

Company registered number : 06525659
Charity registered number: 1124673

FRIENDS THERAPEUTIC COMMUNITY TRUST

(A company limited by guarantee)

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

FRIENDS THERAPEUTIC COMMUNITY TRUST
(A company limited by guarantee)

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FRIENDS THERAPEUTIC COMMUNITY TRUST

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE COMPANY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2020**

Trustees	Paul Hodgkin, Clerk to the Trustees Zoe Greening Kathleen Hindle, Treasurer Carole Thomas, Chair of School Governors Elizabeth Roman Peter Sorrell Christopher Henson - Resigned 29 November 2019 Ecky Prolingheuer Frances Prestidge Robert Ashton - Appointed 25 July 2019
Company registered number	06525659
Charity registered number	1124673
Registered office	Glebe House Shudy Camps Haverhill CB21 4QH
Independent auditors	Peters, Elworthy & Moore Chartered Accountants Statutory Auditors Salisbury House Cambridge CB1 2LA
Bankers	Barclays Bank plc Cambridge Business Park 28 Chesterton Road Cambridge CB4 3AZ
Investment managers	Quilter Cheviot Limited One Kingsway London WC2B 6AN
Senior Staff	Peter Clarke, CEO Peter Cox, Assistant Director Finance and Business Planning Karen Parish, Clinical Director Helen Potter, Asststant Director Milieu, Jeanette Hurworth, Head of Business Operations Gemma Plumbly, Head of Education

FRIENDS THERAPEUTIC COMMUNITY TRUST

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TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2020

The Trustees present their annual report together with the audited financial statements of the Friends Therapeutic Community Trust for the year 1 April 2019 to 31 March 2020. The annual report serves the purposes of both a Trustees' report and a directors' report under company law. 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 (FRS102) (second edition - October 2019).

Since the company qualifies as small under section 382 of the Companies Act 2006, the strategic report required of medium and large companies under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 has been omitted.

OBJECTIVES AND ACTIVITIES

The Trustees have referred to the guidance contained in the SORP 2015. In particular the Trustees consider how the planned activities undertaken:

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

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 Charity's Aims, Achievements and Performance

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 the 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.

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
- Community based assessment and intervention work

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TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2020

How do we know our beneficiaries benefit from our services?

In accordance with the Charity Commission's general guidance on the provision of public benefit Trustees have considered the Trust's objectives and activities.

The Trust considers the public benefit of the work of the Trust as providing social inclusion and positive life-long trajectories for young people who have a history of damage and damaging experiences. Extreme Adverse Childhood experiences (ACE) increase the risk of future social, emotional and mental wellness issues. Without interventions that alter the likely trajectories the young people receiving services from the Trust are more likely to become marginalised, exploited and to exploit. This trajectory increases the likelihood of experiences in either the secure –estate or psychiatric facilities.

Breaking this cycle of abuse and abusing builds social capital and is likely to provide significant cost saving to the taxpayer over each individual's life cycle. This change is likely to have a positive effect on the individuals directly in receipt of the Charity's services and the unknown cohort that will have been protected from future victimisation. These benefits are supported by independent research.

Between 2002 and 2012 the Trust commissioned a long term follow up study of those young men leaving Glebe House. This was carried out by independent academics. The published results 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 comparison group
- Had a re-offending rate for any crime of 16% vs 44% for comparison
- 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 trusts innovative transitions project to support the young people leaving our care (evaluated by the Institute of Criminology, Cambridge University) evaluated the support offered to recent programme completers who used the Circles of Support and Accountability to manage their return to the wider community.

Such long-term outcome studies are very unusual and it is part of the Trust's commitment to effective outcomes that this research was commissioned. It is very reassuring to be able to share this evidence about how effective the Trust's work is, with families, commissioners, and regulators.

Subsidiaries

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

Developments over the last year

The trust had three main goals for the year ending March 2020.

1. Returning to profitability.

For several years the trust has been in deficit. Although there are adequate reserves we clearly need to return to profitability. To reverse this situation the Board and the Senior Management Team instituted a 4 year Strategic Recovery and Development Plan starting in January 2019.

2. Building a secure financial base for developing the trust over the next 5 years.

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TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2020

Reaching profitability alone is not sufficient to guarantee that we thrive. For that the trust seeks to

- Invest in its staff
- Rebuild its reserves
- Invest in its future
- Develop a 15 year plan to manage down the deficit on the trust's Defined Benefit Pension Scheme

The 4 Year Strategic Recovery and Development plan focuses on being able to commit funds to these targets over the financial years 2020-2023. Performance in the financial year 2019-20 indicated that the trust was on track to do this. Like most charities Covid-19 has brought significant difficulties to the immediate financial landscape but the Board remains reasonably confident that progress towards long term financial security, although delayed, is still on track. The impact of the pandemic mostly falls after the close of the financial year 2019-20 but is a significant influence at the time of writing the Annual Report. Since we know that how care providers are handling the pressures of Covid-19 will be a concern for many reading this report we have included an additional section on pages 6 and 7 showing the impact of the pandemic and the trust's response to it as of August 2020.

