486</u>

FRIENDS THERAPEUTIC COMMUNITY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

17. STATEMENT OF FUNDS (continued)

Restricted funds

Restricted funds comprise:

Other funds - These are smaller donations gratefully received for specific expenditure on activities and equipment.

Eastwood Cottage fund - Quaker Housing Trust grant for the purpose of Eastwood Cottage.

Transition - This fund has been established to help ex-residents in times of crisis or need.

Circles - This fund is used to fund a programme of rehabilitation of the residents on leaving Glebe House.

STATEMENT OF FUNDS - PRIOR YEAR

	Balance at 1 April 2017 £	Income £	Expenditure £	Gains/ (Losses) £	Balance at 31 March 2018 £
UNRESTRICTED FUNDS					
General fund	3,385,522	2,106,344	(2,409,816)	(3,152)	3,078,898
Pension reserve	(2,133,000)	-	(164,000)	553,000	(1,744,000)
	<u>1,252,522</u>	<u>2,106,344</u>	<u>(2,573,816)</u>	<u>549,848</u>	<u>1,334,898</u>
RESTRICTED FUNDS					
Other restricted funds	3,386	-	-	-	3,386
Eastwood Cottage	7,950	-	-	-	7,950
Transition	3,457	-	-	-	3,457
Circles	7,450	30,000	(30,000)	-	7,450
	<u>22,243</u>	<u>30,000</u>	<u>(30,000)</u>	<u>-</u>	<u>22,243</u>
Total of funds	<u><u>1,274,765</u></u>	<u><u>2,136,344</u></u>	<u><u>(2,603,816)</u></u>	<u><u>549,848</u></u>	<u><u>1,357,141</u></u>

FRIENDS THERAPEUTIC COMMUNITY TRUST
(A Company Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

18. ANALYSIS OF NET ASSETS BETWEEN FUNDS

ANALYSIS OF NET ASSETS BETWEEN FUNDS - CURRENT YEAR

	Unrestricted funds 2019 £	Restricted funds 2019 £	Total funds 2019 £
Tangible fixed assets	924,537	-	924,537
Fixed asset investments	1,535,037	-	1,535,037
Current assets	611,354	22,243	633,597
Creditors due within one year	(101,685)	-	(101,685)
Provisions for liabilities and charges	(2,153,000)	-	(2,153,000)
	<u>816,243</u>	<u>22,243</u>	<u>838,486</u>

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £
Tangible fixed assets	974,312	-	974,312
Fixed asset investments	1,492,945	-	1,492,945
Current assets	815,999	22,243	838,242
Creditors due within one year	(204,358)	-	(204,358)
Provisions for liabilities and charges	(1,744,000)	-	(1,744,000)
	<u>1,334,898</u>	<u>22,243</u>	<u>1,357,141</u>

19. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2019 £	2018 £
Net expenditure for the year (as per Statement of Financial Activities)	(199,655)	(470,624)
Adjustment for:		
Depreciation charges	81,208	77,816
(Gains)/loss on investments	(26,539)	3,152
Dividends, interest and rents from investments	(22,839)	(18,505)
Defined benefit pension scheme	90,000	164,000
Decrease/(increase) in debtors	103,427	(75,894)
(Decrease)/increase in creditors	(102,673)	76,880
(Profit)/loss on the sale of fixed assets	(4,000)	(7,950)
Net cash used in operating activities	<u>(81,071)</u>	<u>(251,125)</u>

FRIENDS THERAPEUTIC COMMUNITY TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

20. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2019	2018
	£	£
Cash	489,494	590,712
Total	489,494	590,712

21. PENSION COMMITMENTS

Employees of the charity participate in the Cambridgeshire County Council Pension Fund. The benefits provided by the Scheme are of the defined benefit type. The assets of the Fund are held in externally managed funds invested by professional investment managers. Participation in the Scheme is by virtue of the charity's status as an Admitted Body to the Fund.

The charity operates a Defined Benefit Pension Scheme.

The pension cost and provision for the year ended 31 March 2019 are based on the advice of a professionally qualified actuary. The most recent formal valuation is dated 31 March 2016. The purpose of this valuation was to examine the financial position of the Fund and to recommend the contribution rate to be paid by the charity and other participating employers in the Fund.