3. The final goal of the trust this year was to continue to improve the school. The school was registered as an Independent School with the Department of Education in 2017. Since that time it has received 2 Full Inspections. These showed significant improvements but it continues to be rated as 'Requires Improvement'. The Board is reasonably confident that the school will soon be rated as good for the following reasons:

- The Department of Education has now recognised the very particular nature of our young people. The Trust applied for a material change to become an Independent Special School. In July 2020 this material change was agreed. This should lead to the school being judged by much more appropriate criteria than the general school standards that had been applied before.

- We have made significant financial investment in the school which now equates to £33,480 per pupil.

Other significant achievements during the year included:

- the children's home judged as Good by Ofsted
- continued progress in braiding the school and the therapeutic regime together
- establishment of a defined contributions scheme for new employees. This is already helping to control the deficit on our defined benefit scheme

Financials

The Trust made a loss in the previous year ending 31 March 2019. This was financed out of free reserves which at £1.9million remain substantial. To address this situation the Board and the Senior Management Team instituted a 4 year Strategic Recovery and Development Plan starting in January 2019. This is the first full year operating under this Strategic Plan.

The strategic plan involved:

- defining our four key work areas (children's' home, therapy, school and the 'transition on leaving' support programme) as cost centres and allocating a budget to the senior manager responsible for each team.
- Streamlining senior management with the Director assuming a new role of Chief Executive, the Head of Therapy becoming the Registered Manager and the Senior Management Team meeting weekly to monitor and implement the plan.
- Controlling costs
- Increasing our prices to reflect the realistic costs of providing therapy, school, and transition on leaving, in addition to the costs of the children's home itself.
- Instituting much more comprehensive financial monitoring

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TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2020

The Board felt it was unrealistic to eliminate our deficit over a single year and aimed instead to:

- keep the loss this year to an absolute minimum
- ensure that the Trust returned a monthly surplus during the last financial quarter of the 2019-20.
- Establish a budget for 20/21 that would lead to a surplus by March 2021.

In this we were successful with December-March showing significant surplus. Overall our deficit for the year (before Actuarial gains/losses) was £63k of which £77k was due to Covid-19 related stock market volatility in the last quarter. Our unrestricted reserves as at March 2020 stood at £1,298,375.

Pensions

Around 40% of staff are now on our Defined Contribution private pension scheme. Over time this proportion will continue to rise due to staff turnover. The trust's overall pension costs are therefore now stable or falling slightly. It should be noted that in the short to medium term there is likely to continue to be significant market fluctuations related to the pandemic and that one consequence is likely to be a volatile pensions landscape.

Up to 31 March 2020 the deficit for our Defined Benefits Pension scheme stood at £1.7m compared to £2.1m in 2019. In the medium term the Board remains committed to working with the Pension fund to agree a way to pay this down.

Reserves policy

The Board's view is that reserves are there for times of unexpected financial pressure of which Covid-19 is certainly one. The Trust is fortunate to have significant reserves to call on should this be necessary. The Trust's reserves policy requires a value of 9 months of expenditure which was £1,914k considering the 2019/20 figures.

The trust has free reserves of £2,133k. The additional funds are held to ameliorate further operating losses that may arise from the unpredictability of:

- our portfolio (which saw substantial impact due to Covid-19 related shortages), and the uncertainty that surrounds Brexit
- our occupancy level (fees based) during the pandemic. The lead time for new residents is potentially subject to area lockdown criteria which may be implemented at any time.

The Trustees also want to be able to ensure that staffing levels and our quality of service is not compromised as a result of insufficient reserves to weather a difficult trading period, for as long as the pandemic should last.

Investment Policy

The Trust manages its 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 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 is their main area of activity
- Gambling
- Tobacco manufacturing and retailing is their main area of activity

In line with good governance practice Trustees have planned a review of the Trust's Investment Policy. Completing this has been postponed until the pandemic pressures have eased.

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TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2020

Risk Assessment and Management

The Trustees review the major risks which the charity faces on a regular basis. These risks are particularly high this year due to both Covid-19 and Brexit. The trust has introduced a new Risk Register this year to reflect these risks and to help Trustees and Senior Management Team to monitor the cross-cutting and often reinforcing risks of the Covid-19 and Brexit.

Trustees review Covid-related risks at every Board meeting.

The Trustees confirm that they have also examined the usual operational and business risks faced by the Charity and have provided systems to mitigate such risks. All risks are allocated across the Senior Management Team.

During 20/21 the Board will also maintain a specific emphasis on improving the school's Ofsted rating in order to minimise risks to our young people's education.

Looking forward: plans for 2020 and beyond

This annual report shows that the trust has finally begun to make a reasonable surplus and the budget we set for this current financial year included long overdue investments in staff and the physical estate. Sadly but unsurprisingly the disruption of lockdown has temporarily put paid to these.

However, the Board is reasonably confident that we will weather this storm. As we do so trustees are keen not only to pick up these deferred investments but also to undertake a significant review of where the trust fits in the new post-Covid, post-Brexit landscape. Our services are clearly still highly relevant – sadly probably even more so, after the pressures of lockdown. But the profiles of behaviour that bring vulnerable young people to us are changing with more cyber-based offences and more young people who have been brutalised by gang culture. So we need to ask ourselves how we can use our 60 years of experience to develop appropriate services for these times. How can we generate new income streams to help fund our work? How can we build new and innovative services and spread best practice? This will be a major part of our work in 2020/21.

Going Concern

Although we ended the year with an operational deficit (after investments) of £63k the Trust finished the year with a surplus of £475k (after Actuarial gains). The Board is pleased that the Strategic Business Plan is on track.

More importantly the Trust generated significant profits for the months December 19 - March 2020. This gives confidence that the Strategic Business Plan is on track to correct the Trust's previous years of deficit. In the absence of Covid-19 the Board is confident that the Trust would have reached substantial surplus during the current financial year enabling long overdue investments.

However, the Trust is aware that both Covid-19 and the potential for a Brexit have a negative effect on the economy and are factors that may affect short-term financial performance. Should they be required, we believe our reserves are sufficient to enable us to ride this storm.

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Update on Covid 19

Like all charities Covid-19 presents a range of challenges to the trust. Most of these occurred after the year-end but they will still influence our viability going forward. We have included this section in this year's Annual Report in order to help those interested in the Trust to assess how we are coping with Covid-19 as at August 2020.

Prior to the pandemic our strategic plans for 20/21 included:

- investment in our staff
- upgrade to facilities across the site including the construction of an all-weather Multi use Games Area to increasing opportunities for sport
- rebuilding our reserves after the last few years of decline

Unsurprisingly Covid-19 has forced a review of all activities across the trust. The trust formed an internal working group to assess all workstreams. Some 22% of staff were required to socially shield and were therefore prevented from coming to Glebe House. New working arrangements embraced by the staff team and much greater integration between education and therapy teams has been achieved. In addition all investment has been suspended, and the financial goals of the trust reviewed.

At the time of writing the Board and Chief Executive believe that the trust is somewhat better placed than many charities to weather the Covid storm because:

- Staff have responded magnificently to the challenges of Covid-19 offering flexibility, extended hours, acceptance of new responsibilities and much closer working between teams. Almost all furloughed staff are now back at work.
- The vast majority of our funding comes from services purchased by local authorities. Whilst Local Authorities are clearly under enormous financial pressures, sadly the need for the trust's services has not gone away and indeed may well have increased during lockdown. Currently referrals remain largely on track.
- Unlike many charities our funds are not 'restricted' to particular causes or campaigns. This gives the trust a high degree of internal financial flexibility
- Our beneficiaries are all at low risk of serious Covid-19 infection
- Should we end the year in deficit our reserves remain adequate to cover most eventualities.

In the light of the Covid-19 pandemic the trust has adopted the following objectives for the year ending March 2021:

- Keep our young people, staff, and trustees as safe as possible
- Maintain the standards of care, therapy, and education at the highest levels compatible with staff shortages due to Covid 19
- Maintain the financial health of the trust
- Develop plans for further development of the trust that are ready to be implemented as the pandemic ends.

To meet the challenges of Covid-19 the trust is:

- Monitoring referral patterns closely to ensure we have a steady stream of young people who can benefit from our services. Currently, despite some disruption to assessment processes, referrals are holding up reasonably well
- Monitoring costs tightly: For example, all discretionary spending and investment previously schedule for this year has been postponed.
- Increasing financial oversight: All department heads now hold their own budgets. The Chief Executive and Assistant Director of Finance model likely outturn against budget on a 2-4 weekly basis. All Covid related costs are held under a separate budget.