After allowing for the impact of the outcome of the McCloud case, the market value of the Trust's scheme assets were sufficient to cover 78% of the Trust's liabilities at the valuation date leaving a deficit of £2,153,000.

The contribution made for the year ended 31 March 2019 was £361,000. The agreed contribution rate for future years is 24.5%.

Surpluses and deficits, which arise at future valuations, may impact on the Charity's future contribution commitment.

The information required to comply with FRS102 was generated by the Scheme's Actuary. It is based on the future results of the full actuarial valuation carried out on 31 March 2019.

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2019	2018
Discount rate at 31 March	2.55 %	2.70 %
Future salary increases	2.00 %	2.00 %
Future pension increases	2.35 %	2.20 %

FRIENDS THERAPEUTIC COMMUNITY TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

21. PENSION COMMITMENTS (continued)

The assets in the scheme and the expected rates of return were:

	Fair value at 31 March 2019 £	Fair value at 31 March 2018 £
Equities	5,768,000	5,271,000
Debt instruments	911,000	890,000
Property	835,000	479,000
Cash	75,000	205,000
Total market value of assets	<u>7,589,000</u>	<u>6,845,000</u>

The actual return on scheme assets was £272,000 (2018 - £(114,000)).

The amounts recognised in the Statement of Financial Activities are as follows:

	2019 £	2018 £
Current service cost	(385,000)	(464,000)
Interest on obligation	(236,000)	(229,000)
Expected return on scheme assets	188,000	172,000
Past service cost	(18,000)	-
Total	<u>(451,000)</u>	<u>(521,000)</u>

Movements in the present value of the defined benefit obligation were as follows:

	2019 £	2018 £
Opening defined benefit obligation	8,589,000	8,616,000
Current service cost	385,000	464,000
Interest cost	236,000	229,000
Contributions by scheme participants	71,000	85,000
Actuarial losses/(gains)	591,000	(667,000)
Past service costs	18,000	-
Benefits paid	(148,000)	(138,000)
Closing defined benefit obligation	<u>9,742,000</u>	<u>8,589,000</u>

FRIENDS THERAPEUTIC COMMUNITY TRUST
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

21. PENSION COMMITMENTS (continued)

Changes in the fair value of scheme assets were as follows:

	2019 £	2018 £
Opening fair value of scheme assets	6,845,000	6,483,000
Expected return on assets	188,000	172,000
Actuarial (losses) and gains	272,000	(114,000)
Contributions by employer	361,000	357,000
Contributions by scheme participants	71,000	85,000
Benefits paid	(148,000)	(138,000)
	<u>7,589,000</u>	<u>6,845,000</u>

The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses was £(318,000) (2018 - £553,000).

The charity expects to contribute £387,000 to its Defined Benefit Pension Scheme in 2020.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

21. PENSION COMMITMENTS (continued)

Amounts for the current and previous period are as follows:

Defined benefit pension schemes

	2019 £	2018 £
Defined benefit obligation	(9,742,000)	(8,589,000)
Scheme assets	7,589,000	6,845,000
Deficit	(2,153,000)	(1,744,000)
Experience adjustments on scheme liabilities	(591,000)	667,000
Experience adjustments on scheme assets	272,000	(114,000)

MORTALITY ASSUMPTIONS

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.4	24.4
Future pensioners	24.0	26.3

HISTORIC MORTALITY

Life expectancies for the prior period end are based on the SAPS tables. The allowance for future life expectancies are shown below.

Period ended	Prospective Pensioners	Pensioners
31 March 2019	CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% pa	CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% pa

Mortality loadings were applied to the SAPS tables based on membership class.

COMMUTATION

An allowance is included for future retirements to elect to take 25% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 63% of the maximum tax-free cash for post-April 2008 service.

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NOTES TO THE FINANCIAL STATEMENTS
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22. OPERATING LEASE COMMITMENTS

At 31 March 2019 the total of the Charity's future minimum lease payments under non-cancellable operating leases was:

GROUP AND COMPANY	2019	2018
	£	£
AMOUNTS PAYABLE:		
Within 1 year	12,881	10,829
Between 1 and 5 years	25,850	27,135
Total	38,731	37,964

23. RELATED PARTY TRANSACTIONS

There were no related party transactions in the year.