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- Maintaining a series of contingency plans for various scenarios including an epidemic amongst our young people; an epidemic amongst our staff; reducing single points of failure associated with key individuals going off sick.
- Monitoring our reserves closely. Most of our reserves are held as cash thus reducing somewhat the effect of Covid-19 induced stock market volatility on our balance sheet.
- Monitoring the possible effects of Brexit on the trust

Within these broad Covid-19 driven challenges the trust remains committed to providing our young people with:

- Outstanding clinical therapy
 - An emotionally warm and safe children's home environment.
 - An education in school that is committed to improvement.
- And to providing our staff with a safe, satisfying, and respectful work environment

STRUCTURE GOVERNANCE AND MANAGEMENT

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

- The Director moving to become Chief Executive
- The Board inviting members of the SMT to attend relevant sections of the agenda
- Each member of the Senior Management Team becoming a budget holder and managing this budget
- Continuing emphasis across senior management of the importance of the Trust generating a surplus whilst maintaining its traditional excellence across its services
- Recruiting a pro bono Educational Advisor to advise the Education Subcommittee.
- Beginning a round of trustee recruitment which we aim to complete by Winter 2021. This will bring up to 5 new trustees onto the Board and, for the first time, will include trustees who are not Quakers.

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.

Although the Trust is founded on the Quaker values of peace, simplicity, truth, equality, and sustainability Quakerism is not expected, taught, or necessarily observed within the Trust. In particular Glebe House School is not a faith school. Business continues to be conducted according to the Quaker business method and decisions are made in that spirit.

Policy and procedures for induction and training of Trustees

All trustees are also Governors of Glebe House school. The Education section of Board meetings constitutes the School Governing Body. These procedures are developed to reflect that safeguarding is at the centre of all the Trust activity.

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TRUSTEES' REPORT FOR THE YEAR ENDED 31 MARCH 2020

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 trusts own internal safeguarding programmes that are led and certified by a recognised external body.

We have now established an annual meeting with the Senior Management Team and Trustees into our governance year 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.

Organisational structure and how decisions are made

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. The members of the Senior Management Team routinely attend relevant sections of the Trustee Board's meetings.

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

Key management personnel remuneration

The Board of Trustees sets the salary for the Chief Executive Officer 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 being undertaken on a four year cycle.

Trust Responsibilities in Relation to the Financial statements

The Charity's Trustees are responsible for preparing a Trustees' annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The law applicable to charities in England and Wales requires the Charity's Trustees to prepare financial statements for each year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing the financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently.
- observe the methods and principles in the applicable Charities SORP;
- make judgements and estimates that are reasonable and prudent.
- state whether applicable accounting standards have been followed, subject to any material departures that must be disclosed and explained in the financial statements.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

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**TRUSTEES' REPORT
FOR THE YEAR ENDED 31 MARCH 2020**

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Charities Act 2011, the applicable Charities (Accounts and Reports) Regulations, and the provisions of the Trust Deed. They are also responsible for safeguarding the assets of the Charity and taking reasonable steps for the prevention and detection of fraud and other irregularities. The Trustees are responsible for the maintenance and integrity of the charity and financial information included on the Charity's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements.

Approved by the Trustees on and signed on their behalf by:



Paul Hodgkin

Clerk to Trustees

Date

21/12/2020

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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 2020 which comprise the Statement of financial activities, the balance sheet, the statement of cash flows and the related notes, 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, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 2020 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

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 we do not express any form of assurance conclusion thereon.

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INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF FRIENDS THERAPEUTIC COMMUNITY TRUST

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

We have nothing to report in respect of the following matters in relation to which 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.

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.

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INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF FRIENDS THERAPEUTIC COMMUNITY TRUST

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 trustees, 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 trustees 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

Judith Coplowe

Peters, Elworthy & Moore

Chartered Accountants

Statutory Auditors

Salisbury House

Cambridge

CB1 2LA

Date: *3 November 2020*

FRIENDS THERAPEUTIC COMMUNITY TRUST

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**STATEMENT OF FINANCIAL ACTIVITIES
(INCORPORATING INCOME AND EXPENDITURE ACCOUNTS)
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	Unrestricted funds 2020 £	Restricted funds 2020 £	Total funds 2020 £	Total funds 2019 £
INCOME FROM:					
Donations	4	10,787	-	10,787	41,975
Charitable Activities	5	2,526,189	-	2,526,189	2,260,468
Other trading activities	6	73	-	73	6,230
Investments	7	29,868	-	29,868	22,839
TOTAL INCOME		2,566,917	-	2,566,917	2,331,512
EXPENDITURE ON:					
Raising funds	6, 7	23,769	-	23,769	23,874
Charitable activities	8	2,521,530	7,450	2,528,980	2,533,832
TOTAL EXPENDITURE		2,545,299	7,450	2,552,749	2,557,706
NET (EXPENDITURE)/INCOME BEFORE INVESTMENT (LOSSES)/GAINS		21,618	(7,450)	14,168	(226,194)
Net (losses)/gains on investments	17	(77,486)	-	(77,486)	26,539
NET (EXPENDITURE)/INCOME BEFORE OTHER RECOGNISED GAINS AND LOSSES		(55,868)	(7,450)	(63,318)	(199,655)
Actuarial gains/(losses) on defined benefit pension schemes	24	538,000	-	538,000	(319,000)
NET MOVEMENT IN FUNDS		482,132	(7,450)	474,682	(518,655)
RECONCILIATION OF FUNDS:					
Total funds brought forward		816,243	22,243	838,486	1,357,141
TOTAL FUNDS CARRIED FORWARD		1,298,375	14,793	1,313,168	838,486

The notes on pages 17 to 32 form part of these financial statements.

FRIENDS THERAPEUTIC COMMUNITY TRUST

(A company limited by guarantee)

COMPANY REGISTERED NUMBER 06525659

**BALANCE SHEET
AS AT 31 MARCH 2020**

	Note	£	2020 £	£	Restated 2019 £
FIXED ASSETS					
Tangible assets	15		858,303		924,537
Investments	16		726,806		780,932
			<u>1,585,109</u>		<u>1,705,469</u>
CURRENT ASSETS					
Debtors	17	356,814		144,103	
Cash at bank and in hand		1,233,032		1,243,599	
			<u>1,589,846</u>	<u>1,387,702</u>	
CREDITORS: amounts falling due within one year	18	(168,787)		(101,685)	
NET CURRENT ASSETS			<u>1,421,059</u>		<u>1,286,017</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>3,006,168</u>		<u>2,991,486</u>
Defined benefit pension scheme liability	24		(1,693,000)		(2,153,000)
NET ASSETS INCLUDING PENSION SCHEME LIABILITIES			<u>1,313,168</u>		<u>838,486</u>
CHARITY FUNDS					
Restricted funds	19		14,793		22,243
Unrestricted funds:	19				
General reserves		2,991,375		2,969,243	
Pension reserves		(1,693,000)		(2,153,000)	
			<u>1,298,375</u>	<u>816,243</u>	
TOTAL FUNDS			<u>1,313,168</u>		<u>838,486</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 and signed on their behalf, by:



Paul Hodgkin, Clerk to the Trustees

Date: 21-10-2020

The notes on pages 17 to 32 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 2020**

		2020	Restated
	Note	£	2019
			£
Cash flows from operating activities			
Net cash used in operating activities	21	<u>(1,728)</u>	<u>(81,071)</u>
Cash flows from investing activities:			
Dividends, interest and rents from investments		29,868	22,839
Proceeds from the sale of tangible fixed assets		-	4,000
Purchase of tangible fixed assets		(15,347)	(31,433)
Net purchase of investments		(23,360)	(13,208)
Net cash generated from/(used in) investing activities		<u>(8,839)</u>	<u>(17,802)</u>
Change in cash and cash equivalents in the year		(10,567)	(98,873)
Cash and cash equivalents brought forward		1,243,599	1,342,472
Cash and cash equivalents carried forward	22	<u><u>1,233,032</u></u>	<u><u>1,243,599</u></u>

The notes on pages 17 to 32 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 2020

1 GENERAL INFORMATION

The Company is 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.

The presentational and functional presentation is GBP.

2 ACCOUNTING POLICIES

2.1 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) (second edition of Charities SORP (FRS 102) October 2019), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

2.2 GOING CONCERN

The Trust made a loss in the year ended 31 March 2020. 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 2021/22
- generating a financial surplus in 2022/23 that will enable us to further invest in our young

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 2020

2.3 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.

2.4 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.

FRIENDS THERAPEUTIC COMMUNITY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

2.5 TANGIBLE FIXED ASSETS

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

2.6 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.

2.7 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.

2.8 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

2.9 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.

FRIENDS THERAPEUTIC COMMUNITY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

2.10 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.

2.11 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.

2.12 PENSIONS

The company operates a defined benefits pension scheme and the pension charge is based on a full actuarial valuation dated 31 March 2019.

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

2.13 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.

3 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGMENT

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 23, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 March 2020. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

FRIENDS THERAPEUTIC COMMUNITY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

4 INCOME FROM DONATIONS AND LEGACIES

	Unrestricted funds 2020 £	Restricted funds 2020 £	Total funds 2020 £	Total funds 2019 £
Donations	10,787	-	10,787	41,975
	<u>10,787</u>	<u>-</u>	<u>10,787</u>	<u>41,975</u>
Total 2019	<u>11,975</u>	<u>30,000</u>	<u>41,975</u>	

5 INCOME FROM CHARITABLE ACTIVITIES

	Unrestricted funds 2020 £	Restricted funds 2020 £	Total funds 2020 £	Total funds 2019 £
Glebe House	2,526,189	-	2,526,189	2,260,468
	<u>2,526,189</u>	<u>-</u>	<u>2,526,189</u>	<u>2,260,468</u>
Total 2019	<u>2,260,468</u>	<u>-</u>	<u>2,260,468</u>	

6 FUNDRAISING INCOME

	Unrestricted funds 2020 £	Restricted funds 2020 £	Total funds 2020 £	Total funds 2019 £
Income from solar panels	73	-	73	6,230
	<u>73</u>	<u>-</u>	<u>73</u>	<u>6,230</u>
Total 2019	<u>6,230</u>	<u>-</u>	<u>6,230</u>	

7 INVESTMENT INCOME

	Unrestricted funds 2020 £	Restricted funds 2020 £	Total funds 2020 £	Total funds 2019 £
Investment income	23,306	-	23,306	19,053
Interest received	6,562	-	6,562	3,786
	<u>29,868</u>	<u>-</u>	<u>29,868</u>	<u>22,839</u>
Total 2019	<u>22,839</u>	<u>-</u>	<u>22,839</u>	

FRIENDS THERAPEUTIC COMMUNITY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

8 FUNDRAISING EXPENDITURE

	Unrestricted funds 2020 £	Restricted funds 2020 £	Total funds 2020 £	Total funds 2019 £
Printing / stationery and conference fees	<u>22,380</u>	-	<u>22,380</u>	<u>21,577</u>
Total 2019	<u>21,577</u>	-	<u>21,577</u>	

9 INVESTMENT MANAGEMENT COSTS

	Unrestricted funds 2020 £	Restricted funds 2020 £	Total funds 2020 £	Total funds 2019 £
Investment management fees	<u>1,389</u>	-	<u>1,389</u>	<u>2,297</u>
Total 2019	<u>2,297</u>	-	<u>2,297</u>	

10 ANALYSIS OF CHARITABLE EXPENDITURE BY ACTIVITIES

	Direct costs 2020 £	Support costs 2020 £	Total 2020 £	Total 2019 £
Glebe House	<u>1,578,990</u>	<u>949,990</u>	<u>2,528,980</u>	<u>2,533,832</u>
Total 2019	<u>1,525,443</u>	<u>1,008,389</u>	<u>2,533,832</u>	

In 2019 £30,000 of the charitable expenditure was restricted and £2,503,832 was attributable to unrestricted funds.

FRIENDS THERAPEUTIC COMMUNITY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

11 DIRECT COSTS

	Glebe House	Total 2020	Total 2019
	£	£	£
Net pension finance cost (note 22)	55,000	55,000	48,000
Relapse prevention	2,225	2,225	2,209
Therapy	29,839	29,839	115,021
Residential milieu	135,356	135,356	152,869
Education and life skills	55,672	55,672	65,731
Independence training	6,286	6,286	8,197
Arts, sports and activities	17,318	17,318	20,786
Wages and salaries	913,053	913,053	749,889
National insurance	85,945	85,945	77,252
Pension cost	278,296	278,296	285,489
	<u>1,578,990</u>	<u>1,578,990</u>	<u>1,525,443</u>
Total 2019	<u>1,525,443</u>	<u>1,525,443</u>	

12 SUPPORT COSTS

	Governance	Other	Total 2020	Total 2019
	£	£	£	£
Motor vehicles	-	23,467	23,467	27,137
Premises	-	120,714	120,714	91,897
Other support costs	-	68,723	68,723	102,658
Administration	33,489	107,102	140,591	160,836
Wages and salaries	101,932	255,905	357,837	398,012
National insurance	8,791	22,537	31,328	33,431
Pension cost	37,466	88,283	125,749	113,210
Depreciation	-	81,581	81,581	81,208
	<u>181,678</u>	<u>768,312</u>	<u>949,990</u>	<u>1,008,389</u>
Total 2019	<u>190,368</u>	<u>818,021</u>	<u>1,008,389</u>	

All governance costs are attributable to Glebe House.

13 NET INCOME/EXPENDITURE

	2020	2019
	£	£
Depreciation of tangible fixed assets:	81,581	81,208
Auditors' remuneration - audit	8,160	8,000
Auditors' remuneration - other services	<u>2,820</u>	<u>2,800</u>

FRIENDS THERAPEUTIC COMMUNITY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

14 STAFF COSTS

	2020	2019
	£	£
Wages and salaries	1,270,890	1,147,901
Social security costs	117,273	110,683
Other pension costs (note 22)	404,045	398,699
	<u>1,792,208</u>	<u>1,657,283</u>

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

	2020	2019
	No.	No.
Care and therapy	28	30
Administration	9	8
Support and Maintenance	6	3
Education	9	7
	<u>52</u>	<u>48</u>

The number of higher paid employees was:

	2020	2019
	No.	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 pensions contributions and national insurance of key management personnel were £402,690 (2019: £402,690).

The trustees were not paid nor received any other benefits from employment with the Trust in the year (2019: £nil). No trustee received payment for professional or other services applied to the Charity (2019: £nil).

During the year ended 31 March 2020, travel and subsistence expenses totalling £2,812 were reimbursed to/or paid for 6 trustees (2019: £5,426 - 7 trustees).

FRIENDS THERAPEUTIC COMMUNITY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

15 TANGIBLE FIXED ASSETS

	Freehold property and improve- ments £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
COST					
At 1 April 2019	1,506,596	87,273	130,915	19,049	1,743,833
Additions	-	-	-	15,347	15,347
At 31 March 2020	<u>1,506,596</u>	<u>87,273</u>	<u>130,915</u>	<u>34,396</u>	<u>1,759,180</u>
DEPRECIATION					
At 1 April 2019	630,244	61,660	111,579	15,813	819,296
Charge for the year	54,959	15,695	6,939	3,988	81,581
At 31 March 2020	<u>685,203</u>	<u>77,355</u>	<u>118,518</u>	<u>19,801</u>	<u>900,877</u>
NET BOOK VALUE					
At 31 March 2020	<u>821,393</u>	<u>9,918</u>	<u>12,397</u>	<u>14,595</u>	<u>858,303</u>
At 1 April 2019	<u>876,352</u>	<u>25,613</u>	<u>19,336</u>	<u>3,236</u>	<u>924,537</u>

16 FIXED ASSET INVESTMENTS

	Listed securities £	Long term deposits £	Total £
MARKET VALUE			
At 1 April 2019 (Restated)	678,328	102,604	780,932
Additions	148,334	-	148,334
Disposals (sales proceeds £131,185)	(120,253)	-	(120,253)
Revaluations	(88,418)	-	(88,418)
Movement for year	-	6,211	6,211
At 31 March 2020	<u>617,991</u>	<u>108,815</u>	<u>726,806</u>

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 Training Limited (06801690). The subsidiary ceased trading in the year ended 31 March 2016 and the investment was full impaired. The net assets of the subsidiary at 31 March 2020 and 31 March 2019 were £100.

FRIENDS THERAPEUTIC COMMUNITY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

17 DEBTORS

	2020 £	2019 £
Trade debtors	317,323	114,344
Prepayments and accrued income	39,491	29,759
	356,814	144,103

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £	2019 £
Trade creditors	27,203	24,359
Other taxation and social security	34,376	25,071
Other creditors	43,365	28,168
Accruals	63,843	24,087
	168,787	101,685

19 STATEMENT OF FUNDS

STATEMENT OF FUNDS - CURRENT YEAR

	Balance at 1 April 2019 £	Income £	Expenditure £	Gains/ (Losses) £	Balance at 31 March 2020 £
UNRESTRICTED FUNDS					
General fund	2,969,243	2,566,917	(2,467,299)	(77,486)	2,991,375
Pension reserve	(2,153,000)		(78,000)	538,000	(1,693,000)
	816,243	2,566,917	(2,545,299)	460,514	1,298,375
RESTRICTED FUNDS					
Other restricted funds	3,386	-	-	-	3,386
Eastwood Cottage	7,950	-	-	-	7,950
Transition	3,457	-	-	-	3,457
Circles	7,450	-	(7,450)	-	-
	22,243	-	(7,450)	-	14,793
Total of funds	838,486	2,566,917	(2,552,749)	460,514	1,313,168

FRIENDS THERAPEUTIC COMMUNITY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

Restricted funds

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 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 2020

20 ANALYSIS OF NET ASSETS

ANALYSIS OF NET ASSETS BETWEEN FUNDS - CURRENT YEAR

	Unrestricted funds 2020 £	Restricted funds 2020 £	Total funds 2020 £
Tangible fixed assets	858,303	-	858,303
Fixed asset investments	726,806	-	726,806
Current assets	1,575,053	14,793	1,589,846
Creditors due within one year	(168,787)	-	(168,787)
Provisions for liabilities and charges	(1,693,000)	-	(1,693,000)
	<u>1,298,375</u>	<u>14,793</u>	<u>1,313,168</u>

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

	Unrestricted funds 2019 £	Restricted funds 2019 £	Total funds 2019 £
Tangible fixed assets	924,537	-	924,537
Fixed asset investments	780,932	-	780,932
Current assets	1,365,459	22,243	1,387,702
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>

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

	2020 £	Restated 2019 £
Net expenditure for the year (as per Statement of Financial Activities)	(63,318)	(199,655)
Adjustment for:		
Depreciation charges	81,581	81,208
Loss/(gain) on investments	77,486	(26,539)
Dividends, interest and rents from investments	(29,868)	(22,839)
Defined benefit pension scheme	78,000	90,000
(Increase)/decrease in debtors	(212,711)	103,427
Increase/(decrease) in creditors	67,102	(102,673)
(Profit)/loss on the sale of fixed assets	-	(4,000)
Net cash used in operating activities	<u>(1,728)</u>	<u>(81,071)</u>

FRIENDS THERAPEUTIC COMMUNITY TRUST
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

22 ANALYSIS OF CASH AND CASH EQUIVALENTS

	2020 £	Restated 2019 £
Cash	1,233,032	1,243,599
Total	<u>1,233,032</u>	<u>1,243,599</u>

23 ANALYSIS OF NET DEBT

	At 1 April 2019	Cash Flows	At 31 March 2020
Cash at bank and in hand	1,243,599	(10,567)	1,233,032

24 PENSION COMMITMENTS

The company has two pension schemes, a defined contribution scheme and the Local Government Pension scheme, a defined benefit scheme which is now closed to new members of staff.

The assets of the defined contribution pension scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £2,651 (2019 - £nil) were payable to the fund at the year end and are included in creditors.

Local Government Pension Scheme

Employees of the charity participate in the Cambridgeshire County Council Pension Fund. The LGPS is a funded defined benefit pension scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 March 2020 was £424,000 (2019: £432,000), of which employer's contributions totalled £359,000 (2019: £361,000) and employees' contributions totalled £65,000 (2019: £71,000). The agreed contribution rates for future years are 24.5 per cent for employers and 6 per cent for employees.

As instructed, an estimate McCloud judgement allowance has been added to the formal valuation results so the impact is continued to be included within the balance sheet at 31 March 2020 (as per the 2019 accounting approach).

Principal actuarial assumptions	2020	2019
Discount rate at 31 March	2.4%	2.6%
Future salary increases	2.0%	2.0%
Future pension increases	2.0%	2.4%

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24 PENSION COMMITMENTS (cont.)

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	Males		Females	
	2020	2019	2020	2019
Retiring today	22.0	22.4	24	24.4
Retiring in 20 years	22.7	24.0	25.5	26.3

Sensitivity analysis	2020	2019
	£	£
Real Discount Rate -0.5% (2019: -0.5%)	964,000	1,126,000
Salary Increase Rate +0.5% (2019: +0.5%)	52,000	95,000
Pension Increase Rate (CPI) +0.5% (2019: +0.5%)	908,000	1,021,000

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

	2020	2019
	£	£
Equities	4,909,000	5,768,000
Debt instruments	866,000	911,000
Property	1,227,000	835,000
Cash	217,000	75,000
Total market value of assets	<u>7,219,000</u>	<u>7,589,000</u>

The actual return on the scheme assets was £(805,000) (2019 - £272,000).

Amounts recognised in the Statement of Financial Activities

	2020	2019
	£	£
Current service cost	(382,000)	(385,000)
Interest on obligation	(252,000)	(236,000)
Expected return on scheme assets	197,000	188,000
Past service cost	-	(18,000)
Total	<u>(437,000)</u>	<u>(451,000)</u>

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24 PENSION COMMITMENTS (cont.)

Movements in the present value of the defined benefit obligation

	2020 £	2019 £
Opening defined benefit obligation	9,742,000	8,589,000
Current service cost	382,000	385,000
Interest cost	252,000	236,000
Contributions by scheme participants	65,000	71,000
Actuarial (gains)/losses	(1,343,000)	591,000
Past service costs	-	18,000
Benefits paid	(186,000)	(148,000)
Closing defined benefit obligation	<u>8,912,000</u>	<u>9,742,000</u>

Changes in the fair value of scheme assets

	2020 £	2019 £
Opening fair value of scheme assets	7,589,000	6,845,000
Expected return on assets	197,000	188,000
Actuarial (losses) and gains	(805,000)	272,000
Contributions by employer	359,000	361,000
Contributions by scheme participants	65,000	71,000
Benefits paid	(186,000)	(148,000)
Closing fair value of scheme assets	<u>7,219,000</u>	<u>7,589,000</u>

25 OPERATING LEASE COMMITMENTS

At 31 March 2020 the total of the Charity's future minimum lease payments under non-cancellable operating leases was:

GROUP AND COMPANY AMOUNTS PAYABLE:	2020 £	2019 £
Within 1 year	10,745	12,881
Between 1 and 5 years	15,105	25,850
Total	<u>25,850</u>	<u>38,731</u>

26 RELATED PARTY TRANSACTIONS

There were no related party transactions in the year.

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NOTES TO THE FINANCIAL STATEMENTS
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27 POST BALANCE SHEET EVENTS

The Charity has been monitoring the impact that Covid-19 and reviewed the activities across the trust. Since year end, almost all staff have returned to work, costs have been monitored closely and the investments market value has increased from the year end valuation. As a large proportion of reserves are held as cash, this reduces some of the financial pressure caused by Covid-19.

28 PRIOR YEAR RESTATEMENT

The prior year has been restated following the incorrect classification of some cash balances as investments. These balances fall under the category of cash and cash equivalents and as such figures have been restated.

There has been no change to reserves; it is purely presentational.